

CEI CONTRACT MANUFACTURING LIMITED
(Company Registration No. 199905114H)

Full 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 Year Ended 31 December 2013.

1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		
	<u>2013</u>	<u>2012</u>	<u>+ / (-)</u>
	\$'000	\$'000	%
Revenue	109,663	106,530	2.9
Cost of sales	(85,536)	(84,289)	1.5
Gross profit	24,127	22,241	8.5
Other income (including interest income)	10	1,091	N/M
General and administrative costs	(15,629)	(14,337)	9.0
Selling and distribution costs	(4,052)	(3,666)	10.5
Profit from operations	4,456	5,329	(16.4)
Finance costs	(297)	(402)	(26.1)
Impairment of goodwill	(400)	(955)	(58.1)
Share of results of associated company	86	186	(53.8)
Profit from operations before taxation	3,845	4,158	(7.5)
Taxation	(207)	(594)	(65.2)
Profit after taxation	3,638	3,564	2.1
Other comprehensive income:			
Foreign currency translation	28	(334)	N/M
Total comprehensive income for the year	3,666	3,230	13.5

Included in the above expenses are -

Depreciation of fixed assets	(2,306)	(2,291)	0.6
Fair value (loss)/gain on forward contracts	(148)	122	N/M
Foreign exchange gain/(loss)	462	(261)	N/M
Impairment of goodwill	(400)	(955)	(58.1)

N/M – Not meaningful

1(b) **STATEMENT OF FINANCIAL POSITION**

	GROUP		COMPANY	
	31 Dec 2013 \$'000	31 Dec 2012 \$'000	31 Dec 2013 \$'000	31 Dec 2012 \$'000
Fixed assets	10,015	9,661	3,572	3,380
Intangible assets	2,563	2,963	2,563	2,963
Investment in and advance to subsidiary companies	-	-	6,246	6,396
Investment in associated company	1,063	1,018	482	482
Deferred tax asset	1,063	828	725	828
	<u>14,704</u>	<u>14,470</u>	<u>13,588</u>	<u>14,049</u>
Current assets				
Inventories	28,906	26,124	28,752	26,020
Trade receivables	21,184	19,125	21,067	18,970
Other receivables	675	796	439	623
Amounts due from subsidiary companies	-	-	1,323	1,480
Cash and cash equivalents	3,857	3,747	3,486	2,965
	<u>54,622</u>	<u>49,792</u>	<u>55,067</u>	<u>50,058</u>
Current liabilities				
Trade payables and accruals	20,068	14,968	18,939	14,001
Amounts due to subsidiary companies	-	-	1,267	1,503
Provision for taxation	2,050	1,790	1,309	1,204
Bank borrowings	9,444	9,020	9,444	9,020
Other liabilities	1,714	1,658	1,714	1,658
	<u>33,276</u>	<u>27,436</u>	<u>32,673</u>	<u>27,386</u>
Net current assets	<u>21,346</u>	<u>22,356</u>	<u>22,394</u>	<u>22,672</u>
Non-current liabilities				
Bank borrowings	(3,000)	(5,500)	(3,000)	(5,500)
Net assets	<u>33,050</u>	<u>31,326</u>	<u>32,982</u>	<u>31,221</u>
Represented by:				
Share capital	23,897	23,897	23,897	23,897
Less : Treasury shares	(837)	(837)	(837)	(837)
	<u>23,060</u>	<u>23,060</u>	<u>23,060</u>	<u>23,060</u>
Revenue reserves	10,422	8,726	9,922	8,161
Foreign currency translation reserve	(432)	(460)	-	-
	<u>33,050</u>	<u>31,326</u>	<u>32,982</u>	<u>31,221</u>

1(c) **BORROWINGS**

Amount repayable in one year or less, or on demand

As at 31 Dec 2013		As at 31 Dec 2012	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	9,444	-	9,020

Amount repayable after one year

As at 31 Dec 2013		As at 31 Dec 2012	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	3,000	-	5,500

Details of any collateral

Not applicable.

1(d) CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP	
	FY2013	FY2012
	\$'000	\$'000
Cash flows from operating activities:		
Profits from operations before taxation	3,845	4,158
Adjustments for:		
Depreciation in fixed assets	2,306	2,291
Interest income	(4)	(3)
Interest expense	297	402
Impairment of goodwill	400	955
Gain on disposal of fixed assets	(6)	-
Gain on disposal of investment securities	-	(1,088)
Fair value loss/(gain) on forward contracts	148	(122)
(Decrease)/Increase in inventory provision	(1,222)	7
Share of results of associated companies	(86)	(186)
Operating income before investment in working capital	5,678	6,414
(Increase)/decrease in receivables	(1,938)	832
(Increase)/decrease in inventories	(1,560)	2,490
Increase/(decrease) in payables	5,156	(2,760)
Cash generated from operations	7,336	6,976
Interest received	4	3
Interest paid	(297)	(402)
Income tax paid, net of refund	(294)	(755)
Net cash generated from operating activities	6,749	5,822
Cash flows from investing activities:		
Purchase of fixed assets	(2,661)	(2,026)
Dividend income from associated company	40	35
Proceed from disposal of investment securities	-	2,304
Net cash (used in)/generated from investing activities	(2,621)	313
Cash flows from financing activities:		
Dividends paid on ordinary shares	(1,942)	(3,017)
Repayment of loans and borrowings	(2,076)	(4,083)
Net cash used in financing activities	(4,018)	(7,100)
Net increase/(decrease) in cash and cash equivalents	110	(965)
Cash and cash equivalents at beginning of the year	3,747	4,712
Cash and cash equivalents at end of the year	3,857	3,747

1(e) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013	23,897	(837)	8,726	-	(460)	31,326
Total comprehensive income for the year	-	-	3,638	-	28	3,666
Dividends paid	-	-	(1,942)	-	-	(1,942)
Balance at 31 December 2013	23,897	(837)	10,422	-	(432)	33,050
Balance at 1 January 2012	23,897	(837)	8,179	192	(126)	31,305
Total comprehensive income for the year	-	-	3,564	-	(334)	3,230
Dividends paid	-	-	(3,017)	-	-	(3,017)
Disposal of available-for-sale financial assets	-	-	-	(192)	-	(192)
Balance at 31 December 2012	23,897	(837)	8,726	-	(460)	31,326

Company	Share capital \$'000	Treasury shares \$'000	Revenue reserves \$'000	Other reserves \$'000	Total equity \$'000
Balance at 1 January 2013	23,897	(837)	8,161	-	31,221
Profit net of tax	-	-	3,703	-	3,703
Dividends paid	-	-	(1,942)	-	(1,942)
Balance at 31 December 2013	23,897	(837)	9,922	-	32,982
Balance at 1 January 2012	23,897	(837)	9,388	192	32,640
Profit net of tax	-	-	1,790	-	1,790
Dividends paid	-	-	(3,017)	-	(3,017)
Disposal of available-for-sale financial assets	-	-	-	(192)	(192)
Balance at 31 December 2012	23,897	(837)	8,161	-	31,221

1(f) CHANGES IN COMPANY'S SHARE CAPITAL

	31 Dec 2013	30 June 2013
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(g) NUMBER OF SHARES THAT MAY BE ISSUED ON CONVERSION OF ALL OUTSTANDING CONVERTIBLES

There was no outstanding convertible as at 31 December 2013 and 31 December 2012.

1(h) NUMBER OF TREASURY SHARES HELD, AGAINST TOTAL NUMBER OF ISSUED SHARES EXCLUDING TREASURY SHARES

	31 Dec 2013	31 Dec 2012
No. of treasury shares held	: 4,943,000	4,943,000
No. of issued shares excluding treasury shares	: 346,793,907	346,793,907

There were 346,793,907 ordinary shares issued (excluding treasury shares) as at 31 December 2013 and 31 December 2012.

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

2. AUDIT/REVIEW

The figures have not been audited or reviewed.

3. AUDITORS' REPORT

Not applicable as figures have not been audited or reviewed.

4. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2013. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

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

Please refer to Note 4.

6. EARNINGS PER ORDINARY SHARE (EPS)

	Group	
	FY2013	FY2012
Earnings per share based on profit attributable to shareholders:		
Based on existing issued share capital	1.05 cts	1.03 cts
Based on fully diluted basis	1.05 cts	1.03 cts

7. NET ASSET VALUE

	Group		Company	
	FY2013	FY2012	FY2013	FY2012
Net asset value per share based on existing issued share capital as at the end of the year reported on (excluding treasury shares).	9.53 cts	9.03 cts	9.51 cts	9.00 cts

8. REVIEW OF GROUP PERFORMANCE

The Group's Revenue for FY 2013 of \$109.6 million was 2.9% higher than FY 2012. The higher labour costs in the countries where the Group carried out its manufacturing operations was offset by the effect of the strengthening US\$. The Gross Profit Margin increased from 20.9% in FY 2012 to 22.0% in FY 2013.

In FY 2013, in Other Income there was no one-off gain of approximately \$1.1 million on disposal of Investment Securities. Impairment of goodwill in FY 2013 was \$0.4 million (FY 2012: \$0.95 million).

The General and Administrative Costs and Selling and Distribution Costs were higher due to increase in salary-related costs, while Finance costs was lower as a result of lower borrowings and interest rate.

The Group's Profit after taxation was about \$3.63 million, an increase of 2.1% compared with FY 2012.

Earnings per share increased from 1.03 cents to 1.05 cents, based on a fully diluted basis.

Net asset value per share increased from 9.03 to 9.53 cents as at 31 December 2013.

Inventories increased by \$2.8 million from \$26.1 million to \$28.9 million mainly due to increase in Work-in-Progress and Finished Goods based on confirmed customers' orders. Trade payables and accruals increased by \$5.1 million from \$14.9 million to \$20.0 million. Short-term and long-term bank borrowings decreased from \$14.5 million to \$12.4 million.

9. VARIANCE FROM PROSPECT STATEMENT

There is no variance from the prospect statement.

10. PROSPECT

As at 31 December 2013, the Group has orders on hand worth \$47.3 million (31 December 2012: \$43.8 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.

Barring any unforeseen circumstances, the Directors expect the Group to remain profitable for FY 2014.

11. DIVIDENDS

(a) Current Financial Period Reported On

Name of Dividend	Second & final	Special dividend
Dividend Type	Cash	Cash
Dividend (cents)	0.100	0.300
Tax Rate	One-tier tax-exempt	One-tier tax exempt

(b) Corresponding Period of the Immediate Preceding Financial Year

Name of Dividend	Second & final	Special dividend
Dividend Type	Cash	Cash
Dividend (cents)	0.100	0.05
Tax Rate	One-tier tax exempt	One-tier tax exempt

(c) Date payable

Payment of the dividends, if approved by the members at the Annual General Meeting to be held on 16 April 2014, will be made on 9 May 2014.

(d) Books closure date

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of CEI Contract Manufacturing Ltd ("the Company") will be closed from 5.00 p.m. on 25 April 2014 to 5.00 p.m. on 26 April 2014 (both dates inclusive) for the preparation of dividend warrants for both the one-tier tax-exempt second & final dividend and one-tier tax-exempt special 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 25 April 2014 will be registered to determine shareholders' entitlements to the said dividends. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 25 April 2014 will be entitled to the proposed one-tier tax-exempt second & final dividend and one-tier tax-exempt special dividend.

12. INTERESTED PERSON TRANSACTIONS

Not applicable as the Company has no general mandate for interested person transactions.

13. CONFIRMATION BY THE BOARD OF DIRECTORS

The Directors confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial results for the year ended 31 December 2013 to be false or misleading.

14. BUSINESS SEGMENTAL INFORMATION

	Asia Pacific		USA		Europe		Consolidated	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Segment turnover	42,818	37,975	25,846	30,342	40,999	38,213	109,663	106,530
Cost of sales	(31,696)	(27,454)	(19,028)	(23,949)	(34,812)	(32,886)	(85,536)	(84,289)
Gross profit	11,122	10,521	6,818	6,393	6,187	5,327	24,127	22,241
Unallocated expenses							(19,968)	(17,314)
Impairment of goodwill							(400)	(955)
Share of results of associated company							86	186
Profit before taxation							3,845	4,158
Tax expense							(207)	(594)
Net profit for the year							3,638	3,564

(The Group defined its Business Segment based on origin of customers' purchase orders.)

15. FACTORS LEADING TO ANY MATERIAL CHANGES IN CONTRIBUTIONS TO TURNOVER AND EARNINGS BY THE BUSINESS OR GEOGRAPHICAL SEGMENTS

There is no material change in Contributions to Turnover and Earnings by the business or geographical segments.

16. BREAKDOWN OF SALES

	GROUP		+ / (-) %
	2013 \$'000	2012 \$'000	
Turnover reported for :			
First half year	54,173	54,645	(0.9)
Second half year	55,490	51,885	7.0
Profit after taxation reported for :			
First half year	2,033	3,288	(38.2)
Second half year	1,605	276	N/M

17. BREAKDOWN OF THE TOTAL ANNUAL DIVIDEND (IN DOLLAR VALUE) FOR THE LATEST FULL YEAR AND PREVIOUS FULL YEAR

Total annual dividend (net of tax)

	Latest Full Year \$'000	Previous Full Year \$'000
Ordinary	2,809	2,635
Preference	-	-
Total	2,809	2,635

18. PERSON OCCUPYING MANAGERIAL POSITION

There is no 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).

BY ORDER OF THE BOARD

**Teo Soon Hock
Secretary**

Singapore, 13 February 2014