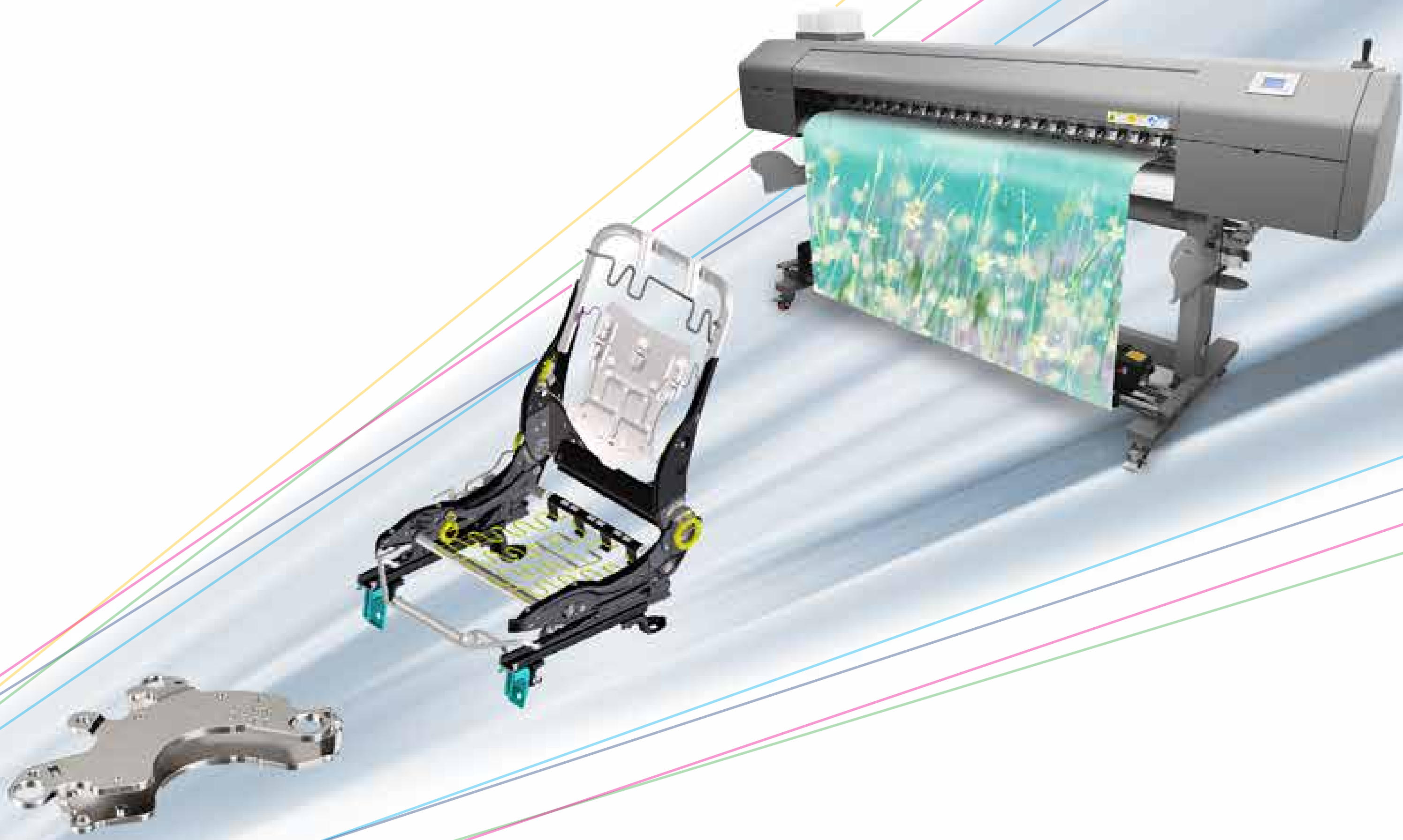
METAL COMPONENT ENGINEERING LIMITED



TRANSITION

ANNUAL REPORT 2014

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Canaccord Genuity Singapore Pte. Ltd. ("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 annual report.

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

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

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:

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

CORPORATE INFORMATION

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

Cheah Chow Seng
Independent Non-Executive Director

Lim Swee Kwang
Independent Non-Executive Director

AUDIT COMMITTEE
Lim Chin Tong (Chairman)
Cheah Chow Seng
Lim Swee Kwang

REMUNERATION COMMITTEE
Lim Swee Kwang (Chairman)
Lim Chin Tong
Cheah Chow Seng

NOMINATING COMMITTEE
Cheah Chow Seng (Chairman)
Lim Chin Tong
Lim Swee Kwang

COMPANY SECRETARIES
Lee Wei Hsiung
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 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

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10 Ang Mo Kio St 65
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Singapore 569059
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Fax: (65) 6759 5565
www.mce.com.sg
Registration No.: 198804700N

CORPORATE STRUCTURE

METAL COMPONENT ENGINEERING LIMITED

- Metal Precision Services Pte. Ltd.
- MCE Technologies Sdn. Bhd.
- MCE Manufacturing Sdn. Bhd.
- MCT (Thailand) Co., Ltd
- Metal Component Technologies (Wuxi) Co., Ltd.
- Metal Computer Component (Suzhou) Limited
- Metal Component Engineering (Shanghai) Co., Ltd.
- MCE Industries (Shanghai) Co., Ltd.
  - MCE Corporation (Shanghai) Co., Ltd.

CORE VALUES


TRUST
TEAMWORK
$3CT^2$
CREATIVITY
COMMITMENT
COMMUNICATION

CHAIRMAN'S MESSAGE

"MCE will focus its marketing efforts to secure more high value-added projects to improve its capacity utilisation rate and productivity"

Dear Shareholders

FY2014 was an exciting year for MCE. We continued our efforts and action plans to maintain our competitiveness, venturing along our transformation journey to be a leading Asian one-stop manufacturing solutions provider with multiple manufacturing bases. However, this transformation journey was marred by the challenges encountered, resulting in profitability and revenue being impacted by the harsh market conditions.

Despite these challenges, strategic reallocation of marketing resources over the past few years had bore fruits in this financial year as the Group witnessed a 31.5% growth in the revenue contribution from the Precision Components business. Additionally, this growth was marked by the addition of several new projects which the Group had acquired in the year.

Most notably, MCE had signed a Memorandum of Understanding ("MOU") in September 2014 with a leading manufacturer of digital textile printers in China, to collaborate on the development and manufacturing of a new model of digital textile printer. This partnership is expected to drive the business further, leveraging on MCE's manufacturing capabilities and open the Group to more windows of opportunities in the near future.

The management is very encouraged by this development, and marketing efforts will be continued to secure more higher value clients and contracts.

Financial Review

MCE's transformation journey was met by numerous global uncertainties in FY2014, resulting in the Group's revenue to remain relatively flat at S$69.1 million, a 0.4% decrease from S$69.4 million in the preceding year.

Direct materials had increased 12.5% from S$31.1 million in FY2013 to S$35.0 million in FY2014 due to a shift in product mix.

The additional headcount in MCE's Thailand operations, along with upward adjustment of minimum wages in China, had resulted in employee benefits expense increasing 7.9% from S$18.3 million in FY2013 to S$19.8 million in FY2014. On the other hand, as a result of the Group's effective cost management initiatives, other operating expenses fell 9.8% to S$13.6 million in FY2014 from S$15.1 million in FY2013.

As a result of the above-mentioned, net loss after tax of the Group stood at S$2.8 million in FY2014.

Despite profitability being affected in FY2014, the Group's cash position remains healthy with cash and cash equivalent as at 31 December 2014 standing at S$11.0 million.

Operational Review

Geographically, the Group has six manufacturing presences in three countries, namely China, Malaysia and Thailand. Together, they form an extensive network of manufacturing bases, providing support to the Group's multinational clients. Additionally, the Group is also looking to leverage on its China's manufacturing facilities to capture more market share in the local Chinese market. These manufacturing bases allow the Group to further strengthen its capabilities, enabling itself to transform its business model to attract more high value-added projects.

CHAIRMAN'S MESSAGE

MCE China

In China, the Group has three manufacturing plants in 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.

In FY2014, MCE China continued to contribute significantly to the Group's revenue. However, the Group experienced an EBIT (earnings before interest and tax) loss due to higher operating costs as well as not being able to enjoy the full benefits of economies of scale due to lower business activities.

In August 2014, the Group incorporated a wholly-owned subsidiary, MCE Corporation (Shanghai) Co., Ltd, in the People's Republic of China. The incorporation of this subsidiary is part of the Group's strategy to further increase business volume in the local Chinese market. Additionally, the Group expects the China business to continue to improve in the upcoming years following the successful signing of MOU with China's leading manufacturer of textile digital printers.

MCE Malaysia

The lower business orders had resulted in weaker business performance during FY2014, with revenue decreasing 11.9% to S$14.0 million. On an EBIT level, the operations in Malaysia achieved a S$0.2 million profit. The Group will continue to embark on its intensive cost management initiatives as well as its streamlining efforts. In FY2015, barring unforeseen circumstances, MCE's Malaysia operations are expected to improve as new product programmes are expected to reach mass-run stage.

MCE Thailand

Revenue from Thailand more than doubled from S$2.5 million in FY2013 to S$5.4 million in FY2014. However, operational leverage has not been reached and continues to have an impact on its profitability. In FY2014, MCE Thailand reported a lower level of EBIT loss.

As the Group's manufacturing site in MCE Thailand begin to stabilise, the Group expects it to continue supporting the manufacturing needs of its major shareholder, Cal-Comp Electronics (Thailand) Public Company Limited. MCE believes that, barring unforeseen circumstances, demand of its services will continue to grow and the facility will bring in more sustainable income for the Group in 2015.

Forward looking

The Group will continue to intensify its strategic efforts to transform itself into an Asian one-stop manufacturing solutions provider to support the manufacturing needs of its multinational clients. Additionally, the Group will also be stepping up efforts to capture more businesses from the local Chinese market. MCE will continue to seek various options to improve its cost competitiveness, such as improving productivity and further streamlining its production process.

Additionally, MCE will focus its marketing efforts to secure more high value-added projects to improve its capacity, utilisation rate and productivity. In particular, the Group also expects the automotive sector to show robustness in the coming year and contribution from this segment will further drive revenue growth.

The Group is witnessing more enquiries for its Mechanical Integration and Precision Components businesses. Barring unforeseen circumstances, the Group expects that (i) the Hard Disk Drive business will be more stable going forward; and (ii) on an overall basis, the Group's businesses across all segments will improve in FY2015 while its Thailand plant continues to ramp up its operations.

In the longer term, MCE will be entering the more attractive digital textile printing industry, particularly in the China market. The MOU with a leading Chinese manufacturer is just the beginning and the Group expects this to be the cornerstone for its next phase of growth.

Appreciation

On behalf of the Board of Directors, I would like to express our appreciation to all our shareholders, business partners, clients, management team and staff for their continuous support.

We would also like to especially thank Mr. Wong Chee Wai, who stepped down as an Independent Director in May 2014, for his support and contribution to the Group over the years.

Thank you.

Chua Kheng Choon
Chairman and Chief Executive Officer

BOARD OF DIRECTORS

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

Chua Han Min, 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 (MIT), a manufacturer of semiconductor, solar and other high tech capital equipment. Mr Lim's career spanned many years in the government sector with the Economic Development Board before he moved to the private sector with Xpress Holdings Ltd in 2000. Apart from MIT and MCE, he had also served on the Boards of several SGX and ASX listed companies. In the academic field, Mr Lim was on Board of Governors of Nanyang Polytechnic and Ahmad Ibrahim Primary School Advisory Committee for multiple terms until 2013. He graduated with a Bachelor of Science (Honours) degree in Mechanical Engineering from the University of Leeds (UK) and a Diploma in Business Administration from NUS. Mr Lim also attended the Program for Management Development at the Harvard Business School.

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

Lim Swee Kwang, is our Independent Director. He is currently a partner with Accion Capital Management Pte Ltd, a private equity firm with fund management regulated by the Monetary Authority of Singapore. Mr Lim has over 29 years of experience in the technology sector, assuming roles in senior management, research and development, marketing as well as operations. He was formerly the CEO of the Retail Store Solutions & Industrial Products (RSSI) group of Venture Corporation Ltd, a leading global Electronics Service Provider listed on the SGX. Prior to his roles in Venture Corporation Ltd, Mr Lim served in various divisions of Hewlett-Packard in Singapore and US over a 17-year career with a keen focus on research and development. He holds a Bachelor of Science in Mechanical Engineering (Summa Cum Laude) from the University of Michigan, and a Master of Science in Industrial and System Engineering from the National University of Singapore. Mr Lim was appointed on board on 1 May 2014.

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.

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

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

Tan Wee Suan Mavis, our Corporate Materials Manager, has been with the Group since 1989. She is responsible for the Group's materials planning, pricing negotiation and purchase strategy. Ms Tan holds a Diploma in Business Administration from the Singapore Productivity Standards Board Institute.

Tee Lian Soon Michael, our Group Human Resource Manager. He is responsible for the development and implementation of the Group's Human Resource policies and programs. Prior to joining the Group, he was the Human Resource Manager of a public listed company and was responsible for the full spectrum of human resource functions. Mr Tee holds a Bachelor of business Administration from University of Wolverhampton (UK).

KEY MANAGEMENT

Ong Hock Chye Charles, our General Manager for Hard Disk Drive (HDD) business. He is overall in charge at our two facilities in Wuxi and Suzhou for the HDD business. Mr Ong joined MCE in January 2014 as HDD Sales Director and was later appointed as General Manger in July 2014. Prior to joining MCE, Mr Ong was with Seagate Technology for 25 years holding various positions. His last appointment in Seagate was Materials Director responsible for regional purchasing. Mr Ong is a veteran in HDD industry and equipped with extensive supply chain management experience. Mr Ong holds a Certificate in Production and Inventory Management from the Singapore Institute of Materials Management.

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).

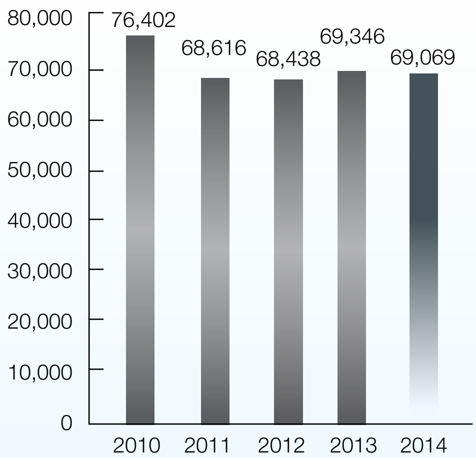
Boon Che Kwang, is the Operations Manager for MCE Thailand. He has been with MCE since 2004. Prior to his current appointment, Mr Boon held various management positions including production, engineering and operations in MCE Malaysia, mainly involving soft tool and Mechanical Integration businesses. 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

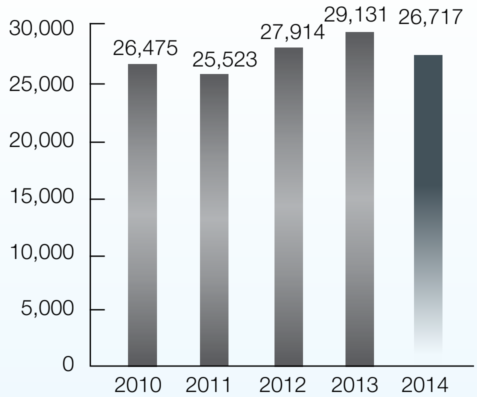
S$'000	2010	2011	2012	2013	2014
GROUP FINANCIAL PERFORMANCE					
Revenue	76,402	68,616	68,438	69,346	69,069
Profit/(loss) before income tax	(559)	(2,102)	2,020	548	(2,761)
Net profit/(loss) to attributable shareholders	(1,185)	(2,322)	2,202	337	(2,833)
Earnings/(loss) per share (diluted) cents	(0.74)	(1.29)	0.94	0.09	(0.77)
GROUP FINANCIAL POSITION					
Property, plant and equipment	23,519	20,516	17,965	20,251	17,503
Cash and cash equivalents	8,849	6,266	12,329	10,722	10,951
Current assets	40,061	39,740	40,035	41,306	43,888
Total assets	64,635	60,393	58,137	61,694	61,529
Current liabilities	33,394	33,453	29,479	31,272	33,809
Non-current liabilties	4,766	1,418	744	1,291	1,003
Total liabilities	38,160	34,870	30,223	32,563	34,812
Total equity	26,475	25,523	27,914	29,131	26,717
KEY FINANCIAL INDICATORS					
Debt-equity ratio	1.44	1.37	1.08	1.12	1.30
Net cash/(debt) $'000	(11,094)	(9,280)	(89)	(1,167)	(2,343)
Net gearing	42%	36%	0%	4%	9%

FIVE-YEAR FINANCIAL HIGHLIGHTS

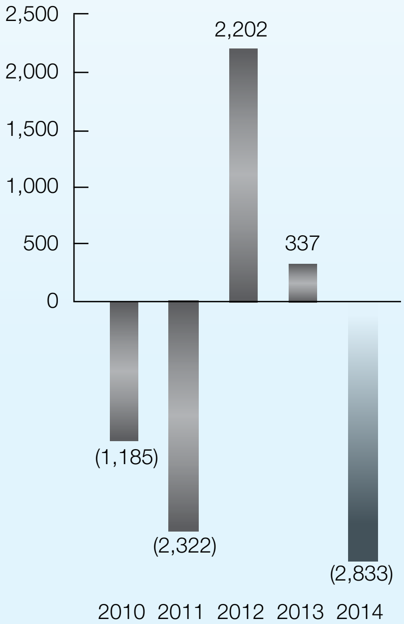
REVENUE (S$'000)



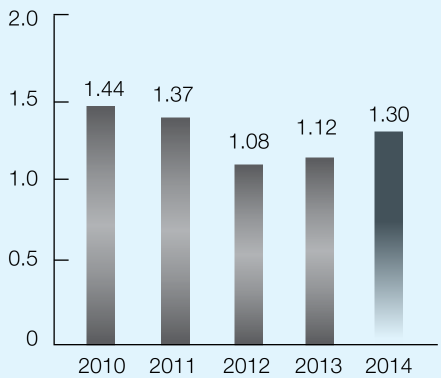
TOTAL EQUITY (S$'000)



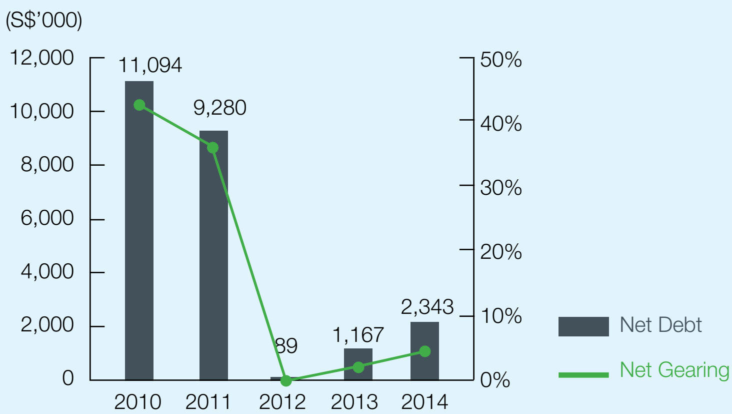
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS (S$'000)



DEBT-EQUITY RATIO



NET DEBT / GEARING %



CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board" or "Directors") of Metal Component Engineering Limited (the "Company", and together with its subsidiaries, the "Group") is committed to compliance with the principles of the Code of Corporate Governance 2012 (the "Code") issued on 2 May 2012. The Company believes that good corporate governance is essential in building a sound corporation with an ethical environment, thereby protecting the interests of all shareholders. This report sets out the Company's corporate governance practices. The Board confirms that, for the financial year ended 31 December 2014 ("FY2014"), the Company has generally adhered to the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time, to ensure compliance with the Listing Manual Section B: Rules of Catalist (the "Catalist Rules") of the Singapore Exchange Securities Trading Limited ("SGX-ST").

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the 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 businesses of the Group, including that of setting the overall strategy and business direction of the Group.

The principal functions of the Board include:

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

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

The Company has adopted internal guidelines setting forth matters that require 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 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.

CORPORATE GOVERNANCE REPORT

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

The Board conducts regular meetings, and additional meetings for particular matters will be convened as and when they are deemed necessary. Physical meetings are held and the Company's Articles of Association allow for telephonic and video conference meetings.

The attendance of each board member at the Board and the respective Board Committees meetings held in FY2014 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 [(1)]	1	1	1	1
Cheah Chow Seng	2	3	2	2
Lim Swee Kwang [(2)]	1	2	1	1

[(1)] Mr Wong Chee Wai stepped down as an Independent Director on 1 May 2014.

[(2)] Mr Lim Swee Kwang was appointed as an Independent Director on 1 May 2014.

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 Committees' meetings will be circulated to the Board so that Directors are aware of and kept updated as to the proceedings and matters discussed during respective Board Committees' 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 Executive Committee will monitor the effectiveness of the policies set out by the Board and where necessary, make further recommendations or changes to the policies in line with the Group's financial objectives. The Executive Committee meets regularly, on an average of once a month.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE

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

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

As at 31 December 2014, the Board comprised the following members:-

<u>Non-Executive Director</u>
Lim Chin Tong (Non-Executive and Lead Independent Director)
Cheah Chow Seng (Independent Non-Executive Director)
Lim Swee Kwang (Independent Non-Executive Director)

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

The criterion of independence is based on the definition provided in the Code. The Board 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 as well as 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 on pages 7 and 8 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, with the Board comprising six Directors, three of whom are independent, the composition of the Board complies with the recommendation under the Code for independent Directors to make up at least half of the Board.

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

In assessing the independence of a Director who has served on the Board for more than 9 years (namely, Lim Chin Tong), the Nominating Committee and the Board have taken into consideration Guideline 2.4 and conducted a rigorous review of his contribution to the Board to determine if he has maintained his independence as defined by Guideline 2.3. The Nominating Committee and the Board are of the view that Lim Chin Tong, regardless of his period of service, continues to provide objective, balanced and constructive inputs which are in the best interests of the Company. The independence of the Director concerned was not affected or impaired by his length of service.

The Nominating Committee has determined and is satisfied that Lim Chin Tong, Cheah Chow Seng and Lim Swee Kwang 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 businesses and operations.

The independent Directors communicate regularly, without management presence, to discuss matters such as the Group's performance, corporate governance and remuneration of executive Directors, to facilitate a more effective oversight on the management of the Company ("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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

CORPORATE GOVERNANCE REPORT

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), Lim Chin Tong and Lim Swee Kwang.

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.

In addition, the Articles of Association of the Company provide that a Director appointed by the Board to fill a vacancy or as an additional Director must retire at the next Annual General Meeting after such appointment, and subject himself or herself for re-election. At the forthcoming Annual General Meeting, Lim Swee Kwang will retire pursuant to Article 97 of the Company's Articles of Association. He, being eligible for re-election, has offered himself for re-election. The Nominating Committee recommended to the Board that Lim Swee Kwang be nominated for re-election at the forthcoming Annual General Meeting of the Company. In making the recommendations, the Nominating Committee has considered the overall contributions and performance of Lim Swee Kwang. As a member of the Nominating Committee, Lim Swee Kwang has abstained from voting on any resolutions in respect of the assessment of his performance for re-nomination as Director.

At the forthcoming Annual General Meeting, Chua Han Min and Cheah Chow Seng 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 Chua Han Min and Cheah Chow Seng be nominated for re-election at the forthcoming Annual General Meeting of the Company. In making the recommendations, the Nominating Committee has considered the overall contributions and performances of Chua Han Min and Cheah Chow Seng. As a member of the Nominating Committee, Cheah Chow Seng 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 his current directorships in listed companies and other principal commitments are set out below:

Director	Current 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	25.4.2014	-	-
Lim Chin Tong	Non-Executive Lead Independent Director	5.2.2003	25.4.2014	1. Executive Director at Manufacturing Integration Technology Ltd 2. Independent Non-Executive Director at Valuetronics Holdings Ltd (until 22 July 2014) 3. Non-Executive Director at Fastube Ltd (until 31 July 2012)	1. Non-Executive Director at Jiaxinda Printing Group (S) Pte. Ltd. 2. Non-Executive Director at Nanyang Polytechnic International Private Limited 3. Non-Executive Director at NYP Ventures Pte Limited
Lim Swee Kwang	Non-Executive Independent Director	1.5.2014	-	-	1. Partner at Accion Asia Growth Fund
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

The Nominating Committee has also reviewed and is satisfied that Lim Chin Tong, who sits on 1 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 each Director.

ACCESS TO INFORMATION

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

To 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 Lim Swee Kwang (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.

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

LEVEL AND MIX OF REMUNERATION

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

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

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

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

The Remuneration Committee is also responsible for overseeing the MCE Share Option 2014 Scheme (the "2014 Scheme") and assists the Board in administering the 2014 Scheme in accordance with the guidelines set. Adequate disclosures have been made in the Directors' Report entitled "Employee Share Option Scheme" and in note 22 to the financial statements set out in this Annual Report.

DISCLOSURE ON REMUNERATION

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

Remuneration of Directors, CEO and Key Management Personnel

The remuneration bands of the Directors and key management personnel of the Group (who are not Directors or the CEO), for FY2014 are as follows:

Remuneration Bands	Fees	Base/ Fixed Salary	Bonus	Other Benefits	Total
	%	%	%	%	%
S$500,000 to less than S$750,000 **Directors** Nil					
S$250,000 to less than S$500,000 **Directors**					
Chua Kheng Choon	0	92	4	4	100
Tan Soo Yong	0	89	7	4	100
Below $250,000 **Directors**					
Chua Han Min	0	88	7	5	100
Lim Chin Tong	100	0	0	0	100
Cheah Chow Seng	100	0	0	0	100
Wong Chee Wai (1)	100	0	0	0	100
Lim Swee Kwang (2)	100	0	0	0	100
Key Management **Below $250,000**					
Chiu Hung Mo (Resigned on 25 Oct 2014)	0	100	0	0	100
Tan Kwang Hwee William	0	83	7	10	100
Quah Wai Hoong Jason	0	81	7	12	100
Tan Wee Suan Mavis	0	90	7	3	100
Ng Chee Hong Darren	0	80	6	14	100
Chia Nam Yang Jimmy	0	90	7	3	100
Ong Hock Chye Charles (Appointed on 02 Jan 2014)	0	97	3	0	100
Boon Che Kwang (Appointed on 01 Feb 2014)	0	83	6	11	100
Tee Lian Soon Michael (Appointed on 01 Apr 2014)	0	91	7	2	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 25 April 2014.

(1) Mr Wong Chee Wai stepped down as an Independent Director on 1 May 2014.

(2) Mr Lim Swee Kwang was appointed as an Independent Director on 1 May 2014.

The Company does not have any employee who is an immediate family member of any Director in FY2014.

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 to the top 5 key management personnel (who are not Directors or the CEO) would not be in the interests of the Company, for the same reasons.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

To enhance the Board's risk governance capabilities, the Board has in place an Enterprise Risk Management ("ERM") program for the Group. The ERM program was initiated in FY2013 and had been implemented in stages in FY2014. 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 Group's particular needs and circumstances. The ERM program is intended to assist the Board in (a) identifying significant risks, as well as determining the Company's levels of risk tolerance and risk policies; and (b) overseeing the design, implementation and monitoring of the Company's risk management and internal control systems.

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

CORPORATE GOVERNANCE REPORT

"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."

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 attention during the course of their statutory audit.

In addition, the Audit Committee has, with the assistance of the Management and the internal and external auditors, reviewed and reported to the Board on the effectiveness of the Group's internal controls including financial, operational, compliance, information technology and sustainability 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, compliance and sustainability 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, information technology and sustainability risks are adequate as at 31 December 2014.

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), Cheah Chow Seng and Lim Swee Kwang. 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, as well as 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.

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, reappointment 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.

CORPORATE GOVERNANCE REPORT

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. The Company has put in place a formal whistle-blowing policy for staff in confidence to report and raise any concerns which they may have in relation to the foregoing matter.

The Audit Committee meets, at a minimum, on a semi-annual basis. The Audit Committee held three meetings in FY2014, and has met once with the external auditors without the presence of the Management in FY2014.

In the course of FY2014, the Audit Committee carried out the following activities:-

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

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

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

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.

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 Group, its projected capital requirements, cash-flow and operating requirements, allow for the payment of dividends. No dividend has been declared for the financial year ended 31 December 2014 so as to preserve and consolidate resources of the Group.

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.

The Board noted that the SGX-ST had, on 31 July 2013, introduced new listing rules to promote greater transparency in general meetings and support listed companies in enhancing their shareholders' engagement. The Company would be required to conduct its voting at general meetings by poll with effect from 1 August 2015 where shareholders are accorded rights proportionate to the shareholding and all votes are counted. The Board noted the new rule will enhance transparency of the voting process and encourage greater shareholders' participation. Taking into account the effective date of the new ruling and subject to the Company's consideration of cost efficiency and effectiveness, the Company will from time to time review the need to conduct poll voting for all resolutions to be passed at the general meetings of the Company. At the forthcoming Annual General Meeting, the Company will conduct its voting on a show of hands instead of poll voting, 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 this Annual Report.

INTERESTED PERSON TRANSACTIONS

Disclosure according to Rule 907 of the Catalist Rules in respect of interested person transactions entered into in FY2014 is set out in the following table:-

Name of Interested person	Aggregate value of all interested person transactions during FY2014 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all interested person transactions during FY2014 under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than ($100,000)
Cal-Comp Electronics (Thailand) Public Company Limited [1]	Nil	SGD6,302,204

[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., in FY2014.

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 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:

	FY2014
	$
Audit fees paid/payable to the external auditors	
- external auditors of the Company	100,000
- other external auditors of the Group	85,319
Non-audit fees paid/payable to the external auditors	5,000

The Audit Committee has reviewed the amount of non-audit services rendered to the Group by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The Audit Committee has recommended that the Board proposes, and the Board has proposed, the re-appointment of Foo Kon Tan LLP as the external auditors of the Company at the forthcoming Annual General Meeting on 29 April 2015.

DIRECTORS' REPORT
For the financial year ended 31 December 2014

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 2014.

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
Cheah Chow Seng
Lim Swee Kwang (Appointed on 1 May 2014)

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 1.1.2014 or date of appointment, if later	**As at 31.12.2014 and 21.1.2015 #**	As at 1.1.2014 or date of appointment, if later	**As at 31.12.2014 and 21.1.2015 #**
The Company - Metal Component Engineering Limited	Number of ordinary shares			
Chua Kheng Choon	20,959,666	**20,959,666**	6,735,000	**6,735,000**
Chua Han Min	9,570,000	**9,570,000**	5,000,000	**-**
Tan Soo Yong	19,255,332	**15,255,332**	6,536,000	**536,000**
Lim Chin Tong	11,108,000	**6,408,000**	-	**-**
Cheah Chow Seng	1,384,000	**1,384,000**	-	**-**
Lim Swee Kwang	-	**-**	-	**66,666**

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

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2014	**As at 31.12.2014 and 21.1.2015 #**	As at 1.1.2014	**As at 31.12.2014 and 21.1.2015 #**
The Company - Metal Component Engineering Limited	Number of warrants			
Chua Kheng Choon	13,300,000	**13,300,000**	3,400,000	**3,400,000**
Chua Han Min	7,302,000	**5,982,000**	3,680,000	**-**
Tan Soo Yong	9,177,666	**9,177,666**	3,268,000	**3,268,000**
Lim Chin Tong	7,614,000	**2,614,000**	-	**-**
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 2015.

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 1.1.2014	**As at 31.12.2014**
The Company - Metal Component Engineering Limited.	Number of unissued ordinary shares under option	
Chua Kheng Choon	3,400,000	**2,900,000**
Chua Han Min	2,800,000	**2,400,000**
Tan Soo Yong	1,900,000	**1,800,000**
Lim Chin Tong	600,000	**300,000**
Cheah Chow Seng	300,000	**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.

DIRECTORS' REPORT

For the financial year ended 31 December 2014

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, 2,763,000 warrants were exercised and converted into ordinary shares in the capital of the Company. The remaining 177,065,000 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.

Employee Share Option Scheme

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

i) to motivate eligible participants to optimise his/her performance standards and efficiency and to maintain a high level of contribution to the Group;

ii) to retain eligible participants whose contributions are essential to the long-term growth and prosperity of the Group;

iii) to instill loyalty, and a stronger identification by eligible participants with the long-term growth and profitability of the Group;

iv) to attract potential employees with relevant skills to contribute to the Group and to create value for the shareholders; and

v) to align the interests of eligible participants with the interests of the shareholders.

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

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

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

Employee Share Option Scheme (cont'd)

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.

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

Date of grant	Balance at 1.1.2014	Options granted	Options exercised	Options cancelled/ lapsed	Balance at 31.12.2014	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	-	-	(300,000)	3,050,000	S$0.045	29.5.2008 to 28.5.2017
8.5.2009 [ii]	600,000	-	(600,000)	-	-	S$0.0255	8.5.2010 to 7.5.2014
4.9.2013 [i]	12,450,000	-	(4,790,000)	(1,100,000)	6,560,000	S$0.05	4.9.2014 to 4.9.2023
4.9.2013 [ii]	900,000	-	-	(300,000)	600,000	S$0.05	4.9.2014 to 4.9.2018
	18,300,000	-	(5,390,000)	(2,700,000)	10,210,000		

[i] For executive directors and employees

[ii] For non-executive directors

Employee 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 2014:

	Options granted during the financial year ended 31.12.2014	Aggregate options granted since commence-ment of scheme to 31.12.2014	Aggregate options exercised since commence-ment of scheme to 31.12.2014	Aggregate options cancelled/ lapsed since commence-ment of scheme to 31.12.2014	Aggregate options outstanding as at 31.12.2014
Executive Directors:					
Chua Kheng Choon	-	4,670,000	(1,270,000)	(500,000)	2,900,000
Chua Han Min	-	4,370,000	(1,570,000)	(400,000)	2,400,000
Tan Soo Yong	-	2,800,000	(900,000)	(100,000)	1,800,000
	-	11,840,000	(3,740,000)	(1,000,000)	7,100,000
Non-Executive Directors:					
Lim Chin Tong	-	1,000,000	(300,000)	(400,000)	300,000
Cheah Chow Seng	-	300,000	-	-	300,000
	-	1,300,000	(300,000)	(400,000)	600,000
Other participants who received 5% or more of the total available options other than directors:					
Chiu Hung Mo [1]	-	1,700,000	(600,000)	(1,100,000)	-
	-	14,840,000	(4,640,000)	(2,500,000)	7,700,000

[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 ("PRC"). He resigned from the position in the two subsidiaries on 25 October 2014.

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 Share Option Scheme.

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

There are no unissued shares of subsidiaries under option as at 31 December 2014.

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

Audit Committee

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

Lim Chin Tong (Chairman)
Cheah Chow Seng
Lim Swee Kwang

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 2014 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 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 2014.

Independent auditor

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

On behalf of the Directors

....
CHUA KHENG CHOON

....
CHUA HAN MIN

Dated: 31 March 2015

STATEMENT BY DIRECTORS
For the financial year ended 31 December 2014

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 2014 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: 31 March 2015

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 2014, 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 accounts 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.

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 2014 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 LLP
Public Accountants and
Chartered Accountants

Singapore, 31 March 2015

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2014

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**S$**	S$	**S$**	S$
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	**17,503,082**	20,250,863	**1,686,515**	2,056,277
Subsidiaries	5	**-**	-	**22,964,131**	22,586,053
Other assets	6	**137,500**	137,500	**137,500**	137,500
		17,640,582	20,388,363	**24,788,146**	24,779,830
Current Assets					
Inventories	7	**7,647,977**	8,365,678	**1,959,795**	1,544,531
Trade and other receivables	8	**25,289,258**	22,217,529	**41,389,375**	35,381,410
Cash and bank balances	9	**10,951,090**	10,722,477	**2,611,628**	2,529,320
		43,888,325	41,305,684	**45,960,798**	39,455,261
Total assets		**61,528,907**	61,694,047	**70,748,944**	64,235,091
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	10	**21,575,832**	21,126,966	**21,575,832**	21,126,966
Retained earnings		**1,997,249**	5,098,673	**7,484,954**	7,321,736
Other reserves	11	**3,143,807**	2,905,764	**915,409**	965,066
Total equity attributable to owners of the Company		**26,716,888**	29,131,403	**29,976,195**	29,413,768
Non-Current Liabilities					
Deferred tax liabilities	12	**263,577**	275,775	**261,866**	215,570
Borrowings	13	**739,906**	1,014,884	**739,906**	1,014,884
		1,003,483	1,290,659	**1,001,772**	1,230,454
Current Liabilities					
Trade and other payables	14	**21,197,599**	20,321,569	**27,716,908**	23,202,588
Borrowings	13	**12,553,733**	10,874,143	**12,054,069**	10,320,024
Current tax payable		**57,204**	76,273	**-**	68,257
		33,808,536	31,271,985	**39,770,977**	33,590,869
Total liabilities		**34,812,019**	32,562,644	**40,772,749**	34,821,323
Total equity and liabilities		**61,528,907**	61,694,047	**70,748,944**	64,235,091

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 2014

	Note	**2014** S$	2013 S$
Revenue	3	**69,069,043**	69,345,831
Other income	15	**1,159,278**	173,105
Raw materials and consumables used		**(34,534,874)**	(31,344,082)
Changes in inventories of finished goods and work in progress		**(416,553)**	264,916
Employee benefits expense	16	**(19,807,346)**	(18,348,848)
Depreciation expense		**(4,053,618)**	(3,760,448)
Other charges	17	**(114,269)**	(285,990)
Finance costs	18	**(480,477)**	(436,729)
Other operating expenses	19	**(13,581,935)**	(15,059,616)
(Loss)/profit before taxation		**(2,760,751)**	548,139
Taxation	20	**(72,285)**	(210,797)
(Loss)/profit for the year attributable to owners of the Company		**(2,833,036)**	337,342
Other comprehensive income after tax:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**249,628**	1,269,489
Other comprehensive income for the year, net of tax of nil		**249,628**	1,269,489
Total comprehensive income for the year attributable to owners of the Company		**(2,583,408)**	1,606,831
(Loss)/earnings per share attributable to owners of the Company (Singapore cent)			
- Basic	21.1	**(0.77)**	0.09
- Diluted	21.2	**(0.77)**	0.09

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 2014

	Attributable to owners of the Company						
	Share capital	Retained earnings	Share option reserve	Warrant reserve	Currency translation reserve	Statutory reserve	Total equity
	S$	S$	S$	S$	S$	S$	S$
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							
- 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 25)	-	(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
Balance at 1 January 2014	21,126,966	5,098,673	165,830	799,236	80,753	1,859,945	29,131,403
Loss for the year	**-**	**(2,833,036)**	**-**	**-**	-	**-**	**(2,833,036)**
Other comprehensive income for the year							
- Currency translation differences	**-**	**-**	**-**	**-**	**249,628**	**-**	**249,628**
Total comprehensive income for the year	**-**	**(2,833,036)**	**-**	**-**	**249,628**	**-**	**(2,583,408)**
Contributions by and distributions to owners							
- Share-based payment transactions (Note 16)	**-**	**-**	**50,002**	**-**	**-**	**-**	**50,002**
- Exercise of share options (Note 10)	**298,436**	**-**	**(43,636)**	**-**	**-**	**-**	**254,800**
- Expiry of share options	**-**	**43,743**	**(43,743)**	**-**	**-**	**-**	**-**
- Exercise of warrants (Note 10)	**150,430**	**-**	**-**	**(12,280)**	**-**	**-**	**138,150**
- Dividends (Note 25)	**-**	**(274,059)**	**-**	**-**	**-**	**-**	**(274,059)**
Transactions with owners in their capacity as owners	**448,866**	**(230,316)**	**(37,377)**	**(12,280)**	**-**	**-**	**168,893**
Transfer to statutory reserve	**-**	**(38,072)**	**-**	**-**	**-**	**38,072**	**-**
Balance at 31 December 2014	**21,575,832**	**1,997,249**	**128,453**	**786,956**	**330,381**	**1,898,017**	**26,716,888**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

To the members of Metal Component Engineering Limited

	Note	2014 S$	2013 S$
Cash Flows from Operating Activities			
(Loss)/profit before taxation		**(2,760,751)**	548,139
Adjustments for:			
Depreciation of property, plant and equipment	4	**4,053,618**	3,760,448
Equity-settled share-based payment transactions	16	**50,002**	29,671
Impairment losses on trade receivables (reversed)/made	8	**(117,241)**	13,327
Interest expense	18	**480,477**	436,729
Interest income	15	**(38,526)**	(46,669)
Loss on disposal of property, plant and equipment	17	**23,328**	12,302
Property, plant and equipment written off	17	**90,941**	-
Write-down on inventories (reversed)/made	7	**(92,119)**	57,157
Unrealised currency translation differences		**(219,147)**	148,455
Operating profit before working capital changes		**1,470,582**	4,959,559
Changes in bank deposits restricted in use		**(340,492)**	771,407
Changes in inventories		**809,820**	(1,935,263)
Changes in trade and other receivables		**(2,954,488)**	(1,012,738)
Changes in trade and other payables		**876,030**	2,802,810
Cash (used in)/generated from operations		**(138,548)**	5,585,775
Income taxes paid		**(104,104)**	(147,410)
Net cash (used in)/generated from operating activities		**(242,652)**	5,438,365
Cash Flows from Investing Activities			
Proceeds from disposal of property, plant and equipment		**56,525**	35,306
Purchase of property, plant and equipment	4	**(1,043,882)**	(4,063,303)
Interest received		**38,526**	46,669
Net cash used in investing activities		**(948,831)**	(3,981,328)
Cash Flows from Financing Activities			
Dividends paid	25	**(274,059)**	(546,514)
Proceeds from exercise of share options		**254,800**	118,324
Proceeds from exercise of warrants		**138,150**	8,600
Proceeds from borrowings		**2,482,940**	1,772,786
Repayment of borrowings		**(1,276,368)**	(3,714,398)
Interest paid		**(480,477)**	(436,729)
Net cash generated from/(used in) financing activities		**844,986**	(2,797,931)
Net decrease in cash and bank balances		**(346,497)**	(1,340,894)
Cash and bank balances at beginning of year		**8,969,789**	9,926,661
Exchange differences on translation of cash and bank balances at beginning of year		**144,578**	384,022
Cash and bank balances at end of year	9	**8,767,870**	8,969,789

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

1 General information

The financial statements of Metal Component Engineering Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2014 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. 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.

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$46,327 (2013: S$61,770).

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$912,269 (2013: S$939,250).

Impairment of property, plant and equipment

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

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 its market value or 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.

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.

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

Critical judgements in applying accounting policies (cont'd)

Income taxes

The Group has exposure to income taxes in various jurisdictions. Significant judgement and estimates are involved in determining group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group 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 carrying amounts of the Group's deferred tax liabilities at the end of the reporting period and the Group's income taxes for the period are disclosed in Note 12 and Note 20 to the financial statements, respectively.

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, maintenance programmes and technological developments could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. If depreciation on the Group's property, plant and equipment increases/decreases by 10% from management's estimates, the Group's results for the year will decrease/increase by S$405,362 (2013: S$376,045).

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. If the net realisable values of the inventories decrease/increase from the management's estimates, the Group's results for the year will decrease/increase by S$764,798 (2013: S$836,568)

Impairment of loans and receivables

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

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

Critical assumptions used and accounting estimates in applying accounting policies (cont'd)

Impairment of loans and receivables (cont'd)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 8 to the financial statements. If the present value of estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment of loans and receivables will increase by S$2,302,504 (2013: S$2,104,297).

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

2(b) Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted the following FRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

Reference	Description
Revised FRS 27	Separate Financial Statements
Revised FRS 28	Investments in Associates and Joint Ventures
Amendments to FRS 27, FRS 110 and FRS 112	Investment Entities
Amendments to FRS 36	Recoverable Amount Disclosures to Non-Financial Assets
Amendments to FRS 39	Novation of Derivatives and Continuation of Hedge Accounting
FRS 110	Consolidated Financial Statements
FRS 111	Joint Arrangements
FRS 112	Disclosure of Interests in Other Entities
INT FRS 121	Levies

Revised FRS 27 *Separate Financial Statements* and FRS 110 *Consolidated Financial Statements*

As a result of FRS 110, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

FRS 110 applies to all entities including special purpose entities. The changes introduced by FRS 110 will require management to exercise significant judgement to determine whether entities are controlled and therefore are required to be consolidated by the Group, compared with the requirements that were in FRS 27. Therefore, FRS 110 may change which entities are consolidated within a group. The revised FRS 27 was amended to address accounting for subsidiaries, jointly controlled entities and associates in the separate financial statements.

The Group has reassessed which entities the Group controls and there are no resulting changes required.

2(c) FRS not yet effective

The following are the new or amended FRS and INT FRS issued in 2014 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to FRS 1	Disclosure Initiative	1 January 2016
Amendments to FRS 19	Defined Benefit Plan: Employee Contribution	1 July 2014
Amendments to FRS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 16 and FRS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to FRS 28 and FRS 110	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to FRS 111	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 109	Financial Instruments	1 January 2018
FRS 114	Regulatory Deferral Accounts	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2017
Improvements to FRSs (January 2014):		
- Amendment to FRS 16	Property, Plant and Equipment	1 July 2014
- Amendment to FRS 24	Related Party Disclosures	1 July 2014
- Amendment to FRS 38	Intangible Assets	1 July 2014
- Amendment to FRS 102	Share-based Payment	1 July 2014
- Amendment to FRS 103	Business Combinations	1 July 2014
- Amendments to FRS 108	Operating Segments	1 July 2014
Improvements to FRSs (February 2014):		
- Amendment to FRS 40	Investment Property	1 July 2014
- Amendment to FRS 103	Business Combinations	1 July 2014
- Amendment to FRS 113	Fair Value Measurement	1 July 2014
Improvements to FRSs (November 2014):		
- Amendment to FRS 19	Employee Benefits	1 January 2016
- Amendment to FRS 34	Interim Financial Reporting	1 January 2016
- Amendment to FRS 105	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
- Amendments to FRS 107	Financial Instruments: Disclosures	1 January 2016

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

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:

Improvements to FRSs (January 2014) Amendment to FRS 24 *Related Party Disclosures*

Improvements to FRSs (January 2014) Amendment to FRS 24 *Related Party Disclosures* clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group and the Company when implemented.

Improvements to FRSs (January 2014) Amendments to FRS 108 *Operating Segments*

Improvements to FRSs (January 2014) Amendments to FRS 108 *Operating Segments* clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. In addition, the entity is required to disclose the judgements made by management in applying the aggregation criteria to operating segments. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group and the Company when implemented.

2(d) Summary of significant accounting policies

Consolidation

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

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

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

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

(i) power over the investee;

(ii) exposure, or rights or variable returns from its involvement with the investee; and

(iii) the ability to use its power over the investee to affect its returns

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

Consolidation (cont'd)

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

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

Property, plant and equipment and depreciation

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

Leasehold land and buildings	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.

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

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

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

Subsidiaries

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

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

Other assets

Other assets represent transferable memberships in recreational clubs. The club memberships are assessed as having indefinite useful lives as the contracts are open-ended and there is no foreseeable limit to the period over which the memberships are expected to be used by the Group. The club memberships are tested for impairment annually and carried at cost less accumulated impairment losses, 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.

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.

<u>Loans and receivables</u>

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.

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

Financial assets (cont'd)

Loans and receivables (cont'd)

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

Inventories

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

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

Cash and bank balances

Cash and bank balances comprise cash balances and bank deposits.

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

Share capital

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

Warrant reserve

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

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.

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

Financial liabilities

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

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

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

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

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

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

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

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

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.

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

Financial guarantee (cont'd)

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,

<u>Finance leases</u>

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,

<u>Operating leases</u>

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

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

Income taxes

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

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

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.

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

Income taxes (cont'd)

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

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

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

Employee benefits

Pension obligations

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

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

Employee leave entitlements

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

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.

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

Employee benefits (cont'd)

Employee share option scheme (cont'd)

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.

Related parties

A related party is defined as follows:

a) A person or a close member of that person's family is related to the Group and the Company if that person:

   (i) has control or joint control over the Company;

   (ii) has significant influence over the Company; or

   (iii) is a member of the key management personnel of the Group or the Company or of a parent of the Company.

b) An entity is related to the Group and the Company if any of the following conditions applies:

   (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) both entities are joint ventures of the same third party.

   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

   (vi) the entity is controlled or jointly controlled by a person identified in (a);

   (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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.

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

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.

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

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

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

Any impairment loss is charged to profit or loss.

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

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

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

Revenue recognition

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

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

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

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

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.

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 charges depending on whether foreign currency movements are in a net gain or net loss position.

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

Group entities

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

(i) Assets and liabilities are translated at the closing exchange rates at the end of each reporting period;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and

(iii) All resulting currency translation differences are recognised as other comprehensive income in the currency translation reserve in equity.

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

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") 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 24 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

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

Earnings per share

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

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

3 Revenue

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

The Group	**2014** **S$**	2013 S$
Sale of goods	**67,341,375**	67,467,695
Sale of scrap materials	**1,727,668**	1,878,136
	69,069,043	69,345,831

4 Property, plant and equipment

The Group	Leasehold land and buildings S$	Building improvements and renovations S$	Plant and machinery S$	Furniture and fittings S$	Office equipment S$	Computers S$	Motor vehicles S$	Total S$
Cost								
At 1 January 2013	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
Additions	**-**	**65,932**	**703,426**	**19,905**	**71,265**	**250,498**	**40,856**	**1,151,882**
Disposals	**-**	**(28,674)**	**(133,271)**	**(2,943)**	**(1,303)**	**(103,461)**	**(157,802)**	**(427,454)**
Write-offs	**-**	**-**	**(742,501)**	**-**	**-**	**-**	**-**	**(742,501)**
Exchange difference on translation	**101,680**	**46,529**	**384,877**	**1,867**	**15,454**	**3,737**	**37,316**	**591,460**
At 31 December 2014	**5,188,413**	**3,732,266**	**42,787,468**	**282,566**	**992,786**	**2,123,319**	**1,237,038**	**56,343,856**
Accumulated depreciation								
At 1 January 2013	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
Depreciation	**165,786**	**518,973**	**2,841,921**	**28,338**	**83,770**	**294,523**	**120,307**	**4,053,618**
Disposals	**-**	**(29,620)**	**(79,145)**	**(2,421)**	**(5,097)**	**(94,869)**	**(136,449)**	**(347,601)**
Write-offs	**-**	**-**	**(651,560)**	**-**	**-**	**-**	**-**	**(651,560)**
Exchange difference on translation	**31,191**	**31,294**	**187,382**	**992**	**12,760**	**2,247**	**845**	**266,711**
At 31 December 2014	**1,510,529**	**2,656,532**	**31,661,145**	**214,435**	**764,134**	**1,046,514**	**987,485**	**38,840,774**
Net book value								
At 31 December 2014	**3,677,884**	**1,075,734**	**11,126,323**	**68,131**	**228,652**	**1,076,805**	**249,553**	**17,503,082**
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

4 Property, plant and equipment (cont'd)

The Company	Renovations S$	Plant and machinery S$	Furniture and fittings S$	Office equipment S$	Computers S$	Motor vehicles S$	Total S$
Cost							
At 1 January 2013	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
Additions	**-**	**14,800**	**230**	**26,350**	**128,699**	**-**	**170,079**
Disposals	**-**	**-**	**-**	**-**	**(89,892)**	**-**	**(89,892)**
At 31 December 2014	**340,870**	**1,545,458**	**40,978**	**60,266**	**1,284,661**	**842,223**	**4,114,456**
Accumulated depreciation							
At 1 January 2013	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
Depreciation	**39,187**	**217,817**	**4,060**	**8,069**	**205,829**	**64,879**	**539,841**
Disposals	**-**	**-**	**-**	**-**	**(89,892)**	**-**	**(89,892)**
At 31 December 2014	**291,000**	**741,545**	**39,872**	**33,447**	**480,006**	**842,071**	**2,427,941**
Net book value							
At 31 December 2014	**49,870**	**803,913**	**1,106**	**26,819**	**804,655**	**152**	**1,686,515**
At 31 December 2013	89,057	1,006,930	4,936	8,538	881,785	65,031	2,056,277

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$1,978,981 (2013: S$3,802,833) and S$247,000 (2013: S$348,058) (Note 13.1), comprising plant and machinery of S$1,978,981 (2013: S$3,739,775) and S$247,000 (2013: S$285,000) and motor vehicles of S$nil (2013: S$63,058) and S$nil (2013: S$63,058), respectively.

The Group's plant and machinery with a carrying amount of S$739,212 (2013: S$959,360) 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$1,151,882 (2013: S$5,354,502) of which S$108,000 (2013: S$1,291,199) was acquired by means of finance leases. Cash payments of S$1,043,882 (2013: S$4,063,303) were made to purchase property, plant and equipment.

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

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

The Group's and the Company's motors vehicles with carrying amount of S$nil (2013: S$106,244) and S$nil (2013: S$63,058) respectively are registered in the names of certain directors and are held in trust for the Company and certain subsidiaries.

5 Subsidiaries

	2014	2013
The Company	**S$**	S$
Unquoted equity investments, at cost	**23,773,839**	23,773,839
Less: Allowance for impairment losses	**(809,708)**	(1,187,786)
	22,964,131	22,586,053
Allowance for impairment losses:		
At 1 January	**1,187,786**	2,623,717
Allowance reversed	**(378,078)**	(1,435,931)
At 31 December	**809,708**	1,187,786

Impairment testing of investments in subsidiaries

Management had performed impairment test for the Company's investments in certain services, inactive or dormant subsidiaries which had been incurring losses. Allowance for impairment losses was made to write down the investments in these subsidiaries to their recoverable amount. Management had determined the impairment of these subsidiaries based on their net assets which were considered by management as reasonable approximation of the recoverable amount of these subsidiaries.

At the end of the reporting period, following the improvement in financial condition and/or return to profitability of these subsidiaries, S$378,078 (2013: 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 2014.

5 Subsidiaries (cont'd)

Details of the subsidiaries are:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held 2014 %	2013 %
Held by the Company				
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 (inactive)	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
Held by MCE Industries (Shanghai) Co., Ltd				
MCE Corporation (Shanghai) Co., Ltd [(e)]	Trading of tools, components, product assemblies and related products	People's Republic of China	**100**	-

On 14 August 2014, the Company's wholly-owned subsidiary, MCE Industries (Shanghai) Co., Ltd, incorporated a wholly-owned subsidiary, MCE Corporation (Shanghai) Co., Ltd ("MCEC"), in the PRC, with a registered and paid-up capital of S$106,525 (RMB 500,000). The intended principal activities of MCEC include the trading of tools, components, product assemblies and related products.

(a) Audited by Foo Kon Tan LLP
(b) Audited by SJ Grant Thornton, Malaysia
(c) Audited by Grant Thornton Limited, Thailand
(d) Audited by Shanghai Huashen Certified Public Accountants Ltd
(e) Audited by Grant Thornton Zhi Tong, People's Republic of China

6 Other assets

The Group and the Company	2014 S$	2013 S$
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	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Raw materials (at cost)	**2,863,591**	3,609,542	**219,617**	8,433
Work in progress (at cost)	**1,916,373**	2,150,031	**-**	-
Finished goods (at net realisable value)	**2,868,013**	2,606,105	**1,740,178**	1,536,098
	7,647,977	8,365,678	**1,959,795**	1,544,531

The costs recognised as expense for raw materials and consumables together with changes in finished goods and work in progress amounted to S$34,951,427 (2013: S$31,079,166) for the financial year ended 31 December 2014.

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	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
At 1 January	**1,579,653**	1,483,173	**37,793**	37,793
Allowance made (Note 17)	**-**	57,157	**-**	-
Allowance reversed (Note 15)	**(92,119)**	-	**-**	
Allowance utilised	**(375,888)**	-	**(16,686)**	-
Exchange difference on translation	**(13,478)**	39,323	**-**	-
At 31 December	**1,098,168**	1,579,653	**21,107**	37,793

For the financial year ended 31 December 2013, due to the decline in selling prices and the obsolescence of certain inventories, the Group wrote down S$57,157 of the inventories (finished goods) to their net realisable value.

For the financial year ended 31 December 2014, reversal of write-down on inventories (finished goods) of S$92,119 was made when the related inventories were sold above their carrying amounts. Allowances of S$375,888 (2013: S$nil) and S$16,686 (2013: S$nil) for the Group and the Company, respectively, were utilised against the corresponding inventories when they were sold at their net realisable value or written off during the financial year.

8 Trade and other receivables

	The Group		The Company	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Trade receivables				
- third parties	**22,526,679**	21,041,702	**7,805,103**	7,525,185
- subsidiaries	**-**	-	**28,374,816**	22,528,208
	22,526,679	21,041,702	**36,179,919**	30,053,393
Less: Allowance for impairment losses	**(313,323)**	(878,276)	**(166,346)**	(292,276)
	22,213,356	20,163,426	**36,013,573**	29,761,117
Amounts due from subsidiaries (non-trade)	**-**	-	**5,082,975**	5,357,446
Deposits	**531,999**	458,163	**46,080**	40,972
Other receivables	**228,371**	368,995	**74,140**	129,413
Tax recoverable	**51,317**	52,389	**-**	-
	811,687	879,547	**5,203,195**	5,527,831
Loans and receivables	**23,025,043**	21,042,973	**41,216,768**	35,288,948
Prepayments	**2,264,215**	1,174,556	**172,607**	92,462
Trade and other receivables	**25,289,258**	22,217,529	**41,389,375**	35,381,410

The Group and the Company have factored trade receivables with an aggregate carrying amount of S$5,192,118 (2013: S$5,027,725) and S$4,853,385 (2013: S$4,924,139) 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	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
At 1 January	**878,276**	838,009	**292,276**	278,701
Allowance made (Note 17)	**-**	13,575	**-**	13,575
Allowance reversed (Note 15)	**(117,241)**	(248)	**(125,930)**	-
Allowance utilised	**(456,340)**	-	**-**	-
Exchange difference on translation	**8,628**	26,940	**-**	-
At 31 December	**313,323**	878,276	**166,346**	292,276

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.

8 Trade and other receivables (cont'd)

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Singapore dollar	**316,584**	642,992	**5,319,521**	5,414,637
Euro	**4,580**	36,426	**844**	-
Japanese yen	**-**	27,909	**44,770**	48,840
Malaysian ringgit	**620,986**	740,099	**-**	-
Renminbi	**5,556,056**	5,047,502	**1,360,932**	1,219,498
Thai baht	**2,122,385**	985,836	**767,415**	738,492
United States dollar	**16,668,667**	14,736,765	**33,895,893**	27,959,943
	25,289,258	22,217,529	**41,389,375**	35,381,410

The Group and the Company generally extend 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	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
By geographical areas				
Southeast Asia	**11,172,966**	10,265,907	**6,588,842**	6,597,994
China	**9,915,887**	9,403,042	**994,857**	595,132
North America	**1,123,455**	383,309	**54,010**	-
Others	**1,048**	111,168	**1,048**	39,783
	22,213,356	20,163,426	**7,638,757**	7,232,909

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

	The Group		The Company	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Past due 0 to 3 months	**8,342,322**	9,525,023	**892,343**	1,632,911
Past due 3 to 6 months	**122,402**	3,211,341	**21,926**	110,647
Past due over 6 months	**406,907**	1,093,597	**85,701**	545,373
	8,871,631	13,829,961	**999,970**	2,288,931

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	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Cash in banks	**10,919,274**	10,688,437	**2,609,128**	2,526,820
Cash on hand	**31,816**	34,040	**2,500**	2,500
	10,951,090	10,722,477	**2,611,628**	2,529,320

Bank deposits of S$497,867 (2013: S$157,375) for the Group were pledged as security to obtain bankers' guarantee to meet customs requirements in the PRC.

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

	2014	2013
The Group	**S$**	S$
Cash and bank balances	**10,951,090**	10,722,477
Less: Bank overdrafts (Note 13)	**(1,685,353)**	(1,595,313)
Less: Bank deposits pledged	**(497,867)**	(157,375)
	8,767,870	8,969,789

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Singapore dollar	**104,172**	361,033	**100,585**	294,234
Malaysian ringgit	**644,013**	69,036	**-**	-
Renminbi	**3,211,498**	3,919,457	**-**	-
Thai baht	**1,837,649**	791,681	**-**	-
United States dollar	**5,153,758**	5,581,270	**2,511,043**	2,235,086
	10,951,090	10,722,477	**2,611,628**	2,529,320

10 Share capital

	2014	2013	**2014**	2013
The Group and the Company	Number of ordinary shares		**S$**	S$
<u>Issued and fully paid, with no par value</u>				
At 1 January	**364,812,000**	360,000,000	**21,126,966**	20,908,817
Exercise of share options	**5,390,000**	4,640,000	**298,436**	208,785
Exercise of warrants	**2,763,000**	172,000	**150,430**	9,364
At 31 December	**372,965,000**	364,812,000	**21,575,832**	21,126,966

During the financial year, the Company allotted and issued 5,390,000 (2013: 4,640,000) new ordinary shares to directors and employees upon the exercise of share options under the MCE Share Option Scheme.

10 Share capital (cont'd)

During the financial year, 2,763,000 (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

	The Group		The Company	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Share option reserve	**128,453**	165,830	**128,453**	165,830
Warrant reserve	**786,956**	799,236	**786,956**	799,236
Currency translation reserve	**330,381**	80,753	**-**	-
Statutory reserve	**1,898,017**	1,859,945	**-**	-
	3,143,807	2,905,764	**915,409**	965,066

Share option reserve

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

Warrant reserve

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

Currency translation reserve

Currency translation reserve arises from the translation of financial statements of foreign entities whose functional currencies are different from the 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	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
At 1 January	**275,775**	148,209	**215,570**	71,212
(Reversed)/recognised in profit or loss (Note 20)	**(12,750)**	125,160	**46,296**	144,358
Exchange difference on translation	**552**	2,406	**-**	-
At 31 December	**263,577**	275,775	**261,866**	215,570
To be settled after one year	**263,577**	275,775	**261,866**	215,570

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

<u>Unrecognised temporary differences relating to investments in subsidiaries</u>

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$942,120 (2013: S$1,554,378) and the deferred tax liabilities are estimated at S$47,106 (2013: S$77,719) at the end of the reporting period.

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

	The Group		The Company	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Unutilised tax losses	**7,897,733**	5,361,582	**-**	276,883

The unutilised tax losses 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. The unutilised tax losses have no expiry date, except for amounts of S$2,879,455 which will expire in 2019. 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

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**S$**	S$	**S$**	S$
Non-current					
Obligations under finance leases	13.1	**739,906**	1,014,884	**739,906**	1,014,884
Current					
Obligations under finance leases	13.1	**608,981**	735,305	**608,981**	735,305
Loans from financial institutions	13.2	**2,877,791**	3,144,857	**2,877,791**	3,144,857
Bank overdrafts	13.3	**1,685,353**	1,595,313	**1,524,422**	1,485,037
Bills payable to banks	13.4	**7,381,608**	5,398,668	**7,042,875**	4,954,825
		12,553,733	10,874,143	**12,054,069**	10,320,024
		13,293,639	11,889,027	**12,793,975**	11,334,908

13.1 Obligations under finance leases

	2014	2013
The Group and the Company	**S$**	S$
Minimum lease payments payable:		
Due not later than one year	**713,411**	831,090
Due later than one year and not later than five years	**813,814**	1,141,352
	1,527,225	1,972,442
Less: Finance charges allocated to future periods	**(178,338)**	(222,253)
Present value of minimum lease payments	**1,348,887**	1,750,189
Present value of minimum lease payments:		
Due not later than one year	**608,981**	735,305
Due later than one year and not later than five years	**739,906**	1,014,884
	1,348,887	1,750,189
Represented by:		
Current	**608,981**	735,305
Non-current	**739,906**	1,014,884
	1,348,887	1,750,189

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 (2013: 3 to 9 years). The interest rates for the finance leases range from 3.10% to 5.25% (2013: 3.10% to 5.25%) per annum. All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The finance leases are secured by the underlying assets, comprising plant and machinery of S$1,978,981 (2013: S$3,739,775) and S$247,000 (2013: S$285,000) and motor vehicles of S$nil (2013: S$63,058) and S$nil (2013: S$63,058), for the Group and the Company, respectively (Note 4).

13 Borrowings (cont'd)

13.2 Loans from financial institutions

The Group and the Company	**2014**	2013
	S$	S$
Short-term bank loans (unsecured) [(a) to (c)]	**1,900,000**	1,900,000
Long-term bank loan (secured) [(d)]	**-**	346,586
Long-term loans from other financial institution (unsecured) [(e) to (g)]	**977,791**	898,271
	2,877,791	3,144,857

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 2014. Interest rates range from 2.9% to 3.2% per annum. The bank loan is unsecured.

(b) A three-month bank loan comprising two drawdowns of S$100,000 and S$400,000 respectively commences in October 2014. Interest rates range from 3.2% to 3.3% per annum. The bank loan is unsecured.

(c) A three-month bank loan comprising one drawdown of S$900,000 commences in December 2014. Interest is charged at approximately 3.0% per annum. The bank loan is unsecured.

(d) 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$739,212 (2013: S$959,360) (Note 4). The bank loan was fully repaid in 2014.

(e) 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.

(f) 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.

(g) A three-year loan of S$500,000 from other financial institution is repayable in 36 equal monthly instalments commencing from May 2014. 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 Borrowings (cont'd)

13.3 Bank overdrafts

	The Group		The Company	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Bank overdraft (secured)	**160,931**	110,276	**-**	-
Bank overdrafts (unsecured)	**1,524,422**	1,485,037	**1,524,422**	1,485,037
	1,685,353	1,595,313	**1,524,422**	1,485,037

The bank overdrafts bear interest at variable rates ranging from 4.25% to 5.75% (2013: 4.25% to 5.75%) per annum.

The Group's bank overdraft of S$160,931 (2013: S$110,276) is secured through a corporate guarantee from the Company.

13.4 Bills payable to banks

	The Group		The Company	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Bills payable to banks (secured)	**4,364,085**	3,465,386	**4,025,352**	3,021,543
Bills payable to banks (unsecured)	**3,017,523**	1,933,282	**3,017,523**	1,933,282
	7,381,608	5,398,668	**7,042,875**	4,954,825

The bills payable to banks bear interest at variable rates ranging from 2.25% to 5.25% (2013: 2.88% to 7.5%) per annum.

The Group's and the Company's bills payable to banks of S$4,364,085 (2013: S$3,465,386) and S$4,025,352 (2013: S$3,021,543) are secured through a corporate guarantee from the Company and/or certain trade receivables with an aggregate carrying amount of S$5,192,118 (2013: S$5,027,725) and S$4,853,385 (2013: S$4,924,139) respectively (Note 8).

13.5 Currency risk

Borrowings are denominated in the following currencies:

	The Group		The Company	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Singapore dollar	**5,794,150**	6,432,819	**5,794,150**	6,432,819
Euro	**-**	29,120	**-**	29,120
Malaysian ringgit	**499,664**	554,119	**-**	-
United States dollar	**6,999,825**	4,872,969	**6,999,825**	4,872,969
	13,293,639	11,889,027	**12,793,975**	11,334,908

13 Borrowings (cont'd)

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	
	2014	2013	**2014**	2013
	%	%	**%**	%
Obligations under finance leases	**6.0**	6.1	**6.0**	6.1
Loans from financial institutions	**4.3**	4.7	**4.3**	4.7
Bank overdrafts	**4.7**	4.8	**5.0**	4.5
Bills payable to banks	**2.7**	3.5	**2.7**	3.5

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:

The Group and the Company	**Carrying amount S$**	**Fair value S$**
2014		
Long-term loans from financial institutions	**977,791**	**968,528**
2013		
Long-term loans from financial institutions	1,244,857	1,235,523

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:

The Group and the Company	**2014 %**	2013 %
Long-term loans from financial institutions	**4.0**	5.2

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.

14 Trade and other payables

	The Group		The Company	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Trade payables				
- third parties	**14,507,162**	15,321,393	**3,715,350**	3,584,026
- subsidiaries	**-**	-	**20,428,560**	16,406,032
	14,507,162	15,321,393	**24,143,910**	19,990,058
Amounts due to subsidiaries (non-trade)	**-**	-	**1,519,711**	1,490,767
Accrued expenses	**4,892,311**	2,599,527	**1,929,618**	1,107,284
Deferred revenue	**1,668,400**	1,431,543	**118,532**	338,618
Other payables	**129,726**	969,106	**5,137**	275,861
	6,690,437	5,000,176	**3,572,998**	3,212,530
	21,197,599	20,321,569	**27,716,908**	23,202,588

The average credit period taken to settle trade payables is approximately 150 days (2013: 150 days).

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

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

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Singapore dollar	**1,835,935**	1,370,294	**1,747,334**	1,930,264
Australian dollar	**-**	107	**30,895**	32,187
Euro	**9,341**	78,280	**-**	78,388
Japanese yen	**3,174**	-	**-**	-
Malaysian ringgit	**1,956,357**	3,697,067	**-**	42,075
Renminbi	**10,542,177**	9,653,865	**1,607,058**	1,578,888
Thai baht	**221,821**	296,764	**-**	-
United States dollar	**6,628,794**	5,225,192	**24,331,621**	19,540,786
	21,197,599	20,321,569	**27,716,908**	23,202,588

15 Other income

The Group	2014 S$	2013 S$
Foreign exchange gain, net	**754,340**	-
Government grant	**39,520**	78,279
Interest income from bank balances	**38,526**	46,669
Reversal of impairment losses on trade receivables (Note 8)	**117,241**	248
Reversal of write-down on inventories (Note 7)	**92,119**	-
Sundry income	**117,532**	47,909
	1,159,278	173,105

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

The Group	2014 S$	2013 S$
Directors:		
Directors' fees	**110,000**	110,000
Directors' remuneration other than fees:		
- salaries and other related costs	**761,111**	1,164,203
- contributions to defined contribution plans	**28,844**	76,775
- share-based payment transactions	**20,225**	11,113
	920,180	1,362,091
Key management personnel (other than directors):		
- salaries and other related costs	**1,119,831**	834,303
- contributions to defined contribution plans	**63,577**	119,888
- share-based payment transactions	**12,002**	9,112
	1,195,410	963,303
Other than directors and other key management personnel:		
- salaries and other related costs	**15,313,061**	14,085,614
- contributions to defined contribution plans	**2,360,920**	1,928,394
- share-based payment transactions	**17,775**	9,446
	17,691,756	16,023,454
	19,807,346	18,348,848

17 Other charges

The Group	2014 S$	2013 S$
Foreign exchange loss, net	-	202,956
Impairment losses on trade receivables (Note 8)	-	13,575
Loss on disposal of property, plant and equipment	23,328	12,302
Property, plant and equipment written off	90,941	-
Write-down on inventories (Note 7)	-	57,157
	114,269	285,990

18 Finance costs

The Group	2014 S$	2013 S$
Interest expenses on:		
- bank overdrafts	76,772	71,058
- bills payable to banks	173,523	159,097
- finance leases	97,679	84,916
- loans from financial institutions	132,503	121,658
	480,477	436,729

19 Other operating expenses

Other operating expenses mainly comprise the following items:

The Group	2014 S$	2013 S$
Carriage inwards and outwards	1,297,381	1,793,984
Chemical, lubricants and gas	1,197,269	928,964
Electricity and water	1,988,189	1,845,793
Operating lease expense	1,522,570	1,458,131
Repair and maintenance	889,172	724,261

20 Taxation

The Group	2014 S$	2013 S$
Current taxation		
- current year	**153,292**	90,637
- over provision in respect of prior years	**(68,257)**	(5,000)
	85,035	85,637
Deferred taxation		
- origination and reversal of temporary differences	**(56,445)**	107,213
- under provision in respect of prior years	**43,695**	17,947
	(12,750)	125,160
	72,285	210,797

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

The Group	2014 S$	2013 S$
(Loss)/profit before taxation	**(2,760,751)**	548,139
Tax at statutory rates applicable to different jurisdictions	**(668,312)**	129,519
Tax effect on non-deductible expenses	**185,028**	119,012
Tax effect on non-taxable income	**(120,116)**	(80,854)
Tax exempt income and incentives	**(68,850)**	(204,000)
Deferred tax assets on temporary differences not recognised	**947,606**	331,542
Utilisation of deferred tax assets on temporary differences not recognised in prior years	**(174,886)**	(114,021)
Over provision of current taxation in respect of prior years	**(68,257)**	(5,000)
Under provision of deferred taxation in respect of prior years	**43,695**	17,947
Others	**(3,623)**	16,652
	72,285	210,797

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 MCE Technologies Sdn Bhd and MCE Manufacturing Sdn Bhd is 25% (2013: 25%) for the financial year ended 31 December 2014.

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.

20 Taxation (cont'd)

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% (2013: 25%) for the financial year ended 31 December 2014.

Non-deductible expenses mainly relate to private motor vehicles and related expenses for the Company. Non-taxable income mainly relates to the reversals of write-down on inventories and impairment losses on trade receivables for the PRC subsidiaries.

21 (Loss)/earnings per share

21.1 Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share was based on the loss attributable to ordinary shareholders of S$2,833,036 (2013: profit of S$337,342), and a weighted average number of ordinary shares outstanding of 366,733,323 (2013: 363,068,307), calculated as follows:

Weighted average number of ordinary shares (basic)

	2014	2013
The Group	Number of ordinary shares	
Issued ordinary shares at beginning of year	**364,812,000**	360,000,000
Effect of share options exercised	**1,533,507**	3,018,740
Effect of warrants exercised	**387,816**	49,567
Weighted average number of ordinary shares at end of year	**366,733,323**	363,068,307

21.2 Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share was based on the loss attributable to ordinary shareholders of S$2,833,036 (2013: profit of S$337,342), and a weighted average number of ordinary shares outstanding after adjustment for effects of all dilutive potential ordinary shares of 366,733,323 (2013: 363,309,011), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2014	2013
The Group	Number of ordinary shares	
Weighted average number of ordinary shares (basic)	**366,733,323**	363,068,307
Effect of share options on issue	**-**	240,704
Weighted average number of ordinary shares (diluted)	**366,733,323**	363,309,011

As at 31 December 2013, the 17,700,000 outstanding share options granted to directors and employees under the MCE Share Option Scheme and the 179,828,000 warrants do not have a dilutive effect because the average market price of the Company's ordinary shares for the financial year ended 31 December 2013 during which the options and warrants were outstanding does not exceed the exercise prices of the options and warrants.

21 (Loss)/earnings per share (cont'd)

21.2 Diluted (loss)/earnings per share (cont'd)

Weighted average number of ordinary shares (diluted) (cont'd)

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.

As at 31 December 2014, the outstanding share options and warrants were excluded from the calculation of the diluted weighted average number of ordinary shares in issue as their effect would have been anti-dilutive due to the loss attributable to ordinary shareholders for the financial year ended 31 December 2014.

22 Equity-settled share-based payment transactions

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

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

Date of grant	Balance at 1.1.2014	Options granted	Options exercised	Options cancelled/ lapsed	Balance at 31.12.2014	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	-	-	(300,000)	3,050,000	S$0.045	29.5.2008 to 28.5.2017
8.5.2009 (ii)	600,000	-	(600,000)	-	-	S$0.0255	8.5.2010 to 7.5.2014
4.9.2013 (i)	12,450,000	-	(4,790,000)	(1,100,000)	6,560,000	S$0.05	4.9.2014 to 4.9.2023
4.9.2013 (ii)	900,000	-	-	(300,000)	600,000	S$0.05	4.9.2014 to 4.9.2018
	18,300,000	-	(5,390,000)	(2,700,000)	10,210,000		

(i) For executive directors and employees

(ii) For non-executive directors

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

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
	2014	**2014**	2013	2013
	S$		S$	
Outstanding at beginning of year	**0.051**	**18,300,000**	0.041	9,590,000
Granted during the year	**-**	**-**	0.050	13,800,000
Exercised during the year	**0.047**	**(5,390,000)**	0.026	(4,640,000)
Forfeited during the year	**0.071**	**(2,700,000)**	0.050	(450,000)
Outstanding at end of year	**0.049**	**10,210,000**	0.051	18,300,000
Exercisable at end of year	**0.049**	**10,210,000**	0.055	4,950,000

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)
2014	**2014**	**2014**	2013	2013	2013
-	-	**-**	S$0.108	1,000,000	0.64
S$0.045	3,050,000	**2.41**	S$0.045	3,350,000	3.41
-	-	**-**	S$0.0255	600,000	0.35
S$0.05	6,560,000	**8.68**	S$0.05	12,450,000	9.68
S$0.05	600,000	**3.68**	S$0.05	900,000	4.68
S$0.049	10,210,000	**6.51**	S$0.051	18,300,000	7.49

The fair value of share options as at the date of grant is estimated using the Binomial pricing 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

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

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.

23 Commitments

23.1 Capital commitments

The Group	**2014** **S$**	2013 S$
Capital expenditure contracted but not provided for in the financial statements	**133,118**	574,345

23.2 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**	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Not later than one year	**851,018**	1,372,165	**185,840**	149,052
Later than one year and not later than five years	**345,915**	1,457,098	**10,800**	140,071
	1,196,933	2,829,263	**196,640**	289,123

The leases on the Group's factory premises on which rentals are payable will expire between 30 April 2015 and 9 May 2018, and the current rent payable on the leases ranges from S$8,695 to S$29,489 per month.

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

24 Operating segments

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

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

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.

24 Operating segments (cont'd)

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

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

There was no single external customer which amounted to 10% or more of the Group's revenue for the financial years ended 31 December 2014 and 2013.

	Singapore	Thailand	Malaysia	China	Elimination	Total
	S$	S$	S$	S$	S$	S$
2014						
External sales	30,292,028	5,389,038	5,405,330	27,982,647	-	69,069,043
Inter-segment sales	14,314,973	-	8,633,078	27,542,353	(50,490,404)	-
Total revenue	44,607,001	5,389,038	14,038,408	55,525,000	(50,490,404)	69,069,043
Segment profit/(loss)	2,710,786	(567,057)	249,391	(2,504,969)	(672,533)	(784,382)
Finance costs						(480,477)
Unallocated expenses [(i)]						(1,495,892)
Loss before taxation						(2,760,751)
Taxation						(72,285)
Loss for the year						(2,833,036)
Other segment information:						
Segment assets	73,345,436	7,131,328	13,364,178	51,199,542	(83,511,577)	61,528,907
Segment liabilities	42,498,172	8,499,010	10,632,305	31,638,480	(58,455,948)	34,812,019
Non-current assets:						
Property, plant and equipment	1,686,729	2,652,505	1,748,040	12,686,018	(1,270,210)	17,503,082
Other assets	137,500	-	-	-	-	137,500
Additions of property, plant and equipment	170,079	173,619	331,826	712,675	(236,317)	1,151,882
Depreciation of property, plant and equipment	540,145	653,580	507,362	2,567,456	(214,925)	4,053,618
(Gain)/loss on disposal of property, plant and equipment	-	-	(29,145)	23,585	28,888	23,328
Impairment losses on trade receivables (reversed)/ made	(125,930)	-	-	8,689	-	(117,241)
Property, plant and equipment written off	-	-	-	90,941	-	90,941
Write-down on inventories made/(reversed)	-	-	25,810	(117,929)	-	(92,119)

24 Operating segments (cont'd)

	Singapore	Thailand	Malaysia	China	Elimination	Total
	S$	S$	S$	S$	S$	S$
2013						
External sales	32,880,474	2,509,323	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	46,869,762	2,509,323	15,937,301	57,843,701	(53,814,256)	69,345,831
Segment profit/(loss)	5,546,588	(903,319)	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	66,333,645	5,271,556	11,531,184	52,240,746	(73,683,084)	61,694,047
Segment liabilities	36,430,732	6,026,135	8,970,903	30,481,928	(49,347,054)	32,562,644
Non-current assets:						
Property, plant and equipment	2,056,795	3,031,926	1,954,403	14,542,116	(1,334,377)	20,250,863
Other assets	137,500	-	-	-	-	137,500
Additions of property, plant and equipment	1,045,210	2,282,337	647,330	2,843,157	(1,463,532)	5,354,502
Depreciation of property, plant and equipment	462,532	378,046	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
Impairment losses on trade and other receivables (reversed)/made	(103,548)	-	-	-	116,875	13,327
Write-down on inventories made/(reversed)	-	-	120,445	(63,288)	-	57,157

[i] Unallocated expenses relate to directors' remuneration and other corporate related expenses.

25 Dividends

The Group and the Company	**2014** **S$**	2013 S$
Final tax-exempt (one-tier) dividend of 0.075 Singapore cent (2013: 0.15 Singapore cent) per share paid in respect of the previous financial year	**274,059**	546,514

At the Annual General Meeting on 25 April 2014, a final tax-exempt (one-tier) dividend of 0.075 Singapore cent per share amounting to S$274,059 was proposed. These dividends paid were accounted for as a reduction in equity as a distribution of retained earnings for the current financial year.

26 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 26.3) and foreign currency risk (Note 26.4).

The Group and the Company do not hold or issue derivative financial instruments for trading purposes.

26.1 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.

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

26.1 Credit risk (cont'd)

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 (2013: two major debtors) that represented 46% (2013: 41%) of trade receivables. The Company's trade receivables (excluding trade amounts due from subsidiaries) comprise two major debtors (2013: two major debtors) that represented 72% (2013: 64%) of trade receivables.

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

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

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

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

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

Exposure to credit risk

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

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

At the end of the reporting period, the Company has issued corporate guarantee to a bank for the borrowings undertaken by a subsidiary (Notes 13.3 and 13.4). These bank borrowings amounted to S$499,664 (2013: S$554,119) at the end of reporting period. The credit risk, being the principal risk to which the Company is exposed, represents the loss that would be recognised upon a default by the subsidiary.

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

26.1 Credit risk (cont'd)

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

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

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.

26.2 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:

The Group	**Carrying amount S$**	**Contractual cash flows S$**	**Less than 1 year S$**	**Between 1 and 5 years S$**
2014				
Non-derivative financial liabilities				
Trade and other payables (excluding deferred revenue) (Note 14)	**19,529,199**	**19,529,199**	**19,529,199**	**-**
Borrowings (Note 13)	**13,293,639**	**13,569,500**	**12,264,575**	**1,304,925**
	32,822,838	**33,098,699**	**31,793,774**	**1,304,925**
2013				
Non-derivative financial liabilities				
Trade and other payables (excluding deferred revenue) (Note 14)	18,890,026	18,890,026	18,890,026	-
Borrowings (Note 13)	11,889,027	12,344,016	10,578,449	1,765,567
	30,779,053	31,234,042	29,468,475	1,765,567

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

26.2 Liquidity risk (cont'd)

The Company	Carrying amount S$	Contractual cash flows S$	Less than 1 year S$	Between 1 and 5 years S$
2014				
Non-derivative financial liabilities				
Trade and other payables (excluding deferred revenue) (Note 14)	**27,598,376**	**27,598,376**	**27,598,376**	**-**
Borrowings (Note 13)	**12,793,975**	**13,068,417**	**11,763,492**	**1,304,925**
Intragroup financial guarantee	**499,664**	**501,427**	**501,427**	**-**
	40,892,015	**41,168,220**	**39,863,295**	**1,304,925**
2013				
Non-derivative financial liabilities				
Trade and other payables (excluding deferred revenue) (Note 14)	22,863,970	22,863,970	22,863,970	-
Borrowings (Note 13)	11,334,908	12,232,959	10,467,392	1,765,567
Intragroup financial guarantee	554,119	554,901	554,901	-
	34,752,997	35,651,830	33,886,263	1,765,567

The Group has contractual commitments to incur capital expenditure for the purchase of property, plant and equipment (Note 23.1).

Except for the Company's cash flows arising from its intragroup corporate guarantee (Note 26.1), it is not expected that the cash flows included in the maturity analysis of the Group and the Company could occur significantly earlier, or at significantly different amounts.

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

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

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

26.3 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.

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

26.3 Interest rate risk (cont'd)

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

	The Group		The Company	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Fixed rate instruments				
Financial liabilities				
- obligations under finance leases	**(1,348,887)**	(1,750,189)	**(1,348,887)**	(1,750,189)
- loans from financial institutions	**(977,791)**	(1,244,857)	**(977,791)**	(1,244,857)
	(2,326,678)	(2,995,046)	**(2,326,678)**	(2,995,046)
Variable rate instruments				
Financial assets				
- bank balances	**10,919,274**	10,688,437	**2,609,128**	2,526,820
Financial liabilities				
- loans from financial institutions	**(1,900,000)**	(1,900,000)	**(1,900,000)**	(1,900,000)
- bank overdrafts	**(1,685,353)**	(1,595,313)	**(1,524,422)**	(1,485,037)
- bills payable to banks	**(7,381,608)**	(5,398,668)	**(7,042,875)**	(4,954,825)
	(10,966,961)	(8,893,981)	**(10,467,297)**	(8,339,862)
	(47,687)	1,794,456	**(7,858,169)**	(5,813,042)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At the end of the reporting period, if interest rates had been 75 (2013: 75) basis points higher/lower with all other variables held constant, the Group's and the Company's results net of tax and equity would have been S$358 lower/higher (2013: S$13,458 higher/lower) and S$58,936 lower/higher (2013: S$43,598 lower/higher), respectively, 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.

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

26.4 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.

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

	Malaysian ringgit	**Renminbi**	**Thai baht**	**United States dollar**
The Group	**S$**	**S$**	**S$**	**S$**
2014				
Trade and other receivables	**-**	**1,360,932**	**767,415**	**16,668,667**
Cash and bank balances	**-**	**-**	**-**	**5,153,758**
Borrowings	**-**	**-**	**-**	**(6,999,825)**
Trade and other payables	**-**	**(1,607,058)**	**-**	**(6,628,794)**
Net exposure	**-**	**(246,126)**	**767,415**	**8,193,806**
2013				
Trade and other receivables	-	1,219,498	738,492	14,736,765
Cash and bank balances	-	-	-	5,581,270
Borrowings	-	-	-	(4,872,969)
Trade and other payables	(45,111)	(1,578,888)	-	(5,225,192)
Net exposure	(45,111)	(359,390)	738,492	10,219,874

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

26.4 Foreign currency risk (cont'd)

The Company	Malaysian ringgit S$	Renminbi S$	Thai baht S$	United States dollar S$
2014				
Trade and other receivables	**-**	**1,360,932**	**767,415**	**33,895,893**
Cash and bank balances	**-**	**-**	**-**	**2,511,043**
Borrowings	**-**	**-**	**-**	**(6,999,825)**
Trade and other payables	**-**	**(1,607,058)**	**-**	**(24,331,621)**
Net exposure	**-**	**(246,126)**	**767,415**	**5,075,490**
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	(42,075)	(359,390)	738,492	5,781,274

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 and the Company's results net of tax and equity.

		The Group		The Company	
		2014	2013	**2014**	2013
		S$	S$	**S$**	S$
MYR	- strengthened 5% (2013: 5%)	**-**	(2,256)	**-**	(2,104)
	- weakened 5% (2013: 5%)	**-**	2,256	**-**	2,104
RMB	- strengthened 5% (2013: 5%)	**(12,306)**	(17,970)	**(12,306)**	(17,970)
	- weakened 5% (2013: 5%)	**12,306**	17,970	**12,306**	17,970
THB	- strengthened 5% (2013: 5%)	**38,371**	36,925	**38,371**	36,925
	- weakened 5% (2013: 5%)	**(38,371)**	(36,925)	**(38,371)**	(36,925)
USD	- strengthened 5% (2013: 5%)	**409,690**	510,994	**253,775**	289,064
	- weakened 5% (2013: 5%)	**(409,690)**	(510,994)	**(253,775)**	(289,064)

26.5 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.

27 Capital management

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

(a) To safeguard the Group's and the Company's ability to continue as going concern;

(b) To support the Group's and the Company's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and

(d) To provide an adequate return to shareholders.

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

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

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

As disclosed in Note 11, the subsidiaries in the PRC are required by the relevant laws and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is restricted. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2014 and 2013.

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

	The Group		The Company	
	2014	2013	**2014**	2013
	S$	S$	**S$**	S$
Trade and other payables (Note 14)	**21,197,599**	20,321,569	**27,716,908**	23,202,588
Borrowings (Note 13)	**13,293,639**	11,889,027	**12,793,975**	11,334,908
Total debt	**34,491,238**	32,210,596	**40,510,883**	34,537,496
Less: Cash and bank balances (Note 9)	**(10,951,090)**	(10,722,477)	**(2,611,628)**	(2,529,320)
Net debt	**23,540,148**	21,488,119	**37,899,255**	32,008,176
Equity attributable to owners of the Company	**26,716,888**	29,131,403	**29,976,195**	29,413,768
Less: Statutory reserve (Note 11)	**(1,898,017)**	(1,859,945)	**-**	-
Total capital	**24,818,871**	27,271,458	**29,976,195**	29,413,768
Total capital and net debt	**48,359,019**	48,759,577	**67,875,450**	61,421,944
Gearing ratio	**49%**	44%	**56%**	52%

28 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 (excluding deferred revenue), 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.

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
The Group	S$	S$	S$
2014			
Trade receivables	**2,209,660**	**(243,158)**	**1,966,502**
Trade payables	**243,158**	**(243,158)**	**-**
2013			
Trade receivables	96,063	(42,284)	53,779
Trade payables	79,054	(42,284)	36,770
The Company			
2014			
Trade receivables	**42,759**	**(42,759)**	**-**
Trade payables	**56,999**	**(42,759)**	**14,240**
2013			
Trade receivables	55,631	(1,852)	53,779
Trade payables	1,852	(1,852)	-

29 Events after end of reporting period

On 12 February 2015, the Company increased its investment in its wholly-owned subsidiary, MCT (Thailand) Co., Ltd, from S$203,654 (THB 5,000,000) to S$817,654 (THB 20,000,000), comprising 50,000 and 200,000 common shares of par value THB 100 each, fully paid up, respectively.

SUPPLEMENTARY FINANCIAL INFORMATION
Disclosures required by the Catalist Rules

Properties

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

Detached factory building

SHAREHOLDINGS STATISTICS

As at 20 March 2015

Issued and paid-up capital	:	S$21,638,660
Number of issued shares	:	374,119,000
Number of treasury shares	:	NIL

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

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	7	0.74	45	0.00
100 - 1,000	121	12.89	118,665	0.03
1,001 - 10,000	257	27.37	1,432,572	0.38
10,001 - 1,000,000	510	54.31	68,878,630	18.41
1,000,001 and above	44	4.69	303,689,088	81.18
	939	100.00	374,119,000	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	Raffles Nominees (Pte) Ltd	67,472,600	18.04
2	Citibank Nominees Singapore Pte Ltd	23,005,100	6.15
3	Chua Kheng Choon	20,852,666	5.57
4	Tan Soo Yong	15,255,332	4.08
5	Heng Hock Liang	13,859,000	3.70
6	Bank of Singapore Nominees Pte Ltd	13,100,000	3.50
7	OCBC Securities Private Ltd	11,794,981	3.15
8	Hong Leong Finance Nominees Pl	11,480,000	3.07
9	CIMB Securities (S) Pte Ltd	10,851,099	2.90
10	Chua Han Min	9,570,000	2.56
11	Maybank Kim Eng Securities Pte Ltd	8,148,405	2.18
12	Xue Jing	7,800,000	2.08
13	Tan Chew Hiah	6,735,000	1.80
14	Lim Chin Tong	6,408,000	1.71
15	DBS Nominees Pte Ltd	6,397,400	1.71
16	Royce Choo Li Terng	5,000,000	1.34
17	Goh Eng Seng	4,600,000	1.23
18	Ng Tiam Moy	4,385,000	1.17
19	So Biqi (Su Biqi)	4,326,400	1.16
20	Tan Song Kee	4,000,000	1.07
		255,040,983	68.17

Shareholdings Held in Hands of Public

Based on information available to the Company as at 20 March 2015, 68.6% 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 20 March 2015

SUBSTANTIAL SHAREHOLDERS

Please refer to the Register of substantial shareholders on page 96 of this Annual Report

ANALYSIS OF WARRANTHOLDINGS

Range of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 - 99	2	0.70	70	0.00
100 - 1,000	17	5.94	15,036	0.01
1,001 - 10,000	81	28.32	438,468	0.25
10,001 - 1,000,000	160	55.95	26,007,761	14.78
1,000,001 and above	26	9.09	149,449,665	84.96
	286	100.00	175,911,000	100.00

TOP 20 WARRANTHOLDERS

No.	Name of Warrantholders	No. of Warrants	%
1	Cal-Comp Electronics (Thailand) Public Company Limited	30,000,000	17.05
2	Chua Kheng Choon	13,300,000	7.56
3	Ko Kay Hyong	10,660,900	6.06
4	Tan Eng Chua Edwin	9,967,000	5.67
5	Tan Soo Yong	9,177,666	5.22
6	Ng Bak Kwang	8,000,000	4.55
7	Heng Hock Liang	7,122,000	4.05
8	Maybank Kim Eng Securities Pte Ltd	7,033,161	4.00
9	See Puai Luan	6,082,000	3.46
10	Chua Han Min	5,982,000	3.40
11	Chee Chong Por	5,216,000	2.97
12	Lim Andy	4,833,943	2.75
13	Eio Hock Chuar	3,601,000	2.05
14	Tan Chew Hiah	3,400,000	1.93
15	Tan Li Lin	3,268,000	1.86
16	Chin Tin Tew	2,933,000	1.67
17	Ho Jee Chan	2,672,000	1.52
18	Lim Chin Tong	2,614,000	1.49
19	Ng Tiam Moy	2,385,000	1.36
20	Tan Cheng Chwee	2,230,000	1.27
		140,477,670	79.89

SHAREHOLDINGS STATISTICS

As at 20 March 2015

The interest of the Directors and Substantial Shareholders in the Shares, Options and Warrants as at 20 March 2015.

	Number of issued and paid-up shares				Number of shares in respect of unexercised option 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	5.60	6,735,000	1.80	2,900,000	28.40	13,300,000	7.56	3,400,000	1.93
Chua Han Min	9,570,000	2.56	-	-	2,400,000	23.51	5,982,000	3.40	-	-
Tan Soo Yong	15,255,332	4.08	536,000	0.14	1,800,000	17.63	9,177,666	5.22	3,268,000	1.86
Lim Chin Tong	6,408,000	1.71	-	-	300,000	2.94	2,614,000	1.49	-	-
Cheah Chow Seng	1,384,000	0.37	-	-	300,000	2.94	692,000	0.39	-	-
Lim Swee Kwang	-	-	66,666	0.02	-	-	-	-	-	-
Substantial Shareholders/ Warrantholders										
Cal-Comp Electronics (Thailand) Public Company Limited	56,600,000	15.13	-	-	-	-	30,000,000	17.05	-	-
Chua Kheng Choon	20,959,666	5.60	6,735,000	1.80	2,900,000	28.40	13,300,000	7.56	3,400,000	1.93
Tan Soo Yong	15,255,332	4.08	536,000	0.14	1,800,000	17.63	9,177,666	5.22	3,268,000	1.86

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 Tan Soo Yong's deemed interest in 536,000 Shares and 3,268,000 Warrants is derived from Shares and Warrants held in the name of his spouse.

3. Mr Lim Swee Kwang's deemed interest in 66,666 Shares is derived from Shares held in the name of his spouse.

NOTICE OF ANNUAL GENERAL MEETING

METAL COMPONENT ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198804700N)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of METAL COMPONENT ENGINEERING LIMITED ("**Company**") will be held at 10 Ang Mo Kio Street 65, Techpoint #04-02, Singapore 569059 on Wednesday, 29 April 2015 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 financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Chua Han Min 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.
[See Explanatory Note (i)] **(Resolution 2)**

3. To re-elect Mr Cheah Chow Seng 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.
[See Explanatory Note (ii)] **(Resolution 3)**

4. To re-elect Mr Lim Swee Kwang as Director, who will retire pursuant to Article 97 of the Company's Articles of Association, and who, being eligible, offer himself for re-election.
[See Explanatory Note (iii)] **(Resolution 4)**

5. To approve the payment of Directors' fees of S$110,000 for the financial year ending 31 December 2015 to be paid quarterly in arrears at the end of each calendar quarter (2014: S$110,000). **(Resolution 5)**

6. To re-appoint Foo Kon Tan 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, Chapter 50 (the "**Companies Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

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

(b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Ordinary Resolution was in force, provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Ordinary Resolution) and Instruments to be issued pursuant to this Ordinary Resolution shall not exceed 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued (including Shares to be issued pursuant to the Instruments) other than on a pro-rata basis to existing shareholders of the Company shall not exceed 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued pursuant to the Instruments) that may be issued under sub-paragraph (1) above, the percentage of Shares that may be issued shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Ordinary Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Ordinary Resolution; provided that such share awards or share options were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by SGX-ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until (i) the conclusion of the next Annual General Meeting of the Company or (ii) the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (iv)] **(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 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 (v)] **(Resolution 8)**

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

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

[See Explanatory Note (vi)] **(Resolution 9)**

11. Renewal of Shareholders' Mandate for Interested Person Transactions

"That:

(a) approval be and is given, for the purpose of Chapter 9 of the Catalist Rules, for the Company, its subsidiaries (as defined in the Companies Act) 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 (vii)] **(Resolution 10)**

By Order of the Board

Lee Wei Hsiung
Tan Kwang Hwee, William
Secretaries
Singapore, 14 April 2015

Explanatory Notes:

(i) Mr Chua Han Min does not have any relationships, including immediate family relationships with the Directors of the Company, the Company or its 10% shareholders.

(ii) Mr Cheah Chow Seng, if re-elected, will remain as Chairman of the Nominating Committee, and continue as a member of the Audit Committee and Remuneration Committee. The Board considers Mr Cheah Chow Seng to be independent for the purpose of Rule 704(7) of the Catalist Rules. Mr Cheah Chow Seng does not have any relationships, including immediate family relationships with the Directors of the Company, the Company or its 10% shareholders.

(iii) Mr Lim Swee Kwang, if re-elected, will remain as Chairman of the Remuneration Committee, and continue as a member of the Audit Committee and Nominating Committee. The Board considers Mr Lim Swee Kwang to be independent for the purpose of Rule 704(7) of the Catalist Rules. Mr Lim Swee Kwang does not have any relationships, including immediate family relationships with the Directors of the Company, the Company or its 10% shareholders.

(iv) 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.

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

(vi) Ordinary Resolution 9 proposed in item 10 above, if passed, will authorise and empower the Directors of the Company, from the date of this Annual General Meeting until the next Annual General Meeting, to allot and issue Shares in the Company pursuant to the exercise of Options under the 2014 Scheme. The 2014 Scheme was adopted and approved by Shareholders on 25 April 2014.

(vii) Ordinary Resolution 10 proposed in item 11 above, relates to the renewal of a mandate given by Shareholders on 25 April 2014 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.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies.

3. If the member is a corporation, the instrument appointing the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. 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.

Personal data privacy:

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

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*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Canaccord Genuity Singapore Pte. Ltd. ("**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 notice.*

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

The contact person for the Sponsor is Ms Karen Soh, Managing Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd., at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 68546160.

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APPENDIX

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 represented by physical share certificate(s), you should immediately forward this Appendix together with the Annual Report and the accompanying Proxy Form 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

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APPENDIX

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:

(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 Lim Swee Kwang

"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
"Controlling Shareholder"	:	A person who: (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 Lim Swee Kwang 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 Catalist 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
"Latest Practicable Date"	:	30 March 2015, 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 reenacted. 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

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
Cheah Chow Seng
Lim Swee Kwang

Registered Office:

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

14 April 2015

To: The Shareholders of Metal Component Engineering Limited

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE IPT MANDATE

1. INTRODUCTION

The Company has, on 14 April 2015, issued a Notice of AGM to be held on 29 April 2015 (the "**2015 AGM**"). The proposed Ordinary Resolution 10 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 10 at the 2015 AGM.

2. THE PROPOSED RENEWAL OF THE IPT MANDATE

The Company had, at the last AGM held on 25 April 2014, sought and obtained the approval of Shareholders for the renewal of the IPT Mandate. The IPT Mandate is subject to annual renewal, and will take effect until the conclusion of the next AGM or the expiration of the period within which the next general meeting is required by law to be held, whichever is the earlier. It is proposed that the IPT Mandate be tabled to Shareholders for renewal and approval at the 2015 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.

The rationale for 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 last AGM on 25 April 2014.

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 2014 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 Controlling 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 10 relating to the renewal of the IPT Mandate to be proposed at the 2015 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 and approved by Shareholders on the last AGM held on 25 April 2014; and

(ii) the methods or procedures referred to in paragraph 1.5 of the Annexure are sufficient to ensure that the recurrent transactions subject to the IPT Mandate 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. During the period prior to obtaining a fresh mandate from Shareholders, all transactions with Interested Persons will be subject to prior review and approval by the Audit Committee.

APPENDIX

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 of the IPT Mandate dated 31 August 2010 and the FY2014 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

ANNEXURE

The Proposed Shareholders' Mandate For Interested Person Transactions

1. IPT MANDATE

1.1 Background

Chapter 9 of the Catalist Rules 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 of the Catalist Rules, 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 of the Catalist Rules 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.

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 of the Catalist Rules. 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 channelled 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 of the Catalist Rules 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;

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

(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 and approved by Shareholders at the forthcoming AGM, the IPT Mandate will take effect from the date of the passing of the proposed Ordinary Resolution 10 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 conclusion of the next AGM or the expiration of the period within which the next general meeting is required by law to be held, whichever is the earlier. 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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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 29 April 2015 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 financial year ended 31 December 2014.		
2.	Re-election of Mr Chua Han Min as a Director.		
3.	Re-election of Mr Cheah Chow Seng as a Director.		
4.	Re-election of Mr Lim Swee Kwang as a Director.		
5.	Approval of Directors' fees of S$110,000 for the financial year ending 31 December 2015 to be paid quarterly in arrears at the end of each calendar quarter.		
6.	Re-appointment of Foo Kon Tan 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.	Authority to allot and issue shares under MCE Share Option Scheme 2014.		
10.	Renewal of Shareholders' Mandate for Interested Person Transactions.		

(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 ___________ 2015

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.

PERSONAL DATA PROTECTION ACT CONSENT

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2015.

METAL COMPONENT ENGINEERING LIMITED

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