



METAL COMPONENT ENGINEERING LIMITED

(Incorporated in the Republic of Singapore on 22/12/1988)

(Company Registration Number: 198804700N)

Condensed Interim Financial Statements as at and for the Half Year Ended 30 June 2021 (Unaudited)

This announcement has been prepared by Metal Component Engineering Limited (the “Company”) and its contents have been reviewed by the Company’s sponsor, ZICO Capital Pte. Ltd. (the “Sponsor”), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of Catalyst.

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

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A. Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	The Group		Increase/ (Decrease)
		6 month ended 30 June 2021 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	
Revenue	4	20,164	13,714	47.0%
Other income		96	223	-57.0%
Raw materials and consumables used		(11,081)	(6,845)	61.9%
Changes in inventories of finished goods and work in progress		582	(185)	N.M.
Employee benefits expense		(5,648)	(5,067)	11.5%
Depreciation of property, plant and equipment		(639)	(711)	-10.1%
Depreciation of right-of-use assets		(1,054)	(863)	22.1%
Other charges		(82)	(74)	10.8%
Finance costs		(218)	(253)	-13.8%
Other operating expenses		(2,109)	(2,075)	1.6%
Profit/(Loss) before taxation		11	(2,136)	N.M.
Taxation	5	-	-	N.M.
Profit/(Loss) for the year		11	(2,136)	N.M.
Other comprehensive income after tax:				
Items that may be reclassified subsequently to profit or loss				
Currency translation differences		(86)	(91)	
Other comprehensive loss for the year, net of tax		(86)	(91)	
Total comprehensive loss for the year attributable to owners of the Company		(75)	(2,227)	
Loss per share attributable to owners of the Company (Singapore cent)				
- Basic		0	(0.57)	
- Diluted		0	(0.57)	

**N.M. denotes not meaningful*

B. Condensed interim statements of financial position

	Note	The Group		The Company	
		As at 30-Jun-21 S\$'000	As at 31-Dec-20 S\$'000	As at 30-Jun-21 S\$'000	As at 31-Dec-20 S\$'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	6	5,028	5,566	58	73
Right-of-use assets		5,961	5,064	95	126
Subsidiaries	7	-	-	16,551	16,146
Deferred tax assets		136	138	-	-
		11,125	10,768	16,704	16,345
Current Assets					
Inventories		4,222	3,517	-	-
Trade and other receivables		11,536	10,944	1,963	3,910
Prepayments		1,198	1,184	193	139
Cash and bank balances	8	11,887	4,265	3,785	2,227
		28,843	19,910	5,941	6,276
Assets of disposal group classified as held for sale		13,716	12,414	9,690	9,832
		42,559	32,324	15,631	16,108
Total assets		53,684	43,092	32,335	32,453
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	9	22,554	21,639	22,554	21,639
Reserves		(6,417)	(6,308)	(11,344)	(10,867)
Total equity attributable to owners of the Company		16,137	15,331	11,210	10,772
Non-Current Liabilities					
Borrowings	10	3,451	3,841	3,451	3,804
Lease liabilities		2,238	1,448	250	462
		5,689	5,289	3,701	4,266
Current Liabilities					
Borrowings	10	2,501	1,970	862	996
Lease liabilities		1,726	1,511	493	622
Trade and other payables		24,786	16,204	15,717	15,113
Contract liabilities		443	383	352	330
		29,456	20,068	17,424	17,061
Liabilities of disposal group classified as held for sale		2,402	2,404	-	354
		31,858	22,472	17,424	17,415
Total liabilities		37,547	27,761	21,125	21,681
Total equity and liabilities		53,684	43,092	32,335	32,453

C. Condensed interim statements of changes in equity

The Group	Share capital S\$'000	Share option reserve S\$'000	Foreign currency translation reserve S\$'000	Statutory reserve S\$'000	Other reserve S\$'000	Acc- umulated losses S\$'000	Total equity S\$'000
Balance at 1 January 2021	21,639	115	(92)	556	7,360	(14,247)	15,331
Profit for the period	-	-	-	-	-	11	11
Other comprehensive income for the period							
- Currency translation differences	-	-	(86)	-	-	-	(86)
Total comprehensive (loss)/income for the period	-	-	(86)	-	-	11	(75)
Contributions by and distributions to owners							
- Issuance of shares	776	-	-	-	-	-	776
- Issuance of shares upon exercise of share options	139	(34)	-	-	-	-	105
Transactions with owners in their capacity as owners	915	(34)	-	-	-	-	881
Balance at 30 June 2021	22,554	81	(178)	556	7,360	(14,236)	16,137

The Group	Share capital S\$'000	Share option reserve S\$'000	Re- valuation reserve S\$'000	Foreign currency translation reserve S\$'000	Statutory reserve S\$'000	Acc- umulated losses S\$'000	Total equity S\$'000
Balance at 1 January 2020	21,639	120	7,206	(419)	1,944	(13,680)	16,810
Loss for the period	-	-	-	-	-	(2,136)	(2,136)
Other comprehensive income for the period							
- Currency translation differences	-	-	-	(91)	-	-	(91)
Total comprehensive loss for the period	-	-	-	(91)	-	(2,136)	(2,227)
Contributions by and distributions to owners							
- Expiry/Forfeiture of share options	-	(5)	-	-	-	5	-
Transactions with owners in their capacity as owners	-	(5)	-	-	-	5	-
Balance at 30 June 2020	21,639	115	7,206	(510)	1,944	(15,811)	14,583

C. Condensed interim statements of changes in equity (cont'd)

The Company	Share capital S\$'000	Share option reserve S\$'000	Accumulated losses S\$'000	Total equity S\$'000
Balance at 1 January 2021	21,639	115	(10,982)	10,772
Loss for the period	-	-	(443)	(443)
Other comprehensive income for the period				
- Currency translation differences	-	-	-	-
Total comprehensive loss for the period	-	-	(443)	(443)
Contributions by and distributions to owners				
- Issuance of shares	800	-	-	800
- Issuance of shares upon exercise of share options	139	(34)	-	105
- Share issuance costs	(24)	-	-	(24)
Transactions with owners in their capacity as owners	915	(34)	-	882
Balance at 30 June 2021	22,554	81	(11,425)	11,210

The Company	Share capital S\$'000	Share option reserve S\$'000	Accumulated losses S\$'000	Total equity S\$'000
Balance at 1 January 2020	21,639	120	(15,788)	5,971
Loss for the period	-	-	(242)	(242)
Other comprehensive income for the period				
- Currency translation differences	-	-	-	-
Total comprehensive loss for the period	-	-	(242)	(242)
Contributions by and distributions to owners				
- Expiry/Forfeiture of share options	-	(5)	5	-
Transactions with owners in their capacity as owners	-	(5)	5	-
Balance at 30 June 2020	21,639	115	(16,025)	5,729

D. Condensed interim consolidated statement of cash flows

	Group	
	6 months ended 30 June	
	2021	2020
	S\$'000	S\$'000
Cash Flows from Operating Activities		
Profit/(Loss) before taxation	11	(2,136)
Adjustments for:		
Depreciation of property, plant and equipment	639	711
Depreciation of right-of-use assets	1,054	863
Interest expense on borrowings	109	147
Interest expense on lease liabilities	109	106
Interest income	(5)	(1)
Write-down of inventories	-	21
Operating profit/(loss) before working capital changes	1,917	(289)
Changes in inventories	(717)	183
Changes in trade and other receivables	(321)	2,242
Changes in prepayments	(21)	506
Changes in trade and other payables	1,184	(2,843)
Changes in contract liabilities	59	(242)
Net cash generated from/(used in) operating activities	2,101	(443)
Cash Flows from Investing Activities		
Interest received	5	1
Net proceeds from disposal of a subsidiary	9,067	4,758
Payments for right-of-use assets	(2,055)	-
Proceeds from disposal of property, plant and equipment	-	77
Purchase of property, plant and equipment	(136)	(218)
Net cash generated from investing activities	6,881	4,618
Cash Flows from Financing Activities		
Changes in bank deposit pledged	-	(50)
Interest paid	(218)	(147)
Proceeds from issuance of shares	882	-
Proceeds from borrowings	2,924	618
Repayment of borrowings	(2,782)	(3,752)
Repayment of lease liabilities	(1,050)	(751)
Net cash used in financing activities	(244)	(4,082)
Net increase in cash and cash equivalents	8,738	93
Cash and cash equivalents at beginning of period	4,193	2,194
Exchange differences on translation of cash and cash equivalents	46	(17)
Cash and cash equivalents at end of period	12,977	2,270

E. Notes to the Condensed Interim Financial Statements

1. Corporate information

Metal Component Engineering Limited (the Company) is incorporated in Singapore.

These condensed interim financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (the %Group+).

The principal activities of the Company consist of investment holding and metal stamping and manufacturing of tools and fixtures.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(l) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(l)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

2.1. New and amended standards adopted by the Group

A number of amendments to standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2. Use of judgements and estimates

In preparing the unaudited condensed interim consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

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

Information about estimates, assumptions and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Depreciation of property, plant and equipment and right-of-use assets
- Impairment of property, plant and equipment and right-of-use assets
- Impairment of subsidiaries
- Allowance for inventory obsolescence
- Provision for expected credit losses of trade receivables

There were no significant changes in critical judgements, estimates and assumptions as compared to the consolidated financial statements as at and for the year ended 31 December 2020.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

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

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

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.

4.1 Reportable segments

	30 June 2021						
	Singapore S\$'000	Thailand S\$'000	Malaysia S\$'000	China S\$'000	Elimination S\$'000	Note	TOTAL S\$'000
External sales	5,746	4,645	1,638	8,135	-		20,164
Inter-segment sales	2,823	2	4,553	373	(7,751)		-
Total revenue	8,569	4,647	6,191	8,508	(7,751)		20,164
Profit before interest and taxation	85	23	168	316	14		606
Finance cost							(218)
Unallocated expenses						(a)	(377)
Loss before taxation							11
Taxation							-
Net profit after taxation							11
Other segment information:							
Segment assets	34,588	7,677	10,724	26,798	(26,103)		53,684
Segment liabilities	21,525	3,424	7,808	19,167	(14,367)		37,557
Non-current assets:							
Property, plant and equipment	58	1,412	1,539	2,399	(380)		5,028
Right-of-use assets	96	1,188	3,185	1,492	-		5,961
Other segment information:							
Additions of property, plant and equipment	8	88	20	20	-		136
Additions of right-of-use assets	-	638	-	1,417	-		2,055
Depreciation of property, plant and equipment	24	165	192	268	(10)		639
Depreciation of right-of-use assets	30	224	354	446	-		1,054

(a) Unallocated expenses primarily relate to directors' fees, directors' remuneration, listing expenses and other corporate related expenses.

	30 June 2020					
	Singapore S\$'000	Thailand S\$'000	Malaysia S\$'000	China S\$'000	Elimination S\$'000	Note TOTAL S\$'000
External sales	4,717	3,596	860	4,541	-	13,714
Inter-segment sales	1,899	4	3,801	733	(6,437)	-
Total revenue	6,616	3,600	4,661	5,274	(6,437)	13,714
Profit/(loss) before interest and taxation	227	(98)	(499)	(638)	(582)	(1,590)
Finance cost						(254)
Unallocated expenses						(a) (292)
Loss before taxation						(2,136)
Taxation						-
Net profit after taxation						(2,136)
Other segment information:						
Segment assets	26,506	8,231	11,306	18,302	(24,663)	39,682
Segment liabilities	18,819	3,550	8,577	12,555	(18,401)	25,100
Non-current assets:						
Property, plant and equipment	83	1,990	1,935	5,430	(3,633)	5,805
Right-of-use assets	-	1,332	3,263	486	-	5,081
Other segment information:						
Additions of property, plant and equipment	-	94	124	-	-	218
Depreciation of property, plant and equipment	26	211	223	260	(9)	711
Depreciation of right-of-use assets	-	137	359	367	-	863

(a) Unallocated expenses primarily relate to directors' fees, directors' remuneration, listing expenses and other corporate related expenses.

5. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. There were no income tax expense incurred for the 6 months ended 30 June 2021 and 30 June 2020.

6. Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with an aggregate cost of S\$136,000 (2020: S\$218,000) and disposed of assets with an aggregate carrying amount of S\$1,000 (2020: S\$97,000).

7. Subsidiaries

<u>The Company</u>	30 June 2021 S\$'000	31 Dec 2020 S\$'000
<u>Unquoted equity investments, at cost</u>		
At beginning of period/year	20,396	27,284
Increase in investment in a subsidiary	405	2,803
Reclassified to assets held for sale	-	(9,691)
At end of period/year	20,801	20,396
<u>Allowance for impairment losses</u>		
At beginning of period/year	4,250	9,679
Allowance (reversed)/made	-	(5,429)
At end of period/year	4,250	4,250
Carrying amount	16,551	16,146

During the financial period ended 30 June 2021, the Company contributed additional capital of S\$405,000 (S\$2,803,000) in its wholly-owned subsidiary in the PRC, MCE Technologies (Suzhou) Co., Ltd (MCE Suzhou+).

8. Cash and bank balances

	The Group		The Company	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	S\$'000	S\$'000	S\$'000	S\$'000
Cash in banks	11,875	4,252	3,783	2,225
Cash on hand	12	13	2	2
	11,887	4,265	3,785	2,227

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

<u>The Group</u>	30 Jun 2021 S\$'000	31 Dec 2020 S\$'000
Cash and bank balances	11,887	4,265
Add: Cash and bank balances in disposal group classified as held for sale	1,197	37
Less: Bank deposit pledged	(107)	(109)
	12,977	4,193

9. Share capital

	The Group and the Company			
	30 June 2021		31 December 2020	
	Number of Shares	Amount	Number of Shares	Amount
	'000	\$'000	000	\$000
<u>Issued and fully paid, with no par value</u>				
At 1 January	374,119	21,639	374,119	21,639
Issuance of shares	26,455	776	-	-
Exercise of share options	3,048	139	-	-
At 30 June/31 December	403,622	22,554	374,119	21,639

On 20 April 2021, the Company issued 26,455,026 new ordinary shares at S\$0.03024 pursuant to the placement agreement of 4 April 2021 entered into by the Company with six (6) placees. Share issuance expenses amounted to S\$24,000.

During the six months ended 30 June 2021, the Company allotted and issued 3,047,500 new ordinary shares to employees upon the exercise of share options under the MCE Share Option Scheme 2003 and the MCE Share Option Scheme 2014.

The Company does not have any treasury shares or subsidiary holdings as at 30 June 2021, 31 December 2021 and 30 June 2020.

Share Options

As at 30 June 2021, the Company has the following unissued shares pursuant to the MCE Share Option Scheme:

	As at 30 June 2021	As at 30 June 2020
MCE Share Option Scheme 2003	3,020,000	3,060,000
MCE Share Option Scheme 2014	37,161,000	8,965,000

Save for the above, the Company does not have any other outstanding convertibles as at 30 June 2021 and 30 June 2020.

10. Loans and borrowings

	The Group		The Company	
	30-Jun-2021	31-Dec-2020	31-Jun-2021	31-Dec-2020
	S\$'000	S\$000	S\$'000	S\$000
<u>Amounts repayable within one year</u>				
Secured ¹	2,501	1,970	863	996
<u>Amounts repayable after one year</u>				
Secured ¹	3,451	3,841	3,451	3,804
	5,952	5,811	4,314	4,800

¹ The Group's and the Company's bills payable to banks of S\$1,500,000 (2020: S\$843,000) and S\$nil (2020: S\$nil), respectively, are secured through a corporate guarantee from the Company.

Long-term bank loans, comprising S\$4,300,000 (2020: \$4,800,000) with an interest rate of 3% per annum repayable in 60 monthly instalments, secured by corporate guarantee from the Company, and S\$101,000 with an interest rate of 5.82% (2020: 5.82%) per annum repayable in 33 monthly instalments, secured by bank deposit of S\$107,000 (2020: S\$108,000) and corporate guarantee from the Company.

11. Profit before taxation

The following items have been charged/(credited) in arriving at profit before tax:

	The Group	
	6 month ended 30 June	
	2021	2020
	S\$'000	S\$'000
Income		
Interest income	(5)	(1)
Expenses		
Water & electricity	513	443
Chemical, lubricants and gas	202	157
Carriage outwards	170	179
Legal & professional fees	101	115
Tooling services	216	79
Factory expenses	140	133
Foreign exchange loss	82	42

12. Financial assets and financial liabilities

	The Group		The Company	
	30-Jun-2021	31-Dec-2020	30-Jun-2021	31-Dec-2020
	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets				
Financial assets at amortised cost:				
- Trade and other receivables	11,536	10,944	1,963	3,910
- Cash and bank balances	11,887	4,265	3,785	2,227
	23,423	15,209	5,748	6,137
Financial liabilities				
Financial liabilities at amortised cost:				
- Trade and other payables	24,786	16,204	15,717	15,113
- Loans and borrowings	5,952	5,811	4,313	4,800
- Lease liabilities	3,964	2,959	743	1,084
	34,702	24,974	20,773	20,997

13. Net asset value

	The Group		The Company	
	30-Jun-2021	31-Dec-2020	31-Jun-2021	31-Dec-2020
Net asset value per ordinary share (Singapore cents)	4.00	4.10	2.77	2.88
Number of shares at the end of the period/year ('000)	403,622	374,119	403,622	374,119

14. Subsequent events

On 8 June 2021, the Group announced the signing of a sale and purchase agreement in relation to the proposed acquisition of 85.07% equity interest in Gainhealth Pte Ltd (~~(the Proposed Acquisition)~~) and the proposed diversification into the healthcare business and e-commerce business (~~(the Proposed Diversification)~~). At the Extraordinary General Meeting held on 8 July 2021, the shareholders approved the Proposed Acquisition and the Proposed Diversification.

On 13 July 2021, the Group announced the completion of the Proposed Acquisition for a consideration of S\$4.25 million, through its wholly-owned subsidiary, 5Digital Pte. Ltd. (formerly known as Metal Precision Services Pte Ltd), as part of the Group's plan to diversify into the Healthcare Business and E-Commerce Business.

The financial effects of the above transaction have not been included in this interim financial statements for the period ended 30 June 2021. The operating results and assets and liabilities of the Group will be reflected in the second half and full year financial statements for the financial year ending 31 December 2021.

F. OTHER INFORMATION REQUIRED PURSUANT TO APPENDIX 7C OF THE CATALIST RULES

1. Review

The interim condensed consolidated balance sheet of Metal Component Engineering Limited (the "Company") and its subsidiaries (collectively, the "Group") as at 30 June 2021 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and certain explanatory notes have not been audited or reviewed by the Company's auditors.

1A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

- (a) Updates on the efforts taken to resolve each outstanding audit issue.
- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. The latest audited financial statements of the Company and the Group for the financial year ended 31 December 2020 are not subject to any adverse opinion, qualified opinion or disclaimer of opinion.

2. Review of performance of the Group

(A) STATEMENT OF COMPREHENSIVE INCOME REVIEW

The Group recorded a revenue of S\$20.2 million in the half year financial period ended 30 June 2021 ("HY2021"), an increase of S\$6.5 million from S\$13.7 million in the corresponding half year financial period ended 30 June 2020 ("HY2020"). The increase was mainly due to the increase in global demand for our customer products, primarily attributable to the gradual reopening of the major developed economies and rising vaccination rates, as well as its increasing efficacy against the rising of the new, more contagious COVID-19 variants.

Other income amounted to S\$96,000 in HY2021, as compared to S\$223,000 in HY2020. The decrease was mainly due to the reduction of COVID-19 support government grants received from our operations in Singapore and Malaysia in HY2021.

Percentage of cost of direct materials to sales increased from 50% in HY2020 to 55% in HY2021, mainly due to rising raw material prices as well as changes in product mix.

Employee benefits expense increased from S\$5.1 million in HY2020 to S\$5.6 million in HY2021, mainly due to increased business activities and sales. Nevertheless, pay-cut undertaken by the directors of the Company and the management of the Group since November 2018 continued to remain in force in order to lighten the employee benefits expense in the Group.

Depreciation of property, plant and equipment ("PPE") decreased by S\$0.1 million, from S\$0.7 million in HY2020 to S\$0.6 million in HY2021. This was mainly due to some PPEs having been fully depreciated in HY2021.

Depreciation of right-of-use assets increased by S\$0.2 million, from S\$0.9 million in HY2020 to S\$1.1 million in HY2021, mainly attributable to an increase in leases of right-of-use assets.

Other operating expenses which comprised mainly electricity and water bills, as well as factory expenses and rentals, remained stable at S\$2.1 million in spite of increasing sales. This was mainly due to stringent cost cutting measures undertaken to reduce manufacturing overheads.

As a result of the above, the Group recorded a marginal net profit of \$11,000 in HY2021, as compared to a net loss of S\$2.1 million in HY2020.

(B) STATEMENT OF CASH FLOWS / WORKING CAPITAL & BALANCE SHEET REVIEW

In HY2021, the Group recorded a net cash inflow of S\$8.7 million (HY2020: S\$0.1 million), due to net cash of S\$2.1 million from operating activities and S\$6.9 million from its investing activities, partially reduced by net cash used of S\$0.3 million in financing activities.

Net cash generated from operations in HY2021 was S\$2.1 million, mainly due to operating profit before working capital changes of S\$1.9 million and increase in working changes of S\$0.2 million.

Net cash generated from investing activities in HY2021 was S\$6.9 million, mainly from the receipt of the remaining payment (less expenses) of S\$9.1 million from the sale of MCE Shanghai, partially reduced by the payment of right-of-use assets of S\$2.1 million and purchase of plant and equipment of S\$0.1 million.

Net cash used in financing activities in HY2021 was S\$0.3 million, mainly for the repayment of finance lease liabilities of S\$1.1 million and interest expenses of S\$0.2 million, partially offset by the net proceeds of bank borrowings of S\$0.1 million and net proceeds from the issuance of placement shares and new shares pursuant to the exercise of the MCE Share Option of S\$0.9 million.

Arising from the above changes in cash flow and following the transfer of cash receipt of S\$1.2m to assets held for sale (as shown in Note 8 under Section E), the Group's cash and bank balances increased by S\$7.6 million, from S\$4.3 million as at 31 December 2020 to S\$11.9 million as at 30 June 2021. Bank borrowings increased by S\$0.1 million, from S\$5.8 million as at 31 December 2020 to S\$5.9 million as at 30 June 2021. Consequently, the Group was in a net cash position of S\$6.0 million as at 30 June 2021, as compared to a net debt of S\$1.5 million as at 31 December 2020.

As at 30 June 2021, the Group recorded a positive working capital of S\$10.7 million, an increase of S\$0.7 million from the S\$9.8 million as at 31 December 2020.

Trade receivable days and trade payable days stood at 91 days and 77 days respectively as at 30 June 2021, as compared to 117 and 107 days as at 31 December 2020 respectively. The decrease in trade receivables turnover days and trade payable turnover days were mainly attributable to changes in sales mix. Inventory days remained at 45 days as at 31 December 2020 and 30 June 2021. Consequently, the Group's net working capital days increased to 59 days as at 30 June 2021, from 51 days as at 31 December 2020.

Arising from the classification of the cash received in MCE Shanghai as asset held for sale, assets of disposal group increased correspondingly, from S\$12.4 million as at 31 December 2020 to S\$13.7 million as at 30 June 2021.

Right-of-use assets increased from S\$5.1 million as at 31 December 2020 to S\$6.0 million as at 30 June 2021, mainly due to increase of leases.

Lease Liabilities (current and non-current) increased from S\$3.0 million as at 31 December 2020 to S\$4.0 million as at 30 June 2021, mainly due to increase in right-of-use assets.

Included in the trade and other payables of S\$24.8m as at 30 June 2021 (31 December 2020 : S\$16.2m) is net proceeds from the sale of MCE Shanghai amounting to S\$14.4 million (31 December 2020 : S\$5.0 million).

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

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

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

With the continuing spread of COVID-19 around the world, most economies have been and continue to be severely and adversely impacted. While the extent of the impact on the Group's financial performance and operations for the next 12 months cannot be determined at this stage as the duration and extent of the spread of COVID-19 is uncertain, the Group's financial results for the financial year ending 31 December 2021 will be severely challenged and may be adversely impacted.

To mitigate the uncertain sales demand in the next 12 months that will be further exacerbated by the on-going trade war between the US and China, the Group will continue to operate a lean cost structure whilst reaching out to existing and new customers for new programs to grow its top line.

In order for the Group to improve its financial performance and position over a longer term, one of the Group's focus is to explore potential and suitable acquisitions, joint ventures and strategic alliances. In connection with this, the following initiatives were undertaken that will have a direct impact on the addition of a new Healthcare Business and the E-commerce Business, to gain access to new markets, customers and business opportunities in the healthcare and wellness industry:

- i) The completion of the acquisition of Gainhealth Pte Ltd (~~%Gainhealth+~~) on 13 July 2021 had added a new business segment to the Group. To add value and to ensure growth in the strategic new segments identified, the Group will strengthen the advisory and management team with the addition of an experienced group of individuals in the second half of this year.
- ii) On 13 July 2021, the Group also announced the entering of a conditional placement agreement with five (5) places for S\$800,000 to raise additional funds for the business acquisition of Healthcare Business and E-Commerce Business which was subsequently completed and announced on 26 July 2021.
- iii) On 27 July 2021, the Group announced that Metal Precision Services Pte. Ltd. (~~%MPS+~~) entered into a term sheet with MedTel Healthcare Private Limited (~~%MedTel+~~) for MPS to subscribe for up to 10% of the issued and paid up equity share capital of MedTel (~~%MedTel Investment+~~). The MedTel Investment is part of the Group's diversification plan to provide value addition to the Group's plans in the digital health ecosystem investment.

Mid-term focus areas for the Group include building on the ePharmacy that Gainhealth has started in Singapore and Malaysia, to Indonesia, where the environment for this industry has been growing rapidly. Another key area is the remote monitoring with Internet of Medical Things (IoMT) that is associated with the MedTel investment. This has been the focus for entering the homecare services and chronic disease management ecosystem with partnerships with home nursing groups in South East Asia.

Included in the balance sheet is the disposal group classified as held for sale that relates to the conditional sale and purchase agreement of 28 January 2020 (~~%Proposed Disposal+~~) entered into by the Group with Hong Sheng Holding (Singapore) Pte. Ltd. (the ~~%Buyer+~~) for the proposed sale of 100% equity interest in MCE Industries (Shanghai) Co., Ltd (~~%MCE Shanghai+~~). With the full receipt of the deposit payments from the buyer and the completion of the transfer of the 100% equity interest in MCE Shanghai to the buyer in the first half of 2021, the Proposed Disposal is entering into its closing stages of completion. Should the finalisation be completed by the end of this year, the statutory reserve of S\$7.3m relating to the disposal group classified as held for sale (refer to Part C - Condensed interim statements of changes in equity) together with any adjustments arising from the finalisation of the disposal will be recognised as profit on sale from the disposal of asset for the financial year ending 31 December 2021.

5. Dividend information

(a) Any dividend recommended/declared for the current financial period reported on?

Nil.

(b) Any dividend recommended/declared for the corresponding period of the immediately preceding financial year?

Nil.

(c) Date payable

Not applicable.

(d) Book closure date

Not applicable.

6. If no dividend has been declared/recommended, a statement to the effect and the reason(s) for the decision.

No dividend has been declared or recommended for the financial period ended 30 June 2021 so as to conserve cash for M&A purposes and grow its new business in Healthcare and E-Commerce.

7. Interested person transactions (“IPTs”)

The Group did not obtain a general mandate from its shareholders for IPTs. There was no interested person transaction entered into by the Group with value of S\$100,000 or more during HY2021.

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

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

9. Disclosure pursuant to Rule 706(A)

The Company did not acquire or dispose shares in an entity which will result in that entity in becoming or ceasing to be, a subsidiary of the Company, or result in a change in the Company’s shareholding percentage in a subsidiary during HY2021.

10. Use of Proceeds

On 30 July 2021, the Group completed the placement with five (5) places and raised net proceeds of \$770,000 (~~Net Proceeds~~), to fund business acquisition of Healthcare Business and E-Commerce Business (~~Placement~~). Please refer to the Company’s announcement on 13 July 2021 for information on the Placement. As at the date of this report, the Company has not utilised the Net Proceeds.

11. Confirmation by the Board pursuant to Catalist Rule 705(5)

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the condensed interim financial statements for the six-month period ended 30 June 2021 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Chua Kheng Choon
Chief Executive Officer

Koh Gim Hoe
Lead Independent Director

13 August 2021