

METAL COMPONENT ENGINEERING LIMITED

(Company Registration No. 198804700N)

ANNOUNCEMENT OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (Sponsor), in accordance with Rule 226(2)(b) of Singapore Exchange Securities Trading Limited (SGX-ST) Listing Manual Section B: Rules of Catalist. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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METAL COMPONENT ENGINEERING LIMITED

(Company Registration No. 198804700N)

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
PART I - INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
1 (a)(i) An income statement and statement of other 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		+ / - %
		FY2019 (Unaudited)	FY2018 (Audited)	
		S\$'000	S\$'000	
Revenue		45,460	46,856	-3.0
Other income	A	312	309	1.0
Changes in inventories of finished goods and work-in-progress		1,133	(109)	NM
Raw materials and consumables used		(23,557)	(25,208)	-6.5
Employee benefits expense		(12,814)	(15,348)	-16.5
Depreciation expense	B	(3,116)	(2,571)	21.2
Other charges	C	(175)	(531)	-67.0
Finance costs	D	(688)	(541)	27.2
Other operating expenses		(6,438)	(8,389)	-23.3
Profit/(loss) before taxation		117	(5,532)	NM
Taxation	E	85	44	93.2
Profit/(loss) for the year attributable to owners of the Company		202	(5,488)	NM
Other comprehensive income/(loss) :				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences arising from consolidation		143	41	248.8
Revaluation gain/(loss) on land and buildings		1,234	(408)	NM
Total comprehensive income/(loss) for the year attributable to owners of the Company		1,579	(5,855)	NM

NM - Not meaningful

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

		FY2019 S\$'000	FY2018 S\$'000	+ / - %
A)	Items under other income :			
	Gain on disposal of property, plant and equipment	58	-	NM
	Reversal of write-down on inventories ⁽¹⁾	21	152	-86.2
	Reversal of impairment losses on trade receivables ⁽²⁾	101	-	NM
	Interest income	6	3	100.0
	Government grants	82	99	-17.2
	Sundry income	44	23	91.3
	Gain on disposal of other assets	-	32	-100.0
B)	Items under depreciation			
	Depreciation of property, plant and equipment	2,206	2,571	-14.2
	Depreciation of right-of-use assets ⁽³⁾	910	-	NM
C)	Items under other charges :			
	Foreign exchange loss	175	284	-38.4
	Loss on disposal of property, plant and equipment ⁽⁴⁾	-	94	-100.0
	Impairment losses on trade receivables ⁽⁵⁾	-	153	-100.0
D)	Items under finance costs			
	Borrowings	552	541	2.0
	Lease liabilities ⁽⁶⁾	136	-	NM
E)	Items under taxation			
	Over provision of tax in respect of prior years	9	-*	100.0
	Recognition of deferred tax assets of previously unrecognised tax losses	76	44	72.7

* Less than S\$1,000

Notes:

(1) Reversal of write-down on inventories decreased from S\$152,000 in FY2018 to S\$21,000 in FY2019. The amount in FY2018 relates mainly to the reversal of write-down made in FY2017 (in respect of the Shanghai plant). There were no such items in FY2019.

(2) Reversal of impairment losses on trade receivables in FY2019 relates to recovery from customer.

(3) Depreciation of right-of-use assets was due to the adoption of new accounting standard SFRS(I) 16 Leases in FY2019.

(4) Loss on disposal of property, plant and equipment in FY2018 of S\$94,000 was due to the closure of plating line and the Shanghai plant.

(5) Impairment losses on trade receivables in FY2018 relates to provision for doubtful debt.

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

	GROUP		COMPANY	
	As at 31-Dec-19 (Unaudited) S\$'000	As at 31-Dec-18 (Audited) S\$'000	As at 31-Dec-19 (Unaudited) S\$'000	As at 31-Dec-18 (Audited) S\$'000
ASSETS				
Non-Current Assets:				
Property, plant and equipment	22,228	20,211	110	157
Subsidiaries	-	-	17,604	17,604
Right-of-use assets	2,356	-	-	-
Deferred tax assets	163	86	-	-
	24,747	20,297	17,714	17,761
Current Assets:				
Inventories	3,431	4,223	-	-
Trade and other receivables	13,071	14,767	9,088	14,177
Cash and bank balances	2,436	2,421	245	435
	18,938	21,411	9,333	14,612
Total assets	43,685	41,708	27,047	32,373
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	21,639	21,639	21,639	21,639
Accumulated losses	(13,679)	(13,841)	(15,788)	(7,572)
Other reserves	8,850	7,425	120	72
Total equity	16,810	15,223	5,971	14,139
Non-Current Liabilities:				
Deferred tax liabilities	2,402	1,991	-	-
Lease liabilities	1,047	-	-	-
Borrowings	1,134	1,262	534	534
	4,583	3,253	534	534
Current Liabilities:				
Trade and other payables	12,322	13,460	16,262	13,461
Contract liabilities	922	848	522	791
Lease liabilities	1,217	-	-	-
Borrowings	7,831	8,915	3,758	3,448
Current tax payable	-	9	-	-
	22,292	23,232	20,542	17,700
Total liabilities	26,875	26,485	21,076	18,234
Total equity and liabilities	43,685	41,708	27,047	32,373

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

	GROUP	
	As at 31 Dec 2019	As at 31 Dec 2018
	S\$'000	S\$'000
Payable within 1 year		
Secured	5,613	6,871
Unsecured	2,218	2,044
	7,831	8,915
Payable after 1 year		
Secured	1,134	1,262
Unsecured	-	-
	1,134	1,262
TOTAL	8,965	10,177

Details of any collaterals

Certain borrowings are secured by pledges on certain plant and equipment, corporate guarantees as well as certain trade receivables of the Group.

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FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**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	
	FY2019 (Unaudited) S\$'000	FY2018 (Audited) S\$'000
Cash flows from operating activities		
Profit/(loss) before taxation	117	(5,532)
Adjustments for :		
Depreciation of property, plant and equipment	2,206	2,571
Depreciation of right-of-use assets	910	-
(Gain)/loss on disposal of property, plant and equipment	(58)	94
Interest income	(6)	(3)
Interest expense on borrowings	552	541
Interest expense on lease liabilities	136	-
Gain on disposal on other assets	-	(32)
Impairment losses on trade receivables (reversed)/made	(101)	153
Equity-settled share-based payment transactions	50	52
Reversal of write-down on inventories	(21)	(152)
Operating profit/(loss) before working capital changes	3,785	(2,308)
Changes in cash restricted in use	99	(48)
Changes in inventories	828	831
Changes in trade and other receivables	1,134	4,406
Changes in trade and other payables	(475)	(4,189)
Cash generated from/(used in) operations	5,371	(1,308)
Income tax refunded	1	1
Net cash generated from/(used in) operating activities	5,372	(1,307)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	179	112
Purchase of property, plant and equipment	(2,675)	(1,837)
Proceeds from disposal of other assets	-	43
Interest received	6	3
Net cash used in investing activities	(2,490)	(1,679)
Cash flows from financing activities		
Proceeds from borrowings	25,656	17,692
Repayments of borrowings	(27,812)	(16,453)
Interest paid	(688)	(541)
Net cash (used in)/generated from financing activities	(2,844)	698
Net increase/(decrease) in cash and cash equivalents	38	(2,288)
* Cash and cash equivalents at beginning of year	2,241	4,525
Effect of currency translation on cash and cash equivalents	21	4
* Cash and cash equivalents at end of year	2,300	2,241
* Cash and cash equivalents are net of bank overdraft and cash restricted in use.		
Cash and cash equivalents consist the following:		
Cash at banks and on hand	2,436	2,421
Bank overdraft	(136)	(81)
Fixed deposit restricted in use	-	(99)
	2,300	2,241

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

The Group	Share Capital	Accumulated profits/(losses)	Share Option Reserve	Warrant Reserve	Revaluation Reserve	Translation Reserve	Statutory Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2018	21,639	(8,357)	24	-	6,380	(604)	1,944	21,026
Total comprehensive loss for the year	-	(5,488)	-	-	-	-	-	(5,488)
Revaluation of land and buildings	-	-	-	-	(408)	-	-	(408)
Currency translation differences	-	-	-	-	-	41	-	41
Expiry/Forfeiture of share options	-	4	(4)	-	-	-	-	-
Share-based payment transactions	-	-	52	-	-	-	-	52
Balance as at 31 December 2018	21,639	(13,841)	72	-	5,972	(563)	1,944	15,223
Balance as at 1 January 2019	21,639	(13,841)	72	-	5,972	(563)	1,944	15,223
Adjustment on adoption of SFRS(I) 16	-	(42)	-	-	-	-	-	(42)
Adjusted balance at 1 January 2019	21,639	(13,883)	72	-	5,972	(563)	1,944	15,181
Total comprehensive profit for the year	-	202	-	-	-	-	-	202
Revaluation of land and buildings	-	-	-	-	1,234	-	-	1,234
Currency translation differences	-	-	-	-	-	143	-	143
Expiry/Forfeiture of share options	-	2	(2)	-	-	-	-	-
Share-based payment transactions	-	-	50	-	-	-	-	50
Balance as at 31 December 2019	21,639	(13,679)	120	-	7,206	(420)	1,944	16,810

The Company	Share Capital	Accumulated profits/(losses)	Share Option Reserve	Warrant Reserve	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2018	21,639	(4,715)	24	-	16,948
Total comprehensive loss for the year	-	(2,861)	-	-	(2,861)
Share-based payment transactions	-	-	52	-	52
Expiry/Forfeiture of share options	-	4	(4)	-	-
Balance as at 31 December 2018	21,639	(7,572)	72	-	14,139
Balance as at 1 January 2019	21,639	(7,572)	72	-	14,139
Total comprehensive loss for the year	-	(8,218)	-	-	(8,218)
Expiry/Forfeiture of share options	-	2	(2)	-	-
Share-based payment transactions	-	-	50	-	50
Balance as at 31 December 2019	21,639	(15,788)	120	-	5,971

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

a) Share capital

	No. of shares	Share capital (\$'000)
Issued share capital	374,119,000	21,639
as at 30 June 2019 and 31 December 2019		

b) Share options scheme

As at 31 December 2019, unissued shares of the Company in respect of MCE Share Option Scheme are as follows:

	Balance as at 31.12.2018	Granted during the year	Lapsed during the year	Balance as at 31.12.2019
MCE Share Option Scheme	12,905,000	-	(412,500)	12,492,500

Save for the above, there were no other outstanding convertibles as at 31 December 2019 and 31 December 2018.

The Company did not have any treasury shares or subsidiary holdings as at 31 December 2019 and 31 December 2018.

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

	COMPANY	
	As at 31-Dec-19	As at 31-Dec-18
Number of ordinary shares in issue	374,119,000	374,119,000

The Company did not have any treasury shares as at 31 December 2019 and 31 December 2018.

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

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

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

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

- 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.

3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:
(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

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

Not applicable. The latest audited financial statements of the Company and the Group for the financial year ended 31 December 2018 included a material uncertainty related to going concern, but are not subject to any adverse opinion, qualified opinion or disclaimer of opinion.

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

Except as disclosed in paragraph 5 below regarding the adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) effective on 1 January 2019, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting year as compared to the audited financial statements as at 31 December 2018.

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 new/revised SFRS(I)s that are effective for annual periods beginning on or after 1 January 2019. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s.

The following are the new or amended SFRS(I)s and SFRS(I) Interpretations that are relevant to the Group:

- SFRS(I) 16 Leases; and
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments.

The adoption of the above SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s did not have any significant impact on the financial statements of the Group except for the following:

SFRS(I) 16

SFRS (I) 16 replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 Leases that are no longer considered fit for purpose and is a major revision of the way in which companies where it is required lessees to recognize most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. SFRS(I) 16 will be effective for accounting periods beginning on or after 1 January 2019.

The Group enters into commercial leases on certain motor vehicles, office equipment and rental of office spaces. These leases have an average tenure of between three and six years with no renewal option or contingent rent provision included in the contracts. These operating leases are recognized as ~~Right of Use~~ (ROU) assets with corresponding lease liabilities in the statement of financial position. SFRS(I) 16 is applied retrospectively with the cumulative effect recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group has assessed the impact to opening balance and current year financial results.

SFRS(I) INT 23

The interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

6 Earnings per ordinary share 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	
	FY2019	FY2018
Earning/(Loss) per share (Cents)		
- on weighted average number of ordinary shares	0.05	(1.47)
- on fully diluted basis	0.05	(1.47)
Earning/(Loss) for the year attributable to owners of the company (S\$'000)	202	(5,488)
Weighted average number of ordinary shares in issue		
- for basic loss per share	374,119,000	374,119,000
- for diluted loss per share ⁽¹⁾	374,119,000	374,119,000

Note :

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

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	GROUP		COMPANY	
	As at 31-Dec-19	As at 31-Dec-18	As at 31-Dec-19	As at 31-Dec-18
Net asset value per ordinary share based on issued share capital as at end of the year (cents)	4.49	4.07	1.60	3.78
Number of ordinary shares in issue at the end of the year ('000)	374,119	374,119	374,119	374,119

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.

The Group recorded revenue of S\$45.5 million for the financial year ended 31 December 2019 (%FY2019+), a 3.0% decrease from S\$46.9 million for the financial year ended 31 December 2018 (%FY2018+). The decrease was mainly due to the Sino-US trade war that had adversely affected the global demand for our customer products in and from China, partially offset by the increase in sales in Singapore, Thailand and Malaysia from existing and new customers.

Percentage of cost of direct materials to revenue decreased from 54.0% in FY2018 to 49.3% in FY2019, mainly due to changes in sales mix.

Other income remained relatively stable at S\$0.3 million in FY2019 and FY2018.

Employee benefits expense decreased by S\$2.5 million, from S\$15.3 million in FY2018 to S\$12.8 million in FY2019, mainly due to reduction in headcount and pay-cut taken by directors of the Company and management of the Group. Correspondingly, percentage of employee benefits expense to sales was reduced to 28.2% in FY2019, as compared to 32.8% in FY2018.

Depreciation expenses increased by S\$0.5 million, to S\$3.1 million in FY2019 from S\$2.6 million in FY2018. This was due to the inclusion of depreciation of right-of-use assets that arose from the adoption of SFRS (I) 16 Leases on 1 January 2019, partially offset by a decrease in depreciation of property, plant and equipment, due to some assets being fully depreciated in FY2019. Please refer to section 5 of this announcement for further details on the adoption of SFRS (I) 16 Leases.

Other charges was S\$0.2 million in FY2019, as compared to S\$0.5 million in FY2018. Other charges in FY2019 relates to foreign exchange losses arising from the weakening of US dollars against the Singapore dollars. Other charges in FY2018 comprised (i) foreign exchange losses of S\$0.3 million, (ii) write-off of plant and equipment of S\$0.1 million; and (iii) allowance for impairment of trade receivables of S\$0.1 million.

Finance costs increased to S\$0.7 million in FY2019, from S\$0.5 million in FY2018, mainly due to the inclusion of lease interest costs from right-of-use assets.

Other operating expenses which comprised mainly electricity and water bills, as well as factory expenses and rentals, decreased by S\$2.0 million, to S\$6.4 million in FY2019, from S\$8.4 million in FY2018. This was mainly due to (a) accounting of lease rentals as right-of-use assets which was expensed as depreciation or finance cost instead of rental expenses, and (b) stringent cost cutting measures undertaken to reduce manufacturing overheads.

As a result of the above, the Group recorded a profit after tax of S\$0.2 million for FY2019, as compared to a loss after tax of S\$5.5 million for FY2018.

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STATEMENT OF CASH FLOWS/WORKING CAPITAL & BALANCE SHEET REVIEW

In FY2019, the Group recorded a net cash inflow of S\$38,000, as compared to the net cash outflow of S\$2.3 million in FY2018, due to net cash generated of S\$5.4 million from operating activities, partially offset by cash used of S\$2.5 million and S\$2.8 million in its investing activities and financing activities, respectively.

Net cash generated from operating activities in FY2019 was S\$5.4 million, mainly due to operating profit before working capital changes of S\$3.8 million and improved working capital changes of S\$1.6 million.

Net cash used in investing activities in FY2019 was S\$2.5 million, mainly for the purchase of plant and equipment of S\$2.7 million, partially offset by proceeds from disposal of property, plant and equipment of S\$0.2 million.

Net cash used in financing activities in FY2019 was S\$2.8 million, from net payments of bank borrowings of S\$2.1 million and interest paid of S\$0.7 million.

The Group's cash and bank balances remained stable at S\$2.4 million as at 31 December 2019 and 31 December 2018. Bank borrowings decreased by S\$1.2 million, from S\$10.2 million as at 31 December 2018 to S\$9.0 million as at 31 December 2019. Consequently, Group's net debt decreased from S\$7.8 million as at 31 December 2018 to S\$6.6 million as at 31 December 2018.

As at 31 December 2019, the Group recorded negative working capital of S\$3.4 million, as compared to negative working capital of S\$1.8 million as at 31 December 2018. The Group had, on 28 January 2020, announced the signing of a conditional sales and purchase agreement in respect of the sale of its dormant subsidiary, MCE Industries (Shanghai) Co. Ltd. (MCE Shanghai), which if completed, will allow the Group to unlock the value of the property in MCE Shanghai, and with the net proceeds of S\$12.3 million, the Group will be able to reduce its gearing, and thus improve its working capital.

Trade receivable days and trade payable days stood at 78 and 79 days, respectively, as at 31 December 2019, as compared to 89 and 92 days as at 31 December 2018, respectively. The decrease in trade receivables turnover days and trade payable turnover days were mainly attributable to changes in sales mix. Inventory days decreased from 37 days as at 31 December 2018 to 33 days as at 31 December 2019. Correspondingly, the Group's net working capital days increased to 33 days as at 31 December 2019, from 34 days as at 31 December 2018.

In FY2019, due to the market revaluation of the Group's leasehold property as at 31 December 2019, leasehold property increased by S\$1.2 million, from S\$10.6 million as at 31 December 2018 to S\$11.8 million as at 31 December 2019, with the resultant increase in capital reserve and deferred tax liabilities of S\$1.2 million and \$0.4 million, respectively.

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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 was previously 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

While we are seeing increasing sales from new customers in the Thailand and Malaysia plants, we are concerned about the impact of the on-going Sino-US trade war on the China plant as well as the anxiety and uncertainty caused by the COVID-19 on the world's economy. To mitigate the uncertain sales demand in the next 12 months, the Group will continue to operate a lean cost structure whilst reaching out to existing and new customers for new programs to grow its top line.

The outbreak of the contagious disease, COVID-19, is expected to have a significant impact on the global economy caused by the acute shortage of key supplies from China for the next couple of quarters. As the COVID-19 situation is still evolving, there is a significant degree of uncertainty over the length and severity of the outbreak, and hence its overall impact on the global economy. As such, the outbreak may have an adverse impact on our Group's business operations and consequently have an adverse effect on our Group's financial condition and operating results.

On 28 January 2020, the Group announced the conditional sale and purchase agreement for the sale of its dormant subsidiary, MCE Industries (Shanghai) Co. Ltd (Proposed Sale). If successful, the Proposed Sale will also allow the Group to reduce its gearing, have more working capital to fund its operations and/or undertake new investment opportunities that may arise in the future.

In addition to working with key customers to sustain our revenue stream in the next 12 months, the Group will continue to explore potential and suitable acquisitions, joint ventures and strategic alliances, which generate sustainable revenue streams for the Group and represent a strategic diversification strategy for the Group towards improving its financial performance and position over a longer 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 by the Directors for FY2019 as the Group recorded accumulated losses as at 31 December 2019.

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

The Group did not obtain a general mandate from its shareholders for IPTs. There was no interested person transaction entered into by the Group with value of S\$100,000 or more during FY2019.

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14 Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information of the immediately preceding year.

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

There are no operating segments aggregated to form the above reportable operating results.

The Group's finance costs and income taxes are managed on a group basis and are not allocated to operating segments. Inter-segment pricing is determined on an arm's length basis.

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14 SEGMENT INFORMATION (CONTINUED)
ANNOUNCEMENT OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	FY2019							TOTAL S\$'000
	Singapore S\$'000	Thailand S\$'000	Malaysia S\$'000	China S\$'000	Total Continuing Operations S\$'000	Adjustments S\$'000	Note	
External sales	15,882	11,051	1,563	16,964	45,460	-		45,460
Inter-segment sales	5,312	198	10,758	2,550	18,818	(18,818)		-
Total revenue	21,194	11,249	12,321	19,514	64,278	(18,818)		45,460
(Loss)/profit before interest and taxation	(7,361)	1,291	365	(1)	(5,706)	7,129		1,423
Finance cost								(688)
Unallocated expenses							(i)	(618)
Loss before taxation								117
Taxation								85
Net loss after taxation								202
Other segment information:								
Segment assets	29,510	8,525	14,207	23,294	75,536	(31,851)		43,685
Segment liabilities	21,655	3,050	10,906	19,575	55,186	(28,311)		26,875
Non-current assets:								
Property, plant and equipment	110	2,943	4,808	5,662	13,523	8,705		22,228
Other segment information:								
Additions of property, plant and equipment	21	2,613	600	28	3,262	(536)		2,726
Depreciation of property, plant and equipment	68	618	942	1,161	2,789	327		3,116
(Gain)/Loss on disposal of property, plant & equipment	-	-	(61)	(9)	(70)	12		(58)
Write-down on inventories made/(reversed)	-	8	11	(40)	(21)	-		(21)

14 SEGMENT INFORMATION (CONTINUED)

By Geographical Areas

	FY2018						
	Singapore	Thailand	Malaysia	China	Total		TOTAL
					Continuing Operations	Adjustments	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
External sales	13,371	9,749	1,218	22,518	46,856	-	46,856
Inter-segment sales	5,875	7	8,146	4,309	18,337	(18,337)	-
Total revenue	19,246	9,756	9,364	26,827	65,193	(18,337)	46,856
(Loss)/profit before interest and taxation	(1,709)	699	88	(3,075)	(3,997)	(156)	(4,153)
Finance cost							(541)
Unallocated expenses						(i)	(838)
Loss before taxation							(5,532)
Taxation							44
Net loss after taxation							(5,488)
Other segment information:							
Segment assets	34,874	7,660	9,332	24,547	76,413	(34,705)	41,708
Segment liabilities	18,817	3,643	6,334	21,953	50,747	(24,262)	26,485
Non-current assets:							
Property, plant and equipment	157	2,654	2,802	7,129	12,742	7,469	20,211
Other segment information:							
Additions of property, plant and equipment	34	1,992	321	1,202	3,549	(645)	2,904
Depreciation of property, plant and equipment	200	490	528	1,363	2,581	(10)	2,571
(Gain)/Loss on disposal of property, plant & equipment	-	-	(178)	246	68	26	94
Gain on disposal of other assets	(32)	-	-	-	(32)	-	(32)
Impairment loss on trade receivables	32	-	-	121	153	-	153
Write-down on inventories made/(reversed)	-	-	37	(189)	(152)	-	(152)

(i) Unallocated expenses relate to directors' remuneration and other corporate related expenses.

METAL COMPONENT ENGINEERING LIMITED

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FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**15 In view of performance, the factors leading to any material changes in contributions to turnover and earnings by business or geographical segments.**

The increase in revenue in Singapore (from S\$19.2 million in FY2018 to S\$21.2 million in FY2019), Malaysia (from S\$9.4 million in FY2018 to S\$12.3 million in FY2019) and Thailand (from S\$9.8 million in FY2018 to S\$11.2 million in FY2019) were largely due to increase in orders for new projects in FY2019. The decrease in revenue in China, from S\$26.8 million in FY2018 to S\$19.5 million in FY2019, was mainly due to lower sales caused by the Sino-US trade war.

Arising from the increased revenue in Singapore, Malaysia and Thailand and stringent cost cutting measures adopted to reduce manufacturing overheads and administration expenses in all the sites, earnings in all sites had improved year-on-year.

16 SEGMENTAL REVENUE AND RESULTS FOR OPERATING SEGMENTS

	GROUP		+ / - %
	FY2019 S\$'000	FY2018 S\$'000	
Sales reported for first half (1 January to 30 June)	22,953	23,578	-2.7
Operating loss after tax before deducting minority interests reported for the first half	(143)	(2,698)	-94.7
Sales reported for second half (1 July to 31 December)	22,507	23,278	-3.3
Operating profit/(loss) after tax before deducting minority interests reported for the second half	345	(2,790)	-112.4

17 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	FY2019	FY2018
Final, one-tier tax exempt	-	-

18 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13). If there are no such persons, the issuer must make an appropriate negative statement.

There is no person occupying a managerial position in the Company or any of its subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

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

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

BY ORDER OF THE BOARD

Chua Kheng Choon
Chief Executive Officer
28 February 2020