

CEI CONTRACT MANUFACTURING LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199905114H)

THE PROPOSED CONSOLIDATION OF EVERY FOUR (4) EXISTING ISSUED ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY SHAREHOLDERS OF THE COMPANY AT A BOOKS CLOSURE DATE TO BE DETERMINED, INTO ONE (1) ORDINARY SHARE IN THE CAPITAL OF THE COMPANY, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED

1. INTRODUCTION

The Board of Directors of CEI Contract Manufacturing Limited (the “**Company**”) wishes to announce that the Company proposes to undertake a share consolidation (“**Proposed Share Consolidation**”) of every four (4) ordinary shares in the capital of the Company (“**Shares**”) as at a books closure date to be determined by the Directors (“**Books Closure Date**”) into one (1) consolidated share (“**Consolidated Share**”), fractional entitlements to be disregarded.

2. RATIONALE

The Proposed Share Consolidation will rationalize the share capital of the Company by reducing the number of Shares outstanding. The absolute price of the Shares of the Company traded on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) has also been closing at a low level, with the last traded Share prices ranging between S\$0.099 and S\$0.116 in the past 6 months before the date hereof. Low traded share prices translate to higher transaction costs, relative to the trading price, for each trading of one board lot of shares.

The Directors believe that the Proposed Share Consolidation will generally be beneficial to the Company and its shareholders as it may serve to reduce the fluctuation in magnitude of the Company’s market capitalization and reduce the percentage transaction cost for trading in each board lot of Shares.

In addition, the Proposed Share Consolidation may also increase market interest and activity in the Shares, and generally make the Shares more attractive to investors, including institutional investors, thus providing a more diverse shareholder base. Accordingly, the Directors believe that the Proposed Share Consolidation should be beneficial to the Company and its shareholders.

The Proposed Share Consolidation would facilitate the Company’s ability to satisfy the continuing listing requirement imposed by the SGX-ST for issuers listed on the SGX Mainboard to have a minimum trading price of S\$0.20 per share.

However, shareholders should note that there is no assurance that the Proposed Share Consolidation will achieve the desired results, nor is there assurance that such results (if achieved) can be sustained in the longer term.

3. DETAILS

Under the Proposed Share Consolidation, every four (4) Shares registered in the name of each Shareholder as at the Books Closure Date will be consolidated into one (1) Consolidated Share. Each Consolidated Share will rank *pari passu* in all respects with the then existing Shares and with each other. The Consolidated Shares will be traded in board lots of 100 Consolidated Shares.

Shareholders should note that the number of Consolidated Shares which they are entitled to, based on their holdings of the Shares as at the Books Closure Date, will be rounded down to the nearest whole Consolidated Share and any fractions of a Consolidated Share arising from the Proposed Share Consolidation will be disregarded.

As at the date of this Announcement, the issued share capital of the Company is \$23,897,299 divided into 351,736,907 Ordinary Shares. Following the completion of the Proposed Share Consolidation, the Company will have an issued share capital of \$23,897,299 divided into 87,934,226 Consolidated Shares. The Proposed Share Consolidation will have no impact on the issued and paid-up share capital of the Company.

As at the date of this Announcement, the Company does not have any existing warrants or other convertibles but has in place a Share Performance Plan and a Restricted Share Plan under which awards may be made entitling participants thereof to receive fully paid Shares upon satisfaction of the conditions of the awards. Appropriate adjustments will be made to the awards granted, if any, or to be granted under the Share Performance Plan and the Restricted Share Plan, in connection with the Proposed Share Consolidation.

The Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the shareholders' funds of the Company and its subsidiaries.

Shareholders are not required to make any payment to the Company in respect of the Proposed Share Consolidation.

4. APPROVALS

The Proposed Share Consolidation is subject to, *inter alia*:

- (a) the approval of the SGX-ST for the listing of and quotation for the Consolidated Shares; and
- (b) the approval of shareholders by ordinary resolution at an extraordinary general meeting ("**EGM**") of the Company to be convened.

An application will be made to the SGX-ST for permission to deal in and for the listing of and quotation for the Consolidated Shares on the SGX-ST. An appropriate announcement on the outcome of the application will be made in due course.

Subject to the receipt of the approval in-principle from the SGX-ST in connection with the Proposed Share Consolidation, a circular containing, *inter alia*, the notice of the EGM and the details of the Proposed Share Consolidation will be dispatched to the shareholders in due course.

By Order of the Board
CEI Contract Manufacturing Limited

Teo Soon Hock
Company Secretary
12 February 2015