

METAL COMPONENT ENGINEERING LIMITED

(Company Registration No. 198804700N)

ANNOUNCEMENT OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018 ("HY2018")

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (~~%Sponsor+~~), for compliance with the Singapore Exchange Securities Trading Limited (~~%SGX-ST+~~) Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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METAL COMPONENT ENGINEERING LIMITED

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HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

	Note	GROUP		Increase/ (Decrease) %
		HY2018 (Unaudited) S\$'000	HY2017 (Unaudited) S\$'000	
Revenue		23,578	27,939	-15.6
Other income	A	220	87	152.9
Raw materials and consumables used		(12,496)	(14,748)	-15.3
Employee benefits expense		(8,180)	(8,956)	-8.7
Depreciation expense		(1,276)	(1,445)	-11.7
Amortisation expense		-	(316)	-100.0
Other operating expenses		(4,252)	(5,041)	-15.7
Other charges	B	(50)	(2,607)	-98.1
Finance costs		(242)	(206)	17.5
Loss before taxation		(2,698)	(5,293)	-49.0
Taxation		-	-	NM
Loss for the period		(2,698)	(5,293)	-49.0
Other comprehensive (loss)/income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences arising from consolidation		112	(350)	NM
Total comprehensive loss for the period attributable to owners of the Company		(2,586)	(5,643)	-54.2

NM - Not meaningful

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

	HY2018 S\$'000	HY2017 S\$'000
A) Major items for other income:		
Gain on disposal of property, plant and equipment	53	-
Reversal of write-down on inventories	127	-
Interest income	3	3
Government grant	17	54
Sundry income	20	30
B) Major items for other charges:		
Foreign exchange loss, net	50	561
Write-down of inventories	-	665
Loss on disposal of other assets	-	57
Loss on disposal of property, plant and equipment	-	1,324

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

	GROUP		COMPANY	
	As at 30-Jun-18 (Unaudited) S\$'000	As at 31-Dec-17 (Audited) S\$'000	As at 30-Jun-18 (Unaudited) S\$'000	As at 31-Dec-17 (Audited) S\$'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	21,383	20,983	206	323
Subsidiaries	-	-	18,597	18,597
Other assets	11	11	11	11
Deferred tax assets	44	43	-	-
	21,438	21,037	18,814	18,931
Current Assets				
Inventories	5,028	4,852	-	-
Trade and other receivables	15,327	19,153	10,251	13,103
Cash and bank balances	2,139	5,144	763	1,096
	22,494	29,149	11,014	14,199
Total assets	43,932	50,186	29,828	33,130
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	21,639	21,639	21,639	21,639
Accumulated losses	(11,053)	(8,356)	(4,901)	(4,715)
Other reserves	7,854	7,743	22	24
Total equity attributed to owners of the Company	18,440	21,026	16,760	16,948
Non-Current Liabilities				
Deferred tax liabilities	2,127	2,127	-	-
Borrowings	1,506	1,167	717	669
	3,633	3,294	717	669
Current Liabilities				
Trade and other payables	15,276	18,665	9,111	12,276
Borrowings	6,574	7,192	3,240	3,237
Current tax payable	9	9	-	-
	21,859	25,866	12,351	15,513
Total liabilities	25,492	29,160	13,068	16,182
Total equity and liabilities	43,932	50,186	29,828	33,130

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

	GROUP	
	As at 30 Jun 2018	As at 31 Dec 2017
	S\$'000	S\$'000
Payable within 1 year or on demand		
Secured	3,796	4,401
Unsecured	2,778	2,791
	6,574	7,192
Payable after 1 year		
Secured	1,506	1,167
Unsecured	-	-
	1,506	1,167
TOTAL	8,080	8,359

Details of any collaterals

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

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

	GROUP	
	HY2018 (Unaudited) S\$'000	HY2017 (Unaudited) S\$'000
Cash flows from operating activities		
Loss before taxation	(2,698)	(5,293)
Adjustments for :		
Depreciation of property, plant and equipment	1,276	1,445
Amortisation of intangible assets	-	316
Interest income	(3)	(3)
Interest expense	242	206
(Gain)/loss on disposal of property, plant and equipment	(53)	1,324
Write-down of inventories (reversed)/made	(127)	665
Unrealised currency translation differences	-	(41)
Operating loss before working capital changes	(1,363)	(1,381)
Changes in bank deposits restricted in use	(52)	-
Changes in inventories	(56)	(657)
Changes in trade and other receivables	3,804	2,318
Changes in trade and other payables	(3,411)	979
Net cash (used in)/generated from operating activities	(1,078)	1,259
Cash flows from investing activities		
Interest received	3	3
Proceeds from disposal of other assets	-	88
Proceeds from disposal of property, plant and equipment	21	110
Purchase of property, plant and equipment	(1,157)	(476)
Net cash used in investing activities	(1,133)	(275)
Cash flows from financing activities		
Interest paid	(242)	(206)
Proceeds from borrowings	295	2,181
Repayment of borrowings	(642)	(1,705)
Net cash (used in)/generated from financing activities	(589)	270
Net (decrease)/increase in cash and cash equivalents	(2,800)	1,254
* Cash and cash equivalents at beginning of period	4,526	7,529
Exchange differences on translation of cash and cash equivalents at beginning of period	11	(59)
* Cash and cash equivalents at end of period	1,737	8,724
* Cash and cash equivalents are net of bank overdrafts and bank deposits pledged		
Cash and cash equivalents consist the following:		
Cash and cash equivalents and on hand	2,139	9,564
Bank overdraft	(300)	(840)
Bank deposits restricted in use	(102)	-
	1,737	8,724

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

The Group	Share Capital	Accumulated profits/(losses)	Share Option Reserve	Warrant Reserve	Revaluation Reserve	Translation Reserve	Statutory Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2017	21,639	(514)	127	782	-	(451)	1,944	23,527
Total comprehensive income for the period	-	(5,293)	-	-	-	(350)	-	(5,643)
Expiry of share options	-	97	(97)	-	-	-	-	-
Balance as at 30 June 2017	21,639	(5,710)	30	782	-	(801)	1,944	17,884

The Group	Share Capital	Accumulated profits/(losses)	Share Option Reserve	Warrant Reserve	Revaluation Reserve	Translation Reserve	Statutory Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2018	21,639	(8,357)	24	-	6,380	(604)	1,944	21,026
Total comprehensive loss for the period	-	(2,698)	-	-	-	112	-	(2,586)
Forfeiture of share options	-	2	(2)	-	-	-	-	-
Balance as at 30 June 2018	21,639	(11,053)	22	-	6,380	(492)	1,944	18,440

The Company	Share Capital	Accumulated profits/(losses)	Share Option Reserve	Warrant Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2017	21,639	1,530	126	783	24,078
Total comprehensive loss for the period	-	(1,381)	-	-	(1,381)
Expiry of share options	-	97	(97)	-	-
Balance as at 30 June 2017	21,639	246	29	783	22,697

The Company	Share Capital	Accumulated profits/(losses)	Share Option Reserve	Warrant Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2018	21,639	(4,715)	24	-	16,948
Total comprehensive loss for the period	-	(188)	-	-	(188)
Forfeiture of share options	-	2	(2)	-	-
Balance as at 30 June 2018	21,639	(4,901)	22	-	16,760

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

a) Share capital

	No. of shares	Share capital (\$'000)
Issued share capital as at 31 December 2017 and 30 June 2018	374,119,000	21,639

b) Share options scheme

	Balance as at 01.01.2018	Granted during the period	Lapsed during the period	Balance as at 30.06.2018	Balance as at 30.06.2017
Unissued shares of the Company in respect of MCE Share Option Scheme	3,660,000	-	(300,000)	3,360,000	4,560,000

c) Warrants

	Balance as at 30.06.2018	Balance as at as at 30.06.2017
Unissued shares of the Company in respect of warrants	-	175,911,000 ⁽¹⁾

Note :

(1) Expired in September 2017

There were no treasury shares and subsidiary holdings as at 30 June 2018 and as at 30 June 2017. Save as disclosed, there were no other outstanding convertibles or treasury shares as at 30 June 2018 and as at 30 June 2017.

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

	COMPANY	
	As at 30-Jun-18	As at 31-Dec-17
Number of ordinary shares in issue	374,119,000	374,119,000

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

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

1 (d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable as the Company has no subsidiary holdings during and as at the end of the current financial period reported on.

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HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018**2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice**

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

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

Not applicable.

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

Save as disclosed in section 5 below, the Group and the Company have applied the same accounting policies and methods of computations in the financial statements for the current financial period reported on, which is consistent with those of the most recently audited financial statements for the financial year ended 31 December 2017.

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

The Group has adopted the applicable new and revised Singapore Financial Reporting Standards (International) (SFRS(I)) and interpretations which became effective for the financial period beginning on or after 1 January 2018. There are no significant changes to the accounting standards and interpretations for the financial period ended 30 June 2018, except for the adoption of SFRS(I) 15 Revenue from Contracts with Customers and SFRS(I) 9 Financial Instruments with effect from 1 April 2018. There is no significant impact to the financial statements for the financial period ended 30 June 2018 arising from the adoption of SFRS (I) 15 and SFRS(I) 9.

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

	GROUP	
	HY2018	HY2017
Loss per share (Cents)		
- on weighted average number of ordinary shares	(0.72)	(1.41)
- on fully diluted basis	(0.72)	(1.41)
Loss attributable to owners of the Company (S\$'000)	(2,698)	(5,293)
Weighted average number of ordinary shares in issue		
- for basic loss per share	374,119,000	374,119,000
- for diluted loss per share ⁽¹⁾	374,119,000	374,119,000

Note :

(1) Share options granted under the MCE Share Option Scheme (see note (1)(d)(ii)(b)) were excluded in the diluted weighted average number of ordinary shares calculation as its effect would have been anti-dilutive.

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

	GROUP		COMPANY	
	As at 30-Jun-18	As at 31-Dec-17	As at 30-Jun-18	As at 31-Dec-17
Net asset value per ordinary share based issued capital as at end of the period/year (cents)	4.93	5.62	4.48	4.53
Number of ordinary shares in issue at the end of the period/year ('000)	374,119	374,119	374,119	374,119

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8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.**

Revenue was at S\$23.6 million in the financial period ended 30 June 2018 (%HY2018+), a 15.6% decrease from S\$27.9 million in the financial period ended 30 June 2017 (%HY2017+). The decrease was primarily due to (i) the decrease in global demand for our customer products that adversely affected our sales in Singapore in HY2018, and (ii) the closures of the plating lines in the Suzhou and Shanghai plants in HY2017, resulting in absence of sales in these plants in HY2018.

Percentage of cost of direct materials to sales increased slightly to 53% in HY2018, from 52.8% in HY2017.

Other income in HY2018 was S\$220,000, as compared to S\$87,000 in HY2017. The increase was mainly due to (i) gain on disposal of plant and equipment of S\$53,000 in HY2018 (HY2017: Nil), and (ii) reversal of write-down on inventories of S\$127,000 (HY2017: Nil).

Percentage of employee benefits expense to sales was 34.7% for HY2018, an increase of 8.7 percentage points as compared to 32.1% in HY2017, mainly due to a one-time costs of S\$0.4 million incurred in respect of personnel lay-off in the Group's Shanghai operations in HY2017.

Percentage of depreciation expense to sales increased slightly to 5.4% from 5.2% for HY2018 and HY2017 respectively.

Amortisation expense of \$0.3 million in HY2017 relates to the amortisation of the development cost for the plotter business in the Shanghai plant. There were no such expenses in HY2018.

Operating expenses decreased by S\$0.7 million, to S\$4.3 million in HY2018 from S\$5.0 million in HY2017. This was mainly due to (i) lower sales in HY2018, and (ii) one-time costs of S\$0.4 million incurred in HY2017 to resolve the environmental issues relating to the partial closure of the Group's nickel plating line in Suzhou, and no such cost was incurred in HY2018.

Other charges decreased by S\$2.5 million, from S\$2.6 million in HY2017 to S\$0.1 million in HY2018. Other charges in HY2017 relate mainly to (i) foreign exchange loss of S\$0.6 million arising from the weakening of US dollars against Singapore dollars, and (ii) one-time impairment charge of S\$0.7 million and S\$1.3 million for its inventory and plant, respectively, as a result of the closure of the plating line and the Shanghai plant. Other charges in HY2018 relate to foreign exchange loss of S\$0.1 million.

Finance cost increased from S\$206,000 in HY2017 to S\$242,000 in HY2018 due to higher level of borrowings in HY2018.

As a result of the above, the Group recorded a loss after tax of S\$2.7 million in HY2018, as compared to S\$5.3 million in HY2017.

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STATEMENT OF CASH FLOWS / WORKING CAPITAL & BALANCE SHEET REVIEW

In HY2018, the Group recorded a net cash outflow of S\$2.8 million as compared to net cash inflow of S\$1.3 million in HY2017. In HY2018, the Group used net cash of S\$1.1 million, S\$1.1 million and S\$0.6 million in its operating activities, investing activities and financing activities, respectively.

Net cash used in operating activities in HY2018 was S\$1.1 million, mainly due to operating loss before working capital changes of S\$1.4 million and a decrease in trade and other payables of S\$3.4 million, partially offset by a decrease in trade and other receivables of S\$3.8 million.

Net cash used in investing activities in HY2018 was S\$1.1 million, mainly for the purchase of plant and equipment of S\$1.2 million.

Net cash used in financing activities in HY2018 was S\$0.6 million, mainly due to the repayment of bank loan of S\$0.4 million and interest paid of S\$0.2 million.

As a result of the above, the Group's cash and cash equivalents decreased by S\$2.8 million, from S\$4.5 million as at 31 December 2017 to S\$1.7 million as at 30 June 2018. Bank borrowings decreased by S\$0.3 million, from S\$8.4 million as at 31 December 2017 to S\$8.1 million as at 30 June 2018. Consequently, the Group's net debt increased from S\$3.2 million as at 31 December 2017 to S\$6.0 million as at 30 June 2018.

As at 30 June 2018, the Group had a positive working capital of S\$0.6 million, a decrease of S\$2.6 million from S\$3.2 million as at 31 December 2017. Trade receivable days and trade payable days stood at 97 and 94 days respectively as at 30 June 2018, as compared to 105 and 104 days as at 31 December 2017 respectively. The decreases in trade receivable turnover days and trade payable turnover days were mainly attributable to changes in sales mix. Inventory turnover days, however, increased from 33 days as at 31 December 2017 to 43 days as at 30 June 2018, due to the push back of sales by customers. Correspondingly, the Group's net working capital days increased from 34 days to 47 days as at 30 June 2018.

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

No forecast, or a prospect statement was previously disclosed to shareholders.

10 A commentary at the date of the announcement of the significant trend 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

To mitigate the uncertain sales demand in the next 12 months, the Group has embarked with high urgency on key initiatives that will further streamline operations in all its sites, especially in China in areas of manpower deployment and staff cost, operational efficiencies and key account management. Key objective is to improve financial performance and generate positive cash flow. We will be working with key customers to sustain our revenue stream in the second half of the financial year ending 31 December 2018.

11 Dividend

(a) Current Financial Period Reported On	Nil
(b) Prior Financial Period Reported On	Nil
(c) Date Payable	Not applicable
(d) Books closure date	Not applicable

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

No dividend has been declared/recommended for the financial period ended 30 June 2018.

13 If the Group has obtained a general mandate from shareholders for Interested Person Transactions (IPTs), the aggregate value of such transactions as required under Rule 920(1)(a)(ii).

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 HY2018.

14 Issuer to confirm that it has procured undertaking from all its directors and executive officers in the format set out in Appendix 7H under Rule 720(1).

The Board of Directors confirms that, they have procured undertakings from all its directors and executive officers in the format set out in Appendix 7H under Rule 720(1).

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15 Statement by Directors

Pursuant to SGX Catalist Rule 705(5)

On behalf of the Board of Directors of the Company, we 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 unaudited consolidated financial results for the half year ended 30 June 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Chua Kheng Choon
Chairman and Chief Executive Officer

Koh Gim Hoe
Lead Independent Director

14 August 2018