

METAL COMPONENT ENGINEERING LIMITED

(Company Registration No. 198804700N)

ANNOUNCEMENT OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor ("Sponsor"), Canaccord Genuity Singapore Pte. Ltd. for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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METAL COMPONENT ENGINEERING LIMITED

(Company Registration No. 198804700N)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
PART I - INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

	Note	GROUP		+ / - %
		FY2015	FY2014	
		(Unaudited) S\$'000	(Audited) S\$'000	
Revenue		71,397	69,069	3.4%
Other income	B	1,106	1,159	-4.6%
Changes in inventories of finished goods and work-in-progress		(11)	(417)	-97.4%
Raw materials and consumables used		(35,359)	(34,535)	2.4%
Employee benefits expense		(19,674)	(19,807)	-0.7%
Depreciation expense		(3,426)	(4,054)	-15.5%
Other expenses		(12,978)	(13,582)	-4.4%
Other charges	A	(37)	(114)	-67.5%
Financial expense		(442)	(480)	-7.9%
Profit/(loss) before tax		576	(2,761)	NM
Income tax expense		(42)	(72)	-41.7%
Profit/(loss) for the year		534	(2,833)	NM
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
- Currency translation differences arising from consolidation		38	250	-84.8%
Total comprehensive income for the year		572	(2,583)	NM
Profit/(loss) attributable to:				
Equity holders of the Company		534	(2,833)	NM
Total comprehensive income attributable to :				
Equity holders of the Company		572	(2,583)	NM
<i>NM - Not meaningful</i>				

Explanatory note to the Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	FY2015 S\$'000	FY2014 S\$'000
A) Major items for other charges:		
Impairment of property, plant and equipment	-	(91)
Loss on disposal of property, plant and equipment	(10)	(23)
Write-down on inventories	(27)	-
B) Major items for other income:		
Foreign exchange gain	856	754
Interest income	11	39
Government grant	54	40
Reversal of impairment on trade receivables	-	117
Reversal of write-down on inventories	-	92
Sundry income	185	117

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

	GROUP		COMPANY	
	As at 31-Dec-15 (Unaudited) S\$'000	As at 31-Dec-14 (Audited) S\$'000	As at 31-Dec-15 (Unaudited) S\$'000	As at 31-Dec-14 (Audited) S\$'000
ASSETS				
Non-Current Assets:				
Property, plant and equipment	16,203	17,503	1,234	1,687
Subsidiaries	-	-	25,657	22,964
Other assets	138	138	138	138
Intangible assets	1,978	-	90	-
	18,319	17,641	27,119	24,789
Current Assets:				
Inventories	7,376	7,648	929	1,960
Trade and other receivables	20,520	25,289	28,411	41,389
Cash and bank balances	11,480	10,951	4,748	2,612
	39,376	43,888	34,088	45,961
Total assets	57,695	61,529	61,207	70,750
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	21,639	21,576	21,639	21,576
Retained earnings	2,251	1,997	7,699	7,484
Other reserves	3,457	3,144	910	915
Total equity	27,347	26,717	30,248	29,975
Non-Current Liabilities:				
Deferred tax liabilities	67	264	62	262
Borrowings	611	740	611	740
	678	1,004	673	1,002
Current Liabilities:				
Trade and other payables	18,983	21,197	20,360	27,719
Borrowings	10,457	12,554	9,926	12,054
Current tax payable	230	57	-	-
	29,670	33,808	30,286	39,773
Total liabilities	30,348	34,812	30,959	40,775
Total equity and liabilities	57,695	61,529	61,207	70,750

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1 (bii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial year reported on with comparative figures as at the end of the immediately preceding financial year:-

	GROUP	
	As at 31 Dec 2015	As at 31 Dec 2014
	S\$'000	S\$'000
Payable within 1 year		
Secured	3,350	4,634
Unsecured	7,107	7,920
	10,457	12,554
Payable after 1 year		
Secured	611	740
Unsecured	-	-
	611	740
TOTAL	11,068	13,294

Details of any collaterals

Certain borrowings are secured by pledges on certain plant and equipment as well as certain trade receivables of the Group.

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

	GROUP	
	FY2015 (Unaudited) S\$'000	FY2014 (Audited) S\$'000
Cash flows from operating activities		
Profit/(loss) before taxation	576	(2,761)
Adjustments for :		
Depreciation of property, plant and equipment	3,426	4,054
Loss on disposal of property, plant and equipment	10	23
Interest income	(11)	(39)
Interest expense	442	480
Equity-settled share-based payment transactions	-	50
Write-down on inventories made/(reversed)	27	(92)
Reversal for impairment of trade receivables	-	(117)
Impairment of property, plant and equipment	-	91
Unrealised currency translation differences	(22)	(219)
Operating profit before working capital changes	4,448	1,470
Changes in cash restricted in use	(13)	(341)
Changes in inventories	245	810
Changes in trade and other receivables	4,769	(2,954)
Changes in trade and other payables	(2,214)	876
Cash generated from/(used in) operations	7,235	(139)
Income tax paid	(66)	(104)
Net cash generated from/(used in) operating activities	7,169	(243)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	19	57
Purchase of property, plant and equipment	(1,648)	(1,044)
Addition of intangible assets	(1,978)	-
Interest received	11	39
Net cash used in from investing activities	(3,596)	(948)
Cash flows from financing activities		
Dividends paid	-	(274)
Proceeds from exercise of share options	-	255
Proceeds from exercise of warrants	58	138
Proceeds from borrowings	500	2,482
Repayments of borrowings	(2,617)	(1,276)
Interest paid	(442)	(480)
Net cash (used in)/generated from financing activities	(2,501)	845
Net increase/(decrease) in cash and cash equivalents	1,072	(346)
* Cash and cash equivalents at beginning of year	8,768	8,970
Effect of currency translation on cash and cash equivalents	(8)	144
* Cash and cash equivalents at end of year	9,832	8,768
* Cash and cash equivalents are net of bank overdraft and cash restricted in use.		
Cash and cash equivalents consist the following:		
Cash at banks and on hand	11,480	10,951
Bank overdraft	(1,137)	(1,685)
Fixed deposit restricted in use	(511)	(498)
	<u>9,832</u>	<u>8,768</u>

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

<u>The Group</u>	Share Capital	Retained Earnings	Share Option Reserve	Warrant Reserve	Translation Reserve	Statutory Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2014	21,128	5,099	166	799	81	1,858	29,131
Total comprehensive income for the year	-	(2,833)	-	-	250	-	(2,583)
Share-based payment transactions	-	-	50	-	-	-	50
Expiry of share options	-	44	(44)	-	-	-	-
Exercise of share options	298	-	(44)	-	-	-	254
Exercise of warrants	150	-	-	(11)	-	-	139
Dividends	-	(274)	-	-	-	-	(274)
Transfer to statutory reserve	-	(39)	-	-	-	39	-
Balance as at 31 December 2014	21,576	1,997	128	788	331	1,897	26,717
Balance as at 1 January 2015	21,576	1,997	128	788	331	1,897	26,717
Total comprehensive income for the year	-	534	-	-	38	-	572
Exercise of warrants	63	-	-	(5)	-	-	58
Transfer to other reserves	-	(280)	-	-	-	280	-
Balance as at 31 December 2015	21,639	2,251	128	783	369	2,177	27,347

<u>The Company</u>	Share Capital	Retained Earnings	Share Option Reserve	Warrant Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2014	21,127	7,322	166	799	29,414
Total comprehensive income for the year	-	392	-	-	392
Share-based payment transactions	-	-	50	-	50
Expiry of share options	-	44	(44)	-	-
Exercise of share options	299	-	(45)	-	254
Exercise of warrants	150	-	-	(11)	139
Dividends	-	(274)	-	-	(274)
Balance as at 31 December 2014	21,576	7,484	127	788	29,975
Balance as at 1 January 2015	21,576	7,484	127	788	29,975
Total comprehensive income for the year	-	215	-	-	215
Exercise of warrants	63	-	-	(5)	58
Balance as at 31 December 2015	21,639	7,699	127	783	30,248

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

a) Share options scheme

As at 31 December 2015, unissued shares of the Company in respect of MCE Share Option Scheme are as

	Balance as at 30.06.2015	Granted during the period	Exercised/forfeited during the period	Balance as at 31.12.2015	Balance as at 31.12.2014
MCE Share Option Scheme	10,210,000	-	-	10,210,000	10,210,000

b) Warrants issue

As at 31 December 2015, unissued shares of the Company in respect of warrants are as follows:

	Balance as at 30.06.2015	Warrants issued during the period	Exercised during the period	Balance as at 31.12.2015	Balance as at 31.12.2014
Warrants	175,911,000	-	-	175,911,000	177,065,000

There were no treasury shares as at 31 December 2015 and as at 31 December 2014.

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

	COMPANY	
	As at 31-Dec-15	As at 31-Dec-14
Number of ordinary shares in issue	374,119,000	372,965,000

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

Not applicable as the Company has no treasury shares during and as at the end of the current financial year reported on.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice**

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

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

Not applicable.

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

Save as disclosed in section 5 below, the Group and Company have applied the same accounting policies and methods of computations in the financial statements for the current financial period and is consistent with those of the most recent audited financial statements for the financial year ended 31 December 2014.

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

The Group has adopted new and revised Financial Reporting Standards which became effective for the financial period beginning on or after 1 January 2015. The adoption of these new and revised accounting standards did not give rise to any significant impact on the financial statements for the financial year ended 31 December 2015.

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

	GROUP	
	FY2015	FY2014
Earnings/(loss) per share (Cents)		
on weighted average number of ordinary shares	0.14	(0.77)
on fully diluted basis	0.13	(0.77)
Net profit/(loss) attributable to shareholders (S\$'000)		
for basic EPS	534	(2,833)
for diluted EPS	534	(2,833)
Weighted average number of ordinary shares in issue		
for basic EPS	373,991,071	366,733,323
for diluted EPS	406,439,294	366,733,323

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

	GROUP		COMPANY	
	As at 31-Dec-15	As at 31-Dec-14	As at 31-Dec-15	As at 31-Dec-14
Net asset value per ordinary share based on existing issued capital as at end of the year (cents)	7.31	7.16	8.09	8.04
Number of ordinary shares in issue at the end of the year ('000)	374,119	372,965	374,119	372,965

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

STATEMENT OF COMPREHENSIVE INCOME REVIEW

The Group recorded revenue of S\$71.4 million for the financial year ended 31 December 2015 ("FY2015"). This represented a 3.4% increase from the financial year ended 31 December 2014 ("FY2014"), where revenue stood at S\$69.1 million.

The increase in Group revenue was mainly due to the increase in Mechanical Integration ("MI") businesses by 46.4%, partially offset by decrease in revenue in the Hard Disk Drive Components ("HDD") and Precision Components ("PC") business by 14.2% and 2.2% respectively.

The Group recorded a profit after tax of S\$534,000 for FY2015 as compared to a loss after tax of S\$2.8 million for FY2014, mainly due to the increase in sales and a shift of business focus towards the MI business, which mitigated the adverse impact of the declining HDD business on the Group's profitability.

Percentage of cost of direct materials to revenue decreased from 50.6% in FY2014 to 49.5% in FY2015. Other expenses to revenue also decreased from 19.7% in FY2014 to 18.2% in FY2015. Direct material costs and other expenses as a percentage of revenue stood at 67.7%, representing a decrease of 2.5 percentage points in FY2015 as compared to FY2014 (FY2014: 70.3%).

Employee benefit expenses decreased by 0.7% from S\$19.8 million in FY2014 to S\$19.7 million in FY2015. Depreciation expenses decreased by 15.5% as compared to FY2014, due to the decrease in property, plant and equipment in FY2015.

Finance expense decreased by 7.9% to S\$442,000 in FY2015, as compared to S\$480,000 in FY2014. Income tax expense amounted to S\$42,000 in FY2015 as compared to S\$72,000 in FY2014.

STATEMENT OF CASH FLOWS / WORKING CAPITAL REVIEW

Overall, the Group's cash and cash equivalents stood at S\$11.5 million as at 31 December 2015, as compared to S\$11.0 million as at 31 December 2014. The increase in the cash and cash equivalents was mainly due to the increase in profitability and improvement in net working capital from a better control over inventory management and trade account receivable collections. Correspondingly, the Group recorded a net cash of S\$412,000 as at 31 December 2015 as compared to a net debt of S\$2.3 million as at 31 December 2014.

In FY2015, the Group generated S\$7.2 million from operating activities while S\$3.6 million and S\$2.5 million were utilised in investing and financing activities respectively.

Net cash generated from operating activities was mainly attributable to the higher operating profit before working capital changes of S\$4.4 million and the decrease in trade and other receivables and inventories of S\$4.8 million and S\$245,000 respectively. This was partially offset by the decrease in trade and other payables by S\$2.2 million.

Net cash used in investing activities were mainly due to additions in intangible assets in relation to the development cost incurred for the textile printer project and purchase of plant and equipment amounting to S\$2.0 million and S\$1.6 million respectively.

Net cash used in financing activities was mainly attributed to the repayment of borrowings and interest paid amounting to S\$2.6 million and S\$442,000 respectively. This was partially offset by the proceeds from borrowings and the exercise of warrants of S\$500,000 and S\$58,000 respectively.

Current ratio as at 31 December 2015 stood at 1.33, a marginal increase from 1.30 as at 31 December 2014.

Debt-equity ratio decreased from 1.30 as at 31 December 2014 to 1.11 as at 31 December 2015.

As at 31 December 2015, the Group had a positive net working capital of S\$9.7 million as compared to S\$10.1 million as at 31 December 2014. Trade receivables days and inventory days stood at 96 and 45 days respectively as at 31 December 2015, an improvement of 23 days as compared to 31 December 2014, where trade receivables days and inventory days stood at 117 and 47 days respectively. Trade payables days decreased from 88 to 83 days as at 31 December 2015. Consequently, the Group's net working capital days decreased from 76 as at 31 December 2014 to 58 days as at 31 December 2015.

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No forecast or prospect statement had been previously disclosed to shareholders.

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

Against the backdrop of a steadily declining Hard Disk Drive (“HDD”) business and an ever challenging business environment, the Group will continue to address new business opportunities and remain focused on improving its operating efficiencies and marketing efforts to secure higher-margin product mix.

The Group is poised for the expected mass production of the textile printers for its new major customers in the textile printing industry for the China market in FY2016. It will also undertake a major restructuring of its precision stamping business in China to improve its operating margin and to mitigate the adverse impact of the declining HDD business.

11 Dividend**(a) Current Financial Period Reported On**

Nil

(b) Prior Financial Period Reported On

Nil

(c) Date Payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared/recommended by the Directors for FY2015

13 Interested Persons Transactions

The Group has obtained a general mandate from shareholders for interested person transactions which was approved on 16 September 2010 and was last renewed at the Annual General Meeting on 29 April 2015. The table below sets out interested person transactions that have been entered into by the Group for the year ended 31 December 2015.

Name of Interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (SGD)	Aggregate value of all interested person transactions under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (SGD)
Cal-Comp Electronics (Thailand) Public Company Limited	-	4,201,278

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PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

- 14 Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information of the immediately preceding year.**

By Business Activity

For management purposes, the Group is organised into business units based on their geographical locations, and has three reportable operating segments: Singapore, Thailand, Malaysia and China.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating results.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about which, in certain respects, as explained in the table below, is measured differently from operating income statement in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a Group basis and are not allocated to operating segments.

Inter-segment pricing is on terms agreed between the segments.

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The increase in revenue for Thailand from S\$5.4 million in FY2014 to S\$7.1 million in FY2015 was mainly due to the ramp up of orders for a new project in FY2015. The decrease in revenue for Malaysia from S\$14.0 million in FY2014 to S\$11.8 million in FY2015 was mainly due to less orders from one of its customer for a product that is reaching the end of the product life cycle in FY2015.

Please refer to paragraph 8 for further details.

16 SEGMENTAL REVENUE AND RESULTS FOR OPERATING SEGMENTS

	GROUP		+ / - %
	FY2015 S\$'000	FY2014 S\$'000	
Sales reported for first half	37,016	33,442	10.7%
Operating profit/(loss) after tax before deducting minority interests reported for the first half	475	(1,721)	NM
Sales reported for second half	34,381	35,627	-3.5%
Operating profit/(loss) after tax before deducting minority interests reported for the second half	59	(1,112)	NM

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

	FY2015	FY2014
Final, one-tier tax exempt	-	-

18 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13). If there are no such persons, the issuer must make an appropriate negative statement.

There is no person occupying a managerial position in the Company or any of its subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

19 Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

The Company confirms that all the required undertakings under Rule 720(1) of the Catalist Rules have been obtained from all its directors and executive officers in the format set out in Appendix 7H of the Catalist Rules.

BY ORDER OF THE BOARD

Chua Kheng Choon
Chief Executive Officer
24 February 2016