

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 2013.

1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2013

	GROUP		
	<u>2013</u>	<u>2012</u>	<u>+ / (-)</u>
	\$'000	\$'000	%
Revenue	54,173	54,645	(0.9)
Cost of sales	(42,645)	(42,694)	(0.1)
Gross profit	11,528	11,951	(3.5)
Other income	2	1,093	N/M
General and administrative costs	(7,493)	(7,293)	2.7
Selling and distribution costs	(1,703)	(1,758)	(3.1)
Profit from operations	2,334	3,993	(41.6)
Finance costs	(160)	(224)	(28.6)
Share of results of associated company	86	82	4.9
Profit from operations before taxation	2,260	3,851	(41.3)
Taxation	(227)	(563)	(59.7)
Profit after taxation	2,033	3,288	(38.2)
Other comprehensive income:			
Foreign currency translation	32	37	(13.5)
Fair value adjustment on available-for-sale financial assets	-	(192)	N/M
Total comprehensive income for the year	2,065	3,133	(34.1)

Included in the above expenses are -			
	<u>2013</u>	<u>2012</u>	<u>+ / (-)</u>
	\$'000	\$'000	%
Depreciation of fixed assets	(1,173)	(1,159)	1.2
Other Income - gain on disposal of investment securities	-	1,088	N/M
Foreign exchange gain	393	8	N/M

N/M – Not meaningful

1(b) STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
	30 Jun 2013 \$'000	31 Dec 2012 \$'000	30 Jun 2013 \$'000	31 Dec 2012 \$'000
Fixed assets	9,169	9,661	3,298	3,380
Intangible assets	2,963	2,963	2,963	2,963
Investments in and advances to subsidiary companies	-	-	6,639	6,396
Investment in associated company	1,104	1,018	482	482
Deferred tax asset	828	828	828	828
	<u>14,064</u>	<u>14,470</u>	<u>14,210</u>	<u>14,049</u>
Current assets				
Inventories	27,895	26,124	27,719	26,020
Trade receivables	21,361	19,125	21,177	18,970
Other receivables	1,013	796	738	623
Amounts due from subsidiary companies	-	-	1,681	1,480
Cash and cash equivalents	1,425	3,747	1,133	2,965
	<u>51,694</u>	<u>49,792</u>	<u>52,448</u>	<u>50,058</u>
Current liabilities				
Trade payables and accruals	16,624	14,968	15,441	14,001
Amounts due to subsidiary companies	-	-	1,813	1,503
Provision for taxation	1,976	1,790	1,421	1,204
Bank borrowings	8,746	9,020	8,746	9,020
Other liabilities	1,541	1,658	1,541	1,658
	<u>28,887</u>	<u>27,436</u>	<u>28,962</u>	<u>27,386</u>
Net current assets	<u>22,807</u>	<u>22,356</u>	<u>23,486</u>	<u>22,672</u>
Non-current liabilities				
Bank borrowings	(4,000)	(5,500)	(4,000)	(5,500)
Net assets	<u>32,871</u>	<u>31,326</u>	<u>33,696</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	10,239	8,726	10,636	8,161
Foreign currency translation reserve	(428)	(460)	-	-
	<u>32,871</u>	<u>31,326</u>	<u>33,696</u>	<u>31,221</u>

1(c) BORROWINGS

Amount repayable in one year or less, or on demand

As at 30 June 2013		As at 31 December 2012	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	8,746	-	9,020

Amount repayable after one year

As at 30 June 2013		As at 31 December 2012	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	4,000	-	5,500

Details of any collateral

Not applicable.

1(d) CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2013

	GROUP	
	2013	2012
	\$'000	\$'000
Cash flows from operating activities:		
Profits from operations before taxation	2,260	3,851
Adjustments for:		
Depreciation of fixed assets	1,173	1,159
Interest income	(2)	(2)
Interest expense	160	224
Gain on disposal of fixed assets		(3)
Gain on disposal of investment securities	-	(1,088)
Fair value loss on financial instruments	-	133
Share of results of associated companies	(86)	(82)
Operating income before investment in working capital	<u>3,505</u>	<u>4,192</u>
Increase in receivables	(2,453)	(1,518)
(Increase)/decrease in inventories	(1,771)	1,941
Increase/(decrease) in payables	1,539	(1,070)
Cash generated from operations	<u>820</u>	<u>3,545</u>
Interest received	2	2
Interest paid	(160)	(186)
Income tax paid, net of refund	(41)	(600)
Net cash generated from operating activities	<u>621</u>	<u>2,761</u>
Cash flows from investing activities:		
Purchase of fixed assets	(649)	(267)
Proceed from disposal of fixed assets	-	3
Proceed from disposal of investment securities	-	2,305
Net cash (used in)/generated from investing activities	<u>(649)</u>	<u>2,041</u>
Cash flows from financing activities:		
Dividends paid on ordinary shares	(520)	(902)
Repayment of loans and borrowings	(1,774)	(2,171)
Net cash used in financing activities	<u>(2,294)</u>	<u>(3,073)</u>
Net (decrease)/increase in cash and cash equivalents	(2,322)	1,729
Cash and cash equivalents at beginning of the period	3,747	4,712
Cash and cash equivalents at end of the period	<u>1,425</u>	<u>6,441</u>

1(e) STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 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 period	-	-	2,033	-	32	2,065
Dividends paid	-	-	(520)	-	-	(520)
Balance at 30 June 2013	23,897	(837)	10,239	-	(428)	32,871
Balance at 1 January 2012	23,897	(837)	8,179	192	(125)	31,306
Total comprehensive income for the period	-	-	3,288	(192)	37	3,133
Dividends paid	-	-	(902)	-	-	(902)
Balance at 30 June 2012	23,897	(837)	10,565	-	(88)	33,537
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	
Total comprehensive income for the period	-	-	2,995	-	2,995	
Dividends paid	-	-	(520)	-	(520)	
Balance at 30 June 2013	23,897	(837)	10,636	-	33,696	
Balance at 1 January 2012	23,897	(837)	9,389	192	32,641	
Total comprehensive income for the period	-	-	4,605	(192)	4,413	
Dividends paid	-	-	(902)	-	(902)	
Balance at 30 June 2012	23,897	(837)	13,092	-	36,152	

1(f) **CHANGES IN COMPANY'S SHARE CAPITAL**

	30 Jun 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

1(g) **NUMBER OF SHARES THAT MAY BE ISSUED ON CONVERSION OF ALL OUTSTANDING CONVERTIBLES**

There was no outstanding convertible as at 30 June 2013 and 30 June 2012.

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

	30 Jun 2013	30 Jun 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 30 June 2013, 31 December 2012 and 30 June 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	
	1H2013	1H2012
Earnings per share based on profit attributable to shareholders:		
Based on existing issued share capital	0.59 cts	0.95 cts
Based on fully diluted basis	0.59 cts	0.95 cts

7. NET ASSET VALUE

	Group		Company	
	30 June 2013	31 Dec 2012	30 June 2013	31 Dec 2012
Net asset value per share based on existing issued share capital as at the end of the year reported on (excluding treasury shares).	9.48 cts	9.03 cts	9.72 cts	9.00 cts

8. REVIEW OF GROUP PERFORMANCE

The Group's Revenue for the first half of FY 2013 of \$54.2 million was similar to the first half of FY 2012. The Gross Profit Margin decreased from 21.9% in FY 2012 to 21.3% in FY 2013. Material costs as a percentage of Revenue improved by 0.7% from FY 2012 to FY 2013. However, labour costs was higher in the countries where the Group carries out its manufacturing operations.

In FY 2013, in Other Income there was no one-off gain of approximately \$1.1 million on disposal of Investment Securities, unlike in FY 2012.

The Group's Profit after taxation was about \$2.03 million, a decrease of 38.2% compared with FY 2012. Excluding the one-off gain on disposal of Investment Securities of \$1.1 million in FY 2012, the Group's Profit after taxation would have decreased only by 7.6%.

Earnings per share was 0.59 cents against 0.95 cents, based on a fully diluted basis.

Net asset value increased from 9.03 cents as at 31 December 2012 to 9.48 cents as at 30 June 2013.

Cash and cash equivalents decreased by \$2.3 million mainly due to the repayment of bank borrowings and the timing of collection of the receivables. Short-term and long-term bank borrowings decreased by \$1.8 million from \$14.5 million to \$12.7 million.

9. VARIANCE FROM PROSPECT STATEMENT

There is no variance from the prospect statement.

10. PROSPECT

As at 30 June 2013, the Group has orders on hand worth \$46.0 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.

Based on current business leads and the existing customers' orders, the Directors expect that barring any unforeseen circumstances, the Group will remain profitable in the second half of FY 2013.

11. DIVIDENDS

(a) Current Financial Period Reported On

Name of Dividend	Interim	Special
Dividend Type	Cash	Cash
Dividend (cents)	0.26	0.15
Tax Rate	One-tier tax-exempt	One-tier tax exempt

(b) Corresponding Period of the Immediate Preceding Financial Year

Name of Dividend	Interim	Special
Dividend Type	Cash	Cash
Dividend (cents)	0.46	0.15
Tax Rate	One-tier tax exempt	One-tier tax exempt

(c) Date payable

The dividends will be payable on 27 August 2013.

(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 14 August 2013 to 5.00 p.m. on 15 August 2013 (both dates inclusive) for the preparation of dividend warrants for both the one-tier tax-exempt interim 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 14 August 2013 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 14 August 2013 will be entitled to the proposed one-tier tax-exempt interim 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 first half-year ended 30 June 2013 to be false or misleading.

BY ORDER OF THE BOARD

Teo Soon Hock
Secretary

Singapore, 2 August 2013