# 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 2010.

### 1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

| | GROUP | | |
|---|---|---|---|
| | 2010 | 2009 | +/(-) |
| | $'000 | $'000 | % |
| Revenue | 95,629 | 75,800 | 26.2 |
| Cost of sales | (74,442) | (57,875) | 28.6 |
| Gross profit | 21,187 | 17,925 | 18.2 |
| Other income (including interest income) | 38 | 13 | 192.3 |
| General and administrative costs | (11,992) | (11,778) | 1.8 |
| Selling and distribution costs | (2,731) | (2,701) | 1.1 |
| Profit from operations | 6,502 | 3,459 | 88.0 |
| Finance costs | (308) | (447) | (31.1) |
| Share of results of associated company | 150 | 34 | 341.2 |
| Profit from operations before taxation | 6,344 | 3,046 | 108.3 |
| Taxation | (1,164) | (724) | 60.8 |
| Profit after taxation | 5,180 | 2,322 | 123.1 |
| Other comprehensive income: | | | |
| Foreign currency translation | (169) | (34) | N/M |
| Fair value adjustment on available-for-sale financial assets | 320 | - | N/M |
| Total comprehensive income for the year | 5,331 | 2,288 | 133.0 |

| Included in the above expenses are - | | | |
|---|---|---|---|
| Amortisation/ write off of intangible assets | - | (676) | N/M |
| Depreciation of fixed assets | (2,198) | (1,989) | 10.5 |
| Fair value changes of financial instruments | 162 | (20) | N/M |
| Foreign exchange loss | (539) | (300) | 79.7 |
| Impairment of investment in securities | (68) | (320) | (78.8) |
| Impairment of intangible assets | - | (543) | N/M |

N/M – Not meaningful

## 1(b)(i) STATEMENT OF FINANCIAL POSITION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2010 $'000 | 31 Dec 2009 $'000 | 31 Dec 2010 $'000 | 31 Dec 2009 $'000 |
| **Fixed assets** | 11,711 | 11,000 | 2,909 | 1,284 |
| **Intangible assets** | 3,918 | 3,918 | 3,918 | 3,918 |
| **Investment in subsidiary companies** | - | - | 11,542 | 11,276 |
| **Investment in associated company** | 803 | 679 | 482 | 508 |
| **Investment in securities** | 1,536 | 1,280 | 1,536 | 1,280 |
| **Deferred tax asset** | 535 | 535 | 535 | 535 |
| | 18,503 | 17,412 | 20,922 | 18,801 |
| **Current assets** | | | | |
| Inventories | 23,793 | 12,280 | 23,736 | 12,262 |
| Trade receivables | 21,062 | 12,770 | 20,829 | 12,640 |
| Other receivables | 826 | 858 | 695 | 700 |
| Amounts due from subsidiary companies | - | - | 2,145 | 226 |
| Cash and cash equivalents | 2,940 | 14,885 | 2,465 | 13,458 |
| | 48,621 | 40,793 | 49,870 | 39,286 |
| **Current liabilities** | | | | |
| Trade payables and accruals | 19,818 | 10,545 | 18,914 | 10,044 |
| Amounts due to subsidiary companies | - | - | 3,914 | 258 |
| Provision for taxation | 1,805 | 1,555 | 1,552 | 1,240 |
| Bank borrowings | 7,157 | 6,851 | 7,157 | 6,851 |
| Other liabilities | 1,875 | 2,408 | 1,801 | 2,334 |
| | 30,655 | 21,359 | 33,338 | 20,727 |
| **Net current assets** | 17,966 | 19,434 | 16,532 | 18,559 |
| **Non-current liabilities** | | | | |
| Bank borrowings | (4,033) | (6,633) | (4,033) | (6,633) |
| **Net assets** | 32,436 | 30,213 | 33,421 | 30,727 |
| Represented by: | | | | |
| **Share capital** | 23,897 | 23,816 | 23,897 | 23,816 |
| **Less : Treasury shares** | (837) | (837) | (837) | (837) |
| | 23,060 | 22,979 | 23,060 | 22,979 |
| **Revenue reserves** | 9,259 | 7,187 | 10,041 | 7,667 |
| **Other reserves** | 320 | 81 | 320 | 81 |
| **Foreign currency translation reserve** | (203) | (34) | - | - |
| | 32,436 | 30,213 | 33,421 | 30,727 |

## 1(b)(ii) BORROWINGS

### Amount repayable in one year or less, or on demand

| As at 31 Dec 2010 | | As at 31 Dec 2009 | |
|---|---|---|---|
| Secured | Unsecured | Secured | Unsecured |
| - | 7,157 | - | 6,851 |

### Amount repayable after one year

| As at 31 Dec 2010 | | As at 31 Dec 2009 | |
|---|---|---|---|
| Secured | Unsecured | Secured | Unsecured |
| - | 4,033 | - | 6,633 |

### Details of any collateral

Not applicable.

## 1(c) CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

| | GROUP | |
|---|---|---|
| | FY2010 | FY2009 |
| | $'000 | $'000 |
| **Cash flows from operating activities:** | | |
| Profits from operations before taxation | 6,344 | 3,046 |
| Adjustments for: | | |
| Amortisation of intangible assets | - | 676 |
| Depreciation in fixed assets | 2,198 | 1,989 |
| Interest income | (20) | (13) |
| Interest expense | 308 | 447 |
| Loss on disposal of fixed assets | (27) | 93 |
| Impairment of investment in securities (non-current) | 64 | 320 |
| Fair value gains on financial instruments | (142) | - |
| Share of results of associated companies | (150) | (34) |
| **Operating income before investment in working capital** | 8,575 | 6,524 |
| (Increase)/ decrease in receivables | (8,260) | 2,645 |
| (Increase)/ decrease in inventories | (11,513) | 3,959 |
| Increase/ (Decrease) in payables | 8,740 | (3,943) |
| **Cash (used in)/ generated from operations** | (2,458) | 9,185 |
| Interest received | 20 | 13 |
| Interest paid | (308) | (447) |
| Income tax paid, net of refund | (915) | (1,389) |
| **Net cash (used in)/ provided by operating activities** | (3,661) | 7,362 |
| **Cash flows from investing activities:** | | |
| Purchase of fixed assets | (2,909) | (2,025) |
| Dividend income from associated company | 26 | - |
| **Net cash used in investing activities** | (2,883) | (2,025) |
| **Cash flows from financing activities:** | | |
| Dividends paid on ordinary shares | (3,107) | (2,003) |
| (Repayment of)/ Proceeds from loans and borrowings | (2,294) | 548 |
| **Net cash used in financing activities** | (5,401) | (1,455) |
| **Net (decrease)/ increase in cash and cash equivalents** | (11,945) | 3,882 |
| **Cash and cash equivalents at beginning of the year** | 14,885 | 11,003 |
| **Cash and cash equivalents at end of the year** | 2,940 | 14,885 |

## 1(d)(i) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

| **Group** | Share capital $'000 | Treasury shares $'000 | Revenue reserves $'000 | Other reserves $'000 | Foreign currency translation reserve $'000 | Total equity |
|---|---|---|---|---|---|---|
| Balance at 1 January 2010 | 23,816 | (837) | 7,187 | 81 | (34) | 30,213 |
| Total comprehensive income for the period | - | - | 5,180 | - | (169) | 5,011 |
| Dividends paid | - | - | (3,108) | - | - | (3,108) |
| Issuance of shares on exercise of employee share option | 81 | - | - | (81) | - | - |
| Gain on fair value changes of available-for-sale financial assets | - | - | - | 320 | - | 320 |
| Balance at 31 December 2010 | 23,897 | (837) | 9,259 | 320 | (203) | 32,436 |
| Balance at 1 January 2009 | 23,815 | (837) | 6,868 | 82 | - | 29,928 |
| Total comprehensive income for the period | - | - | 2,322 | - | (34) | 2,288 |
| Dividends paid | - | - | (2,003) | - | - | (2,003) |
| Issuance of shares on exercise of employee share option | 1 | - | - | (1) | - | - |
| Balance at 31 December 2009 | 23,816 | (837) | 7,187 | 81 | (34) | 30,213 |

| **Company** | Share capital | Treasury shares | Revenue reserves | Other reserves | Total equity |
|---|---|---|---|---|---|
| Balance at 1 January 2010 | 23,816 | (837) | 7,667 | 81 | 30,727 |
| Profit net of tax | - | - | 5,482 | - | 5,482 |
| Dividends paid | - | - | (3,108) | - | (3,108) |
| Issuance of shares on exercise of employee share option | 81 | - | - | (81) | - |
| Gain on fair value changes of available-for-sale financial assets | - | - | - | 320 | 320 |
| Balance at 31 December 2010 | 23,897 | (837) | 10,041 | 320 | 33,421 |
| Balance at 1 January 2009 | 23,815 | (837) | 6,425 | 82 | 29,485 |
| Profit net of tax | - | - | 3,245 | - | 3,245 |
| Dividends paid | - | - | (2,003) | - | (2,003) |
| Issuance of shares on exercise of employee share option | 1 | - | - | (1) | - |
| Balance at 31 December 2009 | 23,816 | (837) | 7,667 | 81 | 30,727 |

## 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 year | : | NIL |

| | | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|---|
| No. of unexercised options under CEI ESOS | : | - | 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 31 December 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 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 revised FRS 103 Business Combinations and FRS 27 Consolidated and Separate Financial Statements are applicable for annual periods beginning on or after 1 July 2009. The Revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The revised FRS 27 also has changes that would have an impact on the Group's consolidated financial statements for future transaction with non-controlling interests. Adoption of those revised FRS's did not have any effect on the financial performance or position of the Group during the financial year. They did however give rise to revision in accounting policies. Those revised FRS's will affect future acquisitions and loss of controls and transactions with minority interests.

Other than the above, 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

Please refer to Note 4.

## 6. EARNINGS PER ORDINARY SHARE (EPS)

| | GROUP | |
|---|---|---|
| | FY2010 | FY2009 |
| Earnings per share based on profit attributable to shareholders: | | |
| Based on existing issued share capital | 1.49 cts | 0.66 cts |
| Based on fully diluted basis | 1.49 cts | 0.66 cts |

## 7. NET ASSET VALUE

| | Group | | Company | |
|---|---|---|---|---|
| | FY2010 | FY2009 | FY2010 | FY2009 |
| Net asset value per share based on existing issued share capital as at the end of the year reported on (excluding treasury shares). | 8.22 cts | 7.58 cts | 8.51 cts | 7.72 cts |

## 8. REVIEW OF GROUP PERFORMANCE

The Group's Revenue for FY 2010 of $95.6 million was 26.2% higher than FY 2009 due to increase in demand as a result of the global recovery. The Gross Margin decreased from 23.7% in FY 2009 to 22.2% in FY 2010 due to higher material cost and manufacturing overheads. The Gross Profit increased by 18.2% from $17.9 million to $21.2 million in FY 2010.

The Profit from Operations was $6.5 million, an increase of 88.0%. The increase was mainly due to higher Gross Profit. General and Administrative costs was about the same as previous year. The withdrawal of the "Jobs Credit Scheme" in FY 2010 caused the salaries cost to be higher by $0.6m. This was offset by lower Impairment of Intangible Assets of $0.5m and lower Impairment of Securities of $0.2m. Selling and Distribution costs remained consistent with previous year. Finance costs decreased as a result of lower interest rates. Share of Results of Associated Company increased due to higher profit reported by an associated company.

The Group's effective tax rate decreased from 23.8% in FY 2009 to 18.3% in FY 2010. The lower effective tax rate in FY 2010 was due to write back of over-provision of taxation in previous years.

The Group's Profit after taxation was about $5.2 million, an increase of 123.1%.

Earnings per share was 1.49 cents in FY 2010 as compared to 0.66 cents in FY 2009, based on a fully diluted basis.

Net asset value of 8.22 cents as at 31 December 2010 was 8.4% higher than 7.58 cents as at 31 December 2009.

Inventories increased by $11.5 million from $12.3 million to $23.8 million in FY 2010. Trade receivables increased by $8.3 million from $12.8 million to $21.1 million in FY 2010, and Trade Payables and Accruals increased by $9.3 million from $10.5 million to $19.8 million in FY 2010. These were mainly the result of higher revenue recorded in FY 2010.

The Group's borrowings decreased by $2.3 million from $13.5 million to $11.2 million in FY 2010. Cash and Cash Equivalents decreased by $12.0 million from $14.9 million to $2.9 million in FY 2010. The decrease in Cash and Cash Equivalents was to repay the borrowings, and also to finance the increased working capital.

## 9. VARIANCE FROM PROSPECT STATEMENT

In the announcement of the Group's financial results for the half-year ended 30 June 2010, it was mentioned that "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 FY2010".

The Directors wish to announce that the Group reported Revenue of $52.5 million in the second half (first half: $43.1 million).

The Group also reported a Net Profit of $5.18 million in FY2010.

## 10. PROSPECT

As at 31 December 2010, the Group has orders on hand worth $48.1 million (31 December 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 will remain profitable for FY 2011.

## 11. DIVIDENDS

### (a) Current Financial Period Reported On

| | | |
|---|---|---|
| Name of Dividend | Second & final | Special dividend |
| Dividend Type | Cash | Cash |
| Dividend (cents) | 0.166 | 0.700 |
| 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) | 0.166 | 0.232 |
| 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 15 April 2011, will be made on 9 May 2011.

### (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 21 April 2011 to 5.00 p.m. on 25 April 2011 (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 21 April 2011 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 21 April 2011 will be entitled to the proposed one-tier tax-exempt second & final dividend and one-tier tax-exempt special dividend.

## 12. BUSINESS SEGMENTAL INFORMATION

| | Asia Pacific | | USA | | Europe | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Segment turnover | 26,501 | 8,977 | 31,890 | 52,155 | 37,238 | 14,668 | 95,629 | 75,800 |
| Cost of sales | (18,604) | (6,432) | (25,013) | (40,484) | (30,825) | (10,959) | (74,442) | (57,875) |
| Gross profit | 7,897 | 2,545 | 6,877 | 11,671 | 6,413 | 3,709 | 21,187 | 17,925 |
| Unallocated expenses | | | | | | | (14,685) | (14,466) |
| Operating profit | | | | | | | 6,502 | 3,459 |
| Interest expense | | | | | | | (308) | (447) |
| Share of results of associated company | | | | | | | 150 | 34 |
| Profit before taxation | | | | | | | 6,344 | 3,046 |
| Tax expense | | | | | | | (1,164) | (724) |
| Net profit for the year | | | | | | | 5,180 | 2,322 |

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

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

During the year, some customers transferred their product lines from USA to Europe and Asia. This caused the Revenue from USA to decline.

In addition, the Group managed to secure more business from existing customers in Europe and Asia, as well as added more customers in these regions. These contributed to the increase in Revenue from Europe and Asia.

The Contribution to Earnings of the various businesses remained consistent with previous year.

## 14. BREAKDOWN OF SALES

| | GROUP | | +/(-) |
|---|---|---|---|
| | 2010 | 2009 | % |
| | $'000 | $'000 | |
| Turnover reported for : | | | |
| First half year | 43,072 | 38,012 | 13.3 |
| Second half year | 52,557 | 37,788 | 39.1 |
| Profit after taxation reported for : | | | |
| First half year | 2,314 | 1,279 | 80.9 |
| Second half year | 2,866 | 1,043 | 174.8 |

## 15. 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 (S$'000) | Previous Full Year (S$'000) |
|---|---|---|
| Ordinary | 5,084 | 1,651 |
| Preference | - | - |
| | --- | --- |
| Total | 5,084 | 1,651 |
| | ===== | ==== |

## 16. INTERESTED PERSON TRANSACTIONS

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

**BY ORDER OF THE BOARD**

**Teo Soon Hock**
**Secretary**

**Singapore, 31 January 2011**