

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 2011.

1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	GROUP		
	<u>2011</u>	<u>2010</u>	<u>+ / (-)</u>
	\$'000	\$'000	%
Revenue	104,760	95,629	9.5
Cost of sales	(83,278)	(74,442)	11.9
Gross profit	<u>21,482</u>	<u>21,187</u>	1.4
Other income (including interest income)	178	38	N/M
General and administrative costs	(12,949)	(11,992)	8.0
Selling and distribution costs	(3,788)	(2,731)	38.7
Profit from operations	<u>4,923</u>	<u>6,502</u>	(24.3)
Finance costs	(445)	(308)	44.5
Share of results of associated company	93	150	(38.0)
Profit from operations before taxation	<u>4,571</u>	<u>6,344</u>	(27.9)
Taxation	(1,053)	(1,164)	(9.5)
Profit after taxation	<u>3,518</u>	<u>5,180</u>	(32.1)
Other comprehensive income:			
Foreign currency translation	77	(169)	N/M
Fair value adjustment on available-for-sale financial assets	(128)	320	N/M
Total comprehensive income for the year	<u>3,467</u>	<u>5,331</u>	(35.0)

Included in the above expenses are -

Depreciation of fixed assets	(2,481)	(2,198)	12.9
Fair value changes of financial instruments	(339)	162	N/M
Foreign exchange gain/(loss)	249	(539)	N/M

N/M – Not meaningful

1(b)(i) STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
	31 Dec	31 Dec	31 Dec	31 Dec
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Fixed assets	10,252	11,711	2,439	2,909
Intangible assets	3,918	3,918	3,918	3,918
Investment in subsidiary companies	-	-	8,796	11,542
Investment in associated company	866	803	482	482
Investment in securities	1,408	1,536	1,408	1,536
Deferred tax asset	828	535	828	535
	<u>17,272</u>	<u>18,503</u>	<u>17,871</u>	<u>20,922</u>
Current assets				
Inventories	28,622	23,793	28,495	23,736
Trade receivables	19,933	21,062	19,675	20,829
Other receivables	706	826	529	693
Amounts due from subsidiary companies	-	-	2,767	2,147
Cash and cash equivalents	4,712	2,940	4,092	2,465
	<u>53,973</u>	<u>48,621</u>	<u>55,558</u>	<u>49,870</u>
Current liabilities				
Trade payables and accruals	17,228	19,818	16,211	18,914
Amounts due to subsidiary companies	-	-	2,493	3,914
Provision for taxation	1,950	1,805	1,323	1,552
Bank borrowings	9,503	7,157	9,503	7,157
Other liabilities	2,159	1,875	2,159	1,801
	<u>30,840</u>	<u>30,655</u>	<u>31,689</u>	<u>33,338</u>
Net current assets	<u>23,133</u>	<u>17,966</u>	<u>23,869</u>	<u>16,532</u>
Non-current liabilities				
Bank borrowings	(9,100)	(4,033)	(9,100)	(4,033)
Net assets	<u>31,305</u>	<u>32,436</u>	<u>32,640</u>	<u>33,421</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	8,179	9,259	9,388	10,041
Other reserves	192	320	192	320
Foreign currency translation reserve	(126)	(203)	-	-
	<u>31,305</u>	<u>32,436</u>	<u>32,640</u>	<u>33,421</u>

1(b)(ii) BORROWINGS

Amount repayable in one year or less, or on demand

As at 31 Dec 2011		As at 31 Dec 2010	
Secured	Unsecured	Secured	Unsecured
-	9,503	-	7,157

Amount repayable after one year

As at 31 Dec 2011		As at 31 Dec 2010	
Secured	Unsecured	Secured	Unsecured
-	9,100	-	4,033

Details of any collateral

Not applicable.

1(c) **CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011**

	GROUP	
	FY2011	FY2010
	\$'000	\$'000
Cash flows from operating activities:		
Profits from operations before taxation	4,571	6,344
Adjustments for:		
Depreciation in fixed assets	2,481	2,198
Interest income	(7)	(20)
Interest expense	446	308
Loss on disposal of fixed assets	-	(27)
Impairment of investment in securities (non-current)	-	64
Fair value loss/(gain) on financial instruments	339	(142)
Share of results of associated companies	(93)	(150)
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Operating income before investment in working capital	7,737	8,575
Decrease in receivables	1,248	(8,260)
Increase in inventories	(4,828)	(11,513)
(Decrease)/ increase in payables	(2,568)	8,740
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Cash generated from/ (used in) operations	1,589	(2,458)
Interest received	7	20
Interest paid	(446)	(308)
Income tax paid, net of refund	(1,201)	(915)
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Net cash used in operating activities	(51)	(3,661)
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Cash flows from investing activities:		
Purchase of fixed assets	(1,022)	(2,909)
Dividend income from associated company	31	26
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Net cash used in investing activities	(991)	(2,883)
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Cash flows from financing activities:		
Dividends paid on ordinary shares	(4,598)	(3,107)
Proceeds from/ (repayment of) loans and borrowings	7,412	(2,294)
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Net cash generated from/ (used in) financing activities	2,814	(5,401)
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Net increase/ (decrease) in cash and cash equivalents	1,772	(11,945)
Cash and cash equivalents at beginning of the year	2,940	14,885
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Cash and cash equivalents at end of the year	4,712	2,940
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1(d)(i) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

Group	Share capital \$'000	Treasury shares \$'000	Revenue reserves \$'000	Other reserves \$'000	Foreign currency translation reserve \$'000	Total equity
Balance at 1 January 2011	23,897	(837)	9,259	320	(203)	32,436
Total comprehensive income for the period	-	-	3,518	-	77	3,595
Dividends paid	-	-	(4,598)	-	-	(4,598)
Loss on fair value changes of available-for-sale financial assets	-	-	-	(128)	-	(128)
Balance at 31 December 2011	23,897	(837)	8,179	192	(126)	31,305
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
Company	Share capital	Treasury shares	Revenue reserves	Other reserves		Total equity
Balance at 1 January 2011	23,897	(837)	10,041	320		33,421
Profit net of tax	-	-	3,945	-		3,945
Dividends paid	-	-	(4,598)	-		(4,598)
Loss on fair value changes of available-for-sale financial assets	-	-	-	(128)		(128)
Balance at 31 December 2011	23,897	(837)	9,388	192		32,640
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

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

	31 Dec 2011	31 Dec 2010
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 2011 (31 December 2010: 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 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 2011. 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	
	FY2011	FY2010
Earnings per share based on profit attributable to shareholders:		
Based on existing issued share capital	1.01 cts	1.49 cts
Based on fully diluted basis	1.01 cts	1.49 cts

7. NET ASSET VALUE

	Group		Company	
	FY2011	FY2010	FY2011	FY2010
Net asset value per share based on existing issued share capital as at the end of the year reported on (excluding treasury shares).	7.90 cts	8.22 cts	8.28 cts	8.51 cts

8. REVIEW OF GROUP PERFORMANCE

The Group's Revenue was mainly denominated in US\$. The Group's Revenue for FY 2011 of \$104.8 million was 9.5% higher than FY 2010 even though the US\$ depreciated by about 8.5% versus the S\$ from FY 2010, and generally soft global economies in the second half of FY 2011. The increase in Revenue was mainly due to increase in demand from existing customers. The Gross Profit Margin decreased from 22.2% in FY 2010 to 20.5% in FY 2011 mainly due to the weaker US\$. The Gross Profit increased by 1.4% from \$21.2 million to \$21.5 million in FY 2011.

The Profit from Operations was \$4.9 million, a decrease of 24.3%. The General and Administrative Costs and Selling and Distribution Costs were higher substantially due to increase in headcount and salary-related costs to support the growth in Revenue. The Group will continue to invest in marketing activities to further enhance its diversified and robust customer base. Finance costs increased as a result of higher borrowings to support working capital. Share of Results of Associated Company decreased due to lower profit reported by an associated company.

The Group's effective tax rate increased from 18.3% in FY 2010 to 23.0% in FY 2011. The lower effective tax rate in FY 2010 was due to write back of over-provision of taxation from previous years.

The Group's Profit after taxation was about \$3.5 million, a decrease of 32.1%.

Earnings per share was 1.01 cents in FY 2011 as compared to 1.49 cents in FY 2010, based on a fully diluted basis.

Net asset value of 7.90 cents as at 31 December 2011 was 3.9% lower than 8.22 cents as at 31 December 2010.

Inventories increased by \$4.8 million from \$23.8 million to \$28.6 million in FY 2011. The increase is due to the higher revenue in FY 2011 and the increase in finished goods held for certain customers.

The Group's borrowings increased by \$7.4 million to \$18.6 million in FY 2011 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 2011, it was mentioned that "the Directors expect that barring any unforeseen circumstances, the Group will remain profitable for the whole of FY 2011".

The Directors wish to announce that the Group reported Net Profit of \$3.5 million in FY 2011.

10. PROSPECT

As at 31 December 2011, the Group has orders on hand worth \$53.3 million (31 December 2010: \$48.1 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.

The Group's financial performance will continue to be impacted by the fluctuation in US\$. 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 2012.

11. DIVIDENDS

(a) Current Financial Period Reported On

Name of Dividend	Second & final	Special dividend
Dividend Type	Cash	Cash
Dividend (cents)	0.100	0.160
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	0.700
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 2012, will be made on 7 May 2012.

(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 23 April 2012 to 5.00 p.m. on 24 April 2012 (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 23 April 2012 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 23 April 2012 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 2011 to be false or misleading.

14. BUSINESS SEGMENTAL INFORMATION

	Asia Pacific		USA		Europe		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment turnover	33,955	26,501	32,852	31,890	37,953	37,238	104,760	95,629
Cost of sales	(24,606)	(18,604)	(26,073)	(25,013)	(32,599)	(30,825)	(83,278)	(74,442)
Gross profit	9,349	7,897	6,779	6,877	5,354	6,413	21,482	21,187
Unallocated expenses							(17,004)	(14,992)
Share of results of associated company							93	150
Profit before taxation							4,571	6,345
Tax expense							(1,053)	(1,165)
Net profit for the year							3,518	5,180

(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

During the year, the Group managed to secure more business from some existing customers in Asia Pacific. These contributed to the increase in Revenue from Asia Pacific.

Other than the above, the Contribution to Earnings from the various business segments remained consistent with previous year.

16. BREAKDOWN OF SALES

	GROUP		+ / (-) %
	2011 \$'000	2010 \$'000	
Turnover reported for :			
First half year	54,679	43,072	26.9
Second half year	50,081	52,557	(4.7)
Profit after taxation reported for :			
First half year	2,238	2,314	(3.3)
Second half year	1,280	2,866	(55.3)

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 (S\$'000)	Previous Full Year (S\$'000)
Ordinary	2,497	5,084
Preference	-	-
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Total	2,497	5,084
	=====	=====

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 director or substantial shareholder of the issuer pursuant to Rule 704(13).

BY ORDER OF THE BOARD

Teo Soon Hock
Secretary

Singapore, 31 January 2012