



METAL COMPONENT ENGINEERING LIMITED



Building Resilience

**ANNUAL
REPORT**

2013

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OUR VISION

To be a World-Class Mechanical Manufacturing Solutions Provider

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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:

- Product design
- 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
- Product assembly

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chua Kheng Choon

Chairman and CEO

Chua Han Min

Deputy CEO and Executive Director

Tan Soo Yong

Executive Director

Lim Chin Tong

Non-Executive and Lead Independent Director

Wong Chee Wai

Independent Non-Executive Director

Cheah Chow Seng

Independent Non-Executive Director

AUDIT COMMITTEE

Lim Chin Tong (Chairman)

Wong Chee Wai

Cheah Chow Seng

REMUNERATION COMMITTEE

Wong Chee Wai (Chairman)

Lim Chin Tong

Cheah Chow Seng

NOMINATING COMMITTEE

Cheah Chow Seng (Chairman)

Lim Chin Tong

Wong Chee Wai

COMPANY SECRETARIES

Seah Jim Hong, Gerard

Tan Kwang Hwee, William

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

M&C Services Private Limited

112 Robinson Road

#05-01

Singapore 068902

SPONSOR

Canaccord Genuity Singapore Pte. Ltd.

77 Robinson Road

#21-02

Singapore 068896

AUDITOR

Foo Kon Tan Grant Thornton LLP

Certified Public Accountants

47 Hill Street #05-01

Singapore Chinese Chamber of Commerce & Industry Building

Singapore 179365

Partner-in-charge: Robin Chin

Date of appointment: 29 October 2012

REGISTERED OFFICE AND BUSINESS ADDRESS

10 Ang Mo Kio St 65

#04-02 Techpoint

Singapore 569059

Tel: (65) 6759 5575

Fax: (65) 6759 5565

www.mce.com.sg

Registration No.: 198804700N



CORPORATE STRUCTURE



METAL COMPONENT ENGINEERING LIMITED

CHINA

**Metal Computer Component
(Suzhou) Limited**

**Metal Component Technologies
(Wuxi) Co., Ltd.**

**Metal Component Engineering
(Shanghai) Co., Ltd.**

**MCE Industries (Shanghai)
Co., Ltd.**

SOUTHEAST ASIA

**Metal Precision Services
Pte. Ltd.**

**MCE Manufacturing
Sdn. Bhd.**

**MCE Technologies
Sdn. Bhd.**

MCT (Thailand) Co., Ltd

CORE VALUES



CHAIRMAN'S MESSAGE



"2013 marks a second consecutive profitable year for the Group, thereby maintaining our recovery traction despite a challenging business environment. Our ongoing efforts to strengthen our balance sheet is demonstrated by the respectable near-record-low debt-equity ratios of 1.12, with net gearing standing at 4.0%."

DEAR SHAREHOLDERS,

FY2013 continues to be a challenging year for MCE. Following our successful turnaround in 2012, 2013 marked a year of continued recovery, with the Group recording a modest profit of S\$0.3 million amid stable revenue of S\$69.3 million for the financial year ended 31 December 2013 ("FY2013").

FINANCIAL REVIEW

The Group recorded revenue of S\$69.3 million for the financial year ended 31 December 2013 ("FY2013"). This represented a 1.3% increase from the corresponding period last year ("FY2012"), where revenue stood at S\$68.4 million.

The marginal increase was contributed by gains in Precision Components ("PC") and Mechanical Integration ("MI") businesses by 47.4% and 1.2% respectively, partially offset by the decline in Hard Disk Drive Components ("HDD") businesses by 28.9%. The gain in PC and MI businesses was due to growth in orders from customers during FY2013.

The Group recorded a profit after tax of S\$0.3 million for FY2013, as compared to S\$2.2 million in FY2012, mainly due to the absence of one-off gain in the disposal of assets classified as held for sale of S\$1.5 million in FY2012. Percentage of cost of direct materials to revenue continued to register an improvement at 44.8%, down from 48.8% in FY2012, partially offset by the increase in other expenses from 20.7% in FY2012 to 21.7% in FY2013. Direct materials and other expenses as a percentage of revenue stood at 66.5%, representing an improvement in the Group's margin by 3.1 percentage points in FY2013 as compared to FY2012 (FY2012: 69.6%).

Employee benefit expenses increased by 21.3% from S\$15.1 million in FY2012 to S\$18.3 million in FY2013 mainly due to upward adjustment of minimum wage in China, new headcount addition in our new factory in Thailand, as well as additional headcount in a new project in Malaysia. Depreciation expenses increased by 1.6% as compared to FY2012, due to the increase in property, plant and equipment during FY2013.

Other charges stood at S\$0.3 million for the year, mainly arising from the currency translation loss of S\$0.2 million for the year (FY2012: Currency translation loss of S\$0.5 million).

Finance cost declined by 20.1% to S\$0.4 million in FY2013, as compared to S\$0.5 million in FY2012. This was due to lower level of borrowings during the year. Income tax expense amounted to S\$0.2 million in FY2013. (FY2012: Income tax credit of \$0.2 million). Overall, the Group's cash and cash equivalents amounted to S\$10.7 million, below the record-high S\$12.3 million achieved in FY2012.

CHAIRMAN'S MESSAGE

OPERATIONS REVIEW

The Group's manufacturing presence comprises six manufacturing sites in three countries - China, Malaysia and Thailand, with Singapore serving as its Corporate Headquarters.

MCE China: The Group has three manufacturing sites in China, namely Shanghai Qingpu, Wuxi and Suzhou.

The Qingpu site focuses on the Mechanical Integration business, while sites in Wuxi and Suzhou serve customers in the Hard Disk Drive Components and Precision Components businesses.

MCE China: achieved an EBIT profit of S\$0.3 million, an improvement from an EBIT loss incurred in the previous period, mainly due to profitability improvements in MCE Suzhou.

MCE Malaysia: MCE Malaysia saw revenue grow by 14.9% and maintained its second year of profitability despite the absence in one-off gains in the prior year arising from the sale of assets classified as held for sale.

MCE Singapore and Others: Our Singapore office now serves as the Group's Corporate Headquarters, which houses our business development, group supply chain management, human resources, advanced technology as well as finance functions. Despite higher start-up losses at MCE Thailand, the segment recorded a 35.1% EBIT growth due to improved profitability at MCE Singapore.

MCE Thailand (part of the above-mentioned segment), a new manufacturing site established to support the stamping needs of one of our major shareholders, Cal-Comp Electronics (Thailand) Public Company Limited, has commenced its mass production ramp-up toward the second half of 2013.

FORWARD STRATEGY

2013 marks a second consecutive profitable year for the Group, thereby maintaining our recovery traction despite a challenging business environment. Our ongoing efforts to strengthen our balance sheet is demonstrated by the respectable near-record-low debt-equity ratios of 1.12, with net gearing standing at 4.0%.

Notwithstanding the uncertainties in the global economic outlook, the Group will continue to focus on securing high value-added projects to improve capacity utilisation and productivity, leveraging on our competitive cost structure to strengthen our competitiveness.

Barring unforeseen circumstances, the Group is cautiously optimistic about its financial performance in FY2014.

DIVIDEND AND APPRECIATION

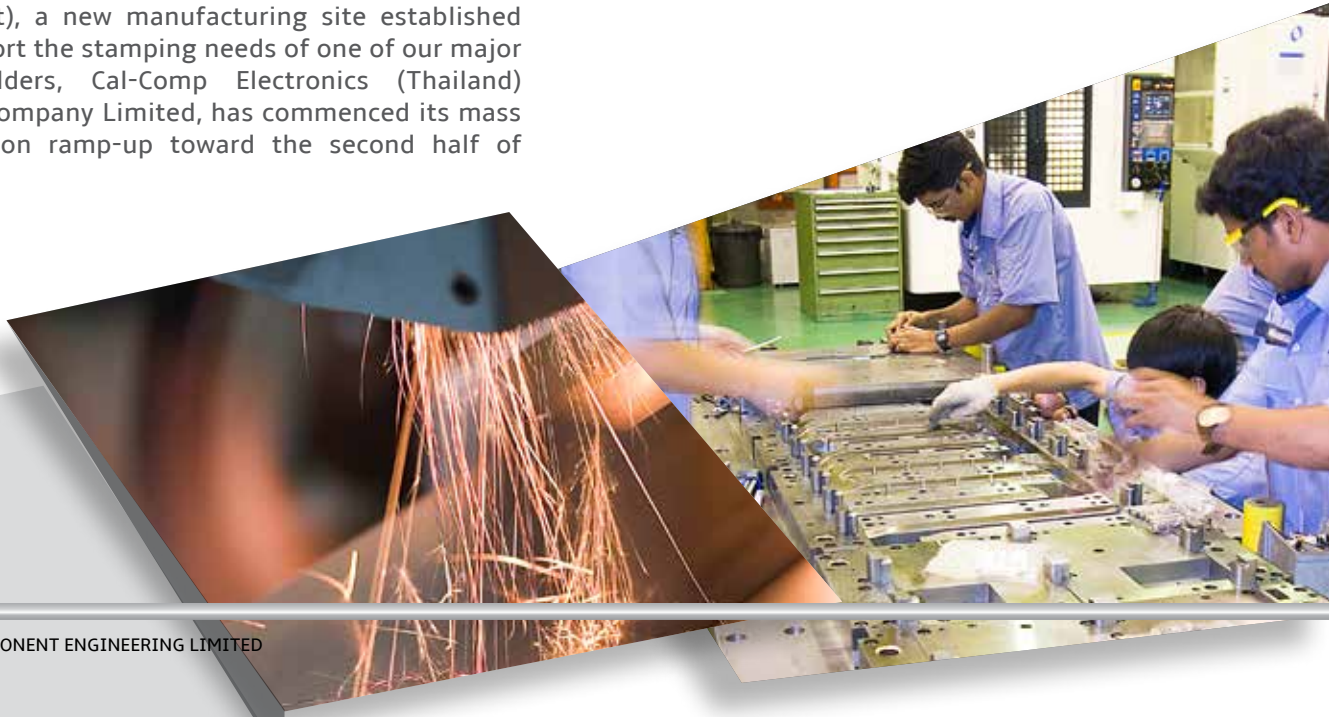
The Board is pleased to propose a first and final dividend of Singapore 0.075 cents per share, as appreciation of the steadfast support from the shareholders over the past years.

In conclusion, on behalf of the Board, I like to express my sincere thanks to all our shareholders, dedicated staff, customers and business partners for your continued support.

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, our Deputy CEO and Executive Director, assists our CEO in planning and executing the overall business strategies of our Group, including its regional expansion. 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 Masters in Business Administration from the University of South Australia.



Tan Soo Yong, is our Business Development Director and Executive Director. He oversees the marketing function of our plants and is also responsible for identifying business opportunities and developing our target markets. Mr Tan was tasked to be the Director-in-charge of our Shanghai Qingpu and Thailand manufacturing sites, responsible for their overall management. He joined MCE initially as a Marketing Manager, before he was promoted to General Manager of MCE Shanghai, playing a key role in the set up of our first China subsidiary. Mr Tan holds a Technician Diploma in Mechanical Engineering, an Advanced Diploma in Industrial Engineering from Singapore Polytechnic, as well as a Bachelor of Science in Business Administration from Oklahoma City University, U.S. He also attended the Berkeley-Nanyang Advanced Management Program at Berkeley University and NTU. Mr Tan holds a Masters in Business Administration from the Nanyang Executive MBA programme (EMBA) at NTU.

BOARD OF DIRECTORS



Lim Chin Tong, is our Lead Independent Director. He is currently an Executive Director of Manufacturing Integration Technology Ltd, 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. He also sits on the Board of Valuetronics Holdings Ltd, another SGX-listed company. In the academic field, Mr Lim retired recently from the Board of Governors of Nanyang Polytechnic and Ahmad Ibrahim Primary School Advisory Committee after many years of public service. He has 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.



Wong Chee Wai, is our Independent Director. He last held the position of Senior Vice President & Managing Director with STATSChipPAQ Singapore, and he was also previously Vice President of Compaq Asia Pte Ltd responsible for its manufacturing and supply chain operations across the Asia Pacific region. Prior to joining Compaq, Mr Wong worked at Hewlett Packard (S) Pte Ltd, holding various positions in the Manufacturing, Engineering and Supply Chain functions. He holds a Bachelor of Science in Electronic and Electrical Engineering (First Class Honours) from the University of Manchester, Institute of Science and Technology, United Kingdom.



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 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 presently consults for local enterprises. He holds a Bachelor and Masters Degree in Mechanical Engineering and Computer Aided Design from the Heriot-Watt University, UK. Mr Cheah also attended the Wharton School Executive Management Program. In September 2005, he was awarded the White Magnolia Award by the Shanghai municipal government for his contributions to the Shanghai city industrial development.

KEY MANAGEMENT

Tan Kwang Hwee William, our Chief Financial Officer, is responsible for managing our Group's financial matters. Mr Tan began his career with SGX Mainboard-listed Liang Huat Aluminium Ltd (nka LH Group Ltd), holding various management positions with roles including corporate affairs, finance & SGX reporting, HR & administration, as well as operations. He last held the position of Manager (Corporate & Operations), and played a key role in Liang Huat's successful S\$140 million corporate restructuring exercise. Mr Tan subsequently joined KPMG Singapore, where he was involved in audits of MNCs and local clients spanning multi-industries. A Qualified Accountant and also an Engineer by training, Mr Tan graduated with Honours with a Bachelor of Engineering (Mechanical) from the National University of Singapore. He also holds a Bachelor of Science in Applied Accounting (First Class Honours) from the Oxford Brookes University, UK. Mr Tan is a Chartered Accountant of Singapore, and a fellow of the Association of Chartered Certified Accountants (FCCA), UK. He was also an ACCA Prize-winner and Top 30 Affiliate.

Ong Hock Chye Charles, our Sales Director is responsible for sales relating to HDD stamping and precision machining components. Mr Ong will manage the product costing and quotations to all customers and is responsible for gaining additional business allocation, with a focus on broadening the customer base with direct interface to major OEMs. Prior to joining MCE, Mr Ong was a pioneer with Seagate Technology and spent 25 years of his career in this company, holding various positions, last appointment held being Materials Director responsible for Regional Purchasing. He possesses in-depth knowledge of HDD industries and Supply Chain Management. Mr Ong obtained a GCE O level Certificate and a Certificate in Production and Inventory Management from the Singapore Institute of Materials 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 Certificates (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 Quality Management Systems of the Group across its manufacturing sites. Mr Ng holds a Bachelor of Science Degree (Honours) from the National University of Malaysia.

KEY MANAGEMENT

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.

Chiu Hung Mo, is the General Manager for the Wuxi and Suzhou manufacturing sites within MCE China. He is responsible for the overall management of the two sites that are involved in the Hard Disk Drive Components and Precision Components businesses. In his previous employment with China Fineblanking Technology Co Ltd, Mr Chiu held the position of General Manager. He holds an Engineering Diploma from National Kaoshiung Institute of Technology (now known as National Kaoshiung University of Applied Sciences).

Quah Wai Hoong Jason, is the General Manager for MCE Malaysia. He is responsible for the overall management of our two Johor Bahru manufacturing sites involved in Mechanical Integration and Precision Components businesses. Prior to joining MCE, Mr Quah was with Hon Foong Plastic Industries Pte Ltd, where he held the position of Factory Manager, and was responsible for day-to-day operations and cost administration. He holds a Diploma in Engineering Management from Auston International Singapore (University of Western Sydney).

Boon Che Kwang, is the Operations Manager for MCE Thailand. He has been with MCE since 2004. Prior to his current appointment, Mr Boon held various management positions including production, engineering and operations in MCE Malaysia, mainly involving soft tool and Mechanical Integration businesses. He is responsible for the overall operations of MCE Thailand. Mr Boon holds a Bachelor of Science Degree (Major in Statistic and Computer Science) from Campbell University U.S.A (North Carolina).



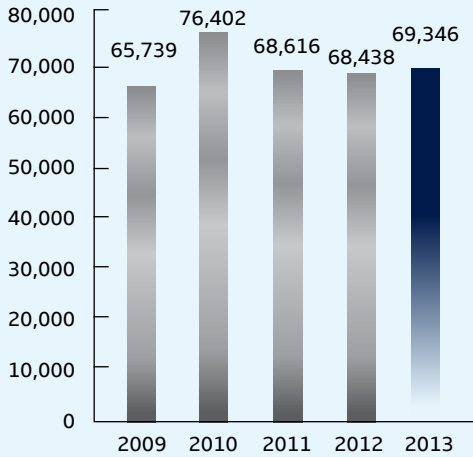
FIVE-YEAR FINANCIAL HIGHLIGHTS

S\$'000	2009	2010	2011	2012	2013
GROUP FINANCIAL PERFORMANCE					
Revenue	65,739	76,402	68,616	68,438	69,346
Profit/(loss) before income tax	718	(559)	(2,102)	2,020	548
Net Profit/(loss) to shareholders	(435)	(1,185)	(2,322)	2,202	337
Earnings/(loss) per share (diluted) cents	(0.29)	(0.74)	(1.29)	0.94	0.09
GROUP FINANCIAL POSITION					
Property, plant and equipment	26,033	23,519	20,516	17,965	20,251
Cash and cash equivalents	9,207	8,849	6,266	12,329	10,722
Current assets	46,970	40,061	39,740	40,035	41,306
Total assets	73,091	64,635	60,393	58,137	61,694
Current liabilities	37,985	33,394	33,453	29,479	31,272
Non-current liabilities	7,082	4,766	1,418	744	1,291
Total liabilities	45,068	38,160	34,870	30,223	32,563
Total equity	28,024	26,475	25,523	27,914	29,131
KEY FINANCIAL INDICATORS					
Debt-equity ratio	1.61	1.44	1.37	1.08	1.12
Net cash/(debt) \$'000	(11,318)	(11,094)	(9,280)	(89)	(1,167)
Net gearing	40%	42%	36%	0%	4%

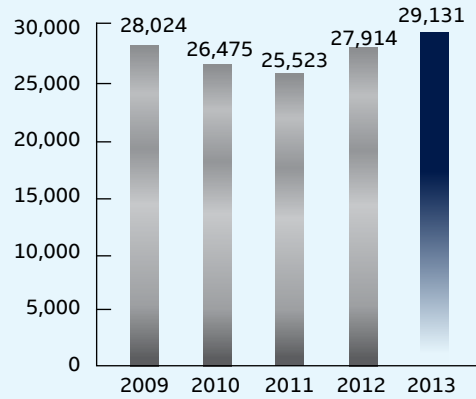


FIVE-YEAR FINANCIAL HIGHLIGHTS

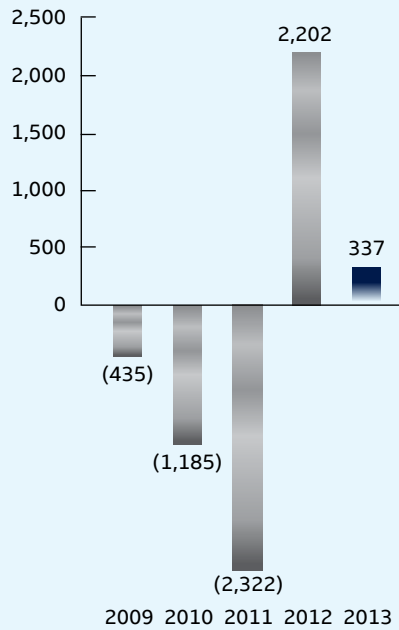
REVENUE
(S\$'000)



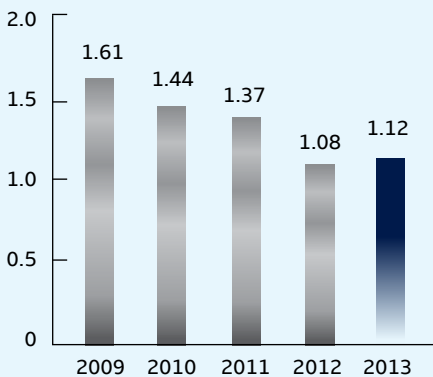
TOTAL EQUITY
(S\$'000)



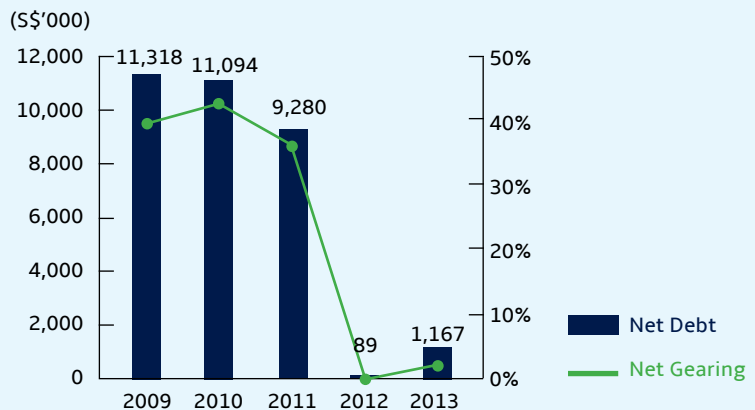
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS (S\$'000)



DEBT-EQUITY RATIO



NET DEBT / GEARING %



Corporate Governance Report

Metal Component Engineering Limited (the “Company”) 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. This report sets out the Company’s corporate governance practices. The Company is working towards full compliance with the Code.

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 success of the Company. The Board works with the Management to achieve this and the Management remains accountable to the Board.

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

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, and 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 Board approval. These matters include the acceptance of all banking facilities granted by financial institutions as well as matters required to be announced on SGXNET in accordance with the Listing Manual (Section B: Rules of Catalyst) of the Singapore Exchange Securities Trading Limited (“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 the financial year reported on, 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.

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.

Corporate Governance Report

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 Articles of Association allow for telephonic and video conference meetings.

The attendance of each board member at the Board & Board Committee meetings held in the financial year ended 31 December 2013 ("FY2013") are as follows:

Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	2	3	2	2
No. of meetings attended				
Chua Kheng Choon	2	na	na	na
Chua Han Min	2	na	na	na
Tan Soo Yong	2	na	na	na
Lim Chin Tong	2	3	2	2
Wong Chee Wai	2	3	2	2
Cheah Chow Seng	2	3	2	2

To assist the Board in executing its duties, the Board has delegated specific functions to the Executive Committee, Audit Committee, Nominating Committee and Remuneration Committee (collectively, the "Board Committees"). Minutes of all Board Committee Meetings will be circulated to the Board so that Directors are aware of and kept updated as to the proceedings and matters discussed during Board Committee Meetings. The respective functions and duties are further elaborated in the following paragraphs.

Executive Committee

The Executive Committee currently comprises three executive Directors, namely Chua Kheng Choon, Chua Han Min and Tan Soo Yong. The Executive Committee is entrusted with the conduct of the Group's business and affairs. The 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.

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.

The Board comprises six Directors, of which three are non-executive and independent.

Non-Executive Director

Lim Chin Tong	(Non-Executive and Lead Independent Director)
Wong Chee Wai	(Independent Non-Executive Director)
Cheah Chow Seng	(Independent Non-Executive Director)

Executive Director

Chua Kheng Choon	(Chairman and Chief Executive Officer)
Chua Han Min	(Deputy CEO and Executive Director)
Tan Soo Yong	(Executive Director)

Corporate Governance Report

The criterion of independence is based on the definition provided in the Code. The Board as a whole comprises Directors who as a group provide an appropriate balance and diversity of skills, experience and knowledge. The Board as a whole possesses core competencies such as financial, accounting and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge. The Board is also of the view that given the scope, nature and scale of the operations of the Group, the size of the Board is appropriate and facilitates effective interaction between Board members and decision making.

The profiles of these Directors are set out in page 7 of this Annual Report.

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 judgment 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.

With three of the Directors deemed to be independent, the Board is able to exercise independent judgment 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, this number of independent Directors also 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 Directors who have served on the Board for more than 9 years (namely Lim Chin Tong and Wong Chee Wai), the Nominating Committee and the Board have taken into consideration Guideline 2.4 and conducted a rigorous review of their contributions to the Board to determine if they have maintained their independence as defined by Guideline 2.3. The Nominating Committee and the Board are of the view that each independent Director, 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 each Director concerned was not affected or impaired by his length of service.

The Nominating Committee has determined and is satisfied that Lim Chin Tong, Wong Chee Wai and Cheah Chow Seng have remained independent in their judgement and can continue to discharge their duties objectively.

The Nominating Committee is responsible for examining the Board’s size, taking into account the scope and nature of the operations of the Group when considering whether the board is of the appropriate size in facilitating effective decision making. The Nominating Committee and the Board consider the Board’s current size appropriate, based on the Company’s present circumstances and taking into account the nature and scope of the Group’s business and operations.

The Board’s 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. They also assist the executive Directors to review the performance of 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 ("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 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, CEO and 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/CEO, executive Directors or chief financial officer 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 executive Directors and management. Similarly the lead independent Director acts as the focal point for contact between the executive Directors and Management with the independent Directors.

BOARD MEMBERSHIP

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

Nominating Committee

Board Membership

The Nominating Committee is entirely comprised of independent Directors, namely Cheah Chow Seng (Chairman), Wong Chee Wai and Lim Chin Tong.

The Nominating Committee's primary function is to recommend all Board appointments and re-nominations. As prescribed in the Company's Articles of Association 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.

Corporate Governance Report

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

At the forthcoming Annual General Meeting, Tan Soo Yong and Lim Chin Tong will be retiring by rotation pursuant to Article 92 of the Company's Articles of Association. Both of them, being eligible for re-election, have offered themselves for re-election. The Nominating Committee recommended to the Board that Tan Soo Yong and Lim Chin Tong be nominated for re-election of the forthcoming Annual General Meeting of the Company. In making the recommendations, the Nominating Committee has considered the Directors' overall contributions and performance. As a member of the Nominating Committee, Lim Chin Tong has abstained from voting on any resolutions in respect of the assessment of his performance for re-nomination as Director.

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.

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

Director	Appointment	Date of initial appointment	Date of last re-election	Directorships in other listed companies (present and in the preceding three years)	Other principal commitments
Chua Kheng Choon	Executive Director	22.12.1988	19.4.2013	-	-
Chua Han Min	Executive Director	29.4.2003	27.4.2012	-	-
Tan Soo Yong	Executive Director	3.1.2005	21.4.2011	-	-
Lim Chin Tong	Non-Executive Independent Director	5.2.2003	21.4.2011	1. Executive Director at Manufacturing Integration Technology Ltd 2. Independent Non-Executive Director at Valuetronics Holdings Ltd 3. Non-Executive Director at Fastube Ltd (until 31 July 2012)	-
Wong Chee Wai	Non-Executive Independent Director	4.11.2003	27.4.2012	-	-
Cheah Chow Seng	Non-Executive Independent Director	8.7.2009	19.4.2013	-	1. Independent Director at D&K Engineering Pte Ltd 2. Corporate Adviser to Meiban Group Pte Ltd

Corporate Governance Report

The Nominating Committee has also reviewed and is satisfied that Lim Chin Tong, who sits on 2 other boards of listed companies, 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 interests in shares, share options and warrants held by each Director in the Company are set out in the Directors' Report 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 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-nomination 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 the individual Directors.

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.

Corporate Governance Report

To facilitate the Board's responsibilities, the Management provides Board members 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 Company's management and 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.

The Remuneration Committee is entirely comprised of independent Directors, namely Wong Chee Wai (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.

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. In FY 2013, the Company appointed Skillsforce Management Consultancy Pte Ltd as its external remuneration consultants. The Remuneration Committee has reviewed the terms of such appointment and is satisfied that the remuneration consultants do not have any relationships with the Company which could affect their independence and objectivity.

Corporate Governance Report

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 AGM. 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.

The Remuneration Committee is also responsible for overseeing the MCE Share Option 2003 Scheme (the "2003 Scheme") and assists the Board in administering the 2003 Scheme in accordance with the guidelines set. Share options have been granted under the 2003 Scheme on 24 August 2004, 29 May 2007, 8 May 2009 and 4 September 2013 and adequate disclosures have been made in Section 7 of the Directors' Report entitled "MCE Share Option Scheme" and in note 22 to the financial statements set out in this Annual Report. The 2003 Scheme expired on or about 3 November 2013.

The Remuneration Committee has recommended to the Board, and the Board has accepted the committee's recommendation to propose the adoption by shareholders of a new share option scheme, to be called the MCE Share Option Scheme 2014 ("2014 Scheme") to replace the 2003 Scheme. Details of the proposed 2014 Scheme are set out in Appendix 2 of the Notice of Annual General Meeting dated 9 April 2014. The 2014 scheme is one of the initiatives undertaken by the Remuneration Committee in ensuring that long-term incentive plans are in place for employees and Directors of the Group, with the aim of enhancing the link between rewards and corporate and individual performance.

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.

Corporate Governance Report

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 FY 2013 are as follows:

Remuneration Bands	Fees	Base/Fixed Salary	Bonus	Other Benefits	Total
	%	%	%	%	%
\$S\$250,000 to less than \$S\$500,000					
Directors					
Chua Kheng Choon	0	80	13	7	100
Chua Han Min	0	79	13	8	100
Tan Soo Yong	0	80	13	7	100
Below \$250,000					
Directors					
Lim Chin Tong	100	0	0	0	100
Wong Chee Wai	100	0	0	0	100
Cheah Chow Seng	100	0	0	0	100
Key Management					
Below \$250,000					
Chiu Hung Mo	0	84	12	4	100
Tan Kwang Hwee William	0	82	18	0	100
Quah Wai Hoong Jason	0	87	13	0	100
Tan Wee Suan Mavis	0	93	7	0	100
Ng Chee Hong Darren	0	89	7	4	100
Chia Nam Yang Jimmy	0	93	7	0	100
Poh Ping Han, Robin (resigned on 30 Nov 13)	0	93	7	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 19 April 2013.

The Company does not have any employee who is an immediate family member of any Director during the financial year under review.

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, the CEO and key management personnel pursuant to Rule 1204(15) and Rule 1204(12) of the Catalist Rules and Guideline 9.2 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. The Board is also of the view that a disclosure of the aggregate total remuneration paid in to top 5 the key management personnel (who are not Directors or the CEO) would not be in the interests of the Company, for the same reasons.

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.

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 and other price sensitive public reports to shareholders of the Company promptly. These principles guide the presentation of the Company's annual financial statement and half yearly financial statement 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 commissioned an Enterprise Risk Management ("ERM") program for the Group. The ERM program was initiated in FY 2013 and will be implemented in stages commencing in FY 2014. The ERM program will be implemented incrementally and the Board will work with Management to ensure that the policies and procedures of the ERM program are designed, adapted and implemented in a manner which is relevant and effective in relation to the Company's particular needs and circumstances. The ERM program is intended to assist the Board in identifying significant risks, as well as determining the Company's levels of risk tolerance and risk policies, and assist the Board in 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."

In connection with the ERM program of the Group and the additional terms of reference of the Audit Committee, the Board designated Mr Chua Han Min, an executive Director and the Group's Deputy CEO, 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."

Corporate Governance Report

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 Management and the Audit Committee on significant weaknesses in the Group's internal controls which come to their notice 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, and compliance and information technology controls. Any material non-compliance or lapses in internal controls, together with the recommendation for improvement are reported to the Audit Committee and the relevant department is also notified for its follow-up action. The implementation of all required remedial action and improvement is monitored and reported to the Audit Committee.

The Audit Committee, together with the Board and the Management, reviews the effectiveness of the Group's system of internal controls put in place to address the key financial, operational, information technology and compliance risks affecting the Group's operations. 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 chief financial officer, 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 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 and information technology risks are adequate as at 31 December 2013.

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.

The Audit Committee comprises three members, all of whom are independent Directors, namely Lim Chin Tong (Chairman), Wong Chee Wai and Cheah Chow Seng. 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 functions.

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, and develop and maintain effective systems of internal control and risk governance, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, and has full access to and co-operation by 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.

Corporate Governance Report

The Audit Committee's duties include:

- reviewing the 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 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 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 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 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 Company 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. At the present, there is no formal whistle-blowing policy in place. However, the Company is in the process of implementing such a policy. In the absence of a formal whistle-blowing policy, staff have been briefed that they may approach any member of the Audit Committee directly and 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 FY 2013.

The Audit Committee meets, at a minimum, on a semi-annual basis. The Audit Committee held 3 meetings in FY 2013, and has met once with the external auditors without the presence of the Management in FY2013.

In the course of FY2013, the Audit Committee carried out the following activities:-

- (a) Reviewed half-year and full-year financial statements (unaudited and audited), and recommended 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 Management.

Corporate Governance Report

INTERNAL 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.

The internal auditors plan their audit schedules in consultation with but independent of 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.

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 memorandum and articles of association 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 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 of the Company 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.

All shareholders of the Company receive notices of all general meetings including the Annual General Meeting. The Company complies with its articles of association 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 articles of association 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.

Corporate Governance Report

Due to the Company's relatively modest shareholder base and the fact that the percentage of shares held in the names of custodians and nominees is not significant, the Board does not see a need at this point of time to allow such nominees and custodians to appoint more than 2 proxies to attend and participate in general meetings.

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 Company, its projected capital requirements, cash-flow and operating requirements, allow for the payment of dividends. For FY2013, the Board has declared a final dividend of 0.075 Singapore cent per share (one-tier tax exempt), which will be subject to Shareholders' approval during the forthcoming Annual General Meeting.

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 of the Company are informed of general meetings and given the opportunity to participate at general meetings. The Board and Management are present at these meetings to address any questions that shareholders of the Company 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 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 Management.

If shareholders are not able to attend these meetings, they can appoint up to two 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. Unless required under applicable rules and regulations, resolutions are usually put to vote by a show of hands unless a poll is otherwise demanded by the chairman of the meeting or by shareholders in accordance with the Company's articles of association.

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 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 or to put all resolutions to vote by poll.

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 and related party transactions as disclosed in the Notes to the financial statements in the Annual Report.

INTERESTED PERSON TRANSACTIONS

Disclosure according to Rule 907 of the Catalist Rules in respect of interested person transactions entered into in the financial year ended 31 December 2013 is set out in the following table:-

Corporate Governance Report

Name of Interested person	Aggregate value of all interested person transactions during FY2013 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during FY2013 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than (\$100,000)
Cal-Comp Electronics (Thailand) Public Company Limited ⁽¹⁾	Nil	SGD7,763,667

(1) Cal-Comp Electronics (Thailand) Public Company Limited is a controlling shareholder of the Company.

NON-SPONSOR FEES

With reference to Rule 1204 (21) of the Catalist Rules, no non-sponsor fees were paid to the Company's Sponsor, Canaccord Genuity Singapore Pte. Ltd., for the financial year ended 31 December 2013.

DEALING IN SECURITIES

The Company has issued an internal code on dealings in the Company's securities to the Directors and other officers (including employees 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 Grant Thornton LLP, which is registered with the Accounting and Corporate Regulatory Authority, as the external auditors of the Company and its Singapore incorporated subsidiary.

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

Audit fees paid/payable to the external auditors	FY2013
	\$
- external auditors of the Company	96,000
- other external auditors of the Group	72,000
Non-audit fees paid/payable to the external auditors	11,000

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 Grant Thornton LLP as the external auditors of the Company at the forthcoming Annual General Meeting on 25 April 2014.

Directors' Report

For the financial year ended 31 December 2013

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 2013.

Names of directors

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

Chua Kheng Choon
Chua Han Min
Tan Soo Yong
Lim Chin Tong
Wong Chee Wai
Cheah Chow Seng

Arrangements to enable directors to acquire shares, debentures, warrants or share options

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares, debentures, warrants or share options of the Company or of any other corporate body, other than as disclosed in this report.

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, Cap. 50, none of the directors who held office at the end of the financial year was interested in 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 1.1.2013	As at 31.12.2013 and 21.1.2014 [#]	As at 1.1.2013	As at 31.12.2013 and 21.1.2014 [#]
The Company - <u>Metal Component Engineering Limited</u>				
			<u>Number of ordinary shares</u>	
Chua Kheng Choon	26,689,666	20,959,666	6,735,000	6,735,000
Chua Han Min	8,000,000	9,570,000	5,000,000	5,000,000
Tan Soo Yong	18,355,332	19,255,332	6,536,000	6,536,000
Lim Chin Tong	11,108,000	11,108,000	-	-
Cheah Chow Seng	1,384,000	1,384,000	-	-
			<u>Number of warrants</u>	
Chua Kheng Choon	13,300,000	13,300,000	3,400,000	3,400,000
Chua Han Min	7,302,000	7,302,000	3,680,000	3,680,000
Tan Soo Yong	9,177,666	9,177,666	3,268,000	3,268,000
Lim Chin Tong	6,754,000	7,614,000	-	-
Cheah Chow Seng	692,000	692,000	-	-

[#] There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2014.

Directors' Report

For the financial year ended 31 December 2013

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

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 1.1.2013	As at 31.12.2013
The Company - <u>Metal Component Engineering Limited.</u>		Number of unissued <u>ordinary shares under option</u>
Chua Kheng Choon	2,970,000	3,400,000
Chua Han Min	2,970,000	2,800,000
Tan Soo Yong	1,800,000	1,900,000
Lim Chin Tong	300,000	600,000
Wong Chee Wai	300,000	600,000
Cheah Chow Seng	-	300,000

Directors' benefits

Since the end of the previous financial year, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed under Section 201(8) of the Companies Act, Cap. 50, except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 16 to the financial statements.

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.

During the financial year, 172,000 warrants were exercised and converted into ordinary shares in the capital of the Company. The remaining 179,828,000 warrants will expire on 12 September 2017.

Except as mentioned above, 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' Report

For the financial year ended 31 December 2013

MCE Share Option Scheme

On 4 November 2003, the Company adopted the MCE Share Option Scheme (the "MCE 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 Catalyst (the "Catalist Rules"). The MCE 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 Scheme, all directors (including non-executive directors) and employees of the Group are eligible to participate in the MCE Scheme. Controlling shareholders and their associates are not eligible to participate in the MCE 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 Scheme is administered by the Remuneration Committee in accordance with the rules of the MCE 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 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 Scheme) pursuant to the exercise of options under the MCE Scheme ("Scheme Shares").

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.

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 was one year from date of grant.

Directors' Report

For the financial year ended 31 December 2013

MCE Share Option Scheme (cont'd)

On 28 February 2013, pursuant to Rule 8.1(a) of the MCE Scheme, adjustments ("Option Adjustments") were made by the Remuneration Committee to the respective subscription prices of the shares to be issued, pursuant to the exercise of the outstanding options which have been granted and are subsisting under the MCE Scheme. After the Option Adjustments, the subscription prices for all Scheme Shares were reduced by half.

On 4 September 2013, the Company granted options to subscribe for 13,800,000 ordinary shares in the capital of the Company pursuant to the MCE Scheme at an exercise price of S\$0.05 per share. The options are exercisable from 4 September 2014 to 4 September 2023 and 4 September 2014 to 4 September 2018 for executive directors or employees and non-executive directors respectively.

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

Date of grant	Balance at 1.1.2013	Options granted	Options exercised	Options cancelled/lapsed	Balance at 31.12.2013	Exercise price	Exercise period
24.8.2004	1,000,000	-	-	-	1,000,000	S\$0.108	24.8.2005 to 23.8.2014
29.5.2007 ⁽ⁱ⁾	3,350,000	-	-	-	3,350,000	S\$0.045	29.5.2008 to 28.5.2017
8.5.2009 ⁽ⁱ⁾	4,640,000	-	(4,640,000)	-	-	S\$0.0255	8.5.2010 to 7.5.2019
8.5.2009 ⁽ⁱⁱ⁾	600,000	-	-	-	600,000	S\$0.0255	8.5.2010 to 7.5.2014
4.9.2013 ⁽ⁱ⁾	-	12,900,000	-	(450,000)	12,450,000	S\$0.05	4.9.2014 to 4.9.2023
4.9.2013 ⁽ⁱⁱ⁾	-	900,000	-	-	900,000	S\$0.05	4.9.2014 to 4.9.2018
	<u>9,590,000</u>	<u>13,800,000</u>	<u>(4,640,000)</u>	<u>(450,000)</u>	<u>18,300,000</u>		

⁽ⁱ⁾ For executive directors and employees

⁽ⁱⁱ⁾ For non-executive directors

Directors' Report

For the financial year ended 31 December 2013

MCE Share Option Scheme (cont'd)

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 2013:

	Options granted during the financial year ended 31.12.2013	Aggregate options granted since commencement of scheme to 31.12.2013	Aggregate options exercised since commencement of scheme to 31.12.2013	Aggregate options cancelled/lapsed since commencement of scheme to 31.12.2013	Aggregate options outstanding as at 31.12.2013
Executive Directors:					
Chua Kheng Choon	1,700,000	4,670,000	(1,270,000)	-	3,400,000
Chua Han Min	1,400,000	4,370,000	(1,570,000)	-	2,800,000
Tan Soo Yong	1,000,000	2,800,000	(900,000)	-	1,900,000
	4,100,000	11,840,000	(3,740,000)	-	8,100,000
Non-Executive Directors:					
Lim Chin Tong	300,000	1,000,000	-	(400,000)	600,000
Wong Chee Wai	300,000	950,000	-	(350,000)	600,000
Cheah Chow Seng	300,000	300,000	-	-	300,000
	900,000	2,250,000	-	(750,000)	1,500,000
Other participants who received 5% or more of the total available options other than directors:					
Chiu Hung Mo ⁽¹⁾	800,000	1,700,000	(600,000)	-	1,100,000
	5,800,000	15,790,000	(4,340,000)	(750,000)	10,700,000

⁽¹⁾ Chiu Hung Mo holds the position of General Manager of Metal Component Technologies (Wuxi) Co., Ltd and Metal Computer Component (Suzhou) Ltd, two subsidiaries of the Company in the People's Republic of China.

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, other than as disclosed above, has received 5% or more of the total number of options available under the MCE 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 2013.

The MCE Scheme expired on or about 3 November 2013. The Board of Directors has proposed for adoption by shareholders at the forthcoming Annual General Meeting on 25 April 2014 a new share option scheme, to be called the MCE Share Option Scheme 2014, to replace the MCE Scheme.

Directors' Report

For the financial year ended 31 December 2013

Audit Committee

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

Lim Chin Tong (Chairman)
Wong Chee Wai
Cheah Chow Seng

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Cap. 50, the SGX Listing Manual 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) half-yearly financial information, the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2013 as well as the auditor's report thereon; and
- (iv) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

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 Grant Thornton LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Sponsorship

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is Canaccord Genuity Singapore Pte. Ltd.

There were no non-sponsorship fees paid to the sponsor by the Company for the financial year ended 31 December 2013.

Directors' Report

For the financial year ended 31 December 2013

Independent auditor

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

On behalf of the Directors

.....
CHUA KHENG CHOON

.....
CHUA HAN MIN

Dated: 14 March 2014

Statement by Directors

For the financial year ended 31 December 2013

In our opinion:

- (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 state of affairs of the Group and of the Company as at 31 December 2013 and the results, 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.

On behalf of the Directors

.....
CHUA KHENG CHOON

.....
CHUA HAN MIN

Dated: 14 March 2014

Independent Auditor's Report

To the members of Metal Component Engineering Limited

Report on the financial statements

We have audited the accompanying financial statements of Metal Component Engineering Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2013, 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 a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss account and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

To the members of Metal Component Engineering Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date.

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 its subsidiary incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan Grant Thornton LLP
*Public Accountants and
Chartered Accountants*

Singapore, 14 March 2014

Statements of Financial Position

As at 31 December 2013

Note	The Group		The Company		
	2013	2012	2013	2012	
	S\$	S\$	S\$	S\$	
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	20,250,863	17,964,999	2,056,277	1,473,515
Subsidiaries	5	-	-	22,586,053	21,150,122
Other assets	6	137,500	137,500	137,500	137,500
		20,388,363	18,102,499	24,779,830	22,761,137
Current Assets					
Inventories	7	8,365,678	6,487,572	1,544,531	1,343,274
Trade and other receivables	8	22,217,529	21,218,118	35,381,410	25,779,786
Cash and bank balances	9	10,722,477	12,329,292	2,529,320	5,982,370
		41,305,684	40,034,982	39,455,261	33,105,430
Total assets		61,694,047	58,137,481	64,235,091	55,866,567
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	10	21,126,966	20,908,817	21,126,966	20,908,817
Retained earnings		5,098,673	5,338,471	7,321,736	4,832,651
Other reserves	11	2,905,764	1,667,203	965,066	1,026,620
Total equity		29,131,403	27,914,491	29,413,768	26,768,088
Non-Current Liabilities					
Deferred tax liabilities	12	275,775	148,209	215,570	71,212
Borrowings	13	1,014,884	595,733	1,014,884	595,733
		1,290,659	743,942	1,230,454	666,945
Current Liabilities					
Trade and other payables	14	20,321,569	17,518,759	23,202,588	17,129,544
Borrowings	13	10,874,143	11,822,243	10,320,024	11,241,658
Current tax payable		76,273	138,046	68,257	60,332
		31,271,985	29,479,048	33,590,869	28,431,534
Total liabilities		32,562,644	30,222,990	34,821,323	29,098,479
Total equity and liabilities		61,694,047	58,137,481	64,235,091	55,866,567

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 2013

	Note	2013 S\$	2012 S\$
Revenue	3	69,345,831	68,438,181
Other income	15	173,105	1,801,913
Raw materials and consumables used		(31,344,082)	(33,147,117)
Changes in inventories of finished goods and work in progress		264,916	(275,329)
Employee benefits expense	16	(18,348,848)	(15,125,163)
Depreciation expense		(3,760,448)	(3,700,805)
Other charges	17	(285,990)	(1,242,577)
Finance costs	18	(436,729)	(546,313)
Other expenses		(15,059,616)	(14,183,068)
Profit before taxation	19	548,139	2,019,722
Taxation	20	(210,797)	181,986
Profit for the year		337,342	2,201,708
Other comprehensive income after tax:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		1,269,489	(1,367,279)
Other comprehensive income for the year, net of tax of nil		1,269,489	(1,367,279)
Total comprehensive income for the year		1,606,831	834,429
Earnings per share attributable to owners of the parent			
- Basic	21.1	0.09	0.94
- Diluted	21.2	0.09	0.94

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 2013

	Attributable to owners of the parent						Total equity
	Share capital	Retained earnings	Share option reserve	Warrant reserve	Currency translation reserve	Statutory reserve	
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Balance at 1 January 2012	20,108,817	3,162,824	260,812	-	178,543	1,811,710	25,522,706
Profit for the year	-	2,201,708	-	-	-	-	2,201,708
Other comprehensive income for the year	-	-	-	-	(1,367,279)	-	(1,367,279)
- Currency translation differences	-	-	-	-	(1,367,279)	-	(1,367,279)
Total comprehensive income for the year	-	2,201,708	-	-	(1,367,279)	-	834,429
Contributions by and distributions to owners	-	-	(34,192)	-	-	-	(34,192)
- Share-based payment transactions (Note 16)	-	-	(34,192)	-	-	-	(34,192)
- Rights issue of shares (Note 11)	800,000	-	-	800,000	-	-	1,600,000
Transactions with owners in their capacity as owners	800,000	-	(34,192)	800,000	-	-	1,565,808
Transfer to statutory reserve	-	(26,061)	-	-	-	17,609	(8,452)
Balance at 31 December 2012	20,908,817	5,338,471	226,620	800,000	(1,188,736)	1,829,319	27,914,491
Balance at 1 January 2013	20,908,817	5,338,471	226,620	800,000	(1,188,736)	1,829,319	27,914,491
Profit for the year	-	337,342	-	-	-	-	337,342
Other comprehensive income for the year	-	-	-	-	-	-	-
- Currency translation differences	-	-	-	-	1,269,489	-	1,269,489
Total comprehensive income for the year	-	337,342	-	-	1,269,489	-	1,606,831
Contributions by and distributions to owners	-	-	29,671	-	-	-	29,671
- Share-based payment transactions (Note 16)	-	-	29,671	-	-	-	29,671
- Exercise of share options (Note 10)	208,785	-	(90,461)	-	-	-	118,324
- Exercise of warrants (Note 10)	9,364	-	-	(764)	-	-	8,600
- Dividends (Note 26)	-	(546,514)	-	-	-	-	(546,514)
Transactions with owners in their capacity as owners	218,149	(546,514)	(60,790)	(764)	-	-	(389,919)
Transfer to statutory reserve	-	(30,626)	-	-	-	-	(30,626)
Balance at 31 December 2013	21,126,966	5,098,673	165,830	799,236	80,753	1,859,945	29,131,403

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 2013

	Note	2013 S\$	2012 S\$
Cash Flows from Operating Activities			
Profit before taxation		548,139	2,019,722
Adjustments for:			
Depreciation of property, plant and equipment	4	3,760,448	3,700,805
Equity-settled share-based payment transactions	16	29,671	(34,192)
Fair value gain on derivative financial instruments	15	-	(950)
Gain on disposal of assets classified as held for sale	15	-	(1,544,693)
Impairment loss on trade receivables	8	13,327	4,936
Interest income	15	(46,669)	(14,862)
Interest expense	18	436,729	546,313
Loss on disposal of property, plant and equipment	17	12,302	61,666
Write-down on inventories	7	57,157	672,238
Unrealised currency translation differences		148,455	28,276
Operating profit before working capital changes		4,959,559	5,439,259
Changes in bank deposits restricted in use		771,407	431,293
Changes in inventories		(1,935,263)	2,091,999
Changes in trade and other receivables		(1,012,738)	754,736
Changes in trade and other payables		2,802,810	(1,523,609)
Cash generated from operations		5,585,775	7,193,678
Income taxes (paid)/refunded		(147,410)	192,184
Net cash generated from operating activities		5,438,365	7,385,862
Cash Flows from Investing Activities			
Proceeds from disposal of assets classified as held for sale		-	3,654,369
Proceeds from disposal of property, plant and equipment		35,306	23,921
Purchase of property, plant and equipment	4	(4,063,303)	(2,166,857)
Interest received		46,669	14,862
Net cash (used in)/generated from investing activities		(3,981,328)	1,526,295
Cash Flows from Financing Activities			
Dividends paid	26	(546,514)	-
Proceeds from rights issue of shares	10	-	1,600,000
Proceeds from exercise of share options		118,324	-
Proceeds from exercise of warrants		8,600	-
Proceeds from borrowings		1,772,786	-
Repayment of borrowings		(3,714,398)	(2,890,665)
Interest paid		(436,729)	(546,314)
Net cash used in financing activities		(2,797,931)	(1,836,979)
Net (decrease)/increase in cash and bank balances		(1,340,894)	7,075,178
Cash and bank balances at beginning of year		9,926,661	3,194,636
Exchange differences on translation of cash and bank balances at beginning of year		384,022	(343,153)
Cash and bank balances at end of year	9	8,969,789	9,926,661

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 2013

1 General information

The financial statements of Metal Component Engineering Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2013 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 SGX-Catalist of the Singapore Exchange Securities Trading Limited.

The registered office 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 ("ASC"). 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 critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

Critical judgements in applying accounting policies

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 2013

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

Critical judgements in applying accounting policies (cont'd)

Cost of property, plant and equipment

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. The initial capitalisation of costs directly attributable in bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management comprise costs of employee benefits arising directly from the construction or acquisition of the items of property, plant and equipment, costs of site preparation, initial delivery and handling costs, installation and assembly costs, costs of testing whether the assets are functioning properly, and professional fees. At the end of the reporting period, the carrying amount of costs of employee benefits capitalised which were deemed as directly attributable costs based on management's judgement was S\$61,770 (2012: S\$nil).

Classification of land use right

Within the People's Republic of China ("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\$939,250 (2012: S\$924,450).

Critical 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 60 years. In particular, management estimates the useful life of plant and machinery to be 5 to 10 years. The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 4 to the financial statements. The Group performs annual reviews on whether the assumptions made on useful lives continue to be valid. As changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised.

Impairment of property, plant and equipment

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.

Management judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate 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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

Critical 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 is tested for impairment. The determination of the recoverable amount requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amount of the Company's subsidiaries at the end of the reporting period is disclosed in Note 5 to the financial statements.

Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories at the end of each reporting period, and makes 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 amount of the Group's inventories at the end of the reporting period is disclosed in Note 7 to the financial statements.

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will affect the carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed. The carrying amount of the Group's trade and other receivables at the end of the reporting period is disclosed in Note 8 to the financial statements.

Income tax

Significant judgement is involved in determining 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 recognises 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 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 2013

2(b) Interpretations and amendments to published standards effective in 2013

On 1 January 2013, the Group adopted the amended 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. This includes the following FRS which are relevant to the Group:

Reference	Description
FRS 1	Amendments to FRS 1: Presentation of Items of Other Comprehensive Income
Revised FRS 19	Employee Benefits
FRS 107	Amendments to FRS 107: Disclosures - Offsetting of Financial Assets and Financial Liabilities
FRS 113	Fair Value Measurements
Improvements to FRSs 2012	

Amendments to FRS 1: Presentation of Items of Other Comprehensive Income

The amendments to FRS 1 are effective for financial periods beginning on or after 1 July 2012.

The amendments to FRS 1 change the grouping of items presented in other comprehensive income. Items that could be classified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the amendments only affect the presentations of items that are already recognised in other comprehensive income, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

Amendments to FRS 107: Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments to FRS 107 provide disclosure requirements that are intended to help investors and other financial statement users better assess the effect or potential effect of offsetting arrangements on an entity financial position. The new disclosures require information about the gross amount of financial assets and liabilities before offsetting and the amounts set off in accordance with the offsetting model in FRS 32.

2(c) FRS not yet effective

The following are the new or amended FRS and INT FRS issued in 2013 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)
Revised FRS 27	Separate Financial Statements	1 January 2014
Revised FRS 28	Investments in Associates and Joint Ventures	1 January 2014
FRS 32	Amendments to FRS 32: Offsetting of Financial Assets and Financial Liabilities	1 January 2014
FRS 110	Consolidated Financial Statements	1 January 2014
FRS 111	Joint Arrangements	1 January 2014
FRS 112	Disclosure of Interests in Other Entities	1 January 2014

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:

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

Amendments to FRS 32: Offsetting Financial Assets and Financial Liabilities

The amendments to FRS 32 clarify the meaning of "currently has a legally enforceable right to set-off"; and that some gross settlement systems may be considered equivalent to net settlement.

2(d) Summary of significant accounting policies

Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 5 to the financial statements.

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Leasehold land and building	over the lease terms of 22 to 60 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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

Property, plant and equipment and depreciation (cont'd)

Subsequent expenditure relating to 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.

Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether there is control.

Subsidiaries are stated at cost less allowance for any impairment loss on an individual subsidiary basis in the statement of financial position of the Company.

Other assets

Other assets represent transferable memberships in recreational clubs and are stated at cost less allowance for impairment loss, if any.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

Financial assets (cont'd)

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

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.

Dividends

Final dividends proposed by the directors are not accounted for in owner's 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.

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 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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

Financial liabilities (cont'd)

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).

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 is the lessee,

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".

Where the Group is the lessee,

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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

Employee benefits (cont'd)

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.

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.

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.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets subject to impairment 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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

Impairment of non-financial assets (cont'd)

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 is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

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

Government grant

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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

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 are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve in equity.

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") 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 25 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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

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.

3 Revenue

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

	2013	2012
	S\$	S\$
The Group		
Sale of goods	67,467,695	66,393,975
Sale of scrap materials	1,878,136	2,044,206
	69,345,831	68,438,181

Notes to the Financial Statements

For the financial year ended 31 December 2013

4 Property, plant and equipment

The Group	Building improvements and							Total
	Leasehold land and building	renovations	Plant and machinery	Furniture and fittings	Office equipment	Computers	Motor vehicles	
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Cost								
At 1 January 2012	5,185,815	2,520,434	38,094,719	311,046	843,293	950,881	1,155,048	49,061,236
Additions	-	628,274	1,434,804	28,158	16,360	59,261	-	2,166,857
Disposals	-	(32,734)	(62,560)	(88,612)	(2,795)	(92,431)	(16,296)	(295,428)
Exchange difference on translation	(415,339)	(144,077)	(1,004,666)	(8,270)	(45,034)	(21,333)	(17,136)	(1,655,855)
At 31 December 2012	4,770,476	2,971,897	38,462,297	242,322	811,824	896,378	1,121,616	49,276,810
Additions	-	575,700	3,393,765	20,818	68,806	1,064,976	230,437	5,354,502
Disposals	-	(26,522)	(77,947)	(5,833)	(17,327)	(2,590)	(50,005)	(180,224)
Exchange difference on translation	316,257	127,404	796,822	6,430	44,067	13,781	14,620	1,319,381
At 31 December 2013	5,086,733	3,648,479	42,574,937	263,737	907,370	1,972,545	1,316,668	55,770,469
Accumulated depreciation								
At 1 January 2012	996,550	1,274,116	24,136,604	230,259	517,865	673,638	716,224	28,545,256
Depreciation	154,363	436,329	2,707,517	26,089	82,651	113,847	180,009	3,700,805
Disposals	-	(2,821)	(16,786)	(87,156)	(1,382)	(86,878)	(14,818)	(209,841)
Exchange difference on translation	(74,847)	(78,466)	(514,277)	(4,960)	(27,865)	(12,604)	(11,390)	(724,409)
At 31 December 2012	1,076,066	1,629,158	26,313,058	164,232	571,269	688,003	870,025	31,311,811
Depreciation	163,400	465,237	2,703,104	25,799	85,917	151,360	165,631	3,760,448
Disposals	-	(18,996)	(45,850)	(5,489)	(16,067)	(2,276)	(43,938)	(132,616)
Exchange difference on translation	74,086	60,486	392,235	2,984	31,582	7,526	11,064	579,963
At 31 December 2013	1,313,552	2,135,885	29,362,547	187,526	672,701	844,613	1,002,782	35,519,606
Net book value								
At 31 December 2013	3,773,181	1,512,594	13,212,390	76,211	234,669	1,127,932	313,886	20,250,863
At 31 December 2012	3,694,410	1,342,739	12,149,239	78,090	240,555	208,375	251,591	17,964,999

Notes to the Financial Statements

For the financial year ended 31 December 2013

4 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 2012	228,900	1,539,848	130,746	43,057	409,297	842,223	3,194,071
Additions	-	-	-	149	4,399	-	4,548
Disposals	-	-	(86,384)	-	(92,432)	-	(178,816)
At 31 December 2012	228,900	1,539,848	44,362	43,206	321,264	842,223	3,019,803
Additions	117,560	-	1,200	1,860	924,590	-	1,045,210
Disposals	(5,590)	(9,190)	(4,814)	(11,150)	-	-	(30,744)
At 31 December 2013	340,870	1,530,658	40,748	33,916	1,245,854	842,223	4,034,269
<u>Accumulated depreciation</u>							
At 1 January 2012	168,995	106,328	116,755	28,357	323,618	503,830	1,247,883
Depreciation	58,005	213,295	5,026	3,930	41,431	149,981	471,668
Disposals	-	-	(86,385)	-	(86,878)	-	(173,263)
At 31 December 2012	227,000	319,623	35,396	32,287	278,171	653,811	1,546,288
Depreciation	30,353	213,295	4,885	4,241	85,898	123,381	462,053
Disposals	(5,540)	(9,190)	(4,469)	(11,150)	-	-	(30,349)
At 31 December 2013	251,813	523,728	35,812	25,378	364,069	777,192	1,977,992
<u>Net book value</u>							
At 31 December 2013	89,057	1,006,930	4,936	8,538	881,785	65,031	2,056,277
At 31 December 2012	1,900	1,220,225	8,966	10,919	43,093	188,412	1,473,515

Notes to the Financial Statements

For the financial year ended 31 December 2013

4 Property, plant and equipment (cont'd)

The carrying amount of property, plant and equipment held under finance leases for the Group and the Company was S\$3,802,833 (2012: S\$2,544,868) and S\$348,058 (2012: S\$507,618) (Note 13.1), comprising plant and machinery of S\$3,739,775 (2012: S\$2,360,250) and S\$285,000 (2012: S\$323,000) and motor vehicles of S\$63,058 (2012: S\$184,618) and S\$63,058 (2012: S\$184,618), respectively.

The Group's plant and machinery with a carrying amount of S\$959,360 (2012: S\$1,080,186) was pledged to a bank to secure a bank loan (Note 13.2).

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of S\$5,354,502 (2012: S\$2,166,857) of which S\$1,291,199 (2012: S\$nil) was acquired by means of finance leases. Cash payments of S\$4,063,303 (2012: S\$2,166,857) 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:

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

The Group's and the Company's motors vehicles with carrying amount of S\$106,244 (2012: S\$184,618) and S\$63,058 (2012: S\$184,618) respectively are registered in the names of certain directors and are held in trust for the Company and certain subsidiaries.

5 Subsidiaries

	<u>2013</u>	<u>2012</u>
	<u>S\$</u>	<u>S\$</u>
The Company		
Unquoted equity investments, at cost	23,773,839	23,773,839
Less: Allowance for impairment losses	(1,187,786)	(2,623,717)
	<u>22,586,053</u>	<u>21,150,122</u>
Allowance for impairment losses:		
At 1 January	2,623,717	1,660,123
Allowance (reversed)/made	(1,435,931)	963,594
At 31 December	<u>1,187,786</u>	<u>2,623,717</u>

Impairment testing of investments in subsidiaries

As at 31 December 2012, management performed impairment test for the Company's investments in certain subsidiaries which had been incurring losses. An impairment loss of S\$963,594 was recognized in the Company's profit or loss for the financial year ended 31 December 2012 to write down the investments in these subsidiaries to their recoverable amount. Management had determined the impairment of these subsidiaries based on their nets assets which were considered by management as reasonable approximation of the recoverable amount of the subsidiaries as at 31 December 2012.

Notes to the Financial Statements

For the financial year ended 31 December 2013

5 Subsidiaries (cont'd)

Impairment testing of investments in subsidiaries (cont'd)

As at 31 December 2013, following the improvement in financial condition and return to profitability of certain subsidiaries, S\$1,435,931 of the allowance for impairment previously made was reversed to the Company's profit or loss for the financial year ended 31 December 2013.

Details of the subsidiaries are:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held	
			2013	2012
			%	%
<u>Held by the Company</u>				
Metal Precision Services Pte Ltd ^(a)	Provision of services relating to metal wire cutting and milling	Singapore	100	100
MCE Technologies Sdn Bhd ^(b)	Metal stamping and manufacturing of tools and fixtures	Malaysia	100	100
MCE Manufacturing Sdn Bhd ^(b)	Dormant	Malaysia	100	100
MCT (Thailand) Co., Ltd. ^(c)	Metal stamping and manufacturing of tools and fixtures	Thailand	100	100
Metal Component Engineering (Shanghai) Co., Ltd ^(d)	Metal stamping and manufacturing of tools and fixtures	People's Republic of China	100	100
Metal Component Technologies (Wuxi) Co., Ltd ^(e)	Metal stamping and manufacturing of tools and fixtures	People's Republic of China	100	100
MCE Industries (Shanghai) Co., Ltd ^(e)	Metal stamping and manufacturing of tools and fixtures	People's Republic of China	100	100
Metal Computer Component (Suzhou) Ltd ^(e)	Metal stamping and plating related activities	People's Republic of China	100	100

(a) Audited by Foo Kon Tan Grant Thornton LLP

(b) Audited by SJ Grant Thornton, Malaysia

(c) Audited by Grant Thornton 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 2013

6 Other assets

	2013	2012
	S\$	S\$
The Group and the Company		
Club memberships, at cost	137,500	137,500

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

7 Inventories

	The Group		The Company	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Raw materials	3,609,542	2,641,595	8,433	36,010
Work in progress	2,150,031	1,206,190	-	-
Finished goods	2,606,105	2,639,787	1,536,098	1,307,264
	8,365,678	6,487,572	1,544,531	1,343,274

In 2013, the costs recognised as expense for raw materials and consumables together with changes in finished goods and work in progress amounted to S\$31,079,166 (2012: S\$33,422,446).

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:

	The Group		The Company	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
At 1 January	1,483,173	1,043,104	37,793	37,793
Allowance made (Note 17)	57,157	672,238	-	-
Allowance utilised	-	(178,014)	-	-
Exchange difference on translation	39,323	(54,155)	-	-
At 31 December	1,579,653	1,483,173	37,793	37,793

Due to the decline in selling prices and the obsolescence of certain inventories, the Group wrote down S\$57,157 (2012: S\$672,238) of the inventories to their net realisable value.

Notes to the Financial Statements

For the financial year ended 31 December 2013

8 Trade and other receivables

	The Group		The Company	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Trade receivables				
- third parties	21,041,702	19,094,830	7,525,185	7,388,988
- subsidiaries	-	-	22,528,208	13,687,360
	21,041,702	19,094,830	30,053,393	21,076,348
Less: Allowance for impairment losses	(878,276)	(838,009)	(292,276)	(278,701)
Net trade receivables	20,163,426	18,256,821	29,761,117	20,797,647
Amounts due from subsidiaries (non-trade)	-	-	5,357,446	4,465,038
Less: Allowance for impairment losses	-	-	-	(116,875)
	-	-	5,357,446	4,348,163
Deposits	458,163	1,417,685	40,972	280,951
Other receivables	368,995	171,086	129,413	82,450
Tax recoverable	52,389	64,425	-	-
Net other receivables	879,547	1,653,196	5,527,831	4,711,564
Prepayments	1,174,556	1,308,101	92,462	270,575
Trade and other receivables	22,217,529	21,218,118	35,381,410	25,779,786

The Group and the Company have factored trade receivables with an aggregate carrying amount of S\$5,027,725 (2012: S\$4,468,195) and S\$4,924,139 (2012: S\$4,468,195) 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	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
At 1 January	838,009	859,146	278,701	278,701
Allowance made (Note 17)	13,575	4,936	13,575	-
Allowance reversed (Note 15)	(248)	-	-	-
Exchange difference on translation	26,940	(26,073)	-	-
At 31 December	878,276	838,009	292,276	278,701

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 2013

8 Trade and other receivables (cont'd)

The movement in allowance for impairment losses in respect of the non-trade amounts due from subsidiaries is as follows:

	2013	2012
	S\$	S\$
The Company		
At 1 January	116,875	116,875
Allowance reversed	(116,875)	-
At 31 December	-	116,875

As at 31 December 2012, an allowance of S\$116,875 was made by the Company for the impairment of its outstanding non-trade balance due from a subsidiary which had been incurring losses for the past financial years. In 2013, following the improvement in financial condition and the achievement of profit by the subsidiary, the allowance was fully reversed.

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Singapore dollar	642,992	899,843	5,414,637	5,363,264
Euro	36,426	9,598	-	-
Japanese yen	27,909	-	48,840	57,794
Malaysian ringgit	740,099	390,406	-	-
Renminbi	5,047,502	5,800,958	1,219,498	1,118,872
Thai baht	985,836	14,503	738,492	3,990
United States dollar	14,736,765	14,102,810	27,959,943	19,235,866
	22,217,529	21,218,118	35,381,410	25,779,786

The Group and the Company generally extend up to 45 to 90 days' credit 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	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
<u>By geographical areas</u>				
Southeast Asia	10,265,907	8,258,192	6,597,994	6,736,051
China	9,403,042	8,363,638	595,132	214,427
North America	383,309	1,117	-	-
Others	111,168	1,633,874	39,783	159,809
	20,163,426	18,256,821	7,232,909	7,110,287

Notes to the Financial Statements

For the financial year ended 31 December 2013

8 Trade and other receivables (cont'd)

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

	The Group		The Company	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Past due 0 to 3 months	9,525,023	8,079,804	1,632,911	1,829,898
Past due 3 to 6 months	3,211,341	3,131,413	110,647	1,995,041
Past due over 6 months	1,093,597	167,348	545,373	157,406
	13,829,961	11,378,565	2,288,931	3,982,345

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.

9 Cash and bank balances

	The Group		The Company	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Cash at banks and on hand	10,722,477	12,329,292	2,529,320	5,982,370

Bank deposits of S\$157,375 (2012: S\$928,782) for the Group were pledged as security to obtain bankers' guarantee to meet custom requirements in the PRC.

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

	2013	2012
	S\$	S\$
The Group		
Cash and bank balances	10,722,477	12,329,292
Less: Bank overdrafts (Note 13)	(1,595,313)	(1,473,849)
Less: Bank deposits pledged	(157,375)	(928,782)
	8,969,789	9,926,661

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Singapore dollar	361,033	1,949,360	294,234	1,898,996
Malaysian ringgit	69,036	335,882	-	-
Renminbi	3,919,457	1,981,515	-	-
Thai baht	791,681	97,800	-	-
United States dollar	5,581,270	7,964,735	2,235,086	4,083,374
	10,722,477	12,329,292	2,529,320	5,982,370

Notes to the Financial Statements

For the financial year ended 31 December 2013

10 Share capital

	2013	2012	2013	2012
The Group and the Company	Number of ordinary shares		S\$	S\$
<u>Issued and fully paid, with no par value</u>				
At 1 January	360,000,000	180,000,000	20,908,817	20,108,817
Rights issue of shares	-	180,000,000	-	800,000
Exercise of share options	4,640,000	-	208,785	-
Exercise of warrants	172,000	-	9,364	-
At 31 December	364,812,000	360,000,000	21,126,966	20,908,817

In 2012, the Company issued 180,000,000 rights shares at S\$0.01 per share and 180,000,000 free detachable warrants attached to the rights shares under a rights shares and warrants issue amounting to S\$1,800,000 in total. 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 proceeds of S\$1,800,000, net of transaction costs of S\$200,000, are allocated to ordinary shares and warrants using the fair value of the two instruments on a pro-rata basis. As a result, S\$800,000 was recorded in the share capital account and S\$800,000 in the warrant reserve.

In 2013, the Company allotted and issued 4,640,000 new ordinary shares to directors and employees upon the exercise of share options under the MCE Share Option Scheme.

In 2013, 172,000 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 Other reserves

	<u>The Group</u>		<u>The Company</u>	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Share option reserve	165,830	226,620	165,830	226,620
Warrant reserve	799,236	800,000	799,236	800,000
Currency translation reserve	80,753	(1,188,736)	-	-
Statutory reserve	1,859,945	1,829,319	-	-
	2,905,764	1,667,203	965,066	1,026,620

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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

11 Other reserves (cont'd)

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 presentation currency.

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	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
At 1 January	148,209	168,480	71,212	71,212
Recognised in profit or loss (Note 20)	125,160	(20,271)	144,358	-
Exchange difference on translation	2,406	-	-	-
At 31 December	275,775	148,209	215,570	71,212
To be settled after one year	275,775	148,209	215,570	71,212

Notes to the Financial Statements

For the financial year ended 31 December 2013

12 Deferred tax liabilities (cont'd)

Deferred tax liabilities are attributable to the following:

	Excess of net book value over tax written down value of qualifying property, plant and equipment
The Group	S\$
At 1 January 2013	148,209
Recognised in profit or loss (Note 20)	125,160
Exchange difference on translation	2,406
At 31 December 2013	275,775
The Company	
At 1 January 2013	71,212
Recognised in profit or loss	144,358
At 31 December 2013	215,570

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.

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\$1,554,378 (2012: S\$2,633,570) and the deferred tax liabilities are estimated at S\$77,719 (2012: S\$131,679) at the end of the reporting period.

Notes to the Financial Statements

For the financial year ended 31 December 2013

12 Deferred tax liabilities (cont'd)

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

	The Group		The Company	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Unutilised tax losses	7,838,935	6,950,639	-	270,883
Unabsorbed capital allowances	-	132,233	-	-
	7,838,935	7,082,872	-	276,883

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.

13 Borrowings

	Note	The Group		The Company	
		2013	2012	2013	2012
		S\$	S\$	S\$	S\$
Non-current					
Obligations under finance leases	13.1	1,014,884	595,733	1,014,884	595,733
Current					
Obligations under finance leases	13.1	735,305	651,469	735,305	651,469
Loans from financial institutions	13.2	3,144,857	3,212,717	3,144,857	3,212,717
Bank overdrafts	13.3	1,595,313	1,473,849	1,485,037	1,349,208
Bills payable to banks	13.4	5,398,668	6,484,208	4,954,825	6,028,264
		10,874,143	11,822,243	10,320,024	11,241,658
		11,889,027	12,417,976	11,334,908	11,837,391

Notes to the Financial Statements

For the financial year ended 31 December 2013

13 Borrowings (cont'd)

13.1 Obligations under finance leases

	2013	2012
	S\$	S\$
The Group and the Company		
Minimum lease payments payable:		
Due not later than one year	831,090	716,553
Due later than one year and not later than five years	1,141,352	687,654
	1,972,442	1,404,207
Less: Finance charges allocated to future periods	(222,253)	(157,005)
Present value of minimum lease payments	1,750,189	1,247,202
Present value of minimum lease payments:		
Due not later than one year	735,305	651,469
Due later than one year and not later than five years	1,014,884	595,733
	1,750,189	1,247,202
Represented by:		
Current	735,305	651,469
Non-current	1,014,884	595,733
	1,750,189	1,247,202

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 (2012: 3 to 9 years). The interest rates for the finance leases range from 3.10% to 5.25% (2012: 4.73% to 7.85%) 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\$3,739,775 (2012: S\$2,360,250) and S\$285,000 (2012: S\$323,000) and motor vehicles of S\$63,058 (2012: S\$184,618) and S\$63,058 (2012: S\$184,618), for the Group and the Company, respectively (Note 4).

13.2 Loans from financial institutions

	2013	2012
	S\$	S\$
The Group and the Company		
Short-term bank loans (unsecured)	1,900,000	1,900,000
Long-term bank loan (secured)	346,586	668,082
Long-term bank loans (unsecured)	-	644,635
Long-term loans from other financial institution (unsecured)	898,271	-
	3,144,857	3,212,717

The terms and conditions of loans from financial institutions are as follows:

- (a) A one-month bank loan comprising two drawdowns of S\$300,000 and S\$200,000 respectively commences in December 2013. Interest rates range from 2.9% to 3.1% per annum. The bank loan is unsecured.

Notes to the Financial Statements

For the financial year ended 31 December 2013

13 Borrowings (cont'd)

13.2 Loans from financial institutions (cont'd)

- (b) A three-month bank loan comprising two drawdowns of S\$100,000 and S\$400,000 respectively commences in October 2013. Interest rates range from 3.2% to 5.0% per annum. The bank loan is unsecured.
- (c) A three-month bank loan comprising one drawdown of S\$900,000 commences in December 2013. Interest is charged at approximately 2.4% per annum. The bank loan is unsecured.
- (d) A four-year bridging loan of S\$3,000,000 from a bank under the Local Enterprise Finance Scheme ("LEFS") is repayable in 48 equal monthly instalments commencing from May 2009. Interest is charged at 5% per annum. The bank loan is unsecured.
- (e) A four-year bridging loan of S\$1,000,000 from a bank under the LEFS is repayable in 48 equal monthly instalments commencing from May 2009. Interest is charged at 5% per annum. The bank loan is unsecured. The bank loan was fully repaid in 2013.
- (f) A four-year bridging loan at S\$1,000,000 from a bank under the LEFS is repayable in 48 equal monthly instalments commencing from August 2009. Interest is charge at 5% per annum. The bank loan is unsecured. The bank loan was fully repaid in 2013.
- (g) A five-year bank loan of S\$1,500,000 is repayable in 60 equal monthly instalments commencing from January 2010. Interest is charged at 7.5% per annum. The bank loan is secured by a subsidiary's plant and machinery with a carrying amount of S\$959,360 (2012: S\$1,080,186) (Note 4).
- (h) A three-year loan of S\$500,000 from other financial institution is repayable in 36 equal monthly instalments commencing from June 2013. Interest is charged at 3.5% per annum. The loan is unsecured.
- (i) A three-year loan of S\$500,000 from other financial institution is repayable in 36 equal monthly instalments commencing from December 2013. Interest is charged at 3.5% per annum. The loan is unsecured.

The agreements for the long-term loans 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.

13.3 Bank overdrafts

	The Group		The Company	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Bank overdraft (secured)	110,276	124,641	-	-
Bank overdrafts (unsecured)	1,485,037	1,349,208	1,485,037	1,349,208
	1,595,313	1,473,849	1,485,037	1,349,208

The bank overdrafts bear interest at variable rates ranging from 4.25% to 5.75% (2012: 4.25% to 5.75%) per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2013

13 Borrowings (cont'd)

13.3 Bank overdrafts (cont'd)

The Group's bank overdraft of S\$110,276 (2012: S\$124,641) is secured through a corporate guarantee from the Company.

13.4 Bills payable to banks

	The Group		The Company	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Bills payable to banks (secured)	3,465,386	4,004,061	3,021,543	3,548,118
Bills payable to banks (unsecured)	1,933,282	2,480,147	1,933,282	2,480,146
	5,398,668	6,484,208	4,954,825	6,028,264

The bills payable to banks bear interest at variable rates ranging from 2.88% to 7.5% (2012: 1.52% to 5.25%) per annum.

The Group's and the Company's bills payable to banks of S\$3,465,386 (2012: S\$4,004,061) and S\$3,021,543 (2012: S\$3,548,118) are secured through a corporate guarantee from the Company and/or certain trade receivables with an aggregate carrying amount of S\$5,027,725 (2012: S\$4,468,195) and S\$4,924,139 (2012: S\$4,468,195) respectively (Note 8).

13.5 Currency risk

Borrowings are denominated in the following currencies:

	The Group		The Company	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Singapore dollar	6,432,819	5,871,923	6,432,819	5,965,468
Euro	29,120	-	29,120	-
Malaysian ringgit	554,119	580,585	-	-
United States dollar	4,872,969	5,965,468	4,872,969	5,871,923
	11,889,027	12,417,976	11,334,908	11,837,391

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	
	2013	2012	2013	2012
	%	%	%	%
Obligations under finance leases	6.1	5.9	6.1	5.9
Loans from financial institutions	4.7	4.5	4.7	4.5
Bank overdrafts	4.8	5.7	4.5	5.4
Bills payable to banks	3.5	3.5	3.5	3.5

Notes to the Financial Statements

For the financial year ended 31 December 2013

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:

	Carrying amount	Fair value
The Group and the Company	S\$	S\$
2013		
Obligations under finance leases	1,750,189	1,807,824
Loans from financial institutions	1,244,857	1,265,523
2012		
Obligations under finance leases	1,247,202	1,304,266
Loans from financial institutions	1,312,717	1,329,751

The fair values are determined from the discounted cash flow analyses, using the 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:

	2013	2012
The Group and the Company	%	%
Obligations under finance leases	6.6	6.4
Loans from financial institutions	5.2	5.0

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 2013

14 Trade and other payables

	The Group		The Company	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Trade payables				
- third parties	15,321,393	13,184,517	3,584,026	2,503,641
- subsidiaries	-	-	16,406,032	11,707,520
	15,321,393	13,184,517	19,990,058	14,211,161
Amounts due to subsidiaries (non-trade)	-	-	1,490,767	1,399,223
Accrued expenses	2,599,527	3,118,856	1,107,284	1,167,326
Other payables	2,400,649	1,215,386	614,479	351,834
	5,000,176	4,334,242	3,212,530	2,918,383
	20,321,569	17,518,759	23,202,588	17,129,544

The average credit period taken to settle trade payables is approximately 150 days (2012: 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.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Singapore dollar	1,370,294	2,338,666	1,930,264	3,311,591
Australian dollar	107	-	32,187	36,208
Euro	78,280	67,925	78,388	52,294
Malaysian ringgit	3,697,067	2,626,068	42,075	-
Renminbi	9,653,865	7,731,036	1,578,888	1,478,105
Thai baht	296,764	42,990	-	-
United States dollar	5,225,192	4,712,074	19,540,786	12,251,346
	20,321,569	17,518,759	23,202,588	17,129,544

Notes to the Financial Statements

For the financial year ended 31 December 2013

15 Other income

	2013	2012
	S\$	S\$
The Group		
Fair value gain on derivative financial instruments	-	950
Gain on disposal of assets classified as held for sale	-	1,544,693
Government grant	78,279	-
Interest income from bank balances	46,669	14,862
Reversal of impairment loss of trade receivables (Note 8)	248	-
Sundry income	47,909	241,408
	173,105	1,801,913

Government grant relates to the financial assistance awarded by International Enterprise Singapore to the Company under Global Company Partnership for the setting up of an overseas marketing office by the Company in Thailand.

16 Employee benefits expense

	2013	2012
	S\$	S\$
The Group		
Directors:		
Directors' fees	110,000	95,000
Directors' remuneration other than fees:		
- salaries and other related costs	1,164,203	1,135,508
- contributions to defined contribution plans	76,775	74,410
- share-based payment transactions	11,113	(14,555)
	1,362,091	1,290,363
Key management personnel (other than directors):		
- salaries and other related costs	834,303	694,494
- contributions to defined contribution plans	119,888	110,773
- share-based payment transactions	9,112	(19,637)
	963,303	785,630
Other than directors and key management personnel:		
- salaries and other related costs	14,085,614	11,283,665
- contributions to defined contribution plans	1,928,394	1,765,505
- share-based payment transactions	9,446	-
	16,023,454	13,049,170
	18,348,848	15,125,163

Notes to the Financial Statements

For the financial year ended 31 December 2013

17 Other charges

	2013	2012
	S\$	S\$
The Group		
Foreign exchange loss, net	202,956	503,737
Impairment loss on trade receivables (Note 8)	13,575	4,936
Loss on disposal of property, plant and equipment	12,302	61,666
Write-down on inventories (Note 7)	57,157	672,238
	285,990	1,242,577

18 Finance costs

	2013	2012
	S\$	S\$
The Group		
Interest expense on:		
- bank overdrafts	71,058	83,697
- bills payable to banks	159,097	183,126
- finance leases	84,916	91,199
- loans from financial institutions	121,658	188,291
	436,729	546,313

19 Profit before taxation

	2013	2012
	S\$	S\$
The Group		
Profit before taxation has been arrived at after charging:		
Operating lease expense	1,656,121	1,649,836

20 Taxation

	2013	2012
	S\$	S\$
The Group		
Current taxation		
- current year	90,637	174,158
- over provision in respect of prior years	(5,000)	(335,873)
	85,637	(161,715)
Deferred taxation		
- origination and reversal of temporary differences	107,213	-
- under/(over) provision in respect of prior years	17,947	(20,271)
	125,160	(20,271)
	210,797	(181,986)

Notes to the Financial Statements

For the financial year ended 31 December 2013

20 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 profits as a result of the following:

	2013	2012
	S\$	S\$
The Group		
Profit before taxation	548,139	2,019,722
Tax at statutory rates applicable to different jurisdictions	129,519	418,216
Tax effect non-deductible expenses	119,012	357,006
Tax effect on non-taxable income	(80,854)	(37,916)
Tax exempt income and incentives	(204,000)	(610,985)
Deferred tax assets on temporary differences not recognised	331,542	-
Utilisation of deferred tax assets on temporary differences not recognised in prior years	(114,021)	-
Over provision of current taxation in respect of prior years	(5,000)	(335,873)
Under/(Over) provision of deferred taxation in respect of prior years	17,947	(20,271)
Others	16,652	47,837
	210,797	(181,986)

Singapore

The corporate income tax rate applicable to the Company and Metal Precision Services Pte Ltd is 17% for the year of assessment 2011 onwards.

Malaysia

The corporate income tax rate applicable to Metal Technologies Sdn Bhd and MCE Manufacturing Sdn Bhd is 25% (2012: 25%) for the financial year ended 31 December 2013.

Thailand

The corporate income tax rate applicable to MCT (Thailand) Co., Ltd. is 23% for the tax year beginning on or after 1 January 2012 and 20% for the subsequent two tax years.

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% (2012: 25%) for the current financial year, except for Metal Computer Component (Suzhou) Ltd which was subject to a preferential tax rate of 12.5% for the financial year ended 31 December 2012. Being a wholly foreign-owned enterprise, the PRC subsidiary was exempted from EIT for a period of two years from its first profit-making year of 2008 which had been agreed by the PRC tax authority, and was entitled to a 50% reduction in EIT for the three years subsequently. The aforementioned tax incentive applicable for a period of five years had been fully utilised by the remaining PRC subsidiaries in 2011 or before.

Notes to the Financial Statements

For the financial year ended 31 December 2013

21 Earnings per share

21.1 Basic earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders of S\$337,342 (2012: S\$2,201,708), and a weighted average number of ordinary shares outstanding of 363,068,307 (2012: 234,098,361), calculated as follows:

Weighted average number of ordinary shares (basic)

	<u>2013</u>	<u>2012</u>
The Group	Number of ordinary shares	
Issued ordinary shares at beginning of year	360,000,000	180,000,000
Effect of rights shares issued	-	54,098,361
Effect of share options exercised	3,018,740	-
Effect of warrants exercised	49,567	-
Weighted average number of ordinary shares at end of year	<u>363,068,307</u>	<u>234,098,361</u>

21.2 Diluted earnings per share

The calculation of diluted earnings per share was based on the profit attributable to ordinary shareholders of S\$337,342 (2012: S\$2,201,708), and a weighted average number of ordinary shares outstanding after adjustment for effects of all dilutive potential ordinary shares of 363,309,011 (2012: 234,098,361), calculated as follows:

Weighted average number of ordinary shares (diluted)

	<u>2013</u>	<u>2012</u>
The Group	Number of ordinary shares	
Weighted average number of ordinary shares (basic)	363,068,307	234,098,361
Effect of share options on issue	240,704	-
Weighted average number of ordinary shares (diluted)	<u>363,309,011</u>	<u>234,098,361</u>

The 17,700,000 (2012: 9,590,000) outstanding share options granted to directors and employees under the MCE Scheme and the 179,828,000 (2012: 180,000,000) warrants do not have a dilutive effect because the average market price of the Company's ordinary shares for the financial years ended 31 December 2013 and 2012 during which the options and warrants were outstanding does not exceed the exercise prices of the options and warrants.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

Notes to the Financial Statements

For the financial year ended 31 December 2013

22 Equity-settled share-based payment transactions

The Company adopted the MCE Share Option Scheme (the "MCE Scheme") on 4 November 2003. The MCE 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.

In 2013, adjustments were made to reduce the exercise prices of the existing share options under the MCE Scheme by half.

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

Date of grant	Balance at 1.1.2013	Options granted	Options exercised	Options cancelled/ lapsed	Balance at 31.12.2013	Exercise price	Exercise period
24.8.2004	1,000,000	-	-	-	1,000,000	S\$0.108	24.8.2005 to 23.8.2014
29.5.2007 ⁽ⁱ⁾	3,350,000	-	-	-	3,350,000	S\$0.045	29.5.2008 to 28.5.2017
8.5.2009 ⁽ⁱ⁾	4,640,000	-	(4,640,000)	-	-	S\$0.0255	8.5.2010 to 7.5.2019
8.5.2009 ⁽ⁱⁱ⁾	600,000	-	-	-	600,000	S\$0.0255	8.5.2010 to 7.5.2014
4.9.2013 ⁽ⁱ⁾	-	12,900,000	-	(450,000)	12,450,000	S\$0.05	4.9.2014 to 4.9.2023
4.9.2013 ⁽ⁱⁱ⁾	-	900,000	-	-	900,000	S\$0.05	4.9.2014 to 4.9.2018
	<u>9,590,000</u>	<u>13,800,000</u>	<u>(4,640,000)</u>	<u>(450,000)</u>	<u>18,300,000</u>		

⁽ⁱ⁾ For executive directors and employees

⁽ⁱⁱ⁾ For non-executive directors

The MCE Scheme expired on or about 3 November 2013. The Board of Directors has proposed for adoption by shareholders at the forthcoming Annual General Meeting on 25 April 2014 a new share option scheme, to be called the MCE Share Option Scheme 2014, to replace the MCE Scheme.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

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

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2013	2013	2012	2012
	S\$		S\$	
Outstanding at beginning of year	0.041	9,590,000	0.081	11,040,000
Granted during the year	0.050	13,800,000	-	-
Exercised during the year	0.026	(4,640,000)	-	-
Forfeited during the year	0.050	(450,000)	0.074	(1,450,000)
Outstanding at end of year	0.051	<u>18,300,000</u>	0.082	<u>9,590,000</u>
Exercisable at end of year	0.055	<u>4,950,000</u>	0.082	<u>9,590,000</u>

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

Exercise price	Number of options	Weighted average remaining contractual life (years)	Exercise price	Number of options	Weighted average remaining contractual life (years)
2013	2013	2013	2012	2012	2012
S\$0.108	1,000,000	0.64	S\$0.216	1,000,000	1.64
S\$0.045	3,350,000	3.41	S\$0.09	3,350,000	4.41
S\$0.0255	-	-	S\$0.051	4,640,000	6.35
S\$0.0255	600,000	0.35	S\$0.051	600,000	1.35
S\$0.05	12,450,000	9.68	-	-	-
S\$0.05	900,000	4.68	-	-	-
S\$0.051	<u>18,300,000</u>	7.49	S\$0.082	<u>9,590,000</u>	4.87

The fair value of share options as at the date of grant is estimated using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted on 4 September 2013 are shown below.

	2013
Weighted average share price	S\$0.044
Weighted average exercise price	S\$0.050
Expected volatility	57.99%
Expected option life	2 years
Risk free rate	0.50%
Expected dividend yield	3%
Fair value at measurement date	S\$0.0067

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Other than stated, no other features of the option grant were incorporated into the measurement of fair value.

Notes to the Financial Statements

For the financial year ended 31 December 2013

23 Contingent liabilities (unsecured)

	2013	2012
The Company	S\$	S\$
Corporate guarantee provided to a bank on a subsidiary's borrowings	771,900	799,201

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 one of its subsidiaries (Notes 13.3 and 13.4). These bank borrowings amounted to S\$554,119 (2012: S\$580,585) at the end of reporting period.

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.

24 Commitments

24.1 Capital commitments

	2013	2012
The Group	S\$	S\$
Capital expenditure contracted but not provided for in the financial statements	574,345	1,377,460

24.2 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	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Not later than one year	1,372,165	1,258,471	149,052	160,637
Later than one year and not later than five years	1,457,098	1,556,626	140,071	272,905
	2,829,263	2,815,097	289,123	433,542

The leases on the Group's factory premises on which rentals are payable will expire between 28 February 2014 and 9 May 2018, and the current rent payable on the leases ranges from S\$8,877 to S\$28,914 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 2013

25 Operating segments

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

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

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.

	Singapore and Thailand	Malaysia	China	Elimination	Total
	S\$	S\$	S\$	S\$	S\$
2013					
External sales	35,389,797	4,827,636	29,128,398	-	69,345,831
Inter-segment sales	13,989,288	11,109,665	28,715,303	(53,814,256)	-
Total revenue	49,379,085	15,937,301	57,843,701	(53,814,256)	69,345,831
Segment profit	4,643,269	537,250	282,368	(2,757,758)	2,705,129
Finance costs					(436,729)
Unallocated expenses ⁽ⁱ⁾					(1,720,261)
Profit before taxation					548,139
Taxation					(210,797)
Profit for the year					337,342
Other segment information:					
Segment assets	69,865,532	11,531,184	52,240,746	(71,943,415)	61,694,047
Segment liabilities	40,689,289	8,970,903	30,481,928	(47,579,476)	32,562,644
Additions of property, plant and equipment	3,327,548	647,330	2,843,157	(1,463,533)	5,354,502
Depreciation of property, plant and equipment	840,578	474,596	2,518,097	(72,823)	3,760,448
Loss/(Gain) on disposal of property, plant and equipment	395	(35,268)	3,705	43,470	12,302
Reversal of impairment loss on trade and other receivables	(103,549)	-	-	116,876	13,327
Write-down/(Reversal of write-down) on inventories	-	120,445	(597,578)	534,290	57,157

Notes to the Financial Statements

For the financial year ended 31 December 2013

25 Operating segments (cont'd)

	Singapore and Thailand	Malaysia	China	Elimination	Total
	S\$	S\$	S\$	S\$	S\$
2012					
External sales	34,656,544	5,858,656	27,922,981	-	68,438,181
Inter-segment sales	15,358,461	8,011,333	32,486,273	(55,856,067)	-
Total revenue	50,015,005	13,869,989	60,409,254	(55,856,067)	68,438,181
Segment profit/(loss)	3,436,692	1,694,991	(781,803)	(209,342)	4,140,538
Finance costs					(546,313)
Unallocated expenses ⁽ⁱ⁾					(1,574,503)
Profit before taxation					2,019,722
Taxation					181,986
Profit for the year					2,201,708
Other segment information:					
Segment assets	57,729,427	10,035,965	44,953,565	(54,581,476)	58,137,481
Segment liabilities	30,587,923	7,901,671	24,644,970	(32,911,574)	30,222,990
Additions of property, plant and equipment	1,161,836	46,501	1,833,848	(875,328)	2,166,857
Depreciation of property, plant and equipment	473,101	536,768	2,596,589	94,347	3,700,805
Gain on disposal of assets classified as held for sale	-	(740,757)	(803,936)	-	(1,544,693)
(Gain)/Loss on disposal of property, plant and equipment	-	(381,138)	3,769	439,035	61,666
Impairment loss on trade receivables	4,354	-	582		4,936
Write-down on inventories	-	307,837	364,401	-	672,238

⁽ⁱ⁾ Unallocated expenses relate to directors' remuneration and other corporate related expenses.

26 Dividends

	2013	2012
	S\$	S\$
The Group and the Company		
Final tax-exempt (one-tier) dividend of 0.15 cents (2012: nil cent) per share paid in respect of the previous financial year	546,514	-

At the Annual General Meeting on 25 April 2013, a final tax-exempt (one-tier) dividend of 0.15 cents per share amounting to S\$546,514 was proposed. These dividends paid were accounted for as a reduction in equity as a distribution of retained earnings for the current financial year.

Notes to the Financial Statements

For the financial year ended 31 December 2013

27 Financial risk management objective 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.

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 (2012: two major debtors) that represented 41% (2012: 73%) of trade receivables. The Company's trade receivables (excluding trade amounts due from subsidiaries) comprise two major debtors (2012: two major debtors) that represented 64% (2012: 67%) of trade receivables.

Notes to the Financial Statements

For the financial year ended 31 December 2013

27 Financial risk management objective 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 its subsidiaries (Note 23).

In relation to the corporate guarantee issued by the Company on behalf of one of its subsidiaries, 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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

27 Financial risk management objective and policies (cont'd)

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 cashflows:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years
	S\$	S\$	S\$	S\$
The Group				
2013				
<u>Non-derivative financial liabilities</u>				
Trade and other payables (Note 14)	20,321,569	20,321,569	20,321,569	-
Borrowings (Note 13)	11,889,027	12,344,016	10,578,449	1,765,567
	32,210,596	32,665,585	30,900,018	1,765,567
2012				
<u>Non-derivative financial liabilities</u>				
Trade and other payables (Note 14)	17,518,759	17,518,759	17,518,759	-
Borrowings (Note 13)	12,417,976	12,624,606	11,939,283	685,323
	29,936,735	30,143,365	29,458,042	685,323
The Company				
2013				
<u>Non-derivative financial liabilities</u>				
Trade and other payables (Note 14)	23,202,588	23,202,588	23,202,588	-
Borrowings (Note 13)	11,334,908	12,232,959	10,467,392	1,765,567
	34,537,496	35,435,547	33,669,980	1,765,567
2012				
<u>Non-derivative financial liabilities</u>				
Trade and other payables (Note 14)	17,129,544	17,129,544	17,129,544	-
Borrowings (Note 13)	11,837,391	12,499,080	11,813,757	685,323
	28,966,935	29,628,624	28,943,301	685,323

The Group has contractual commitments to incur capital expenditure for the purchase of property, plant and equipment (Note 24.1).

Notes to the Financial Statements

For the financial year ended 31 December 2013

27 Financial risk management objective and policies (cont'd)

27.2 Liquidity risk (cont'd)

Except for the Company's cash flows arising from its intragroup corporate guarantee (Note 23), 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 has available adequate amount of committed credit facilities from financial institutions to meet their working capital requirements.

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	
	2013	2012	2013	2012
	S\$	S\$	S\$	S\$
Fixed rate instruments				
Financial liabilities				
- obligations under finance leases	(1,750,189)	(1,247,202)	(1,750,189)	(1,247,202)
- loans from financial institutions	(1,244,857)	(1,312,717)	(1,244,857)	(1,312,717)
	(2,995,046)	(2,559,919)	(2,995,046)	(2,559,919)
Variable rate instruments				
Financial assets				
- bank balances	10,488,981	11,378,869	2,526,770	5,979,851
Financial liabilities				
- loans from financial institutions	(1,900,000)	(1,900,000)	(1,900,000)	(1,900,000)
- bank overdrafts	(1,595,313)	(1,473,849)	(1,485,037)	(1,349,208)
- bills payable to banks	(5,398,668)	(6,484,208)	(4,954,825)	(6,028,264)
	(8,893,981)	(9,858,057)	(8,339,862)	(9,277,472)
	1,595,000	1,520,812	(5,813,092)	(3,297,621)

Notes to the Financial Statements

For the financial year ended 31 December 2013

27 Financial risk management objective and policies (cont'd)

27.3 Interest rate risk (cont'd)

Fair value sensitivity analysis for fixed rate instruments

The Group does 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.

Cash flow sensitivity analysis for variable rate instruments

At the end of the reporting period, if interest rates had been 75 (2012: 75) basis points higher/lower with all other variables held constant, the Group's profit net of tax and equity would have been S\$11,963 (2012: S\$11,406) higher/lower, arising mainly as a result of higher/lower interest income from floating rate bank balances, offset by higher/lower interest expense on floating rate loans from financial institutions, bills payable to banks and bank overdrafts.

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

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. 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 Malaysian ringgit, Thai baht, Renminbi 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 2013

27 Financial risk management objective and policies (cont'd)

27.4 Foreign currency risk (cont'd)

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

	Malaysian ringgit	Renminbi	Thai baht	United States dollar
	S\$	S\$	S\$	S\$
The Group				
2013				
Trade and other receivables	-	1,219,498	738,492	52,236,835
Cash and bank balances	-	-	-	5,581,270
Borrowings	-	-	-	(4,872,969)
Trade and other payables	(45,111)	(1,578,888)	-	(42,703,856)
Net exposure	<u>(45,111)</u>	<u>(359,390)</u>	<u>738,492</u>	<u>10,241,280</u>
2012				
Trade and other receivables	-	1,118,872	3,990	14,102,810
Cash and bank balances	-	-	-	7,964,735
Borrowings	-	-	-	(5,965,468)
Trade and other payables	-	(1,478,105)	-	(4,712,074)
Net exposure	<u>-</u>	<u>(359,233)</u>	<u>3,990</u>	<u>11,390,003</u>
The Company				
2013				
Trade and other receivables	-	1,219,498	738,492	27,959,943
Cash and bank balances	-	-	-	2,235,086
Borrowings	-	-	-	(4,872,969)
Trade and other payables	(42,075)	(1,578,888)	-	(19,540,786)
Net exposure	<u>(42,075)</u>	<u>(359,390)</u>	<u>738,492</u>	<u>5,781,274</u>
2012				
Trade and other receivables	-	1,118,872	3,990	19,235,866
Cash and bank balances	-	-	-	4,083,374
Borrowings	-	-	-	(5,871,923)
Trade and other payables	-	(1,478,105)	-	(12,251,346)
Net exposure	<u>-</u>	<u>359,233</u>	<u>3,990</u>	<u>5,195,971</u>

Notes to the Financial Statements

For the financial year ended 31 December 2013

27 Financial risk management objective 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 Malaysian ringgit (MYR), 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 profit net of tax and equity.

		2013	2012
		S\$	S\$
The Group			
MYR	- strengthened 5% (2012: 5%)	(2,256)	-
	- weakened 5% (2012: 5%)	2,256	-
RMB	- strengthened 5% (2012: 5%)	(17,970)	(17,962)
	- weakened 5% (2012: 5%)	17,970	17,962
THB	- strengthened 5% (2012: 5%)	36,925	200
	- weakened 5% (2012: 5%)	(36,925)	(200)
USD	- strengthened 5% (2012: 5%)	510,994	569,500
	- weakened 5% (2012: 5%)	(510,994)	(569,500)

27.5 Market price risk

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 objectives when managing capital are:

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

28 Capital management (cont'd)

The Company is not subject to externally imposed capital requirements.

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 2013 and 2012.

The Group monitors 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 parent less the PRC subsidiaries' restricted statutory reserve fund.

	2013	2012
	S\$	S\$
The Group		
Trade and other payables (Note 14)	20,321,569	17,518,759
Borrowings (Note 13)	11,889,027	12,417,976
Total debt	32,210,596	29,936,735
Less: Cash and bank balances (Note 9)	(10,722,477)	(12,329,292)
Net debt	21,488,119	17,607,443
Equity attributable to owners of the parent	29,131,403	27,914,491
Less: Statutory reserve (Note 11)	(1,859,945)	(1,829,319)
Total capital	27,271,458	26,085,172
Total capital and net debt	48,759,577	43,692,615
Gearing ratio	44%	40%

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 does 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.

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, 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 for similar financial instruments.

Notes to the Financial Statements

For the financial year ended 31 December 2013

29 Financial instruments (cont'd)

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\$
The Group			
2013			
Trade receivables	96,063	(42,284)	53,779
Trade payables	79,054	(42,284)	36,770
2012			
Trade receivables	195,809	(48,805)	147,004
Trade payables	48,805	(48,805)	-
The Company			
2013			
Trade receivables	55,631	(1,852)	53,779
Trade payables	1,852	(1,852)	-
2012			
Trade receivables	160,310	(14,275)	146,035
Trade payables	14,275	(14,275)	-

Notes to the Financial Statements

For the financial year ended 31 December 2013

30 Comparative information

Certain comparatives in the financial statements have been reclassified to be consistent with the presentation for the current financial year. In particular, from other credits/(charges), gain on disposal of assets classified as held for sale and fair value gain on derivative financial instruments amounting to S\$1,544,693 and S\$950 respectively are classified as other income, while equity-settled share-based payment transactions amounting to S\$34,192 is classified as employee benefits expense, to better reflect the nature of these items in the consolidated statement of profit or loss and other comprehensive income.

The effects of the changes in classification on the financial statements are as follows:

	As previously stated	Reclassifications	As restated
	S\$	S\$	S\$
Consolidated statement of profit or loss and other comprehensive income			
Other income	256,270	1,545,643	1,801,913
Employee benefits expense	(15,159,355)	34,192	(15,125,163)
Other credits/(charges)	337,258	(1,579,835)	(1,242,577)

There is no effect of the above changes in classification on the Group's and the Company's statements of financial position.

Supplementary Financial Information

Disclosures required by the Catalyst Rules

Properties

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

Shareholdings Statistics

As at 14 March 2014

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 - 999	10	0.94	1,377	0.00
1,000 - 10,000	398	37.51	1,665,623	0.46
10,001 - 1,000,000	612	57.68	83,955,341	22.97
1,000,001 and above	41	3.87	279,789,659	76.57
	1,061	100.00	365,412,000	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	Cal-Comp Electronics (Thailand) Public Company Limited	60,000,000	16.42
2	Chua Kheng Choon	20,852,666	5.71
3	OCBC Securities Private Ltd	20,565,381	5.63
4	Tan Soo Yong	19,255,332	5.27
5	Hong Leong Finance Nominees Pte Ltd	15,726,943	4.30
6	Heng Hock Liang	13,859,000	3.79
7	Lim Chin Tong	11,408,000	3.12
8	Chua Han Min	9,570,000	2.62
9	Tan Yong Kee	8,858,000	2.42
10	Chua Jia Liang	7,714,000	2.11
11	Tan Chew Hiah	6,735,000	1.84
12	Tan Li Lin	6,536,000	1.79
13	Chua Seng Cheong	6,111,000	1.67
14	Chua Jun Hao, David (Cai Junhao, David)	6,000,000	1.64
15	Wang Hsuan-Yun @ Wang Sanny	5,685,000	1.56
16	HSBC Singapore Nominees Pte Ltd	5,571,000	1.52
17	Tan Eng Chua Edwin	5,017,000	1.37
18	Lye Shot Kim	5,000,000	1.37
19	Ng Tiam Moy	4,385,000	1.20
20	Ong Teng Choon	3,782,000	1.03
		242,631,322	66.38

Shareholdings Held in Hands of Public

Based on information available to the Company as at 14 March 2014, 56.9% 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 Catalist of the Singapore Exchange Securities Trading Limited has been complied with.

Shareholdings Statistics

As at 14 March 2014

SUBSTANTIAL SHAREHOLDERS

Please refer to the Register of substantial shareholders on page 95 of this Annual report

ANALYSIS OF WARRANTHOLDINGS

Range of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 - 999	12	3.39	9,958	0.01
1,000 - 10,000	102	28.81	543,810	0.30
10,001 - 1,000,000	210	59.32	32,534,990	18.09
1,000,001 and above	30	8.48	146,739,242	81.60
	354	100.00	179,828,000	100.00

TOP 20 WARRANTHOLDERS

No.	Name of Warrantholders	No. of Warrants	%
1	Cal-Comp Electronics (Thailand) Public Company Limited	30,000,000	16.68
2	Tan Eng Chua Edwin	14,051,000	7.81
3	Chua Kheng Choon	13,300,000	7.40
4	Tan Soo Yong	9,177,666	5.10
5	Lim Chin Tong	7,614,000	4.23
6	Chua Han Min	7,302,000	4.06
7	Heng Hock Liang	7,122,000	3.96
8	Maybank Kim Eng Securities Pte Ltd	5,314,161	2.96
9	Lim Andy	4,833,943	2.69
10	Phillip Securities Pte Ltd	4,555,805	2.53
11	Lye Shot Kim	3,680,000	2.05
12	Tan Chew Hiah	3,400,000	1.89
13	Wang Hsuan-Yun @ Wang Sanny	3,335,000	1.85
14	Tan Li Lin	3,268,000	1.82
15	Ong Teng Choon	2,990,667	1.66
16	Chin Tin Tew	2,933,000	1.63
17	Ho Jee Chan	2,672,000	1.49
18	Wong Chee Kheong Pius	2,614,000	1.45
19	OCBC Securities Private Ltd	2,600,000	1.45
20	Ng Tiam Moy	2,385,000	1.33
		133,148,242	74.04

Shareholdings Statistics

As at 14 March 2014

The interests of the Directors and the Substantial Shareholders in the Shares, Options and Warrants as at 14 March 2014 are set out below:

	Number of issued and paid-up shares				Number of shares in respect of unexercised options granted under the MCE Share Option Scheme		Number of shares in respect of unexercised Warrants issued by the Company			
	Direct Interests		Deemed interests				Direct interests		Deemed interests	
		%		%		%		%		%
Directors										
Chua Kheng Choon	20,959,666	5.74	6,735,000	1.84	3,400,000	18.58	13,300,000	7.39	3,400,000	1.89
Chua Han Min	9,570,000	2.62	5,000,000	1.37	2,800,000	15.30	7,302,000	4.06	3,680,000	2.04
Tan Soo Yong	19,255,332	5.27	6,536,000	1.79	1,900,000	10.38	9,177,666	5.10	3,268,000	1.82
Lim Chin Tong	11,408,000	3.12	-	-	300,000	1.64	7,614,000	4.23	-	-
Cheah Chow Seng	1,384,000	0.38	-	-	300,000	1.64	692,000	0.38	-	-
Wong Chee Wai	300,000	0.08	-	-	300,000	1.64	-	-	-	-
Substantial Shareholders/ Warrantholders										
Cal-Comp Electronics (Thailand) Public Company Limited	60,000,000	16.42	-	-	-	-	30,000,000	16.67	-	-
Chua Kheng Choon	20,959,666	5.74	6,735,000	1.84	3,400,000	18.58	13,300,000	7.39	3,400,000	1.89
Tan Soo Yong	19,255,332	5.27	6,536,000	1.79	1,900,000	10.38	9,177,666	5.10	3,268,000	1.82

Notes:

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 and 3,400,000 Warrants is derived from Shares and Warrants held in the name of his spouse.
2. Mr Chua Han Min's deemed interest in 5,000,000 Shares and 3,680,000 Warrants is derived from Shares and Warrants held in the name of his spouse.
3. Mr Tan Soo Yong's deemed interest in 6,536,000 Shares and 3,268,000 Warrants is derived from Shares and Warrants held in the name of his spouse.

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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, 25 April 2014 at 9 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2013 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect Mr Tan Soo Yong as Director, who will retire pursuant to Article 92 of the Company's Articles of Association, and who, being eligible, offer himself for re-election. **(Resolution 2)**
[See Explanatory Note (i)]
3. To re-elect Mr Lim Chin Tong as Director, who will retire pursuant to Article 92 of the Company's Articles of Association, and who, being eligible, offer himself for re-election. **(Resolution 3)**
[See Explanatory Note (ii)]
4. To declare a final dividend of 0.075 Singapore cent per share one-tier tax exempt for the year ended 31 December 2013 (2012: 0.15 Singapore cent). **(Resolution 4)**
5. To approve the payment of Directors' fees of S\$110,000 for the year ending 31 December 2014 to be paid quarterly in arrears at the end of each calendar quarter (2013: S\$110,000). **(Resolution 5)**
6. To re-appoint Foo Kon Tan Grant Thornton LLP, as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
7. 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:

8. Authority to allot and issue shares.

"That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "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
- (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:

Notice of Annual General Meeting

- (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 subparagraph (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 SGXST) 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 7)

9. 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 granted 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 8)

Notice of Annual General Meeting

10. Renewal of Shareholders' Mandate for Interested Person Transactions.

"That:

- (a) approval be and is given for the purpose of Chapter 9 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("Catalist Rules"), for the Company, its subsidiaries (as defined in the Companies Act, Chapter 50 of Singapore) and associated companies (as defined in the Catalist Rules) or any of them to enter into any of the transactions falling within the types of recurrent transactions, particulars of which are set out in the Appendix 1 to this Notice of Annual General Meeting (the "Appendix 1") with any party who is of the class of interested persons described in Appendix 1 in accordance with the guidelines of the Company for recurrent transactions as set out in the Appendix 1;
- (b) such approval shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company; and
- (c) the Directors and each of them be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they or he may consider necessary, desirable or expedient to give effect to this Resolution 9."

[See Explanatory Note (v)]

(Resolution 9)

11. Proposed Adoption of the MCE Share Option Scheme 2014

"That the share option scheme to be known as the MCE Share Option Scheme 2014 (the "**2014 Scheme**"), the rules of which have been set out in the Letter to Shareholders dated 9 April 2014 as set out in Appendix 2 of the Notice of Annual General Meeting dated 9 April 2014 (the "**Letter**"), be and is hereby approved and adopted substantially in the form set out in the rules of the 2014 Scheme, and the Board of Directors of the Company be and is hereby authorised:

- (a) to establish and administer the 2014 Scheme;
- (b) to modify and/or amend the 2014 Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the 2014 Scheme and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the 2014 Scheme;
- (c) to offer and grant Options in accordance with the rules of the 2014 Scheme and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the Options under the 2014 Scheme; and
- (d) the Directors of the Company and/or any of them be and are/is hereby authorised to complete and do all such acts and things (including executive such documents as may be required) and to enter into such transactions, arrangements and agreements as they and/or he may consider necessary, expedient, incidental or in the interests of the Company, in order to give full effect to the 2014 Scheme and the transactions contemplated and/or authorised in this Resolution."

[See Explanatory Note (vi)]

(Resolution 10)

By Order of the Board

Seah Jim Hong, Gerard
Tan Kwang Hwee, William
Secretaries

Singapore, 9 April 2014

Notice of Annual General Meeting

Explanatory Notes:

- (i) Mr Tan Soo Yong does not have any relationships, including immediate family relationships with the Directors of the Group, the company or its 10% shareholders.
- (ii) Mr Lim Chin Tong, if re-elected, will remain as Lead Independent Director, Chairman of the Audit Committee, and continue as a member of the Nominating Committee and Remuneration Committee. The Board considers Mr Lim Chin Tong to be independent for the purpose of Rule 704 (7) of the Catalist Rules. Mr Lim Chin Tong does not have any relationships, including immediate family relationships with the Directors of the Group, the company or its 10% shareholders.
- (iii) Ordinary Resolution 7 proposed in item 8 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 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 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 MCE Share Option Scheme 2003. Although the MCE Share Option Scheme 2003 expired on or about 3 November 2013, there are still outstanding options which have been previously granted under this scheme.
- (v) Ordinary Resolution 9 proposed in item 10 above, relates to the renewal of a mandate given by Shareholders on 19 April 2013 allowing the Company, its subsidiaries and associated companies (as defined in Appendix 1) to enter into transactions with the interested persons (as defined in Chapter 9 of the Catalist Rules) described in Appendix 1. Please refer to Appendix 1 to this Notice of Annual General Meeting for details.
- (vi) Ordinary Resolution 10 proposed in item 11 above, relates to the adoption of the MCE Share Option Scheme 2014. This is a new share option scheme to replace the MCE Share Option Scheme 2003 which expired on or about 3 November 2013. Please refer to the Appendix 2 to this Notice of Annual General Meeting for details.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Ang Mo Kio Street 65, Techpoint #04-02, Singapore 569059 not less than 48 hours before the time appointed for holding the Annual General Meeting.

Appendix 1 to Notice of Annual General Meeting

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Appendix to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Appendix has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Canaccord Genuity Singapore Pte. Ltd. (the "Sponsor"), 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 Appendix. This Appendix has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made, or reports contained in this Appendix.

The contact person for the Sponsor is Ms Karen Soh, Managing Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.



METAL COMPONENT ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198804700N)

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING IN RELATION TO THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

Appendix 1 to Notice of Annual General Meeting

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Appendix 1 to Notice of Annual General Meeting

DEFINITIONS

The following definitions apply throughout this Appendix unless the context otherwise requires or otherwise stated:

“AGM”	:	The annual general meeting of the Company
“Articles”	:	The articles of association of the Company
“associate”	:	(a) in relation to any Director, Chief Executive Officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: <ul style="list-style-type: none">(i) his immediate family;(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more. (b) in relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
“associated company”	:	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group and over which the Company has control
“Audit Committee”	:	The audit committee of the Company comprising Mr Lim Chin Tong, Mr Cheah Chow Seng and Mr Wong Chee Wai
“Cal-Comp”	:	Cal-Comp Electronics (Thailand) Public Company Limited
“Cal-Comp Group”	:	Cal-Comp, its subsidiaries and associated companies
“Catalist Rules”	:	The Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist
“CDP”	:	The Central Depository (Pte) Limited
“Chapter 9”	:	Chapter 9 of the Catalist Rules
“Company”	:	Metal Component Engineering Limited
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore

Appendix 1 to Notice of Annual General Meeting

“Controlling Shareholder”	:	A person who: <ul style="list-style-type: none">(a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or(b) in fact exercises control over the Company
“Directors”	:	The directors of the Company as at the date of this Appendix
“EGM”	:	The extraordinary general meeting of the Company
“entity at risk”	:	A listed company, a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange, or an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and its subsidiaries, or the listed company, its subsidiaries and its interested person(s), has control over the associated company
“Exchange” or “SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Group”	:	The Company and its subsidiaries; and in connection with the IPT Mandate, includes associated companies of the Company that are not listed on the SGX-ST or any approved exchange over which the Company and its subsidiaries, or the Company, its subsidiaries and interested persons has control
“Independent Directors”	:	The Directors who are independent of the proposed IPT Mandate, namely Mr Chua Kheng Choon, Mr Chua Han Min, Mr Tan Soo Yong, Mr Lim Chin Tong, Mr Wong Chee Wai and Mr Cheah Chow Seng
“interested person”	:	A director, chief executive officer or Controlling Shareholder of a listed company or an associate of such director, chief executive officer or Controlling Shareholder
“interested person transaction”	:	A transaction between an entity at risk and an interested person and includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly
“IPT Mandate”	:	The general mandate approved by Shareholders pursuant to Chapter 9 of the Catalyst Rules permitting any of the Company, its subsidiaries and associated companies to enter into recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations with the Cal-Comp Group

Appendix 1 to Notice of Annual General Meeting

“Latest Practicable Date”	:	14 March 2014, being the latest practicable date prior to the printing of this Appendix
“NTA”	:	Net tangible assets
“recurrent transactions”	:	Recurrent interested person transactions
“Substantial Shareholder”	:	A person (including a corporation) who holds, directly or indirectly, 5% or more of the total issued share capital of the Company
“Shareholders”	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
“Shares”	:	Ordinary shares in the capital of the Company
“S\$” and “cents”	:	Singapore dollars and cents, respectively
“%” or “per cent”	:	Percentage or per centum

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them, respectively, in Section 130A of the Companies Act.

Words importing the singular shall, wherever applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined under the Companies Act or the Catalist Rules or any statutory modification thereof and used in this Appendix shall, where applicable, have the meaning ascribed to it under the Companies Act or the Catalist Rules or any modification thereof, as the case may be.

Any reference to a time of day in this Appendix shall be a reference to Singapore time unless otherwise stated.

Appendix 1 to Notice of Annual General Meeting

LETTER TO SHAREHOLDERS

METAL COMPONENT ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 198804700N)

Directors:

Chua Kheng Choon
Chua Han Min
Tan Soo Yong
Lim Chin Tong
Wong Chee Wai
Cheah Chow Seng

Registered Office:

10 Ang Mo Kio Street 65
#04-02 Techpoint
Singapore 569059

9 April 2014

To: The Shareholders of Metal Component Engineering Limited

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE IPT MANDATE

1. INTRODUCTION

The Company has on 9 April 2014 issued a Notice of AGM to be held on 25 April 2014 (the "2014 AGM"). The proposed Ordinary Resolution 9 set out in the Notice of AGM relates to the renewal of the IPT Mandate. The purpose of this Appendix is to provide Shareholders with information relating to, and to seek their approval for, Resolution 9 at the 2014 AGM.

2. THE PROPOSED RENEWAL OF THE IPT MANDATE

The Company had, at the AGM held on 19 April 2013, sought and obtained the approval of Shareholders for the renewal of the IPT Mandate. The IPT Mandate is subject to annual renewal. The IPT Mandate approved at the AGM held on 19 April 2013 will expire at the 2014 AGM. It is proposed that the IPT Mandate be tabled to Shareholders for renewal and approval at the 2014 AGM.

The rationale for the proposed renewal of the IPT Mandate and further details of the IPT Mandate, such as the review procedures implemented by the Company, its subsidiaries and associated companies to ensure that the mandated transactions with the specified classes of interested persons of the Company that are covered by the IPT Mandate are undertaken with such interested persons on an arm's length basis and on normal commercial terms, are set out in the Annexure to this Appendix.

Appendix 1 to Notice of Annual General Meeting

The rationale of the IPT Mandate, the scope of the IPT Mandate, the benefit to Shareholders, the classes of interested persons, the particulars of the interested person transactions and the review procedures for interested person transactions in respect of which the IPT Mandate is sought to be renewed remain unchanged since the IPT Mandate was renewed at the AGM on 19 April 2013.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and the Substantial Shareholders in the Shares, Warrants and Options as at the Latest Practicable Date are set out on page 95 of the Company's 2013 Annual Report.

4. DISCLOSURES TO SHAREHOLDERS

Disclosure will be made in the Company's annual report of the aggregate value of all interested person transactions conducted with each interested person pursuant to the IPT Mandate during the current financial year, and in the annual reports for subsequent financial years that the IPT Mandate continues in force, in accordance with the requirements of Chapter 9 of the Catalist Rules. The Company will also announce the aggregate value of transactions conducted pursuant to the IPT Mandate for the financial periods that it is required to report on pursuant to Rule 705 of the Catalist Rules within the time required for the announcement of such reports.

5. ABSTENTION FROM VOTING

In accordance with the requirements of Chapter 9 of the Catalist Rules, Cal-Comp, a Substantial Shareholder and an interested person in relation to the proposed IPT Mandate, will abstain, and has undertaken to ensure that its associates, who are also interested persons, will abstain from voting on Resolution 9 relating to the renewal of the IPT Mandate to be proposed at the 2014 AGM, in respect of any Shares respectively held by them. Cal-Comp will also decline, and will procure its associates to decline, to accept appointment as proxy from any Shareholder to vote unless given specific instructions by the Shareholder as to how he wants his votes to be cast.

6. STATEMENT OF THE AUDIT COMMITTEE

The Audit Committee has reviewed the terms of the IPT Mandate and confirms that:

- (i) the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the IPT Mandate was renewed by Shareholders on 19 April 2013; and
- (ii) the methods or procedures referred to in paragraph 1.5 of the Annexure are sufficient to ensure that the transactions will be made at arm's length basis and are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If during the periodic reviews by the Audit Committee, it is of the view that the established guidelines and procedures are no longer appropriate or adequate to ensure that the recurrent transactions subject to the IPT Mandate will be carried out at arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, or in the event of any amendment to Chapter 9 of the Catalist Rules, it will direct the Company to obtain a fresh mandate from Shareholders on new guidelines and procedures for such recurrent transactions.

Appendix 1 to Notice of Annual General Meeting

7. RECOMMENDATION OF INDEPENDENT DIRECTORS

Having considered the terms of the IPT Mandate, the rationale for the IPT Mandate and the statement of Audit Committee above, the Independent Directors are of the view that the IPT Mandate, as proposed to be renewed, is in the best interests of the Company. Accordingly, the Independent Directors recommend that Shareholders vote in favour of Ordinary Resolution 9 at the forthcoming AGM to renew the IPT Mandate.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the IPT Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

9. DOCUMENTS FOR INSPECTION

Copies of the circular to shareholders in respect to IPT Mandate dated 31 August 2010 and the FY2013 Annual Report are available for inspection during normal business hours at the registered office of the Company at 10 Ang Mo Kio Street 65, #04-02 Techpoint, Singapore 569059 for a period of 3 months from the date of this Letter.

Yours faithfully
for and on behalf of the Board of Directors of
METAL COMPONENT ENGINEERING LIMITED

Chua Kheng Choon
Chairman

Appendix 1 to Notice of Annual General Meeting

Annexure

The Proposed Shareholders' Mandate For Interested Person Transactions

1. IPT MANDATE

1.1 Background

Chapter 9 governs transactions which a listed company or any of its subsidiaries or associated companies proposes to enter into with an interested person of the listed company. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with interested persons that may adversely affect the interests of the listed company or its shareholders.

Save for transactions which are not considered to be putting the listed company at risk and which are therefore excluded from the ambit of Chapter 9, an immediate announcement or shareholders' approval or both would be required in respect of transactions with interested persons if the value of the transaction is equal to or exceeds certain financial thresholds. In particular, an immediate announcement is required where:

- (a) the value of a proposed transaction is equal to or exceeds 3% of the listed group's latest audited consolidated NTA; or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than 3% of the listed group's latest audited consolidated NTA. The listed company must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during the financial year,

The approval of shareholders (in addition to an immediate announcement) is required where:

- (a) the value of a proposed transaction is equal to or exceeds 5% of the listed group's latest audited consolidated NTA; or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than 5% of the listed group's latest audited consolidated NTA. The aggregation will exclude any transaction that has been approved by shareholders previously, or is the subject of aggregation with another transaction that has been previously approved by shareholders.

For the purposes of aggregation, interested person transactions below S\$100,000 each are to be excluded.

Part VIII of Chapter 9 allows a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate granted by shareholders is subject to annual renewal.

The Company is proposing the renewal of the IPT Mandate for the scope and type of recurrent transactions covered by the IPT Mandate. If approved by Shareholders, the IPT Mandate will be renewed from the date of the passing of the ordinary resolution pertaining to the renewal of the IPT Mandate to be proposed at the forthcoming AGM and will, unless earlier revoked or varied by the Company in general meeting, continue in force until the next AGM. Thereafter, approval from Shareholders for renewal of the proposed IPT Mandate will be sought at each subsequent AGM.

Appendix 1 to Notice of Annual General Meeting

1.2 Rationale for and Benefits of the IPT Mandate

Cal-Comp is a Controlling Shareholder within the meaning of the Catalist Rules. Any transactions between the Group and the Cal-Comp Group will constitute interested person transactions under Chapter 9. The Company envisages that it is in the Group's ordinary course of business to enter into transactions with the Cal-Comp Group and it is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time. The IPT Mandate will provide the Company the flexibility to conduct the recurrent transactions in the ordinary course of business between the Group and the Cal-Comp Group, thereby enhancing the Group's ability to pursue business opportunities which are time-sensitive in nature.

The renewal of the IPT Mandate, if approved by the Shareholders, will eliminate the need for the Company to make announcements, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for each separate recurrent transaction. This will substantially reduce the expenses associated with the convening of general meetings on an ad-hoc basis, and allow such resources and time to be channeled towards attaining other business objectives.

The IPT Mandate is intended to facilitate transactions in the ordinary course of business of the Group which are transacted from time to time with the Cal-Comp Group, provided that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

1.3 Class of Interested Persons

The IPT Mandate will apply to the transactions (as described in paragraph 1.4 of this Annexure) between any corporation within the Group and the Cal-Comp Group, the only class of interested persons of the Company currently proposed to be covered by the IPT Mandate.

1.4 Nature and Scope of the Recurrent Transactions

The IPT Mandate will not apply to any transaction between the Group and the Cal-Comp Group that is below S\$100,000 in value, as the threshold and aggregation requirements contained in Chapter 9 would not apply to such a transaction. Transactions by the Group with the Cal-Comp Group that do not fall within the ambit of the IPT Mandate will be subject to the relevant provisions of Chapter 9 and other applicable provisions of the Catalist Rules.

The IPT Mandate will apply to (a) the manufacture and/or supply of metal components and related products by the Group to the Cal-Comp Group in the ordinary course of business and (b) the purchase of metal components and related products by the Group from the Cal-Comp Group in the ordinary course of business. Currently, certain corporations in the Cal-Comp Group are already purchasing metal components and related products from the Group. The Company envisages that corporations in the Group will continue to supply metal components and related products to corporations in the Cal-Comp Group and may in the future purchase metal components and related products from the Cal-Comp Group, especially since the Cal-Comp Group is a key customer of the Group.

1.5 Review Procedures for Recurrent Transactions

To ensure that the recurrent transactions between the Group and the Cal-Comp Group are carried out at arm's length, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will put in place the following guidelines for the review and approval of the recurrent transactions under the renewed IPT Mandate:

- 1.5.1 The following guidelines will be followed to assess whether the recurrent transactions between the Group and the Cal-Comp Group are carried out at arm's length and on normal commercial terms:
 - (a) when purchasing goods or obtaining services from the Cal-Comp Group, the Group will consider prevailing market conditions and where practicable or possible, at least 2 other contemporaneous purchase transactions of similar products and/or quantities will be used as comparison, to determine whether the price and terms extended to the Group are fair and reasonable and comparable to those offered to unrelated third parties for the same or substantially similar type of products and/or quantities;

Appendix 1 to Notice of Annual General Meeting

- (b) when selling goods or providing services to the Cal-Comp Group, the Group will consider prevailing market conditions and where practicable or possible, at least 2 other contemporaneous sale transactions of similar products and/or quantities will be used as comparison, to determine whether the price and terms offered to the Cal-Comp Group are fair and reasonable and comparable to those offered to unrelated third parties for the same or substantially similar type of products and/or quantities;
- (c) it might be impracticable or impossible to obtain comparable prices of contemporaneous purchase or sale transactions of similar products due to customization of the product purchased or sold or otherwise. In such event, the transaction price and terms extended or offered will be determined in accordance with the Group's usual business practices and pricing policies, including the Group's profit margin, which will not be lower than the profit margin for a similar transaction to unrelated third parties, or in accordance with industry norms (as the case may be), taking into account factors such as, but not limited to, the nature of the product, delivery schedules, order quantity, customer requirements and specifications, duration of contract, preferential rates, discounts or rebates for bulk purchases or sales and cost for freight; and
- (d) the recurrent transactions will be entered into with the Cal-Comp Group on terms which are no more favourable to the Cal-Comp Group than the usual commercial terms offered by or extended to unrelated third parties, after taking into account, if applicable, factors such as (but not limited to) the prevailing market conditions, the nature of the product, delivery schedules, order quantity, customer requirements and specifications, duration of contract, preferential rates, discounts or rebates for bulk purchases or sales and cost for freight.

1.5.2 The Directors will ensure that all such dealings will be conducted on an arm's length basis by adopting and undertaking the following guidelines and procedures:

- (a) market rates will be used as benchmarks for the recurrent transactions between the Group and the Cal-Comp Group;
- (b) in determining the most competitive purchase or sale price (as the case may be), the suitability, quality and the cost of the product, the experience and expertise of the supplier (as the case may be), terms of payment and market conditions will be taken into consideration; and
- (c) a half-yearly listing of the recurrent transactions between the Group and the Cal-Comp Group will be reviewed by the Audit Committee.

1.5.3 All recurrent transactions between the Group and the Cal-Comp Group will be subjected to the following approval procedures:

- (a) any recurrent transaction between the Group and the Cal-Comp Group the value of which is **more than S\$100,000 but equal to or less than S\$200,000** will be reviewed and approved by the relevant general manager of the relevant Group company, or the chief financial officer of the Company (the "**Officer-in-Charge**") each of whom will have no interest in the recurrent transaction, and based on the review procedures outlined in paragraph 1.5.1 of this Annexure. The Officer-in-Charge may at his discretion obtain independent advice or valuations from external or professional sources;
- (b) If the Officer-in-Charge is unable to review and approve the recurrent transaction based on the review procedures outlined in paragraph 1.5.1 of this Annexure, he will refer the approval of such recurrent transaction to any director of the Company who is not interested in the recurrent transaction;
- (c) The Officer-in-Charge will compile and tabulate all the recurrent transactions entered into under this approval procedure outlining, amongst others, the basis of determining the transaction prices and the rationale for entering into the recurrent transaction and submit the same to the Audit Committee for a half-yearly review; and

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- (d) any recurrent transaction between the Group and the Cal-Comp Group the value of which is **more than S\$200,000** will be reviewed and approved by the majority of the Audit Committee, other than members of the Audit Committee who have an interest in the recurrent transaction. The Audit Committee may at its discretion obtain independent advice or valuations from external or professional sources.

1.5.4 The Audit Committee's review process will be as follows:

- (a) all recurrent transactions will be duly documented and the records thereof will be reviewed half-yearly by or at the direction of the Audit Committee and the Audit Committee will report on the same to the Directors to ensure that such transactions are carried out at arm's length and on normal commercial terms (the "**Recurrent Transaction Register**"). If a member of the Audit Committee has an interest in a recurrent transaction to be reviewed by the Audit Committee, he will abstain from making any recommendation and any decision-making in respect of that transaction and the review and approval of that transaction will be undertaken by the remaining members of the Audit Committee;
- (b) the Recurrent Transaction Register will outline all the recurrent transactions entered into by the Group and will include all information pertinent to the evaluation of such recurrent transactions such as, but not limited to, the identity of the corporation in the Cal-Comp Group, the value of the recurrent transaction, the basis of determining the transaction prices and supporting evidence (where available) as to whether such recurrent transactions are conducted in line with the guidelines outlined above;
- (c) Pursuant to Rule 920(1)(a)(i) of the Catalist Rules, disclosure will be made in the annual report of the Company of the aggregate value of all recurrent transactions conducted pursuant to the IPT Mandate during the financial year under review, and in the annual reports for the subsequent financial years during which the proposed IPT Mandate is in force, in the form set out in Rule 907 of the Catalist Rules; and
- (d) Pursuant to Rule 920(1)(a)(ii) of the Catalist Rules, to announce the aggregate value of recurrent transactions conducted pursuant to the IPT Mandate for the financial periods which it is required to report on pursuant to Rule 705 of the Catalist Rules within the time required for the announcement of such report, in the form set out in Rule 907 of the Catalist Rules.

1.6 Validity period of the IPT Mandate

If renewed by Shareholders at the forthcoming AGM, the IPT Mandate will take effect from the date of the passing of the ordinary resolution pertaining to the IPT Mandate to be proposed at the forthcoming AGM, and will (unless revoked or varied by the Company in general meeting) continue in force until the next AGM. Approval from Shareholders will be sought for the renewal of the IPT Mandate at the next AGM and at each subsequent AGM, subject to satisfactory review by the Audit Committee of its continued application to recurrent transactions with the Cal-Comp Group. A new general mandate from Shareholders shall be sought if the periodic reviews by the Audit Committee indicate that the existing guidelines and review procedures have become inappropriate or insufficient to ensure that the interested person transactions will be conducted at arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

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THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about its contents or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Metal Component Engineering Limited (the “**Company**”), you should immediately forward this Letter to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Letter 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**”). Canaccord Genuity Singapore Pte. Ltd. has not independently verified the contents of this Letter.

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

The contact person for the Sponsor is Ms. Karen Soh, Managing Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854-6160.



METAL COMPONENT ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No: 198804700N)

LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSED ADOPTION OF THE MCE SHARE OPTION SCHEME 2014

Appendix 2 to Notice of Annual General Meeting

DEFINITIONS

In this Letter, the following definitions apply throughout unless otherwise stated:

"2003 Scheme"	The MCE Share Option Scheme adopted by shareholders on 4 November 2003, which expired on or about 4 November 2013.
"2014 Scheme"	the proposed MCE Share Option Scheme 2014, as may be modified or altered from time to time, the terms of which are set out in the Rules.
"Acceptance Period"	The period within which an Option may be accepted, as described in Rule 7.2 of the 2014 Scheme.
"Act"	Companies Act (Chapter 50) of Singapore, as amended or modified from time to time.
"Adoption Date"	The date on which the Scheme is adopted by resolution of the Shareholders of the Company.
"AGM"	The Annual General Meeting of the Company to be held on 25 April 2014 at 9.00 am.
"Associate"	<p>(a) in relation to any director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:</p> <ul style="list-style-type: none">(i) his immediate family;(ii) the trustee of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and <p>(b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.</p>
"Auditors"	The auditors of the Company for the time being.
"Board of Directors" or "Board"	The board of directors or directors of the Company, including alternate directors of the Company (if any) for the time being.
"Catalist"	The sponsor-supervised listing platform of the SGX-ST.
"Catalist Rules"	The SGX-ST Listing Manual (Section B: Rules of Catalist), as amended, varied or supplemented from time to time.

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“CDP”	The Central Depository (Pte) Limited
“Committee”	The committee comprising directors of the Company who are members of the Remuneration Committee of the Board of Directors, for the time being and duly authorised and appointed by the Board pursuant to Rule 13 to administer the 2014 Scheme.
“Company”	Metal Component Engineering Limited
“Controlling Shareholder”	A person who: a) holds directly or indirectly 15% or more of all voting shares in the Company, unless determined by SGX-ST that such person is not a controlling shareholder; or b) in fact exercises control over a Company.
“CPF”	Central Provident Fund
“EPS”	Earnings per Share
“Exercise Price”	The price at which a Participant shall subscribe for each Share upon the exercise of an Option which shall be the price determined in accordance with Rule 8 as adjusted in accordance with Rule 12.
“Financial Year”	Each period of 12 months at the end of which the financial statements of the Company are prepared and audited for the purpose of laying the same before an annual general meeting of the Company.
“Grantee”	The person selected by the Committee to participate in the 2014 Scheme and to whom an offer of an Option is made.
“Group”	The Company and its Subsidiaries.
“Group Director”	A director of the Company and/or any of its Subsidiaries, as the case may be.
“Group Employee”	A confirmed full-time employee of the Company (or any of its Subsidiaries).
“Group Executive Director”	A Group Director who performs an executive function within the Group.
“Group Non-Executive Director”	A Group Director who is not a Group Executive Director and including independent directors of the Company.
“Incentive Option”	An Option granted with the Exercise Price set at a discount to the Market Price, as set out in Rule 8.2.
“Immediate Family”	In relation to a person, means the person’s spouse, child, adopted child, step child, sibling and parent.

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“Latest Practicable Date”	The latest practicable date before the printing of this Letter, being 25 March 2014.
“Market Day”	A day on which the SGX-ST is open for trading in securities.
“Market Price”	The price equal to the average of the last dealt price for the Shares for the five (5) consecutive Trading Days immediately preceding the relevant Offering Date for the Option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST, rounded up to the nearest one-tenth of a cent.
“Market Price Option”	An Option granted with the Exercise Price set at the Market Price, as set out in Rule 8.1.
“Memorandum and Articles”	The Memorandum and Articles of Association of the Company, as amended from time to time.
“Notice of AGM”	Notice of AGM dated 9 April 2014
“NTA”	Net tangible assets of the Group.
“Offering Date”	The date on which an Option is granted to a Grantee pursuant to Rule 6, being the date of the letter of offer granting such Option.
“Option(s)”	The right to subscribe for Shares granted to a Participant pursuant to the 2014 Scheme and for the time being subsisting.
“Option Period”	The period during which an Option is exercisable in accordance with Rule 9.1.
“Participant”	A Grantee who has accepted the offer of an Option made to him under the 2014 Scheme.
“Record Date”	The date as at the close of business on which the Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions.
“Rules”	The rules of the 2014 Scheme, as modified and altered from time to time.
“SGX-ST”	Singapore Exchange Securities Trading Limited.
“Share(s)”	Ordinary share(s) in the capital of the Company.
“Shareholders”	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP whose Securities Accounts are credited with those Shares.
“Subsidiary”	Has the meaning ascribed to it in Section 5 of the Companies Act.
“Substantial Shareholder”	A person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share or those shares, is not less than 5% of the total votes attached to all the voting shares of the Company.

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"Trading Day" A Market Day on which transactions in the Shares were recorded on the SGX-ST.

Currencies, Units and Others

"S\$", "\$" and "cents" Singapore dollar and cents respectively.

"%" or "per cent" Per centum or percentage.

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" have the same meanings ascribed to them in Section 130A of the Act.

Words importing the singular shall, wherever applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Letter to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined under the Act or the Catalist Rules or any statutory modification thereof and used in this Letter shall, where applicable, have the meaning ascribed to it under the Act or the Catalist Rules or any modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day in this Letter shall be a reference to Singapore time unless otherwise stated.

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LETTER TO SHAREHOLDERS

METAL COMPONENT ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 198804700N)

Directors:

Chua Kheng Choon
Chua Han Min
Tan Soo Yong
Lim Chin Tong
Wong Chee Wai
Cheah Chow Seng

Registered Office:

10 Ang Mo Kio Street 65
Techpoint #04-02
Singapore 569059

9 April 2014

To: The Shareholders of Metal Component Engineering Limited

Dear Sir/Madam

1. INTRODUCTION

The purpose of this Letter is to provide Shareholders with information relating to, the rationale of, and to seek their approval for the MCE Share Option Scheme 2014. The aforesaid proposal has been tabled under Ordinary Resolution 10 set out in the Notice of AGM.

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.

2. THE 2014 SCHEME

2.1 Rationale

The 2014 Scheme will replace the 2003 Scheme which expired on or about 3 November 2013. Details of the 2003 Scheme are set out in Section 9 of this Letter and in Annexure 2A.

The 2014 Scheme will provide an opportunity for the Group Directors and Group Employees who have contributed and who may continue to contribute significantly to the growth and performance of the Group and who satisfy the eligibility criteria as set out in Rule 4, to participate in the equity of the Company.

The Company recognises the importance of, and places great emphasis on the recruitment and retention of qualified and experienced employees and executive directors with strong capabilities and high performance standards in order for it to be more effective in strategic planning, implementation and execution of its business plans and management of its operations.

The 2014 Scheme will provide the Company with the means to use share options as part of a remuneration and compensation plan for attracting as well as retaining executive personnel and directors and give the Group added flexibility in structuring more competitive remuneration packages which are designed to reward and retain those executive personnel and directors whose services are vital to the growth and success of the Group.

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The Board believes that the 2014 Scheme will enable the achievement of the following objectives:-

- (a) to serve as an additional method available to the Group for compensating the Participants rather than merely through salaries, salary increments and/or cash bonuses and to make remuneration sufficiently competitive to recruit and retain the Participants;
- (b) to enhance the Group's ability to retain and attract highly qualified Participants whose contributions are important to the Group's long-term business plans and objectives;
- (c) to offer Participants the opportunity to acquire or increase their equity interests in the company and a chance to share in the profits of the Company as Shareholders;
- (d) to motivate Participants to maximise their performance and efficiency due to the possible financial rewards arising from the Options granted, and to maintain a high level of contribution to the Group and create value for Shareholders;
- (e) to promote greater commitment and dedication, instill loyalty and a stronger identification by the Participants with the long-term development and growth plans of the Group; and
- (f) to align the interests of the Participants with those of the Shareholders.

2.2 Listing and Quotation

An application will be made to the SGX-ST for the listing and quotation of the new Shares on Catalist, which may be allotted and issued from time to time pursuant to the exercise of the Options. An announcement will be made in due course to notify Shareholders when the approval is obtained.

3. SUMMARY OF THE RULES OF THE 2014 SCHEME

The Rules of the 2014 are set out in Annexure 2B. A summary of the Rules of the 2014 Scheme is set out below.

3.1 Eligibility

The following persons, who have attained the age of 21 years as at the Offering Date and are not undischarged bankrupts and have not entered into a composition with their respective creditors, shall be eligible to participate in the 2014 Scheme at the absolute discretion of the Committee:

- (a) Group Employees; and
- (b) Group Directors (comprising both Group Executive Directors and Group Non-Executive Directors).

Group Directors or Group Employees who are also Controlling Shareholders or Associates of Controlling Shareholders shall not participate in the 2014 Scheme unless:

- (a) their participation; and
- (b) the actual number of Shares to be issued to them and the terms of any Option to be granted to them,

have been approved by independent Shareholders in general meeting in separate resolutions for each such person. For the purposes of obtaining such approval from the independent shareholders, the Company shall procure that the circular to the Shareholders in connection therewith shall set out the following:

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- (a) clear justifications for the participation of such Controlling Shareholders or Associates of Controlling Shareholders;
- (b) clear rationale for the number and terms (including the Exercise Price) of the Options to be granted to such Controlling Shareholders or Associates of Controlling Shareholders; and
- (c) (where Incentive Options are proposed to be granted to Controlling Shareholders or Associates of Controlling Shareholders) the discount to the Market Price applicable to the Exercise Price of such Options (as determined in accordance with Rule 8.2).

3.2 Administration

The 2014 Scheme shall be administered by the Committee comprising members at the Remuneration Committee of the Board, in accordance with the Rules. A member of the Committee shall not be involved in its deliberation in respect of the Options granted or to be granted to him or his Associates.

3.3 Size

The aggregate number of Shares in respect of which the Committee may grant the Options on any date, when added to:

- (a) the number of Shares issued and issuable in respect of all Options granted thereunder, and
- (b) all Shares issued and issuable in respect of all options granted or awards granted under any other share option or share schemes of the Company (including the 2003 Scheme);

shall not exceed 15% of the total issued Shares (excluding treasury Shares) of the Company on the date preceding the Offering Date. As at the Latest Practicable Date, the Company does not have any treasury shares.

In addition, the following limits must not be exceeded:

- (a) the aggregate number of Shares issued and issuable in respect of which Options may be granted to Controlling Shareholders and their Associates shall not exceed 25% of the number of Shares available under the 2014 Scheme; and
- (b) the number of Shares issued and issuable in respect of Options granted pursuant to the 2014 Scheme available to each Controlling Shareholder or each Associate of a Controlling Shareholder shall not exceed 10% of the Shares available under the 2014 Scheme.

3.4 Entitlement

In determining the number of Options to be offered or granted, the Committee shall take into account (where applicable) criteria such as rank, level of responsibility, past performance, years of service, potential for future development and contributions.

3.5 Grant of Options

The Committee may offer to grant Options in its absolute discretion at any time during the period when the 2014 Scheme is in force, except that no Options shall be granted during the period of one (1) month immediately preceding the date of announcement of the Company's half-year and full-year results, as the case may be, and ending on the date of announcement of the relevant results.

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Further, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, the Committee may only grant Options on or after the second Market Day on which such announcement is released. Any grant of Options by the Company will be announced in accordance with the Catalyst Rules.

3.6 Acceptance of Offer

An Option shall be personal to person to whom it is granted and shall not be sold, transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of or encumbered, in whole or in part, unless with the prior approval in writing of the Committee.

An Option offered to a Grantee may only be accepted by the Grantee within 30 days after the relevant Offering Date and not later than 5.00 p.m. on the 30th day from the Offering Date. The grant of an Option must be accepted by completing, signing and returning of the acceptance form accompanied by payment of S\$1.00 as consideration or such other amount as the Company may require as consideration or such other amount and such other documentation as the Committee may require. Offers of Options made to a Grantee, if not accepted, in accordance with the rules before the closing date will lapse and the Grantee shall have no claim whatsoever against the Company.

3.7 Exercise Price

Subject to any adjustment pursuant to Rule 12, the Exercise Price for each Share in respect of which a Market Price Option is exercisable shall be determined by the Committee at its absolute discretion, and fixed by the Committee at:

- (a) in the case of a Market Price Option, the Market Price; or
- (b) in the case of an Incentive Options, a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion provided that the maximum discount shall not exceed 20% of the Market Price with the Exercise Price rounded up to the nearest one-tenth of a cent.

Further information on the Incentive Option is set out under Section 4 of this Letter.

3.8 Exercise Period

Except as provided in this Rule 9 and Rule 10 and any other conditions as may be introduced by the Committee from time to time, each Option shall be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 shares or any multiple thereof), as follows:

- (a) in the case of a Market Price Option, during the period commencing after the first anniversary of the Offering Date and expiring on the tenth anniversary of such Offering Date, provided that in the case of a Market Price Option which is granted to a Participant not holding a salaried office or employment in the Group, such Option Period shall expire on the fifth anniversary of such Offering Date, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company; and
- (b) in the case of an Incentive Option, during the period commencing after the second anniversary of the Offering Date and expiring on the tenth anniversary of such Offering Date, provided that in the case of an Incentive Option which is granted to a Participant not holding a salaried office or employment in the

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Group, such Option Period shall expire on the fifth anniversary of such Offering Date, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.

In the event of an Option being exercised in part only, the balance of the Option not thereby exercised shall continue to be exercisable in accordance with the 2014 Scheme until such time as it shall lapse in accordance with the Rules of the 2014 Scheme.

3.9 Termination of Options

An Option shall, to the extent unexercised, immediately lapse and become null and void and a Participant shall have no claim against the Company in the event of:

- (a) the bankruptcy of the Participant, his entering into a composition with his creditors or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option;
- (b) misconduct on the part of the Participant, as determined by the Committee in its absolute discretion;
- (c) subject to certain exceptions or as the Committee may in its discretion determine in accordance with the Rules, the Participant ceasing to be in the employment of the Group for any reason whatsoever; or
- (d) the Participant for any reason whatsoever ceasing to satisfy the eligibility criteria set out in Rule 4 as the Committee may determine in its absolute discretion.

In the event:

- (i) if a Participant ceases to be employed by the Group by reason of:
 - (a) ill health, injury, disability (in each case, evidenced to the satisfaction of the Committee);
 - (b) redundancy;
 - (c) retirement at or after the legal retirement age;
 - (d) retirement before the legal retirement age or prescribed retirement age with the consent of the Committee; or
 - (e) any other reason or event approved in writing by the Committee; or
- (ii) the death of the Participant;

the Committee has the absolute discretion to allow the exercise of any unexercised Option(s) on such terms and conditions as it deems fit. In exercising its discretion, the Committee will take into account all circumstances on a case-by-case basis including (but not limited to) the contributions made by that Participant.

3.10 Rights of Shares

Shares allotted and issued upon the exercise of Options are subject to the provisions of the Memorandum and Articles of Association. The Shares allotted and issued will rank *pari passu* in all respects with the then existing issued Shares, save for any dividends, rights, allotments or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is prior to the relevant exercise date of the Option.

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3.11 Duration

The 2014 Scheme shall continue to be in force at the discretion of the Committee, for a maximum period of 10 years commencing on the Adoption Date. Subject to compliance with any applicable laws and regulations in Singapore, the 2014 Scheme may continue beyond the above stipulated period with the approval of Shareholders by way of ordinary resolution at a general meeting and of any relevant authorities which may then be required.

The 2014 Scheme may be terminated at any time by the Committee or by resolution of Shareholders at a general meeting subject to all other relevant approvals which may be required. If the 2014 Scheme is so terminated, no further Options shall be offered by the Company under the 2014 Scheme.

Notwithstanding the expiry or termination of the 2014 Scheme, any Option(s) granted to Participants prior to such expiry or termination will continue to remain valid.

3.12 Abstention from voting

Shareholders who are entitled to participate in the Scheme, that is Group Employees and Group Directors (comprising both Group Executive Directors and Group Non-Executive Directors) who are also Shareholders, should abstain from voting at the AGM in respect of such resolutions related to the 2014 Scheme and should not accept nominations as proxies or otherwise for voting at the AGM in respect of such resolutions unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for each of such ordinary resolutions to be proposed at the AGM.

3.13 Adjustments and Alterations under the 2014 Scheme

Variation of Capital

If a variation in the issued share capital of the Company (whether by way of rights issue or capitalisation of profits or reserves, reduction of capital, or subdivision, consolidation or distribution, or issues for cash or for shares or otherwise should take place, then the Committee may determine whether:

- (a) the Exercise Price in respect of the Shares comprised in the Options to the extent unexercised; and/or
- (b) the class and/or number of Shares comprised in the Options to the extent unexercised and the rights attached thereto; and/or
- (c) the class and/or number of Shares in respect of which additional Options may be granted to the Participants,

may be adjusted in such manner as the Committee may determine to be appropriate including retrospective adjustments where such variation occurs after the date of exercise of an Option but the Record Date relating to such variation precedes such date of exercise. Adjustments other than on a capitalisation issue and a bonus issue by way of issue of shares for nil consideration, must be confirmed by a written confirmation of the Auditors (acting only as experts and not as arbitrators) that in their opinion, such adjustment is fair and reasonable.

No adjustment shall be made (a) if as a result, the Participant receives a benefit that a Shareholder does not receive; and (b) unless the Committee after considering all relevant circumstances considers it equitable to do so.

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Unless the Committee considers an adjustment to be appropriate:

- (a) the issue of securities as consideration for an acquisition of any assets or private placement of securities by the Company;
- (b) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on Catalist during the period when a share purchase mandate granted by shareholders of the Company (including any renewal of such mandate) is in force;
- (c) an issue of Shares or securities convertible into or with rights to acquire or subscribe for Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
- (d) any issue of Shares arising from the exercise of any warrants or the conversion of any convertible securities issued by the Company;
- (e) any increase in the number of issued Shares as a consequence of Shares issued or transferred pursuant to any previous existing or future share option scheme or other share scheme adopted by the Company; and
- (f) any issue of Shares pursuant to any scrip dividend scheme for the time being of the Company,

shall not normally be regarded as a circumstance requiring adjustment.

Upon any such adjustment to be made, the Company shall notify each Participant (or his duly appointed personal representative(s)) in writing and deliver to him (or, where applicable, his duly appointed personal representative(s)) a statement setting forth the new Exercise Price thereafter in effect and the class and/or number of Shares thereafter comprised in the Option so far as unexercised. Any adjustment shall take effect upon such written notification being given.

Modifications or Alterations to the Rules

Any or all provisions of the 2014 Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee except that:

- (a) no modification or alteration shall alter adversely the rights attaching to any Option granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters in number of all the new Shares which would be allotted upon exercise in full of all outstanding Options;
- (b) any modification or alteration which would be to the advantage of Participants under the 2014 Scheme shall be subject to the prior approval of the Shareholders in general meeting; and
- (c) no modification or alteration shall be made except in compliance with the Catalist Rules and the approval of such regulatory authorities as may be necessary.

4. GRANT OF INCENTIVE OPTIONS

The ability to offer Incentive Options with exercise prices of up to 20% discount to the Market Price will operate as a means to give added recognition and incentives to Participants and give them greater motivation to continue to excel while encouraging them to focus on improving the profitability and returns of the Group to a level that benefits Shareholders when these are eventually reflected through an appreciation of the Share price. Incentive Options would be perceived in a more positive light by the Participants, inspiring them to work harder and produce better results in order to be offered Incentive Options.

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The Committee will determine on a case-by-case basis whether a discount will be given and the quantum of the discount, taking into consideration the objective that is desired to be achieved by the Group and the prevailing market conditions. As the actual discount given will depend on the relevant circumstances, the extent of the discount may vary from one case to another, subject to a maximum discount of 20% of the Market Price, with the Exercise Price rounded up to the nearest one-tenth of a cent.

By being able to differentiate Options into Market Options and Incentive Options, the Committee will be able to differentiate between Grantees and structure the most attractive set of incentives suited to the particular circumstances of each Grantee and take into account the prevailing and anticipated business and market conditions at the relevant time, in the best interests of the Company. In such situations, the Committee will have absolute discretion to:

- (a) grant Options set at a discount to the Market Price of a Share (subject to a maximum discount of 20% with the Exercise Price rounded up to the nearest one-tenth of a cent); and
- (b) determine the Grantees to whom, and the Options to which, such discounts to the Market Price of a Share will apply.

In determining whether to give a discount and the quantum of the discount, the Committee, in its absolute discretion, shall be at liberty to take into consideration such criteria as they deem fit including factors such as (i) the performance of the Company and the Group, taking into account financial considerations such as the Group's sales and revenue, profit and performance targets, (ii) the individual performance of the Grantee, his effectiveness and contribution to the success and development of the Group, and (iii) the contribution and potential for future contribution by the Grantee to the success and development of the Group.

5. COST OF OPTIONS

The grant of Options under the 2014 Scheme will result in an increase in the Company's issued share capital to the extent that the New Shares are issued to Participants pursuant to the exercise of Options. This will in turn depend on, *inter alia*, the number of Options to be granted, the vesting schedules and the prevailing Market Price of the Shares on Catalist. However, there will be no impact on the company's number of issued Shares if the relevant Options are not exercised and/or where Options (when exercised) are satisfied by treasury shares (if applicable).

The issue of New Shares upon the exercise of Options granted under the 2014 Scheme will have the effect of increasing the Company's consolidated NTA by the aggregate Exercise Price of the New Shares issued. On a per Share basis, the effect on the NTA would be accretive if the Exercise Price is above the NTA per Share but dilutive otherwise.

The 2014 Scheme will have a dilutive impact on the Company's consolidated EPS following the increase in the Company's issued share capital to the extent that New Shares are issued pursuant to the 2014 Scheme. However, the impact is not expected to be material in any given financial year as the Options are likely to vest and be exercised over a period of time in the course of the Option Period. The grant of Options under the 2014 Scheme is likely to result in a charge to the Company's profit and loss account over the period from the Offering Date to the vesting date.

Based on the Singapore Financial Reporting Standards, no cash outlay would be incurred by the Company at the Offering Date (as compared with cash bonuses). Instead, the Company would recognise an expense in the financial statements based on the fair value of the Option at the Offering Date. At the Offering Date, the Options will have a fair value attached to them and this fair value is the estimated value of the Option on the Offering Date and may be derived by applying a variety of valuation techniques or pricing models developed for valuing traded options.

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Under the 2014 Scheme, each Grantee to whom an Option is offered pays a nominal consideration of S\$1.00 to the Company on his acceptance of the offer of the Option. Insofar as such Options are granted at a consideration that is less than their fair value at the time of grant, there will be a cost to the Company (in that the Company will receive from the Grantee upon the grant of the Option to him, a consideration that is less than the fair value of the Option).

The cost to the Company in granting an Option would vary depending on the number of Options granted pursuant to the 2014 Scheme, whether these Options are granted at Market Price or at a discount and the validity period of the Options. Generally, a greater discount and a longer validity period for an Option will result in a higher potential cost to the Company. If such costs were to be recognised, it will be charged to the Company's income statement over the period between the grant date and the vesting date of the Options.

6. DISCLOSURES IN ANNUAL REPORT

The Company will make such disclosures (as applicable) in its annual report for so long as the 2014 Scheme continues in operation as from time to time required by the Catalist Rules including the following (where applicable):

- (a) the names of the members of the Committee;
- (b) in respect of the following Participants:
 - (i) Directors of the Company;
 - (ii) Controlling Shareholders and their Associates (if any); and
 - (iii) Participants (other than those in paragraphs (i) and (ii) above) who have received 5% or more of the total number of Options available under the 2014 Scheme, the following information:
 - (aa) the name of the Participant;
 - (bb) the number of Options granted during the financial year under review;
 - (cc) the aggregate number of Options granted since the commencement of the 2014 Scheme up to the end of the Financial Year under review;
 - (dd) the aggregate number of Options exercised since the commencement of the 2014 Scheme up to the end of the Financial Year under review; and
 - (ee) the aggregate number of Options outstanding as at the end of the Financial Year under review;
- (c) the number and proportion of Options granted at a discount during the Financial Year under review in respect of every 10% range, up to the maximum quantum of discount granted; and
- (d) such other information as may be required by the Catalist Rules or the Act.

If any of the above is not applicable, an appropriate negative statement shall be included therein.

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7. PARTICIPATION OF GROUP NON-EXECUTIVE DIRECTORS

The participation of Group Non-Executive Directors will give the Company the flexibility to extend the 2014 Scheme to persons who are not employees of the Group, but nonetheless contribute significantly to the Group by serving on the boards of directors of the Company and its subsidiaries and contributing their experience, knowledge and expertise to the growth and success of the Group.

Although Group Non-Executive Directors are not involved in the day-to-day running of the Group, they provide valuable management expertise, support, input, business contacts and industry knowledge and expertise to the Group. By allowing their participation in the 2014 Scheme, the Company is able to expand and tailor an optimum package for their remuneration which can be offered in addition to the directors' fees. The 2014 Scheme, if extended to the Group Non-Executive Directors, will also allow the Company to recognise their services and contributions to the Group, and to better align their interests with that of the Group.

The Committee, when deciding on the eligibility of each Group Non-Executive Director to participate in the 2014 Scheme and the number of Options to be offered, will take into consideration, among others, the nature and extent of their input, assistance and expertise rendered to the board committees on which they sit and their impact on the growth, success and development of the Company and the Group.

8. PARTICIPATION BY GROUP DIRECTORS OR GROUP EMPLOYEES WHO ARE ALSO CONTROLLING SHAREHOLDERS OR ASSOCIATES OF CONTROLLING SHAREHOLDERS

Based on the objectives of the 2014 Scheme as outlined in Section 2.1 above, the Directors believe that Group Directors or Group Employees who are also Controlling Shareholders or Associates of Controlling Shareholders should be treated equally with other Group Directors or Group Employees. The Directors are of the view that such persons should be assessed on their own merits in accordance with the applicable criteria. Furthermore, to deny participation to such persons solely by reason of their shareholding in the Company would be to contradict and undermine the stated objectives of the 2014 Scheme.

The terms of the 2014 Scheme do not differentiate between Controlling Shareholders and their Associates from other Participants who are not Controlling Shareholders or their Associates, in determining the eligibility of such persons to be granted Options.

Specific approval by the independent Shareholders is required for the participation of each Group Director or Group Employee who is also a Controlling Shareholder or Associate of a Controlling Shareholder, as well as the actual number and the terms of such Options. A separate resolution must be passed for each such Participant. In seeking the approval of independent Shareholders, clear justification as to their participation, the number of Shares comprised in, and the terms (including Exercise Price) of, the Options to be granted shall be provided.

As at the Latest Practicable Date, there are no Group Directors or Group Employees who are also Controlling Shareholders or Associates of such Controlling Shareholders.

9. THE 2003 SCHEME

The 2003 Scheme was approved and adopted by the Company on 4 November 2003. It continued for the period of 10 years in accordance with its terms and expired on 3 November 2013. Particulars of the options granted under the 2003 Scheme are as follows:

Total number of options granted	:	30,140,000 options, of which 7,200,000 of the options have lapsed as at the Latest Practicable Date
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Appendix 2 to Notice of Annual General Meeting

Total number of Share allotted and issued (pursuant to options which have been exercised)	:	As at the Latest Practicable Date, 5,240,000 of the options have been exercised and 5,240,000 shares have been allotted and issued by the Company pursuant to the exercise of options.
Number of Participants	:	41
Material conditions to which the options are subject	:	Please refer to the relevant extracts from the 2003 Scheme set out in Annexure 2C of this Letter.
Details of options granted to directors of the Company	:	24/08/2004, 1,700,000 granted, 700,000 lapsed 29/05/2007, 4,400,000 granted, 1,400,000 lapsed 05/08/2009, 5,140,000 granted, 800,000 lapsed, 4,340,000 exercised 04/09/2013, 5,000,000 granted
Dates options were granted	:	The options were granted to directors of the Company on 24/08/2004, 29/05/2007, 05/08/2009 and 04/09/2013.
Number of shares offered under the options and number of Shares allotted upon exercise of options	:	In aggregate, there were 16,240,000 options granted to directors of the Company, out of which 2,900,000 options were cancelled or lapsed, and 4,340,000 options were exercised. Accordingly 4,340,000 Shares have been allotted and issued by the Company to directors pursuant to the exercise of options.
Details of options granted to Controlling Shareholders and their Associates	:	No options were granted to Controlling Shareholders or their Associates.

10. DIRECTORS' RECOMMENDATION

All the Directors will be eligible to participate in the 2014 Scheme and are interested in the 2014 Scheme. Accordingly, all Directors have abstained from making any recommendation to the Shareholders on Ordinary Resolution 10 as set out in the Notice of AGM.

11. ABSTENTION

Shareholders who are entitled to participate in the 2014 Scheme, that is Group Employees and Group Directors who are also Shareholders, shall abstain from voting at the AGM in respect of Ordinary Resolution 10 set out in the Notice of AGM and should not accept nominations as proxies or otherwise for voting at the AGM in respect of Ordinary Resolution 10 unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for Ordinary Resolution 10.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 10 Ang Mo Kio Street 65, #04-02, Techpoint, Singapore 569059 during normal business hours from the date of this Letter up to and including the date of the AGM:-

- (a) the memorandum and articles of association of the Company;

Appendix 2 to Notice of Annual General Meeting

- (b) Annual Report of the Company for the financial year ended 31 December 2013;
- (c) the rules of the 2003 Scheme; and
- (d) the proposed Rules.

13. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in the Shares, options (under the 2003 Scheme) and warrants of the Company as at the Latest Practicable Date are set out Annexure 2A.

14. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed adoption of the 2014 Scheme, the Company and its subsidiaries, and the Directors are not aware of any material facts the omission of which would make any statement in this Letter misleading. Where information in the Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

Yours faithfully
for and on behalf of the Board of Directors of
METAL COMPONENT ENGINEERING LIMITED

Chua Kheng Choon
Chairman

Appendix 2 to Notice of Annual General Meeting

ANNEXURE 2A DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and the Substantial Shareholders in the Shares, Options and Warrants as at the Latest Practicable Date are set out below:

	Number of issued and paid-up shares				Number of shares in respect of unexercised options granted under the 2003 Scheme		Number of shares in respect of unexercised Warrants issued by the Company			
	Direct Interests		Deemed Interests				Direct Interests		Deemed Interests	
		%		%		%		%		%
Directors										
Chua Kheng Choon ⁽¹⁾	20,959,666	5.74	6,735,000	1.84	3,400,000	18.58	13,300,000	7.39	3,400,000	1.89
Chua Han Min ⁽²⁾	9,570,000	2.62	5,000,000	1.37	2,800,000	15.30	7,302,000	4.06	3,680,000	2.04
Tan Soo Yong ⁽³⁾	19,255,332	5.27	6,536,000	1.79	1,900,000	10.38	9,177,666	5.10	3,268,000	1.82
Lim Chin Tong	11,408,000	3.12	-	-	300,000	1.64	7,614,000	4.23	-	-
Cheah Chow Seng	1,384,000	0.38	-	-	300,000	1.64	692,000	0.38	-	-
Wong Chee Wai	300,000	0.08	-	-	300,000	1.64	-	-	-	-
Substantial Shareholders										
Cal-Comp Electronics (Thailand) Public Company Limited	60,000,000	16.42	-	-	-	-	30,000,000	16.67	-	-
Chua Kheng Choon	20,959,666	5.74	6,735,000	1.84	3,400,000	18.58	13,300,000	7.39	3,400,000	1.89
Tan Soo Yong	19,255,332	5.27	6,536,000	1.79	1,900,000	10.38	9,177,666	5.10	3,268,000	1.82

Notes:

1. Chua Kheng Choon's deemed interest in 6,735,000 Shares and 3,400,000 Warrants is derived from Shares and Warrants held in the name of his spouse.
2. Chua Han Min's deemed interest in 5,000,000 Shares and 3,680,000 Warrants is derived from Shares and Warrants held in the name of his spouse.
3. Tan Soo Yong's deemed interest in 6,536,000 Shares and 3,268,000 Warrants is derived from Shares and Warrants held in the name of his spouse.

Annexure 2B Rules of the MCE Share Option Scheme 2014

ANNEXURE 2B RULES OF THE MCE SHARE OPTION SCHEME 2014

1. NAME OF THE SCHEME

The Scheme shall be called the MCE Share Option Scheme 2014 ("2014 Scheme").

2. DEFINITIONS

2.1 In the 2014 Scheme, the following definitions apply throughout unless the context otherwise requires:

"2014 Scheme"	MCE Share Option Scheme 2014 as may be modified or altered from time to time, the terms of which are set out in the Rules.
"Acceptance Period"	The period within which an Option may be accepted, as described in Rule 7.2.
"Act"	Companies Act (Chapter 50) of Singapore, as amended or modified from time to time.
"Adoption Date"	The date on which the 2014 Scheme is adopted by resolution of the Shareholders of the Company.
"Associate"	(a) in relation to any director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.
"Auditors"	The auditors of the Company for the time being.
"Board of Directors" or "Board"	The board of directors or directors of the Company, including alternate directors of the Company (if any) for the time being.
"Catalist"	The sponsor-supervised listing platform of the SGX-ST.

Annexure 2B Rules of the MCE Share Option Scheme 2014

“Catalist Rules”	The SGX-ST Listing Manual (Section B: Rules of Catalist), as amended, varied or supplemented from time to time.
“CDP”	The Central Depository (Pte) Limited
“Committee”	The committee comprising directors of the Company who are members of the Remuneration Committee of the Board of Directors, for the time being and duly authorised and appointed by the Board pursuant to Rule 13 to administer the 2014 Scheme.
“Company”	Metal Component Engineering Limited
“Control”	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company.
“Controlling Shareholder”	A person who: (a) holds directly or indirectly 15% or more of all voting shares in the Company, unless determined by SGX-ST that such person is not a controlling shareholder; or (b) in fact exercises control over a company.
“CPF”	Central Provident Fund
“EPS”	Earnings per Share
“Exercise Notice”	A notice in the form or substantially in the form set out in Schedule C of this Letter, subject to such modifications or alterations as the Committee may from time to time determine.
“Exercise Price”	The price at which a Participant shall subscribe for each Share upon the exercise of an Option which shall be determined in accordance with Rule 8, as adjusted in accordance with Rule 12.
“Financial Year”	Each period of 12 months at the end of which the financial statements of the Company are prepared and audited, for the purpose of laying the same before an annual general meeting of the Company.
“Grantee”	A person selected by the Committee to participate in the 2014 Scheme and to whom an offer of an Option is made.
“Group”	The Company and its Subsidiaries.
“Group Director”	A director of the Company and/or any of its Subsidiaries, as the case maybe.
“Group Employee”	A confirmed full-time employee of the Company (or any of its Subsidiaries).

Annexure 2B Rules of the MCE Share Option Scheme 2014

“Group Executive Director”	A Group Director who performs an executive function within the Group.
“Group Non-Executive Director”	A Group Director who is not a Group Executive Director, and including independent directors of the Company.
“immediate family”	In relation to a person, the person’s spouse, child, adopted child, step-child, sibling and parent.
“Incentive Option”	An Option granted with the Exercise Price set at a discount to the Market Price, as set out in Rule 8.2.
“Market Day”	A day on which the SGX-ST is open for trading in securities.
“Market Price”	The price equal to the average of the last dealt price for the Shares for the five (5) consecutive Trading Days immediately preceding the relevant Offering Date for the Option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST, rounded up to the nearest one-tenth of a cent.
“Market Price Option”	An Option granted with the Exercise Price set at the Market Price, as set out in Rule 8.1.
“Memorandum and Articles”	The Memorandum and Articles of Association of the Company, as amended from time to time.
“NTA”	Net tangible assets of the Group.
“Offering Date”	The date on which an Option is granted to a Grantee pursuant to Rule 6, being the date of the letter of offer granting such Option.
“Option(s)”	The right to subscribe for Shares granted to a Participant pursuant to the 2014 Scheme and for the time being subsisting.
“Option Period”	The period during which an Option is exercisable in accordance with Rule 9.1.
“Participant”	A Grantee who has accepted the offer of an Option made to him under the 2014 Scheme.
“Record Date”	The date as at the close of business on which the Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions.
“Rules”	The rules of the 2014 Scheme, as modified and altered from time to time.
“SGX-ST”	Singapore Exchange Securities Trading Limited.
“Share(s)”	Ordinary share(s) in the capital of the Company.

Annexure 2B Rules of the MCE Share Option Scheme 2014

“Shareholders”	Registered holders of the Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP whose Securities Accounts are credited with those Shares.
“Subsidiary”	Has the meaning ascribed to it in Section 5 of the Companies Act.
“Substantial Shareholder”	A person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share or those shares, is not less than 5% of the total votes attached to all the voting Shares in the Company.
“Trading Day”	A Market Day on which transactions in the Shares were recorded on the SGX-ST.
Currencies, Units and Others	
“S\$”, “\$” and “cents”	Singapore dollar and cents respectively.
“%” or “per cent”	Per centum or percentage.

- 2.2 Words importing the singular number shall, where applicable, include the plural number and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.
- 2.3 Any reference to a time of a day in the 2014 Scheme is a reference to Singapore time.
- 2.4 Any reference in the 2014 Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or the Catalist Rules or any statutory modification thereof and not otherwise defined in the 2014 Scheme and used in the 2014 Scheme shall have the meaning assigned to it under the Act or the Catalist Rules or any statutory modification thereof, as the case may be, unless otherwise provided.
- 2.5 The terms “Depositor”, “Depository Register” and “Depository Agent” shall have the same meanings ascribed to them by Section 130A of the Act.

3. OBJECTIVES

The 2014 Scheme provides an opportunity for the Group Directors and Group Employees who have contributed significantly to the growth and performance of the Group and who satisfy the eligibility criteria as set out in Rule 4 to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standard of performance, and to give recognition to those who have contributed significantly to the growth and performance of the Company and/or the Group. The Board believes that that the Scheme will enable the achievement of the following objectives:

- (a) to serve as an additional method available to the Group for compensating the Participants rather than merely through salaries, salary increments and/or cash bonuses and to make remuneration sufficiently competitive to recruit and retain the Participants;

Annexure 2B Rules of the MCE Share Option Scheme 2014

- (b) to enhance the Group's ability to retain and attract highly qualified Participants whose contributions are important to the Group's long-term business plans and objectives;
- (c) to offer Participants the opportunity to acquire or increase their equity interests in the company and a chance to share in the profits of the Company as Shareholders;
- (d) to motivate Participants to maximise their performance and efficiency due to the possible financial rewards arising from the Options granted, and to maintain a high level of contribution to the Group and create value for Shareholders;
- (e) to promote greater commitment and dedication, instill loyalty and a stronger identification by the Participants with the long-term development and growth plans of the Group; and
- (f) to align the interests of the Participants with those of the Shareholders.

4. ELIGIBILITY

4.1 The following persons, who have attained the age of 21 years as at the Offering Date, and who are not undischarged bankrupts, and have not entered into a composition with their respective creditors, shall be eligible to participate in the 2014 Scheme at the absolute discretion of the Committee:

- (a) Group Employees;
- (b) Group Directors (both Group Executive Directors and Group Non-Executive Directors); and
- (c) subject to Rule 4.2, Controlling Shareholders or Associates of Controlling Shareholders who also fall within Rule 4.1 (a) or Rule 4.1 (b).

4.2 Group Directors or Group Employees who are also Controlling Shareholders or Associates of Controlling Shareholders shall not participate in the 2014 Scheme unless:

- (a) their participation; and
- (b) the actual number of Shares to be issued to them and the terms of any Option to be granted to them,

have been approved by independent Shareholders in general meeting in separate resolutions for each such person. For the purposes of obtaining such approval from the independent shareholders, the Company shall procure that the circular to the Shareholders in connection therewith shall set out the following:

- (a) clear justifications for the participation of such Controlling Shareholders or Associates of Controlling Shareholders;
- (b) clear rationale for the number and terms (including the Exercise Price) of the Options to be granted to such Controlling Shareholders or Associates of Controlling Shareholders; and
- (c) (where Incentive Options are proposed to be granted to Controlling Shareholders or Associates of Controlling Shareholders) the discount to the Market Price applicable to the Exercise Price of such Options (as determined in accordance with Rule 8.2).

4.3 Subject to the Act and any requirement of the SGX-ST, the terms of eligibility for participation in the 2014 Scheme may be amended from time to time at the absolute discretion of the Committee.

Annexure 2B Rules of the MCE Share Option Scheme 2014

- 4.4 The assessment criteria for granting Options under the 2014 Scheme, shall be at the discretion of the Committee, and may include both general criteria and/or specific performance targets.

5. SIZE

- 5.1 The aggregate number of Shares in respect of which the Committee may grant Options under the 2014 Scheme on any date, when added to:

- (a) the number of Shares issued and issuable in respect of all Options granted under the 2014 Scheme; and
- (b) all Shares issued and issuable in respect of all options granted or awards granted under any other share option or share schemes of the Company;

shall not exceed 15% of the total number of issued Shares (excluding treasury shares) of the Company on the date immediately preceding the Offering Date. The Options which have already been granted shall not be invalidated in the event that a reduction of the Company's capital or a buy-back of its Shares (if applicable) results in the Shares issuable under outstanding Options exceeding 15% of the Company's issued share capital (excluding treasury shares).

- 5.2 Subject to Rule 4 and Rule 10, the aggregate number of Shares comprised in the Market Price Options or (as the case may be) Incentive Options, to be offered to any Grantee in accordance with the 2014 Scheme shall be determined at the absolute discretion of the Committee, who shall take into account, in respect of a Grantee, *inter alia* rank, past performance, level of responsibility, years of service and potential for future development or contributions of that Grantee, provided that in relation to Grantees who are also Controlling Shareholders or Associates of Controlling Shareholders:

- (a) the aggregate number of Shares issued and issuable in respect of all Options granted pursuant to the 2014 Scheme available to Controlling Shareholders and their Associates shall not exceed 25% of the number of Shares available under the 2014 Scheme (including adjustments made under Rule 12); and
- (b) the number of Shares issued and issuable in respect of Options granted pursuant to the 2014 Scheme available to each Controlling Shareholder or each Associate of a Controlling Shareholder shall not exceed 10% of the Shares available under the 2014 Scheme (including adjustments made under Rule 12).

6. GRANT OF OPTIONS

- 6.1 The Committee may, save as provided in Rule 4 and Rule 5, offer to grant Options to such Grantees as it may select in its absolute discretion at any time during the period when the 2014 Scheme is in force, except that no Options shall be granted during the period of one (1) month immediately preceding the date of announcement of the Company's half-year and full-year results, as the case may be, and ending on the date of announcement of the relevant results. Further, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, the Committee may only grant Options on or after the second Market Day on which such announcement is released.
- 6.2 An offer to grant Options to a Grantee shall be made by way of a letter of offer in the form or substantially in the form set out in Schedule A, subject to such amendments including, but not limited to imposing restrictions on the number of Options that may be exercised within particular sections of the relevant Option Period, as the Committee may from time to time determine.

Annexure 2B Rules of the MCE Share Option Scheme 2014

7. ACCEPTANCE OF OFFER

- 7.1 An Option shall be personal to person to whom it is granted and shall not be sold, transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of or encumbered, in whole or in part, unless with the prior approval in writing of the Committee.
- 7.2 An Option offered to a Grantee pursuant to Rule 6 may only be accepted by the Grantee within 30 days after the relevant Offering Date and not later than 5.00 p.m. on the 30th day from the Offering Date. The grant of an Option must be accepted by completing, signing and returning of the Acceptance Form in or substantially in the form set out in Schedule B, subject to such modification(s) as the Committee may from time to time determine, accompanied by payment of S\$1.00 as consideration or such other amount as the Company may require as consideration or such other amount and such other documentation as the Committee may require. The Option is deemed not accepted until actual receipt by the Company of the Acceptance Form.
- 7.3 Unless the Committee determines otherwise, an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:
- (a) a grant of an Option is not accepted strictly in the manner as provided in Rule 7.2, such offer being within the Acceptance Period; or
 - (b) the Grantee dies prior to his acceptance of the Option(s); or
 - (c) the Grantee is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option(s); or
 - (d) the Grantee ceases to be in the employment of the Company, for any reason whatsoever prior to his acceptance of the Option(s); or
 - (e) the Company is liquidated or wound-up prior to the Grantee's acceptance of the Option(s); or
 - (f) in the event that a grant of an Option results in a contravention of any applicable law or regulation, such grant shall be null and void and be of no effect;

and the Grantee shall have no claim whatsoever against the Company.

- 7.4 The Company shall be entitled at its absolute discretion to reject any purported acceptance of a grant of an Option made pursuant to this Rule 7 or Exercise Notice given pursuant to Rule 11 which does not strictly comply with the terms of the 2014 Scheme.

8. EXERCISE PRICE

- 8.1 Subject to any adjustment pursuant to Rule 12, the Exercise Price for each Share in respect of which a Market Price Option is exercisable shall be determined by the Committee at its absolute discretion, and fixed by the Committee at the Market Price.
- 8.2 Subject to any adjustment pursuant to Rule 12, the Exercise Price for each Share in respect of which an Incentive Option is exercisable shall be determined by the Committee at its absolute discretion, and fixed by the Committee at a price which is set at a discount to the Market Price (as determined in accordance with Rule 8.1), provided that the maximum discount shall not exceed 20% of the Market Price with the Exercise Price rounded up to the nearest one-tenth of a cent. In determining the percentage of such discount, the Committee shall take into consideration such criteria as the Committee may, in its absolute discretion, deem appropriate including but not limited to:

Annexure 2B Rules of the MCE Share Option Scheme 2014

- (a) the performance of the Company and the Group, taking into account financial considerations such as the Group's sales/revenue, profit and performance targets;
- (b) the individual performance of the Grantee, his effectiveness and contribution to the success and development of the Company and/or the Group; and
- (c) the potential for future contribution by the Grantee to the success and development of the Group.

The Committee will determine on a case-by-case basis whether a discount will be given, and the percentage of the discount, taking into consideration the objective to be achieved by the Group and the prevailing market conditions. As the actual discount given will depend on the relevant circumstances, the extent of the discount may vary from one case to another, subject to a maximum discount in each case not exceeding 20% of the Market Price with the Exercise Price rounded up to the nearest one-tenth of a cent.

9. EXERCISE OF OPTIONS

9.1 Except as provided in this Rule 9 and Rule 10 and any other conditions as may be introduced by the Committee from time to time, each Option shall be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 shares or any multiple thereof), as follows:

- (a) in the case of a Market Price Option, during the period commencing after the first anniversary of the Offering Date and expiring on the tenth anniversary of such Offering Date, provided that in the case of a Market Price Option which is granted to a Participant not holding a salaried office or employment in the Group, such Option Period shall expire on the fifth anniversary of such Offering Date, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company; and
- (b) in the case of an Incentive Option, during the period commencing after the second anniversary of the Offering Date and expiring on the tenth anniversary of such Offering Date, provided that in the case of an Incentive Option which is granted to a Participant not holding a salaried office or employment in the Group, such Option Period shall expire on the fifth anniversary of such Offering Date, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.

9.2 In the event of an Option being exercised in part only, the balance of the Option not thereby exercised shall continue to be exercisable in accordance with the 2014 Scheme until such time as it shall lapse in accordance with the Rules of the 2014 Scheme.

9.3 An Option shall, to the extent unexercised, immediately lapse and become null and void and a Participant shall have no claim against the Company:

- (a) upon the bankruptcy of the Participant, his entering into a composition with his creditors or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option;
- (b) in the event of misconduct on the part of the Participant, as determined by the Committee in its absolute discretion;
- (c) subject to certain exceptions or as the Committee may in its discretion determine in accordance with the Rules, upon the Participant ceasing to be in the employment of the Group for any reason whatsoever; or

Annexure 2B Rules of the MCE Share Option Scheme 2014

(d) upon the Participant for any reason whatsoever ceasing to satisfy the eligibility criteria set out in Rule 4 as the Committee may determine in its absolute discretion.

9.4 For the purpose of Rule 9.3(c), a Participant shall be deemed to have ceased to be so employed as of the earlier of the date of the Participant's notice of resignation of employment or the cessation of his employment/appointment with the Group. No Option shall lapse pursuant to this Rule 9 in the event of any transfer of employment of a Participant within the Group or upon the cessation of employment of a Group Executive Director who shall continue to serve as a Group Non-Executive Director.

9.5 Notwithstanding Rule 9.3 (c), if a Participant ceases to be employed by the Group by reason of:

- (a) ill health, injury, disability (in each case, evidenced to the satisfaction of the Committee);
- (b) redundancy;
- (c) retirement at or after the legal retirement age;
- (d) retirement before the legal retirement age or prescribed retirement age with the consent of the Committee; or
- (e) any other reason or event approved in writing by the Committee,

he may, at the discretion of the Committee, exercise any unexercised Option(s) within such Option Period or otherwise as may be determined by the Committee in its absolute discretion.

9.6 If a Participant, being a Group Non-Executive Director, ceases to be a Group Director for any reason whatsoever, any Option then held by him shall, to the extent unexercised, immediately lapse without any claim against the Company unless otherwise determined by the Committee in its absolute discretion. In exercising such discretion, the Committee may also determine the number of Options which may be exercised and the period during which such Options may continue to be exercisable provided that such period may not in any event exceed the Option Period applicable to such Option.

9.7 If a Participant dies and at the date of his death holds any unexercised Option, such Option may, at the absolute discretion of the Committee, be fully exercisable by the duly appointed legal personal representatives of the Participant within the period of 12 months or such longer period as the Committee may determine, from the date of his death; or up to the expiry of the Option Period, whichever occurs earlier, regardless of whether all or any part of the Option has become exercisable as at the date of death under the original terms of grant.

9.8 Notwithstanding any provision to the contrary, the Committee may, in its absolute discretion, by notice to the Participants, suspend the exercise of any Option for such period as the Committee may determine, provided that the period of suspension shall not exceed in aggregate 60 days in any Financial Year.

10. TAKE-OVER AND WINDING-UP OF THE COMPANY

10.1 Notwithstanding Rule 9 but subject to Rule 10.5, in the event of a take-over offer being made for the Company, a Participant (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 9.1) shall be entitled to exercise in full or in part any Option held by him and as yet unexercised, in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

Annexure 2B Rules of the MCE Share Option Scheme 2014

- (a) the expiry of six (6) months thereafter, unless prior to the expiry of such six (6) month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the Option Period relating thereto); or
- (b) the date of the expiry of the Option Period relating thereto,

whereupon any Option(s) then remaining unexercised shall immediately lapse and become null and void provided always That if during such period, the offeror becomes entitled or bound to exercise the rights of compulsory acquisition of the Shares under the provisions of the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participants until such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised by the said specified date shall lapse and become null and void provided that the rights of acquisition or obligation to acquire shall have been exercised or performed, as the case may be. If such rights of acquisition or obligations have not been exercised or performed, all Options shall subject to Rule 9 remain exercisable until the expiry of the Option Period relating thereto.

- 10.2 If under the Act or any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, or if under the Act, the Registrar of Companies issues a notice of amalgamation for the purposes of, or in connection with the amalgamation of the Company with another company or companies, each Participant (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 9.1) shall be entitled, notwithstanding Rule 9 but subject to Rule 10.5, to exercise any Option(s) then held by him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court or the date upon which the notice of amalgamation is issued by the Registrar of Companies, as the case may be, and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon any unexercised Option(s) shall lapse and become null and void.
- 10.3 If an order is made or an effective resolution is passed for the winding-up of the Company on the basis of its insolvency, all Options to the extent unexercised, shall lapse and become null and void.
- 10.4 In the event of a members' voluntary winding-up (other than amalgamation or reconstruction), the Participants (including Participants holding Options which are not exercisable pursuant to the provisions of Rule 9.1) shall be entitled within 30 days of the passing of the resolution of such winding-up (but not after the expiry of the Option Period relating thereto), to exercise any unexercised Option, after which period such unexercised Option shall lapse and become null and void.
- 10.5 If in connection with the making of a general offer referred to in Rule 10.1 or the scheme referred to in Rule 10.2 above or the winding-up referred to in Rule 10.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other Options or otherwise, a Participant holding an Option, which is not then exercisable, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 10.
- 10.6 To the extent that an Option is not exercised within the periods referred to in this Rule 10, it shall lapse and become null and void.

Annexure 2B Rules of the MCE Share Option Scheme 2014

11. MANNER OF EXERCISE

11.1 An Option may be exercised during the Option Period, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiples thereof), by a Participant giving an Exercise Notice to the Company. Every Exercise Notice must be accompanied by a remittance for the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option, the relevant CDP charges (if any) and any other documentation the Committee may require. An Option shall be deemed to be exercised upon the receipt by the Company of the Exercise Notice duly completed, the relevant documentation required by the Committee and the aggregate Exercise Price.

11.2 All payments shall be made by cheque, cashier's order, bank draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.

11.3 Subject to:

- (a) such consents or other required actions of any competent authority under any regulations or enactments for the time being in force as may be necessary (including any approvals required from the SGX-ST); and
- (b) compliance with the Rules of the 2014 Scheme and the Memorandum and Articles,

the Company shall, as soon as practicable after the exercise of an Option by a Participant but in any event within ten (10) Market Days after the date of the exercise of the Option in accordance with Rule 11.1, allot and issue the relevant Shares and within five (5) Market Days from the date of such allotment and issue, dispatch the relevant share certificates to CDP for the credit of the securities account of that Participant by ordinary post or such other mode of delivery as the Committee may deem fit.

11.4 The Company shall as soon as practicable after the exercise of an Option, apply to the Sponsor and/or the SGX-ST for permission to deal in and for quotation of the Shares which may be issued upon exercise of the Option and the Shares (if any) which may be issued to the Participant pursuant to any adjustments made in accordance with Rule 12.

11.5 Shares which are allotted and issued on the exercise of an Option by a Participant shall be issued in, as the Participant may elect, the name of CDP to the credit of the securities account of the Participant maintained with CDP, the Participant's securities subaccount with a CDP Depository Agent or the CPF investment account maintained with a CPF agent bank.

11.6 Shares allotted and issued upon the exercise of an Option shall be subject to all provisions of the Memorandum and Articles (including provisions relating to liquidation, voting, dividend, transfer) of the Company and shall rank *pari passu* in all respects with the then existing issued Shares in the capital of the Company except for any dividends, rights, allotments or other distributions, the record date of which is prior to the date such Option is exercised.

11.7 Except as set out in Rule 11.3 and subject to Rule 12, an Option does not confer on a Participant any right to participate in any new issue of Shares.

12. ADJUSTMENTS AND ALTERATIONS OF CAPITAL

12.1 If a variation in the issued share capital of the Company (whether by way of rights issue or capitalisation of profits or reserves, reduction of capital, or subdivision, consolidation or distribution, or issues for cash or for shares or otherwise) should take place, then the Committee may determine whether:

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- (a) the Exercise Price in respect of the Shares comprised in the Options to the extent unexercised; and/or
- (b) the class and/or number of Shares comprised in the Options to the extent unexercised and the rights attached thereto; and/or
- (c) the class and/or number of Shares in respect of which additional Options may be granted to Participants,

may be adjusted in such manner as the Committee may determine to be appropriate including retrospective adjustments where such variation occurs after the date of exercise of an Option but the Record Date in relation to such variation precedes such date of exercise. Adjustments other than on a capitalisation issue and a bonus issue by way of issue of Shares for nil consideration, must be confirmed by a written confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable.

12.2 Unless the Committee considers an adjustment to be appropriate, the following shall not be regarded as a circumstance requiring adjustment under the provisions of this Rule 12:

- (a) the issue of securities as consideration for an acquisition of any assets or private placement of securities by the Company;
- (b) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on Catalist during the period when a share purchase mandate granted by shareholders of the Company (including any renewal of such mandate) is in force;
- (c) an issue of Shares or securities convertible into or with rights to acquire or subscribe for Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
- (d) any issue of Shares arising from the exercise of any warrants or the conversion of any convertible securities issued by the Company;
- (e) any increase in the number of issued Shares as a consequence of Shares issued or transferred pursuant to any previous existing or future share option scheme or other share scheme adopted by the Company; and
- (f) any issue of Shares pursuant to any scrip dividend scheme for the time being of the Company.

12.3 Notwithstanding the provisions of Rule 12.1 above:

- (a) no such adjustment shall be made if as a result the Participant receives a benefit that a Shareholder does not receive;
- (b) an adjustment will be made only if the Committee after considering all relevant circumstances considers it equitable to do so; and
- (c) any determination by the Committee as to whether to make any adjustment and if so, the manner in which such adjustment should be made, must (except in relation to a capitalisation issue and a bonus issue by way of issue of Shares for nil consideration) be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

Annexure 2B Rules of the MCE Share Option Scheme 2014

- 12.4 Upon any adjustment required to be made, the Company shall notify each Participant (or his duly appointed personal representative(s)) in writing and deliver to him (or, where applicable, his duly appointed personal representative(s)) a statement setting forth the new Exercise Price thereafter in effect and the class and/or number of Shares thereafter comprised in the Option so far as unexercised and, if applicable, the maximum entitlement in any one financial year. Any adjustment shall take effect upon such written notification being given.
- 12.5 The restrictions under Rule 5 above, shall not apply to the number of additional Shares or Options over additional Shares issued by virtue of any adjustment to the number of Shares and/or Options pursuant to this Rule 12.

13. ADMINISTRATION

- 13.1 The 2014 Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred by the Board. No member of the Committee shall participate in any deliberations of the Committee in respect of the Options granted or to be granted to him or his Associates.
- 13.2 The Committee shall have the power, from time to time, to make or vary such arrangement, guidelines and/or regulations (not being inconsistent with the 2014 Scheme) for the implementation and administration of the 2014 Scheme as they think fit. Any matter pertaining or pursuant to the 2014 Scheme and any dispute and uncertainty as to the interpretation of the 2014 Scheme, any rule, regulation or procedure thereunder or any rights under the 2014 Scheme shall be determined by the Committee.
- 13.3 Any decision of the Committee, made pursuant to any provision of the 2014 Scheme (other than a matter to be certified by the Auditors), shall be final, binding and conclusive (including any decision pertaining to the quantum of discount applicable to an Incentive Option or to disputes as to the interpretation of the 2014 Scheme or any rule, regulation or procedure thereunder or as to any rights under the 2014 Scheme).
- 13.4 Neither the 2014 Scheme nor the grant of Options under the 2014 Scheme shall impose on the Company or the Committee any liability whatsoever in connection with:
- (a) the lapsing or early expiry of any Options pursuant to any provision of the 2014 Scheme;
 - (b) the failure or refusal by the Committee to exercise, or the exercise by the Committee of any discretion under the Scheme; and/or
 - (c) any decision or determination of the Committee made pursuant to any provision of the 2014 Scheme.
- 13.5 Any question or matter arising out of any issue which is not expressly provided for in these Rules shall be dealt with by the Committee at its discretion.

14. NOTICES AND ANNUAL REPORT

- 14.1 Any notice given by a Participant to the Company shall be sent by post or delivered to the registered office of the Company or such other address as may be notified by the Company to the Participant in writing.
- 14.2 Any notice, documents or correspondence given by the Company to a Participant shall be sent to the Participant by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address stated in the records of the Company or the last known address of the Participant, and if sent by post shall be deemed to have been given on the day immediately following the date of posting.
- 14.3 The Company shall in relation to the 2014 Scheme, as required by law, the SGX-ST or other relevant authority, make the following disclosures in its annual report to shareholders:

Annexure 2B Rules of the MCE Share Option Scheme 2014

- (a) the names of the members of the Committee;
- (b) in respect of the following Participants:
 - (i) Directors of the Company;
 - (ii) Controlling Shareholders and their Associates; and
 - (iii) Participants (other than those in paragraphs (i) and (ii) above) who have received 5% or more of the total number of Options available under the 2014 Scheme;

the following information:

- (aa) the name of the Participant;
- (bb) the number of Options granted during the Financial Year under review;
- (cc) the aggregate number of Options granted since the commencement of the 2014 Scheme up to the end of the Financial Year under review;
- (dd) the aggregate number of Options exercised since the commencement of the 2014 Scheme up to the end of the Financial Year under review; and
- (ee) the aggregate number of Options outstanding as at the end of the Financial Year under review;
- (c) the number and proportion of Options granted at a discount during the Financial Year under review in respect of every 10% range, up to the maximum quantum of discount granted; and
- (d) such other information as may be required by the Catalist Rules or the Act.

An appropriate negative statement will be included in the annual report to the shareholders in the event the disclosure of any of the abovementioned information is not applicable.

15. MODIFICATIONS

- 15.1 Any or all provisions of the 2014 Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee except that:
- (a) no modification or alteration shall alter adversely the rights attaching to any Option granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three- quarters in number of all the new Shares which would be allotted upon exercise in full of all outstanding Options;
 - (b) any modification or alteration which would be to the advantage of Participants under the 2014 Scheme shall be subject to the prior approval of the Shareholders in general meeting; and
 - (c) no modification or alteration shall be made except in compliance with the Catalist Rules and the approval of such regulatory authorities as may be necessary.

For the purposes of Rule 15.1(a), the opinion of the Committee as to whether any modification or alteration would alter adversely the rights attached to any Option shall be final and conclusive.

Annexure 2B Rules of the MCE Share Option Scheme 2014

- 15.2 Notwithstanding anything to the contrary contained in Rule 15.1, the Committee may at any time by resolution (and without any other formality, save for the prior approval of the SGX-ST) amend or alter the rules or provisions of the 2014 Scheme in any way to the extent necessary to cause the 2014 Scheme to comply with any statutory provision or the provisions or regulations of any regulatory or other relevant authority or body (including SGX-ST).
- 15.3 Written notice of any modification or alteration made in accordance with this Rule 15 shall be given to all Participants.
- 15.4 Participants who are Shareholders must abstain from voting on any resolution relating to the 2014 Scheme.
- 15.5 Participants are allowed to act as proxies of Shareholders in respect of resolutions relating to the 2014 Scheme but they will not vote unless specific instructions have been given in the proxy instruments on how the Shareholders wish their votes to be cast for each of the resolutions contemplated.

16. VESTING

The Options may, at the discretion of the Committee, be vested partially over a number of years. The periods over which the Options will vest may exceed any minimum vesting periods prescribed by any laws, regulations or rules to which the 2014 Scheme may be subject, including the regulations of any stock exchange on which the Shares may be listed and quoted. Further, the Shares to be allotted and issued to a Participant pursuant to the exercise of any Option under the 2014 Scheme may, at the discretion of the Committee, be subject to a retention period.

17. TERMS OF EMPLOYMENT UNAFFECTED

- 17.1 The 2014 Scheme or any Option shall not form part of any contract of employment between the Company, or any corporation within the Group and any Participant and the rights and obligations of a Participant (who is an Employee or a Director) under the terms of the office or employment with such company within the Group shall not be affected by his participation in the 2014 Scheme or any right which he may have to participate in it or any Option which he may hold and the 2014 Scheme or any Option shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever.
- 17.2 The 2014 Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company and/or any Subsidiary directly or indirectly or give rise to any cause of action at law or in equity against the Company and/or any Subsidiary.

18. DURATION OF THE 2014 SCHEME

- 18.1 The 2014 Scheme shall continue to be in force at the discretion of the Committee, for a maximum period of 10 years commencing on the Adoption Date. Subject to compliance with any applicable laws and regulations in Singapore, the 2014 Scheme may continue beyond the above stipulated period with the approval of Shareholders by way of ordinary resolution at a general meeting and of any relevant authorities which may then be required.
- 18.2 The 2014 Scheme may be terminated at any time by the Committee or by resolution of Shareholders at a general meeting subject to all other relevant approvals which may be required. If the 2014 Scheme is so terminated, no further Options shall be offered by the Company under the 2014 Scheme.
- 18.3 The termination, discontinuance or expiry of the 2014 Scheme shall be without prejudice to the rights accrued to Options which have been granted and accepted as provided in Rule 7.2, whether such Options have been exercised (whether fully or partially) or not.

Annexure 2B Rules of the MCE Share Option Scheme 2014

19. TAXES

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the 2014 Scheme shall be borne by the Participant.

20. COSTS AND EXPENSES

20.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the allotment and issue of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP or the Participant's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank.

20.2 Save for the taxes referred to in Rule 19 and such costs and expenses expressly provided in the 2014 Scheme to be payable by the Participants, all fees, costs, and expenses incurred by the Company in relation to the 2014 Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of the Shares pursuant to the exercise of any Option shall be borne by the Company.

21. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained and subject to the Act, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in respect of any matter under or in connection with the 2014 Scheme including but not limited to the Company's delay or failure in allotting and issuing the Shares or in applying for or procuring the listing of and quotation for the Shares on Catalist in accordance with Rule 11.4.

22. DISPUTES

Any disputes or differences of any nature in connection with the 2014 Scheme shall be referred to the Committee and its decision shall be final and binding in all respects.

23. CONDITION OF OPTION

Every Option shall be subject to the condition that no Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue of Shares hereto.

24. GOVERNING LAW

The 2014 Scheme shall be governed by and construed in accordance with the laws of the Republic of Singapore. The Company and the Participants, by accepting the offer of the grant of Options in accordance with the 2014 Scheme, submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

25. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT (CHAPTER 53B)

No person other than the Company or a Participant shall have any right to enforce any provision of the 2014 Scheme or any Option by the virtue of the Contracts (Rights of Third Parties) Act (Chapter 53B) of Singapore.

Annexure 2B Rules of the MCE Share Option Scheme 2014

SCHEDULE A

MCE SHARE OPTION SCHEME 2014

LETTER OF OFFER

[MARKET PRICE OPTION / INCENTIVE OPTION]

Serial No:

Private and Confidential

Date:

To: [Name]
[Designation]
[Address]

Dear Sir/Madam,

We are pleased to inform you that you have been nominated by the Committee appointed by the Board of Directors of Metal Component Engineering Limited (the "Company") to participate in the MCE Share Option Scheme 2014 (the "2014 Scheme"). Terms as defined in the Scheme shall have the same meaning when used in this letter.

Accordingly, an offer is hereby made to grant you a [Market Price/Incentive Option] (the "Option"), to acquire up to _____ Shares at the price of S\$[] for each Share during the Exercise Period commencing on _____ and expiring on _____.

This offer of the Option and the Option, are personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee.

The Option shall be subject to the terms of this letter and the Rules of the Scheme (as amended from time to time pursuant to the terms of the Scheme), a copy of which is available for inspection at the registered office of the Company.

If you wish to accept the offer of the Option on the terms of this letter, please sign and return the enclosed Acceptance Form with a sum of S\$1.00 not later than 5.00 pm on _____, failing which this offer will lapse and shall thereafter be null and void.

Yours faithfully
for and on behalf of
Metal Component Engineering Limited

Name:

Designation:

Annexure 2B Rules of the MCE Share Option Scheme 2014

SCHEDULE B

MCE SHARE OPTION SCHEME 2014 ACCEPTANCE FORM

Serial No:

Private and Confidential

Date:

To: The Committee
MCE Share Option Scheme 2014
Metal Component Engineering Limited
10 Ang Mo Kio Street 65
#04-02 Techpoint
Singapore 569059

Closing Date and Time for Acceptance of Offer of Option :
Number of Shares comprised in the Option :
Exercise Price per Share : S\$ _____
Total Amount Payable on acceptance of Option : S\$ _____
(exclusive of the relevant Charges)

I have read your Letter of Offer dated _____ (the "**Offering Date**") and agree to be bound by the terms hereof and of the 2014 Scheme stated therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the offer of the [Market Price/Incentive Option] to acquire up to _____ Shares at _____ for each Share. I enclose cash / cheque / cashier's order no. _____, for the sum of S\$1.00 being payment for the purchase of the Option.

I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of Shares in the Company or options to subscribe for such Shares.

I understand that I am not obliged to exercise the Option. I agree to keep all information pertaining to the grant of the Option to me confidential.

I hereby acknowledge that you have not made any representation or warranty or given me any expectation of employment or continued employment to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

Annexure 2B Rules of the MCE Share Option Scheme 2014

Please print in block letters:

Name in Full :
Designation :
Address :
Nationality :
*NRIC/Passport Number :

Signature :

Date:

* Delete where inapplicable

Notes

1. This Acceptance Form must be forwarded to the Company Secretary in an envelope marked "Private and Confidential".
2. The Option must be accepted in full or in multiples of 1,000 Shares.

Annexure 2B Rules of the MCE Share Option Scheme 2014

SCHEDULE C

MCE SHARE OPTION SCHEME 2014 EXERCISE NOTICE

To: The Committee
MCE Share Option Scheme 2014
Metal Component Engineering Limited
10 Ang Mo Kio Street 65
#04-02 Techpoint
Singapore 569059

Total Number of Shares offered at S\$ [●] per Share ("Exercise Price")

under the 2014 Scheme on [] (the "Offering Date") : _____

Number of Shares previously issued and allotted thereunder : _____

Outstanding balance of Shares which may be allotted and issued thereunder : _____

Number of Shares now to be subscribed (in multiples of 1,000) : _____

1. Pursuant to your Letter of Offer dated _____ and my acceptance thereof, I hereby exercise the [Market Price / Incentive] Option to subscribe for _____ Shares in Metal Component Engineering Limited (the "Company") at the Exercise Price of S\$ _____ per Share.

2. I hereby request the Company to allot and issue to me the number of Shares specified in paragraph 1 above in the name of The Central Depository (Pte) Limited ("CDP") for credit of my Securities Account with a CDP/*Securities Sub-Account with a CDP Depository Agent/* CPF investment account with a CPF agent bank specified below and to deliver the share certificates relating thereto to CDP at my own risk. I further agree to bear such fees or other charges as may be imposed by CDP/CPF (the "Charges") and any stamp duties in respect thereof:

*(a) Direct Securities Account Number: _____

OR

*(b) Securities Sub-Account Number: Name of CDP Depository Agent: _____

OR

*(c) CPF Investment Account Number: _____

Name of CPF agent bank: _____

3. I enclose a *cheque/cashier's order/bank draft/postal order no. [●] for S\$ [●] in payment for the acquisition of the total number of the said Shares and the applicable Charges of S\$ _____.

4. I agree to subscribe for the Shares subject to the terms of the Letter of Offer, the 2014 Scheme (as the same may be amended pursuant to the terms thereof from time to time) and the Memorandum and Articles of Association.

Annexure 2B Rules of the MCE Share Option Scheme 2014

5. I declare that I am subscribing for the Shares for myself and not as a nominee for any other person.

Please print in block letters :

Name in full :

Designation :

Address :

Nationality :

*NRIC/Passport No. :

Signature :

Date :

* Delete where inapplicable

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ANNEXURE 2C EXTRACTS FROM THE RULES OF THE 2003 SCHEME

The following are extracts from the Rules of the 2003 Scheme pertaining to certain salient terms applicable to options granted under the 2003 Scheme. All capitalised terms used in this Annexure 2C shall have the same meanings as set out in the rules of the 2003 Scheme. Please refer to the rules in their entirety for the other terms and conditions governing the 2003 Scheme.

Rule 2: Grant of Options

"2. Grant of Options

2.1 The Committee may, at its absolute discretion, select any of the following persons (unless they are also controlling shareholders of the Company or associates of such controlling shareholders) to participate in the Scheme:-

- (a) Employees; and
- (b) Directors,

Provided Always That any of the aforesaid persons selected by the Committee to participate in the Scheme:-

- (i) must be at least of 21 years of age; and
- (ii) must not be an undischarged bankrupt.

2.2 For the avoidance of doubt, any Non-Executive Director who is a nominee of any Shareholder, selected by the Committee to participate in the Scheme, shall only be entitled to accept any Options granted to him, if such Shareholder agrees to his participation in the Scheme.

2.3 Controlling shareholders and their associates shall not be eligible to participate in the Scheme.

2.4 Offerees and Participants who are eligible and selected to participate in the Scheme shall not be prohibited from participating in any other share option or share incentive scheme, whether or not implemented by any of the companies within the Group or any other company.

2.5 The Committee may, subject to Rule 7, grant Options to such Offeree as it may select in its absolute discretion at any time, except that no Options shall be granted:-

- (a) during the period commencing 1 month before the announcement of the Group's interim results and final results, and ending on the day such results are announced; and
- (b) at any time after any matter of an exceptional nature involving unpublished price sensitive information has occurred or has been the subject of a decision until the 8th Market Date after such price sensitive information has been publicly announced.

2.6 The Letter of Offer to grant the Option shall be in or substantially in the form set out in Schedule A (subject to modification by the Committee at its discretion from time to time). The Option shall be personal to the Offeree to whom it is granted and shall not be transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part (the breach of which shall entitle the Committee to treat the grant of such Option as being invalid and ineffective), but may be exercised by the Offeree's duly appointed personal representative as provided in Rule 4.4 in the event of the death of the Offeree or with the prior approval of the Committee.

Appendix 2 to Notice of Annual General Meeting

- 2.7 The number of Scheme Shares to be offered to an Offeree in accordance with the Scheme shall be determined at the discretion of the Committee who shall in addition to the performance of the Company, take into account criteria such as the rank, length of service and performance of the Offeree; **Provided Always That** the maximum entitlement of any Offeree, in accordance with and during the operation of the Scheme, shall not exceed 20% in aggregate of the total number of Scheme 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) pursuant to the exercise of Options under the Scheme;
- 2.8 The grant of an Option to an Offeree under this Rule 2, if accepted by the Offeree, shall be accepted by the Offeree within thirty (30) days from the Date of Grant and, in any event, not later than 5.00 p.m. on the 30th day from such Date of Grant by completing, signing and returning the Acceptance Form set out in Schedule B, subject to modifications as determined by the Committee, accompanied by payment of S\$1.00 (or its equivalent) as consideration. The Offeree may accept or refuse the whole or part of the offer. If only part of the offer is accepted, the Offeree shall accept the offer in multiples of 1,000 Scheme Shares.
- 2.9 If the grant of an Option is not accepted in the manner as provided in Rule 2.8, such offer shall upon the expiry of the 30 day period automatically lapse and shall be null and void and of no effect.
- 2.10 The offer shall cease and lapse forthwith automatically and shall no longer be available for acceptance in the following events:
- (a) the death of the Offeree prior to his acceptance of the offer;
 - (b) the Offeree ceasing to be in the employment of the Company for any reason whatsoever; or
 - (c) the liquidation of the Company.
- 2.11 Failure by the Offeree to complete the Company's prescribed Acceptance Form in accordance with its requirements may render invalid the Offeree's acceptance of an offer. Any Acceptance Form received after the closing date shall not be valid. The offer is deemed not accepted until actual receipt by the Company of the Acceptance Form.
- 2.12 Every Option shall be granted subject to the condition that no Scheme Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country. In the event that a grant of an Option results in a contravention of any applicable law or regulation, such grant shall be null and void and of no effect and the relevant Participant shall have no claim whatsoever against the Company.
- 2.13 Participants who are Shareholders are to abstain from voting on any Shareholders' resolution relating to the Scheme."

Rule 3: Subscription Price and Payment

“3. Subscription Price and Payment

- 3.1 Subject to any adjustment effected pursuant to Rule 8, the Subscription Price for each Scheme Share on the exercise of an Option shall be the Market Price, or the nominal value of the Shares, whichever is the higher.
- 3.2 Subject to any applicable laws, rules and regulations, the Committee may at its discretion set the Subscription Price at a Discount to the Market Price in relation to Options granted to Participants who are not Independent Directors of the Company; **Provided Always That:-**

Appendix 2 to Notice of Annual General Meeting

- (a) the maximum Discount shall not exceed 20%, and shall have been approved by Shareholders in a separate resolution; and
- (b) the Discounted Subscription Price shall not be lower than the nominal value of the Shares.”

Rule 4: Rights to Exercise Options

“4. Rights to Exercise Options

- 4.1 An Option shall be exercisable, in whole or in part, at any time during the Option Period in accordance with Rules 4, 5 and 6; **Provided Always That** the exercise of an Option (including without limitation, the time and manner of such exercise) shall be subject to and in accordance with guidelines as may from time to time be prescribed by the Committee. Notwithstanding any provisions herein, the Committee shall be entitled to treat any exercise of an Option as being invalid or ineffective (whereupon the Option shall lapse) if the Committee has determined or has reason to believe that such exercise would or may be contrary to any law or enactment, or any rules, regulations or guidelines of any regulatory or other relevant authority or body (including without limitation, the Stock Exchange) for the time being in force.
- 4.2 An Option shall, to the extent unexercised, immediately lapse without any claim against the Company:-
- (a) upon the expiry of the Option Period;
 - (b) upon the expiry of the periods referred to in Rules 4.3 and 4.4;
 - (c) on the date on which a Participant ceases to be an Employee (within the meaning set out in Rule 4.3 below) on the grounds that he has been guilty of misconduct, or has been convicted of any criminal offence involving his integrity or honesty;
 - (d) on the date on which a Participant commits a breach under Rule 2.6 if the Committee treats the grant of the Option as being invalid and ineffective;
 - (e) subject to Rules 4.3 and 4.4, upon the Participant for any reason whatsoever ceasing to satisfy the eligibility criteria set out in Rule 2.1 as the Committee may determine; or
 - (f) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option.
- 4.3 If a Participant ceases to be employed by the Group for any reason other than on his death or the termination of his employment on one or more of the grounds specified in Rule 4.2(c), the Participant may exercise the Option up to his or her entitlement at the date of cessation of employment (to the extent he is entitled to exercise at the date of cessation of employment but not already exercised) within the period of 1 month following the date of such cessation of employment (which shall be deemed to be his last actual working day with the Group whether salary is paid in lieu of notice or not), or such longer period as may be determined by the Committee in its absolute discretion, provided that the aforesaid period shall fall within the Option Period. Upon the expiry of the aforesaid period, the Option, to the extent unexercised, shall lapse.
- 4.4 If a Participant dies before exercising the Option in full, such Option may, at the discretion of the Committee, be exercised by the duly appointed personal representative of the Participant to its full extent within the period of 12 months from the date of death (or before the expiry of the Option Period, whichever is earlier) or such longer period as the Committee may determine, regardless of whether all or any part of the Option has become exercisable as at the date of death under the original terms of grant.

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- 4.5 If a Participant ceases to be employed by the Group by reason of his:
- (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee); or
 - (b) redundancy; or
 - (c) retirement at or after the legal retirement age; or
 - (d) retirement before the legal retirement age with the consent of the Committee; or
 - (e) any other reason approved in writing by the Committee,
- he may, at the discretion of the Committee, exercise any unexercised Option(s) within such Option Period or otherwise as may be determined by the Committee in its absolute discretion.
- 4.6 If a Participant, being a Non-Executive Director, ceases to be a director of the Company for any reason whatsoever, any Option then held by him shall, to the extent unexercised, immediately lapse without any claim against the Company, unless otherwise determined by the Committee in its absolute discretion. In exercising such discretion, the Committee may also determine the number of Scheme Shares in respect of which that Option may be exercised and the period during which such Option may continue to be exercisable, provided that such period may not in any event exceed the Option Period applicable to such Option.
- 4.7 Notwithstanding any provision to the contrary, the Committee may, in its absolute discretion, by notice to the Participants, suspend the exercise of any Option for such period as the Committee may determine, provided that the period of suspension shall not exceed in aggregate 60 days in any 1 year."

Rule 6: Exercise of Options, Allotment and Listing of Scheme Shares

"6. Exercise of Options. Allotment and Listing of Scheme Shares

Subject to Rule 4.1, an Option may be exercised, in whole or in part (provided that, unless the Committee otherwise agrees, an Option may be exercised in part only in respect of 1,000 Scheme Shares or any multiple thereof), by a Participant giving notice in writing to the Company, in the form or substantially in the form set out in Schedule C (subject to such modification as the Committee may from time to time determine). Such notice must be accompanied by a remittance for the Aggregate Subscription Price in respect of the Scheme Shares for which that Option is exercised and any other documentation the Committee may require. All payments pursuant to this Clause shall be made by cheque, cashier's order, bankers' draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company. An Option shall be deemed to be exercised upon the receipt by the Company of the said notice, duly completed and signed, and the Aggregate Subscription Price, the relevant CDP charges (as applicable), and such other documentation as are required by the Committee.

- 6.2 Upon receipt of the notice, remittances or any other documentation referred to in Rule 6.1 and subject to such consents or other required action of any competent authority under regulations or enactments for the time being *in force* as may be necessary, and subject to compliance with these Rules, and the Memorandum and Articles of Association of the Company, the Company shall within 10 Market Days after the exercise of an Option allot and issue the relevant Scheme Shares, and despatch to CDP the relevant share certificates by ordinary post or such other mode of delivery as the Committee may deem fit.
- 6.3 Scheme Shares which are allotted on the exercise of an Option by a Participant shall be issued in the name of CDP or its nominees to be credited to the Participant's securities account with CDP or sub-account maintained with a Depository Agent.

Appendix 2 to Notice of Annual General Meeting

- 6.4 The Scheme Shares, when allotted and issued on the exercise of an Option, shall be subject to all the provisions of the Memorandum and Articles of Association of the Company, and shall rank in full for all entitlements including dividends or other distributions declared or recommended in respect of the then existing issued Shares, the Record Date for which is on or after the date upon which such exercise takes place, and shall in all other respects rank *pail passu* with other Shares then in issue.
- 6.5 So long as the Shares in issue are listed on the Stock Exchange, the Company shall, as soon as practicable after the exercise of an Option apply to the Stock Exchange and any other stock exchanges on which the Shares are quoted, for permission to deal in and for quotation of such Scheme Shares to be issued and allotted pursuant to the exercise of Options by a Participant on the SGX-ST and such other stock exchanges, as the case may be.
- 6.6 Options granted under the Scheme will not be listed on the SGX-ST.
- 6.7 The Company shall keep available sufficient unissued Shares to satisfy the exercise in full of all Options for the time being remaining capable of being exercised, provided that such Shares set apart shall not exceed 15% of the total issued share capital of the Company.

Rule 9: Administration of the Scheme

"9. Administration of the Scheme

- 9.1 The Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options to be granted to him or held by him.
- 9.2 The Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as they may deem fit.
- 9.3 Any decision of the Committee, made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes as to the interpretation of the Scheme or any rule, regulation, or procedure thereunder or as to any rights under the Scheme).
- 9.4 Neither the Scheme nor the grant of Options under the Scheme shall impose on the Company or the Committee any liability whatsoever in connection with the lapsing or early expiration of any Option pursuant to any provision of the Scheme, and/or the failure or refusal of the Committee to exercise, or the exercise of the Committee of, any discretion under the Scheme, and/or any decision or determination of the Committee pursuant to any provision of the Scheme."

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.

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 Meeting as my/our proxy/proxies to vote for me/us on my/our behalf and if necessary to demand a poll at the Annual General Meeting (the "Meeting") of the Company to be held on 25 April 2014 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 discretion.

No.	Resolutions relating to:	For	Against
1.	Adoption of the Directors' Report and Audited Accounts for the year ended 31 December 2013.		
2.	Re-election of Mr Tan Soo Yong as a Director.		
3.	Re-election of Mr Lim Chin Tong as a Director.		
4.	To declare a final dividend of 0.075 Singapore cent per share one-tier tax exempt for the year ended 31 December 2013.		
5.	Approval of Directors' fees of S\$110,000 for the year ending 31 December 2014 to be paid quarterly in arrears at the end of each calendar quarter.		
6.	Re-appointment of Foo Kon Tan Grant Thornton LLP, as Auditors and to authorise the Directors to fix their remuneration.		
7.	Authority to allot and issue new shares.		
8.	Authority to allot and issue shares under MCE Share Option Scheme 2003.		
9.	Renewal of Shareholders' Mandate for Interested Person Transactions.		
10.	Adoption of the 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 _____ 2014

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 130A of the Companies Act, Chapter 50 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 member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his/her behalf.
3. Where a member appoints two proxies, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified, the first named proxy shall be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Ang Mo Kio Street 65, Techpoint #04-02, Singapore 569059 not less than 48 hours before the time appointed for the Annual General Meeting.
5. 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 either under its seal or under the hand of an officer or attorney duly authorised.
6. 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.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or 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 appointer, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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METAL COMPONENT ENGINEERING LIMITED

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