



METAL COMPONENT ENGINEERING LIMITED

ANNUAL REPORT  
20  
16

FORGING  
AHEAD



# Our Vision

## To be a World-Class Mechanical Manufacturing Solutions Provider

### CONTENTS

<b>01</b>	Corporate Profile	<b>07</b>	Board of Directors	<b>39</b>	Independent Auditor's Report
<b>02</b>	Corporate Information	<b>09</b>	Key Management	<b>45</b>	Financial Statements
<b>03</b>	Corporate Structure	<b>11</b>	Five-Year Financial Highlights	<b>114</b>	Supplementary Financial Information
<b>04</b>	Core Values	<b>13</b>	Corporate Governance Report	<b>115</b>	Shareholdings Statistics
<b>05</b>	Chairman's Message	<b>32</b>	Directors' Statement	<b>118</b>	Notice of Annual General Meeting Proxy Form

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made, or reports contained in this annual report.

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road #09-00 ASO Building, Singapore 048544, telephone (65) 6636-4201.

# Corporate Profile

**Metal Component Engineering Limited (“MCE” or the “Company”)** is a one-stop mechanical manufacturing solutions provider with a regional manufacturing presence in Asia. The Group focuses on data storage, office automation peripherals, ATM and kiosk products, as well as automotive industries.

The Company offers services from design, prototyping, tool and die fabrication (soft tools, hard tools and hybrid solutions), precision stamping production, surface finishing, to value-added assembly. It supports customers for both high-mix low-volume and low-mix high-volume production. MCE’s services also extend to electromechanical assembly solutions, ranging from welding to mechanical structure integration, and supply chain management capabilities. Its assembly lines allow flexible configurations to meet various product requirements.

Through its sheet metal technology, efficient supply chain and inventory hub management, MCE provides competitive solutions to its customers.

## Key capabilities:

- Early supplier involvement
- Design For Manufacturability (DFM)
- Program management
- Prototyping
- Tool design and fabrication
- Batch production
- High-volume production
- Secondary processes
- In-house surface treatment
- Supply chain management
- Mechanical assembly & integration
- Sub-module machining



# Corporate Information

## COMPANY REGISTRATION NUMBER

198804700N

## REGISTERED OFFICE

10 Ang Mo Kio Street 65  
#04-02 Techpoint  
Singapore 569059  
Tel: (65) 6759 5575  
Fax: (65) 6759 5565  
www.mce.com.sg

## DIRECTORS

**Chua Kheng Choon** (Chairman and CEO)  
**Chua Han Min**  
(Deputy CEO and Executive Director)  
**Lim Chin Tong** (Lead Independent Director)  
**Cheah Chow Seng**  
(Independent Director)  
**Koh Gim Hoe** (Independent Director)

## AUDIT COMMITTEE

**Lim Chin Tong** (Chairman)  
**Cheah Chow Seng**  
**Koh Gim Hoe**

## REMUNERATION COMMITTEE

**Koh Gim Hoe** (Chairman)  
**Lim Chin Tong**  
**Cheah Chow Seng**

## NOMINATING COMMITTEE

**Cheah Chow Seng** (Chairman)  
**Lim Chin Tong**  
**Koh Gim Hoe**

## COMPANY SECRETARIES

**Lee Wei Hsiung**  
**Mak Peng Leong, Philip**

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE

M & C Services Private Limited  
112 Robinson Road  
#05-01  
Singapore 068902

## BANKERS

DBS Bank Ltd  
Malayan Banking Berhad  
Oversea-Chinese Banking  
Corporation Limited  
Standard Chartered Bank  
United Overseas Bank Limited

## CONTINUING SPONSOR

ZICO Capital Pte. Ltd.  
8 Robinson Road  
#09-00 ASO Building  
Singapore 048544

## AUDITOR

Foo Kon Tan LLP  
Chartered Accountants  
24 Raffles Place  
#07-03 Clifford Centre  
Singapore 048621  
Partner-in-charge: Robin Chin Sin Beng  
Date of appointment: 29 October 2012

# Corporate Structure



**METAL COMPONENT ENGINEERING LIMITED**



# Core Values

We will trust others first, followed by check and balance. We shall always respect all individuals the same way we want to be respected. We empower people, but are aware of cross cultural differences and each other's strength and weakness.

We share a common goal, strive to understand each other's strength and weakness, work together with a balanced approach, to bring the company towards its winning state.



# Chairman's Message

“  
The Group will continue to focus on new business opportunities and further assets consolidation to improve the return on its assets and operating margin.”

## Dear Shareholders

FY2016 was a year of significant changes for MCE. It marked the exit from the Hard Disc Drive Components (“HDD”) business, the entry into new industrial product segment and the realisation of our concerted effort in business development with increased Request for Quotation (“RFQ”) submission and contracts awarded from new customers.

## Financial Review

### *Discontinued operations*

Due to the structural decline of the global HDD industry, the Group discontinued its HDD business in FY2016. As a result, the Group's HDD business saw a decrease in revenue of \$11.9 million year on

year, to \$7.3 million in FY2016 from \$19.2 million in FY2015. The Group recorded a one-off restructuring cost of \$1.0 million. Consequently, a loss after tax of \$1.4 million was recorded in FY2016 from the discontinued operations as compared to a loss after tax of \$743,000 in FY2015.

### *Continued operations*

The Group's continuing operations comprise the Precision Metal Stamping (Printer and Automotive) and the Industrial Product business segments. Revenue from these continuing operations amounted to \$53.0 million in FY2016, representing an increase of 1.6% from the \$52.2 million reported in FY2015. The increase was contributed by an increase in the Precision Components (“PC”) business by 12.3%, partially offset by a decrease in revenue from the Mechanical Integration (“MI”) business by 16%.

As a result of increased operating cost, that included an amortisation expense of \$668,000 (FY2015: Nil)



# Chairman's Message

on the start-up of the Industrial Product business segment in China, the Group's continuing operations reported a loss after tax of \$1.6 million for FY2016, as compared to a profit after tax of \$1.3 million for FY2015.

## Overall

The Group recorded a loss after tax of \$3.0 million in FY2016, as compared to a profit after tax of \$534,000 in FY2015.

Net cash amounted to \$60,000 as at 31 December 2016, as compared to a net cash of \$413,000 as at 31 December 2015. Key financial ratios such as current ratio, debt equity and net working capital turnover also remained significantly unchanged, year on year.

## Operational Review

With the closure of the Wuxi plant in May 2016, the Group's manufacturing footprint at the end of December 2016 comprised five manufacturing sites in three countries, namely China, Malaysia and Thailand that are supported by a corporate headquarters in Singapore.

### MCE China

The Group has two manufacturing sites in China – Shanghai Qingpu and Suzhou. The Qingpu site focuses on Mechanical Integration business, while the site in Suzhou serves customers in the Precision Components business.

In FY2016, China continued to be the major contributor to the Group's revenue of \$39.6 million (FY2015: \$55.9 million). The decrease in revenue from China was due to the discontinued HDD business, partly offset by growth in the Automotive and Industrial Product business. It recorded a loss after tax of \$3.6 million as a result of the closure of the HDD business and the start-up of a new Industrial Product business segment.

### MCE Malaysia

Revenue from Malaysia had decreased from \$11.8 million in FY2015 to \$9.3 million in FY2016, due to the end of a major project. Despite the reduced sales, the company had recorded a profit after tax of \$15,000 in FY2016 as compared to a profit of \$168,000 in FY2015.

### MCE Thailand

Revenue from Thailand had increased by 46.8%, from S\$7.1 million in FY2015 to S\$10.4 million in FY2016, mainly due to increased orders from new projects. Consequently, it recorded a profit after tax of \$2.5 million in FY2016 as compared to a loss after tax of \$198,000 in FY2015.

## Forward Looking

Amidst an increasingly challenging business environment, the Group will continue to focus on new business opportunities and further assets consolidation to improve the

return on its assets and operating margin. The Group is confident that it has mitigated the adverse impact of the closure of its HDD business for the financial year ending 31 December 2017.

The Group expects to see an improvement in the performance of its Precision Metal Stamping business segment while the Industrial Product business segment continues to improve its engineering capability and production capacity for mid to long term growth.

## Appreciation

In conclusion, on behalf of the Board of Directors, I would like to express my appreciation to all our shareholders, customers, business partners, management team and staff for their continuous support.

We would also like to especially thank Mr Lim Swee Kwang and Mr Tan Soo Yong, who stepped down as Independent Director and Executive Director in May 2016 and March 2017 respectively, and Mr Chua Han Min, who will be stepping down on 2 May 2017, for their support and contribution to the Group over the years.

Thank you.

### CHUA KHENG CHOON

Chairman and Chief Executive Officer

# Board of Directors



**CHUA KHENG CHOON**, our CEO and Chairman, is one of our founders and is responsible for overseeing the overall business strategy of our Group. He has been in the precision metal stamping industry for more than 30 years. Under Mr Chua's leadership, our Company has grown steadily from its inception as a stamping sub-contractor to its position as a one-stop provider for mechanical manufacturing products and services. He holds a Diploma in Material Handling Technology and a Certificate in Industrial Management from the Singapore Institute of Management.



**CHUA HAN MIN**, is our Deputy CEO and Executive Director. Mr. Chua is responsible for the Precision Metal Stamping business unit that comprises the metal stamping operations in Malaysia, Thailand and China (Wuxi and Suzhou). Mr Chua has more than 30 years of experience in the field of manufacturing engineering. Prior to joining MCE, he was with Philips Singapore Pte Ltd, King Radio (S) Pte Ltd and Hewlett-Packard (S) Pte Ltd. Mr Chua holds a Masters in Science (Mechanical Engineering) from the National University of Singapore and a Master of Business Administration from the University of South Australia. Mr Chua has resigned from the Company to pursue other personal interests and his last day of service with the Company will be on 2 May 2017.



**LIM CHIN TONG**, is our Lead Independent Director. He is currently an Executive Director of Manufacturing Integration Technology Ltd (MIT), a manufacturer of semiconductor, solar and other high tech capital equipment. Mr Lim's career spanned many years in the government sector with the Economic Development Board before he moved to the private sector with Xpress Holdings Ltd in 2000. Apart from MIT and MCE, he had previously served on the Boards of several SGX and ASX listed companies. In the academic field, Mr Lim sat on the Board of Governors of Nanyang Polytechnic for multiple terms until 2013 and currently chairs its NYP International Pte Ltd. He graduated with a Bachelor of Science (Honours) degree in Mechanical Engineering from the University of Leeds (UK) and a Diploma in Business Administration from NUS. Mr Lim also attended the Program for Management Development at the Harvard Business School.

# Board of Directors



**CHEAH CHOW SENG**, is our Independent Director. He held various appointments in Hewlett-Packard Singapore (Private) Limited (“HP”) from 1979 to 2008, his most recent position prior to retirement, being Vice-President of Manufacturing Operations for HP’s printing and imaging group. In this position, Mr Cheah played a leadership role in shaping HP’s printing group global manufacturing strategy, and developing its manufacturing ecosystem, especially in Asia. He left HP in 2008 to pursue personal interests. Mr Cheah holds a Bachelor’s and Master’s Degree in Mechanical Engineering and Computer Aided Design from the Heriot-Watt University, UK. He also attended the Wharton School Executive Management Program. In September 2005, Mr Cheah was awarded the White Magnolia Award by the Shanghai municipal government for his contributions to the Shanghai city industrial development.



**KOH GIM HOE STEVEN**, is our Independent Director. He was previously the Deputy CEO and Executive Director in Armstrong Industrial Corporation Limited from 2000 to 2015. Prior to Armstrong, Mr Koh held several management positions in major banks. Mr Koh was appointed by SPRING Singapore from 2015 to 2016 as a business advisor to precision engineering companies in Singapore, the Commissioner of Inland Revenue Authority of Singapore as a member of the Taxpayer Feedback Panel – Mandarin Dialogue from 2010 to 2014 and the Chairman of Singapore Club in South Korea in late 1900s. Mr Koh is currently the full time Secretary General of Singapore Precision Engineering and Technology Association (SPETA). Prior to current appointment at SPETA, Mr Koh was the Vice Chairman and Advisor for SPETA since 2011. He holds various Diplomas in Banking, Accountancy and Management from renowned overseas and local institutions.

# Key Management

**MAK PENG LEONG PHILIP**, is our Chief Financial Officer and Company Secretary. He is responsible for the Group's overall financial management, internal control and compliance requirements. Mr Mak also sits in the Executive Committee and participates in the strategic and policy making decisions of the Group. Prior to joining the Group, Mr Mak has worked in a wide spectrum of companies including Singapore-based multi-national corporations, publicly listed companies on the Singapore Exchange and public accounting firms. Mr Mak has more than 25 years of experience in audit and financial management. Mr Mak holds a MBA from the University of South Australia in Adelaide, Australia. He is also a fellow member with the Institute of Singapore Chartered Accountants, as well as the Association of Chartered Certified Accountants in UK.

**TIO WEE SEENG**, is our Business Development Director. Mr Tio is responsible for developing business strategy and driving business development efforts in the Group. Mr Tio has more than 20 years of experience in driving business results in dynamic business environment, and more than 7 years' experience in operations for electronics manufacturing industries. Prior to joining MCE, he held various management positions at Sanmina-SCI Limited, Solectron Singapore Limited, NatSteel Electronics Limited and Hewlett Packard (S) Pte Ltd. Mr Tio holds a Bachelor's degree in International Business Management from Royal Melbourne Institute of Technology, Australia.

**BOON CHE KWANG**, is the General Manager for both MCE Thailand and Malaysia and has been with MCE since 2004. He is responsible for the overall operations of MCE Thailand and Malaysia. Prior to his current appointment, Mr Boon held various management positions in production, engineering and operations in both MCE Thailand and Malaysia. Mr Boon holds a Bachelor of Science Degree (Major in Statistic and Computer Science) from Campbell University U.S.A (North Carolina).

**CHAN YEW WENG**, is the General Manager for MCE Suzhou and is responsible for the overall operations of MCE Suzhou. Prior to joining MCE, Mr Chan was the Chief Operating Officer of the Plastics Division in Interplex Holdings Pte. Ltd, where he was responsible for the operation and oversight of the business development and execution of the strategic and annual business plans. He held the position of Procurement Manager at Hewlett-Packard (S) Pte Ltd prior to Interplex. Mr Chan graduated with a Bachelor of Engineering (First Class Honours) degree in Mechanical Engineering from the University of Strathclyde, UK and holds a Diploma in Mechanical and Manufacturing Engineering from Singapore Polytechnic.



# Key Management



**CHIA NAM YANG JIMMY**, our Chief Engineer, has been with the Group since 1989. He is responsible for the co-development and implementation of “MCE’s” Technology Roadmap, and leads the Engineering Team in Early Supplier Involvement (ESI), DFM/DFX solutions to achieve Total Customer Satisfaction. Mr Chia also identifies, formulates and markets new engineering processes and solution offerings to customers. He holds a National Technical Certificate (NTC) Grade 1 on Precision Tool Design.

**NG CHEE HONG DARREN**, our Corporate Quality Manager, has been with the Group since 2001. He is responsible for the maintenance and continuous improvement of the Quality Management System of the Group across its manufacturing sites. Mr Ng holds a Bachelor of Science Degree (Honours) from the National University of Malaysia.

**TAN WEE SUAN MAVIS**, our Corporate Materials Manager, has been with the Group since 1989. She is responsible for the Group’s materials planning, pricing negotiation and purchase strategy. Ms Tan holds a Diploma in Business Administration from the Singapore Productivity Standards Board Institute.

**TEE LIAN SOON MICHAEL**, our Group Human Resources Manager, has been with the Group since 2010. He is responsible for the overall implementation and provision of Human Resources services, policies and programs for the Group. Prior to joining the Group, he managed the Human Resource functions for a public listed company. Mr Tee holds a Bachelor of Business Administration from University of Wolverhampton (UK).

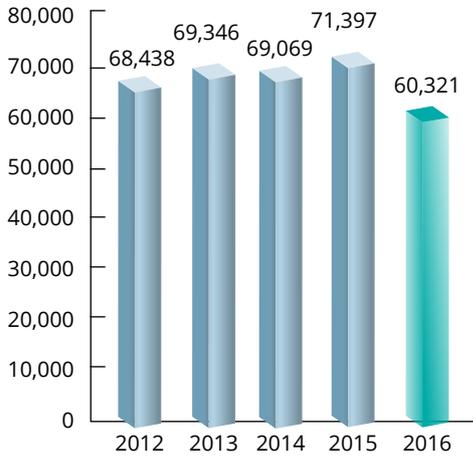
**SUNG KIM MAY JUDY**, our Group Enterprise Resource Planning (ERP) Manager, has been with the Group since 2008. She is responsible for the overall ERP system for the Group, providing technical advice, expertise and training to users. Ms Sung played an important role in assisting the Group to manage, automate and integrate the existing business process. Prior to her current appointment, Ms Sung was the Finance Manager of MCE Singapore, Malaysia and Thailand. Ms Sung has more than 20 years working experience in Finance Management and was previously a member of the Association of Chartered Certified Accountants in UK.

# Five-Year Financial Highlights

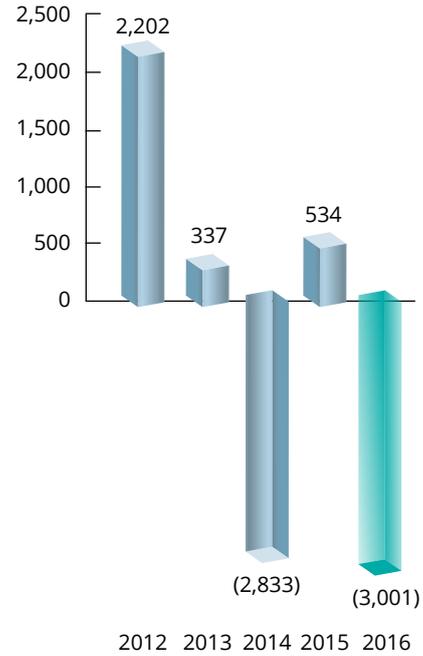
S\$'000	2012	2013	2014	2015	2016
<b>GROUP FINANCIAL PERFORMANCE</b>					
Revenue	68,438	69,346	69,069	71,397	60,321
Profit/(loss) before taxation	2,020	548	(2,761)	576	(3,027)
Net profit/(loss) attributable to owners of the company	2,202	337	(2,833)	534	(3,001)
Earnings/(loss) per share (diluted) (cents)	0.94	0.09	(0.77)	0.13	(0.80)
<b>GROUP FINANCIAL POSITION</b>					
Property, plant and equipment	17,965	20,251	17,503	16,203	13,502
Cash and cash equivalents	12,329	10,722	10,951	11,480	8,634
Current assets	40,035	41,306	43,888	39,512	32,819
Total assets	58,137	61,694	61,529	57,830	47,751
Current liabilities	29,479	31,272	33,809	29,805	23,413
Non-current liabilities	744	1,291	1,003	678	812
Total liabilities	30,223	32,563	34,812	30,484	24,225
Total equity	27,914	29,131	26,717	27,347	23,526
<b>KEY FINANCIAL INDICATORS</b>					
Debt-equity ratio (times)	1.08	1.12	1.30	1.11	1.03
Net cash/(debt) (\$'000)	(89)	(1,167)	(2,343)	413	60
Net gearing	0%	4%	9%	(2%)	0%

# Five-Year Financial Highlights

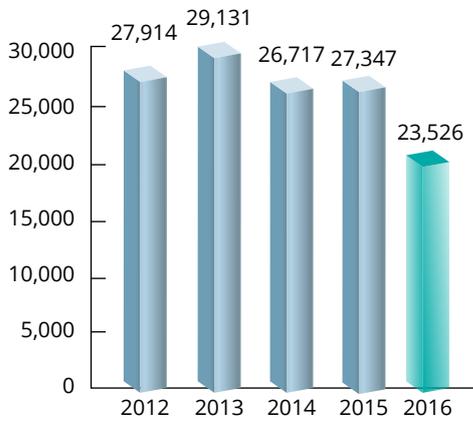
**REVENUE**  
(S\$'000)



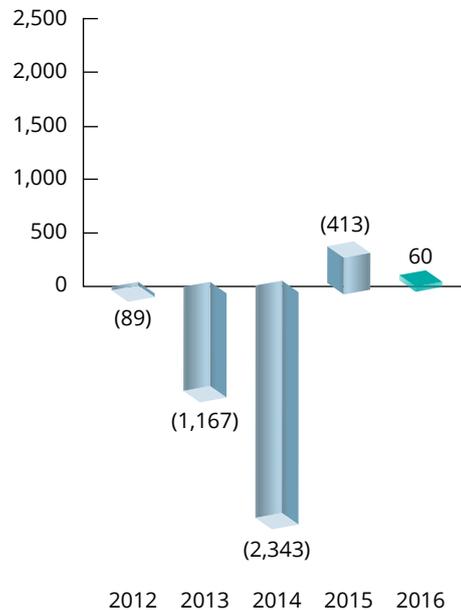
**NET PROFIT/(LOSS)**  
**ATTRIBUTABLE TO OWNERS OF THE**  
**COMPANY (S\$'000)**



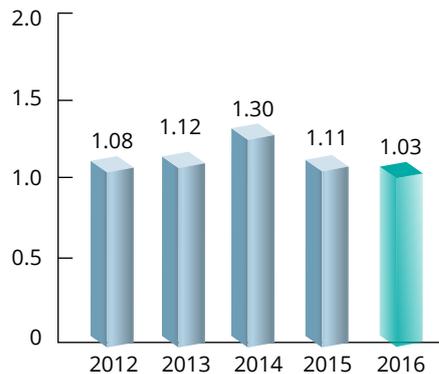
**TOTAL EQUITY**  
(S\$'000)



**NET CASH / (DEBT)**  
(S\$'000)



**DEBT-EQUITY RATIO**



# Corporate Governance Report

The Board of Directors (the “**Board**” or “**Directors**”) of Metal Component Engineering Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is committed to compliance with the principles of the Code of Corporate Governance 2012 (the “**Code**”) issued on 2 May 2012. The Company believes that good corporate governance is essential in building a sound corporation with an ethical environment, thereby protecting the interests of all shareholders of the Company (“**Shareholders**”). This report sets out the Company’s corporate governance practices. The Board confirms that, for the financial year ended 31 December 2016 (“**FY2016**”), the Company has generally adhered to the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time, to ensure compliance with the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

## BOARD MATTERS

### THE BOARD’S CONDUCT OF AFFAIRS

**Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with the management of the Company (the “Management”) to achieve this objective and the Management remains accountable to the Board.**

The Board provides entrepreneurial leadership and oversees the management of the businesses of the Group, including that of setting the overall strategy and business direction of the Group.

The principal functions of the Board include:

- formulating, reviewing and approving of broad policies, key strategic and financial objectives and monitoring the performance of the Management;
- overseeing the processes for evaluating the adequacy of internal controls, risk management and regulatory compliance, as well as safeguarding Shareholders’ interests and the Company’s assets;
- reviewing and approving interim and annual results announcements, and other SGXNET announcements;
- reviewing and approving business plans, annual budgets, major funding proposals, investment and divestment proposals;
- approving of nominations for appointment or re-appointment to the Board of Directors and the appointment of key management personnel; and
- assuming responsibility for corporate governance and governance of risk.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

The Company has adopted internal guidelines setting forth matters that require the Board’s approval. These matters include, amongst others, the acceptance of all banking facilities granted by financial institutions as well as matters required to be announced on SGXNET in accordance with the Catalist Rules.

All new Directors receive appropriate training and orientation when they are first appointed to the Board including an orientation program to familiarise themselves with the Company’s business and governance practices. The Board is also updated on an ongoing basis on relevant new laws and regulations. During FY2016, all Directors had received updates on changes to the Catalist Rules. Directors are encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks and regulations that are of relevance to the Group through participation in seminars and workshops.

# Corporate Governance Report

Upon appointment of new Directors, such Directors are formally notified of their appointment and provided with a brief summary of their roles, duties and responsibilities as members of the Board. The Board is informed of all relevant courses, conferences and seminars in which the Directors are encouraged to attend. Directors can apply to the Company for funding for any such courses, conferences and seminars which they may apply to attend.

The Board conducts regular meetings, and additional meetings for particular matters will be convened as and when they are deemed necessary. Physical meetings are held and the Company's Constitution ("**Constitution**") allows for telephonic and video conference meetings.

The Board is supported by the Audit Committee, the Nominating Committee and the Remuneration Committee (collectively, the "**Board Committees**"). The members of the Board Committees are drawn from the members of the Board, and each of the Board Committees operates under the delegated authority from the Board. In addition, the Board is also supported by the Executive Committee. The Executive Committee currently comprises two executive Directors, namely Chua Kheng Choon and Chua Han Min, as well as the Chief Financial Officer ("**CFO**"). The Executive Committee is entrusted with the conduct of the Group's business and affairs. The Executive Committee will monitor the effectiveness of the policies set out by the Board and where necessary, make further recommendations or changes to the policies in line with the Group's financial objectives. The Executive Committee meets regularly, on an average of once a month.

The attendance of each Director at the Board and the Board Committees meetings held in FY2016 is set out below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
<b>Number of meetings held</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>
<b>Attendance:</b>				
Chua Kheng Choon	2	na	na	na
Chua Han Min	2	na	na	na
Tan Soo Yong <sup>(1)</sup>	2	na	na	na
Lim Chin Tong	2	3	2	2
Cheah Chow Seng	2	3	2	2
Lim Swee Kwang <sup>(2)</sup>	1	1	1	1
Koh Gim Hoe <sup>(3)</sup>	1	2	1	1

**Notes:**

- (1) Mr Tan Soo Yong resigned and ceased to be an Executive Director with effect from 15 March 2017.
- (2) Mr Lim Swee Kwang resigned and ceased to be an Independent Non-Executive Director on 6 May 2016. On the same date, he ceased to be the Chairman of the Remuneration Committee, and member of the Audit Committee and Nominating Committee.
- (3) Mr Koh Gim Hoe was appointed as an Independent Non-Executive Director, and Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee, with effect from 11 May 2016.

Minutes of all Board and Board Committees meetings will be circulated to the Board so that Directors are aware of and kept updated as to the proceedings and matters discussed during the respective meetings.

# Corporate Governance Report

## BOARD COMPOSITION AND GUIDANCE

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from the Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

During and subsequent to FY2016, changes to the composition of the Board were made. As at the date of this Annual Report, the composition of the Board and Board Committees are as follows:

Name of Director	Designation of Board Members	Board Committee Membership		
		Audit Committee	Nominating Committee	Remuneration Committee
Chua Kheng Choon	Chairman and Chief Executive Officer	-	-	-
Chua Han Min <sup>(2)</sup>	Deputy CEO and Executive Director	-	-	-
Lim Chin Tong	Non-Executive and Lead Independent Director	Chairman	Member	Member
Cheah Chow Seng	Independent Non-Executive Director	Member	Chairman	Member
Koh Gim Hoe <sup>(1)</sup>	Independent Non-Executive Director	Member	Member	Chairman

### Notes:

(1) Mr Koh Gim Hoe was appointed as an Independent Non-Executive Director on 11 May 2016.

(2) Mr Chua Han Min has resigned and will step down as Deputy CEO and Executive Director with effect from 2 May 2017.

The profiles of the Directors are set out on pages 7 and 8 of this Annual Report.

The criterion of independence is based on the definition provided in the Code.

The Board considers an "independent" director as one who has no relationship with the Company, its related companies, its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Group. In this Corporate Governance Report, a "10% shareholder" means any person who has an interest or interests in one of more voting shares in the Company and the total votes attached to that share or those shares is not less than 10% of the total votes attached to all the voting shares in the Company.

# Corporate Governance Report

With three of the Directors deemed to be independent, the Board is able to exercise independent judgement on corporate affairs and provide the Management with diverse and objective views on business issues. The contribution of the independent Directors to Board deliberations ensures that no individual or small group of individuals dominates the Board's decision making.

In view of the fact that the Chairman and the CEO is the same person, with the Board currently comprising five Directors, three of whom are independent, the composition of the Board complies with the recommendation under the Code for independent Directors to make up at least half of the Board.

The independence of each Director is assessed and reviewed annually by the Nominating Committee. Each independent Director is required to complete a Declaration in respect of his independence based on the guidelines set out in the Code, and to update the Nominating Committee if there any changes to the contents of such Declaration.

In assessing the independence of a Director who has served on the Board for more than nine years (namely, Lim Chin Tong), the Nominating Committee and the Board have taken into consideration Guideline 2.4 and conducted a rigorous review of his contribution to the Board to determine if he has maintained his independence as defined by Guideline 2.3. The Nominating Committee and the Board are of the view that Lim Chin Tong, regardless of his period of service, continues to provide objective, balanced and constructive inputs which are in the best interests of the Company. The independence of the Director concerned was not affected or impaired by his length of service.

Taking into account the views of the Nominating Committee, the Board concurs with the Nominating Committee that a Non-Executive Director's independence cannot be determined arbitrarily on the basis of a set period of time. In assessing the independence of a Non-Executive Director, the Nominating Committee and the Board consider it more appropriate to have regard to the substance of the Non-Executive Director's professionalism, integrity, objectivity, and ability to exercise independence of judgement in his deliberation in the interest of the Company, and not merely based on form. The Board considers that continued tenure brings considerable stability to the Board and the Board has benefited greatly from the presence of the above-mentioned Independent Director who has, over the years, developed significant and valuable insights in the Group's business, operations and markets, and can continue to provide significant and valuable contribution objectively to the Board as a whole.

Rigorous review is conducted by the Board to assess the continuing independence of the Non-Executive Director having served for over nine years, with attention to ensuring that they remain independent in character and judgement, and continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the Management and the Board. The Board's rigorous review includes, inter alia, critical examination of any conflicts of interest, as well as other factors such as their review and scrutiny of matters and proposals put before the Board, and the effectiveness of his oversight role as check and balance on the acts of the Board and the Management and his role in enhancing and safeguarding the interest of the Company and that of its shareholders.

# Corporate Governance Report

The Board has determined that Lim Chin Tong has continued to demonstrate strong independence in character and judgement in the manner in which he has discharged his duties and responsibilities as a Director of the Company. Lim Chin Tong has continued to express his individual viewpoints, debated issues and objectively scrutinised and challenged the Management. He has sought clarification and amplification as he considered necessary, including through direct access to the Management and the Group's external advisors (if any).

Taking into account the above factors, the Board is of the view that Lim Chin Tong continue to be considered an independent Director, notwithstanding he has served on the Board for more than nine years from the date of his first appointment. The Board nevertheless will on a continual basis, review the need for progressing refreshing of its Board.

Lim Chin Tong has abstained from the Nominating Committee's and Board's deliberation to maintain his independence.

The Nominating Committee reviews annually the independence declarations made by the independent Directors based on the criterion of independence under the guidelines provided in the Code. The Nominating Committee has determined and is satisfied that Lim Chin Tong, Cheah Chow Seng and Koh Gim Hoe have remained independent in their judgement and can continue to discharge their duties objectively.

The interests in shares, share options and warrants held by each Director in the Company are set out in the Directors' Statement section of this Annual Report. Save for their individual and deemed interests in the shares of the Company, none of the Directors or any of their immediate family members is related to any other Director or a 10% Shareholder.

The Nominating Committee and the Board have reviewed the size of the present Board and is satisfied that the current Board facilitates effective decision-making and that no individual or small group of individuals dominates the Board decision-making process, based on the Company's present circumstances and taking into account the nature and scope and nature of the Group's businesses and operations. The Nominating Committee and the Board are of the view that the present Board has the necessary mix of expertise, experience and competencies such as accounting or finance, business or management experience and industry knowledge for the effective functioning of the Board and is appropriate for the current scope and nature of the operations of the Group. The Board noted that gender diversity on the board of directors is also one of the recommendations under the Code to provide an appropriate balance and diversity. Although there is currently no female Director appointed to the Board, the Board does not rule out the possibility of appointing a female Director if a suitable candidate is nominated for the Board's consideration.

The independent Directors communicate regularly, without management presence, to discuss matters such as the Group's performance, corporate governance and remuneration of executive Directors, to facilitate a more effective oversight on the management of the Company. They also assist the executive Directors to review the performance of the Management and provide constructive suggestions to the Management to improve the Group's performance. The non-executive Directors provide constructive suggestions to Management and constructively challenge and provide inputs to Management on business strategy.

# Corporate Governance Report

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

**Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.**

At present, Chua Kheng Choon holds the position of Chairman of the Board ("**Chairman**") and Chief Executive Officer of the Company ("**CEO**"). As Chairman, he:

- leads the Board to ensure its effectiveness on all aspects of its role;
- sets the agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promotes a culture of openness and debate in the Board;
- ensures that the Directors receive complete, adequate and timely information;
- ensures effective communication with Shareholders;
- encourages constructive relations within the Board and between the Board and the Management;
- facilitates the effective contribution of non-executive Directors; and
- promotes high standards of corporate governance.

Members of the Board, having direct access to the Company Secretaries, are also able to add matters of concern for discussion during Board meetings. The Board is of the view that given the size and business model of the Group, it is in the best interests of the Group to adopt a single leadership structure, whereby the CEO and the Chairman is the same person. This is to facilitate the decision making and implementation processes within the Group. The Chairman and CEO is a member of the Executive Committee, which in turn is subject to the overall supervision of the Board.

For good corporate governance, and as the Chairman and CEO is the same person, Lim Chin Tong is appointed as the Lead Independent Director. He acts as the focal point for the Independent Directors to provide their inputs to the Chairman and CEO as well as the Management, and in their interactions with the Executive Directors. As the Lead Independent Director, he will be available to Shareholders where they have concerns for which contact through the normal channels of the Chairman and CEO, Executive Directors or CFO have failed to resolve or for which such contact is inappropriate. As and when they deem necessary, the independent Directors meet without the presence of the other Directors, and the Lead Independent Director provides feedback to the Chairman and CEO after such meeting, if necessary. Similarly, the Lead Independent Director acts as the focal point for contact between the executive Directors and the Management with the independent Directors.

# Corporate Governance Report

## BOARD MEMBERSHIP

**Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.**

### Nominating Committee

The Nominating Committee comprises three members, all of whom are independent Directors, namely Cheah Chow Seng (Chairman), Lim Chin Tong and Koh Gim Hoe.

The Nominating Committee's primary function is to recommend the appointments and re-appointments of Directors. As prescribed in the Company's Constitution and recommended by the Code, one-third of the Directors are required to retire from office and be subject to re-election by Shareholders at the Company's Annual General Meeting.

In addition, the Constitution of the Company provides that a Director appointed by the Board to fill a vacancy or as an additional Director must retire at the next Annual General Meeting after such appointment, and subject himself or herself for re-election.

At the forthcoming Annual General Meeting, Cheah Chow Seng will be retiring by rotation pursuant to Article 92 of the Company's Constitution and Koh Gim Hoe will be retiring pursuant to Article 97 of the Company's Constitution. Both of them, being eligible for re-election, have offered themselves for re-election. The Nominating Committee recommended to the Board that Cheah Chow Seng and Koh Gim Hoe be nominated for re-election at the forthcoming Annual General Meeting of the Company. In making the recommendations, the Nominating Committee has considered the overall contributions and performances of Cheah Chow Seng and Koh Gim Hoe. As members of the Nominating Committee, each of Cheah Chow Seng and Koh Gim Hoe has abstained from voting on any resolutions in respect of the assessment of his own performance for re-appointment as a Director. As announced on 28 October 2016, Chua Han Min has tendered his resignation as the Deputy CEO and Executive Director of the Company and his last day of service with the Company will be on 2 May 2016. Henceforth, Chua Han Min who is also due to retire by rotation pursuant to Article 92 of the Company's Constitution will not be put up for re-election at the forthcoming Annual General Meeting of the Company.

If any new Director is to be selected or appointed by the Board, the Nominating Committee, in consultation with the Board, decides on the criteria (including qualifications and experience) for selecting any candidate. The Nominating Committee meets with the shortlisted candidates to assess their suitability, with a view to nominating them for the Board's consideration and approval. In their assessment of each candidate, the Nominating Committee will take into account the candidate's track record, age, experience, capabilities and other relevant factors. In addition, the Nominating Committee is also responsible for:

- determining annually whether or not a Director is independent;
- deciding how the Board's performance is to be evaluated and proposing objective performance criteria for the Board's approval;
- assessing the effectiveness of the Board as a whole;
- deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director;
- reviewing board succession plans for Directors, in particular the Chairman and the CEO; and
- reviewing training and professional development programs for the Board.

# Corporate Governance Report

The dates of initial appointment and last re-election of each Director, together with his current directorships in listed companies and other principal commitments are set out below:

<b>Name of Director</b>	<b>Board appointment</b>	<b>Date of first appointment</b>	<b>Date of last re-appointment</b>	<b>Directorships/ Chairmanships in other SGX-ST listed companies (present and in the preceding three years)</b>	<b>Other principal commitments</b>
Chua Kheng Choon	Executive	22.12.1988	28.4.2016	-	-
Chua Han Min	Executive	29.4.2003	29.4.2015	-	-
Lim Chin Tong	Non-Executive and Independent	5.2.2003	28.4.2016	Present: 1. Executive Director at Manufacturing Integration Technology Ltd  Past: 1. Independent Non-Executive Director at Valuetronics Holdings Ltd (until 22 July 2014)	1. Non-Executive Director at Jiaxinda Printing Group (S) Pte. Ltd. 2. Non-Executive Director at Nanyang Polytechnic International Private Limited
Cheah Chow Seng	Non-Executive and Independent	8.7.2009	29.4.2015	-	1. Independent Director at D&K Engineering Pte Ltd 2. Corporate Adviser to Meiban Group Pte Ltd
Koh Gim Hoe	Non-Executive and Independent	11.5.2016	-	-	1. Advisor to Singapore Precision Engineering and Technology Association

# Corporate Governance Report

The Nominating Committee has also reviewed and is satisfied that Lim Chin Tong, who sits on the board of one (1) other SGX-ST listed company, has been able to devote adequate time and attention to the affairs of the Company, and to carry out his duties as a Director after taking into consideration his multiple board representations and other principal commitments.

The Board is of the view that the effectiveness of each Director is best assessed by a qualitative assessment of the Director's contribution and his ability to devote sufficient time and attention to the Company's affairs. The Board has not determined the maximum number of listed company board representations which a Director may hold as it does not wish to omit from consideration, outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as new members of the Board.

The Board does not have any alternate Directors.

## **BOARD PERFORMANCE**

### **Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.**

The Nominating Committee conducts periodic assessments of the effectiveness of the Board as a whole. As part of this assessment process, the Directors are requested to complete a Board Evaluation Questionnaire. The responses from the Directors are collated, reviewed and discussed by the Nominating Committee, and the findings are reported to the Board. Given the relatively small size of the Board, the Nominating Committee is of the view that it is not feasible to conduct a formal assessment of the contribution by each Director to the effectiveness of the Board.

The Nominating Committee, in considering the appointment or re-appointment of any Director, evaluates the competencies, commitment, contribution and performance of that Director, and also the requirements for Board renewal. The assessment parameters include attendance, preparedness, participation and candour at meetings of the Board and Board Committees, as well as effectiveness and commitment of such Director.

Each member of the Nominating Committee shall abstain from voting on any resolutions or participating in respect of the assessment of his performance or re-nomination as Director.

The Board and the Nominating Committee are continually on the look-out for suitable candidates to be considered for appointment to the Board whether in the near to medium term or some time in the future, if a vacancy arises.

The Nominating Committee, having reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year reported on, is of the view that the performance of the Board as a whole has been satisfactory. The Nominating Committee is satisfied that sufficient time and attention has been given to the Group by each Director.

# Corporate Governance Report

## ACCESS TO INFORMATION

**Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

To fulfil the Directors' responsibilities, the Management provides all Directors with management accounts, necessary information and relevant reports on a timely basis. The Management regularly updates and reports to the Board on the Company's operations and plans. The Directors have separate and independent access to the Management and the Company Secretaries to facilitate access to any required information. Board papers are prepared for each Board and Board Committee meeting and are usually circulated in advance of such meetings. This is to give the Directors sufficient time to review and consider the matters to be discussed. In certain cases, where appropriate, the relevant papers are circulated at the meeting itself or matters are discussed without Board papers.

The Company Secretaries attend all Board meetings and are responsible for ensuring that Board procedures as well as rules and regulations are complied with. The appointment and removal of the Company Secretaries is a matter for consideration by the Board as a whole.

Where the Directors, either individually or as a group, require independent professional advice in the furtherance of their duties, the Directors have access to relevant professional advice, with such costs to be borne by the Company. The Board is kept informed of all such professional advice rendered to the Directors.

## REMUNERATION MATTERS

### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

**Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

#### Remuneration Committee

The Remuneration Committee comprises three members, all of whom are the independent Directors, namely Koh Gim Hoe (Chairman), Lim Chin Tong and Cheah Chow Seng.

The Remuneration Committee's primary responsibility is overseeing the general compensation of the Group's employees with a goal to motivate, recruit and retain the Group's employees and Directors through competitive compensation and progressive policies.

The Remuneration Committee will recommend to the Board a framework of remuneration for the Directors and key management personnel. The Remuneration Committee also reviews and recommends to the Board the specific remuneration packages for each Director. The Remuneration Committee also reviews the Company's obligations arising in the event of termination of an executive Director's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. In carrying out its duties, the Remuneration Committee aims to be fair and to avoid rewarding poor performance.

The Remuneration Committee at present does not review and recommend to the Board the specific remuneration packages for key management personnel. This task is carried out by the Executive Committee. The Board will consider how to involve the Remuneration Committee in this process in due course.

# Corporate Governance Report

The remuneration framework under the purview of the Remuneration Committee covers all aspects of remuneration, including but not limited to, Directors' fees, salaries, allowances, bonuses, options, share based incentives and awards, and benefits in kind. Where appropriate, the Remuneration Committee has access to advice from within the Company and independent external advice in relation to remuneration matters.

The Remuneration Committee ensures that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

No Director is involved in deciding his or her own remuneration.

## LEVEL AND MIX OF REMUNERATION

**Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company; and (b) key management personnel to successfully manage the company. However companies should avoid paying more than is necessary for this purpose.**

The independent Directors are paid fixed Directors' fees which are set in accordance with a remuneration framework comprising basic fees and committee fees. In determining such fees, the Remuneration Committee considers, among others, the particular circumstances applicable to the Company, and the practice of companies in the same industry, of comparable size and having similar business models.

The Board recognises the need to pay competitive (but not excessive) fees to attract, motivate and retain Directors. The Directors' fees are recommended by the Remuneration Committee for the Board's approval and will be paid only after approval by Shareholders at the Annual General Meeting. The Chairman and members of the various Board Committees receive additional fees after taking into account the nature of their responsibilities and the greater frequency of meetings. Each member of the Remuneration Committee abstains from voting on any resolutions in respect of his remuneration package.

The service contracts of executive Directors and key management personnel are for fixed terms which are not excessively long, and do not contain onerous removal clauses. Notice periods in such service contracts are set at a period of 6 months or less. These service contracts are reviewed periodically by the Remuneration Committee to ensure that they are aligned with the long-term interest and risk policies of the Company and are in line with market practices and prevailing market conditions. When it deems appropriate, the Remuneration Committee appoints independent remuneration consultants to assist the Committee in the performance of its tasks.

At the moment, the Company does not use any contractual provisions to reclaim incentive components of the remuneration from the executive Directors and key management executives in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Remuneration Committee, will consider, if required, whether there is a requirement to institute such contractual provision to allow the Company to reclaim the incentive components of the remuneration of the executive Directors and key management executive paid in prior years in such exceptional circumstances.

The Remuneration Committee is also responsible for overseeing the MCE Share Option 2014 Scheme (the "2014 Scheme") and assists the Board in administering the 2014 Scheme in accordance with the guidelines set. Adequate disclosures have been made in the Directors' Statement entitled "Employee Share Option Scheme" and in note 24 to the financial statements set out in this Annual Report.

# Corporate Governance Report

## DISCLOSURE ON REMUNERATION

**Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management, and performance.**

### Remuneration of Directors, CEO and Key Management Personnel

The remuneration bands of the Directors and key management personnel of the Group (who are not Directors or the CEO), for FY2016 are as follows:

Remuneration Bands	Fees	Base/Fixed Salary	Bonus	Other Benefits	Total
	%	%	%	%	%
<b>S\$250,000 to less than S\$500,000</b>					
<b>Directors</b>					
Chua Kheng Choon	0	89	7	4	100
Chua Han Min	0	87	9	4	100
Tan Soo Yong (resigned on 15 March 2017)	0	86	7	7	100
<b>Below \$250,000</b>					
<b>Directors</b>					
Lim Chin Tong	100	0	0	0	100
Cheah Chow Seng	100	0	0	0	100
Lim Swee Kwang (resigned on 6 May 2016)	100	0	0	0	100
Koh Gim Hoe (appointed on 11 May 2016)	100	0	0	0	100
<b>Key Management</b>					
<b>Below \$250,000</b>					
Mak Peng Leong Philip	0	93	7	0	100
Tio Wee Seng	0	93	7	0	100
Boon Che Kwang	0	73	27	0	100
Chia Nam Yang Jimmy	0	93	7	0	100
Fan Chih-Chih Tom (resigned on 31 Aug 2016)	0	98	2	0	100

# The Directors' fees totalling \$110,000 for independent Directors have been paid out quarterly in arrears during the year as approved by Shareholders at the Annual General Meeting held on 28 April 2016.

The Company does not have any employee who is an immediate family member of any Director in FY2016.

There are no termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the key management personnel (who are not Directors or the CEO).

The Board, after weighing the advantages and disadvantages of such disclosure, is of the view that full disclosure of the actual remuneration of each Director and the CEO as well as the total remuneration paid to the top five key management personnel pursuant to Rule 1204(15) and Rule 1204(12) of the Catalist Rules and Guidelines 9.2 and 9.3 of the Code would not be in the interests of the Company as such information is confidential and sensitive in nature, and can be exploited by competitors.

# Corporate Governance Report

The Board is of the opinion that the information disclosed above would be sufficient for Shareholders to have an adequate appreciation of the Company's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

The MCE Share Option Scheme ("ESOS") was adopted by the Company on 4 November 2003. The ESOS complies with the relevant rules as set out in Chapter 8 of the Catalist Rules. The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Details of the ESOS were set out in the "Directors' Statement" section in this Annual Report.

## ACCOUNTABILITY AND AUDIT

### ACCOUNTABILITY

**Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.**

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects as well as other price sensitive public reports to Shareholders on a prompt basis. These principles guide the presentation of the Company's annual financial statements and half yearly financial statements announcements to Shareholders, as well as other announcements required under the Catalist Rules. In compliance with the Catalist Rules, the Board provides a negative assurance statement to Shareholders in respect of the half year financial statements. The Management currently provides all members of the Board with regular management reports that present a balanced and understandable assessment of the Company's performance, position and prospects.

## RISK MANAGEMENT AND INTERNAL CONTROLS

**Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.**

To enhance the Board's risk governance capabilities, the Board has in place an Enterprise Risk Management ("ERM") program for the Group. The ERM program is intended to assist the Board in (a) identifying significant risks, as well as determining the Company's levels of risk tolerance and risk policies; and (b) overseeing the design, implementation and monitoring of the Company's risk management and internal control systems.

To assist the Board in carrying out its risk governance functions, the Board has decided, in lieu of forming a separate board risk committee, to expand the terms of reference of the Audit Committee in relation to risk management, namely:

*"To assist the Board in overseeing the risk governance in the Company to ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets. The Audit Committee will also assist the Board to determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives."*

# Corporate Governance Report

In connection with the ERM program of the Group and the additional terms of reference of the Audit Committee, the Board designated Mak Peng Leong, Philip, the Group's CFO as the Group's chief risk officer, with the following terms of reference:

*"To assist the Audit Committee in carrying out its responsibilities in relation to risk governance by monitoring and reporting to the Audit Committee on the performance of the activities of the Company's ERM program and compliance by all relevant departments, business units or personnel of their respective responsibilities under the ERM programme."*

The ERM program is intended to complement the functions performed by the internal auditors and the external auditors in respect of risk management and internal controls. The internal auditors are tasked to perform independent reviews of risks and controls to provide reasonable assurance to the Audit Committee and the Board that such risks have been adequately addressed and controls are operating. The external auditors report to the Management and the Audit Committee on significant weaknesses in the Group's internal controls which come to their attention during the course of their statutory audit.

In addition, the Audit Committee has, with the assistance of the Management and the internal and external auditors, reviewed and reported to the Board on the effectiveness of the Group's internal controls including financial, operational, compliance, information technology controls and risk management systems. The Board recognises that no cost effective internal control system will be able to eliminate all errors, irregularities and risks, and that any cost effective system can only be designed to manage and mitigate material errors, irregularities and risks.

The Board has also received from the CEO and the CFO, assurances that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and that the Group has in place adequate and effective risk management and internal control systems.

Based on the Group's existing framework of management controls, risk management systems, internal control policies and procedures, as well as reviews performed by the Management, the external and internal auditors, the Board, with the concurrence of the Audit Committee, is of the opinion that internal controls of the Group addressing financial, operational, compliance, information technology controls and risk management systems are adequate and effective as at 31 December 2016.

## **AUDIT COMMITTEE**

**Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.**

### **Audit Committee**

The Audit Committee comprises three members, all of whom are independent Directors, namely Lim Chin Tong (Chairman), Cheah Chow Seng and Koh Gim Hoe. The Audit Committee members have many years of experience in senior management positions in both the financial and industrial sectors. They have sufficient recent and relevant financial management expertise and experience to discharge the Audit Committee's responsibilities.

No former partner or director of the Company's external auditing firm is a member of the Audit Committee.

The executive Directors will continue to manage the operations of the Group and the Audit Committee will provide the necessary oversight. The Audit Committee will assist the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records, as well as develop and maintain effective systems of internal control and risk governance, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Group.

# Corporate Governance Report

The Audit Committee has explicit authority to investigate any matter within its terms of reference, and has full access to and co-operation by the Management and full discretion to invite any Director or executive officer to attend its meetings, and has reasonable resources to enable it to discharge its functions properly.

The Audit Committee's duties include:

- reviewing significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- reviewing and reporting to the Board at least annually on the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls, with inputs and assistance from the Management, the external auditors and the internal auditors;
- reviewing the effectiveness of the Company's internal audit function;
- reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- reviewing the co-operation given by the Management to the internal and external auditors;
- making recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- assisting the Board in overseeing the risk governance in the Company to ensure that the Management maintains a sound system of risk management and internal controls to safeguard Shareholders' interests and the Company's assets, and to assist the Board to determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives;
- reviewing interested person transactions (if any) falling within the scope of Chapter 9 of the Catalist Rules; and
- reviewing potential conflicts of interest, if any.

The Audit Committee also provides a channel of communication between the Board, the Management, the external auditors and the internal auditors on audit matters. The Audit Committee meets with the internal auditors and external auditors separately, at least once a year without the presence of the Management to review any matter that might be raised.

The Audit Committee keeps abreast of changes to accounting standards and issues which have a direct impact on financial statements through the report presented by the external auditors on the scope and results of the external audit, and through their discussions with the external auditors.

The Audit Committee reviews arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. The Company has put in place a formal whistle-blowing policy for staff in confidence to report and raise any concerns which they may have in relation to the foregoing matter. There were no reports of such matters for FY2016.

The Audit Committee meets, at a minimum, on a semi-annual basis. The Audit Committee held three meetings in FY2016, and has met once with the external auditors without the presence of the Management in FY2016.

# Corporate Governance Report

In the course of FY2016, the Audit Committee carried out the following activities:-

- (a) reviewed half-year and full-year financial statements (unaudited and audited), and recommended such reports to the Board for approval;
- (b) reviewed the adequacy and effectiveness of the Group's risk management and internal control systems;
- (c) reviewed interested person transactions;
- (d) reviewed and approved the annual audit plan of the external auditors;
- (e) reviewed and approved the internal audit plan of the internal auditors;
- (f) reviewed the annual re-appointment of the external auditors and determined their remuneration, and made a recommendation for Board approval; and
- (g) met with the external auditors once without the presence of the Management.

In the review of the financial statements, the Audit Committee has discussed with the Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with the Management and the external auditors, and were reviewed by the Audit Committee:

<b>Matters considered</b>	<b>How the Audit Committee reviewed these matters and what decisions were made</b>
<b>Impairment of property, plant and equipment and intangible assets</b>	<p>The Audit Committee considered the approach and methodology applied to the valuation model in assessing the impairment of property, plant and equipment and intangible assets. It reviewed the reasonableness of cashflow forecasts, the long-term growth rate and discount rates used in the valuation models. The Audit Committee concurred with the Management's assessment and projections.</p> <p>The impairment of property, plant and equipment and intangible assets were also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 December 2016. Please refer to page 40 of this Annual Report.</p>
<b>Impairment of investments in subsidiaries</b>	<p>The Audit Committee considered the approach and methodology applied to the valuation models used in assessing the impairment of investment in subsidiaries.</p> <p>The Audit Committee reviewed the reasonableness of cashflow forecasts, long term growth rates and discount rates used in the valuation models. The Audit Committee concurred with the Management's assessment and projections.</p> <p>The impairment of investments in subsidiaries was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 December 2016. Please refer to page 41 of this Annual Report.</p>

## AUDIT

**Principle 13: The Board should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.**

The Company has outsourced its internal audit function to a reputable accounting firm. The internal auditors report directly to the Chairman of the Audit Committee on audit matters and administratively to the CEO. The Audit Committee approves the hiring, removal, evaluation and compensation of the internal auditors.

# Corporate Governance Report

The internal auditors plan their audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the Audit Committee for approval prior to implementation. The Audit Committee reviews the activities of the internal auditors, and meets with the internal auditors at least once a year to approve their plans and to review their report for the prior reporting period. The Audit Committee also ensures that the internal auditors have the necessary resources to perform its functions adequately.

The Audit Committee has reviewed the adequacy and effectiveness of the internal auditor function and is satisfied that the internal auditors are adequately resourced, staffed with persons with the relevant qualifications and experience and have the appropriate standing and independence within the Group to fulfil their mandate. The Audit Committee is also of the view that the internal auditors have unfettered access to all the Company's documents, records, properties and personnel including access to the Audit Committee.

The internal auditor have conducted their work in accordance with the standards set by nationally or internationally recognised professional bodies including the Standards of the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

## SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

**Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangement.**

**Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

The rights of Shareholders are contained in the Company's Constitution and are also set out in applicable laws including the Companies Act, Cap 50. All Shareholders are treated fairly and equitably. Shareholders are also encouraged to participate in question and answer sessions during general meetings, to facilitate active and meaningful communication with the Management and the Board.

The Company does not practise selective disclosure and ensures timely and adequate disclosure of price sensitive and material information to Shareholders via SGXNET. In addition, financial results and annual reports are announced or issued within the mandatory periods as prescribed by the Catalist Rules and are available on the Company's website at [www.mce.com.sg](http://www.mce.com.sg).

All Shareholders receive notices of all general meetings including the Annual General Meeting. The Company complies with its Constitution and the Companies Act, Cap 50 in respect of the requisite notice periods for convening general meetings. The notice of the Annual General Meeting is accompanied by the Company's annual report. The notice of an extraordinary general meeting is accompanied by a Circular. All notices of all general meetings are advertised in a national newspaper in Singapore as well as on SGXNET.

Details of the rules governing voting procedures are contained in the Company's Constitution and are set out under applicable law. Circulars sent to Shareholders also contain a notice on their cover page that if Shareholders are in any doubt as the action they should take, they should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Company does not have a formal policy on the payment of dividends. However, the Board is mindful of the need to reward Shareholders as and when the performance of the Group, its projected capital requirements, cash-flow and operating requirements, allow for the payment of dividends. No dividend has been declared for the financial year ended 31 December 2016 so as to preserve and consolidate resources of the Group.

# Corporate Governance Report

## CONDUCT OF SHAREHOLDER MEETINGS

**Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

Shareholders are informed of general meetings and given the opportunity to participate at general meetings. The Board and the Management are present at these meetings to address any questions that Shareholders may have. The Company's external auditors are also in attendance at the Annual General Meeting and are available to assist the Directors in addressing any relevant queries by Shareholders. In view of the Company's relatively modest Shareholder base, the ability of Shareholders to interact directly with the Board and the Management before, during and after each general meeting, the Board is of the view that Shareholders have sufficient opportunity to express their views and address their questions to the Board and the Management.

If Shareholders are not able to attend these meetings, they can appoint up to two (2) proxies to attend and vote in their place. The Company does not provide for absentia voting methods such as by mail, email, or fax due to concerns as to the integrity of such information and authentication of the identity of Shareholders voting by such means. Resolutions proposed at general meetings on a single substantively separate issue are proposed as a single item resolution.

The Board noted that with the Companies (Amendment) Act 2014, with effect from 3 January 2016, a member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies. "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap 50. At the forthcoming Annual General Meeting, a member who is relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting.

The Company will put all resolutions to vote by poll at the general meetings and the detailed results of the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNET.

Minutes are taken of all general meetings, and where appropriate, include all substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting and the responses from the Board and the Management. Such minutes, which are subsequently approved by the Board, will be made available to Shareholders during office hours upon request.

Due to the Company's relatively modest Shareholder base and the fact that attendance at general meetings has been quite manageable, the Board does not see a need at this point of time to implement absentia voting methods.

## MATERIAL CONTRACTS

No material contracts (including loans) were entered into between the Company or any of its subsidiaries involving the interests of any Director or controlling Shareholder, which are either subsisting at the end of the financial year reported on or, if not then subsisting, entered into since the end of the previous financial year except for Director's remuneration as disclosed in the Notes to the Financial Statements in this Annual Report.

# Corporate Governance Report

## INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that transactions with interested persons are properly reviewed, approved and reported to the Audit Committee on a timely basis, and are conducted at arm's length basis and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no interested person transactions which were more than \$100,000 entered into in FY2016. The Group does not have a general mandate for recurrent interested person transactions.

## NON-SPONSOR FEES

With reference to Rule 1204 (21) of the Catalist Rules, no non-sponsor fees were paid to the Company's current Sponsor, ZICO Capital Pte. Ltd. (appointed on 28 September 2016) or previous Sponsor, SAC Advisors Private Limited (formerly known as Canaccord Genuity Singapore Pte. Ltd.), in FY2016.

## DEALING IN SECURITIES

The Company has issued an internal code on dealings in the Company's securities to the Directors and other officers (including officers with access to material non-public price-sensitive information) of the Group. The Directors and other officers are prohibited from dealing in the Company's securities at least one month before the announcement of the Group's half year and full year results until after the announcements were made. They are also advised not to deal in the Company's securities on short-term considerations and in circumstances where they have access to material non-public price-sensitive information. They are also advised to observe all applicable insider trading laws at all times even when dealing in securities within the permitted trading period.

## APPOINTMENT OF AUDITORS

The Company has complied with the Rules 712 and 715 of the Catalist Rules in engaging Foo Kon Tan LLP, which is registered with the Accounting and Corporate Regulatory Authority, as the external auditors of the Company and its Singapore-incorporated subsidiary.

The Group has appointed different auditors for its overseas subsidiaries. The Board and the Audit Committee have reviewed the appointment of different auditors for its overseas subsidiaries and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group.

The following are the audit and non-audit fees paid/payable by the Group:

	<b>FY2016</b>
	<b>\$</b>
<b>Audit fees paid/payable to the external auditors</b>	
- external auditors of the Company	130,000
- other external auditors of the Group	83,402
<b>Non-audit fees paid/payable to the external auditors</b>	5,000

The Audit Committee has reviewed the amount of non-audit services rendered to the Group by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The Audit Committee has recommended that the Board proposes, and the Board has proposed, the re-appointment of Foo Kon Tan LLP as the external auditors of the Company at the forthcoming Annual General Meeting on 28 April 2017.

# Directors' Statement

For the financial year ended 31 December 2016

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2016.

In the opinion of the directors:

- (a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

## Names of directors

The directors of the Company in office at the date of this statement are:

Chua Kheng Choon  
 Chua Han Min  
 Lim Chin Tong (Independent Director)  
 Cheah Chow Seng (Independent Director)  
 Koh Gim Hoe (Independent Director) (Appointed on 11 May 2016)

## Directors' interest in shares, debentures, warrants or share options

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Chapter 50, none of the directors who held office at the end of the financial year had any interest in the shares, debentures, warrants or share options of the Company or its related corporations, except as follows:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2016	As at 31.12.2016 and 21.1.2017 #	As at 1.1.2016	As at 31.12.2016 and 21.1.2017 #
The Company - <u>Metal Component Engineering Limited</u>			<u>Number of ordinary shares</u>	
Chua Kheng Choon	20,959,666	<b>27,737,666</b>	6,735,000	<b>6,735,000</b>
Chua Han Min	9,570,000	<b>9,570,000</b>	-	-
Tan Soo Yong	15,255,332	<b>15,255,332</b>	536,000	<b>536,000</b>
Lim Chin Tong	6,408,000	<b>9,417,000</b>	-	-
Cheah Chow Seng	1,384,000	<b>1,884,000</b>	-	-

# Directors' Statement

For the financial year ended 31 December 2016

## Directors' interest in shares, debentures, warrants or share options (cont'd)

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at	As at	As at	As at
	1.1.2016	31.12.2016 and 21.1.2017 <sup>#</sup>	1.1.2016	31.12.2016 and 21.1.2017 <sup>#</sup>
The Company - <u>Metal Component Engineering Limited</u>			<u>Number of warrants</u>	
Chua Kheng Choon	13,300,000	<b>13,300,000</b>	3,400,000	<b>3,400,000</b>
Chua Han Min	5,982,000	-	-	-
Tan Soo Yong	9,177,666	<b>9,177,666</b>	3,268,000	<b>3,268,000</b>
Lim Chin Tong	2,614,000	<b>2,614,000</b>	-	-
Cheah Chow Seng	692,000	<b>692,000</b>	-	-

According to the Register of Directors' Shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Employee Share Option Scheme as set out below:

	As at	As at
	1.1.2016	31.12.2016 and 21.1.2017 <sup>#</sup>
The Company - <u>Metal Component Engineering Limited.</u>	<u>Number of unissued ordinary shares under option</u>	
Chua Kheng Choon	2,900,000	<b>2,900,000</b>
Chua Han Min	2,400,000	<b>2,400,000</b>
Tan Soo Yong	1,800,000	<b>1,800,000</b>
Lim Chin Tong	300,000	<b>300,000</b>
Cheah Chow Seng	300,000	<b>300,000</b>

<sup>#</sup> There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

## Warrants

On 10 August 2012, the Company undertook a renounceable non-underwritten rights shares and warrants issue on the basis of one rights share for every one existing ordinary share and one free detachable warrant for every one rights share subscribed.

180,000,000 rights shares at an issue price of S\$0.01 per share and 180,000,000 warrants with each carrying the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S\$0.05 within the exercisable period of five years from the date of issue were allotted and issued on 13 September 2012.

No warrants are exercised and converted into ordinary shares in the capital of the Company during the financial year. The remaining 175,911,000 warrants will expire on 12 September 2017.

No shares have been issued during the financial year by virtue of the exercise of warrants to take up unissued shares of the Company or its subsidiaries.

# Directors' Statement

For the financial year ended 31 December 2016

## Employee Share Option Scheme

On 4 November 2003, the Company adopted the MCE Share Option Scheme which complies with the rules set out in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") Section B: Rules of Catalist (the "Catalist Rules"). The MCE Share Option Scheme, which forms an integral component of its compensation plan, is designed with the following objectives:

- i) to motivate eligible participants to optimise his/her performance standards and efficiency and to maintain a high level of contribution to the Group;
- ii) to retain eligible participants whose contributions are essential to the long-term growth and prosperity of the Group;
- iii) to instill loyalty, and a stronger identification by eligible participants with the long-term growth and profitability of the Group;
- iv) to attract potential employees with relevant skills to contribute to the Group and to create value for the shareholders; and
- v) to align the interests of eligible participants with the interests of the shareholders.

Under the rules of the MCE Share Option Scheme, all directors (including non-executive directors) and employees of the Group are eligible to participate in the MCE Share Option Scheme. Controlling shareholders and their associates are not eligible to participate in the MCE Share Option Scheme.

The total number of shares over which options may be granted shall not exceed 15% of the issued ordinary share capital of the Company on the day preceding the date of the relevant grant.

The MCE Share Option Scheme is administered by the Remuneration Committee in accordance with the rules of the MCE Share Option Scheme. All members of the Remuneration Committee are independent directors. The number of options to be offered to a participant shall be determined at the discretion of the Remuneration Committee who shall take into account criteria such as the rank, length of service and performance of the participant provided always that the maximum entitlement of any participant, in accordance with and during the operation of the MCE Share Option Scheme, shall not exceed 20% in aggregate of the total number of shares which have been issued and may be issued by the Company (including any shares which may be issued pursuant to adjustments, if any, under Rule 8 of the MCE Share Option Scheme) pursuant to the exercise of options under the MCE Share Option Scheme.

The subscription price for each share in respect of which an option is exercisable shall be determined by the Remuneration Committee at its absolute discretion and fixed by the Remuneration Committee:

- i) at the prevailing market price of the Company's shares based on the average of the last dealt price per share determined by reference to the daily official list or other publication published by the SGX-ST for a period of five consecutive market days immediately preceding the relevant date of grant of such options ("Market Price"); or
- ii) at a price which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price, the discount must have been approved by the shareholders in a separate resolution.

# Directors' Statement

For the financial year ended 31 December 2016

## Employee Share Option Scheme (cont'd)

Options must be exercised before the expiry of 10 years and 5 years from the date of grant for holders of options who are executive directors or employees and non-executive directors respectively. The vesting period is one year from date of grant.

Details of options granted to directors and employees under the MCE Share Option Scheme are as follows:

Date of grant	Balance at 1.1.2016	Options granted	Options exercised	Options cancelled/ lapsed	Balance at 31.12.2016	Exercise price	Exercise period
29.5.2007 <sup>(i)</sup>	3,050,000	-	-	-	3,050,000	S\$0.045	29.5.2008 to 28.5.2017
4.9.2013 <sup>(i)</sup>	6,560,000	-	-	(200,000)	6,360,000	S\$0.05	4.9.2014 to 4.9.2023
4.9.2013 <sup>(ii)</sup>	600,000	-	-	-	600,000	S\$0.05	4.9.2014 to 4.9.2018
	<u>10,210,000</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>10,010,000</u>		

<sup>(i)</sup> For executive directors and employees

<sup>(ii)</sup> For non-executive directors

The following table summarises information about share options of directors and employees (who received 5% or more of the total number of options) outstanding as at 31 December 2016:

	Options granted during the financial year ended 31.12.2016	Aggregate options granted since commencement of scheme to 31.12.2016	Aggregate options exercised since commencement of scheme to 31.12.2016	Aggregate options cancelled/lapsed since commencement of scheme to 31.12.2016	Aggregate options outstanding as at 31.12.2016
Executive Directors:					
Chua Kheng Choon	-	4,670,000	(1,270,000)	(500,000)	2,900,000
Chua Han Min	-	4,370,000	(1,570,000)	(400,000)	2,400,000
Tan Soo Yong	-	2,800,000	(900,000)	(100,000)	1,800,000
	<u>-</u>	<u>11,840,000</u>	<u>(3,740,000)</u>	<u>(1,000,000)</u>	<u>7,100,000</u>
Non-Executive Directors:					
Lim Chin Tong	-	1,000,000	(300,000)	(400,000)	300,000
Cheah Chow Seng	-	300,000	-	-	300,000
	<u>-</u>	<u>1,300,000</u>	<u>(300,000)</u>	<u>(400,000)</u>	<u>600,000</u>
	<u>-</u>	<u>13,140,000</u>	<u>(4,040,000)</u>	<u>(1,400,000)</u>	<u>7,700,000</u>

# Directors' Statement

For the financial year ended 31 December 2016

## Employee Share Option Scheme (cont'd)

The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of the Company or any corporation in the Group.

There have been no options granted to the controlling shareholders of the Company or their associates (as defined in the Catalist Rules). No employee has received 5% or more of the total number of options available under the MCE Share Option Scheme.

No options to take up unissued shares of the subsidiaries have been granted during the financial year.

There are no unissued shares of subsidiaries under option as at 31 December 2016.

The MCE Share Option Scheme expired on or about 3 November 2013. At the Annual General Meeting on 25 April 2014, the MCE Share Option Scheme 2014 was adopted by the Company's shareholders to replace the MCE Share Option Scheme.

No options have been granted under the MCE Share Option Scheme 2014 for the financial year ended 31 December 2016.

## Audit Committee

At the date of this statement, the Audit Committee comprises the following members:

Lim Chin Tong (Chairman)  
Cheah Chow Seng  
Koh Gim Hoe

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Chapter 50, the Catalist Rules of the Listing Manual of the SGX-ST and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the following:

- (i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It also met with the Company's internal auditor to discuss the results of their examination and evaluation of the Group's system of internal accounting controls;
- (ii) the audit plan of the Company's external auditor and any recommendations on the Group's internal accounting controls arising from the statutory audit;
- (iii) the half-yearly financial information, the statement of financial position of the Company as at 31 December 2016 and the consolidated financial statements of the Group for the financial year ended 31 December 2016, as well as the auditor's report thereon;
- (iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditor;
- (v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

# Directors' Statement

For the financial year ended 31 December 2016

## **Audit Committee (cont'd)**

- (vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- (viii) reviewed the nature and extent of non-audit services provided by the external auditor;
- (ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- (x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and
- (xi) interested person transactions (as defined in Chapter 9 of the Catalist Rules of the Listing Manual of the SGX-ST).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the Report on Corporate Governance.

In appointing our auditors for the Company and its subsidiaries, we have complied with Catalist Rules 712 and 715 of the SGX-ST Listing Manual.

## **Sponsorship**

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The Company changed its continuing sponsor from SAC Advisors Private Limited (formerly known as Canaccord Genuity Singapore Pte. Ltd), to ZICO Capital Pte. Ltd. with effect from 28 September 2016.

There were no non-sponsorship fees paid to the sponsor by the Company for the financial year ended 31 December 2016.

# Directors' Statement

For the financial year ended 31 December 2016

## Independent auditor

The independent auditor, Foo Kon Tan LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

.....  
CHUA KHENG CHOON

.....  
LIM CHIN TONG

Dated: 31 March 2017

# Independent Auditor's Report

To the members of Metal Component Engineering Limited

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Metal Component Engineering Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

To the members of Metal Component Engineering Limited

## Key Audit Matters (Cont'd)

### Key audit matter

### Our responses and work performed

#### Impairment of property, plant and equipment and intangible assets

In view of the operating losses incurred by certain businesses of the Group, management has assessed that there are indications of impairment of the related property, plant and equipment and intangible assets. Accordingly, the assets are tested for impairment.

The impairment testing of property, plant and equipment and intangible assets is considered to be a significant risk area due to the judgemental nature of key assumptions and the significance of the carrying amounts of property, plant and equipment and intangible assets in the consolidated statement of financial position of the Group. For value in use computations, these include the cash flow projections and applying the growth rate and discount rate in the cash flow projections. Any input inaccuracies or inappropriate bases used to determine the level of impairment could result in material misstatement in the financial statements.

The key assumptions to the impairment test and the sensitivity of changes in these assumptions to the risk of impairment are disclosed in Note 3 to the financial statements.

Our procedures in relation to management's testing of impairment and determination of the recoverable amount of the cash-generating unit in respect of property, plant and equipment and intangible assets included:

- Reviewing the value in use computation workings;
- Evaluating the reliability of the underlying data generated to prepare the cash flow projections, and determining whether there is adequate support for the assumptions underlying the cash flow projections;
- Assessing the reasonableness of key assumptions and inputs used by management by comparing to available market data, historical data and market comparables; and
- Involving an auditor's expert to assist us in the above, including evaluating the competence, capabilities and objectivity of the auditor's expert, and the adequacy of the auditor's expert's work.

Based on our procedures, we noted management's key assumptions to be within a reasonable range of our expectations.

We also considered the adequacy of disclosures in the financial statements, describing the methodologies used, degree of subjectivity and key assumptions used in the estimates.

# Independent Auditor's Report

To the members of Metal Component Engineering Limited

## Key Audit Matters (Cont'd)

### Key audit matter

### Our responses and work performed

#### Impairment of investments in subsidiaries

Due to indication of impairment of the Company's investments in certain subsidiaries, the investments in these subsidiaries are tested for impairment. Investments in subsidiaries is a significant account in the statement of financial position of the Company, and significant judgement, assumptions and estimates are applied by management in the impairment testing of investments in subsidiaries. Value in use involves cash flow projections and applying the growth rate and discount rate in the cash flow projections, while fair value less costs to sell encompasses estimating the expected selling prices of the underlying assets by identifying the comparable assets and determining the current market selling/purchase prices of these assets, and the estimated cash outflows to settle the obligations in respect of the underlying liabilities. Input inaccuracies or inappropriate bases used to determine the level of impairment, including the discount rate and growth rate used in the value in use computations, and the comparables used in the fair value measurements, could result in material misstatement in the financial statements.

The key assumptions to the impairment test and the sensitivity of changes in these assumptions to the risk of impairment are disclosed in Note 5 to the financial statements.

Our procedures in relation to management's testing of impairment and determination of the recoverable amount of the investments in subsidiaries included:

- For value in use,
  - Reviewing the value in use computation workings;
  - Evaluating the reliability of the underlying data generated to prepare the cash flow projections, and determining whether there is adequate support for the assumptions underlying the cash flow projections; and
  - Assessing the reasonableness of key assumptions and inputs used by management by comparing to available market data, historical data and market comparables.
- For fair value less costs to sell,
  - Assessing the methodologies and appropriateness of the key assumptions used by the management's expert; and
  - Reviewing the assumptions in the input data from management and the valuer through discussions with management and the valuer, comparisons to industry peers and independent external data sources and where available to agreement with supporting documentation and historical trends.

We involved auditor's experts to assist us in the above. We evaluating the competence, capabilities and objectivity of the auditor's experts, and the adequacy of the work performed by the auditor's experts.

Based on our procedures, we noted the key assumptions to be within a reasonable range of our expectations.

We also considered the adequacy of disclosures in the financial statements, describing the methodologies used, degree of subjectivity and key assumptions used in the estimates.

# Independent Auditor's Report

To the members of Metal Component Engineering Limited

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# Independent Auditor's Report

To the members of Metal Component Engineering Limited

## Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# Independent Auditor's Report

To the members of Metal Component Engineering Limited

## **Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chin Sin Beng.

Foo Kon Tan LLP  
Public Accountants and  
Chartered Accountants  
Singapore

31 March 2017

# Statements of Financial Position

As at 31 December 2016

	Note	The Group		The Company	
		2016	2015	2016	2015
		S\$	S\$	S\$	S\$
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	3	<b>13,502,480</b>	16,203,097	<b>507,106</b>	1,233,732
Intangible assets	4	<b>1,292,199</b>	1,977,806	-	89,691
Subsidiaries	5	-	-	<b>21,638,627</b>	25,656,723
Other assets	6	<b>137,500</b>	137,500	<b>137,500</b>	137,500
		<b>14,932,179</b>	18,318,403	<b>22,283,233</b>	27,117,646
<b>Current Assets</b>					
Inventories	7	<b>4,230,517</b>	7,376,244	<b>2,193</b>	928,707
Trade and other receivables	8	<b>19,954,429</b>	20,655,437	<b>13,415,736</b>	28,411,099
Cash and bank balances	9	<b>8,634,155</b>	11,480,371	<b>3,843,013</b>	4,748,276
		<b>32,819,101</b>	39,512,052	<b>17,260,942</b>	34,088,082
<b>Total assets</b>		<b>47,751,280</b>	57,830,455	<b>39,544,175</b>	61,205,728
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share capital	10	<b>21,638,661</b>	21,638,661	<b>21,638,661</b>	21,638,661
Reserves	11	<b>1,887,316</b>	5,708,225	<b>2,439,442</b>	8,609,630
<b>Total equity attributable to owners of the Company</b>		<b>23,525,977</b>	27,346,886	<b>24,078,103</b>	30,248,291
<b>Non-Current Liabilities</b>					
Deferred tax liabilities	12	-	67,428	-	61,584
Borrowings	13	<b>812,077</b>	610,796	<b>357,193</b>	610,796
		<b>812,077</b>	678,224	<b>357,193</b>	672,380
<b>Current Liabilities</b>					
Borrowings	13	<b>7,762,285</b>	10,456,841	<b>4,389,895</b>	9,925,725
Trade and other payables	14	<b>15,642,147</b>	19,118,879	<b>10,718,984</b>	20,359,332
Current tax payable		<b>8,794</b>	229,625	-	-
		<b>23,413,226</b>	29,805,345	<b>15,108,879</b>	30,285,057
<b>Total liabilities</b>		<b>24,225,303</b>	30,483,569	<b>15,466,072</b>	30,957,437
<b>Total equity and liabilities</b>		<b>47,751,280</b>	57,830,455	<b>39,544,175</b>	61,205,728

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2016

	Note	2016 S\$	2015 S\$
<b>Continuing operations</b>			
Revenue	15	<b>53,036,917</b>	52,205,020
Other income	16	<b>1,037,489</b>	984,327
Raw materials and consumables used		<b>(28,713,309)</b>	(27,996,209)
Changes in inventories of finished goods and work in progress		-	(98,871)
Employee benefits expense	17	<b>(16,404,013)</b>	(13,250,491)
Depreciation expense		<b>(2,475,560)</b>	(2,520,451)
Amortisation expense		<b>(668,349)</b>	-
Other charges	18	<b>(55,535)</b>	(154,445)
Finance costs	19	<b>(427,406)</b>	(442,432)
Other operating expenses	20	<b>(6,920,715)</b>	(7,407,112)
<b>(Loss)/Profit before taxation from continuing operations</b>		<b>(1,590,481)</b>	1,319,336
Taxation	21	<b>26,179</b>	(41,842)
<b>(Loss)/Profit after taxation from continuing operations</b>		<b>(1,564,302)</b>	1,277,494
Loss from discontinued operations, net of tax	22	<b>(1,436,907)</b>	(743,056)
<b>(Loss)/Profit for the year</b>		<b>(3,001,209)</b>	534,438
<b>Other comprehensive income after tax:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Currency translation differences		<b>(819,700)</b>	37,860
<b>Other comprehensive (loss)/income for the year, net of tax of nil</b>		<b>(819,700)</b>	37,860
<b>Total comprehensive (loss)/income for the year attributable to owners of the Company</b>		<b>(3,820,909)</b>	572,298
<b>(Loss)/Earnings per share attributable to owners of the Company (Singapore cent)</b>			
From continuing and discontinued operations			
- Basic	23.1	<b>(0.80)</b>	0.14
- Diluted	23.2	<b>(0.80)</b>	0.13
From continuing operations			
- Basic	23.1	<b>(0.42)</b>	0.34
- Diluted	23.2	<b>(0.42)</b>	0.31
From discontinued operations			
- Basic	23.1	<b>(0.38)</b>	(0.20)
- Diluted	23.2	<b>(0.38)</b>	(0.18)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2016

	Attributable to owners of the Company							
	Share capital	Retained earnings / (Accumulated losses)	Share option reserve	Warrant reserve	Currency translation reserve	Statutory reserve	Total equity	
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
<b>Balance at 1 January 2015</b>	21,575,832	1,997,249	128,453	786,956	330,381	1,898,017	26,716,888	
Profit for the year	-	534,438	-	-	-	-	534,438	
Other comprehensive income for the year	-	-	-	-	37,860	-	37,860	
- Currency translation differences	-	-	-	-	37,860	-	37,860	
<b>Total comprehensive income for the year</b>	-	534,438	-	-	37,860	-	572,298	
Contributions by and distributions to owners								
- Exercise of warrants (Note 10)	62,829	-	-	(5,129)	-	-	57,700	
<b>Transactions with owners in their capacity as owners</b>	62,829	-	-	(5,129)	-	-	57,700	
Appropriation between reserves								
- Appropriation between reserves	-	(280,327)	-	-	-	280,327	-	
<b>Balance at 31 December 2015</b>	21,638,661	2,251,360	128,453	781,827	368,241	2,178,344	27,346,886	
<b>Balance at 1 January 2016</b>	21,638,661	2,251,360	128,453	781,827	368,241	2,178,344	27,346,886	
Loss for the year	-	(3,001,209)	-	-	-	-	(3,001,209)	
Other comprehensive loss for the year	-	-	-	-	(819,700)	-	(819,700)	
- Currency translation differences	-	-	-	-	(819,700)	-	(819,700)	
<b>Total comprehensive loss for the year</b>	-	(3,001,209)	-	-	(819,700)	-	(3,820,909)	
Contributions by and distributions to owners								
- Lapse of share options	-	1,333	(1,333)	-	-	-	-	
<b>Transactions with owners in their capacity as owners</b>	-	1,333	(1,333)	-	-	-	-	
Appropriation between reserves								
- Appropriation between reserves	-	234,202	-	-	-	(234,202)	-	
<b>Balance at 31 December 2016</b>	21,638,661	(514,314)	127,120	781,827	(451,459)	1,944,142	23,525,977	

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2016

		2016	2015
	Note	S\$	S\$
<b>Cash Flows from Operating Activities</b>			
(Loss)/Profit before taxation from continuing operations		<b>(1,590,481)</b>	1,319,336
Loss before taxation from discontinued operations		<b>(1,436,907)</b>	(743,056)
(Loss)/Profit before taxation		<b>(3,027,388)</b>	576,280
Adjustments for:			
Amortisation of intangible assets	4	<b>668,349</b>	-
Depreciation of property, plant and equipment	3	<b>3,038,587</b>	3,426,029
(Gain)/Loss on disposal of property, plant and equipment, net	16/18	<b>(145,190)</b>	9,897
Impairment losses on trade receivables	8	<b>7,741</b>	-
Interest expense	19	<b>427,406</b>	442,432
Interest income	16	<b>(5,342)</b>	(11,151)
Write-down on inventories, net	7	<b>29,232</b>	26,825
Write-off of intangible assets	4	<b>65,794</b>	-
Unrealised foreign exchange differences		<b>(25,731)</b>	(21,910)
<b>Operating profit before working capital changes</b>		<b>1,033,458</b>	4,448,402
Changes in bank deposits restricted in use		<b>510,469</b>	(12,617)
Changes in inventories		<b>3,116,495</b>	244,908
Changes in trade and other receivables		<b>693,267</b>	4,633,821
Changes in trade and other payables		<b>(3,476,732)</b>	(2,078,720)
<b>Cash generated from operations</b>		<b>1,876,957</b>	7,235,794
Income taxes paid		<b>(262,080)</b>	(65,570)
<b>Net cash generated from operating activities</b>		<b>1,614,877</b>	7,170,224
<b>Cash Flows from Investing Activities</b>			
Additions of intangible assets	4	<b>(132,918)</b>	(1,977,806)
Interest received		<b>5,342</b>	11,151
Proceeds from disposal of property, plant and equipment		<b>645,980</b>	18,741
Purchase of property, plant and equipment	3	<b>(1,209,729)</b>	(1,648,313)
<b>Net cash used in investing activities</b>		<b>(691,325)</b>	(3,596,227)
<b>Cash Flows from Financing Activities</b>			
Interest paid		<b>(427,406)</b>	(442,432)
Proceeds from exercise of warrants		-	57,700
Proceeds from borrowings		<b>1,898,711</b>	500,000
Repayment of borrowings		<b>(4,517,175)</b>	(2,617,286)
<b>Net cash used in financing activities</b>		<b>(3,045,870)</b>	(2,502,018)
Net (decrease)/increase in cash and bank balances		<b>(2,122,318)</b>	1,071,979
Cash and bank balances at beginning of year		<b>9,832,330</b>	8,767,870
Exchange differences on translation of cash and bank balances		<b>(181,118)</b>	(7,519)
Cash and bank balances at end of year	9	<b>7,528,894</b>	9,832,330

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 1 General information

The financial statements of Metal Component Engineering Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company is incorporated as a limited liability company and is domiciled in Singapore.

The Company is listed on the Catalist of the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 10 Ang Mo Kio Street 65, #04-02 Techpoint, Singapore 569059.

The principal activities of the Company consist of investment holding and metal stamping and manufacturing of tools and fixtures. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

## 2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollar which is the Company's functional currency. All financial information is presented in Singapore dollar, unless otherwise stated.

### **Significant accounting estimates and judgements**

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(a) Basis of preparation (cont'd)

### **Significant judgements in applying accounting policies**

#### Going concern

The Group incurred a net loss of S\$3,001,209 (2015: profit of S\$534,438) for the financial year ended 31 December 2016. Notwithstanding this, the directors are of the view that the going concern assumption is appropriate for the preparation of these financial statements, due to the following:

- (i) The Group's net loss included losses attributable to the discontinued operations of S\$1,436,907 (2015: S\$743,056). Excluding the losses attributable to the discontinued operations, the Group would have incurred a net loss of S\$1,564,302 (2015: profit of S\$1,277,494) for the financial year ended 31 December 2016. The losses from continuing operations were mainly due to the start-up of the Industrial Product business in the People's Republic of China ("PRC").
- (ii) The Group generated operating cash inflows of S\$1,614,877 (2015: S\$7,170,224) for the financial year ended 31 December 2016.
- (iii) The Group had net current assets and net assets of S\$9,405,875 (2015: S\$9,706,707) and S\$23,525,977 (2015: S\$27,346,886), respectively, as at 31 December 2016. In addition, the Company had net current assets and net assets of S\$2,152,063 (2015: S\$3,803,025) and S\$24,078,103 (2015: S\$30,248,291), respectively, as at 31 December 2016.

Based on the above, the directors believe that the Group and the Company will have sufficient working capital and financial resources to meet their obligations as and when they fall due for the next twelve months from the end of the reporting period. Consequently, the directors consider that there is no material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amounts and classification of liabilities that would be required if the going concern basis is found to be inappropriate.

#### Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(a) Basis of preparation (cont'd)

### **Significant judgements in applying accounting policies (cont'd)**

#### Classification of land use right

Within the PRC, it is the practice for the State to issue land use rights to individuals or entities. Such rights are evidenced through the granting of a land use right certificate, which gives the holder the right to use the land (including the construction of buildings thereon) for a given length of time. In management's judgement, the land use right of a PRC subsidiary is accounted for as a purchase of property, plant and equipment and has been classified as leasehold land, as the PRC subsidiary is deemed to obtain the significant risks and rewards of ownership of the land. At the end of the reporting period, the carrying amount of the Group's leasehold land was S\$802,076 (2015: S\$885,492), classified within leasehold land and buildings in property, plant and equipment (Note 3).

#### Capitalisation of development costs

It is the Group's policy to capitalise development expenditure and to amortise the expenditure over the estimated life of the related project. Significant judgement is applied by management in (i) identifying separately the expenditure incurred during the research phase and development phase of the project; (ii) demonstrating that the criteria for the development expenditure to be recognised as intangible assets are met, i.e. the technical feasibility of the project, the project will generate probable future economic benefits, the intention and availability of adequate technical, financial and other resources to complete the project and sell the products, and the ability to measure reliably the development expenditure; and (iii) determining that the development expenditure are directly attributable costs. The carrying amount of the Group's intangible assets (comprising development costs) at the end of the reporting period is disclosed in Note 4 to the financial statements.

#### Classification of sale of scrap metals

Based on the nature of the Group's operations, scrap metals which are a critical and significant output of the Group's productions are sold as the Group's ordinary course of business activities. The Group considers the sale of scrap metals to be integral and not incidental to the main revenue-generating activities. Accordingly, the sale of scrap metals is classified and presented as revenue in the consolidated statement of profit or loss and other comprehensive income.

#### Income taxes

The Group and the Company have exposure to income taxes in various jurisdictions. Significant judgement and estimates are involved in determining group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's and the Company's deferred tax liabilities at the end of the reporting period and the Group's income taxes for the year are disclosed in Note 12 and Note 21 to the financial statements, respectively.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(a) Basis of preparation (cont'd)

### **Significant assumptions used and accounting estimates in applying accounting policies**

#### Depreciation of property, plant and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over the estimated economic useful lives of the assets. The Group's business is capital intensive and the annual depreciation of property, plant and equipment forms a significant component of total costs charged to profit or loss. Management estimates the useful lives of property, plant and equipment to be within 3 to 30 years. In particular, management estimates the useful life of plant and machinery to be 5 to 10 years. The carrying amounts of the Group's and the Company's property, plant and equipment at the end of the reporting period are disclosed in Note 3 to the financial statements. The Group and the Company perform annual reviews on whether the assumptions made on useful lives continue to be valid. As changes in the expected level of usage, maintenance programmes and technological developments could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. If depreciation on the Group's and the Company's property, plant and equipment increases/decreases by 10% from management's estimates, the Group's and the Company's results for the year will decrease/increase by S\$303,859 (2015: S\$342,603) and S\$34,044 (2015: S\$48,323), respectively.

#### Amortisation of intangible assets

The costs of intangible assets are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the intangible assets to be three years, based on the lifespan of the project which has been assessed by management to be at least three years. Significant judgement is also required in establishing the completion date of the project upon which the amortisation of the intangible assets commences. The carrying amount of the Group's intangible assets (comprising development costs) at the end of the reporting period is disclosed in Note 4 to the financial statements. If amortisation on the Group's intangible assets increases/decreases by 10% from management's estimates, the Group's results for the year will decrease/increase by S\$66,835 (2015: S\$nil).

#### Impairment of property, plant and equipment and intangible assets

Property, plant and equipment are assessed at the end of each reporting period whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the assets are estimated to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in profit or loss.

Significant judgement and estimates by management are required in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by its market value based on comparable assets or the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are extrapolated using a suitable growth rate and then discounted using an appropriate discount rate. Changing the assumptions selected by management to determine the level of impairment, including the growth rate and discount rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result may potentially affect the Group's results. The carrying amount of the Group's property, plant and equipment and intangible assets at the end of the reporting period are disclosed in Note 3 and Note 4 to the financial statements, respectively, and the basis used to determine fair value less costs to sell or the assumptions used to estimate value in use as the recoverable amount, are disclosed in Note 3 to the financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(a) Basis of preparation (cont'd)

### **Significant assumptions used and accounting estimates in applying accounting policies (cont'd)**

#### Impairment of subsidiaries

The Company assesses at the end of each reporting period whether there is any indication that the investments in subsidiaries may be impaired. If any indication exists, the investment in subsidiary is tested for impairment. The determination of the recoverable amount requires an estimation of the fair value less costs to sell of the underlying assets or the value in use of the cash-generating units. Estimating the fair value less costs to sell requires the Company to make an estimate of the expected selling prices of the underlying assets and the estimated cash outflows to settle the obligations in respect of the underlying liabilities. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating units, a suitable growth rate to extrapolate the future cash flows, and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of the Company's investments in subsidiaries at the end of the reporting period, and the basis used to determine fair value less costs to sell or the assumptions used to estimate value in use as the recoverable amount, are disclosed in Note 5 to the financial statements.

#### Allowance for inventory obsolescence

The Group and the Company review the ageing analysis of inventories at the end of each reporting period, and make allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amounts of the Group's and the Company's inventories at the end of the reporting period are disclosed in Note 7 to the financial statements. If the net realisable values of the inventories decrease/increase by 10% from management's estimates, the Group's and the Company's results for the year will decrease/increase by S\$423,052 (2015: S\$737,624) and S\$219 (2015: S\$92,871), respectively.

#### Impairment of loans and receivables

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and the Company's loans and receivables at the end of the reporting period are disclosed in Note 8 to the financial statements. If the present value of estimated future cash flows decreases/increases by 10% from management's estimates, the Group's and the Company's allowance for impairment of loans and receivables will increase/decrease by S\$1,908,185 (2015: S\$1,972,837) and S\$1,317,108 (2015: S\$2,798,967), respectively.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(b) Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the following FRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

Reference	Description
Amendments to FRS 1	Presentation of Financial Statements: Disclosure Initiative
Amendments to FRS 27	Equity Method in Separate Financial Statements
Amendments to FRS 16 and FRS 38	Classification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 16 and FRS 41	Agriculture: Bearer Plants
Amendments to FRS 28 and FRS 110	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to FRS 110, FRS 112 and FRS 28	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 111	Accounting for Acquisitions of Interests in Joint Operations
FRS 114	Regulatory Deferral Accounts
Improvements to FRSs (November 2014):	
- Amendment to FRS 19	Employee Benefits
- Amendment to FRS 34	Interim Financial Reporting
- Amendment to FRS 105	Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 107	Financial Instruments: Disclosures

The adoption of these new and amended FRS did not result in substantial changes to the Group's accounting policies nor any significant impact on these financial statements except for the following:

### Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments to FRS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing FRS 1 requirements. The amendments clarify:

- The materiality requirements in FRS 1;
- That specific line items in the statement(s) of profit or loss and other comprehensive income ("OCI") and the statement of financial position may be disaggregated;
- That entities should adopt a systemic order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. The amendments to FRS 1 are effective for annual periods beginning on or after 1 January 2016. As this is a disclosure standard, it has no impact to the financial position and performance of the Group when applied.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(c) FRS not yet effective

The Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on the SGX-ST will have to assess the impact of IFRS 1: First-time adoption of IFRS when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

The following are the new or amended FRS and INT FRS issued that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to FRS 7	Statement of Cash Flows: Disclosure Initiative	1 January 2017
Amendments to FRS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 40	Transfers of Investment Property	1 January 2018
Amendments to FRS 102	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 104	Applying FRS 109 <i>Financial Instruments</i> with FRS 104 <i>Insurance Contracts</i>	1 January 2018
Amendments to FRS 115	Clarifications to FRS 115: Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019
INT FRS 121	Levies	1 January 2017
INT FRS 122	Foreign Currency Transactions and Advance Consideration	1 January 2018
Improvements to FRSs (December 2016):		
- Amendment to FRS 28	Investments in Associates and Joint Ventures	1 January 2017
- Amendment to FRS 101	First-time Adoption of Financial Reporting Standards	1 January 2017
- Amendment to FRS 112	Disclosure of Interests in Other Entities	1 January 2017

Management does not anticipate that the adoption of the above FRS in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except for the following:

### Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

Under Amendments to FRS 7, an entity would need to reconcile cash flows arising from financing activities as reported in the statement of cash flows, excluding contributed equity, to the corresponding liabilities in the opening and closing statements of financial position. Additional disclosures are also required about information that is relevant to an understanding of the liquidity of an entity. This includes any restrictions over the decisions of an entity to use cash and cash equivalent balances, e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. The Group is currently assessing the impact and plans to adopt the amendments on the required effective date.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(c) FRS not yet effective (cont'd)

### FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

Under FRS 109, an investment in an equity instrument that does not have a quoted price in an active market for an identical instrument shall be measured at fair value at the date of initial application. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group applies FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

### FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

### Clarifications to FRS 115 Revenue Contracts with Customers

The amendments clarify how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as FRS 115, i.e. on 1 January 2018.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(c) FRS not yet effective (cont'd)

### FRS 116 Leases

FRS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

For a lessee, FRS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying FRS 7 *Statement of Cash Flows*.

For a lessor, FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

FRS 116 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply FRS 115 at or before the date of initial application of FRS 116.

## 2(d) Summary of significant accounting policies

### **Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Group controls an investee if and only if the Group has all of the following:

- (i) power over the investee;
- (ii) exposure, or rights or variable returns from its involvement with the investee; and
- (iii) the ability to use its power over the investee to affect its returns

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(d) Summary of significant accounting policies (cont'd)

### Consolidation (cont'd)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of the subsidiaries in the PRC is based on the subsidiaries' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the statutory financial statements of the subsidiaries prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the subsidiaries are based on the amounts stated in the statutory financial statements.

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Leasehold land and buildings	30 years
Building improvements and renovations	3 to 5 years
Plant and machinery	5 to 10 years
Furniture and fittings	5 years
Office equipment	5 years
Computers	5 years
Motor vehicles	5 years

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is recognised in profit or loss from the month that the property, plant and equipment are installed and are available for use, and to the month of disposal, respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period as a change in estimates.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(d) Summary of significant accounting policies (cont'd)

### Intangible assets

Intangible assets are accounted for using the cost model. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite useful lives are assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets are written off where, in the opinion of the directors, no further future economic benefits are expected to arise.

### Research and development costs

Research costs are expensed as incurred, except for development costs which relates to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

Development costs are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful life of 3 years.

Capitalised costs that are directly attributable to the development phase are recognised as intangible assets provided that they meet the following recognition requirements:

- (i) demonstration of technical feasibility of the prospective product or processes for sale;
- (ii) the intangible asset will generate probable economic benefits through sale;
- (iii) sufficient technical, financial and other resources are available for completion; and
- (iv) the intangible asset can be reliably measured.

Directly attributable costs include direct raw material, employee costs incurred on product development with an appropriate portion of relevant overheads. However, until completion of the development of the products or processes, the assets are subject to impairment testing only. Amortisation commences upon the launch of the sales of the products or from the date the processes is put into use.

### Subsidiaries

In the Company's separate statement of financial position, subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(d) Summary of significant accounting policies (cont'd)

### Other assets

Other assets represent transferable memberships in recreational clubs. The club memberships are assessed as having an indefinite useful life as they entitle the members to enjoy the club facilities for lifetime, and there is no foreseeable limit to the period over which the memberships are expected to be used by the Group. Since they are with an indefinite useful life, they are tested for impairment annually or more frequently if the events and circumstances indicate that their carrying value may be impaired either individually or at the cash-generating unit level. The useful life of the club memberships with an indefinite life is reviewed annually to determine whether the assessment of useful life continues to be supportable.

### Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the end of the reporting period with the exception that a financial asset shall not be reclassified into or out of the fair value through profit or loss category while it is held or issued.

All financial assets are recognised on their trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group does not hold any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(d) Summary of significant accounting policies (cont'd)

### Financial assets (cont'd)

#### Loans and receivables (cont'd)

Loans and receivables include trade and other receivables (excluding prepayments) and cash and bank balances. They are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions are recorded as borrowings.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### Cash and bank balances

Cash and bank balances comprise cash balances and bank deposits.

For the purpose of the consolidated statement of cash flows, cash and bank balances are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management.

### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

### Warrant reserve

The fair value ascribed to warrants less issue expenses is credited as a reserve in equity under warrant reserve and the related balance is transferred to the share capital account as and when the warrants are exercised.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(d) Summary of significant accounting policies (cont'd)

### Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because of the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

### Financial liabilities

The Group's financial liabilities comprise borrowings and trade and other payables (excluding deferred revenue and provision for retirement benefits).

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in "finance cost" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial liabilities and financial assets are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled more than 12 months after the end of the reporting period are included in current borrowings in the statement of financial position if the loan facility agreements include an overriding repayment on demand clause, which gives the lender the right to demand repayment at any time, at its sole discretion and irrespective of whether a default event has occurred. These borrowings are classified as current as the Group does not have the unconditional right at the end of the reporting period to defer their settlement for at least twelve months after the end of the reporting period. Other borrowings due to be settled more than 12 months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see policy on finance leases).

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(d) Summary of significant accounting policies (cont'd)

### Financial guarantee

The Company has issued corporate guarantee to a bank for the bank borrowings of one of its subsidiaries. The guarantee is a financial guarantee contract as it requires the Company to reimburse the bank if the subsidiary fails to make principal or interest payments when due in accordance with the terms of its borrowings.

Financial guarantee contracts, if assessed to be material, are initially recognised at their fair value plus transaction costs in the statement of financial position.

Financial guarantee contracts are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless the Group has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

### Leases

*Where the Group and the Company are the lessees,*

#### Finance leases

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment".

#### Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

### Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(d) Summary of significant accounting policies (cont'd)

### Income taxes (cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, provided they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity.

### Employee benefits

#### Pension obligations

The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. The subsidiaries in Malaysia, Thailand and the PRC are required to provide certain staff pension contributions to their employees under existing regulations. Pension contributions are provided at rates stipulated by the regulations and are contributed to pension funds managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. The Company and its Singapore incorporated subsidiary make contributions to the Central Provident Fund, a defined contribution pension scheme regulated and managed by the Government of Singapore.

A defined contribution national pension scheme is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions to national pension schemes are charged to profit or loss in the period to which the contributions relate.

#### Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(d) Summary of significant accounting policies (cont'd)

### Employee benefits (cont'd)

#### Defined benefit plan

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The subsidiary in Thailand operates a defined benefit pension plan according to the requirements of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service operates. The liability in respect of the defined benefit plan is the present value at the end of the reporting period, of the amount of future benefit that employees have earned in return for their service in the current and prior periods. The Group determines the present value of the defined benefit obligation with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

#### Employee share option scheme

The Company has an employee share option plan for the granting of non-transferable options.

The Group issues equity-settled share-based payments to certain employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under option that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve is credited to the share capital account when new ordinary shares are issued.

The share option reserve is transferred to retained earnings upon expiry of the options.

### Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

- (i) represents a separate major line of business or geographical area of operations; or
- (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (iii) is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(d) Summary of significant accounting policies (cont'd)

### Related parties

A related party is defined as follows:

- a) A person or a close member of that person's family is related to the Group and the Company if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Group or the Company or of a parent of the Company.
  
- b) An entity is related to the Group and the Company if any of the following conditions applies:
  - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

### Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management executives are considered key management personnel.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(d) Summary of significant accounting policies (cont'd)

### Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss recognised for a cash-generating unit is charged *pro rata* to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is recognised as income in profit or loss.

### Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For local sale of goods, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments, transfer occurs upon loading the goods onto the relevant carrier at the port.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(d) Summary of significant accounting policies (cont'd)

### Government grants

Government grant is recognised at its fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

### Functional currencies

#### Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Singapore dollar, which is also the functional currency of the Company.

### Conversion of foreign currencies

#### Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either other income or other expenses depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

#### Group entities

The results and financial positions of all the entities (none of which has the currency of a hyperinflationary economy) within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the end of each reporting period;
- (ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and
- (iii) All resulting currency translation differences are recognised as other comprehensive income in the currency translation reserve in equity.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 2(d) Summary of significant accounting policies (cont'd)

### Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO"), who is the chief operating decision maker, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 26 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

### Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and warrants.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 3 Property, plant and equipment

The Group	Building improvements and renovations							Total
	Leasehold land and buildings	renovations	Plant and machinery	Furniture and fittings	Office equipment	Computers	Motor vehicles	
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
<u>Cost</u>								
At 1 January 2015	5,188,413	3,732,266	42,787,468	282,566	992,786	2,123,319	1,237,038	56,343,856
Additions	-	460,614	1,457,579	20,196	35,519	113,485	-	2,087,393
Disposals	-	(2,612)	(94,493)	(3,553)	(14,459)	(48,206)	(92,318)	(255,641)
Exchange difference on translation	117,107	(13,473)	(364,680)	(7,763)	10,541	(32,505)	1,061	(289,712)
At 31 December 2015	5,305,520	4,176,795	43,785,874	291,446	1,024,387	2,156,093	1,145,781	57,885,896
Additions	-	<b>265,527</b>	<b>886,548</b>	<b>17,683</b>	<b>38,410</b>	<b>157,862</b>	<b>1,199</b>	<b>1,367,229</b>
Disposals	-	<b>(809,706)</b>	<b>(1,958,940)</b>	<b>(28,364)</b>	<b>(59,485)</b>	<b>(150,332)</b>	<b>(777,127)</b>	<b>(3,783,954)</b>
Exchange difference on translation	<b>(237,254)</b>	<b>(147,266)</b>	<b>(914,627)</b>	<b>(8,141)</b>	<b>(39,826)</b>	<b>(24,415)</b>	<b>(11,376)</b>	<b>(1,382,905)</b>
<b>At 31 December 2016</b>	<b>5,068,266</b>	<b>3,485,350</b>	<b>41,798,855</b>	<b>272,624</b>	<b>963,486</b>	<b>2,139,208</b>	<b>358,477</b>	<b>54,086,266</b>
<u>Accumulated depreciation</u>								
At 1 January 2015	1,510,529	2,656,532	31,661,145	214,435	764,134	1,046,514	987,485	38,840,774
Depreciation	175,472	368,182	2,441,072	19,597	42,187	310,858	68,661	3,426,029
Disposals	-	(2,365)	(73,588)	(2,539)	(13,069)	(43,124)	(92,318)	(227,003)
Exchange difference on translation	31,394	(24,867)	(340,736)	(6,314)	7,557	(20,909)	(3,126)	(357,001)
At 31 December 2015	1,717,395	2,997,482	33,687,893	225,179	800,809	1,293,339	960,702	41,682,799
Depreciation	<b>169,432</b>	<b>326,010</b>	<b>2,129,723</b>	<b>17,611</b>	<b>32,317</b>	<b>307,605</b>	<b>55,889</b>	<b>3,038,587</b>
Disposals	-	<b>(685,828)</b>	<b>(1,662,074)</b>	<b>(24,585)</b>	<b>(45,776)</b>	<b>(107,788)</b>	<b>(757,644)</b>	<b>(3,283,695)</b>
Exchange difference on translation	<b>(73,863)</b>	<b>(106,515)</b>	<b>(611,681)</b>	<b>(6,594)</b>	<b>(31,718)</b>	<b>(18,142)</b>	<b>(5,392)</b>	<b>(853,905)</b>
<b>At 31 December 2016</b>	<b>1,812,964</b>	<b>2,531,149</b>	<b>33,543,861</b>	<b>211,611</b>	<b>755,632</b>	<b>1,475,014</b>	<b>253,555</b>	<b>40,583,786</b>
<u>Net book value</u>								
<b>At 31 December 2016</b>	<b>3,255,302</b>	<b>954,201</b>	<b>8,254,994</b>	<b>61,013</b>	<b>207,854</b>	<b>664,194</b>	<b>104,922</b>	<b>13,502,480</b>
At 31 December 2015	3,588,125	1,179,313	10,097,981	66,267	223,578	862,754	185,079	16,203,097

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 3 Property, plant and equipment (cont'd)

The Company	Renovations	Plant and machinery	Furniture and fittings	Office equipment	Computers	Motor vehicles	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
<u>Cost</u>							
At 1 January 2015	340,870	1,545,458	40,978	60,266	1,284,661	842,223	4,114,456
Additions	-	-	-	-	30,446	-	30,446
Disposals	-	-	-	-	-	(92,318)	(92,318)
At 31 December 2015	340,870	1,545,458	40,978	60,266	1,315,107	749,905	4,052,584
Additions	-	-	-	464	106,792	-	107,256
Disposals	-	(1,524,251)	-	-	(4,640)	(749,905)	(2,278,796)
<b>At 31 December 2016</b>	<b>340,870</b>	<b>21,207</b>	<b>40,978</b>	<b>60,730</b>	<b>1,417,259</b>	<b>-</b>	<b>1,881,044</b>
<u>Accumulated depreciation</u>							
At 1 January 2015	291,000	741,545	39,872	33,447	480,006	842,071	2,427,941
Depreciation	39,187	218,229	286	7,859	217,516	152	483,229
Disposals	-	-	-	-	-	(92,318)	(92,318)
At 31 December 2015	330,187	959,774	40,158	41,306	697,522	749,905	2,818,852
Depreciation	10,683	93,900	286	6,717	228,851	-	340,437
Disposals	-	(1,033,319)	-	-	(2,127)	(749,905)	(1,785,351)
<b>At 31 December 2016</b>	<b>340,870</b>	<b>20,355</b>	<b>40,444</b>	<b>48,023</b>	<b>924,246</b>	<b>-</b>	<b>1,373,938</b>
<u>Net book value</u>							
<b>At 31 December 2016</b>	<b>-</b>	<b>852</b>	<b>534</b>	<b>12,707</b>	<b>493,013</b>	<b>-</b>	<b>507,106</b>
At 31 December 2015	10,683	585,684	820	18,960	617,585	-	1,233,732

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 3 Property, plant and equipment (cont'd)

The carrying amount of property, plant and equipment held under finance leases for the Group, comprising plant and machinery, is S\$1,245,395 (2015: S\$1,947,077) (Note 13.1).

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of S\$1,367,229 (2015: S\$2,087,393) of which S\$157,500 (2015: S\$439,080) was acquired by means of finance leases. Cash payments of S\$1,209,729 (2015: S\$1,648,313) were made to purchase property, plant and equipment.

Leasehold land relates to the land use right acquired by the PRC subsidiary, MCE Industries (Shanghai) Co., Ltd, under Shanghai Municipal People's Government and relates to the following parcel of land:

Location	Land area	Tenure
Qingpu District, Chonggu Town	25,000 square metres	50 years (commenced on 20 December 2006 and expiring on 19 December 2056)

### **Impairment testing of property, plant and equipment**

In view of the operating losses incurred by certain businesses in the PRC, management has assessed that there are indications of impairment of the Group's property, plant and equipment. Accordingly, the Group's property, plant and equipment are tested for impairment.

The recoverable amount of the Group's property, plant and equipment is determined based on value in use. Management has identified the China segment as the cash-generating unit ("CGU"). The recoverable amount of the CGU is determined by management from value in use calculations based on cash flow projections from formally approved financial budgets and forecasts covering a five-year period. The remaining useful life for the CGU is estimated by management to be five years, based on the weighted average remaining useful lives of the assets in the CGU. Revenue growth rate is 5%, while pre-tax discount rate is 21%. The discount rate reflects current market assessments of the time value of money and the risks specific to the CGU. No impairment losses were recognised for the financial year ended 31 December 2016 as the recoverable amount of the CGU exceeds the carrying amount as at 31 December 2016.

#### Sensitivity analysis on key assumptions

There are no impairment losses to be recognised for the financial year ended 31 December 2016 arising from a 1 percentage point increase in the pre-tax discount rate. The pre-tax discount rate which will result in the recoverable amount to approximate the carrying amount of the CGU is 24%.

The following table demonstrates the sensitivity to a reasonably possible change in the other assumptions on impairment losses allocated to property, plant and equipment for the financial year ended 31 December 2016.

Assumption	Impairment losses
Revenue growth rate - Decrease by 1 percentage point	Increase by S\$1,054,466
Remaining useful life - Decrease by 1 year	Increase by S\$2,042,900

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 4 Intangible assets

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
<u>Cost</u>				
At 1 January	1,977,806	-	89,691	-
Additions	132,918	1,977,806	-	89,691
Write-off	(89,691)	-	(89,691)	-
Exchange difference on translation	(82,735)	-	-	-
At 31 December	1,938,298	1,977,806	-	89,691
<u>Accumulated amortisation</u>				
At 1 January	-	-	-	-
Amortisation	668,349	-	23,897	-
Write-off	(23,897)	-	(23,897)	-
Exchange difference on translation	1,647	-	-	-
At 31 December	646,099	-	-	-
Carrying amount	1,292,199	1,977,806	-	89,691

Intangible assets relate to costs incurred in respect of the development of digital textile printer.

### Impairment testing of intangible assets

In view of the operating losses incurred by certain business in the PRC, management has assessed that there are indications of impairment of the Group's intangible assets. Accordingly, the Group's intangible assets are tested for impairment.

Details of the value in use computations and assumptions used to determine the recoverable amount of the CGU are disclosed in Note 3 to the financial statements.

There are no impairment losses to be recognised for the financial year ended 31 December 2016 arising from a 1 percentage point increase in the pre-tax discount rate. The pre-tax discount rate which will result in the recoverable amount to approximate the carrying amount of the CGU is 24%.

The following table demonstrates the sensitivity to a reasonably possible change in the assumptions of revenue growth rate and remaining useful life, on impairment losses allocated to intangible assets for the financial year ended 31 December 2016.

Assumption	Impairment losses
Revenue growth rate	
- Decrease by 1 percentage point	Increase by S\$135,398
Remaining useful life	
- Decrease by 1 year	Increase by S\$262,318

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 5 Subsidiaries

	2016	2015
	S\$	S\$
The Company		
<u>Unquoted equity investments, at cost</u>		
At 1 January	<b>25,819,163</b>	23,773,839
Increase in capital of a subsidiary	-	2,045,324
At 31 December	<b>25,819,163</b>	25,819,163
<u>Allowance for impairment losses</u>		
At 1 January	<b>162,440</b>	809,708
Allowance made	<b>4,018,096</b>	12,669
Allowance reversed	-	(659,937)
At 31 December	<b>4,180,536</b>	162,440
Carrying amount	<b>21,638,627</b>	25,656,723

### Increase in capital of a subsidiary

On 12 February 2015 and 23 September 2015, the Company increased its investment in a subsidiary by contributing additional capital of S\$633,024 (THB 15,000,000) and S\$1,412,300 (THB 35,900,000), comprising 150,000 and 359,000 common shares of par value THB 100 each fully paid up, respectively.

### Impairment testing of investments in subsidiaries

Management has assessed that there are indications of impairment of the Company's investments in certain subsidiaries arising from the operating losses incurred by and/or the carrying amount of the net assets exceeding the costs of investments in these subsidiaries. Accordingly, the investments in these subsidiaries are tested for impairment.

For MCE Technologies Sdn Bhd, management has assessed that there is indication of impairment in the subsidiary arising from the carrying amount of the net assets being lower than the Company's cost of investment in the subsidiary. The recoverable amount is determined based on value in use. The value in use calculations are based on cash flow projections from formally approved financial budgets and forecasts covering a five-year period. Revenue growth rate used in the cash flow projections is 5%. The cash flows are extrapolated using a nil terminal growth rate and discounted using a pre-tax discount rate of 11%. The discount rate reflects current market assessments of the time value of money and the risks specific to the subsidiary. No impairment loss was recognised as the recoverable amount exceeds the carrying amount of the investment in subsidiary as at 31 December 2016. There is no impairment loss arising from a 1 percentage point decrease in the revenue growth rate, or a 1 percentage point increase in the pre-tax discount rate.

For MCE Industries (Shanghai) Co., Ltd, the recoverable amount is determined based on fair value less costs to sell, which is based on the revalued net assets of the subsidiary. In deriving the revalued net assets of the subsidiary, the fair values of the underlying assets are estimated based on their expected selling prices, and the fair values of the underlying liabilities are based on the estimated cash outflows to settle the obligations. No impairment loss has been recognised as the recoverable amount exceeds the carrying amount of the investment in subsidiary as at 31 December 2016.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 5 Subsidiaries (cont'd)

### **Impairment testing of investments in subsidiaries (cont'd)**

In determining the fair values of the underlying assets of the subsidiary, primarily the leasehold land and building of the subsidiary, management has engaged independent professional valuers to carry out valuations of the leasehold land and building to determine their fair values, having considered the appropriate professional qualifications and recent experience of the valuers in the location and category of the properties being valued.

The following table shows the valuation techniques used in measuring the Level 3 fair value hierarchy, as well as the significant unobservable inputs used:

<b>Valuation method</b>	<b>Basis</b>	<b>Key unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
<b><u>Leasehold land</u></b>			
Market comparison approach	Land use right for industrial purpose when selling prices for comparable land are available	Current market selling prices	A significant increase in market selling prices would result in a significantly higher fair value measurement, and <i>vice versa</i> .
<b><u>Leasehold building</u></b>			
Depreciated replacement cost approach	Cost to a market participant buyer to acquire or construct a building of comparable utility, adjusted for obsolescence	Current market purchase prices	A significant increase in market purchase prices would result in a significantly higher fair value measurement, and <i>vice versa</i> .

For other trading, inactive or dormant subsidiaries which had incurred losses, management had performed impairment test and determined the impairment of the investments in these subsidiaries based on their realisable net assets which were considered by management as reasonable approximation of the recoverable amount of the investments in these subsidiaries.

As at 31 December 2016, due to the persistent losses incurred by Metal Component Technologies (Wuxi) Co., Ltd which operated in the Group's Hard Disk Drive business that had been discontinued during the financial year and will be inactive or dormant going forward, an allowance for impairment of S\$4,018,096 was made to fully impair the cost in investment in the subsidiary. The impairment loss was recognised in Company's profit or loss for the financial year ended 31 December 2016.

As at 31 December 2015, following the significant improvement in financial condition and profitability of Metal Precision Services Pte Ltd, S\$659,937 of the allowance for impairment previously made was reversed to the Company's profit or loss for the financial year ended 31 December 2015.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 5 Subsidiaries (cont'd)

Details of the subsidiaries are:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held	
			2016 %	2015 %
<u>Held by the Company</u>				
Metal Precision Services Pte Ltd <sup>(a)</sup>	Provision of services relating to metal wire cutting and milling	Singapore	<b>100</b>	100
MCE Technologies Sdn Bhd <sup>(b)</sup>	Metal stamping and manufacturing of tools and fixtures	Malaysia	<b>100</b>	100
MCE Manufacturing Sdn Bhd <sup>(b)</sup>	Dormant	Malaysia	<b>100</b>	100
MCT (Thailand) Co., Ltd. <sup>(c)</sup>	Metal stamping and manufacturing of tools and fixtures	Thailand	<b>100</b>	100
Metal Component Engineering (Shanghai) Co., Ltd <sup>(d)</sup>	Metal stamping and manufacturing of tools and fixtures (inactive)	People's Republic of China	<b>100</b>	100
Metal Component Technologies (Wuxi) Co., Ltd <sup>(e)</sup>	Metal stamping and manufacturing of tools and fixtures (inactive as of 31 December 2016)	People's Republic of China	<b>100</b>	100
MCE Industries (Shanghai) Co., Ltd <sup>(e)</sup>	Metal stamping and manufacturing of tools and fixtures	People's Republic of China	<b>100</b>	100
Metal Computer Component (Suzhou) Ltd <sup>(e)</sup>	Metal stamping and plating related activities	People's Republic of China	<b>100</b>	100
<u>Held by MCE Industries (Shanghai) Co., Ltd</u>				
MCE Corporation (Shanghai) Co., Ltd <sup>(e)</sup>	Trading of tools, components, product assemblies and related products	People's Republic of China	<b>100</b>	100

(a) Audited by Foo Kon Tan LLP, a member firm of HLB International

(b) Audited by HLB Ler Lum, Malaysia, a member firm of HLB International

(c) Audited by Grant Thornton Limited, Thailand

(d) Audited by Shanghai Huashen Certified Public Accountants Ltd

(e) Audited by Grant Thornton Zhi Tong, People's Republic of China

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 6 Other assets

	<b>2016</b>	2015
	<b>S\$</b>	S\$
The Group and the Company		
Club memberships, at cost	<b>137,500</b>	137,500

The club memberships are registered in the name of certain directors and are held in trust for the Company.

## 7 Inventories

	<b>The Group</b>		<b>The Company</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>S\$</b>	S\$	<b>S\$</b>	S\$
Raw materials (at cost)	<b>560,895</b>	3,572,450	-	144,193
Work in progress (at cost)	<b>2,298,789</b>	1,592,744	-	-
Finished goods (at net realisable value)	<b>1,370,833</b>	2,211,050	<b>2,193</b>	784,514
	<b>4,230,517</b>	7,376,244	<b>2,193</b>	928,707

The costs recognised as expense for raw materials and consumables together with changes in finished goods and work in progress amounted to S\$31,402,919 (2015: S\$35,370,154) for the financial year ended 31 December 2016.

Inventories are stated at the lower of cost and net realisable value, after allowance for write-down of certain inventories to net realisable value.

The movement in allowance for write-down of inventories is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>S\$</b>	S\$	<b>S\$</b>	S\$
At 1 January	<b>1,077,582</b>	1,098,168	<b>379</b>	21,107
Allowance made (Note 18)	<b>30,821</b>	154,445	<b>1,397</b>	-
Allowance reversed (Note 16)	<b>(1,589)</b>	(127,620)	-	(20,728)
Allowance utilised	<b>(207,703)</b>	(10,923)	-	-
Exchange difference on translation	<b>(18,040)</b>	(36,488)	-	-
At 31 December	<b>881,071</b>	1,077,582	<b>1,776</b>	379

For the financial year ended 31 December 2016, due to the decline in selling prices and the obsolescence of certain inventories, the Group and the Company wrote down S\$30,821 (2015: S\$154,445) and S\$1,397 (2015: S\$nil), respectively, of the inventories (finished goods) to their net realisable value.

For the financial year ended 31 December 2016, reversal of write-down on inventories (finished goods) of S\$1,589 (2015: S\$127,620) and S\$nil (2015: S\$20,728) was made by the Group and the Company, respectively, when the related inventories were sold above their carrying amounts.

Allowances of S\$207,703 (2015: S\$10,923) for the Group were utilised against the corresponding inventories when they were sold or written off during the financial year.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 8 Trade and other receivables

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Trade receivables				
- third parties	<b>18,324,558</b>	19,108,921	<b>2,849,336</b>	5,647,956
- subsidiaries	-	-	<b>7,767,802</b>	18,643,055
	<b>18,324,558</b>	19,108,921	<b>10,617,138</b>	24,291,011
Less: Allowance for impairment losses	<b>(312,168)</b>	(313,448)	<b>(166,346)</b>	(166,346)
	<b>18,012,390</b>	18,795,473	<b>10,450,792</b>	24,124,665
Amounts due from subsidiaries (non-trade)	-	-	<b>2,560,367</b>	3,761,014
Deposits	<b>510,980</b>	665,778	<b>43,267</b>	43,267
Other receivables	<b>291,953</b>	86,259	<b>74,212</b>	15,835
Input taxes, net	<b>153,864</b>	136,151	<b>42,437</b>	44,891
Tax recoverable	<b>112,666</b>	44,713	-	-
	<b>1,069,463</b>	932,901	<b>2,720,283</b>	3,865,007
Loans and receivables	<b>19,081,853</b>	19,728,374	<b>13,171,075</b>	27,989,672
Prepayments	<b>872,576</b>	927,063	<b>244,661</b>	421,427
Trade and other receivables	<b>19,954,429</b>	20,655,437	<b>13,415,736</b>	28,411,099

The Group and the Company have factored trade receivables with an aggregate carrying amount of S\$3,055,117 (2015: S\$3,263,425) and S\$nil (2015: S\$2,884,615), respectively, to banks in exchange for cash at the end of the reporting period (Note 13.4). The transactions have been accounted for as secured borrowings (bills payable to banks) as the banks have full recourse to the Group and the Company in the event of default by the debtors.

The movement in allowance for impairment losses in respect of trade receivables is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
At 1 January	<b>313,448</b>	313,323	<b>166,346</b>	166,346
Allowance made (Note 18)	<b>7,741</b>	-	-	-
Allowance utilised	<b>(8,584)</b>	-	-	-
Exchange difference on translation	<b>(437)</b>	125	-	-
At 31 December	<b>312,168</b>	313,448	<b>166,346</b>	166,346

Trade receivables that have been determined to be impaired at the end of the reporting period relate to debtors that are in financial difficulties or have defaulted on payments. These trade receivables are not secured by any collateral or credit enhancements.

The non-trade amounts due from subsidiaries, which represent advances to and payments on behalf of the subsidiaries, are unsecured, interest-free and repayable on demand.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 8 Trade and other receivables (cont'd)

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Singapore dollar	<b>433,678</b>	606,085	<b>1,187,723</b>	5,882,180
Malaysian ringgit	<b>561,024</b>	533,718	-	-
Renminbi	<b>8,267,889</b>	6,174,909	<b>1,525,822</b>	1,502,546
Thai baht	<b>2,965,646</b>	2,266,978	-	755,846
United States dollar	<b>7,726,192</b>	11,073,747	<b>10,702,191</b>	20,270,527
	<b>19,954,429</b>	20,655,437	<b>13,415,736</b>	28,411,099

The Group and the Company generally extend credit period of 45 to 90 days (2015: 45 to 90 days) to customers, depending on the length of business relationship, payment history, background and financial strength of the customers. The Group and the Company actively review the trade receivable balances and follow up on outstanding debts with the customers.

The credit risk for trade receivables (excluding trade amounts due from subsidiaries) based on the information provided to key management is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
<u>By geographical area</u>				
Southeast Asia	<b>5,916,421</b>	8,513,282	<b>2,148,238</b>	5,057,573
China	<b>11,497,165</b>	9,315,546	<b>531,905</b>	380,594
North America	<b>597,379</b>	806,511	<b>2,847</b>	1,234
Others	<b>1,425</b>	160,134	-	42,209
	<b>18,012,390</b>	18,795,473	<b>2,682,990</b>	5,481,610

Trade and other receivables that are neither past due nor impaired relate to creditworthy debtors with a good payment record with the Group and the Company.

The ageing analysis of trade receivables past due but not impaired is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Past due 0 to 3 months	<b>967,002</b>	2,986,625	<b>2,883,893</b>	740,556
Past due 3 to 6 months	<b>46,781</b>	299,025	<b>123,883</b>	150,297
Past due over 6 months	<b>171,779</b>	66,052	<b>259,998</b>	48,399
	<b>1,185,562</b>	3,351,702	<b>3,267,774</b>	939,252

Based on historical default rates, the Group and the Company believe that no further impairment allowance is necessary in respect of trade receivables as they mainly arise from customers that have a good credit record with the Group and the Company.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 9 Cash and bank balances

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Cash in banks	<b>8,608,562</b>	11,458,854	<b>3,841,513</b>	4,745,776
Cash on hand	<b>25,593</b>	21,517	<b>1,500</b>	2,500
	<b>8,634,155</b>	11,480,371	<b>3,843,013</b>	4,748,276

Bank deposits of S\$15 (2015: S\$510,484) for the Group were pledged as security to obtain bankers' guarantee to meet customs requirements in the PRC.

For the purpose of the consolidated statement of cash flows, cash and bank balances comprise the following:

The Group	2016	2015
	S\$	S\$
Cash and bank balances	<b>8,634,155</b>	11,480,371
Less: Bank overdrafts (Note 13.3)	<b>(1,105,246)</b>	(1,137,557)
Less: Bank deposits pledged	<b>(15)</b>	(510,484)
	<b>7,528,894</b>	9,832,330

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Singapore dollar	<b>370,879</b>	489,958	<b>342,601</b>	454,886
Malaysian ringgit	<b>150,644</b>	186,247	-	-
Renminbi	<b>2,143,906</b>	3,393,335	-	-
Thai baht	<b>1,312,655</b>	585,747	-	-
United States dollar	<b>4,656,071</b>	6,825,084	<b>3,500,412</b>	4,293,390
	<b>8,634,155</b>	11,480,371	<b>3,843,013</b>	4,748,276

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 10 Share capital

	2016	2015	2016	2015
<b>The Group and the Company</b>			<b>S\$</b>	S\$
<u>Issued and fully paid, with no par value</u>				
At 1 January	<b>374,119,000</b>	372,965,000	<b>21,638,661</b>	21,575,832
Exercise of warrants	-	1,154,000	-	62,829
At 31 December	<b>374,119,000</b>	374,119,000	<b>21,638,661</b>	21,638,661

During the financial year ended 31 December 2015, 1,154,000 warrants were exercised and converted into ordinary shares in the capital of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

## 11 Reserves

	<b>The Group</b>		<b>The Company</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>S\$</b>	S\$	<b>S\$</b>	S\$
Share option reserve	<b>127,120</b>	128,453	<b>127,120</b>	128,453
Warrant reserve	<b>781,827</b>	781,827	<b>781,827</b>	781,827
Currency translation reserve	<b>(451,459)</b>	368,241	-	-
Statutory reserve	<b>1,944,142</b>	2,178,344	-	-
(Accumulated losses) / Retained earnings	<b>(514,314)</b>	2,251,360	<b>1,530,495</b>	7,699,350
	<b>1,887,316</b>	5,708,225	<b>2,439,442</b>	8,609,630

### Share option reserve

Share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

### Warrant reserve

Warrant reserve relates to the portion of proceeds from the rights shares issue ascribed to the attached warrants. As and when the warrants are exercised, the related balance in the warrant reserve is transferred to the share capital account. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S\$0.05. The warrants will expire on 12 September 2017. At the expiry of the warrants, the balance in the warrant reserve will be transferred to retained earnings.

### Currency translation reserve

Currency translation reserve arises from the translation of financial statements of foreign entities whose functional currencies are different from the Group's presentation currency.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 11 Reserves (cont'd)

### Statutory reserve

In accordance with the relevant laws and regulations of the PRC, each subsidiary in the PRC is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory net profit for each year, as determined in accordance with the applicable PRC accounting standards and regulations, must be allocated to the SRF until the cumulative total of the SRF reaches at least 50% of the registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital. The SRF is not available for dividend distribution to owners. The directors have decided that 10% of the net profit, as reported in the statutory financial statements of the PRC subsidiaries, be appropriated each year to the SRF.

## 12 Deferred tax liabilities

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
At 1 January	<b>67,428</b>	263,577	<b>61,584</b>	261,866
Reversed in profit or loss (Note 21)	<b>(67,428)</b>	(196,149)	<b>(61,584)</b>	(200,282)
At 31 December	<u>-</u>	<u>67,428</u>	<u>-</u>	<u>61,584</u>
To be settled after one year	<u>-</u>	<u>67,428</u>	<u>-</u>	<u>61,584</u>

Deferred tax liabilities are attributable to the excess of net book value over tax written down value of qualifying property, plant and equipment.

### Unrecognised temporary differences relating to investments in subsidiaries

On 22 February 2008, the Ministry of Finance and the State Administration of Taxation of the PRC issued a joint circular Caishui [2008] No. 1 which states that the distribution of dividends after 1 January 2008 from profits derived before 1 January 2008 will be exempted from withholding tax on distribution to non-resident shareholders. Whereas, dividends distributed out of profits generated thereafter, shall be subject to Enterprise Income Tax ("EIT") at 10% and withheld by foreign invested enterprises, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Detailed Implementation Regulations. Non-resident shareholders in countries under double tax treaty with the PRC may enjoy a reduced withholding tax at 5% if certain conditions are met.

Accordingly, there were no deferred tax liabilities arising from undistributed profits of the PRC subsidiaries accumulated up till 31 December 2007 (the "exemption period"). After the exemption period, deferred tax liabilities would be required to the extent per FRS 12 *Income Taxes* on profits accumulated from 1 January 2008.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 12 Deferred tax liabilities (cont'd)

### Unrecognised temporary differences relating to investments in subsidiaries (cont'd)

At the end of the reporting period, no deferred tax liabilities have been recognised for withholding tax that would be payable on undistributed earnings of the subsidiaries in the PRC as the Group has determined that portion of the undistributed earnings of the subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liabilities have been recognised aggregate to S\$319,009 (2015: S\$834,737) and the deferred tax liabilities are estimated at S\$15,950 (2015: S\$41,737) at the end of the reporting period.

### Unrecognised temporary differences relating to unused tax losses and credits

Deferred tax assets have not been recognised in respect of the following items:

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Unutilised tax losses	<b>11,541,274</b>	5,959,106	<b>2,887,972</b>	193,089
Unabsorbed capital allowances	<b>2,166,514</b>	2,378,476	<b>1,681,536</b>	2,378,476
	<b>13,707,788</b>	8,337,582	<b>4,569,508</b>	2,571,565

The unutilised tax losses and unabsorbed capital allowances are allowed to be carried forward and used to offset against future taxable profits of the Company and its subsidiaries in which the items arose, subject to agreement by the relevant tax authorities and compliance with the applicable tax regulations in the respective countries in which the Company and its subsidiaries operate. Deferred tax assets have not been recognised in respect of these items due to the uncertainty whether future taxable profits will be available against which the Company and its subsidiaries can utilise the benefits.

The unutilised tax losses and unabsorbed capital allowances have no expiry date under the respective tax jurisdictions, except for the following amounts of unutilised tax losses:

The Group	2016	2015
	S\$	S\$
Expiring in:		
- 2019	<b>821,520</b>	987,294
- 2020	<b>1,677,615</b>	1,677,615
- 2021	<b>3,124,539</b>	-
	<b>5,623,674</b>	2,664,909

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 13 Borrowings

	Note	The Group		The Company	
		2016	2015	2016	2015
		S\$	S\$	S\$	S\$
<b>Non-current</b>					
Obligations under finance leases	13.1	<b>357,193</b>	610,796	<b>357,193</b>	610,796
Loans from financial institutions	13.2	<b>454,884</b>	-	-	-
		<b>812,077</b>	610,796	<b>357,193</b>	610,796
<b>Current</b>					
Obligations under finance leases	13.1	<b>379,277</b>	531,877	<b>379,277</b>	531,877
Loans from financial institutions	13.2	<b>3,703,670</b>	2,861,557	<b>2,292,335</b>	2,861,557
Bank overdrafts	13.3	<b>1,105,246</b>	1,137,557	<b>977,736</b>	985,251
Bills payable to banks	13.4	<b>2,574,092</b>	5,925,850	<b>740,547</b>	5,547,040
		<b>7,762,285</b>	10,456,841	<b>4,389,895</b>	9,925,725
		<b>8,574,362</b>	11,067,637	<b>4,747,088</b>	10,536,521

### 13.1 Obligations under finance leases

	2016	2015
	S\$	S\$
The Group and the Company		
Minimum lease payments payable:		
Due not later than one year	<b>427,339</b>	602,042
Due later than one year and not later than five years	<b>402,471</b>	692,863
	<b>829,810</b>	1,294,905
Less: Finance charges allocated to future periods	<b>(93,340)</b>	(152,232)
Present value of minimum lease payments	<b>736,470</b>	1,142,673
Present value of minimum lease payments:		
Due not later than one year	<b>379,277</b>	531,877
Due later than one year and not later than five years	<b>357,193</b>	610,796
	<b>736,470</b>	1,142,673
Represented by:		
Current	<b>379,277</b>	531,877
Non-current	<b>357,193</b>	610,796
	<b>736,470</b>	1,142,673

It is the Group's and the Company's policy to lease certain property, plant and equipment under finance leases. The average lease term is 3 to 9 years (2015: 3 to 9 years). The interest rates for the finance leases range from 3.10% to 5.25% (2015: 3.10% to 5.25%) per annum. All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The finance leases are secured by the underlying assets, comprising plant and machinery of S\$1,245,395 (2015: S\$1,947,077) for the Group (Note 3).

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 13 Borrowings (cont'd)

### 13.2 Loans from financial institutions

	The Group		The Company	
	2016	2015	2016	2015
The Group and the Company	S\$	S\$	S\$	S\$
Short-term bank loans				
- secured	<b>1,248,876</b>	-	-	-
- unsecured	<b>1,900,000</b>	1,900,000	<b>1,900,000</b>	1,900,000
	<b>3,148,876</b>	1,900,000	<b>1,900,000</b>	1,900,000
Long-term loans from financial institutions				
- secured	<b>617,343</b>	-	-	-
- unsecured	<b>392,335</b>	961,557	<b>392,335</b>	961,557
	<b>1,009,678</b>	961,557	<b>392,335</b>	961,557
	<b>4,158,554</b>	2,861,557	<b>2,292,335</b>	2,861,557

Loans from financial institutions comprise the following:

- Short-term unsecured bank loans with interest rates ranging from 3.4% to 4.2% (2015: 2.9% to 3.3%) per annum.
- Short-term bank loans with interest rates ranging from 5.2% to 5.4% (2015: nil) per annum, secured by the leasehold land and buildings and corporate guarantee of a PRC subsidiary.
- Long-term unsecured loans from other financial institution with interest rates ranging from 3.5% to 3.7% (2015: 3.5% to 3.7%) per annum, and repayable in 36 equal monthly instalments commencing from May 2014 and December 2015 (2015: December 2013, May 2014 and December 2015).
- Long-term bank loan with interest rate of 5.7% (2015: nil) per annum, secured by the leasehold land and buildings and corporate guarantee of a PRC subsidiary, and repayable in 12 quarterly instalments commencing from June 2016.

The agreements for the long-term loans of S\$392,335 (2015: S\$961,557) include an overriding repayment on demand clause, which gives the lenders the right to demand repayment at any time, at their sole discretion and irrespective of whether a default event has occurred. Although a portion of these callable term loans are not scheduled for repayment within twelve months, they are classified as current liabilities in their entirety in the statements of financial position as the Group and the Company do not have the unconditional right at the end of the reporting period to defer settlement of these callable term loans for at least twelve months after the end of the reporting period.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 13 Borrowings (cont'd)

### 13.3 Bank overdrafts

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Bank overdraft (secured)	<b>127,510</b>	152,306	-	-
Bank overdrafts (unsecured)	<b>977,736</b>	985,251	<b>977,736</b>	985,251
	<b>1,105,246</b>	1,137,557	<b>977,736</b>	985,251

The bank overdrafts bear interest at variable rates ranging from 5.5% to 8.85% (2015: 5.5% to 8.85%) and 5.5% to 5.75% (2015: 5.5% to 5.75%) per annum for the Group and the Company, respectively.

The Group's bank overdraft of S\$127,510 (2015: S\$152,306) is secured through a corporate guarantee from the Company.

### 13.4 Bills payable to banks

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Bills payable to banks (secured)	<b>1,833,545</b>	2,665,923	-	2,287,113
Bills payable to banks (unsecured)	<b>740,547</b>	3,259,927	<b>740,547</b>	3,259,927
	<b>2,574,092</b>	5,925,850	<b>740,547</b>	5,547,040

The bills payable to banks bear interest at variable rates ranging from 2.81% to 7.09% (2015: 2.36% to 5.58%) and 2.81% to 4.70% (2015: 2.36% to 5.25%) per annum for the Group and the Company, respectively.

The Group's and the Company's bills payable to banks of S\$1,833,545 (2015: S\$2,665,923) and S\$nil (2015: S\$2,287,113) are secured through a corporate guarantee from the Company and/or certain trade receivables with an aggregate carrying amount of S\$3,055,117 (2015: S\$3,263,425) and S\$nil (2015: S\$2,884,615), respectively (Note 8).

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 13 Borrowings (cont'd)

### 13.5 Currency risk

Borrowings are denominated in the following currencies:

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Singapore dollar	<b>4,069,267</b>	4,989,481	<b>4,069,267</b>	4,989,481
Malaysian ringgit	<b>443,784</b>	531,116	-	-
Renminbi	<b>1,866,219</b>	-	-	-
Thai baht	<b>1,517,271</b>	-	-	-
United States dollar	<b>677,821</b>	5,547,040	<b>677,821</b>	5,547,040
	<b>8,574,362</b>	11,067,637	<b>4,747,088</b>	10,536,521

### 13.6 Weighted average effective interest rates

The weighted average effective interest rates of interest-bearing borrowings at the end of the reporting period are as follows:

	The Group		The Company	
	2016	2015	2016	2015
	%	%	%	%
Obligations under finance leases	<b>5.9</b>	5.9	<b>5.9</b>	5.9
Loans from financial institutions	<b>5.0</b>	4.9	<b>4.4</b>	4.9
Bank overdrafts	<b>6.3</b>	6.1	<b>5.7</b>	5.6
Bills payable to banks	<b>5.6</b>	3.1	<b>3.4</b>	2.9

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 13 Borrowings (cont'd)

### 13.7 Carrying amounts and fair values

The carrying amounts of short-term borrowings approximate their fair values. The carrying amounts and fair values of long-term borrowings at the end of the reporting period are as follows:

	<b>Carrying amount</b>	<b>Fair value</b>
<b>The Group</b>	<b>S\$</b>	<b>S\$</b>
<b>2016</b>		
Obligations under finance leases	<b>736,470</b>	<b>720,928</b>
Long-term loans from financial institutions	<b>1,009,678</b>	<b>984,399</b>
<b>2015</b>		
Obligations under finance leases	1,142,673	1,129,469
Long-term loans from financial institutions	961,557	955,858
<b>The Company</b>		
<b>2016</b>		
Obligations under finance leases	<b>736,470</b>	<b>720,928</b>
Long-term loans from financial institutions	<b>392,335</b>	<b>383,224</b>
<b>2015</b>		
Obligations under finance leases	1,142,673	1,129,469
Long-term loans from financial institutions	961,557	955,858

The fair values are determined from the discounted cash flow analyses, using the implicit discount rates based upon the borrowing rates which the directors expect would be available to the Group and the Company at the end of the reporting period, as follows:

	<b>2016</b>	2015
<b>The Group</b>	<b>%</b>	<b>%</b>
Obligations under finance leases	<b>7.0</b>	7.0
Long-term loans from financial institutions	<b>6.0</b>	6.0
<b>The Company</b>		
Obligations under finance leases	<b>7.0</b>	7.0
Long-term loans from financial institutions	<b>6.0</b>	6.0

No adjustment has been made to fair values as the differences between the carrying amounts and fair values are not significant to the Group and the Company.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 14 Trade and other payables

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Trade payables				
- third parties	<b>11,255,195</b>	13,659,142	<b>2,245,321</b>	2,967,579
- subsidiaries	-	-	<b>3,347,111</b>	13,846,547
	<b>11,255,195</b>	13,659,142	<b>5,592,432</b>	16,814,126
Amounts due to subsidiaries (non-trade)	-	-	<b>3,282,409</b>	1,596,801
Accrued expenses	<b>2,892,691</b>	4,183,718	<b>931,491</b>	1,402,945
Deferred revenue	<b>1,027,084</b>	764,793	<b>782,068</b>	399,652
Provision for retirement benefits	<b>15,200</b>	9,386	-	-
Other payables	<b>451,977</b>	501,840	<b>130,584</b>	145,808
	<b>4,386,952</b>	5,459,737	<b>5,126,552</b>	3,545,206
	<b>15,642,147</b>	19,118,879	<b>10,718,984</b>	20,359,332

The average credit period taken to settle trade payables is approximately 150 days (2015: 150 days).

The non-trade amounts due to subsidiaries, which represent advances from and payments on behalf by the subsidiaries, are unsecured, interest-free and repayable on demand.

Deferred revenue relates to advance billings for tools made to customers, for which revenue has not been earned.

Other payables mainly relate to amounts payable for office expenses, utilities, renovations and professional fees.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Singapore dollar	<b>1,388,860</b>	1,859,004	<b>1,267,641</b>	1,652,988
Australian dollar	-	-	-	29,567
British pound	<b>422</b>	486	-	-
Euro	<b>11,210</b>	32,069	<b>11,210</b>	32,069
Malaysian ringgit	<b>1,707,337</b>	2,168,525	-	-
Renminbi	<b>7,976,912</b>	10,251,629	<b>1,610,648</b>	1,636,423
Thai baht	<b>1,062,273</b>	518,465	-	-
United States dollar	<b>3,495,133</b>	4,288,701	<b>7,829,485</b>	17,008,285
	<b>15,642,147</b>	19,118,879	<b>10,718,984</b>	20,359,332

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 15 Revenue

Significant categories of revenue, excluding inter-company transactions and applicable goods and services tax and value-added tax, are detailed as follows:

	Continuing operations		Discontinued operations (Note 22)		Total	
	2016	2015	2016	2015	2016	2015
The Group	S\$	S\$	S\$	S\$	S\$	S\$
Sale of goods	<b>52,019,688</b>	51,334,647	<b>7,199,222</b>	18,653,142	<b>59,218,910</b>	69,987,789
Sale of scrap metals	<b>1,017,229</b>	870,373	<b>84,911</b>	539,144	<b>1,102,140</b>	1,409,517
	<b>53,036,917</b>	52,205,020	<b>7,284,133</b>	19,192,286	<b>60,321,050</b>	71,397,306

## 16 Other income

	Continuing operations		Discontinued operations (Note 22)		Total	
	2016	2015	2016	2015	2016	2015
The Group	S\$	S\$	S\$	S\$	S\$	S\$
Electricity recharges	-	-	<b>51,745</b>	67,495	<b>51,745</b>	67,495
Foreign exchange gain, net	<b>618,048</b>	905,233	-	-	<b>618,048</b>	905,233
Gain on disposal of property, plant and equipment	<b>175,544</b>	2,241	-	-	<b>175,544</b>	2,241
Government grants	<b>138,446</b>	34,756	<b>1,348</b>	19,692	<b>139,794</b>	54,448
Interest income from bank balances	<b>4,830</b>	7,279	<b>512</b>	3,872	<b>5,342</b>	11,151
Reversal of write-down on inventories (Note 7)	<b>1,589</b>	-	-	127,620	<b>1,589</b>	127,620
Sundry income	<b>99,032</b>	34,818	<b>2,030</b>	25,132	<b>101,062</b>	59,950
	<b>1,037,489</b>	984,327	<b>55,635</b>	243,811	<b>1,093,124</b>	1,228,138

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 17 Employee benefits expense

	Continuing operations		Discontinued operations (Note 22)		Total	
	2016	2015	2016	2015	2016	2015
The Group	S\$	S\$	S\$	S\$	S\$	S\$
Directors:						
Directors' fees	<b>110,000</b>	110,000	-	-	<b>110,000</b>	110,000
Directors' remuneration other than fees:						
- salaries and other related costs	<b>1,083,855</b>	937,000	-	-	<b>1,083,855</b>	937,000
- contributions to defined contribution plans	<b>39,840</b>	26,660	-	-	<b>39,840</b>	26,660
	<b>1,233,695</b>	1,073,660	-	-	<b>1,233,695</b>	1,073,660
Key management personnel (other than directors):						
- salaries and other related costs	<b>1,363,073</b>	1,116,333	-	-	<b>1,363,073</b>	1,116,333
- contributions to defined contribution plans	<b>92,752</b>	71,889	-	-	<b>92,752</b>	71,889
	<b>1,455,825</b>	1,188,222	-	-	<b>1,455,825</b>	1,188,222
Total key management personnel compensation	<b>2,689,520</b>	2,261,882	-	-	<b>2,689,520</b>	2,261,882
Other than key management personnel:						
- salaries and other related costs	<b>11,644,920</b>	9,740,748	<b>2,605,825</b>	5,350,582	<b>14,250,745</b>	15,091,330
- contributions to defined contribution plans	<b>2,069,573</b>	1,247,861	<b>399,024</b>	1,072,824	<b>2,468,597</b>	2,320,685
	<b>13,714,493</b>	10,988,609	<b>3,004,849</b>	6,423,406	<b>16,719,342</b>	17,412,015
Total employee benefits expense	<b>16,404,013</b>	13,250,491	<b>3,004,849</b>	6,423,406	<b>19,408,862</b>	19,673,897

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 18 Other charges

	Continuing operations		Discontinued operations (Note 22)		Total	
	2016	2015	2016	2015	2016	2015
	S\$	S\$	S\$	S\$	S\$	S\$
<b>The Group</b>						
Foreign exchange loss, net	-	-	<b>317,489</b>	49,069	<b>317,489</b>	49,069
Loss on disposal of property, plant and equipment	-	-	<b>30,354</b>	12,138	<b>30,354</b>	12,138
Impairment losses on trade receivables	<b>7,741</b>	-	-	-	<b>7,741</b>	-
Write-off of intangible assets	<b>47,794</b>	-	-	-	<b>47,794</b>	-
Write-down on inventories (Note 7)	-	154,445	<b>30,821</b>	-	<b>30,821</b>	154,445
	<b>55,535</b>	154,445	<b>378,664</b>	61,207	<b>434,199</b>	215,652

## 19 Finance costs

	Continuing operations		Discontinued operations (Note 22)		Total	
	2016	2015	2016	2015	2016	2015
	S\$	S\$	S\$	S\$	S\$	S\$
<b>The Group</b>						
Interest expenses on:						
- bank overdrafts	<b>63,038</b>	73,264	-	-	<b>63,038</b>	73,264
- bills payable to banks	<b>143,106</b>	171,125	-	-	<b>143,106</b>	171,125
- finance leases	<b>73,783</b>	84,542	-	-	<b>73,783</b>	84,542
- loans from financial institutions	<b>147,479</b>	113,501	-	-	<b>147,479</b>	113,501
	<b>427,406</b>	442,432	-	-	<b>427,406</b>	442,432

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 20 Other operating expenses

Other operating expenses comprise the following items which are individually material:

	Continuing operations		Discontinued operations (Note 22)		Total	
	2016	2015	2016	2015	2016	2015
The Group	S\$	S\$	S\$	S\$	S\$	S\$
Carriage inwards and outwards	<b>448,973</b>	578,131	<b>112,309</b>	568,151	<b>561,282</b>	1,146,282
Chemical, lubricants and gas	<b>339,717</b>	330,853	<b>186,892</b>	748,525	<b>526,609</b>	1,079,378
Electricity and water	<b>1,188,836</b>	1,048,579	<b>409,912</b>	809,625	<b>1,598,748</b>	1,858,204
Factory expenses	<b>352,324</b>	353,248	<b>111,798</b>	357,309	<b>464,122</b>	710,557
Operating lease expense	<b>1,147,197</b>	985,446	<b>355,635</b>	570,484	<b>1,502,832</b>	1,555,930
Repair and maintenance	<b>440,324</b>	414,357	<b>95,575</b>	219,355	<b>535,899</b>	633,712
Tooling services	<b>362,482</b>	244,022	<b>17,159</b>	508,594	<b>379,641</b>	752,616

## 21 Taxation

	2016	2015
The Group	S\$	S\$
Current taxation		
- current year	<b>40,356</b>	237,991
- under provision in respect of prior years	<b>893</b>	-
	<b>41,249</b>	237,991
Deferred taxation		
- origination and reversal of temporary differences	-	(96,170)
- over provision in respect of prior years	<b>(67,428)</b>	(99,979)
	<b>(67,428)</b>	(196,149)
	<b>(26,179)</b>	41,842

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 21 Taxation (cont'd)

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the applicable rate of income tax on (losses)/profits as a result of the following:

	<b>2016</b>	2015
	<b>S\$</b>	S\$
The Group		
(Loss)/Profit before taxation from continuing operations	<b>(1,590,481)</b>	1,319,336
Loss before taxation from discontinued operations	<b>(1,436,907)</b>	(743,056)
Total (loss)/profit before taxation	<b>(3,027,388)</b>	576,280
Tax at statutory rates applicable to different jurisdictions	<b>(560,320)</b>	56,214
Tax effect on non-deductible expenses	<b>124,428</b>	113,635
Tax effect on non-taxable income	<b>(33,901)</b>	(10,554)
Tax exempt income and incentives	<b>(579,905)</b>	(61,452)
Deferred tax assets on temporary differences not recognised	<b>1,239,781</b>	266,518
Utilisation of deferred tax assets on temporary differences not recognised in prior years	<b>(120,699)</b>	(222,540)
Under provision of current taxation in respect of prior years	<b>893</b>	-
Over provision of deferred taxation in respect of prior years	<b>(67,428)</b>	(99,979)
Others	<b>(29,028)</b>	-
	<b>(26,179)</b>	41,842

### Singapore

The corporate income tax rate applicable to the Company and Metal Precision Services Pte Ltd is 17% (2015: 17%) for the financial year ended 31 December 2016.

### Malaysia

The corporate income tax rate applicable to MCE Technologies Sdn Bhd and MCE Manufacturing Sdn Bhd is 25% (2015: 25%) for the financial year ended 31 December 2016.

### Thailand

The corporate income tax rate in Thailand is 20% (2015: 20%) for the financial year ended 31 December 2016. Nonetheless, MCT (Thailand) Co., Ltd. is exempted from corporate income tax up to eight years, under the Board of Investment of Thailand.

### The People's Republic of China

In accordance with the Enterprise Income Tax ("EIT") Law of the PRC, the PRC subsidiaries are subject to the applicable EIT rate of 25% (2015: 25%) for the financial year ended 31 December 2016, except for a PRC subsidiary which is subject to a concessionary tax rate of 15% as a high-tech enterprise established in the Special Economic Zone in Shanghai.

Non-deductible expenses mainly relate to private motor vehicles and related expenses, write-down on inventories, and foreign exchange losses.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 22 Discontinued operations

Due to the persistent decline and losses incurred in respect of the Group's hard disk drive business, the hard disk drive business was discontinued during the financial year. Accordingly, the hard disk drive business, which represented a separate major line of business of the Group, has been presented as discontinued operations, and the results relating to the hard disk drive business, which were previously reported in the Singapore and China segments, have been presented in the consolidated statement of profit or loss and other comprehensive income as "loss from discontinued operations, net of tax".

The hard disk drive business was not previously presented as discontinued operations or classified as held for sale as at 31 December 2015, and thus the comparative statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.

### Results of discontinued operations

<b>The Group</b>	Note	<b>2016</b> <b>S\$</b>	2015 S\$
Revenue	15	<b>7,284,133</b>	19,192,286
Other income	16	<b>55,635</b>	243,811
Raw materials and consumables used		<b>(2,689,613)</b>	(7,275,074)
Employee benefits expense	17	<b>(3,004,849)</b>	(6,423,406)
Depreciation expense		<b>(563,027)</b>	(905,578)
Other charges	18	<b>(378,664)</b>	(61,207)
Other operating expenses	20	<b>(2,140,522)</b>	(5,513,888)
Loss before taxation from discontinued operations		<b>(1,436,907)</b>	(743,056)
Taxation		-	-
Loss from discontinued operations, net of tax		<b>(1,436,907)</b>	(743,056)
Basic loss per share (Singapore cent)	23.1	<b>(0.38)</b>	(0.20)
Diluted loss per share (Singapore cent)	23.2	<b>(0.38)</b>	(0.18)

### Loss per share from discontinued operations

The basic and diluted loss per share from discontinued operations are calculated by dividing the loss from discontinued operations, net of tax, attributable to owners of the Company of S\$1,436,907 (2015: S\$743,053), by the basic and diluted weighted average number of ordinary shares outstanding of 374,119,000 (2015: 373,991,071) and 374,119,000 (2015: 406,439,294), respectively (Note 23).

### Cash flows attributable to discontinued operations

<b>The Group</b>	<b>2016</b> <b>S\$</b>	2015 S\$
Net cash used in operating activities	<b>(3,300,192)</b>	(71,034)
Net cash generated from investing activities	<b>2,273,209</b>	11,943
<b>Net cash outflows for the year</b>	<b>(1,026,983)</b>	(59,091)

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 23 (Loss)/Earnings per share

### 23.1 Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share was based on the loss attributable to ordinary shareholders of S\$3,001,209 (2015: profit of S\$534,438), and a weighted average number of ordinary shares outstanding of 374,119,000 (2015: 373,991,071), calculated as follows:

(Loss)/Earnings attributable to ordinary shareholders (basic)

The Group	Continuing operations	Discontinued operations	Total
	S\$	S\$	S\$
<b>2016</b>			
Loss for the year attributable to ordinary shareholders	<b>(1,564,302)</b>	<b>(1,436,907)</b>	<b>(3,001,209)</b>
<b>2015</b>			
Profit/(Loss) for the year attributable to ordinary shareholders	1,277,494	(743,056)	534,438

Weighted average number of ordinary shares (basic)

The Group	2016	2015
	Number of ordinary shares	
Issued ordinary shares at beginning of year	<b>374,119,000</b>	372,965,000
Effect of warrants exercised	-	1,026,071
Weighted average number of ordinary shares at end of year	<b>374,119,000</b>	373,991,071

(Loss)/Earnings per share attributable to ordinary shareholders (basic)

The Group	Continuing operations	Discontinued operations	Total
	S\$	S\$	S\$
<b>2016</b>			
Loss for the year attributable to ordinary shareholders (Singapore cent)	<b>(0.42)</b>	<b>(0.38)</b>	<b>(0.80)</b>
<b>2015</b>			
Profit/(Loss) for the year attributable to ordinary shareholders (Singapore cent)	0.34	(0.20)	0.14

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 23 (Loss)/Earnings per share

### 23.2 Diluted (loss)/earnings per share (cont'd)

The calculation of diluted (loss)/earnings per share was based on the loss attributable to ordinary shareholders of S\$3,001,209 (2015: profit of S\$534,438), and a weighted average number of ordinary shares outstanding after adjustment for effects of all dilutive potential ordinary shares of 374,119,000 (2015: 406,439,294), calculated as follows:

(Loss)/Earnings attributable to ordinary shareholders (diluted)

The Group	Continuing operations	Discontinued operations	Total
	S\$	S\$	S\$
<b>2016</b>			
Loss for the year attributable to ordinary shareholders	<b>(1,564,302)</b>	<b>(1,436,907)</b>	<b>(3,001,209)</b>
<b>2015</b>			
Profit/(Loss) for the year attributable to ordinary shareholders	1,277,494	(743,056)	534,438

Weighted average number of ordinary shares (diluted)

The Group	2016	2015
	Number of ordinary shares	
Weighted average number of ordinary shares (basic)	<b>374,119,000</b>	373,991,071
Effect of share options on issue	-	1,780,005
Effect of warrants on issue	-	30,668,218
Weighted average number of ordinary shares (diluted)	<b>374,119,000</b>	406,439,294

(Loss)/Earnings per share attributable to ordinary shareholders (basic)

The Group	Continuing operations	Discontinued operations	Total
	S\$	S\$	S\$
<b>2016</b>			
Loss for the year attributable to ordinary shareholders (Singapore cent)	<b>(0.42)</b>	<b>(0.38)</b>	<b>(0.80)</b>
<b>2015</b>			
Profit/(Loss) for the year attributable to ordinary shareholders (Singapore cent)	0.31	(0.18)	0.13

As at 31 December 2016, the outstanding share options and warrants were excluded from the calculation of the diluted weighted average number of ordinary shares in issue as their effect would have been anti-dilutive.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 24 Equity-settled share-based payment transactions

The Company adopted the MCE Share Option Scheme on 4 November 2003. The MCE Share Option Scheme is administered by the Remuneration Committee. Options are exercisable at a price based on the average of the last done prices for the shares of the Company on the Singapore Exchange Securities Trading Limited for five consecutive market days preceding the date of grant. The vesting period is one year from the date of grant. If the options remain unexercised after a period of five years for non-executive directors and ten years for executive directors and employees from the date of grant, the options expire. Options are cancelled by forfeiture if any director or employee ceases to be under appointment or employment of the Company or any of its subsidiaries within the Group before the options vest.

Details of options granted to directors and employees under the MCE Share Option Scheme are as follows:

Date of grant	Balance at 1.1.2016	Options granted	Options exercised	Options cancelled/ lapsed	Balance at 31.12.2016	Exercise price	Exercise period
29.5.2007 <sup>(i)</sup>	3,050,000	-	-	-	3,050,000	S\$0.045	29.5.2008 to 28.5.2017
4.9.2013 <sup>(i)</sup>	6,560,000	-	-	(200,000)	6,360,000	S\$0.05	4.9.2014 to 4.9.2023
4.9.2013 <sup>(ii)</sup>	600,000	-	-	-	600,000	S\$0.05	4.9.2014 to 4.9.2018
	<u>10,210,000</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>10,010,000</u>		

<sup>(i)</sup> For executive directors and employees

<sup>(ii)</sup> For non-executive directors

The MCE Share Option Scheme expired on or about 3 November 2013. At the Annual General Meeting on 25 April 2014, the MCE Share Option Scheme 2014 was adopted by the Company's shareholders to replace the MCE Share Option Scheme.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2016	Number of options 2016	Weighted average exercise price 2015	Number of options 2015
	S\$		S\$	
Outstanding at beginning of year	<b>0.049</b>	<b>10,210,000</b>	0.049	10,210,000
Forfeited during the year	<b>0.050</b>	<b>(200,000)</b>	-	-
Outstanding at end of year	<b>0.048</b>	<b>10,010,000</b>	0.049	10,210,000
Exercisable at end of year	<b>0.048</b>	<b>10,010,000</b>	0.049	10,210,000

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 24 Equity-settled share-based payment transactions (cont'd)

The following table summarises information about options outstanding at the end of the reporting period:

Exercise price 2016	Number of options 2016	Weighted average remaining contractual life (years) 2016	Exercise price 2015	Number of options 2015	Weighted average remaining contractual life (years) 2015
S\$0.045	3,050,000	0.41	S\$0.045	3,050,000	1.41
S\$0.05	6,360,000	6.68	S\$0.05	6,560,000	7.68
S\$0.05	600,000	1.68	S\$0.05	600,000	2.68
S\$0.049	10,010,000	4.47	S\$0.049	10,210,000	5.51

## 25 Commitments

### 25.1 Capital commitments

The Group	2016 S\$	2015 S\$
Capital expenditure contracted but not provided for in the financial statements	-	148,103

### 25.2 Operating lease commitments (non-cancellable)

At the end of the reporting period, the Group and the Company were committed to making the following payments in respect of non-cancellable operating leases of factory and office premises, office equipment and employee accommodations:

	The Group		The Company	
	2016 S\$	2015 S\$	2016 S\$	2015 S\$
Not later than one year	1,518,111	1,477,162	218,307	218,307
Later than one year and not later than five years	1,260,768	1,496,987	177,249	394,845
	2,778,879	2,974,149	395,556	613,152

The leases on the Group's factory premises on which rentals are payable will expire between 11 August 2017 and 31 December 2019, and the current rent payable on the leases ranges from S\$7,786 to S\$33,529 per month.

The leases have no renewal option or contingent rent provision included in the contracts.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 26 Operating segments

For management reporting purposes, the Group is organised into business units based on their geographical location, and has four reportable operating segments, namely Singapore, Thailand, Malaysia and China.

There are no operating segments that have been aggregated to form the above reportable operating segments.

Discontinued operations relate to the Group's hard disk drive business which had been ceased during the financial year (Note 22).

The Group's CEO, who is the chief operating decision maker, monitors the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment.

Information regarding the results of each reportable segment is included in the following tables. Performance is measured based on segment profit (before interest, taxation and unallocated expenses), as included in the internal management reports that are reviewed by the Group's CEO, which in certain respects, as explained in the following tables, is different from profit in the consolidated financial statements. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Inter-segment pricing is determined on an arm's length basis.

The Group's finance costs and income taxes are managed on a group basis and are not allocated to operating segments.

There are three major customers (2015: three major customers) which individually amounted to 10% or more of the Group's revenue for the financial year ended 31 December 2016.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 26 Operating segments (cont'd)

	Singapore		Thailand		Malaysia		China		Total continuing operations		Discontinued operations		Elimination		Total		
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	
<b>2016</b>																	
External sales	9,117,773	10,390,075	1,878,842	31,650,227	53,036,917	7,284,133	-	60,321,050									
Inter-segment sales	7,497,046	-	7,390,032	1,373,980	16,261,058	6,492,406	(22,753,464)	-									
<b>Total revenue</b>	<b>16,614,819</b>	<b>10,390,075</b>	<b>9,268,874</b>	<b>33,024,207</b>	<b>69,297,975</b>	<b>13,776,539</b>	<b>(22,753,464)</b>	<b>60,321,050</b>									
Segment (loss)/profit	(4,093,652)	2,472,418	39,616	(2,171,506)	(3,753,124)	(1,436,907)	4,185,866	(1,004,165)									
Finance costs								(427,406)									
Unallocated expenses <sup>(i)</sup>								(1,595,817)									
<b>Profit before taxation</b>								(3,027,388)									
Taxation								26,179									
<b>Profit for the year</b>								<b>(3,001,209)</b>									
<b>Other segment information:</b>																	
Segment assets	42,008,088	6,603,683	5,818,811	33,108,995	87,539,577	1,419,339	(41,207,636)	47,751,280									
Segment liabilities	15,918,621	3,629,312	3,324,463	13,604,586	36,476,982	6,186,107	(18,437,786)	24,225,303									
<b>Non-current assets:</b>																	
Property, plant and equipment	507,106	1,787,351	2,066,097	8,550,664	12,911,218	1,513,868	(922,606)	13,502,480									
Intangible assets	-	-	-	1,292,199	1,292,199	-	-	1,292,199									
Other assets	137,500	-	-	-	137,500	-	-	137,500									
Additions of property, plant and equipment	107,256	366,322	731,251	2,859,175	4,064,004	27,785	(2,724,560)	1,367,229									
Depreciation of property, plant and equipment	340,437	682,342	581,337	1,178,351	2,782,467	563,027	(306,907)	3,038,587									
(Gain)/Loss on disposal of property, plant and equipment	(200,753)	977	(1,503)	25,735	(175,544)	30,354	-	(145,190)									
Write-down on inventories made/(reversed)	1,397	24,319	-	(27,305)	(1,589)	30,821	-	29,232									

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 26 Operating segments (cont'd)

	Total				
	Singapore S\$	Thailand S\$	Malaysia S\$	China S\$	Total S\$
<b>2015</b>					
External sales	11,853,699	7,057,012	2,985,290	30,309,019	52,205,020
Inter-segment sales	15,836,328	20,373	8,791,076	552,789	25,200,566
<b>Total revenue</b>	<b>27,690,027</b>	<b>7,077,385</b>	<b>11,776,366</b>	<b>30,861,808</b>	<b>77,405,586</b>
Segment profit/(loss)	2,925,900	(198,387)	189,847	129,387	3,046,747
Finance costs					(743,056)
Unallocated expenses <sup>(i)</sup>					169,396
<b>Profit before taxation</b>					2,473,087
Taxation					(442,432)
<b>Profit for the year</b>					(1,454,375)
					576,280
					(41,842)
					534,438

## Other segment information:

Segment assets	65,664,374	5,695,956	15,247,477	31,469,797	118,077,604	11,938,640	(72,185,789)	57,830,455
Segment liabilities	33,603,511	5,241,880	12,711,508	11,130,478	62,687,377	13,015,670	(45,219,478)	30,483,569
<b>Non-current assets:</b>								
Property, plant and equipment	1,233,732	1,977,101	1,962,112	7,640,326	12,813,271	4,375,135	(985,309)	16,203,097
Intangible assets	89,691	-	-	1,888,115	1,977,806	-	-	1,977,806
Other assets	137,500	-	-	-	137,500	-	-	137,500

Additions of property, plant and equipment	30,446	36,592	860,526	796,532	1,724,096	380,589	(17,292)	2,087,393
Depreciation of property, plant and equipment	483,443	687,614	449,895	1,184,396	2,805,348	905,578	(284,897)	3,426,029
(Gain)/Loss on disposal of property, plant and equipment	(8,500)	-	-	6,259	(2,241)	12,138	-	9,897
Write-down on inventories (reversed)/made	(20,728)	-	40,733	134,440	154,445	(127,620)	-	26,825

<sup>(i)</sup> Unallocated expenses relate to directors' remuneration and other corporate related expenses.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 27 Financial risk management objectives and policies

The Group and the Company have documented financial risk management policies. These policies set out the Group's and the Company's overall business strategies and its risk management philosophy. The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

The Group's and the Company's risk management policies are established to identify and analyse the risks faced by the Group and the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's and the Company's activities. The Group and the Company, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which they manage and measure the risks. Market risk exposures are measured using sensitivity analysis for interest rate risk (Note 27.3) and foreign currency risk (Note 27.4).

The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

### 27.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group or the Company to incur a financial loss. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group and the Company adopt the practice of dealing only with those customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group and the Company adopt the policy of dealing only with high credit quality counterparties.

The Group's and the Company's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group and the Company have established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group and the Company grant credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors. Payments will be required to be made upfront by customers which do not meet the Group's and the Company's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be taken promptly. Through on-going credit monitoring and existing collection procedures in place, credit risk is mitigated substantially.

The Group's trade receivables comprise two major debtors (2015: two major debtors) that represented 39% (2015: 40%) of trade receivables. The Company's trade receivables (excluding trade amounts due from subsidiaries) comprise two major debtors (2015: two major debtors) that represented 61% (2015: 69%) of trade receivables.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 27 Financial risk management objectives and policies (cont'd)

### 27.1 Credit risk (cont'd)

The Group and the Company evaluate whether there is any objective evidence that trade and other receivables are impaired, and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group and the Company base the estimates on the ageing of the trade receivable balances, creditworthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's and the Company's assessment of their creditworthiness and in accordance with the Group's and the Company's policy.

In determining the recoverability of trade and other receivables, the Group and the Company consider any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the end of the reporting period.

The Group and the Company establish an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group and the Company are satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

#### Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position, except for letters of financial support and corporate guarantee issued by the Company to and on behalf of a subsidiary.

The Company has given formal undertakings, which are unsecured, to provide financial support to certain subsidiaries in the Group.

At the end of the reporting period, the Company has issued corporate guarantee to a bank for the borrowings undertaken by a subsidiary (Notes 13.3 and 13.4). These bank borrowings amounted to S\$443,784 (2015: S\$531,116) at the end of reporting period. The credit risk, being the principal risk to which the Company is exposed, represents the loss that would be recognised upon a default by the subsidiary.

The current interest rates charged by the lender on the loans to the subsidiary are at market rates and are consistent with the borrowing costs of the subsidiary without any corporate guarantee.

At the end of the reporting period, the Company does not consider it probable that a claim will be made against it under the corporate guarantee.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 27 Financial risk management objectives and policies (cont'd)

### 27.1 Credit risk (cont'd)

To mitigate credit risk arising from corporate guarantees, management continually monitors the risk and has established processes including performing credit evaluations of the parties for which the Group provides corporate guarantees. Corporate guarantees are only for intra-group financing purposes and given by the Company on behalf of its subsidiaries.

The Group's and the Company's major classes of financial assets are bank deposits and trade receivables. Cash is held with established financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 8.

### 27.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>
<b>The Group</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
<b>2016</b>				
<u>Non-derivative financial liabilities</u>				
Trade and other payables, excluding deferred revenue and provision for retirement benefits (Note 14)	<b>14,599,863</b>	<b>14,599,863</b>	<b>14,599,863</b>	-
Borrowings (Note 13)	<b>8,574,362</b>	<b>9,204,107</b>	<b>7,735,504</b>	<b>1,468,603</b>
	<b>23,174,225</b>	<b>23,803,970</b>	<b>22,335,367</b>	<b>1,468,603</b>
<b>2015</b>				
<u>Non-derivative financial liabilities</u>				
Trade and other payables, excluding deferred revenue and provision for retirement benefits (Note 14)	18,344,700	18,344,700	18,344,700	-
Borrowings (Note 13)	11,067,637	11,324,873	10,216,197	1,108,676
	29,412,337	29,669,573	28,560,897	1,108,676

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 27 Financial risk management objectives and policies (cont'd)

### 27.2 Liquidity risk (cont'd)

The Company	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years
	S\$	S\$	S\$	S\$
<b>2016</b>				
<u>Non-derivative financial liabilities</u>				
Trade and other payables, excluding deferred revenue (Note 14)	9,936,916	9,936,916	9,936,916	-
Borrowings (Note 13)	4,747,088	5,299,577	4,311,787	987,790
Intragroup financial guarantee	443,784	443,784	443,784	-
	<b>15,127,788</b>	<b>15,680,277</b>	<b>14,692,487</b>	<b>987,790</b>
<b>2015</b>				
<u>Non-derivative financial liabilities</u>				
Trade and other payables, excluding deferred revenue (Note 14)	19,959,680	19,959,680	19,959,680	-
Borrowings (Note 13)	10,536,521	10,792,867	9,684,191	1,108,676
Intragroup financial guarantee	531,116	532,484	532,484	-
	<b>31,027,317</b>	<b>31,285,031</b>	<b>30,176,355</b>	<b>1,108,676</b>

As at 31 December 2015, the Group had contractual commitments to incur capital expenditure for the purchase of property, plant and equipment (Note 25.1).

Except for the Company's cash flows arising from its intragroup corporate guarantee (Note 27.1), it is not expected that the cash flows included in the maturity analysis of the Group and the Company could occur significantly earlier, or at significantly different amounts.

At the end of the reporting period, the Company does not consider it probable that a claim will be made against it under the intragroup corporate guarantee.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

The Group and the Company ensure that there are adequate funds to meet all their obligations in a timely and cost-effective manner. The Group and the Company maintain sufficient level of cash and bank balances and have available adequate amount of committed credit facilities from financial institutions to meet their working capital requirements.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 27 Financial risk management objectives and policies (cont'd)

### 27.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from certain loans from financial institutions, bank overdrafts, bills payable to banks and bank balances at floating rates. Finance leases and other loans from financial institutions bear interest at fixed rates. All other financial assets and liabilities are interest-free.

At the end of the reporting period, the carrying amount of the interest-bearing financial instruments is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
<b>Fixed rate instruments</b>				
Financial liabilities				
- obligations under finance leases	<b>(736,470)</b>	(1,142,673)	<b>(736,470)</b>	(1,142,673)
- loans from financial institutions	<b>(847,219)</b>	(961,557)	<b>(392,335)</b>	(961,557)
	<b>(1,583,689)</b>	(2,104,230)	<b>(1,128,805)</b>	(2,104,230)
<b>Variable rate instruments</b>				
Financial assets				
- bank balances	<b>8,608,562</b>	11,458,854	<b>3,841,513</b>	4,745,776
Financial liabilities				
- loans from financial institutions	<b>(3,311,335)</b>	(1,900,000)	<b>(1,900,000)</b>	(1,900,000)
- bank overdrafts	<b>(1,105,246)</b>	(1,137,557)	<b>(977,736)</b>	(985,251)
- bills payable to banks	<b>(2,574,092)</b>	(5,925,850)	<b>(740,547)</b>	(5,547,040)
	<b>(6,990,673)</b>	(8,963,407)	<b>(3,618,283)</b>	(8,432,291)
	<b>1,617,889</b>	2,495,447	<b>223,230</b>	(3,686,515)

#### Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 27 Financial risk management objectives and policies (cont'd)

### 27.3 Interest rate risk (cont'd)

#### Cash flow sensitivity analysis for variable rate instruments

At the end of the reporting period, if interest rates had been 100 (2015: 100) basis points higher/lower with all other variables held constant, the Group's and the Company's results net of tax and equity would have been S\$16,179 higher/lower (2015: S\$24,954 higher/lower) and S\$2,232 higher/lower (2015: S\$36,865 lower/higher), respectively, arising mainly as a result of higher/lower interest income from floating rate bank balances, offset by higher/lower interest expense, *vice versa*, on floating rate loans from financial institutions, bills payable to banks and bank overdrafts.

The magnitude represents management's assessment of the likely movement in interest rates under normal economic conditions. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

The Group's and the Company's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure.

### 27.4 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when transactions are denominated in foreign currencies.

The Group and the Company have transactional currency exposures arising from transactions that are denominated in a currency other than the respective functional currencies of group entities, namely Malaysian ringgit, Thai baht and Renminbi for the subsidiaries in Malaysia, Thailand and the PRC respectively, and Singapore dollar for the Company and its Singapore incorporated subsidiary. The foreign currency in which these transactions are denominated is primarily United States dollar. Arising from the Group's and the Company's sales and purchases denominated in United States dollar, the Group's and the Company's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

At the end of the reporting period, the Company has balances due from/to subsidiaries, which are denominated in Renminbi, Thai baht and United States dollar. The Company also holds cash at banks denominated in United States dollar for working capital purposes. In addition, certain borrowings obtained by the Company for trade financing purposes are denominated in United States dollar.

Consequently, the Group and the Company are exposed to movements in foreign currency exchange rates.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 27 Financial risk management objectives and policies (cont'd)

### 27.4 Foreign currency risk (cont'd)

The Group's and the Company's exposures in financial instruments to the various foreign currencies (other than the respective functional currencies of group entities) are mainly as follows:

	Renminbi S\$	Thai baht S\$	United States dollar S\$
<b>The Group</b>			
<b>2016</b>			
Trade and other receivables	1,525,822	-	7,726,192
Cash and bank balances	-	-	4,656,071
Borrowings	-	-	(677,821)
Trade and other payables	(1,610,639)	-	(3,495,133)
Net exposure	(84,817)	-	8,209,309
<b>2015</b>			
Trade and other receivables	1,502,546	755,846	11,073,747
Cash and bank balances	-	-	6,825,084
Borrowings	-	-	(5,547,040)
Trade and other payables	(1,637,021)	-	(4,288,701)
Net exposure	(134,475)	755,846	8,063,090
<b>The Company</b>			
<b>2016</b>			
Trade and other receivables	1,525,822	-	10,702,191
Cash and bank balances	-	-	3,500,412
Borrowings	-	-	(677,821)
Trade and other payables	(1,610,639)	-	(7,829,485)
Net exposure	(84,817)	-	5,695,297
<b>2015</b>			
Trade and other receivables	1,502,546	755,846	20,270,527
Cash and bank balances	-	-	4,293,390
Borrowings	-	-	(5,547,040)
Trade and other payables	(1,636,423)	-	(17,008,285)
Net exposure	(133,877)	755,846	2,008,592

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 27 Financial risk management objectives and policies (cont'd)

### 27.4 Foreign currency risk (cont'd)

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Renminbi (RMB), Thai baht (THB) and United States dollar (USD) exchange rates (against Singapore dollar), with all other variables held constant, of the Group's and the Company's results net of tax and equity.

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
RMB - strengthened 5% (2015: 5%)	<b>(4,241)</b>	(6,723)	<b>(4,241)</b>	(6,694)
- weakened 5% (2015: 5%)	<b>4,241</b>	6,723	<b>4,241</b>	6,694
THB - strengthened 5% (2015: 5%)	-	37,792	-	37,792
- weakened 5% (2015: 5%)	-	(37,792)	-	(37,792)
USD - strengthened 5% (2015: 5%)	<b>410,465</b>	403,155	<b>284,765</b>	100,430
- weakened 5% (2015: 5%)	<b>(410,465)</b>	(403,155)	<b>(284,765)</b>	(100,430)

### 27.5 Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group and the Company do not hold any quoted or marketable financial instruments, hence, are not exposed to any movement in market prices.

## 28 Capital management

The Group's and the Company's objectives when managing capital are:

- To safeguard the Group's and the Company's ability to continue as going concern;
- To support the Group's and the Company's stability and growth;
- To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and
- To provide an adequate return to shareholders.

The Group and the Company actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company, and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 28 Capital management (cont'd)

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The Group and the Company are not subject to externally imposed capital requirements, except as disclosed below.

As disclosed in Note 11, the subsidiaries in the PRC are required by the relevant laws and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is restricted. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2016 and 2015.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises trade and other payables and borrowings, less cash and bank balances. Total capital represents equity attributable to owners of the Company less the PRC subsidiaries' restricted statutory reserve fund.

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Trade and other payables (Note 14)	<b>15,642,147</b>	19,118,879	<b>10,718,984</b>	20,359,332
Borrowings (Note 13)	<b>8,574,362</b>	11,067,637	<b>4,747,088</b>	10,536,521
Total debt	<b>24,216,509</b>	30,186,516	<b>15,466,072</b>	30,895,853
Less: Cash and bank balances (Note 9)	<b>(8,634,155)</b>	(11,480,371)	<b>(3,843,013)</b>	(4,748,276)
Net debt	<b>15,582,354</b>	18,706,145	<b>11,623,059</b>	26,147,577
Equity attributable to owners of the Company	<b>23,525,977</b>	27,346,886	<b>24,078,103</b>	30,248,291
Less: Statutory reserve (Note 11)	<b>(1,944,142)</b>	(2,178,344)	-	-
Total capital	<b>21,581,835</b>	25,168,542	<b>24,078,103</b>	30,248,291
Total capital and net debt	<b>37,164,189</b>	43,874,687	<b>35,701,162</b>	56,395,868
Gearing ratio	<b>42%</b>	43%	<b>33%</b>	46%

## 29 Financial instruments

### Fair values

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

However, the Group and the Company do not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 29 Financial instruments (cont'd)

### Fair values (cont'd)

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, comprising trade and other receivables (excluding prepayments), cash and bank balances, short-term borrowings, and trade and other payables (excluding deferred revenue and provision for retirement benefits), are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group and the Company for similar financial instruments.

### Financial assets and financial liabilities subject to enforceable master netting arrangements that are not otherwise set-off

The Group and the Company regularly purchase raw materials from and sell finished products to two counterparties. The Group and the Company and both counterparties do not have an arrangement to settle the amount due to or from each other on a net basis but have the right to set off in the case of default and insolvency or bankruptcy.

The Group's and the Company's trade receivables and trade payables subject to an enforceable master netting arrangement that are not otherwise set-off are as follows:

	Carrying amounts	Related amounts not set off in the statement of financial position	Net amounts
	S\$	S\$	S\$
<b>The Group</b>			
<b>2016</b>			
Trade receivables	2,840,070	(164,781)	2,675,289
Trade payables	164,781	(164,781)	-
<b>2015</b>			
Trade receivables	5,949,212	(98,176)	5,851,036
Trade payables	98,176	(98,176)	-
<b>The Company</b>			
<b>2016</b>			
Trade receivables	13,959	(13,959)	-
Trade payables	60,838	(13,959)	46,879
<b>2015</b>			
Trade receivables	2,927,518	(67,658)	2,859,860
Trade payables	67,658	(67,658)	-

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## 29 Financial instruments (cont'd)

### Transferred financial assets that are not derecognised in their entirety

	The Group		The Company	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Carrying amount of assets:				
Trade receivables (Note 8)	<b>3,055,117</b>	3,263,425	-	2,884,615
Carrying amount of associated liabilities:				
Bills payable to banks (Note 13.4)	<b>1,833,545</b>	(2,665,923)	-	(2,287,113)

# Supplementary Financial Information

Disclosure required by the Catalist Rules

## Properties

Location/ Description	Tenure	Land Area
No. 18 Third Zone, 8228 Beiqing Road Qingpu Shanghai, The People's Republic of China	50-year lease from 20 December 2006 to 19 December 2056	25,000sqm
Detached factory building		

# Shareholdings

## Statistics

As at 17 March 2017

### SHARE CAPITAL

Issued and paid-up capital : S\$21,638,661  
 Number of issued shares : 374,119,000  
 Number of treasury shares : NIL

Class of shares - Ordinary shares  
 Voting rights - 1 vote per ordinary share

### ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	8	0.92	111	0.00
100 - 1,000	120	13.78	115,365	0.03
1,001 - 10,000	241	27.67	1,332,306	0.36
10,001 - 1,000,000	468	53.73	63,096,528	16.86
1,000,001 and above	34	3.90	309,574,690	82.75
	871	100.00	374,119,000	100.00

### TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	Citibank Nominees Singapore Pte Ltd	73,255,800	19.58
2	Raffles Nominees (Pte) Ltd	55,657,400	14.88
3	Chua Kheng Choon	27,630,666	7.39
4	OCBC Securities Private Ltd	22,037,681	5.89
5	Tan Soo Yong	15,255,332	4.08
6	Heng Hock Liang	13,859,000	3.70
7	HSBC (Singapore) Nominees Pte Ltd	12,900,000	3.45
8	Chua Han Min	9,570,000	2.56
9	Lim Chin Tong	9,417,000	2.52
10	Hong Leong Finance Nominees Pte Ltd	7,780,000	2.08
11	DBS Nominees Pte Ltd	6,868,700	1.84
12	Tan Chew Hiah	6,735,000	1.80
13	Maybank Kim Eng Securities Pte Ltd	5,016,406	1.34
14	Ng Tiam Moy	4,385,000	1.17
15	Seow Yongli	3,560,800	0.95
16	Li Wenda	3,078,000	0.82
17	United Overseas Bank Nominees Pte Ltd	2,914,900	0.78
18	KGI Fraser Securities Pte Ltd	2,726,400	0.73
19	Chua Jia Liang	2,714,000	0.72
20	Lim Meng Fatt	2,501,000	0.67
		287,863,085	76.95

### Shareholdings Held in Hands of Public

Based on information available to the Company as at 17 March 2017, 75.1% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalyst of the Singapore Exchange Securities Trading Limited has been complied with.

# Shareholdings Statistics

As at 17 March 2017

## ANALYSIS OF WARRANTHOLDINGS

Range of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 - 99	2	0.72	70	0.00
100 - 1,000	17	6.14	15,036	0.01
1,001 - 10,000	77	27.80	406,522	0.23
10,001 - 1,000,000	153	55.23	25,278,807	14.37
1,000,001 and above	28	10.11	150,210,565	85.39
	277	100.00	175,911,000	100.00

## TOP 20 WARRANTHOLDERS

No.	Name of Warrantholders	No. of Warrants	%
1	Cal-Comp Electronics (Thailand) Public Company Limited	30,000,000	17.05
2	Chua Kheng Choon	13,300,000	7.56
3	Ko Kay Hyong	10,610,900	6.03
4	Tan Eng Chua Edwin	10,267,000	5.84
5	Tan Soo Yong	9,177,666	5.22
6	Ng Bak Kwang	8,000,000	4.55
7	Heng Hock Liang	7,122,000	4.05
8	Maybank Kim Eng Securities Pte Ltd	7,033,161	4.00
9	See Puai Luan	6,082,000	3.46
10	Chee Chong Por	5,173,600	2.94
11	Lim Andy	4,833,943	2.75
12	Eio Hock Chuar	4,162,200	2.37
13	Tan Chew Hiah	3,400,000	1.93
14	Tan Li Lin	3,268,000	1.86
15	Huang Baojia	3,100,000	1.76
16	Chin Tin Tew	2,933,000	1.67
17	Ho Jee Chan	2,672,000	1.52
18	Lim Chin Tong	2,614,000	1.49
19	Ng Tiam Moy	2,385,000	1.36
20	Tan Cheng Chwee	2,230,000	1.27
		138,364,470	78.68

# Shareholdings Statistics

As at 17 March 2017

## SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholder	Direct interests		Deemed interests	
	Number of Shares	%	Number of Shares	%
Cal-Comp Electronics (Thailand) Public Company Limited	37,805,800	10.11	-	-
Chua Kheng Choon <sup>(1)</sup>	27,737,666	7.41	6,735,000	1.80

Note:

1. Mr Chua Kheng Choon's beneficial interests are partly held in the name of nominees and his deemed interest in 6,735,000 Shares held in the name of his spouse.

# Notice of Annual General Meeting

## **METAL COMPONENT ENGINEERING LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration No. 198804700N)

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of METAL COMPONENT ENGINEERING LIMITED ("**Company**") will be held at 10 Ang Mo Kio Street 65, Techpoint #04-02, Singapore 569059 on Friday, 28 April 2017 at 9 a.m. for the following purposes:

### **AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect Mr Cheah Chow Seng as Director, who will retire pursuant to Article 92 of the Company's Constitution, and who, being eligible, offer himself for re-election.  
[See Explanatory Note (i)] **(Resolution 2)**
3. To re-elect Mr Koh Gim Hoe as Director, who will retire pursuant to Article 97 of the Company's Constitution, and who, being eligible, offer himself for re-election.  
[See Explanatory Note (ii)] **(Resolution 3)**
4. To approve the payment of Directors' fees of S\$110,000 for the financial year ending 31 December 2017 to be paid quarterly in arrears at the end of each calendar quarter (2016: S\$110,000). **(Resolution 4)**
5. To re-appoint Foo Kon Tan LLP, as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

### **AS SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

#### **7. Authority to allot and issue shares**

"That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalyst ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

- (a) (i) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to, the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

# Notice of Annual General Meeting

- (b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Ordinary Resolution was in force, provided that:
- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Ordinary Resolution) and Instruments to be issued pursuant to this Ordinary Resolution shall not exceed 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued (including Shares to be issued pursuant to the Instruments) other than on a pro-rata basis to existing shareholders of the Company shall not exceed 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
  - (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued pursuant to the Instruments) that may be issued under sub-paragraph (1) above, the percentage of Shares that may be issued shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Ordinary Resolution, after adjusting for:
    - (a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;
    - (b) new Shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Ordinary Resolution; provided that such share awards or share options were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
    - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
  - (3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by SGX-ST) and the Articles of Association of the Company; and
  - (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until (i) the conclusion of the next Annual General Meeting of the Company or (ii) the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (iii)]

**(Resolution 6)**

## 8. **Authority to allot and issue Shares under the MCE Share Option Scheme 2003**

"That the Directors be authorised and empowered to allot and issue Shares in the capital of the Company to all the holders of options granted by the Company prior to the subsistence of this authority under the MCE Share Option Scheme 2003 ("**2003 Scheme**") upon the exercise of such options and in accordance with the terms and conditions of the 2003 Scheme.

[See Explanatory Note (iv)]

**(Resolution 7)**

# Notice of Annual General Meeting

## 9. Authority to allot and issue Shares under the MCE Share Option Scheme 2014

“That the Directors be authorised and empowered to allot and issue Shares in the capital of the Company to all the holders of options granted by the Company prior to the subsistence of this authority under the MCE Share Option Scheme 2014 (“**2014 Scheme**”) upon the exercise of such options and in accordance with the terms and conditions of the 2014 Scheme.

[See Explanatory Note (v)]

**(Resolution 8)**

### By Order of the Board

Lee Wei Hsiung  
Mak Peng Leong Philip  
Secretaries  
Singapore, 13 April 2017

### Explanatory Notes:

- (i) Mr Cheah Chow Seng, if re-elected, will remain as Chairman of the Nominating Committee, and continue as a member of the Audit Committee and Remuneration Committee. The Board considers Mr Cheah Chow Seng to be independent for the purpose of Rule 704(7) of the Catalist Rules. The key information on Mr Cheah Chow Seng can be found under the sections entitled “Board of Directors”, “Corporate Governance Report – Principle 4” and “Directors’ Statement” of the Company’s Annual Report 2016. Save for certain holdings in Shares, options and warrants in the Company (as disclosed in the “Directors’ Statement”), Mr Cheah Chow Seng does not have any relationships, including immediate family relationships with the Directors of the Company, the Company or its 10% shareholders.
- (ii) Mr Koh Gim Hoe, if re-elected, will remain as Chairman of the Remuneration Committee, and continue as a member of the Audit Committee and Nominating Committee. The Board considers Mr Koh Gim Hoe to be independent for the purpose of Rule 704(7) of the Catalist Rules. The key information on Mr Koh Gim Hoe can be found under the sections entitled “Board of Directors”, “Corporate Governance Report – Principle 4” and “Directors’ Statement” of the Company’s Annual Report 2016. Mr Koh Gim Hoe does not have any relationships, including immediate family relationships with the Directors of the Company, the Company or its 10% shareholders.
- (iii) Ordinary Resolution 6 proposed in item 7 above, if passed, will authorise and empower the Directors from the date of this Annual General Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or the date such authority is revoked by the Company in a general meeting, whichever is the earliest, to allot and issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company may be issued other than on a pro-rata basis to existing shareholders. For determining the aggregate number of Shares that may be issued, the percentage of Shares that may be issued (including Shares that are to be issued pursuant to the Instruments) will be calculated based on the issued Shares in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of the Instruments or

# Notice of Annual General Meeting

any convertible securities, new Shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of passing of this Ordinary Resolution and any subsequent bonus issue, consolidation or subdivision of Shares.

- (iv) Ordinary Resolution 7 proposed in item 8 above, if passed, will authorise and empower the Directors of the Company, from the date of this Annual General Meeting until the next Annual General Meeting, to allot and issue Shares in the Company pursuant to the exercise of Options under the 2003 Scheme. The 2003 Scheme expired on or about 3 November 2013. Options previously granted under the 2003 Scheme remain valid and exercisable until the end of the relevant exercise period.
- (v) Ordinary Resolution 8 proposed in item 9 above, if passed, will authorise and empower the Directors of the Company, from the date of this Annual General Meeting until the next Annual General Meeting, to allot and issue Shares in the Company pursuant to the exercise of Options under the 2014 Scheme. The 2014 Scheme was adopted and approved by Shareholders on 25 April 2014.

## Notes:

1. (a) A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend and vote at the Annual General Meeting. Where such member appoints two (2) proxies, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy in the instrument appointing a proxy or proxies.  
  
(b) A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies.

“Relevant Intermediary” has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. The instrument appointing a proxy or proxies must be under the hand of the appointor or on his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing a proxy must be deposited at the Company's Share Registrar, M&C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time appointed for holding the Annual General Meeting.
4. An investor who buys shares using CPF monies (“CPF Investor”) and/or SRS monies (“SRS Investor”) (as may be applicable) may attend and cast his/her vote(s) at the Annual General Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

# Notice of Annual General Meeting

## **Personal data privacy:**

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this notice.*

*This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice.*

*The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd., at 8 Robinson Road #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.*

# PROXY FORM

**IMPORTANT:**

1. For shareholders who have used their CPF monies to buy the Shares of Metal Component Engineering Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote at the Meeting, should contact their respective CPF Approved Nominees within the time frame specified.

**METAL COMPONENT ENGINEERING LIMITED**  
(Incorporated in the Republic of Singapore with limited liability)  
(Company Registration No.: 198804700N)

**Proxy Form**

*(Please see notes overleaf before completing this Form)*

I/We \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a member/members of Metal Component Engineering Limited (the "Company"), hereby appoint:

Name	NRIC / Passport Number	Proportion of Shareholdings (%)
Address		

and/or (delete as appropriate)

Name	NRIC / Passport Number	Proportion of Shareholdings (%)
Address		

or failing him/her, the Chairman of the Annual General Meeting (the "Meeting") of the Company, as my/our proxy/proxies to vote for me/us on my/our behalf at Meeting to be held at 10 Ang Mo Kio Street 65, Techpoint #04-02, Singapore 569059 on 28 April 2017 at 9 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

All resolutions put to the vote at the Meeting shall be decided by way of poll.

No.	Resolutions relating to:	For	Against
1.	Adoption of the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2016.		
2.	Re-election of Mr Cheah Chow Seng as a Director.		
3.	Re-election of Mr Koh Gim Hoe as a Director.		
4.	Approval of Directors' fees of S\$110,000 for the financial year ending 31 December 2017 to be paid quarterly in arrears at the end of each calendar quarter.		
5.	Re-appointment of Foo Kon Tan LLP as Auditors and to authorise the Directors to fix their remuneration.		
6.	Authority to allot and issue new shares.		
7.	Authority to allot and issue shares under MCE Share Option Scheme 2003.		
8.	Authority to allot and issue shares under MCE Share Option Scheme 2014.		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of Meeting.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

Total number of Shares in:	No. of Shares
CDP Register	
Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s) /  
Common Seal of Corporate Shareholder



**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2.
  - (a) A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend and vote at the Annual General Meeting. Where such member appoints two (2) proxies, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy in the instrument appointing a proxy or proxies.
  - (b) A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies. A proxy need not be a member of the Company.

“Relevant Intermediary” has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar, M&C Services Private Limited 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time appointed for the Annual General Meeting.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
6. An investor who buys shares using CPF monies (“CPF Investor”) and/or SRS monies (“SRS Investor”) (as may be applicable) may attend and cast his/her vote(s) at the Annual General Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**PERSONAL DATA PROTECTION ACT CONSENT**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2017.





**METAL COMPONENT ENGINEERING LIMITED**

**10 Ang Mo Kio Street 65, Techpoint #04-02, Singapore 569059**  
**Tel: (65) 6759 5575 • Fax: (65) 6759 5565**  
**[www.mce.com.sg](http://www.mce.com.sg)**