

METAL COMPONENT ENGINEERING LIMITED

(Company Registration No. 198804700N)

ANNOUNCEMENT OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016 ("HY2016")

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

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HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

	Note	GROUP		Increase/ (Decrease) %
		HY2016 (Unaudited) S\$'000	HY2015 (Unaudited) S\$'000	
Continuing Operations				
Revenue		26,643	25,495	4.5
Other income	A	423	435	-2.8
Raw materials and consumables used		(14,372)	(14,329)	0.3
Employee benefits expense		(7,910)	(6,029)	31.2
Depreciation expense		(1,211)	(1,259)	-3.8
Amortisation expense		(338)	-	NM
Other operating expenses		(3,407)	(3,612)	-5.7
Other charges	B	(260)	(132)	97.0
Finance costs		(214)	(225)	-4.9
(Loss)/profit before taxation from continuing operations		(646)	344	NM
Taxation		9	(5)	NM
(Loss)/profit from continuing operations		(637)	339	NM
(Loss)/profit from discontinued operations, net of tax		(1,183)	136	NM
(Loss)/profit for the period attributable to owners of the Company		(1,820)	475	NM
Other comprehensive (loss)/income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences arising from consolidation		(1,188)	146	NM
Total comprehensive (loss)/income for the period attributable to owners of the Company		(3,008)	621	NM

NM - Not meaningful

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

	HY2016 S\$'000	HY2015 S\$'000
A) Major items for other income:		
Foreign exchange gain	-	333
Gain on disposal of property, plant and equipment	213	7
Interest income	2	5
Government grant	150	22
Sundry income	58	68
B) Major items for other charges:		
Foreign exchange loss	258	-
Write-down of inventories	2	132

Results of the discontinued operations are as follows:

		HY2016 (Unaudited) S\$'000	HY2015 (Unaudited) S\$'000	Increase/ (Decrease) %
Revenue		5,523	11,521	-52.1
Other income	C	93	297	-68.7
Expenses	D	(6,799)	(11,682)	-41.8
(Loss)/profit from discontinued operations		(1,183)	136	NM
C) Major items for other income:				
Foreign exchange gain		-	58	
Gain on disposal of property, plant and equipment		51	-	
Reversal of write-down on inventories		-	170	
Interest income		-	2	
Government grant		1	13	
Sundry income		41	54	
D) Major items for expenses:				
Foreign exchange loss		138	-	
Write-down of inventories		7	-	
Loss on disposal of property, plant and equipment		-	5	

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

	GROUP		COMPANY	
	As at 30-Jun-16 (Unaudited) S\$'000	As at 31-Dec-15 (Audited) S\$'000	As at 30-Jun-16 (Unaudited) S\$'000	As at 31-Dec-15 (Audited) S\$'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	14,138	16,203	539	1,234
Subsidiaries	-	-	25,657	25,657
Intangible assets	1,636	1,978	60	90
Other assets	138	138	138	138
	15,912	18,319	26,394	27,119
Current Assets				
Inventories	4,861	7,376	26	929
Trade and other receivables	22,183	20,655	24,729	28,411
Cash and bank balances	8,122	11,480	4,236	4,748
	35,166	39,511	28,991	34,088
Total assets	51,078	57,830	55,385	61,207
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	21,639	21,639	21,639	21,639
Retained earnings	432	2,251	6,905	7,699
Other reserves	2,268	3,457	910	910
Total equity attributed to owners of the Company	24,339	27,347	29,454	30,248
Non-Current Liabilities				
Deferred tax liabilities	-	67	-	62
Borrowings	522	611	522	611
	522	678	522	673
Current Liabilities				
Trade and other payables	16,967	19,118	18,621	20,360
Borrowings	9,250	10,457	6,788	9,926
Current tax payable	-	230	-	-
	26,217	29,805	25,409	30,286
Total liabilities	26,739	30,483	25,931	30,959
Total equity and liabilities	51,078	57,830	55,385	61,207

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

	GROUP	
	As at 30 Jun 2016 (Unaudited) S\$'000	As at 31 Dec 2015 (Audited) S\$'000
Payable within 1 year or on demand		
Secured	4,327	3,350
Unsecured	4,923	7,107
	9,250	10,457
Payable after 1 year		
Secured	522	611
Unsecured	-	-
	522	611
TOTAL	9,772	11,068

Details of any collaterals

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

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

	GROUP	
	HY2016 (Unaudited) S\$'000	HY2015 (Unaudited) S\$'000
Cash flows from operating activities		
(Loss)/profit from continuing operations	(646)	344
(Loss)/profit from discontinued operations	(1,183)	136
(Loss)/profit before taxation	<u>(1,829)</u>	<u>480</u>
Adjustments for :		
Depreciation of property, plant and equipment	1,587	1,714
Amortisation of intangible assets	338	-
Interest income	(2)	(7)
Interest expense	214	225
Gain on disposal of property, plant and equipment	(264)	(2)
Write-down of inventories made/(reversed)	9	(38)
Unrealised currency translation differences	(105)	(22)
Operating (loss)/profit before working capital changes	(52)	2,350
Changes in bank deposits restricted in use	511	(12)
Changes in inventories	2,506	568
Changes in trade and other receivables	(1,528)	1,262
Changes in trade and other payables	(2,151)	(368)
Cash (used in)/generated from operations	(714)	3,800
Income taxes paid	(288)	(58)
Net cash (used in)/generated from operating activities	(1,002)	3,742
Cash flows from investing activities		
Interest received	2	7
Additions of intangible assets	(112)	(969)
Proceeds from disposal of property, plant and equipment	648	13
Purchase of property, plant and equipment	(543)	(954)
Net cash used in investing activities	(5)	(1,903)
Cash flows from financing activities		
Interest paid	(214)	(225)
Proceeds from issuance of warrants	-	58
Proceeds from borrowings	-	621
Repayment of borrowings	(1,455)	(595)
Net cash used in financing activities	(1,669)	(141)
Net (decrease)/increase in cash and bank balances	(2,676)	1,698
* Cash and bank balances at beginning of period	9,831	8,768
Exchange differences on translation of cash and bank balances at beginning of period	(173)	19
* Cash and cash equivalents at end of period	6,982	10,485
* Cash and bank balances are net of bank overdrafts and bank deposits pledged		
Cash and bank balances consist the following:		
Cash in banks and on hand	8,122	12,576
Bank overdraft	(1,140)	(1,582)
Bank deposits restricted in use	-	(509)
	<u>6,982</u>	<u>10,485</u>

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

The Group	Share Capital	Retained Earnings	Share Option Reserve	Warrant Reserve	Currency Translation Reserve	Statutory Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2015	21,576	1,997	128	787	331	1,898	26,717
Total comprehensive income for the period	-	475	-	-	146	-	621
Exercise of warrants	63	-	-	(5)	-	-	58
Balance as at 30 June 2015	21,639	2,472	128	782	477	1,898	27,396

The Group	Share Capital	Retained Earnings	Share Option Reserve	Warrant Reserve	Currency Translation Reserve	Statutory Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2016	21,639	2,252	128	782	368	2,178	27,347
Total comprehensive loss for the period	-	(1,820)	-	-	(1,188)	-	(3,008)
Balance as at 30 June 2016	21,639	432	128	782	(820)	2,178	24,339

The Company	Share Capital	Retained Earnings	Share Option Reserve	Warrant Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2015	21,576	7,485	128	787	29,976
Total comprehensive loss for the period	-	(311)	-	-	(311)
Exercise of warrants	63	-	-	(5)	58
Balance as at 30 June 2015	21,639	7,174	128	782	29,723

The Company	Share Capital	Retained Earnings	Share Option Reserve	Warrant Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2016	21,639	7,699	128	782	30,248
Total comprehensive loss for the period	-	(794)	-	-	(794)
Balance as at 30 June 2016	21,639	6,905	128	782	29,454

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

There are no changes in the Company's issued and paid-up share capital from 1 January 2016 to 30 June 2016.

a) Share options scheme

As at 30 June 2016, unissued shares of the Company in respect of MCE Share Option Scheme are as follows:

	Balance as at 01.01.2016	Granted during the period	Exercised/ forfeited during the period	Balance as at 30.06.2016	Balance as at 30.06.2015
MCE Share Option Scheme	10,210,000	-	-	10,210,000	10,210,000

b) Warrants issue

As at 30 June 2016, unissued shares of the Company in respect of warrants are as follows:

	Balance as at 01.01.2016	Warrants issued during the period	Exercised/ forfeited during the period	Balance as at 30.06.2016	Balance as at 30.06.2015
Warrants	175,911,000	-	-	175,911,000	175,911,000

Save as disclosed, there were no other outstanding convertibles or treasury shares as at 30 June 2016 and as at 30 June 2015.

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

	COMPANY	
	As at 30-Jun-16	As at 31-Dec-15
Number of ordinary shares in issue	374,119,000	374,119,000

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

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

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

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

Not applicable.

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

Save as disclosed in section 5 below, the Group and the Company have applied the same accounting policies and methods of computations in the financial statements for the current financial period reported on, which is consistent with those of the most recently audited financial statements for the financial year ended 31 December 2015.

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

The Group has adopted the applicable new and revised Singapore Financial Reporting Standards and interpretations of Financial Reporting Standard which became effective for the financial period beginning on or after 1 January 2016. The adoption of these new and revised accounting standards did not give rise to any significant impact on the financial statements for the Group and the Company for the financial period

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

	GROUP	
	HY2016	HY2015
(Loss)/earnings per share (Cents)		
on weighted average number of ordinary sh	(0.49)	0.13
on fully diluted basis	(0.49)	0.12
(Loss)/profit attributable to owners of the Company (S\$'000)		
for basic (loss)/earnings per share	(1,820)	475
for diluted (loss)/earnings per share	(1,820)	475
Weighted average number of ordinary shares in issue		
for basic (loss)/earnings per share	374,119,000	373,409,329
for diluted (loss)/earnings per share	374,119,000	395,817,357

The Company had outstanding share options and warrants as at 30 June 2016 and 30 June 2015. For HY2016, these 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 as the Group recorded a net loss for HY2016.

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

	GROUP		COMPANY	
	As at 30-Jun-16	As at 31-Dec-15	As at 30-Jun-16	As at 31-Dec-15
Net asset value per ordinary share based issued capital as at end of the period/year (cents)	6.51	7.31	7.87	8.09
Number of ordinary shares in issue at the end of the period/year ('000)	374,119	374,119	374,119	374,119

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

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.

STATEMENT OF COMPREHENSIVE INCOME REVIEW

Discontinued operations

The Group Hard Disk Drive ("HDD") business saw a 52.1% decrease in revenue from S\$11.5 million for the financial period ended 30 June 2015 ("HY2015") to S\$5.5 million for the financial period ended 30 June 2016 ("HY2016"). In view of the structural decline in the global HDD industry, the Group had decided to discontinue its HDD business in HY2016.

As a result of the closure of this business, the Group recorded a one-off restructuring cost of S\$1.0 million. Consequently, a loss after tax of S\$1.2 million was recorded in HY2016 from the discontinued operations as compared to a profit after tax of S\$136,000 in HY2015.

Continuing operations

The continuing operations now comprises of the Precision Metal Stamping business (Printer and Automotive) and the Industrial Product Business (Digital Textile Printer). The Group's continuing business revenue stood at S\$26.6 million for HY2016, a 4.5% increase from HY2015 where revenue was at S\$25.5 million.

Percentage of cost of direct materials and other expenses to revenue from continuing operation decreased from 56.2% and 14.2% respectively in HY2015 to 53.9% and 12.8% respectively in HY2016. Direct material costs and other expenses as a percentage of revenue from continuing operations stood at 66.7%, representing a decrease of 3.7 percentage point in HY2016, from 70.4% in HY2015.

Employee benefit expenses from continuing operation increased by 31.2% from S\$6.0 million in HY2015 to S\$7.9 million in HY2016 mainly from the start-up of the digital textile printer business in China and expanded operations in Thailand. Depreciation expenses decreased by 3.8% as compared to HY2015, which is in line with the decrease in property, plant and equipment in HY2016. Amortisation expense incurred for HY2016 amounting to S\$338,000 as compared to none in HY2015 was due to the start-up of the digital textile printer business in China as well.

Other charges stood at S\$260,000 in HY2016 as compared to S\$132,000 in HY2015, mainly arising from the foreign currency translation loss of S\$258,000. Other charges for HY2015 was due to the write-down of inventories.

Other income from continuing operations was at S\$423,000 in HY2016 as compared to S\$435,000 in HY2015, mainly due to gain on disposal of machinery and government grant. Other income received in HY2015 was mainly from foreign exchange gain.

Finance cost decreased marginally by 4.9% to S\$214,000 in HY2016, as compared to S\$225,000 in HY2015.

The Group recorded a loss after tax from the continuing operations of S\$637,000 in HY2016 as compared to a profit after tax of S\$339,000 in HY2015 mainly due to the start-up of the digital textile printer business and foreign exchange loss.

Overall, the Group recorded a loss after tax of S\$1.8 million in HY2016 as compared to a profit after tax of S\$475,000 in HY2015, mainly due to (a) the cessation of the HDD business, (b) foreign exchange loss, (c) start-up of a new business segment in the digital textile printer business.

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STATEMENT OF CASH FLOWS / WORKING CAPITAL REVIEW

Overall, the Group's cash and bank balances stood at S\$8.1 million as at 30 June 2016, as compared to S\$11.5 million as at 31 December 2015. The decrease in the cash and bank balances of \$3.4 million was mainly due to the loss for HY2016 after changes in net working capital of S\$714,000, income tax paid of S\$288,000 and repayment of bank borrowings and the bank interest amounting to S\$1.7 million. Accordingly, the Group's net debt increased from a net cash of S\$412,000 to a net debt of S\$1.7 million.

In HY2016, the Group utilised S\$1.7 million, S\$1.0 million and S\$5,000 in financing activities, operating activities and investing activities respectively.

Net cash used in operating activities was mainly attributable to the operating loss before working capital changes of S\$52,000, a decrease in trade and other payables of S\$2.2 million, an increase in trade and other receivables of S\$1.5 million and income tax paid of S\$288,000. This was partially offset by a decrease in inventories of S\$2.5 million and bank deposit restricted in use of S\$511,000.

Net cash used in investing activities mainly relates to purchase of plant and equipment amounting to S\$543,000 as well as the capitalisation of the development costs incurred for the design, testing and construction of a new product of S\$112,000 and offset by proceeds from the disposal of property, plant and equipment of S\$648,000.

Net cash used in financing activities was mainly attributed to the repayment of borrowings of S\$1.5 million and payment of interest expense of S\$214,000.

Current ratio as at 30 June 2016 stood at 1.34 time, a marginal increase from 1.33 time as at 31 December 2015.

Debt-equity ratio (computed based on total liabilities divided by total equity) marginally decreased from 1.11 time as at 31 December 2015 to 1.10 time as at 30 June 2016.

As at 30 June 2016, the Group had a positive net working capital of S\$8.9 million, a decrease of S\$757,000 from the S\$9.7 million as at 31 December 2015. Trade receivable days and trade payable days stood at 109 and 76 days respectively as at 30 June 2016, compared to 96 and 83 days as at 31 December 2015 respectively. Inventory days decreased from 45 days as at 31 December 2015 to 33 days as at 30 June 2016. Consequently, the Group's net working capital days increased from 58 to 66 days as at 30 June 2016 and this was mainly attributed to the changes in sales mix and business segments.

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

The unaudited financial results for the financial period ended 30 June 2016 set out in this announcement are in line with the profit guidance announcement released by the Company on 29 July 2016.

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

Against a backdrop of an increasingly challenging business environment, with the successful completion of the restructuring of the metal stamping business in China in HY2016, the Group is confident that it has mitigated the adverse impact of the closure of the HDD business and expects to see an improvement in performance in the Precision Metal Stamping business (Printer and Automotive). In addition, the Group has improved its engineering capability and production capacity for the Industrial Product business (Digital Textile Printer) that is expected to yield positive results to the Group in the mid to long term.

11 Dividend

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

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

No dividend has been declared/recommended for the financial period ended 30 June 2016.

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

No IPT mandate has been obtained. There was no interested person transaction entered into by the Group with value of S\$100,000 or more during 1H2016.

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

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

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15 Statement by Directors
Pursuant to SGX Catalist Rule 705(5)

On behalf of the Board of Directors of the Company, we hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited consolidated financial results for the half year ended 30 June 2016 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Chua Kheng Choon
Chairman and Chief Executive Officer

Lim Chin Tong
Lead Independent Director

12 August 2016