

# **METAL COMPONENT ENGINEERING LIMITED**

(Company Registration No. 198804700N)

## **ANNOUNCEMENT OF THE UNAUDITED HALF YEAR FINANCIAL STATEMENTS FOR THE 6-MONTH FINANCIAL PERIOD ENDED 30 JUNE 2015 ("HY2015")**

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor ("Sponsor"), Canaccord Genuity Singapore Pte. Ltd. for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). 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.

The contact person for the Sponsor is Ms. Alice Ng, Director and Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd., at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854-6160.

# METAL COMPONENT ENGINEERING LIMITED

(Company Registration No. 198804700N)

## HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

- 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		+ / -
		HY2015 (Unaudited)	HY2014 (Unaudited)	
		S\$'000	S\$'000	%
Revenue		37,016	33,442	10.7%
Other income		164	124	32.3%
Changes in inventories of finished goods and work-in-progress		(366)	(51)	617.6%
Raw materials and consumables used		(18,936)	(16,308)	16.1%
Employee benefits expense		(9,229)	(9,006)	2.5%
Depreciation expense		(1,714)	(2,113)	-18.9%
Other expenses		(6,661)	(6,742)	-1.2%
Other credits/(charges)	A	431	(835)	151.6%
Financial expense		(225)	(240)	-6.3%
<b>Profit/(loss) before tax</b>		<b>480</b>	<b>(1,729)</b>	127.8%
Income tax expense		(5)	8	162.5%
<b>Profit/(loss) for the period</b>		<b>475</b>	<b>(1,721)</b>	127.6%
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences arising from consolidation		146	(604)	124.2%
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>		<b>621</b>	<b>(2,325)</b>	126.7%

NM - Not meaningful

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

	HY2015 S\$'000	HY2014 S\$'000
A) Major items for other credits/(charges):		
Gain on disposal of property, plant and equipment	2	1
Reversal of allowance/(write-down) of inventories	38	(471)
Allowance for impairment of trade receivables	-	(187)
Foreign exchange gain/(loss)	391	(133)
Share-based payment expense	-	(45)

**METAL COMPONENT ENGINEERING LIMITED**

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**HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015**

**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.**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30-Jun-15</b>	<b>31-Dec-14</b>	<b>30-Jun-15</b>	<b>31-Dec-14</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>ASSETS</b>				
<b>Non-Current Assets:</b>				
Property, plant and equipment	16,880	17,503	1,471	1,687
Investment in subsidiaries	-	-	23,597	22,964
Intangible assets	969	-	90	-
Other assets	138	138	138	138
	<b>17,987</b>	<b>17,641</b>	<b>25,296</b>	<b>24,789</b>
<b>Current Assets:</b>				
Inventories	7,118	7,648	1,229	1,960
Trade and other receivables	24,027	25,289	30,129	41,389
Cash and cash equivalents	12,576	10,951	5,818	2,612
	<b>43,721</b>	<b>43,888</b>	<b>37,176</b>	<b>45,961</b>
<b>Total assets</b>	<b>61,708</b>	<b>61,529</b>	<b>62,472</b>	<b>70,750</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	21,639	21,576	21,639	21,576
Retained earnings	2,472	1,997	7,174	7,485
Other reserves	3,285	3,144	910	915
<b>Total equity</b>	<b>27,396</b>	<b>26,717</b>	<b>29,723</b>	<b>29,976</b>
<b>Non-Current Liabilities:</b>				
Deferred tax liabilities	268	264	262	262
Borrowings	492	740	492	740
	<b>760</b>	<b>1,004</b>	<b>754</b>	<b>1,002</b>
<b>Current Liabilities:</b>				
Trade and other payables	20,829	21,197	19,744	27,718
Borrowings	12,723	12,554	12,251	12,054
Income tax payable	-	57	-	-
	<b>33,552</b>	<b>33,808</b>	<b>31,995</b>	<b>39,772</b>
<b>Total liabilities</b>	<b>34,312</b>	<b>34,812</b>	<b>32,749</b>	<b>40,774</b>
<b>Total equity and liabilities</b>	<b>61,708</b>	<b>61,529</b>	<b>62,472</b>	<b>70,750</b>

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**HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015**

- 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 preceeding financial year:-**

	<b>GROUP</b>	
	<b>As at 30 Jun 2015</b>	<b>As at 31 Dec 2014</b>
	<b>(Audited)</b>	<b>(Audited)</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Payable within 1 year</b>		
Secured	4,718	5,134
Unsecured	8,005	7,420
	<b>12,723</b>	<b>12,554</b>
<b>Payable after 1 year</b>		
Secured	492	740
Unsecured	-	-
	<b>492</b>	<b>740</b>
<b>TOTAL</b>	<b>13,215</b>	<b>13,294</b>

**Details of any collaterals**

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

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**HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015****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.**

	<b>GROUP</b>	
	<b>HY2015 (Unaudited) S\$'000</b>	<b>HY2014 (Unaudited) S\$'000</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before taxation	480	(1,729)
Adjustments for :		
Depreciation of property, plant and equipment	1,714	2,113
Gain on disposal of property, plant and equipment	(2)	(1)
Interest income	(7)	(16)
Interest expense	225	240
Share-based payment expense	-	45
(Reversal of allowance)/write-down of inventories	(38)	471
Allowance for impairment of trade receivables	-	187
Unrealised currency translation differences	(22)	(44)
<b>Operating profit before working capital changes</b>	<b>2,350</b>	<b>1,266</b>
Changes in cash restricted in use	(12)	(317)
Changes in inventories	568	327
Changes in trade and other receivables	1,262	3,272
Changes in trade and other payables	(368)	(5,552)
<b>Cash generated from/(used in) operations</b>	<b>3,800</b>	<b>(1,004)</b>
Income tax paid	(58)	(86)
<b>Net cash generated from/(used in) operating activities</b>	<b>3,742</b>	<b>(1,090)</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	13	23
Purchase of property, plant and equipment	(954)	(321)
Acquisition of intangible assets	(969)	-
Interest received	7	16
<b>Net cash used in investing activities</b>	<b>(1,903)</b>	<b>(282)</b>
<b>Cash flows from financing activities</b>		
Proceed from issuance of shares	58	15
Proceed from borrowings	621	500
Repayment of borrowings	(595)	(225)
Dividends paid	-	(274)
Interest paid	(225)	(240)
<b>Net cash used in financing activities</b>	<b>(141)</b>	<b>(224)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,698</b>	<b>(1,596)</b>
<b>* Cash and cash equivalents at beginning of period</b>	<b>8,768</b>	<b>8,970</b>
<b>Effect of currency translation on cash and cash equivalents</b>	<b>19</b>	<b>(146)</b>
<b>* Cash and cash equivalents at end of period</b>	<b>10,485</b>	<b>7,228</b>
<b>* Cash and cash equivalents are net of bank overdraft and cash restricted in use.</b>		
Cash and cash equivalents consist the following:		
Cash at banks and on hand	12,576	9,136
Bank overdraft	(1,582)	(1,433)
Cash restricted in use	(509)	(475)
	<b>10,485</b>	<b>7,228</b>

# METAL COMPONENT ENGINEERING LIMITED

(Company Registration No. 198804700N)

## HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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.

<u>The Group</u>	Share Capital	Retained Earnings	Share Option Reserve	Warrant Reserve	Translation Reserve	Statutory Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance as at 1 January 2014</b>	21,127	5,099	166	799	81	1,860	29,132
Total comprehensive income for the period	-	(1,721)	-	-	(604)	-	(2,325)
Share-based payment transactions	-	-	45	-	-	-	45
Exercise of share options	27	-	(12)	-	-	-	15
Dividends	-	(274)	-	-	-	-	(274)
<b>Balance as at 30 June 2014</b>	<b>21,154</b>	<b>3,104</b>	<b>199</b>	<b>799</b>	<b>(523)</b>	<b>1,860</b>	<b>26,593</b>

<u>The Group</u>	Share Capital	Retained Earnings	Share Option Reserve	Warrant Reserve	Translation Reserve	Statutory Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance as at 1 January 2015</b>	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
<b>Balance as at 30 June 2015</b>	<b>21,639</b>	<b>2,472</b>	<b>128</b>	<b>782</b>	<b>477</b>	<b>1,898</b>	<b>27,396</b>

<u>The Company</u>	Share Capital	Retained Earnings	Share Option Reserve	Warrant Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance as at 1 January 2014</b>	21,127	7,322	166	799	29,414
Total comprehensive income for the period	-	(154)	-	-	(154)
Share-based payment transactions	-	-	45	-	45
Exercise of share options	27	-	(12)	-	15
Dividends	-	(274)	-	-	(274)
<b>Balance as at 30 June 2014</b>	<b>21,154</b>	<b>6,894</b>	<b>199</b>	<b>799</b>	<b>29,046</b>

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

**METAL COMPONENT ENGINEERING LIMITED**

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**HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015**

- 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.**

**a) Share options scheme**

As at 30 June 2015, unissued shares of the Company in respect of MCE Share Option Scheme are as follows:

	<b>Balance as at 01.01.2015</b>	<b>Granted during the period</b>	<b>Exercised/forf eited during the period</b>	<b>Balance as at 30.06.2015</b>	<b>Balance as at 30.06.2014</b>
MCE Share Option Scheme	10,210,000	-	-	10,210,000	17,700,000

**b) Warrants issue**

As at 30 June 2015, unissued shares of the Company in respect of warrants are as follows:

	<b>Balance as at 01.01.2015</b>	<b>Warrants issued during the period</b>	<b>Exercised/forf eited during the period</b>	<b>Balance as at 30.06.2015</b>	<b>Balance as at 30.06.2014</b>
Warrants	177,065,000	-	(1,154,000)	175,911,000	179,828,000

There were no treasury shares as at 30 June 2015 and as at 30 June 2014.

As a result of (b) above, the number of ordinary shares in issue has increased from 372,965,000 shares as at 31 December 2014 to 374,119,000 shares 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.**

	<b>COMPANY</b>	
	<b>As at 30-Jun-15</b>	<b>As at 31-Dec-14</b>
Number of ordinary shares in issue	374,119,000	372,965,000

- 1 (div) A statement showing all sales, transfers, disposal, 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.

**METAL COMPONENT ENGINEERING LIMITED**

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**HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015****2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice**

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

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

Not applicable.

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

Save as disclosed in section 5 below, the Group and Company have applied the same accounting policies and methods of computations in the financial statements for the current financial period and is consistent with those of the most recent audited financial statements for the financial year ended 31 December 2014.

**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 new and revised Financial Reporting Standards which became effective for the financial period beginning on or after 1 January 2015. The adoption of these new and revised accounting standards did not give rise to any significant impact on the financial statements for the financial period ended 30 June 2015.

**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**

	<b>GROUP</b>	
	<b>HY2015</b>	<b>HY2014</b>
Earnings/(loss) per share (Cents)		
on weighted average number of ordinary shares	0.13	(0.47)
on fully diluted basis	0.12	(0.47)
Net profit/(loss) attributable to shareholders (\$'000)		
for basic earnings/(loss) per share	475	(1,721)
for diluted earnings/(loss) per share	475	(1,721)
Weighted average number of ordinary shares in issue		
for basic earnings/(loss) per share	373,409,329	365,203,160
for diluted earnings/(loss) per share	395,817,357	365,203,160

The weighted average number of ordinary shares in HY2015 had taken into consideration the dilutive effects of potential ordinary share issues in respect of the outstanding warrants and share options which are in the money as at 30 June 2015.

Basic and diluted loss per share for HY2014 are the same as the warrants and share options are out of the money as at 30 June 2014.

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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>As at 30-Jun-15</b>	<b>As at 31-Dec-14</b>	<b>As at 30-Jun-15</b>	<b>As at 31-Dec-14</b>
Net asset value per ordinary share based issued capital as at end of the period/year (cents)	7.32	7.16	7.94	8.04
Number of ordinary shares in issue at the end of the period/year ('000)	374,119	372,965	374,119	372,965



**HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015**

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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**

The Group recorded revenue of S\$37.0 million for the financial period ended 30 June 2015 ("HY2015"), a 10.7% increase from the financial period ended 30 June 2014 ("HY2014") where revenue was at S\$33.4 million.

The increase in the Group's revenue was mainly due to the increase in revenue from all three business segments, with Precision Component ("PC") leading the growth at 15.6%. Mechanical Integration ("MI") and Hard Disk Drive ("HDD") businesses grew by 13.6% and 2.5% respectively.

The Group recorded a profit after tax of S\$475,000 for HY2015 as compared to a loss after tax of S\$1.7 million for HY2014, mainly due to the increase in sales, improvement in working capital management and gain in foreign exchange from the strengthening of the US dollar. Percentage of cost of direct materials to revenue increased from 48.9% in HY2014 to 52.1% in HY2015, partially offset by the decrease in other expenses from 20.2% of revenue in HY2014 to 18.0% of revenue in HY2015. Direct material costs and other expenses as a percentage of revenue stood at 70.1%, representing an increase of 1 percentage point in HY2015 from 69.1% in HY2014.

Employee benefit expenses increased by 2.5% from S\$9.0 million in HY2014 to S\$9.2 million in HY2015 mainly due to the upward adjustment of minimum wage in China. Depreciation expenses decreased by 18.9% as compared to HY2014, which is in line with the decrease in property, plant and equipment in HY2015.

Other credits stood at S\$431,000 for HY2015, mainly arising from the foreign currency translation gain of S\$391,000 and the reversal of write-down on inventories amounting to S\$38,000 (HY2014: Write-down of inventories of S\$471,000, allowance for impairment of trade receivables of S\$187,000 as well as foreign currency translation loss of S\$133,000).

Finance expense decreased by 6.3% to S\$225,000 in HY2015, as compared to S\$240,000 in HY2014. Income tax expense amounted to S\$5,000 in HY2015 (HY2014: Income tax credit of S\$8,000).

As a result of the above, the Group reported a profit after tax of S\$475,000 for HY2015, as compared to a loss after tax of S\$1.7 million for HY2014.

**STATEMENT OF CASH FLOWS / WORKING CAPITAL REVIEW**

Overall, the Group's cash and cash equivalents stood at S\$12.6 million as at 30 June 2015, as compared to S\$11.0 million as at 31 December 2014. The increase in the cash and cash equivalents of \$1.6 million was mainly due to the increase in profitability and improvement in net working capital due to better control over inventory ageing and trade account receivable collections. Accordingly, the Group's net debt decreased from S\$2.3 million to S\$639,000.

In HY2015, the Group generated S\$3.7 million from operating activities, while S\$1.9 million and S\$141,000 were used in investing activities and financing activities respectively.

Net cash generated from operating activities was mainly attributable to the higher operating profit before working capital changes of S\$2.4 million, decrease in trade and other receivables and inventories by S\$1.3 million and S\$568,000 respectively, partially offset by the decrease in trade and other payables of S\$368,000 and the increase in cash restricted in use of S\$12,000.

Net cash used in investing activities mainly relates to the capitalisation of the development costs incurred for the design, testing and construction of a new product of S\$969,000 as well as the additions in plant and equipment amounting to S\$954,000.

Net cash used in financing activities was mainly attributed to the repayment of borrowings of S\$595,000 and payment of interest expense of S\$225,000, partially offset by the proceeds from bank borrowings of S\$621,000.

Current ratio as at 30 June 2015 remains at 1.30.

Debt-equity ratio (computed based on total liabilities divided by total equity) saw further strengthening from 1.30 as at 31 December 2014 to 1.25 as at 30 June 2015.

As at 30 June 2015, the Group had a positive net working capital of S\$11.1 million, an increase of S\$1.0 million over the S\$10.1 million as at 31 December 2014. Trade receivable days and trade payable days stood at 103 and 88 days respectively as at 30 June 2015, an improvement over the 117 and 88 days respectively as at 31 December 2014. Inventory days decreased from 47 days as at 31 December 2014 to 42 as at 30 June 2015. Consequently, the Group's net working capital days decreased from 76 to 57 days as at 30 June 2015.

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

No forecast or prospect statement had been perviously disclosed to shareholders.

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

Against the backdrop of an ever challenging business environment, the Group will continue to address new business opportunities and remain focused on improving its operating efficiencies and marketing efforts to secure higher-margin product mix. In addition, the Group had made inroads to the digital textile printing industry, particularly in the China market and expected it to yield positive results to the Group in the mid to long term.

**11 Dividend**

<b>(a) Current Financial Period Reported On</b>	Nil
<b>(b) Prior Financial Period Reported On</b>	Nil
<b>(c) Date Payable</b>	Not applicable
<b>(d) Books closure date</b>	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 2015.

**13 Interested Persons Transactions**

The Group has obtained a general mandate from shareholders for interested person transactions which was approved on 16 September 2010 and was last renewed at the Annual General Meeting on 29 April 2015. The table below sets out interested person transactions that have been entered into by the Group for the financial period ended 30 June 2015.

Name of Interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (SGD)	Aggregate value of all interested person transactions under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (SGD)
Cal-Comp Electronics (Thailand) Public Company Limited	-	2,649,956

## **METAL COMPONENT ENGINEERING LIMITED**

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### **HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015**

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#### **14 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 six months financial period ended 30 June 2015 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

14 August 2015