

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 2012.

1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	GROUP		
	2012 \$'000	2011 \$'000	+ / (-) %
Revenue	106,530	104,760	1.7
Cost of sales	(84,289)	(83,278)	1.2
Gross profit	22,241	21,482	3.5
Other income (including interest income)	1,091	178	N/M
General and administrative costs	(14,337)	(12,949)	10.7
Selling and distribution costs	(3,666)	(3,788)	(3.2)
Profit from operations	5,329	4,923	8.2
Finance costs	(402)	(445)	(9.7)
Impairment of goodwill	(955)	-	N/M
Share of results of associated company	186	93	100.0
Profit from operations before taxation	4,158	4,571	(9.0)
Taxation	(594)	(1,053)	(43.6)
Profit after taxation	3,564	3,518	1.3
Other comprehensive income:			
Foreign currency translation	(334)	77	N/M
Fair value adjustment on available-for-sale financial assets	-	(128)	N/M
Total comprehensive income for the year	3,230	3,467	(6.8)

Included in the above expenses are -

Depreciation of fixed assets	(2,291)	(2,481)	(7.7)
Fair value changes of financial instruments	122	(339)	N/M
Foreign exchange (loss)/gain	(261)	249	N/M
Impairment of goodwill	(955)	-	N/M

N/M – Not meaningful

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

	GROUP		COMPANY	
	31 Dec 2012 \$'000	31 Dec 2011 \$'000	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Fixed assets	9,661	10,252	3,380	2,439
Intangible assets	2,963	3,918	2,963	3,918
Investment in subsidiary companies	-	-	6,396	8,796
Investment in associated company	1,018	866	482	482
Investment in securities	-	1,408	-	1,408
Deferred tax asset	828	828	828	828
	<u>14,470</u>	<u>17,272</u>	<u>14,049</u>	<u>17,871</u>
Current assets				
Inventories	26,124	28,622	26,020	28,495
Trade receivables	19,125	19,933	18,970	19,675
Other receivables	796	706	623	529
Amounts due from subsidiary companies	-	-	1,480	2,767
Cash and cash equivalents	3,747	4,712	2,965	4,092
	<u>49,792</u>	<u>53,973</u>	<u>50,058</u>	<u>55,558</u>
Current liabilities				
Trade payables and accruals	14,968	17,228	14,001	16,211
Amounts due to subsidiary companies	-	-	1,503	2,493
Provision for taxation	1,790	1,950	1,204	1,323
Bank borrowings	9,020	9,503	9,020	9,503
Other liabilities	1,658	2,159	1,658	2,159
	<u>27,436</u>	<u>30,840</u>	<u>27,386</u>	<u>31,689</u>
Net current assets	<u>22,356</u>	<u>23,133</u>	<u>22,672</u>	<u>23,869</u>
Non-current liabilities				
Bank borrowings	(5,500)	(9,100)	(5,500)	(9,100)
Net assets	<u>31,326</u>	<u>31,305</u>	<u>31,221</u>	<u>32,640</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	8,726	8,179	8,161	9,388
Other reserves	-	192	-	192
Foreign currency translation reserve	(460)	(126)	-	-
	<u>31,326</u>	<u>31,305</u>	<u>31,221</u>	<u>32,640</u>

1(c) BORROWINGS

Amount repayable in one year or less, or on demand

As at 31 Dec 2012		As at 31 Dec 2011	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	9,020	-	9,503

Amount repayable after one year

As at 31 Dec 2012		As at 31 Dec 2011	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	5,500	-	9,100

Details of any collateral

Not applicable.

1(d) **CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012**

	GROUP	
	FY2012	FY2011
	\$'000	\$'000
Cash flows from operating activities:		
Profits from operations before taxation	4,158	4,571
Adjustments for:		
Depreciation in fixed assets	2,291	2,481
Interest income	(3)	(7)
Interest expense	402	446
Gain on disposal of investment securities	(1,088)	-
Fair value (gain)/loss on financial instruments	(122)	339
Impairment of goodwill	955	-
Share of results of associated companies	(186)	(93)
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Operating income before investment in working capital	6,407	7,737
Decrease in receivables	832	1,248
Decrease/(Increase) in inventories	2,497	(4,828)
Decrease in payables	(2,760)	(2,568)
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Cash generated from operations	6,976	1,589
Interest received	3	7
Interest paid	(402)	(446)
Income tax paid, net of refund	(755)	(1,201)
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Net cash generated from/ (used in) operating activities	5,822	(51)
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Cash flows from investing activities:		
Purchase of fixed assets	(2,026)	(1,022)
Dividend income from associated company	35	31
Proceed from disposal of investment securities	2,304	-
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Net cash generated from/ (used in) investing activities	313	(991)
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Cash flows from financing activities:		
Dividends paid on ordinary shares	(3,017)	(4,598)
(Repayment of)/Proceeds from loans and borrowings	(4,083)	7,412
	<hr/>	<hr/>
Net cash (used in)/ generated from financing activities	(7,100)	2,814
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Net (decrease)/increase in cash and cash equivalents	(965)	1,772
Cash and cash equivalents at beginning of the year	4,712	2,940
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Cash and cash equivalents at end of the year	3,747	4,712
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1(e) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

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 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
Balance at 1 January 2011	23,897	(837)	9,259	320	(203)	32,436
Total comprehensive income for the year	-	-	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

Company	Share capital \$'000	Treasury shares \$'000	Revenue reserves \$'000	Other reserves \$'000	Total equity \$'000
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
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

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

	31 Dec 2012	30 June 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 31 December 2012 and 31 December 2011.

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

	31 Dec 2012	31 Dec 2011
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 2012 and 31 December 2011.

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 2012. 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	
	FY2012	FY2011
Earnings per share based on profit attributable to shareholders:		
Based on existing issued share capital	1.03 cts	1.01 cts
Based on fully diluted basis	1.03 cts	1.01 cts

7. NET ASSET VALUE

	Group		Company	
	FY2012	FY2011	FY2012	FY2011
Net asset value per share based on existing issued share capital as at the end of the year reported on (excluding treasury shares).	9.03 cts	9.03 cts	9.00 cts	9.41 cts

8. REVIEW OF GROUP PERFORMANCE

The Group's Revenue for FY 2012 of \$106.5 million was 1.7% higher than FY 2011. The Gross Profit Margin increased from 20.5% in FY 2011 to 20.9% in FY 2012.

The Profit from Operations was \$5.3 million, an increase of 8.2%. The General and Administrative Costs was higher by 10.7% due to increase in headcount and salary-related costs. Other income (including interest income) increased by approximately \$1.0 million due to a one-off gain on disposal of investment securities.

The Group's Profit after taxation increased by 1.3% to \$3.56 million after providing for an impairment of goodwill of \$0.96 million in FY 2012.

Earnings per share was 1.03 cents against 1.01 cents, based on a fully diluted basis.

Net asset value was 9.03 cents as at 31 December 2012 and 31 December 2011.

Inventories decreased by \$2.5 million from \$28.6 million to \$26.1 million. The cash generated from the reduced inventories, and the proceeds from the disposal of investment securities, were used to reduce short-term and long-term bank borrowings from \$18.6 million to \$14.5 million.

9. VARIANCE FROM PROSPECT STATEMENT

There is no variance from the prospect statement.

10. PROSPECT

As at 31 December 2012, the Group has orders on hand worth \$43.8 million (31 December 2011: \$53.3 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 expects higher labour costs in the countries where the Group carries out its manufacturing operations. Barring any unforeseen circumstances, the Directors are cautiously optimistic about the performance for the year.

11. DIVIDENDS

(a) Current Financial Period Reported On

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

(b) Corresponding Period of the Immediate Preceding Financial Year

Name of Dividend	Second & final	Special dividend
Dividend Type	Cash	Cash
Dividend (cents)	0.100	0.160
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 23 April 2013, will be made on 15 May 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 2 May 2013 to 5.00 p.m. on 3 May 2013 (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 2 May 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 2 May 2013 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 2012 to be false or misleading.

14. BUSINESS SEGMENTAL INFORMATION

	Asia Pacific		USA		Europe		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Segment turnover	37,975	33,955	30,342	32,852	38,213	37,953	106,530	104,760
Cost of sales	(27,454)	(24,606)	(23,949)	(26,073)	(32,886)	(32,599)	(84,289)	(83,278)
Gross profit	10,521	9,349	6,393	6,779	5,327	5,354	22,241	21,482
Unallocated expenses							(17,314)	(17,004)
Impairment of goodwill							(955)	-
Share of results of associated company							186	93
Profit before taxation							4,158	4,571
Tax expense							(594)	(1,053)
Net profit for the year							3,564	3,518

(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		+ / (-) %
	2012 \$'000	2011 \$'000	
Turnover reported for :			
First half year	54,645	54,679	(0.1)
Second half year	51,885	50,081	3.6
Profit after taxation reported for :			
First half year	3,288	2,238	46.9
Second half year	276	1,280	(78.4)

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	2,635	2,497
Preference	-	-
Total	2,635	2,497

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, 26 February 2013