

CEI CONTRACT MANUFACTURING LIMITED

(Company Registration No. 199905114H)

Half Year Financial Statement

The Board of Directors of CEI Contract Manufacturing Limited wishes to announce the unaudited results of the Group and of the Company for the Financial Half Year Ended 30 June 2010. These figures have not been audited.

1(a) STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2010

	GROUP		
	<u>2010</u> \$'000	<u>2009</u> \$'000	+ / (-) %
Revenue	43,072	38,012	13.3
Cost of sales	(33,315)	(28,564)	16.6
Gross profit	9,757	9,448	3.3
Other income (including interest income)	13	8	62.5
General and administrative costs	(5,395)	(5,967)	(9.6)
Selling and distribution costs	(1,237)	(1,146)	7.9
Profit from operations	3,138	2,343	33.9
Finance costs	(168)	(217)	(22.6)
Share of results of associated companies	77	(50)	N/M
Profit before taxation	3,047	2,076	46.8
Taxation	(733)	(797)	(8.0)
Profit after taxation	2,314	1,279	80.9
Other comprehensive income:			
Foreign currency translation	59	6	N/M
Total comprehensive income for the period	2,373	1,285	84.7

N/M. – Not meaningful.

Included in the above expenses are –	<u>2010</u> \$'000	<u>2009</u> \$'000	+ / (-) %
Depreciation and amortisation	(1,033)	(1,071)	(3.6)
Foreign exchange gain / (loss)	230	(91)	N/M
Impairment of investment securities	(64)	(192)	(66.7)
Impairment loss of property, plant and equipment	-	(200)	N/M

1(b)(i) STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
	30 June 2010 \$'000	31 Dec 2009 \$'000	30 June 2010 \$'000	31 Dec 2009 \$'000
Fixed assets	10,339	11,000	1,109	1,284
Subsidiary companies	-	-	11,420	11,276
Associated companies	756	679	508	508
Investment in securities	1,216	1,280	1,216	1,280
Intangible assets	3,918	3,918	3,918	3,918
Deferred tax asset	535	535	535	535
	<u>16,764</u>	<u>17,412</u>	<u>18,706</u>	<u>18,801</u>
Current assets				
Inventories	19,108	12,280	19,009	12,262
Trade receivables	18,270	12,770	18,065	12,640
Other receivables	930	857	765	699
Amounts owing by subsidiary companies	-	-	595	226
Cash and cash equivalents	5,587	14,885	4,476	13,458
	<u>43,895</u>	<u>40,792</u>	<u>42,910</u>	<u>39,285</u>
Current liabilities				
Trade payables and accruals	17,608	10,545	17,165	10,044
Amounts owing to a subsidiary company	-	-	924	258
Bank borrowings	2,635	6,850	2,635	6,850
Provision for taxation	1,699	1,555	1,415	1,240
Other liabilities	1,825	2,408	1,750	2,334
	<u>23,767</u>	<u>21,358</u>	<u>23,889</u>	<u>20,726</u>
Net current assets	<u>20,128</u>	<u>19,434</u>	<u>19,021</u>	<u>18,559</u>
Non-current liabilities				
Bank borrowings	5,333	6,633	5,333	6,633
Net assets	<u>31,559</u>	<u>30,213</u>	<u>32,394</u>	<u>30,727</u>
	=====	=====	=====	=====
Represented by:				
Share capital	23,816	23,816	23,816	23,816
Treasury shares	(837)	(837)	(837)	(837)
Revenue reserves	8,474	7,187	9,334	7,667
Other reserves	81	81	81	81
Foreign currency translation reserve	25	(34)	-	-
	<u>31,559</u>	<u>30,213</u>	<u>32,394</u>	<u>30,727</u>
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1(b)(ii) BORROWINGS

Amount repayable in one year or less, or on demand

As at 30 June 2010		As at 31 Dec 2009	
Secured	Unsecured	Secured	Unsecured
-	\$2,635	-	\$6,850

Amount repayable after one year

As at 30 June 2010		As at 31 Dec 2009	
Secured	Unsecured	Secured	Unsecured
-	\$5,333	-	\$6,633

Details of any collateral

Nil

1(c) **CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2010**

	2010 \$'000	2009 \$'000
Cash flows from operating activities:		
Profits from operations before taxation	3,047	2,076
Adjustments for:		
Depreciation in fixed assets	1,033	1,004
Interest income	(5)	(8)
Interest expense	168	217
Share of results of associated companies	(77)	50
Impairment of investment in securities	64	192
Amortisation of intangible assets	-	67
Impairment of property, plant and equipment	-	200
Effects of foreign exchange	44	5
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Operating income before investment in working capital	4,274	3,803
(Increase)/Decrease in receivables	(5,573)	3,816
(Increase)/Decrease in inventories	(6,828)	1,237
Increase/(Decrease) in payables	6,480	(5,214)
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Cash (used in)/generated from operations	(1,647)	3,642
Interest received	5	8
Interest paid	(153)	(217)
Income tax paid, net of refund	(589)	(1,229)
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Net cash (used in)/provided by operating activities	(2,384)	2,204
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Cash flows from investing activities:		
Purchase of fixed assets	(372)	(654)
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Net cash used in investing activities	(372)	(654)
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Cash flows from financing activities:		
Dividends paid on ordinary shares	(1,027)	(1,380)
(Repayment)/ proceeds from bank borrowings	(5,515)	6,294
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Net cash (used in)/provided by financing activities	(6,542)	4,914
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Net (decrease)/increase in cash and cash equivalents	(9,298)	6,464
Cash and cash equivalent at beginning of the period	14,885	11,003
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Cash and cash equivalent at end of the period	5,587	17,467
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1(d)(i) STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2010

Group	Share capital \$'000	Treasury shares \$'000	Revenue reserves \$'000	Other reserves \$'000	Foreign currency Translation reserve \$'000	Total equity \$'000
Balance at 1 January 2010	23,816	(837)	7,187	81	(34)	30,213
Total comprehensive income for the period	-	-	2,314	-	59	2,373
Dividends paid	-	-	(1,027)	-	-	(1,027)
Balance at 30 June 2010	23,816	(837)	8,474	81	25	31,559
Balance at 1 January 2009	23,815	(837)	6,868	82	-	29,928
Total comprehensive income for the period	-	-	1,279	-	6	1,285
Dividends paid	-	-	(1,380)	-	-	(1,380)
Balance at 30 June 2009	23,815	(837)	6,767	82	6	29,833
Company						
Balance at 1 January 2010	23,816	(837)	7,667	81	-	30,727
Total comprehensive income for the period	-	-	2,694	-	-	2,694
Dividends paid	-	-	(1,027)	-	-	(1,027)
Balance at 30 June 2010	23,816	(837)	9,334	81	-	32,394
Balance at 1 January 2009	23,815	(837)	6,425	82	-	29,485
Total comprehensive income for the period	-	-	3,059	-	-	3,059
Dividends paid	-	-	(1,380)	-	-	(1,380)
Balance at 30 June 2009	23,815	(837)	8,104	82	-	31,164

1(d)(ii) CHANGES IN COMPANY'S SHARE CAPITAL

No. of shares issued arising from exercise of options granted under CEI Employees' Share Option Scheme ("CEI ESOS") during the period : NIL

	30 Jun 2010	31 Dec 2009
No. of unexercised options under CEI ESOS	: 1,035,000	1,118,000
No. of treasury shares held	: 4,943,000	4,943,000
No. of issued shares excluding treasury shares	: 346,793,907	346,793,907

1(d)(iii) ISSUED SHARE CAPITAL

There were 346,793,907 ordinary shares issued (excluding treasury shares) as at 30 June 2010 (31 December 2009: 346,793,907).

1(d)(iv) SALES, TRANSFERS, DISPOSAL, CANCELLATION AND/OR USE OF TREASURY SHARES

There were no sales, transfers, disposal, cancellation and/or use of treasury shares in the current financial period.

2. AUDIT/REVIEW

The figures have not been audited or reviewed.

3. AUDITORS' REPORT

Not applicable as the figures have not been audited or reviewed.

4. ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in the current year as compared with the audited financial statements as at 31 December 2009.

5. CHANGES IN ACCOUNTING POLICIES AND THE EFFECT OF THE CHANGES

Not applicable.

6. EARNINGS PER ORDINARY SHARES (EPS)

	2010	2009
Earnings per share based on profit attributable to shareholders:		
Based on existing issued share capital	0.67 cts	0.37 cts
Based on fully diluted basis	0.67 cts	0.37 cts

7. NET ASSET VALUE

	Group		Company	
	30 June 2010	31 Dec 2009	30 June 2010	31 Dec 2009
Net asset value per share based on existing issued share capital as at the end of the period reported on.	9.10 cts	8.71 cts	9.34 cts	8.86 cts

8. REVIEW OF GROUP PERFORMANCE

The Group's Revenue for the first half of FY 2010 of \$43.1 million was 13.3% higher than the first half of FY 2009 due to increase in demand from some customers in Europe and Asia. The gross margin decreased from 24.9% in the first half of FY 2009 to 22.7% in the first half of FY 2010 due to higher material cost and manufacturing overheads. The Gross Profit increased by 3.3% from \$9.4 million to \$9.7 million in FY 2010.

The Profit from Operations was \$3.1 million, an increase of 33.9%. The increase was mainly due to (i) increase in Gross Profit as a result of higher sales, and (ii) the General and Administrative costs was \$0.6 million lower as compared with the first half of FY2009. The lower General and Administrative costs was due to foreign exchange gain of \$0.32 million, lower impairment of Investment in Securities by \$0.13 million, and a final distribution of \$0.16 million received from the "Minibond Limited Structured Notes" that had been fully provided for. The Selling and Distribution costs was 7.9% higher as compared to first half of FY2009 due to increase in marketing activities. Finance costs decreased as a result of lower borrowings.

The Group's effective tax rate decreased from 38.4% in first half of FY2009 to 24.1% in first half of FY2010. The higher effective tax rate in first half of FY 2009 was due to the losses of certain foreign subsidiaries which could not be offset against the Group's profit.

The Group's Profit after taxation was about \$2.3 million, an increase of 80.9% over the corresponding period in 2009.

Earnings per share was 0.67 cents against 0.37 cents, based on a fully diluted basis.

Net asset value of 9.10 cents as at 30 June 2010 was 4.5% higher than 8.71 cents as at 31 December 2009.

The market value of the investment in securities relating to Kinergy reduced by \$0.1 million to \$1.2 million in first half of FY 2010. This impairment loss was expensed to the Statement of Comprehensive Income.

Inventories increased by \$6.8 million from \$12.3 million to \$19.1 million in FY 2010. Trade Receivables increased by \$5.5 million from \$12.8 million to \$18.3 million, and Trade Payables and Accruals increased by \$7.1 million from \$10.5 million to \$17.6 million. These were mainly the result of higher revenue recorded in the second quarter of FY 2010, and increase in revenue projection for the second half of FY 2010.

The Group's borrowings decreased by \$5.5 million from \$13.5 million to \$8.0 million as at 30 June 2010. Cash and Cash Equivalents decreased by \$9.3 million from \$14.9 million to \$5.6 million in FY 2010. The decrease in Cash and Cash Equivalents was used to repay the borrowings, and also to finance the increased working capital.

9. VARIANCE FROM PROSPECTIVE STATEMENT

In the announcement of the Group's financial results for the year ended 31 December 2009, it was mentioned that "the Directors expect that barring any unforeseen circumstances, the Group's Revenue for FY2010 will be higher than FY2009, and the Group to remain profitable in FY2010".

The Directors wish to announce that the Group reported a Revenue of \$43.1 million (1H 2009: \$38.0 million), and a Net Profit of \$2.3 million (1H 2009: \$1.3 million) in first half of FY 2010.

10. PROSPECT

As at 30 June 2010, the Group has orders on hand worth \$45.2 million (2H 2009: \$27.6 million) most of which are expected to be fulfilled within the current financial year.

The Group serves customers from a diverse range of market segments. These include analytical instruments, medical equipment, semi-conductor equipment, oil and gas industries and displays for industrial applications.

Based on current business leads and the existing customers' orders, the Directors expect that barring any unforeseen circumstances, the Group's Revenue for the second half of FY2010 will be better than the first half, and the Group will remain profitable for FY 2010.

11. DIVIDENDS

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes.

Name of Dividend	Interim
Dividend Type	Cash
Dividend (cents)	0.600
Tax Rate	One-tier tax-exempt

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
Yes.

Name of Dividend	Interim
Dividend Type	Cash
Dividend (cents)	0.180
Tax Rate	One-tier tax exempt

(c) Date payable

The dividend will be payable on 2 September 2010.

(d) Books closure date

The Share Transfer Books and the Register of Members of the Company will be closed from 5.00 p.m. on 20 August 2010 to 23 August 2010 (both dates inclusive), for the preparation of the dividend warrants for the one-tier tax-exempt interim dividend. Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 20 August 2010 will be registered to determine shareholders' entitlements to the said dividend. Members whose securities accounts with the Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 20 August 2010 will be entitled to the proposed dividend.

12. CONFIRMATION BY THE BOARD OF DIRECTORS

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial results for the first half-year ended 30 June 2010 to be false or misleading.

BY ORDER OF THE BOARD

**Teo Soon Hock
Secretary**

Singapore, 5 August 2010