

MICRO-MECHANICS (HOLDINGS) LTD

Unaudited Third Quarter Financial Statements Announcement for the period ended 31/03/2021

PART I INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEARLY AND FULL YEAR ANNOUNCEMENTS

1(a) An income statement and statement of comprehensive income, or 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					
		Q3			Year-to-date (9 months)		
		Jan to Mar 2021 S\$	Jan to Mar 2020 S\$	Change	Jul to Mar 2021 S\$	Jul to Mar 2020 S\$	Change
Revenue	(1)	17,689,537	16,216,029	9.1%	54,584,720	47,835,264	14.1%
Cost of sales	(2)	(8,049,853)	(7,783,768)	3.4%	(24,899,146)	(22,437,003)	11.0%
Gross profit		9,639,684	8,432,261	14.3%	29,685,574	25,398,261	16.9%
Other income	(3)	170,686	674,035	(74.7%)	840,962	971,063	(13.4%)
Distribution costs	(4)	(748,778)	(762,386)	(1.8%)	(2,389,962)	(2,419,050)	(1.2%)
Administrative expenses	(5)	(2,607,503)	(2,312,326)	12.8%	(7,947,622)	(6,918,563)	14.9%
Other operating expenses	(6)	(1,075,149)	(985,393)	9.1%	(3,164,269)	(2,914,280)	8.6%
Profit before tax	(7)	5,378,940	5,046,191	6.6%	17,024,683	14,117,431	20.6%
Tax expense	(8)	(1,205,108)	(1,177,550)	2.3%	(3,745,429)	(3,404,410)	10.0%
Profit after tax		4,173,832	3,868,641	7.9%	13,279,254	10,713,021	24.0%
Non-controlling interests		-	-	-	-	-	-
Profit for the period		4,173,832	3,868,641	7.9%	13,279,254	10,713,021	24.0%
Statement of Comprehensive Income							
Profit for the period		4,173,832	3,868,641	7.9%	13,279,254	10,713,021	24.0%
Other comprehensive income:							
Foreign currency translation differences for foreign operations, net of tax		139,131	1,252,033	(88.9%)	(243,357)	1,057,121	(123.0%)
Total comprehensive income for the period		4,312,963	5,120,674	(15.8%)	13,035,897	11,770,142	10.8%

Notes:

- Please refer to section 8 of this announcement for an analysis of the Group's revenue.
- Cost of sales in 3Q21 increased at a slower pace relative to Group sales which resulted in a 2.5 percentage point increase in our gross profit margin as compared to 3Q20. The Group's production headcount increased from 359 in 3Q20 to 379 people during 3Q21.

- (3) Other income consists of:

	Q3			Year-to-date (9 months)		
	Jan to Mar 2021 S\$	Jan to Mar 2020 S\$	Change	Jul to Mar 2021 S\$	Jul to Mar 2020 S\$	Change
(Loss)/gain on disposal of property, plant and equipment	(5)	1,489	(100.3%)	3,767	(29,388)	(112.8%)
Interest income from banks and others	13,161	51,872	(74.6%)	42,621	186,308	(77.1%)
Rental income	30,876	31,339	(1.5%)	92,783	93,489	(0.8%)
Government grant – Skill Redevelopment, Wage Credit and Capability Development Scheme	37,903	389,100	(90.3%)	623,451	423,527	47.2%
Exchange gain/(loss)	28,063	173,228	(83.8%)	(29,056)	215,791	(113.5%)
Others	60,688	27,007	124.7%	107,396	81,336	32.0%

- (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 administrative expenses.
- (6) Please refer to section 8 of this announcement for an analysis of the Group's other operating expenses.
- (7) Profit before income tax was arrived at after charging the following expenses:

	Q3			Year-to-date (9 months)		
	Jan to Mar 2021 S\$	Jan to Mar 2020 S\$	Change	Jul to Mar 2021 S\$	Jul to Mar 2020 S\$	Change
Depreciation of property, plant and equipment	1,432,994	1,447,964	(1.0%)	4,250,397	4,249,945	0.0%
Depreciation of right-of use assets	290,260	259,597	11.8%	872,921	779,692	12.0%
Inventory written off	30,401	21,038	44.5%	99,154	79,521	24.7%
Interest expense on lease liabilities	17,701	28,464	(37.8%)	64,368	78,514	(18.0%)
Property, plant and equipment written off	9	98	(90.8%)	37	125	(70.4%)

- (8) The effective tax rate for 3Q21 was 22.4% as compared to 23.3% for 3Q20. Included in the tax expense for 3Q21 and 9M21 was a provision of S\$162k and S\$480k respectively made in relation to withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries.

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

	Note	Group 31 Mar 21 S\$	Group 30 Jun 20 S\$	Company 31 Mar 21 S\$	Company 30 Jun 20 S\$
Non-current assets					
Property, plant and equipment		30,238,829	29,079,591	-	-
Right-of-use assets	(1)	1,123,563	1,980,198	-	-
Subsidiaries		-	-	29,095,544	29,095,544
Trade and other receivables		452,725	1,109,205	-	-
Deferred tax asset		43,155	46,586	-	-
		31,858,272	32,215,580	29,095,544	29,095,544
Current assets					
Inventories		5,259,661	5,397,148	-	-
Trade and other receivables		13,517,200	12,717,631	1,406,160	2,442,304
Cash and cash equivalents		16,393,232	20,814,685	3,903,060	9,599,881
		35,170,093	38,929,464	5,309,220	12,042,185
Total assets					
		67,028,365	71,145,044	34,404,764	41,137,729
Shareholders' equity					
Share capital		14,782,931	14,782,931	14,782,931	14,782,931
Foreign currency translation reserve	(2)	(63,389)	179,968	-	-
Accumulated profits		38,226,180	43,021,070	18,853,606	25,602,968
		52,945,722	57,983,969	33,636,537	40,385,899
Non-current liabilities					
Deferred tax liabilities		1,531,452	1,440,847	363,193	210,762
Trade and other payables		868,488	835,702	-	-
Lease liabilities	(1)	460,740	900,564	-	-
		2,860,680	3,177,113	363,193	210,762
Current liabilities					
Trade and other payables		8,744,440	7,142,026	401,449	534,747
Lease liabilities	(1)	706,242	1,079,298	-	-
Current tax payable		1,771,281	1,762,638	3,585	6,321
		11,221,963	9,983,962	405,034	541,068
Total liabilities		14,082,643	13,161,075	768,227	751,830
Total equity and liabilities		67,028,365	71,145,044	34,404,764	41,137,729

Notes:

- (1) Right-of-use assets and corresponding lease liabilities mainly relate to leases on various factory premises occupied by the Group.
- (2) The movement in foreign currency translation reserve in 9M21 was mainly due to the depreciation of the US Dollar against the Singapore Dollar.

Amount repayable in one year or less or on demand

As at 31 Mar 21		As at 30 June 20	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 31 Mar 21		As at 30 June 20	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Details of any collateral

Not applicable

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

	Note	GROUP			
		Q3		Year-to-date (9 months)	
		Jan to Mar 2021 S\$	Jan to Mar 2020 S\$	Jul to Mar 2021 S\$	Jul to Mar 2020 S\$
Cash flows from operating activities					
Profit for the period		4,173,832	3,868,641	13,279,254	10,713,021
Adjustments for:					
Depreciation of property, plant and equipment		1,723,254	1,707,561	5,123,318	5,029,637
Property, plant and equipment written off		9	98	37	125
Loss/(gain) on disposal of property, plant and equipment		5	(1,489)	(3,767)	29,388
Interest income		(13,161)	(51,872)	(42,621)	(186,308)
Interest expenses on lease liabilities		17,701	28,464	64,368	78,514
Tax expenses		1,205,108	1,177,550	3,745,429	3,404,410
Operating profit before changes in working capital		7,106,748	6,728,953	22,166,018	19,068,787
Inventories		(422,251)	68,629	120,733	(225,232)
Trade and other receivables		(402,420)	(952,174)	(116,575)	(2,457,284)
Trade and other payables		(561,095)	(448,549)	1,629,520	(970,678)
Cash generated from operations		5,720,982	5,396,859	23,799,696	15,415,593
Income tax paid		(1,351,753)	(894,618)	(3,652,144)	(2,885,101)
Net cash from operating activities		4,369,229	4,502,241	20,147,552	12,530,492
Cash flows from investing activities					
Purchase of property, plant and equipment	(1)	(407,454)	(717,106)	(5,657,640)	(2,724,882)
Proceeds from disposal of property, plant and equipment		(34)	1,509	12,033	111,206
Interest received		13,521	55,152	39,851	198,792
Net cash used in investing activities		(393,967)	(660,445)	(5,605,756)	(2,414,884)
Cash flows from financing activities					
Leases paid		(326,420)	(117,925)	(893,290)	(696,303)
Dividends paid		(8,341,912)	(6,951,594)	(18,074,145)	(15,293,507)
Net cash used in financing activities		(8,668,332)	(7,069,519)	(18,967,435)	(15,989,810)
Net decrease in cash and cash equivalents		(4,693,070)	(3,227,723)	(4,425,639)	(5,874,202)
Cash and cash equivalents at beginning of period		20,908,958	19,007,348	20,651,935	21,717,779
Effect of exchange rate fluctuations		15,394	187,938	4,986	123,986
Cash and cash equivalents at the end of period	(2)	16,231,282	15,967,563	16,231,282	15,967,563

Notes:

(1) The Group's plant and equipment purchased were mainly for Singapore and the US factories.

(2) Cash and cash equivalent is derived from:

	Group 31 Mar 21 S\$	Group 31 Mar 20 S\$
Cash and cash equivalent balances	16,393,232	16,133,113
Less: Pledged cash placed with bank	(161,950)	(165,550)
	16,231,282	15,967,563

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 remeasurement on retirement benefits S\$	Accumulated Profits S\$	Total S\$
The Group					
As at 1 July 2019	14,782,931	(67,882)	(19,596)	43,664,534	58,359,987
Total comprehensive income for the period:					
Profit for the period	-	-	-	10,713,021	10,713,021
Other comprehensive income:					
Foreign currency translation difference	-	1,057,121	-	-	1,057,121
Total comprehensive income for the period	-	1,057,121	-	10,713,021	11,770,142
Transactions with owners, recorded directly in equity					
Final dividend of 5 cents per share and special dividend of 1 cent per share (one-tier tax exempt) in respect of FY2019	-	-	-	(8,341,913)	(8,341,913)
Interim dividend of 5 cents per share (one-tier tax exempt) in respect of FY2020	-	-	-	(6,951,594)	(6,951,594)
Total transactions with owners, recorded directly in equity	-	-	-	(15,293,507)	(15,293,507)
As at 31 March 2020	14,782,931	989,239	(19,596)	39,084,048	54,836,622
As at 1 July 2020	14,782,931	329,672	(149,704)	43,021,070	57,983,969
Total comprehensive income for the period:					
Profit for the period	-	-	-	13,279,254	13,279,254
Other comprehensive income:					
Foreign currency translation difference	-	(243,357)	-	-	(243,357)
Total comprehensive income for the period	-	(243,357)	-	13,279,254	13,035,897
Transactions with owners, recorded directly in equity					
Final dividend of 5 cents per share and special dividend of 2 cent per share (one-tier tax exempt) in respect of FY2020	-	-	-	(9,732,232)	(9,732,232)
Interim dividend of 6 cents per share (one-tier tax exempt) in respect of FY2021	-	-	-	(8,341,912)	(8,341,912)
Total transactions with owners, recorded directly in equity	-	-	-	(18,074,144)	(18,074,144)
As at 31 March 2021	14,782,931	86,315	(149,704)	38,226,180	52,945,722

	Share Capital	Foreign Currency Translation Reserve	Accumulated remeasurement on retirement benefits	Accumulated Profits	Total
	S\$	S\$	S\$	S\$	S\$
The Company					
As at 1 July 2019	14,782,931	-	-	24,928,388	39,711,319
Total comprehensive income for the period:					
Profit for the period	-	-	-	10,011,842	10,011,842
Total comprehensive income for the period	-	-	-	10,011,842	10,011,842
Transactions with owners, recorded directly in equity					
Final dividend of 5 cents per share and special dividend of 1 cent per share (one-tier tax exempt) in respect of FY2019	-	-	-	(8,341,913)	(8,341,913)
Interim dividend of 5 cents per share (one-tier tax exempt) in respect of FY2020	-	-	-	(6,951,594)	(6,951,594)
Total transactions with owners, recorded directly in equity	-	-	-	(15,293,507)	(15,293,507)
As at 31 March 2020	14,782,931	-	-	19,646,723	34,429,654
As at 1 July 2020	14,782,931	-	-	25,602,968	40,385,899
Total comprehensive income for the period:					
Profit for the period	-	-	-	11,324,782	11,324,782
Total comprehensive income for the period	-	-	-	11,324,782	11,324,782
Transactions with owners, recorded directly in equity					
Final dividend of 5 cents per share and special dividend of 2 cent per share (one-tier tax exempt) in respect of FY2020	-	-	-	(9,732,232)	(9,732,232)
Interim dividend of 6 cents per share (one-tier tax exempt) in respect of FY2021	-	-	-	(8,341,912)	(8,341,912)
Total transactions with owners, recorded directly in equity	-	-	-	(18,074,144)	(18,074,144)
As at 31 March 2021	14,782,931	-	-	18,853,606	33,636,537

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 issued shares was 139,031,881 ordinary shares as at 31 March 2021 and 31 March 2020. The Company did not have any treasury shares as at the end of the current financial period or at the end of the immediately preceding year.

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

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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 Group's auditors.

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

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—

(a) Updates on the efforts taken to resolve each outstanding audit issue.

The audited financial statements for the year ended 30 June 2020 was not subjected to an adverse opinion, qualified opinion or disclaimer of opinion.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

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			
	Q3		Year-to-date (9 months)	
	Jan to Mar 2021	Jan to Mar 2020	Jul to Mar 2021	Jul to Mar 2020
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 on issue	3.00 cents	2.78 cents	9.55cents	7.71 cents
(ii) On a fully diluted basis	3.00 cents	2.78 cents	9.55cents	7.71 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 (31 March 2020: 139,031,881).

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

	Group 31 Mar 21	Group 30 Jun 20	Company 31 Mar 21	Company 30 Jun 20
Net Asset Value per ordinary share (cents)	38.08	41.71	24.19	29.05

The net asset value per ordinary share is calculated based on net assets of S\$52.9 million (30 June 2020: S\$58.0 million) and 139,031,881 (30 June 2020: 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 data from the World Semiconductor Trade Statistics (WSTS), worldwide semiconductor sales for the months of January and February 2021 amounted to US\$79.6 billion, an increase of about 14% from the same two-month period in 2020.

The Semiconductor Industry Association (SIA) said that global semiconductor sales got off to a strong start in 2021 and outpaced sales from early 2020 when the pandemic began to spread. SIA also said that global semiconductor production is on the rise to meet increasing demand and ease the ongoing chip shortage that is affecting the automotive and other sectors, and annual sales are projected to increase in 2021.

In its Semiconductor Market Forecast released on 17 March 2021, WSTS projects the world semiconductor market to increase by 10.9% to US\$488 billion in 2021. It expects the market's growth to be driven by demand for the sensors, analog and logic segments.

Group Revenue

		1Q	2Q	3Q	4Q	Full Year
REVENUE	FY2021	S\$18,146,411	S\$18,748,772	S\$17,689,537	NA	NA
	FY2020	S\$15,343,498	S\$16,275,737	S\$16,216,029	S\$16,372,486	S\$64,207,570
	% growth	18.3%	15.2%	9.1%	NA	NA

For the three months ended 31 March 2021 (3Q21), the Group's revenue increased by 9.1% to S\$17.7 million from S\$16.2 million in 3Q20. This was mainly due to double-digit sales growth in the Singapore and China markets, which more than offset slower sales registered in Taiwan, Europe, Japan and the USA.

On a quarter-on-quarter (qoq) basis, Group revenue in 3Q21 decreased 5.6% from S\$18.7 million in 2Q21 mainly due to lower sales in Malaysia, Philippines, Thailand and the USA. Historically the third quarter of the financial year, which follows the busy year-end holiday season for electronics and includes lower industry production related to Lunar New Year observances, is the slowest quarter of the Group's financial year.

For the nine months ended 31 March 2021 (9M21), the Group's revenue increased 14.1% to S\$54.6 million from S\$47.8 million in 9M20. This was driven mainly by higher sales registered in our key markets, namely China, the USA, Malaysia and Singapore.

Revenue breakdown by Geographical Market

Country	Group										
	2Q21 S\$	3Q21		3Q20		% change	9M21		9M20		% change
	S\$ m	%	S\$ m	%		S\$ m	%	S\$ m	%		
Singapore	1.7	1.6	9%	1.2	8%	32.5%	5.2	10%	3.8	8%	36.8%
Malaysia	3.1	2.7	15%	2.6	16%	3.8%	8.5	16%	7.7	16%	10.0%
Philippines	1.6	1.4	8%	1.4	8%	2.7%	4.5	8%	4.5	9%	0.3%
Thailand	0.5	0.3	2%	0.3	2%	9.0%	1.2	2%	0.9	2%	37.5%
China	5.8	5.9	33%	4.6	28%	27.7%	17.2	31%	13.8	29%	24.1%
USA	3.8	3.5	20%	3.6	22%	(5.0%)	11.0	20%	9.9	21%	11.2%
Europe	0.6	0.6	4%	0.7	5%	(18.5%)	1.8	3%	1.8	4%	(1.6%)
Japan	0.3	0.2	1%	0.3	2%	(29.5%)	0.8	1%	0.9	2%	(7.8%)
Taiwan	1.1	1.1	6%	1.3	8%	(12.4%)	3.5	7%	4.0	8%	(11.5%)
Rest of world	0.2	0.4	2%	0.2	1%	121.3%	0.9	2%	0.5	1%	66.8%
Total	18.7	17.7	100%	16.2	100%	9.1%	54.6	100%	47.8	100%	14.1%

China remained our largest geographical market with sales growth of 27.7% to S\$5.9 million and a contribution of 33% to the Group's revenue in 3Q21.

Sales in the USA, which is our second largest market, eased 5% to S\$3.5 million in 3Q21 and accounted for 20% of Group revenue. Our third largest market, Malaysia, registered sales growth of 3.8% to S\$2.7 million in 3Q21 and contributed 15% of the Group's revenue.

The Singapore market recorded a significant sales increase of 32.5% to S\$1.6 million in 3Q21 and contributed 9% of the Group's revenue. Sales in Taiwan decreased 12.4% to S\$1.1 million from S\$1.3 million. Sales in the Philippines market of S\$1.4 million in 3Q21 was stable when compared to the same period a year ago.

Capacity Utilisation

Capacity Utilisation		1Q	2Q	3Q	4Q	Full Year
	FY2021	59%	57%	56%	NA	NA
FY2020	59%	61%	52%	56%	56%	

Our average capacity utilisation rate increased to 56% in 3Q21 from 52% in 3Q20. The utilisation rate held steady when compared to 2Q21 following the installation of additional machines at our Singapore factory which raised the Group's overall production capacity.

Gross Profit (GP) Margin

Group GP Margin		1Q	2Q	3Q	4Q	Full Year
	FY2021	54.8%	53.9%	54.5%	NA	NA
FY2020	53.4%	53.9%	52.0%	54.5%	53.4%	

The Group's gross profit (GP) increased 14.3% to S\$9.6 million in 3Q21 compared to S\$8.4 million in 3Q20. As our cost of sales increased at a slower pace than sales, the Group's GP margin increased by 2.5 percentage points to 54.5% in 3Q21 from 52.0% in 3Q20.

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
	FY2021 % of sales	S\$3,979,876 21.9%	S\$4,420,271 23.6%	S\$4,260,744 24.1%	NA	NA
FY2020 % of sales	S\$3,775,046 24.6%	S\$4,119,714 25.3%	S\$3,386,070 20.9%	S\$3,948,997 24.1%	S\$15,229,827 23.7%	

Other income in 3Q21 decreased to S\$171k from S\$674k in 3Q20 due mainly to reduction of government grants. In 3Q20, the Group received grants of S\$389k from the Singapore Government's initiative to support businesses during the COVID-19 pandemic.

Our distribution expenses in 3Q21 remained relatively stable at S\$749k. Administrative expenses increased 12.8% to S\$2.6 million in 3Q21 from S\$2.3 million in 3Q20 due mainly to salary increments and higher bonus payout for staff which was in line with the improved revenue and profit.

Other operating expenses increased 9.1% to S\$1.1 million mainly due to higher overtime expenses incurred at our USA plant ("MMUS"). Due to various labor regulations, a certain amount of overtime is required to operate MMUS seven days a week. During 3Q21, we had completed the implementation of the core staffing structure required for around-the-clock production. We also incurred higher engineering expenses as part of our ongoing efforts to develop new parts and processes for critical wafer-fabrication processes.

In aggregate, our administrative, distribution and other operating expenses (inclusive of other income) increased 25.8% to S\$4.3 million in 3Q21 from S\$3.4 million in 3Q20. As a percentage of Group revenue, these overhead expenses increased to 24.1% as compared to 20.9% in the same period a year ago.

Profit before Tax and Net Profit

		1Q	2Q	3Q	4Q	Full Year
Net Profit after tax	FY2021	S\$4,651,085	S\$4,454,337	S\$4,173,832	NA	NA
	FY2020	S\$3,269,430	S\$3,574,950	S\$3,868,641	S\$3,937,022	S\$14,650,043
	% growth	42.3%	24.6%	7.9%	NA	NA

As a result of the above, the Group's profit before tax increased by 6.6% to S\$5.4 million in 3Q21 from S\$5.0 million in 3Q20.

After deducting tax expense of S\$1.2 million (3Q20: S\$1.2 million), the Group reported a net profit after tax of S\$4.2 million in 3Q21, an increase of 7.9% from S\$3.9 million in 3Q20. Net profit margin was stable at 23.6% in 3Q21 compared to 23.9% in 3Q20.

The effective tax rate for 3Q21 was 22.4% compared to 23.3% for 3Q20. Tax expense for the quarter included a provision of S\$162k for withholding tax on dividends to be remitted to Singapore from various overseas subsidiaries.

For 9M21, the Group's net profit increased 24.0% to S\$13.3 million from S\$10.7 million in 9M20. Net profit margin expanded to 24.3% in 9M21 compared to 22.4% in 9M20.

Correspondingly, the Group's earnings per share increased to 9.55 cents in 9M21 as compared to 7.71 cents in 9M20.

Balance Sheet

The Group remains in a sound financial position. As at 31 March 2021, we had a balance sheet with total assets of S\$67.0 million, shareholders' equity of S\$52.9 million, cash and cash equivalents of S\$16.4 million and no bank borrowings.

Long Term Assets

As at 31 March 2021, our non-current assets stood at S\$31.9 million as compared to S\$32.2 million as at 30 June 2020.

Trade Receivables

		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
Trade Receivables	FY2021	S\$12,102,795	S\$12,044,570	S\$12,574,162	NA
	≥ 90 days	0.09%	0.03%	0.12%	NA
	Write-off	-	-	-	NA
	FY2020	S\$10,275,281	S\$10,407,200	S\$11,222,282	S\$11,839,561
	≥ 90 days	0.29%	0.01%	0.08%	0.00%
	Write-off	-	-	-	-

The Group had total trade receivables of S\$12.6 million as at 31 March 2021 as compared to S\$11.8 million as at 30 June 2020. Of this, 0.12% was outstanding for 90 days or more (0% at end of 30 June 2020). There was no bad debt written off during both 9M21 and 9M20.

Trade & Other Payables

As at 31 March 2021, our trade payables totaled S\$1.1 million, of which S\$26k was outstanding for 30 days or more. Non-trade payables totaled S\$3.1 million. Other accrued expenses stood at S\$4.5 million.

Long term liabilities

As at 31 March 2021, the deferred tax liabilities was S\$1.5 million as compared to S\$1.4 million as at 30 June 2020.

Inventory

As a percentage of annualised sales, our inventory of S\$5.3 million as at 31 March 2021 (30 June 2020: S\$5.4 million) was 7.2% (30 June 2020: 8.4%). Inventory written off in 3Q21 totaled S\$30.4k (S\$21.0k in 3Q20).

Capital Expenditure

		1Q	2Q	3Q	4Q	Full Year
Capital Expenditure	FY2021	S\$2,274,736	S\$2,975,450	S\$ 407,454	NA	NA
	% of sales					
	FY2020	S\$517,525	S\$1,490,251	S\$717,106	S\$980,771	S\$3,705,653
	% of sales					5.8%

The Group's capital expenditure amounted to S\$5.7 million in 9M21. This was mainly for the purchase of new machines and accessories so as to raise the production capacity and enhance the capabilities of our factories in Singapore and the USA.

For FY2021, we expect to incur total capital expenditure of approximately S\$7.0 million.

Cash Flow Analysis

The Group generated net cash from operations of S\$4.4 million in 3Q21 (S\$4.5 million in 3Q20). Net cash used for investing activities amounted to S\$394k, which was mainly related to capital expenditure. After paying S\$8.3 million as interim dividend in respect of FY2021, we closed the period with cash and cash equivalents of S\$16.4 million (S\$16.1 million in 3Q20) including S\$0.2 million in pledged deposits.

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.

Compliance with SGX’s new COVID-19 disclosure requirements

With reference to the *Regulator’s Column: What SGX expects of issuers’ disclosures during COVID-19* issued by the SGX on 22 April 2020, the Group confirms that it has made diligent efforts to help investors make an independent assessment of the Group’s prospects and how the Group’s operating and financial conditions have been impacted and may change as the result of COVID-19. As such, our aim is to disclose material information that reflects our current state of affairs as well as provide an overview of the strategy and other steps the Group is taking to address the effects of COVID-19.

Impact of COVID-19 on the Group’s Factories

At the end of January 2020, our factory in Suzhou, China (“MMSU”) was our first operation in the Group to be affected by COVID-19. Except for being closed in February 2020 for several weeks under a directive by the local government, and some regulations and other limitations during 2H20 that delayed some of our staff from returning to the factory, our team in Suzhou has done an incredible job to keep MMSU operating safely and supporting our customers during FY2021.

In March 2020, the Group announced that we would be complying with directives from the governments of Malaysia and the United States aimed at slowing the spread of COVID-19. Although our plant in Penang (“MMP”) and our factory in the USA (“MMUS”) both operated for several months during 2H20 at reduced staffing levels, both plants have run normally during FY2021 except for two weeks in January 2021 when the government of Malaysia reimplemented a *Movement Control Order* (“MCO”). During this time only 30% of MMP’s management personnel were permitted to work from the office. Owing to our decentralized and lean management approach, and an IT infrastructure that allows our people to work remotely, the MCO during 3Q21 did not have a significant impact on MMP’s operations.

When MMSU closed in early February 2020, our team in Singapore took immediate steps at our plant there (“MMS”) to implement employee and visitor health-screening, limit travel and activate other preparations that we had put in place about a year earlier when MMS successfully completed ISO 22301:2012 for *Business Continuity Management*. Except for work-from-home regulations and other measures we implemented to minimize personnel contact, our team in Singapore has also done a remarkable job keeping everyone safe and supporting our customers.

In March 2020, the government in the Philippines announced various quarantine requirements which resulted in major disruptions in the supply chain to our plant in the Philippines (“MMPH”). When various quarantine measures were lifted in June 2020, we were able to bring the staffing level at MMPH back to about 80% of normal. Except for about two weeks in August 2020 when MMPH was required to reduce operating and staffing levels to about 50%, and the enactment of a curfew at the end of 3Q21 (which made it difficult for some of our employees to travel to and from MMPH), our team in the Philippines has worked hard during FY21 to support our customers, limit COVID-related disruptions and keep everyone safe.

In summary, the Group has worked diligently to establish new safety and operating procedures and fully comply with the COVID-19 orders and guidelines of the governments in jurisdictions where we have operations. Although it has been an incredibly challenging period for the Group, we are very proud of our people for the way they have so willingly and quickly adapted to the many changes we needed to make, behaved in a caring and responsible manner that has helped to keep everyone safe, and worked hard to keep our plants running so that we could support our customers.

One of our biggest concerns regarding COVID-19 is the possibility of a positive test by one or more of our people which might lead to the shutdown of a work area and/or the entire factory in order to undertake a full disinfection. Although we are working to mitigate this risk by following recommended safety protocols including masking, social distancing, cleaning, hand washing and eliminating all but essential employee or visitor traffic, the Group is highly wary of the possibility of a COVID-19 related quarantine or factory shutdown as we move forward.

Strategic, Operating and Financial Review

In spite of all of the challenges during this unprecedented period, Group revenue in 3Q21 increased 9.1% to S\$17.7 million from S\$16.2 million in 3Q20 while our profit before tax rose 6.6% to S\$5.4 million from S\$5.0 million in the same period a year ago. After deducting taxes of S\$1.2 million, Group profit after tax for 3Q21

increased 7.9% to S\$4.2 million from S\$3.9 million in 3Q20. For 9M21, the Group achieved a record nine-month performance with revenue increasing 14.1% to S\$54.6 million and net profit after tax rising 24.0% to S\$13.3 million.

Although dealing with the repercussions of a global pandemic is something new for the Group, we have always been mindful of the need to build an organization that is decentralized, flexible and resilient. Whether it is the adverse impact of a market downturn, introduction of disruptive technology, political unrest or a host of other unforeseen events, we need to have goals, structures and processes in place that make it easier for the Group to adjust to changes in circumstances and ensure business continuity. To this end, we intend to continue focusing on a handful of key initiatives which include:

- *Maintaining a Healthy Gross Profit Margin* – Having a strong and unwavering focus on customers and the value we bring to their business is a key objective. This means working diligently to understand and meet the requirements of our customers by delivering *Perfect Parts and Tools, On-Time, Every Time*. As the semiconductor industry develops new equipment and processes for manufacturing chips with device geometries below 10 nano-meters, our customers will increasingly require parts and tools manufactured using improved materials and processes that eliminate defects and variability. In the future, we think there may only be a handful of suppliers capable of meeting these stringent requirements and our goal is to become a leading *Next Generation Supplier*. We believe that our strong customer focus, rigorous evaluation process for making investments and the great work by our people should enable the Group to maintain a healthy GP margin. Indeed, our GP margin in 3Q21 increased to 54.5% from 52.0% in 3Q20. For 9M21, our GP margin increased to 54.4% from 53.1% during the previous nine-month period. We plan to continue working to strengthen this key measure of our competitive strength and of the value we create for our customers.
- *Controlling Overhead Expenses* – Maintaining a tight rein on expenses, working to lower costs through automation and process improvement, and keeping a straightforward approach to management is of critical importance. Our distribution expenses in 3Q21 remained relatively stable at S\$749k. Although administrative expenses increased 12.8% to S\$2.6 million in 3Q21 from S\$2.3 million in 3Q20, this was mainly due to salary increases and higher bonus payments for our people, which we believe are well deserved given the Group's performance during this challenging period and necessary as a hedge against the effects of a tightening labor market and intensifying competition for experienced people.

Other income in 3Q21 decreased to S\$171k from S\$674k in 3Q20 when we received grants of nearly S\$400k from the Singapore Government designed to support businesses at the onset of the COVID-19 pandemic. Other operating expenses increased 9.1% to S\$1.1 million due mainly to higher overtime expenses incurred at MMUS. Owing to various labor regulations, a certain amount of overtime is required to operate MMUS seven days a week. When compared against the cost and cycle-time improvements we expect to gain by more fully utilizing the fixed costs of our plant and equipment, we believe these marginal costs are well justified. During 3Q21, we completed the implementation of the core staffing structure required for around-the-clock production. We also incurred higher engineering expenses related to our ongoing efforts to develop new parts and processes for critical wafer-fabrication processes. In aggregate, our administrative, distribution and other operating expenses (inclusive of other income) increased 25.8% to S\$4.3 million in 3Q21 from S\$3.4 million in 3Q20. For the first nine months of FY2021, these expenses increased 12.2% to S\$12.7 million from S\$11.3 million in the same period a year ago.

At the end of 3Q21, the Group employed 532 great people, an increase of 4.5% from 509 people at the end of 3Q20. As the Group grows, we plan to continue working to improve efficiency, add personnel carefully and use technology to leverage the know-how and skills of our people.

- *Automating Our Operations* – Because a single defect can cause disastrous consequences in the precision manufacturing process of semiconductors, our customers need the parts and tools used in their critical processes to be flawless. To achieve this, our goal is to automate our operations around processes that are repeatable, scalable and cost-effective. This automation also extends to digitalizing our workflows for efficiency, mobility and the ability to work remotely for both personnel safety and work-life balance.

Owing to a lack of business visibility caused by the COVID-19 pandemic, we adjusted the timing of some of our capital expenditure during the last nine months. After spending just S\$1.0 million during 4Q20, we decided to accelerate our plans for several key investments in FY2021. This resulted in total capital expenditure of S\$5.3 million in 1H21 and S\$407k during 3Q21. For FY2021, we expect to spend about S\$7.0 million on new equipment.

- *Growing Without Debt and Rewarding Our Shareholders* - Building a great manufacturing business without debt helps to foster a culture of resourcefulness, discipline and careful decision making. In addition, we would like to attract shareholders who share our approach to long-term investing. Hence, one of the Group's key goals is to continue growing without taking on debt while building a track record for consistently rewarding shareholders. During 3Q21, we generated S\$4.4 million in net cash from operating activities (S\$4.5 million in 3Q20). After net investing activities of S\$394k and a dividend payment of S\$8.3 million, the Group ended the quarter in a strong financial position with S\$16.4 million in cash and cash equivalents (including S\$0.2 million held as security deposits) and no bank borrowings.

Including the interim dividend for FY2021, we have distributed total dividends of 91.9 cents per share since our listing in 2003. Based on dividends alone, this translates into a return of nearly 500% for shareholders who bought Micro-Mechanics shares at our Initial Public Offer.

- *Excelling in Transparency and Governance* – Since going public in 2003, we have worked diligently to understand and put into practice the fundamentals of transparency and good corporate governance. Indeed, accurate, complete and timely information is the foundation for sound decision making – not just for investors – but for everyone at Micro-Mechanics from the board room to the shop floor. Since our listing in 2003, the Group has received recognition 31 times for our good corporate governance, transparency and investor relations including being ranked 13th out of 577 companies listed on the Singapore Exchange in the latest Singapore Governance and Transparency Index (SGTI) released on 4 August 2020. The top 20 companies in the SGTI are mainly large capitalisation companies.

To affirm our commitment to transparency and good disclosure, our Board decided unanimously in February 2020 to continue with quarterly reporting of the Group's financial results. Although it entails more work and is now an optional SGX requirement, we think quarterly reporting is the right decision especially after the fast-moving events that we witnessed during the last year. We intend to continue working to build a strong corporate culture based on transparency, clear metrics of performance, stakeholder accountability and an unwavering commitment to good governance.

As we move into 4Q21, we would like to express our appreciation to all our people at Micro-Mechanics for their vision, teamwork and tireless commitment. During this COVID-19 period, we are especially appreciative of the care and consideration our people have shown for their colleagues and others by being willing to mask, distance, wash, clean and do all of the other things that help to keep everyone healthy and safe. Indeed, it is during times such as these where our saying -- *People Make Everything Happen*-- has never rung more true.

11. **If a decision regarding dividend has been made:-**

(a) Whether an interim (final) ordinary dividend has been declared (recommended)

Nil.

**(b) (i) Amount per share in cents
(ii) Previous corresponding period in cents**

- (i) Nil.
- (ii) Nil.

(c) Whether the dividend is before tax, net of tax or tax-exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated.)

Not applicable.

(d) The date dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

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

Not applicable.

13. Interested Persons Transactions

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

For the nine months ended 31 March 2021, the Group has made rental payment of US\$297,000 (31 March 2020: US\$288,000) and solar-generated electrical services payment of US\$91,037 (31 March 2020: US\$116,482) to Sarcadia LLC, a controlling shareholder of the Company and a family company set up by Mr. Christopher Reid Borch, the CEO of the Company.

Except for the above, there was no other interested person transaction relating to any director, controlling shareholders and their associates as defined in Chapter 9 of the Listing Manual.

14. Confirmation pursuant to Rule 705(5) of the Listing Manual

To the best of the Board of Directors' knowledge, nothing has come to their attention which may render the financial results of the Group and of the Company for the financial period ended 31 March 2021 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company hereby confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

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

- 16. 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.**

Not applicable.

- 17. 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.

- 18. A breakdown of sales.**

Not applicable.

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

Not applicable.

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

Not applicable.

BY ORDER OF THE BOARD

CHOW KAM WING
Company Secretary
30 April 2021