MICRO-MECHANICS (HOLDINGS) LTD

Unaudited Second Quarter Financial Statements Announcement for the year ending 30/6/2012

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF YEAR RESULTS

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

		Group					
		Q2			Half year		
	Note	Oct to Dec 2011 S$	Oct to Dec 2010 S$	Change	Jul to Dec 2011 S$	Jul to Dec 2010 S$	Change
Revenue	(1)	8,725,025	11,426,325	(23.6%)	19,095,674	23,103,971	(17.3%)
Cost of sales	(2)	(4,852,561)	(6,125,903)	(20.8%)	(10,544,505)	(12,097,222)	(12.8%)
Gross profit		**3,872,464**	**5,300,422**	(26.9%)	**8,551,169**	**11,006,749**	(22.3%)
Other income	(3)	125,524	254,810	(50.7%)	498,497	403,804	23.5%
Distribution costs		(715,225)	(807,920)	(11.5%)	(1,560,206)	(1,660,256)	(6.0%)
Administrative expenses	(4)	(1,769,728)	(1,945,366)	(9.0%)	(3,715,917)	(3,866,665)	(3.9%)
Other operating expenses		(520,513)	(485,029)	7.3%	(1,073,754)	(1,056,710)	1.6%
Profit from operations		**992,522**	**2,316,917**	(57.2%)	**2,699,789**	**4,826,922**	(44.1%)
Finance costs		-	-	-	-	-	-
Profit before taxation	(5)	**992,522**	**2,316,917**	(57.2%)	**2,699,789**	**4,826,922**	(44.1%)
Taxation	(6)	(245,086)	(515,949)	(52.5%)	(708,389)	(1,036,670)	(31.7%)
Profit after tax		**747,436**	**1,800,968**	(58.5%)	**1,991,400**	**3,790,252**	(47.5%)
Minority interests		-	-	-	-	-	-
Net profit for the period		**747,436**	**1,800,968**	(58.5%)	**1,991,400**	**3,790,252**	(47.5%)
Statement of Comprehensive Income							
Profit for the period		747,436	1,800,968	(58.5%)	1,991,400	3,790,252	(47.5%)
Other comprehensive income:							
Foreign currency translation differences		61,800	(342,785)	(118.0%)	491,313	(774,110)	(163.5%)
Total comprehensive income for the period		809,236	1,458,183	(44.5%)	2,482,713	3,016,142	(17.7%)

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 decreased in line with Group sales. Production headcount decreased to 377 in 2Q12, from 419 in 2Q11. Depreciation of equipment increased by S$63k.

(3) Other income consists of:

	Q2			Half year		
	Oct to Dec 2011 S$	**Oct to Dec 2010 S$**	**Change**	**Jul to Dec 2011 S$**	**Jul to Dec 2010 S$**	**Change**
Gain on disposal of property, plant and equipment	18,088	187,251	(90.3%)	154,923	231,396	(33.0%)
Interest income from banks and others	35,473	18,036	96.7%	69,542	42,758	62.6%
Government grant – Job Credit Scheme & Training Scheme	14,888	14,888	0.0%	29,776	63,209	(52.9%)
Exchange gain	33,145	-	n.m.	180,746	-	n.m.
Others	23,930	34,635	(30.9%)	63,510	66,441	(4.4%)

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

(5) Profit before taxation includes the following expenses:

	Q2			Half year		
	Oct to Dec 2011 S$	**Oct to Dec 2010 S$**	**Change**	**Jul to Dec 2011 S$**	**Jul to Dec 2010 S$**	**Change**
Trade receivables written off	-	-	-	-	-	-
Depreciation of property, plant and equipment	996,898	886,104	12.5%	1,953,332	1,723,938	13.3%
Exchange loss/(gain)	-	(6,620)	(100.0%)	-	57,292	(100.0%)
Inventories written off	13,749	12,365	11.2%	27,893	42,881	(35.0%)

(6) For 1H12, the Group's effective tax rate was 26.2%, compared to 21.5% for 1H11.

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 31 Dec 11 S$	Group 30 Jun 11 S$	Company 31 Dec 11 S$	Company 30 Jun 11 S$
Non-current assets					
Property, plant and equipment		25,512,058	24,702,462	-	-
Investment in subsidiaries		-	-	17,257,474	17,257,474
Trade and receivables		-	-	3,073,250	2,789,150
		25,512,058	24,702,462	20,330,724	20,046,624
Current assets					
Inventories		2,202,613	2,076,029	-	-
Trade and other receivables		8,838,588	9,424,631	825,753	1,745,443
Cash and cash equivalents		6,045,845	7,463,246	301,691	1,002,747
		17,087,046	18,963,906	1,127,444	2,748,190
Total assets		42,599,104	43,666,368	21,458,168	22,794,814
Shareholders' equity					
Share capital	(1)	14,782,931	14,685,321	14,782,931	14,685,321
Foreign currency translation reserve	(2)	(1,844,978)	(2,336,291)	-	-
Accumulated profits		23,640,857	24,430,094	6,392,784	7,805,876
		36,578,810	36,779,124	21,175,715	22,491,197
Non-current liabilities					
Deferred tax liabilities		1,482,441	1,472,627	-	-
		1,482,441	1,472,627	-	-
Current liabilities					
Trade and other payables		3,662,034	4,461,689	282,042	302,686
Provision for taxation		875,819	952,928	411	931
		4,537,853	5,414,617	282,453	303,617
Total liabilities		6,020,294	6,887,244	282,453	303,617
Total equity and liabilities		42,599,104	43,666,368	21,458,168	22,794,814

Notes:

(1) On 10 October 2011, the Company issued 227,000 shares at S$0.43 per share pursuant to Micro-Mechanics Performance Share Plan to eligible employees.

(2) The movement in foreign currency translation reserves was mainly due to the depreciation of the Singapore Dollar against Philippines Peso and the Renminbi as at 31 December 2011, when compared to 30 June 2011.

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

Amount repayable in one year or less, or on demand

As at 31 Dec 11		As at 31 Dec 10	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 31 Dec 11		As at 31 Dec 10	
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.

		Group			
		Q2		Half year	
	Note	Oct to Dec 2011 S$	Oct to Dec 2010 S$	Jul to Dec 2011 S$	Jul to Dec 2010 S$
Operating activities					
Profit before taxation		992,522	2,316,917	2,699,789	4,826,922
Adjustments for:					
Depreciation of property, plant and equipment		996,898	886,104	1,953,332	1,723,938
Gain on disposal of property, plant and equipment		(18,088)	(187,251)	(154,923)	(231,396)
Interest income		(35,473)	(18,036)	(69,542)	(42,758)
Operating profit before changes in working capital		1,935,859	2,997,734	4,428,656	6,276,706
Inventories		80,022	86,304	(126,584)	(164,336)
Trade and other receivables		971,982	(138,754)	587,188	(356,886)
Trade and other payables		(1,536,930)	(1,436,214)	(707,615)	(1,149,933)
Cash generated from operations		1,450,933	1,509,070	4,181,645	4,605,551
Interest received		30,093	21,455	68,397	53,747
Income tax paid		(524,861)	(408,656)	(796,985)	(755,646)
Cash flows from operating activities		956,165	1,121,869	3,453,057	3,903,652
Investing activities					
Purchase of property, plant and equipment		(939,363)	(1,692,551)	(2,393,969)	(4,339,963)
Proceeds from disposal of property, plant and equipment		27,989	207,211	181,248	262,440
Cash flows from investing activities		(911,374)	(1,485,340)	(2,212,721)	(4,077,523)
Financing activities					
Proceeds from issue of ordinary shares		-	-	-	66,000
Dividends paid	(1)	(2,780,637)	(2,776,098)	(2,780,637)	(2,776,098)
Deposits pledged		(827)	3,293	(832)	4,990
Cash flows from financing activities		(2,781,464)	(2,772,805)	(2,781,469)	(2,705,108)
Net increase/ (decrease) in cash and cash equivalents		(2,736,673)	(3,136,276)	(1,541,133)	(2,878,979)
Cash and cash equivalents at beginning of the period		8,617,416	9,896,933	7,314,746	9,795,162
Effect of exchange rate fluctuations		15,770	(139,526)	122,900	(295,052)
Cash and cash equivalents at end of the period	(2)	5,896,513	6,621,131	5,896,513	6,621,131

Notes:

(1) The Company paid final dividend of 2.0 cents per ordinary share (one-tier tax exempt) on 19 November 2011 in respect of FY2011.

(2) Cash and cash equivalent is derived from:

	Group 31 Dec 11 S$	Group 31 Dec 10 S$
Cash and cash equivalent balances	6,045,845	6,773,438
Less: Pledged cash placed with bank	(149,332)	(152,307)
	5,896,513	6,621,131

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 2010	14,619,321	(1,029,297)	21,768,340	35,358,364
Total comprehensive income for the period				
Net profit for the period	-	-	3,790,252	3,790,252
Other comprehensive income				
Foreign currency translation differences, net of tax	-	(774,110)	-	(774,110)
Total comprehensive income for the period	-	(774,110)	3,790,252	3,016,142
Transactions with owners, recorded directly in equity				
Issue of 150,000 ordinary shares @ 44.0 cents per share	66,000	-	-	66,000
Final dividend of 2 cents per share (one tier tax-exempt) in respect of FY2010	-	-	(2,776,098)	(2,776,098)
Total transactions with owners, recorded directly in equity	66,000	-	(2,776,098)	(2,710,098)
As at 31 December 2010	**14,685,321**	**(1,803,407)**	**22,782,494**	**35,664,408**
As at 1 July 2011	14,685,321	(2,336,291)	24,430,094	36,779,124
Total comprehensive income for the period				
Net profit for the period	-	-	1,991,400	1,991,400
Other comprehensive income				
Foreign currency translation differences, net of tax	-	491,313	-	491,313
Total comprehensive income for the period	-	491,313	1,991,400	2,482,713
Transactions with owners, recorded directly in equity				
Issue of 227,000 ordinary shares @ 43.0 cents per share	97,610	-	-	97,610
Final dividend of 2 cents per share (one tier tax-exempt) in respect of FY2011	-	-	(2,780,637)	(2,780,637)
Total transactions with owners, recorded directly in equity	97,610	-	(2,780,637)	(2,683,027)
As at 31 December 2011	**14,782,931**	**(1,844,978)**	**23,640,857**	**36,578,810**

	Share Capital	Foreign Currency Translation Reserve	Accumulated Profits	Total
The Company As at 1 July 2010	14,619,321	-	7,363,496	21,982,817
Total comprehensive income for the period				
Net profit for the period	-	-	2,035,137	2,035,137
Total comprehensive income for the period	-	-	2,035,137	2,035,137
Transactions with owners, recorded directly in equity				
Issue of 150,000 ordinary shares at 44.0 cents per share	66,000	-	-	66,000
Final dividend of 2 cents per share (one tier tax-exempt) in respect of FY2010	-	-	(2,776,098)	(2,776,098)
Total transactions with owners, recorded directly in equity	66,000	-	(2,776,098)	(2,710,098)
As at 31 December 2010	**14,685,321**	**-**	**6,622,535**	**21,307,856**
As at 1 July 2011	14,685,321	-	7,805,876	22,491,197
Total comprehensive income for the period				
Net profit for the period	-	-	1,367,545	1,367,545
Total comprehensive income for the period	-	-	1,367,545	1,367,545
Transactions with owners, recorded directly in equity				
Issue of 227,000 ordinary shares @ 43.0 cents per share	97,610	-	-	97,610
Final dividend of 2 cents per share (one tier tax-exempt) in respect of FY2011	-	-	(2,780,637)	(2,780,637)
Total transactions with owners, recorded directly in equity	97,610	-	(2,780,637)	(2,683,027)
As at 31 December 2011	**14,782,931**	**-**	**6,392,784**	**21,175,715**

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.

On 10 October 2011, the Company issued 227,000 shares at S$0.43 per share pursuant to Micro-Mechanics Performance Share Plan to eligible employees.

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 31 December 2011 and 138,804,881 ordinary shares as at 31 December 2010. The Company does not have any treasury shares as at the end of the current financial period and as at the end of the immediately preceeding period.

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			
	Q2		Half year	
	Oct to Dec 2011	Oct to Dec 2010	Jul to Dec 2011	Jul to Dec 2010
Earnings per ordinary share for the period based on net profit after tax and minority interest:-				
(i) Based on weighted average number of ordinary shares in issue	0.54 cents	1.30 cents	1.43 cents	2.73 cents
(ii) On a fully diluted basis	0.54 cents	1.30 cents	1.43 cents	2.73 cents

The calculation is based on the weighted average number of shares in issue during the period. The weighted average number of shares outstanding during the year was 138,907,278 (31 December 2010: 138,754,338).

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 31 Dec 11	Group 30 Jun 11	Company 31 Dec 11	Company 30 Jun 11
Net Asset Value per ordinary share (cents)	26.31	26.50	15.23	16.20

The net asset value per ordinary share is calculated based on net assets of S$36.6 million (30 June 2011: S$36.8 million) and 139,031,881 (30 June 2011: 138,804,881) shares in issue at the end of the currrent financial period 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

In December 2011, the Semiconductor Industry Association (SIA) endorsed the World Semiconductor Trade Statistics' (WSTS) Autumn 2011 forecast for global semiconductor sales to grow 1.3% to US$302 billion in 2011, which will be the first time it has surpassed the US$300 billion mark. However, based on data from the SIA, world-wide sales of semiconductors fell 1.8% in October and 3.1% in November compared with the same months a year ago. The SIA will release sales data for December 2011 in early February 2012.

Group Revenue

		1Q	2Q	3Q	4Q	Full Year
REVENUE	**FY2012**	**S$10,370,649**	**S$8,725,025**	**NA**	**NA**	**NA**
	FY2011	**S$11,677,646**	**S$11,426,325**	**S$11,105,983**	**S$11,098,199**	**S$45,308,153**
	% growth	**(11.2%)**	**(23.6%)**	**NA**	**NA**	**NA**

For the 3 months ended 31 December 2011 (2Q12), Group revenue declined 23.6% to S$8.7 million from S$11.4 million in 2Q12. This was due to slower business conditions and continuing global uncertainties. Decline in revenues from both our main product segments and some geographic markets, in particular, the USA and Malaysia, impacted our results adversely as elaborated below. In addition, floods in Thailand disrupted our Thailand operations as announced earlier. Group revenue was also adversely affected by the appreciation of the Singapore dollar against the US dollar, Malaysian ringgit and Thai baht in 2Q12 when compared to 2Q11. On a sequential basis, revenue in 2Q12 eased 15.9% from S$10.4 million in 1Q12, reflecting the slowing business conditions.

For the 6 months ended 31 December 2011 (1H12), Group revenue decreased 17.3% to S$19.1 million from S$23.1 million in 1H11.

Revenue breakdown by product segment

		1Q	2Q	3Q	4Q	Full Year
SEMI-CONDUCTOR TOOLING REVENUE	**FY2012**	**S$8,812,748**	**S$7,369,355**	**NA**	**NA**	**NA**
	FY2011	**S$9,633,183**	**S$9,447,503**	**S$8,990,745**	**S$8,932,632**	**S$37,004,063**
	% growth	**(8.5%)**	**(22.0%)**	**NA**	**NA**	**NA**

		1Q	2Q	3Q	4Q	Full Year
CMA REVENUE	**FY2012**	**S$1,557,901**	**S$1,355,670**	**NA**	**NA**	**NA**
	FY2011	**S$2,044,463**	**S$1,978,822**	**S$2,115,238**	**S$2,165,567**	**S$8,304,090**
	% growth	**(23.8%)**	**(31.5%)**	**NA**	**NA**	**NA**

In 1H12, our semiconductor tooling and CMA segments accounted for 85% and 15% respectively of the Group's revenue.

Revenue from the Group's semiconductor tooling segment, which serves customers that are involved in the assembly and testing of semiconductor, decreased 22.0% to S$7.4 million in 2Q12, from S$9.4 million in 2Q11. This was due mainly to slower global chip manufacturing activity and the suspension of our operations in

Thailand caused by the country’s severe floods. On a sequential basis, semiconductor tooling sales in 1Q12 eased 16.4% from S$8.8 million in 1Q12.

Our Custom Machining & Assembly (CMA) division, which mainly serves high technology capital equipment manufacturers in the aerospace, medical, laser and wafer fabrication industries, continued to experience challenging conditions in 2Q12 as the uncertain global economic outlook has led to reduced demand for capital equipment. Coupled with the impact of US dollar’s depreciation against the Singapore dollar (which fell about 5% compared to 2Q11), our CMA sales declined 31.5% to S$1.4 million in 2Q12, from S$2.0 million in 2Q11. CMA sales in 2Q12 were also 13.0% lower quarter-on-quarter (qoq) from S$1.6 million in 1Q12.

Revenue breakdown by Geographical Market

Country	Group										
	1Q12	2Q12		2Q11		% change	1H12		1H11		% change
		S$ m	%	S$ m	%		S$ m	%	S$ m	%	
Singapore	0.7	0.5	5%	0.5	4%	0.1%	1.2	6%	1.0	4%	10.2%
Malaysia	2.2	2.0	23%	2.4	21%	(17.4%)	4.2	22%	4.7	19%	(10.9%)
Philippines	0.8	0.6	8%	0.8	7%	(17.0%)	1.4	7%	1.7	9%	(14.0%)
Thailand	0.9	0.3	3%	0.9	8%	(70.3%)	1.2	6%	1.8	6%	(33.5%)
China	2.0	1.7	20%	1.8	16%	(4.9%)	3.8	20%	3.6	19%	3.3%
USA	1.5	1.5	17%	2.6	23%	(43.3%)	3.0	16%	5.1	18%	(41.5%)
Europe	0.5	0.4	4%	0.4	4%	(5.5%)	0.9	5%	0.9	7%	2.1%
Japan	0.4	0.4	4%	0.5	5%	(24.0%)	0.8	4%	1.1	5%	(26.7%)
Taiwan	0.9	0.9	11%	1.0	8%	(1.6%)	1.8	10%	2.1	8%	(10.7%)
Rest of world	0.5	0.4	5%	0.5	4%	(20.6%)	0.8	4%	1.1	5%	(23.7%)
Total	10.4	**8.7**	**100%**	**11.4**	**100%**	(23.6%)	**19.1**	**100%**	**23.1**	**100%**	(17.3%)

Sales of semiconductor tools in the Group’s markets continued to be adversely affected by slower global chip manufacturing activity during 2Q12.

Sales to the Thailand market decreased to S$0.3 million in 2Q12 from S$0.9 million in 2Q11. This was a decline of 70.3% and can be attributed to our decision to suspend operations at our factory in Pathumthani in late October following the country’s worst floods in more than half a century. As a result, Thailand contributed a lower 3% of Group revenue in 2Q12, compared to 8% in 2Q11.

Revenue contributed by the Malaysia market in 2Q12 decreased 17.4% to S$2.0 million, partially due to the depreciation of the Malaysian ringgit against the Singapore dollar, compared to 2Q11. Sales to China remained relatively resilient at S$1.7 million, compared to S$1.8 million in 2Q11, as a result of the Group’s efforts to strengthen its competitive position there. Malaysia and China remained as our two largest markets for semiconductor tools in 2Q12 with a combined contribution of 43% of Group revenue.

In the USA, which is the main market for our CMA business, sales were down 43.3% to S$1.5 million in 2Q12, from S$2.6 million in 2Q11, due mainly to reduced demand for capital equipment. Revenue contribution from the USA would have been higher if not for the depreciation of the US dollar against Singapore dollar between the two reporting periods.

Capacity Utilisation

		1Q	2Q	3Q	4Q	Full Year
Capacity Utilisation	**FY2012**	**55%**	**46%**	**NA**	**NA**	**NA**
	FY2011	**56%**	**54%**	**58%**	**55%**	**56%**

Our average capacity utilisation rate decreased to 46% in 2Q12, compared to 54% in 2Q11, in tandem with slower sales.

Gross Profit (GP) Margin

		1Q	2Q	3Q	4Q	Full Year
Group GP Margin	**FY2012**	**45.1%**	**44.4%**	**NA**	**NA**	**NA**
	FY2011	**48.9%**	**46.4%**	**45.4%**	**42.7%**	**45.9%**

			1Q	2Q	3Q	4Q	Full Year
Gross Profit Margin (By Product Segment)	**FY2012**	**Semiconductor**	**52.2%**	**52.5%**	**NA**	**NA**	**NA**
		CMA	**4.8%**	**0.1%**	**NA**	**NA**	**NA**
	FY2011	**Semiconductor**	**56.8%**	**54.3%**	**53.1%**	**50.1%**	**53.7%**
		CMA	**11.4%**	**8.0%**	**12.8%**	**12.6%**	**11.3%**

The Group's gross profit (GP) decreased 26.9% to S$3.9 million in 2Q12, from S$5.3 million in 2Q11 in line with the decline in sales. Nonetheless, the Group's GP margin in 2Q12 remained steady at 44.4%, compared to 46.4% in 2Q11 and 45.1% in 1Q12.

Despite slower sales of our semiconductor tooling business in 2Q12, the GP margin of this business segment was still a healthy 52.5%, compared to 54.3% in 2Q11 and 52.2% in 1Q12. This can be attributed to the Group's continuous efforts to improve quality, cost and cycle time which helped to mitigate the usual selling price pressure typical of the semiconductor industry as well as the impact of the lower US dollar.

The GP margin of our CMA division decreased to 0.1% in 2Q12, compared to 8.0% in 2Q11 and 4.8% in 1Q12. Due to the decline in CMA sales, the division's GP margin was affected by the combined effects of lower utilisation rate and fixed manufacturing overheads at our CMA factory in the USA.

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

		1Q	2Q	3Q	4Q	Full Year
Admin, Distribution and Other Operating Expenses (net of other income)	**FY2012** **% of sales**	**S$2,971,438** **28.7%**	**S$2,879,942** **33.0%**	**NA**	**NA**	**NA**
	FY2011 **% of sales**	**S$3,196,322** **27.4%**	**S$2,983,505** **26.1%**	**S$2,988,238** **26.9%**	**S$2,990,680** **26.9%**	**S$12,158,745** **26.8%**

Other income decreased 50.7% to S$126k in 2Q12 (S$255k in 2Q11) due primarily to lower gain on disposal of assets.

In line with its practice of keeping a close watch on costs, the Group pared its expenses during 2Q12. Administrative expenses declined 9.0% to S$1.8 million, due mainly to lower Performance Bonus Incentive payments and reduction in staff costs. Distribution costs declined 11.5% to S$715k in 2Q12 (S$808k in 2Q11) due to lower Sales Incentive Payments in line with the decrease in sales, as well as other expenses related to sales and marketing.

In total, our administrative, distribution and other operating expenses (inclusive of other income) decreased 3.5% to S$2.9 million in 2Q12, from S$3.0 million in 2Q11. In total, these overhead costs were 33.0% of Group sales in 2Q12, compared to 26.1% in 2Q11.

Profit before Tax and Net Profit

		1Q	2Q	3Q	4Q	Full Year
Net Profit after tax	**FY2012**	**S$1,243,964**	**S$747,436**	**NA**	**NA**	**NA**
	FY2011	**S$1,989,284**	**S$1,800,968**	**S$1,672,712**	**S$1,362,937**	**S$6,825,901**
	% growth	**(37.5%)**	**(58.5%)**	**-**	**-**	**-**

As a result of the above, the Group reported profit before tax of S$993k in 2Q12, a decrease of 57.2% from S$2.3 million in 2Q11. After deducting taxation of S$245k (S$516k in 2Q11), the Group's net profit declined 58.5% to S$747k in 2Q12, from S$1.8 million in 2Q11.

For 1H12, Group profit before tax declined 44.1% to S$2.7 million, from S$4.8 million in 1H11. After deducting taxation of S$708k (S$1.0 million in 1H11), Group net profit decreased 47.5% to S$2.0 million in 1H12, from S$3.8 million in 1H11. The Group's net profit margin in 1H12 contracted to 10.4% from 16.4% in 1H11. The effective tax rate in 1H12 was 26.2%, compared to 21.5% for 1H11.

Dividend

To express our appreciation to shareholders for their support of Micro-Mechanics, the Group is recommending payment of an interim dividend of S$0.01 per share (one-tier tax exempt). The dividend, totaling S$1.4 million, will be paid on 23 February 2012 to shareholders on record as at 8 February 2012.

Balance Sheet

As at 31 December 2011, the Group maintained its sound financial position with a balance sheet that had total assets of S$42.6 million, shareholders' equity of S$36.6 million, cash and cash equivalents of S$6.0 million and no bank borrowings.

Accounts Receivable

		As at end of 1Q	As at end of 1H	As at end of 3Q	As at end of 2H
Accounts Receivable	FY2012	S$6,851,204	S$5,607,679	NA	NA
	≥ 90 days	0.8%	0.1%		
	Write-off	Nil	Nil		
	FY2011	S$7,244,402	S$6,675,224	S$7,114,194	S$6,661,972
	≥ 90 days	1.8%	1.9%	1.8%	1.1%
	Write-off	Nil	Nil	Nil	Nil

In line with the decrease in Group sales, total trade receivables as at 31 December 2011 was S$5.6 million. Of this, S$6k or 0.1% were outstanding for 90 days or more (1.9% at end of 31 December 2011). We had zero bad debts for the quarter under review.

As at 31 December 2011, our trade payables totaled S$0.5 million, of which S$38k were outstanding for 30 days or more. Non-trade payables, which was mainly due to equipment vendors, amounted to S$3.1 million. Of this, S$17k was outstanding for more than 30 days.

Inventory

As a percentage of annualised sales, our inventory of S$2.2 million at the end of 2Q12 remained steady at 5.8% (4.9% at end-2Q11). Inventory written off in 2Q12 totaled S$14k, compared to S$12k in 2Q11.

Capital Expenditure

		1Q	2Q	3Q	4Q	Full Year
Capital Expenditure	FY2012	S$1,454,606	S$939,363	NA	NA	NA
	% of sales					
	FY2011	S$2,647,412	S$1,692,551	S$1,422,494	S$976,161	S$6,738,618
	% of sales					14.9%

During 2Q12, we invested close to S$1 million on new production equipment to improve the operational efficiency of our manufacturing facilities.

Cash Flow Analysis

Despite the decline in profit before tax, the Group generated net cash from operating activities of S$1.0 million in 2Q12 which is comparable to S$1.1 million in 2Q11, due primarily to a reduction in our working capital. Net cash used for investing activities amounted to S$0.9 million mainly for purchases of production equipment. The Group used net cash of S$2.8 million for financing activities during 2Q12, due mainly to payment of a final dividend in respect of FY2011. We closed the period with cash of S$5.9 million (after adjusting for the effect of exchange rate fluctuations) and no bank borrowings.

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 period. 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.

<u>Semiconductor tooling business</u>
The second quarter of FY2012 was a difficult period for our Group. Based on data from the SIA, world-wide sales of semiconductors fell 1.8% in October and 3.1% in November compared with the same months a year ago (the SIA has not yet released figures for December 2011). With the semiconductor industry already in a stall, we also saw our sales in Thailand decline during 2Q12 when devastating floods in the country put our factory, and the factories of many of our semiconductor tooling customers there, under water. As a result, sales for our semiconductor tooling business fell 22% to S$7.4 million from S$9.4 million in the year-earlier quarter. Although we maintained a healthy GP margin of 53% for this segment in 2Q12, it was challenging for us to quickly compensate for the sudden drop in sales within this short time frame. Consquently, the gross profit contributed by our tooling business fell about S$1 million compared with the same period a year ago.

<u>Update on Thailand operations</u>
After ensuring the floodwater level had receded to safe levels, the Group re-opened its semiconductor tooling factory in Pathumthani, Thailand in mid-December 2011 and is presently working on restoration of the facility. Many of our customers in Thailand are in the process of recovering their manufacturing plants and still uncertain when they will be able to resume full operations. We expect this to affect our business in Thailand during the second half of FY2012. Hence, the Group plans to scale down its operations in Thailand to be in line with the expected requirement of the market there. We estimate the total cost of rightsizing our operations plus equipment repairs to be approximately S$140k.

<u>CMA Division</u>
This was also a disappointing quarter for our CMA operations in the USA. During the quarter, CMA sales fell 32% to S$1.4 from S$2.0 million due to reduced demand for capital equipment. While we took multiple actions to lower costs during 2Q12, including a reduction in working hours, this division's GP margin fell to 0.1% from 8% in 2Q11. To ensure our CMA Division is ready for a recovery in the capital equipment market, we intend to remain focused on building a foundation for growth based on innovation, uncompromising quality and efficient manufacturing of complex parts in a fully-automated environment.

<u>Focusing on our fundamentals</u>
The world economy seems to have averted, at least for now, a major meltdown from the soverign debt crisis in Europe. But the latest developments in Iran, Syria or North Korea could spill over at any time and add to the already volatile and unpredictable markets. As such, we intend to stay focused on the fundamentals of competitiveness, including a continued emphasis on keeping costs low. During 2Q12, our administrative, distribution and other overhead costs declined 3.5% to S$2.9 million from S$3.0 million in the same period a year ago. Together with a balance sheet that includes S$37 million in net assets, S$6 million in cash and no bank borrowings, our goal is to be able to manage smoothly through difficult periods and stay focused on the long-term work of building a great company.

We also intend to continue our efforts to build a company where our people know right from wrong, work together as a team and set goals that lead to constant personal, process and organizational improvement. This mindset starts at the top with our Board and Executive Management but is valueless unless it extends to all locations, work areas and levels in the Group. In October, we received an award from the Securities Investors Association of Singapore (SIAS) for "The Most Transparent Company (Runner-up, Mainboard Small Caps)." This award marks the fifth time in seven years that the Group has been recognized by SIAS for our efforts to promote the highest standards of corporate governance and transparency. We were also pleased that our ranking for 2011 on the Business Times Index for corporate governance has improved to number 20 among the more than 600 publicly-listed companies in Singapore (in 2010, the Group ranked number 21).

According to the SIA, the growing level of semiconductor content embedded across a wide range of consumer, industrial, business and government applications points to continued growth over the next two years. The WSTS

Autumn 2011 forecast predicts global chip sales to grow by 2.6% to US$310 billion in 2012. Other industry watchers are forecasting global chip sales in 2012 of between US$305 billion and US$308 billion.

As we begin 2012 with this uncertain environment, we appreciate the commitment, hardwork and sacrifice made by our people. We would also like to express our appreciation to our shareholders, through an interim dividend of S$0.01 per share, for their support of Micro-Mechanics. The dividend, totaling S$1.4 million, will be paid on 23 February 2012 to shareholders on record as of 8 February 2012.

We look forward to working together for continued progress and 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. The Board of Directors has declared an interim dividend of 1.0 cent per ordinary share (one tier tax-exempt) amounting to S$1.4 million.

(b) Corresponding Period of the Immediately Preceding Financial Year

An interim dividend of 1.0 cent per ordinary share (one tier tax-exempt) was paid on 28 February 2011 in respect of FY2011.

(c) Date payable

The dividend payment will be made on 23 February 2012.

(d) Books closure date

Notice is hereby given that the Register of Members and the Share Transfer Books of the Company will be closed on 8 February 2012 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, M&C Services Private Limited, 138 Robinson Road, #17-00, The Corporate Office, Singapore 068906 up to 5:00 p.m. on 7 February 2012 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 7 February 2012 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.

Not applicable

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.

Not applicable

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

Not applicable

17. Interested Persons Transactions

There are no interested party transactions for the 6-month financial period ending 31 December 2011.

18. Confirmation Pursuant to Rule 705(4) of Listing Manual

To the best of the Board of Directors' knowledge, nothing has come to their attention which may render the financial results to be false or misleading.

On behalf of the Board of Directors

………………………..	……………………….
Christopher Reid Borch	Chow Kam Wing
Chief Executive Officer	Chief Financial Officer

BY ORDER OF THE BOARD

CHOW KAM WING
Company Secretary
28 January 2012