

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 2014 ("HY2014")

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. Karen Soh, Managing Director, 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 2014

- 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		+ / - %
		HY2014 (Unaudited) S\$'000	HY2013 (Unaudited) S\$'000	
Revenue		33,442	31,919	4.8%
Other income		124	38	NM
Changes in inventories of finished goods and work-in-progress		(51)	123	NM
Raw materials and consumables used		(16,308)	(13,497)	20.8%
Employee benefits expense		(9,006)	(8,280)	8.8%
Depreciation expense		(2,113)	(1,884)	12.2%
Other expenses		(6,742)	(7,526)	-10.4%
Other (charges)/credits	A	(835)	147	NM
Financial expense		(240)	(214)	12.1%
(Loss)/profit before tax		(1,729)	826	NM
Income tax credit/(expense)		8	(24)	NM
(Loss)/profit for the period		(1,721)	802	NM
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Currency translation differences arising from consolidation		(604)	983	NM
Total comprehensive income for the period attributable to equity holders of the Company		(2,325)	1,785	NM

NM - Not meaningful

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

	HY2014 S\$'000	HY2013 S\$'000
A) Major items for other (charges)/credits:		
Gain/(loss) on disposal of property, plant and equipment	1	(5)
(Write-down)/reversal of inventories	(471)	4
Allowance for impairment of trade receivables	(187)	-
Foreign exchange (loss)/gain	(133)	148
Share-based payment expense	(45)	-

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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-14 (Unaudited) S\$'000	As at 31-Dec-13 (Audited) S\$'000	As at 30-Jun-14 (Unaudited) S\$'000	As at 31-Dec-13 (Audited) S\$'000
ASSETS				
Non-Current Assets:				
Property, plant and equipment	18,022	20,251	1,886	2,056
Investment in subsidiaries	-	-	22,586	22,586
Other assets	138	138	138	138
	18,160	20,389	24,610	24,780
Current Assets:				
Inventories	7,568	8,366	1,985	1,545
Trade and other receivables	18,760	22,218	36,465	35,381
Cash and cash equivalents	9,136	10,722	1,829	2,529
	35,464	41,306	40,279	39,455
Total assets	53,624	61,695	64,889	64,235
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	21,154	21,127	21,154	21,127
Retained earnings	3,104	5,099	6,894	7,322
Other reserves	2,335	2,906	998	965
Total equity	26,593	29,132	29,046	29,414
Non-Current Liabilities:				
Deferred tax liabilities	216	276	216	216
Borrowings	648	1,015	648	1,015
	864	1,291	864	1,231
Current Liabilities:				
Trade and other payables	14,770	20,322	24,091	23,202
Borrowings	11,354	10,874	10,820	10,320
Income tax payable	43	76	68	68
	26,167	31,272	34,979	33,590
Total liabilities	27,031	32,563	35,843	34,821
Total equity and liabilities	53,624	61,695	64,889	64,235

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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 2014	As at 31 Dec 2013
	S\$'000	S\$'000
Payable within 1 year		
Secured	4,976	4,658
Unsecured	6,378	6,216
	11,354	10,874
Payable after 1 year		
Secured	648	1,015
Unsecured	-	-
	648	1,015
TOTAL	12,002	11,889

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 2014

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	
	HY2014 (Unaudited) S\$'000	HY2013 (Unaudited) S\$'000
Cash flows from operating activities		
(Loss)/profit before taxation	(1,729)	826
Adjustments for :		
Depreciation of property, plant and equipment	2,113	1,884
(Gain)/loss on disposal of property, plant and equipment	(1)	5
Interest income	(16)	(6)
Interest expense	240	214
Share-based payment expense	45	-
Write-down/(reversal) on inventories	471	(4)
Allowance for impairment of trade receivables	187	-
Fair value gain on derivative financial instruments	-	(1)
Unrealised currency translation differences	(44)	104
Operating profit before working capital changes	1,266	3,022
Changes in cash restricted in use	(317)	(253)
Changes in inventories	327	(2,187)
Changes in trade and other receivables	3,272	(3,685)
Changes in trade and other payables	(5,552)	2,745
Cash used in operations	(1,004)	(358)
Income tax paid	(86)	(163)
Net cash used in operating activities	(1,090)	(521)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	23	23
Purchase of property, plant and equipment	(321)	(1,807)
Interest received	16	6
Net cash used in investing activities	(282)	(1,778)
Cash flows from financing activities		
Proceed from issuance of shares	15	111
Proceed from borrowings	500	871
Repayment of borrowings	(225)	(1,547)
Dividends paid	(274)	(547)
Interest paid	(240)	(214)
Net cash used in financing activities	(224)	(1,326)
Net decrease in cash and cash equivalents	(1,596)	(3,625)
* Cash and cash equivalents at beginning of period	8,970	9,927
Effect of currency translation on cash and cash equivalents	(146)	245
* Cash and cash equivalents at end of period	7,228	6,547
* 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	9,136	9,313
Bank overdraft	(1,433)	(1,585)
Cash restricted in use	(475)	(1,181)
	<u>7,228</u>	<u>6,547</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.

<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
Balance as at 1 January 2013	20,909	5,338	227	800	(1,189)	1,829	27,914
Total comprehensive income for the period	-	802	-	-	983	-	1,785
Exercise of share options	196	-	(85)	-	-	-	111
Dividends	-	(547)	-	-	-	-	(547)
Transfer to other reserves	-	(6)	-	-	-	6	-
Balance as at 30 June 2013	21,105	5,587	142	800	(206)	1,835	29,263

<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
Balance as at 1 January 2014	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)
Balance as at 30 June 2014	21,154	3,104	199	799	(523)	1,860	26,593

<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
Balance as at 1 January 2013	20,909	4,833	227	800	26,769
Total comprehensive income for the period	-	189	-	-	189
Exercise of share options	196	-	(85)	-	111
Dividends	-	(547)	-	-	(547)
Balance as at 30 June 2013	21,105	4,475	142	800	26,522

<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
Balance as at 1 January 2014	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)
Balance as at 30 June 2014	21,154	6,894	199	799	29,046

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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.

a) Share options scheme

As at 30 June 2014, unissued shares of the Company in respect of MCE Share Option Scheme are as follows:

	Balance as at 01.01.2014	Granted during the period	Exercised/forfeited during the period	Balance as at 30.06.2014	Balance as at 30.06.2013
MCE Share Option Scheme	18,300,000	-	(600,000)	17,700,000	5,250,000

During the period 01.01.2014 to 30.06.2014, 600,000 new ordinary shares were allotted and issued upon the exercise of options pursuant to the MCE Share Option Scheme.

b) Warrants issue

As at 30 June 2014, unissued shares of the Company in respect of warrants are as follows:

	Balance as at 01.01.2014	Warrants issued during the period	Exercised during the period	Balance as at 30.06.2014	Balance as at 30.06.2013
Warrants	179,828,000	-	-	179,828,000	180,000,000

There were no treasury shares as at 30 June 2014 and as at 30 June 2013.

As a result of (a) above, the number of ordinary shares in issue has increased from 364,812,000 shares as at 31 December 2013 to 365,412,000 shares as at 30 June 2014.

- 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-14	As at 31-Dec-13
Number of ordinary shares in issue	365,412,000	364,812,000

- 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.

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HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**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 2013.

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 2014. 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 2014.

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	
	HY2014	HY2013
(Loss)/earnings per share (Cents)		
on weighted average number of ordinary shares	(0.47)	0.22
on fully diluted basis	(0.47)	0.22
Net (loss)/profit attributable to shareholders (S\$'000)		
for basic (loss)/earnings per share	(1,721)	802
for diluted (loss)/earnings per share	(1,721)	802
Weighted average number of ordinary shares in issue		
for basic (loss)/earnings per share	365,203,160	361,486,630
for diluted (loss)/earnings per share	365,203,160	362,386,630

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

	GROUP		COMPANY	
	As at 30-Jun-14	As at 31-Dec-13	As at 30-Jun-14	As at 31-Dec-13
Net asset value per ordinary share based on existing issued capital as at end of the period/year (cents)	7.28	7.99	7.95	8.06
Number of ordinary shares in issue at the end of the period/year ('000)	365,412	364,812	365,412	364,812

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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\$33.4 million for the financial period ended 30 June 2014 ("HY2014"). This represented a 4.8% increase from the corresponding period last year ("HY2013"), where revenue stood at S\$31.9 million.

The increase was mainly due to increase in revenue in the Precision Components ("PC") business by 32.2%, partially offset by the decline in Mechanical Integration ("MI") and Hard Disk Drive Components ("HDD") businesses by 15.6% and 1.9%. The increase in revenue in the PC business was mainly due to the additional sales from Thailand plant.

The Group recorded a loss after tax of S\$1.7 million for HY2014 as compared to a profit after tax of S\$802,000 in HY2013, mainly due to the increase in direct materials cost arising from a shift in sales mix. Percentage of cost of direct materials to revenue increased from 41.9% in HY2013 to 48.9% in HY2014, partially offset by the decrease in other expenses from 23.6% of revenue in HY2013 to 20.2% of revenue in HY2014. Direct material costs and other expenses as a percentage of revenue stood at 69.1%, representing a decrease of 3.6 percentage points in HY2014 as compared to HY2013 (HY2013: 65.5%).

Employee benefit expenses increased by 8.8% from S\$8.3 million in HY2013 to S\$9.0 million in HY2014 mainly due to the upward adjustment of minimum wage in China and additional headcount pursuant to the setting up of new factory in Thailand. Depreciation expenses increased by 12.2% as compared to HY2013, due to the increase in property, plant and equipment in FY2013.

Other charges stood at S\$835,000 for HY2014, mainly arising from the write-down on inventories amounting S\$471,000, allowance for impairment of trade receivables of S\$187,000 as well as foreign currency translation loss of S\$133,000 for the financial period (HY2013: Foreign currency translation gain of S\$148,000).

Finance expense increased by 12.1% to S\$240,000 in HY2014, as compared to S\$214,000 in HY2013. This was mainly due to higher level of borrowings during the period. Income tax credit amounted to S\$8,000 in HY2014 (HY2013: Income tax expense of S\$24,000).

STATEMENT OF CASH FLOWS / WORKING CAPITAL REVIEW

Overall, the Group's cash and cash equivalents stood at S\$9.1 million as at 30 June 2014, as compared to S\$10.7 million as at 31 December 2013.

In HY2014, the Group utilized S\$1.1 million, S\$282,000 and S\$224,000 in operating, investing and financing activities respectively.

Net cash used in operating activities was mainly attributable to the lower operating profit before working capital changes of S\$1.3 million, the decrease in trade and other payables of S\$5.6 million mainly due to higher payments made towards the end of the financial period and the increase in cash restricted in use of S\$317,000, partially offset by the decrease in trade and other receivables by S\$3.3 million mainly due to improved credit collection and a decrease in inventories by S\$327,000.

Net cash used in investing activities mainly related to additions in plant and equipment amounting to S\$321,000.

Plant, property and equipment decreased from S\$20.3 million to S\$18.0 million mainly due to depreciation during the period.

Net cash used in financing activities was mainly attributed to the dividends paid amounting to S\$274,000, payment of interest expense of S\$240,000 and repayment of borrowings of S\$225,000, partially offset by the proceeds from bank borrowings of S\$500,000.

Current ratio as at 30 June 2014 stood at 1.36, an improvement from 1.32 as at 31 December 2013.

Debt-equity ratio (computed based on total liabilities divided by total equity) saw further strengthening from 1.12 as at 31 December 2013 to 1.02 as at 30 June 2014.

As at 30 June 2014, the Group had a positive net working capital of S\$9.3 million.

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HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**9 Where a forecast, or a prospect statement, has been previously disclosed to our shareholders, any variance between it and the actual results**

The results are consistent with our results guidance released on 1 August 2014. Save for the aforesaid, no forecast or prospect statement had been 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

The business environment is expected to remain challenging, in particular the HDD business, amidst uncertainties in the global economic outlook. The management will focus on returning the Group to profitability by securing high value-added projects to improve capacity utilization and productivity, and further rationalise the Group's cost structure by right sizing the Group's production sites and manpower strength.

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 2014.

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 25 April 2014. The table below sets out interested person transactions that have been entered into by the Group for the financial period ended 30 June 2014.

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	NIL	SGD 3,678,060

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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 2014 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 2014