

MICRO-MECHANICS (HOLDINGS) LTD

Unaudited Full Year Financial Statements Announcement for the year ended 30/06/2014

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	Group FY2014 S\$	Group FY2013 S\$	Change
Revenue	(1)	43,856,663	39,153,401	12.0%
Cost of sales	(2)	(21,620,580)	(19,945,541)	8.4%
Gross profit		22,236,083	19,207,860	15.8%
Other income	(3)	1,008,342	803,755	25.5%
Distribution costs	(4)	(3,160,343)	(3,011,788)	4.9%
Administrative expenses		(7,649,289)	(7,481,599)	2.2%
Other operating expenses	(5)	(2,689,686)	(2,613,011)	2.9%
Profit from operations		9,745,107	6,905,217	41.1%
Finance costs		-	-	-
Profit before income tax	(6)	9,745,107	6,905,217	41.1%
Income tax expense	(7)	(2,004,861)	(1,780,471)	12.6%
Profit after tax		7,740,246	5,124,746	51.0%
Non-controlling interests		-	-	-
Profit for the year		7,740,246	5,124,746	51.0%
Statement of Comprehensive Income				
Profit for the year		7,740,246	5,124,746	51.0%
Other comprehensive income:				
Foreign currency translation differences for foreign operations, net of tax		(397,149)	3,686	n.m.
Total comprehensive income for the year		7,343,097	5,128,432	43.2%

n.m.: Not meaningful

Notes:

- (1) Please refer to section 8 of this announcement for an analysis of the Group's revenue.
- (2) Cost of sales increased in line with sales and includes a provision of S\$191k for asset impairment at our factory in the USA, a review of which was carried out, due to continued losses there. Production headcount reduced to 313 in FY2014 from 318 in FY2013.

(3) Other income consists of:

	FY2014 S\$	FY2013 S\$	Change
Gain on disposal of property, plant and equipment	41,761	517,215	(91.9%)
Gain on disposal of assets held for sale	279,656	-	n.m.
Interest income	113,106	86,845	30.2%
Rental income	119,318	-	n.m.
Government grant –Skills Redevelopment, Wage Credit, Business Continuity and Capability Development Scheme	219,811	32,985	566.4%
Exchange gain	73,628	17,555	319.4%
Others	161,062	149,155	8.0%

(4) Please refer to section 8 of this announcement for an analysis of the Group's distribution expenses.

(5) Please refer to section 8 of this announcement for an analysis of the Group's other operating expenses.

(6) Profit before taxation includes the following expenses:

	FY2014 S\$	FY2013 S\$	Change
Trade receivables written off	7,777	-	n.m.
Depreciation of property, plant and equipment	4,332,807	4,301,827	0.7%
Inventories written off	98,086	72,260	35.7%
Impairment loss of plant and equipment	191,115	-	n.m.

(7) Tax expense for FY2014 totaled S\$2.0 million. Of this amount, S\$326k was incurred as dividends from its subsidiaries were remitted to the Group. Although the Group's total tax expense increased 12.6% over the previous year, the effective tax rate for FY2014 declined to 20.6% from 25.8% for FY2013.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Note	Group 30 Jun 14 S\$	Group 30 Jun 13 S\$	Company 30 Jun 14 S\$	Company 30 Jun 13 S\$
Non-current assets					
Property, plant and equipment		26,632,893	25,043,852	-	-
Subsidiaries		-	-	17,654,378	17,257,474
Trade and other receivables		524,456	-	4,265,364	4,389,273
		27,157,349	25,043,852	21,919,742	21,646,747
Current assets					
Inventories		3,089,440	2,178,499	-	-
Trade and other receivables		9,552,149	8,516,330	4,769,664	3,414,412
Cash and cash equivalents		11,081,995	9,152,175	4,094,745	1,361,054
Assets held for sale		55,294	84,586	-	-
		23,778,878	19,931,590	8,864,409	4,775,466
Total assets		50,936,227	44,975,442	30,784,151	26,422,213
Shareholders' equity					
Share capital		14,782,931	14,782,931	14,782,931	14,782,931
Foreign currency translation reserve	(1)	(2,673,143)	(2,275,994)	-	-
Accumulated profits		29,002,896	25,433,606	15,728,174	11,329,818
		41,112,684	37,940,543	30,511,105	26,112,749
Non-current liabilities					
Deferred tax liabilities		1,283,567	1,339,538	-	-
		1,283,567	1,339,538	-	-
Current liabilities					
Trade and other payables	(2)	7,296,759	4,343,345	266,522	304,666
Current tax payable		1,243,217	1,352,016	6,524	4,798
		8,539,976	5,695,361	273,046	309,464
Total liabilities		9,823,543	7,034,899	273,046	309,464
Total equity and liabilities		50,936,227	44,975,442	30,784,151	26,422,213

Notes:

- (1) The movement in foreign currency translation reserves was mainly due to the depreciation of the Malaysia Ringgit against the Singapore Dollar.
- (2) The increase in trade and other payables was because of an amount owing to a machine vendor of S\$1.9 million for which an interest free credit term of up to July 2015 was granted.

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less or on demand

As at 30 Jun 14		As at 30 Jun 13	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 30 Jun 14		As at 30 Jun 13	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Details of any collateral

Not applicable

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	Group FY2014 S\$	Group FY2013 S\$
Cash flows from operating activities			
Profit before income tax		9,745,107	6,905,217
Adjustments for:			
Depreciation of property, plant and equipment		4,332,807	4,301,827
Impairment loss of property, plant and equipment		191,115	-
Fixed assets written off		15,730	1,630
Gain on disposal of property, plant and equipment		(41,761)	(517,215)
Gain on disposal of assets held for sale		(279,656)	-
Interest income		(113,106)	(86,845)
Operating profit before changes in working capital		13,850,236	10,604,614
Inventories		(910,941)	38,119
Trade and other receivables		(1,035,954)	(425,433)
Trade and other payables		739,059	52,418
Cash generated from operations		12,642,400	10,269,718
Income tax paid		(1,803,052)	(1,438,584)
Net cash from operating activities		10,839,348	8,831,134
Cash flows from investing activities			
Purchase of property, plant and equipment	(1)	(5,216,904)	(2,637,499)
Proceeds from disposal of property, plant and equipment		162,367	1,017,629
Proceeds from disposal of assets held for sale		360,677	-
Interest received		113,230	83,037
Net cash used in investing activities		(4,580,630)	(1,536,833)
Cash flows from financing activities			
Deposits pledged		5,377	334
Dividends paid	(2)	(4,170,956)	(4,170,956)
Net cash used in financing activities		(4,165,579)	(4,170,622)
Net increase in cash and cash equivalents		2,093,139	3,123,679
Cash and cash equivalents at 1 July		8,943,935	5,760,854
Effect of exchange rate fluctuations		(157,942)	59,402
Cash and cash equivalents at 30 June	(3)	10,879,132	8,943,935

Notes:

- (1) The Group paid approximately S\$4.4 million in equipment and machinery mainly for its operations in Malaysia, the United States, the Philippines and China and S\$0.8 million for computer hardware and software.
- (2) The Company paid a final dividend of 2.0 cents per ordinary share (one-tier tax exempt) on 19 November 2013 in respect of financial year ended 30 June 2013 and an interim dividend of 1.0 cent per ordinary share (one-tier tax exempt) on 18 February 2014 in respect of financial year ended 30 June 2014.

(3) Cash and cash equivalent is derived from:

	Group 30 June 14 S\$	Group 30 June 13 S\$
Cash and cash equivalent balances	11,081,995	9,152,175
Less: Pledged cash placed with bank	(202,863)	(208,240)
	10,879,132	8,943,935

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share Capital S\$	Foreign Currency Translation Reserve S\$	Accumulated Profits S\$	Total S\$
The Group				
As at 1 July 2012	14,782,931	(2,279,680)	24,479,816	36,983,067
Total comprehensive income for the year:				
Profit for the year	-	-	5,124,746	5,124,746
Other comprehensive income:				
Foreign currency translation difference	-	3,686	-	3,686
Total comprehensive income for the year	-	3,686	5,124,746	5,128,432
Transactions with owners, recorded directly in equity				
Final dividend of 2.0 cents per share (one tier tax-exempt) in respect of FY2012	-	-	(2,780,637)	(2,780,637)
Interim dividend of 1.0 cent per share (one tier tax-exempt) in respect of FY2013	-	-	(1,390,319)	(1,390,319)
Total transactions with owners, recorded directly in equity	-	-	(4,170,956)	(4,170,956)
As at 30 June 2013	14,782,931	(2,275,994)	25,433,606	37,940,543
As at 1 July 2013	14,782,931	(2,275,994)	25,433,606	37,940,543
Total comprehensive income for the year:				
Profit for the year	-	-	7,740,246	7,740,246
Other comprehensive income:				
Foreign currency translation difference	-	(397,149)	-	(397,149)
Total comprehensive income for the year	-	(397,149)	7,740,246	7,343,097
Transactions with owners, recorded directly in equity				
Final dividend of 2.0 cents per share (one tier tax-exempt) in respect of FY2013	-	-	(2,780,637)	(2,780,637)
Interim dividend of 1.0 cent per share (one tier tax-exempt) in respect of FY2014	-	-	(1,390,319)	(1,390,319)
Total transactions with owners, recorded directly in equity	-	-	(4,170,956)	(4,170,956)
As at 30 June 2014	14,782,931	(2,673,143)	29,002,896	41,112,684

	Share Capital	Foreign Currency Translation Reserve	Accumulated Profits	Total
The Company				
As at 1 July 2012	14,782,931	-	9,557,878	24,340,809
Total comprehensive income for the year:				
Profit for the year	-	-	5,942,896	5,942,896
Total comprehensive income for the year	-	-	5,942,896	5,942,896
Transactions with owners, recorded directly in equity				
Final dividend of 2.0 cents per share (one tier tax-exempt) in respect of FY2012	-	-	(2,780,637)	(2,780,637)
Interim dividend of 1.0 cent per share (one tier tax-exempt) in respect of FY2013	-	-	(1,390,319)	(1,390,319)
Total transactions with owners, recorded directly in equity	-	-	(4,170,956)	(4,170,956)
As at 30 June 2013	14,782,931	-	11,329,818	26,112,749
As at 1 July 2013	14,782,931	-	11,329,818	26,112,749
Total comprehensive income for the year:				
Profit for the year	-	-	8,569,312	8,569,312
Total comprehensive income for the year	-	-	8,569,312	8,569,312
Transactions with owners, recorded directly in equity				
Final dividend of 2.0 cents per share (one tier tax-exempt) in respect of FY2013	-	-	(2,780,637)	(2,780,637)
Interim dividend of 1.0 cent per share (one tier tax-exempt) in respect of FY2014	-	-	(1,390,319)	(1,390,319)
Total transactions with owners, recorded directly in equity	-	-	(4,170,956)	(4,170,956)
As at 30 June 2014	14,782,931	-	15,728,174	30,511,105

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Nil

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of shares were 139,031,881 ordinary shares as at both 30 June 2014 and 30 June 2013. The Company did not have any treasury shares as at the end of the current financial year and as at the end of the immediately preceding year.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Yes.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group FY2014	Group FY2013
Earnings per ordinary share for the year based on net profit after tax and non-controlling interest:-		
(i) Based on weighted average number of ordinary shares in issue	5.57 cents	3.69 cents
(ii) On a fully diluted basis	5.57 cents	3.69 cents

The calculation is based on the weighted average number of shares in issue during the financial year. The weighted average number of shares outstanding during the year was 139,031,881 (30 June 2013: 139,031,881).

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group 30 Jun 14	Group 30 Jun 13	Company 30 Jun 14	Company 30 Jun 13
Net Asset Value per ordinary share (cents)	29.57	27.29	21.95	18.78

The net asset value per ordinary share is calculated based on net assets of S\$41.1 million (30 June 2013: S\$37.9 million) and 139,031,881 (30 June 2013: 139,031,881) shares in issue at the end of the current financial year reported on/immediately preceding financial year.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF PROFIT AND LOSS

Semiconductor industry review

Based on information from the Semiconductor Industry Association (SIA), global chip sales in the first half of 2014 increased 11.1% to US\$161.2 billion compared to the same period in 2013. Global sales in June 2014 increased 10.8% to reach US\$27.6 billion, marking the industry's highest ever monthly sales. The SIA said the global semiconductor market demonstrated consistent, across-the-board growth through the first half of 2014. The SIA added that the industry has outperformed the latest World Semiconductor Trade Statistics (WSTS) sales forecast and that this bodes well for continued growth in the second half of 2014 and beyond. In its Spring forecast in early June, the WSTS projected global chip sales to grow 6.5% to US\$325 billion in 2014 and to rise a further 3.3% to US\$336 billion in 2015.

Group Revenue

REVENUE		1Q	2Q	3Q	4Q	Full Year
	FY2014	S\$11,082,040	S\$10,481,430	S\$10,631,782	S\$11,661,411	S\$43,856,663
	FY2013	S\$9,894,509	S\$9,283,311	S\$9,212,963	S\$10,762,618	S\$39,153,401
	% growth	12.0%	12.9%	15.4%	8.4%	12.0%

For the 12 months ended 30 June 2014 (FY2014), Group revenue increased 12.0% to S\$43.9 million from S\$39.2 million in FY2013. This is attributable to the higher year-on-year (yoy) sales that was achieved by both our semiconductor tooling and Custom Machining & Assembly (CMA) divisions in every quarter of FY2014.

For the three months ended 30 June 2014 (4Q14), the Group reported revenue of S\$11.7 million, an increase of 8.4% yoy from S\$10.8 million in 4Q13. On a sequential basis, Group revenue in 4Q14 was up 9.7% from S\$10.6 million in 3Q14, attributable to higher sales of the semiconductor tooling business.

Revenue breakdown by product segment

SEMICONDUCTOR TOOLING REVENUE		1Q	2Q	3Q	4Q	Full Year
	FY2014	S\$9,433,908	S\$8,672,648	S\$8,662,680	S\$9,949,642	S\$36,718,878
	FY2013	S\$8,622,533	S\$8,082,558	S\$7,746,559	S\$9,331,307	S\$33,782,957
	% growth	9.4%	7.3%	11.8%	6.6%	8.7%

CMA REVENUE		1Q	2Q	3Q	4Q	Full Year
	FY2014	S\$1,648,132	S\$1,808,782	S\$1,969,102	S\$1,711,769	S\$7,137,785
	FY2013	S\$1,271,976	S\$1,200,753	S\$1,466,404	S\$1,431,311	S\$5,370,444
	% growth	29.6%	50.6%	34.3%	19.6%	32.9%

Revenue from the semiconductor tooling segment, which serves customers involved in the assembly and testing of semiconductors, increased 6.6% to S\$9.9 million in 4Q14, from S\$9.3 million in 4Q13, attributable mainly to higher sales in Malaysia. On a quarter-on-quarter (qoq) basis, sales of our semiconductor tooling segment increased 14.9% from S\$8.7 million in 3Q14.

Revenue from our CMA division, which serves high technology capital equipment manufacturers in the aerospace, medical, laser and wafer fabrication industries, increased 19.6% to S\$1.7 million in 4Q14 from S\$1.4 million in 4Q13.

For FY2014, the semiconductor tooling business posted revenue of S\$36.7 million, an increase of 8.7% from S\$33.8 million in the previous year. The CMA division showed encouraging sales growth with an increase of 32.9% to S\$7.1 million from S\$5.4 million in FY2013.

Revenue breakdown by Geographical Market

Country	4Q14		4Q13		FY2014		FY2013		% change
	S\$ m	%	S\$ m	%	S\$ m	%	S\$ m	%	
Singapore	0.8	7%	0.8	7%	3.4	8%	2.4	6%	40.0%
Malaysia	2.7	23%	2.4	23%	9.4	22%	8.9	23%	6.0%
Philippines	1.1	10%	1.1	10%	4.0	9%	3.6	9%	10.5%
Thailand	0.5	5%	0.5	4%	2.1	5%	1.9	5%	9.1%
China	2.4	20%	2.3	21%	9.9	22%	8.2	21%	19.4%
USA	1.8	15%	1.5	14%	6.8	15%	5.7	15%	19.1%
Europe	0.5	5%	0.5	5%	2.2	5%	2.1	5%	1.7%
Japan	0.3	2%	0.2	2%	0.9	2%	1.1	3%	(9.4%)
Taiwan	1.2	10%	1.2	11%	4.0	9%	3.8	10%	4.1%
Rest of world	0.4	3%	0.3	3%	1.2	3%	1.4	3%	(9.6%)
	11.7	100%	10.8	100%	43.9	100%	39.1	100%	12.0%

Malaysia and China continue to be our largest markets for semiconductor tools with a combined contribution of 44% of Group revenue in FY2014. Sales to our customers in China grew a strong 19.4% to S\$9.9 million while sales to the Malaysia market gained 6.0% to S\$9.4 million. Revenue derived from our other key semiconductor tooling markets was generally higher during FY2014.

Sales to customers in the USA, which is the main market for our CMA business, increased 19.1% to S\$6.8 million and accounted for 15% of Group revenue in FY2014.

Capacity Utilisation

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2014	54%	56%	53%	59%	55%
	FY2013	46%	44%	45%	52%	47%

The average capacity utilisation rate of the Group's factories increased to 55% in FY2014 from 47% in FY2013. This was in tandem with higher Group sales and partly due to the disposal of legacy machines at the USA factory as production there continues to shift to the new 24/7 Machining Line.

Gross Profit (GP) Margin

Group GP Margin		1Q	2Q	3Q	4Q	Full Year
	FY2014	51.3%	50.4%	50.4%	50.7%	50.7%
	FY2013	49.0%	48.6%	47.7%	50.7%	49.1%

Gross Profit Margin (By Product Segment)			1Q	2Q	3Q	4Q	Full Year
	FY2014	Semiconductor	56.9%	55.4%	55.3%	56.5%	56.0%
		CMA	19.3%	26.3%	29.1%	17.0%	23.2%
	FY2013	Semiconductor	56.6%	55.5%	53.9%	56.9%	55.8%
	CMA	(2.4%)	1.7%	14.8%	9.3%	6.3%	

The Group's gross profit (GP) in FY2014 increased 15.8% to S\$22.2 million, from S\$19.2 million in FY2013.

GP margin of the CMA division expanded to 23.2% from 6.3% in FY2013. This can be attributed to increased CMA sales and improved operational efficiency of our CMA factory in USA.

As GP margin of our semiconductor tooling business remained stable, the Group's overall GP margin improved to 50.7% in FY2014 from 49.1% in FY2013 which reflects our continual focus on improving cost, productivity and cycle time of our manufacturing operations.

Other income, Distribution Cost, Administrative Expenses and Other Operating Expenses

Admin, Distribution and Other Operating Expenses (net of other income)		1Q	2Q	3Q	4Q	Full Year
	FY2014	S\$2,992,187	S\$3,254,196	S\$3,160,953	S\$3,083,640	S\$12,490,976
	% of sales	27.0%	31.0%	29.7%	26.4%	28.5%
FY2013	S\$3,219,803	S\$3,116,120	S\$2,691,306	S\$3,275,414	S\$12,302,643	
% of sales	32.5%	33.6%	29.2%	30.4%	31.4%	

While Group revenue increased 12.0% in FY2014, our total administrative, distribution and other operating expenses (net of other income) increased at a relatively slower pace of 1.5% to S\$12.5 million from S\$12.3 million in FY2013. As a result, these overhead expenses decreased to 28.5% of Group sales in FY2014 from 31.4% in the previous financial year.

Other income in FY2014 increased 25.5% to S\$1.0 million from S\$804k in FY2013, due mainly to government grants of S\$220k and increased income from material recycling and rental.

We continue to keep a close watch on our expense structure. In FY2014, our distribution expenses of S\$3.2 million were marginally higher while our administrative expenses increased 2.2% to S\$7.6 million. Other operating expenses also saw a slight increase to S\$2.7 million when compared to FY2013.

Profit before Tax and Net Profit

		1Q	2Q	3Q	4Q	Full Year
Net Profit after tax	FY2014	S\$2,160,011	S\$1,361,567	S\$1,795,372	S\$2,423,296	S\$7,740,246
	FY2013	S\$1,174,791	S\$983,046	S\$1,431,152	S\$1,535,757	S\$5,124,746
	% growth	83.9%	38.5%	25.4%	57.8%	51.0%

The Group's higher sales and GP margin resulted in our profit before tax increase by 41.1% to S\$9.7 million in FY2014 from S\$6.9 million in FY2013.

After deducting taxation of S\$2.0 million (S\$1.8 million in FY2013), the Group posted a 51.0% improvement in net profit to S\$7.7 million in FY2014, from S\$5.1 million in FY2013.

As net profit grew at a faster pace than sales, we saw a significant growth in our net profit margin to 17.6% in FY2014 compared to 13.1% in FY2013.

Correspondingly, the Group's earnings per share increased to 5.57 cents in FY2014, from 3.69 cents in FY2013.

Balance Sheet

As at 30 June 2014, the Group remained in a sound financial position with a balance sheet that had total assets of S\$50.9 million, shareholders' equity of S\$41.1 million, cash and cash equivalents of S\$11.1 million and no bank borrowings.

Trade Receivables

		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
Trade Receivables	FY2014	S\$7,497,467	S\$7,093,099	S\$7,284,756	S\$8,039,911
	≥ 90 days	0.2%	0.0%	0.2%	0.2%
	Write-off	0.1%	0.1%	0.1%	0.1%
	FY2013	S\$6,394,613	S\$5,883,263	S\$5,951,054	S\$7,704,446
	≥ 90 days	0.6%	0.5%	0.5%	0.2%
	Write-off	Nil	Nil	Nil	Nil

Total trade receivables as at 30 June 2014 amounted to S\$8.0 million. Of this, 0.2% was outstanding for 90 days or more (0.2% at end of 30 June 2013). Bad debts written off for during FY2014 was S\$7.8k or 0.1% of trade receivables (Nil during FY2013).

Trade Payables

As at 30 June 2014, our trade payables totaled S\$1.0 million, of which S\$200k was outstanding for 30 days or more. Our non-trade payables totaled S\$3.4 million. Of this, S\$2.0 million was outstanding for more than 30 days, including an interest free credit term of S\$1.9 million up to July 2015 granted by a machine vendor.

Inventory

As a percentage of annualised sales, our inventory of S\$3.1 million at the end of FY2014 (S\$2.2 million at end-FY2013) was 7.0% (5.6% at end of FY2013). Inventory written off in FY2014 totaled S\$98k, compared to S\$72k in FY2013.

Capital Expenditure

Capital Expenditure		1Q	2Q	3Q	4Q	Full Year
	FY2014 % of sales	S\$304,149	S\$1,084,232	S\$3,672,077	S\$1,504,740	S\$6,565,198
FY2013 % of sales	S\$466,376	S\$1,183,232	S\$729,969	S\$257,922	S\$2,637,499	6.7%

During FY2014, our capital expenditure totaled S\$6.6 million. Of this, approximately S\$5.7 million was invested in equipment and machine accessories to enhance productivity and production efficiency at our factories in Singapore, Malaysia, the USA, the Philippines and China while S\$0.8 million was spent on computer hardware and software.

Cash Flow Analysis

The Group generated net cash from operations of S\$10.8 million in FY2014 (S\$8.8 million in FY2013). Net cash used for investing activities amounted to S\$4.6 million mainly for purchases of production equipment. The Group used net cash of S\$4.6 million for financing activities during FY2014, mainly for the payments of dividends. We closed the year with cash of S\$11.1 million including S\$0.2 million in pledged deposits.

Dividend Payment

The Board of Directors is recommending a final dividend of 2.0 cents a share (one tier tax-exempt) in respect of FY2014. If approved by shareholders at the Annual General Meeting to be held on 27 October 2014, the dividend will be paid on 19 November 2014.

Together with the interim dividend of 1.0 cent per share (one tier tax-exempt) paid on 18 February 2014, the Group's total dividend for FY2014 would be 3.0 cents per share (one tier tax-exempt), unchanged from FY2013. The total payout for FY2014 will amount to S\$4.2 million (S\$4.2 million in FY2013).

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement had been issued for the current financial reporting year. There is no material variance from our previous financial year commentary under Section 10.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Financial Performance

For FY2014, the Group reported a 51.0% increase in net profit to S\$7.7 million achieved on revenue growth of 12% to S\$43.9 million. While growing the Group's top line remains a key priority, we are also working continuously to improve productivity and operational efficiency at all levels of the Group. As a result, the Group's GP margin for the year improved to 50.7% from 49.1% in FY2013.

Our tight rein on spending also contributed positively to our performance in FY2014 as overhead expenses were contained at S\$12.5 million (\$12.3 million in FY2013) despite escalating cost pressures in many of the markets where we operate. As a result, the Group saw a significant growth in net profit margin to 17.6% in FY2014 compared to 13.1% in FY2013.

On a quarterly basis, the Group continued to benefit from the investments, time and energy we have put into improving operational efficiency and productivity. Despite experiencing the usual selling price pressure typical in the technology manufacturing industry, this benefit was seen at both our semiconductor tooling and CMA divisions which achieved higher yoy revenue and gross profit in all four quarters of FY2014.

Although the research and engineering work to develop *24/7 Machining* at our CMA factory in the USA took longer than planned, we are continuing to advance and improve our innovative approach and operational processes for repeatable, scalable and cost-effective machining. In FY2014, revenue for our CMA division increased 32.9% to S\$7.1 million while the GP margin for this division increased to 23.2% from 6.3% a year ago.

Nonetheless, losses of the USA subsidiary is a cause of concern and management is closely monitoring its performance.

As China continues to develop into a major centre for global chip manufacturing activity, we have been steadily increasing our efforts to broaden our customer base and expand sales in this key market for semiconductor tools. As a result, sales of our semiconductor tools in China increased 19.4% to S\$9.9 million in FY2014 and China became our largest geographical market with a contribution of 22% to Group revenue. While we plan to continue seeking new sales opportunities in China, we are also aware that our other plants in Asia will have to adapt to changes in the market landscape.

After a lengthy and careful analysis of the Thailand market, we announced our decision on 22 July 2014 to close the Group's wholly-owned subsidiary there. Three years ago, Thailand experienced severe flooding in various parts of the country. In the aftermath of the flood, we witnessed a substantial decline in business as customers scaled back or ceased their operations in Thailand. Although we took steps to right-size our Thai operation, business never recovered fully. With our plant in Thailand accounting for only about 3% of the Group's net profit during FY2014 and taking into account the substantial capital expenditures required on an on-going basis to remain competitive, the Board of Directors decided it would be in the best interests of the Group and Shareholders to close the factory. To ensure on-going support to our customers in Thailand, we have appointed an agent/distributor there. The voluntary winding up of the Thailand operation will result in one-time expenses of about S\$500,000 and will be reflected in the financial year ending 30 June 2015. The closure and cessation is not expected to have a material impact on the net tangible assets of the group.

As we begin a new year, the Group's financial position remains strong. With no bank borrowings to service and a careful watch over inventory and receivables, net cash generated from operating activities in FY2014 totaled S\$10.8 million, up significantly from S\$8.8 million in the previous year. After investing S\$5.2 million in new plant and equipment and distributing S\$4.2 million to our shareholders in dividends, we increased our year-end cash position by 21% to S\$11.1 million from S\$9.2 million at the end of FY2013.

Market, Industry and Competitive Conditions

On a short-term basis, business forecasting and planning remains difficult. Visibility is clouded by a host of political and economic uncertainties while continued unrest in various parts of the world make markets unpredictable, volatile and cost-competitive.

Worldwide sales of semiconductors during the first six months of 2014 increased 11.1% from the same period last year and the SIA believes this bodes well for continued growth in the second half of this year and beyond. While the outlook for the semiconductor industry has become more optimistic, this is being tempered by rising cost challenges in the industry. As the chip industry becomes increasingly driven by the demand for consumer electronics, we have seen increased price and delivery pressures from our customers. Together with rising costs and a shortage of skilled workers, further exacerbated by a host of companies relocating to Asia from higher-cost locations, the operating environment for the Group remains challenging

Key Operating Strategies

Despite the difficult operating environment, we understand what is required for the Group to sustain its growth over the long term. We are continuing to focus on our customers and the value we bring to their businesses. Whether we design and manufacture a tool for a delicate semiconductor assembly process or machine a critical part for a leading maker of aerospace, laser or medical equipment, our mission is to deliver "*Perfect Parts and Tools, On Time, Every Time*" based on repeatable, scalable and cost-effective processes.

As we pursue this mission and the value it represents to our customers, we plan to continue to deploy resources towards the development of automated processes. At the beginning of FY2012, we employed about 601 people in six factories around the world. By focusing on our core competencies and implementing initiatives, such as *24/7 Machining*, to improve performance and productivity, we have gradually reduced headcount by over 23% to 461 people at the end of FY2014.

Whether it is dealing with cost pressures, implementing complex engineering initiatives or developing a better approach to business planning, we need to foster an environment of continuous learning, innovation and improvement. To implement such a learning culture amongst our people, we began a carefully structured in-house training program two years ago which we call *MMUniversity*. After introducing a series of workshops on *Customer Value, Business Planning* and *24/7 Machining*, we recently started implementing a new module called *The Fundamentals of Value-Driven Decision Making*. The purpose of the course is to give our people, at all levels,

a common framework for making more informed and aligned decisions based on our mission and an understanding of value.

Transparency and Governance

On 15 July 2014, we received the Silver Award for *Best Investor Relations* by the judging panel of the Singapore Corporate Awards (SCA) 2014. This was the fifth successive year we have been recognised by the SCA for our investor relations practices and also marked the 15th award the Group has received in recognition of our good corporate governance and transparency practices. In the latest Governance and Transparency Index (GTI) 2014 released on 25 July 2014, Micro-Mechanics ranked 22nd out of 664 companies listed on the Singapore Exchange. The Group scored 81 points; only 23 companies, comprising mainly large capitalisation companies, achieved a GTI score of 80 points or more.

Transparency within an organisation - accurate, complete and timely information - is the foundation for sound decision making. We intend to continue working to build a strong corporate culture based on transparency and clear metrics of performance.

Appreciation

At Micro-Mechanics, we are fond of saying that *People Make Everything Happen*. This belief is central to the way we operate; and our policies, compensation and everyday practices are designed to recognize the indispensable role our people play in our long-term success. For FY2014, we distributed over S\$1.27 million to our people at all levels under the Group's Performance Bonus Incentive Plan.

Since our listing in 2003, we have also had a consistent practice of rewarding shareholders for their support of Micro-Mechanics. Subject to approval at the upcoming Annual General Meeting on 27 October 2014, we plan to distribute a final dividend of 2 cents per share. This will bring the total dividend payment for FY2014 to 3 cents per share, the same as FY2013. Including this final dividend for FY2014, we would have distributed a total of 34.9 cents to our shareholders since 2003. Based on dividends alone, this translates into a return of nearly 190% for our shareholders who bought Micro-Mechanics at our Initial Public Offer.

We look forward to continue working together to build value for all our stakeholders.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes

Name of Dividend	Interim Dividend paid on 18 February 2014	Final Dividend Recommended by Directors on 28 August 2014
Dividend Type	Cash	Cash
Dividend Amount	1.0 cent per ordinary share (one tier tax-exempt)	2.0 cents per ordinary share (one tier tax-exempt)
Tax rate	0% (one tier tax-exempt)	0% (one tier tax-exempt)

The directors have recommended a final dividend of 2.0 cents per ordinary share (one tier tax-exempt) amounting to approximately S\$2.8 million.

(b) Corresponding Period of the Immediately Preceding Financial Year

A final dividend of 2.0 cents per ordinary share (one tier tax-exempt) in respect of FY2013 was approved during the Annual General Meeting held on 28 October 2013 and paid on 19 November 2013.

An interim dividend of 1.0 cent per ordinary share (one tier tax-exempt) was paid on 20 February 2013 in respect of FY2013.

(c) Date payable

Payment of the dividend, if approved by the members at the Annual General Meeting to be held on 27 October 2014, will be made on 19 November 2014.

(d) Books closure date

Notice is hereby given that the Share Transfer Books and Register of Members of Micro-Mechanics (Holdings) Ltd. (the "Company") will be closed on 6 November 2014 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, M&C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 up to 5:00 p.m. on 5 November 2014 will be registered to determine shareholders' entitlements to the said dividend.

Members whose Securities Accounts with the Central Depository (Pte) Limited are credited with shares at 5:00 p.m. on 5 November 2014 will be entitled to the proposed dividend.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Operating Segments FY2014

	Singapore	Malaysia	The Philippines	Thailand	USA	China	Elimination	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue from external customers	10,513,678	9,918,406	4,018,312	1,937,111	8,192,585	9,276,571	-	43,856,663
Inter-segment revenue	4,685,153	1,193,700	366,959	120,583	37,261	2,605	(6,406,261)	-
Total revenue	15,198,831	11,112,106	4,385,271	2,057,694	8,229,846	9,279,176	(6,406,261)	43,856,663
Segment result	2,679,371	3,457,278	1,816,611	305,850	(340,512)	2,253,863	199,633	10,372,094
Unallocated expenses								(626,987)
Profit from operations								9,745,107
Income tax expense								(2,004,861)
Net profit for the year								7,740,246
Segment asset	19,407,846	13,088,801	2,728,865	1,044,813	9,892,406	6,621,572	(5,983,048)	46,801,255
Unallocated assets								-
Others								4,134,972
Total assets								50,936,227
Segment liabilities	6,924,162	1,106,318	569,004	119,405	7,734,938	998,810	(10,422,400)	7,030,237
Unallocated liabilities								-
Income tax								2,526,784
Others								266,522
Total liabilities								9,823,543
Other segment information:								
Capital expenditure	1,069,846	803,672	437,348	87,255	3,687,777	479,300	-	6,565,198
Depreciation	1,369,622	1,049,360	275,793	143,103	856,028	638,901	-	4,332,807
Impairment loss	-	-	-	-	191,115	-	-	191,115
Non-current assets (excluding deferred tax assets)	9,989,287	6,017,932	1,132,314	272,143	7,408,057	2,344,856	(7,240)	27,157,349

Major customers

Revenues of major customers of the reportable segments are as follows:

	Singapore	Malaysia	The Philippines	Thailand	USA	China	Total
	\$	\$	\$	\$	\$	\$	\$
2014							
Revenue	936,656	2,710,372	2,517,566	815,392	4,469,597	1,118,345	12,567,928
Number of customers	1	2	4	3	2	1	13

Operating Segments FY2013

	Singapore	Malaysia	The Philippines	Thailand	USA	China	Elimination	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue from external customers	9,947,329	9,500,065	3,636,914	1,935,299	6,461,178	7,672,616	-	39,153,401
Inter-segment revenue	4,835,219	1,085,677	534,412	134,443	41,399	-	(6,631,150)	-
Total revenue	14,782,548	10,585,742	4,171,326	2,069,742	6,502,577	7,672,616	(6,631,150)	39,153,401
Segment result	2,471,838	2,968,829	1,515,738	221,655	(1,260,127)	1,586,254	(141,235)	7,362,952
Unallocated expenses								(457,735)
Profit from operations								6,905,217
Income tax expense								(1,780,471)
Net profit for the year								5,124,746
Segment asset	17,736,133	13,427,125	2,735,162	1,209,997	7,248,193	6,559,914	(5,311,639)	43,604,885
Unallocated assets								-
Others								1,370,557
Total assets								44,975,442
Segment liabilities	4,707,262	703,004	825,665	173,805	5,217,824	764,630	(8,353,511)	4,038,679
Unallocated liabilities								-
Income tax								2,691,554
Others								304,666
Total liabilities								7,034,899
Other segment information:								
Capital expenditure	1,011,904	399,171	238,784	69,287	486,178	432,175	-	2,637,499
Depreciation	1,329,077	1,113,885	224,577	140,094	909,308	584,886	-	4,301,827
Non-current assets (excluding deferred tax assets)	9,885,234	6,441,666	993,738	344,842	4,877,914	2,507,698	(7,240)	25,043,852

Major customers

Revenues of major customers of the reportable segments are as follows:

	Singapore	Malaysia	The Philippines	Thailand	USA	China	Total
	\$	\$	\$	\$	\$	\$	\$
2013							
Revenue	1,033,966	2,527,750	1,987,092	1,286,290	3,096,785	1,007,594	10,939,477
Number of customers	1	2	3	5	2	1	14

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable

15. A breakdown of sales.

	Group	Group	Increase/ (decrease)
	FY2014	FY2013	
	S\$	S\$	
Sales reported for first half year	21,563,470	19,177,820	12.4%
Operating profit after tax before deducting non-controlling interest reported for first half year	3,521,578	2,157,837	63.2%
Sales reported for second half year	22,293,193	19,975,581	11.6%
Operating profit after tax before deducting non-controlling interest reported for second half year	4,218,668	2,966,909	42.2%

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total Annual Dividend

	Latest Full Year (FY2014)	Previous Full Year (FY2013)
	S\$	S\$
Ordinary	4,170,956	4,170,956
Preference	-	-
Total:	4,170,956	4,170,956

Note: The total annual dividend comprises the interim dividend of S\$1,390,319 paid on 18 February 2014 and the proposed final dividend of S\$2,780,637.

17. Interested Persons Transactions

There are no interested party transactions for the financial year ended 30 June 2014.

18. Report of Persons Occupying Managerial Positions who are related to a Director, Chief Executive Officer or Substantial Shareholder

Pursuant to Rule 704 (13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that none of the persons occupying managerial positions in Micro-Mechanics (Holdings) Ltd. (the "Company") or any of its principal subsidiaries is a relative of a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

CHOW KAM WING
Company Secretary
 28 August 2014