

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 2014.

1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	GROUP		
	<u>2014</u>	<u>2013</u>	<u>+ / (-)</u>
	\$'000	\$'000	%
Revenue	121,322	109,663	10.6
Cost of sales	(91,977)	(85,536)	7.5
Gross profit	29,345	24,127	21.6
Other income (including interest income)	2	10	N/M
General and administrative costs	(17,175)	(15,629)	9.9
Selling and distribution costs	(4,448)	(4,052)	9.8
Profit from operations	7,724	4,456	73.3
Finance costs	(226)	(297)	(23.9)
Impairment of goodwill	(1,500)	(400)	N/M
Share of results of associated company	175	86	103.5
Profit from operations before taxation	6,173	3,845	60.6
Taxation	(1,034)	(207)	N/M
Profit after taxation	5,139	3,638	41.3
Other comprehensive income:			
Foreign currency translation	69	28	N/M
Total comprehensive income for the year	5,208	3,666	42.1

Included in the above expenses are -

Depreciation of fixed assets	(2,605)	(2,306)	13.0
Fair value loss on forward contracts	(393)	(148)	N/M
Foreign exchange gain	837	462	N/M
Impairment of goodwill	(1,500)	(400)	N/M

N/M – Not meaningful

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

	GROUP		COMPANY	
	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Fixed assets	8,445	9,821	2,971	3,378
Intangible assets	1,063	2,563	1,063	2,563
Investment in and advance to subsidiary companies	-	-	4,945	6,246
Investment in associated company	1,186	1,063	482	482
Deferred tax asset	827	1,063	473	725
	<u>11,521</u>	<u>14,510</u>	<u>9,934</u>	<u>13,394</u>
Current assets				
Inventories	28,354	28,906	28,217	28,752
Trade receivables	25,095	21,184	24,992	21,067
Other receivables	748	869	488	633
Amounts due from subsidiary companies	-	-	1,367	1,323
Cash and cash equivalents	8,079	3,857	7,584	3,486
	<u>62,276</u>	<u>54,816</u>	<u>62,648</u>	<u>55,261</u>
Current liabilities				
Trade payables and accruals	21,594	20,068	20,173	18,939
Amounts due to subsidiary companies	-	-	2,086	1,267
Provision for taxation	2,114	2,050	1,193	1,309
Bank borrowings	11,734	9,444	11,734	9,444
Other liabilities	2,080	1,714	2,080	1,714
	<u>37,522</u>	<u>33,276</u>	<u>37,266</u>	<u>32,673</u>
Net current assets	<u>24,754</u>	<u>21,540</u>	<u>25,382</u>	<u>22,588</u>
Non-current liabilities				
Bank borrowings	(1,000)	(3,000)	(1,000)	(3,000)
Net assets	<u>35,275</u>	<u>33,050</u>	<u>34,316</u>	<u>32,982</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	12,578	10,422	11,256	9,922
Foreign currency translation reserve	(363)	(432)	-	-
	<u>35,275</u>	<u>33,050</u>	<u>34,316</u>	<u>32,982</u>

1(c) **BORROWINGS**

Amount repayable in one year or less, or on demand

As at 31 Dec 2014		As at 31 Dec 2013	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	11,734	-	9,444

Amount repayable after one year

As at 31 Dec 2014		As at 31 Dec 2013	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	1,000	-	3,000

Details of any collateral

Not applicable.

1(d) CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	GROUP	
	FY2014	FY2013
	\$'000	\$'000
Cash flows from operating activities:		
Profits from operations before taxation	6,173	3,845
Adjustments for:		
Depreciation in fixed assets	2,605	2,306
Interest income	(3)	(4)
Interest expense	226	297
Impairment of goodwill	1,500	400
Gain on disposal of fixed assets	-	(6)
Fair value loss on forward contracts	393	148
Decrease in inventory provision	(2,136)	(1,222)
Share of results of associated companies	(175)	(86)
Operating income before investment in working capital	8,583	5,678
Increase in receivables	(3,790)	(2,133)
Decrease/(Increase) in inventories	2,688	(1,560)
Increase in payables	1,499	5,156
Cash generated from operations	8,980	7,141
Interest received	3	4
Interest paid	(226)	(297)
Income tax paid, net of refund	(734)	(294)
Net cash generated from operating activities	8,023	6,554
Cash flows from investing activities:		
Purchase of fixed assets	(1,229)	(2,581)
Dividend income from associated company	52	40
Proceed from disposal of fixed assets	-	115
Net cash used in investing activities	(1,177)	(2,426)
Cash flows from financing activities:		
Dividends paid on ordinary shares	(2,983)	(1,942)
Proceed from/(repayment of) loans and borrowings	290	(2,076)
Net cash used in financing activities	(2,693)	(4,018)
Net increase in cash and cash equivalents	4,153	110
Effect of exchange rate changes on cash and equivalents	69	-
Cash and cash equivalents at beginning of the year	3,857	3,747
Cash and cash equivalents at end of the year	8,079	3,857

1(e) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

Group	Share capital \$'000	Treasury shares \$'000	Revenue reserves \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
Balance at 1 January 2014	23,897	(837)	10,422	(432)	33,050
Total comprehensive income for the year	-	-	5,139	69	5,208
Dividends paid	-	-	(2,983)	-	(2,983)
Balance at 31 December 2014	23,897	(837)	12,578	(363)	35,275
Balance at 1 January 2013	23,897	(837)	8,726	(460)	31,326
Total comprehensive income for the year	-	-	3,638	28	3,666
Dividends paid	-	-	(1,942)	-	(1,942)
Balance at 31 December 2013	23,897	(837)	10,422	(432)	33,050
Company	Share capital \$'000	Treasury shares \$'000	Revenue reserves \$'000	Total equity \$'000	
Balance at 1 January 2014	23,897	(837)	9,922	32,982	
Profit net of tax	-	-	4,317	4,317	
Dividends paid	-	-	(2,983)	(2,983)	
Balance at 31 December 2014	23,897	(837)	11,256	34,316	
Balance at 1 January 2013	23,897	(837)	8,161	31,221	
Profit net of tax	-	-	3,703	3,703	
Dividends paid	-	-	(1,942)	(1,942)	
Balance at 31 December 2013	23,897	(837)	9,922	32,982	

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

	31 Dec 2014	30 June 2014
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 2014 and 31 December 2013.

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

	31 Dec 2014	31 Dec 2013
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 2014 and 31 December 2013.

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 2014. 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	
	FY2014	FY2013
Earnings per share based on profit attributable to shareholders:		
Based on existing issued share capital	1.48 cts	1.05 cts
Based on fully diluted basis	1.48 cts	1.05 cts

7. NET ASSET VALUE

	Group		Company	
	FY2014	FY2013	FY2014	FY2013
Net asset value per share based on existing issued share capital as at the end of the year reported on (excluding treasury shares).	10.17 cts	9.53 cts	9.90 cts	9.51 cts

8. REVIEW OF GROUP PERFORMANCE

The Group's Revenue for FY 2014 of \$121.3 million was 10.6% higher than FY 2013. The Gross Profit Margin increased from 22.0% in FY 2013 to 24.2% in FY 2014.

The General and Administrative Costs and Selling and Distribution Costs were higher due to increase in salary-related costs, while Finance costs was lower as a result of lower average borrowings and interest rate. The Impairment of goodwill of \$1.5 million in FY 2014 was provided in view of the greater uncertainty and the expected tighter profit margin going forward. In FY 2013, the impairment was \$0.4 million.

The Profit from Operations before Taxation increased from \$3.85 million to \$6.17 million in FY 2014.

The Profit after taxation increased from \$3.64 million to \$5.14 million in FY 2014.

Earnings per share increased from 1.05 cents to 1.48 cents, based on a fully diluted basis.

Net asset value per share increased from 9.53 cents to 10.17 cents as at 31 December 2014.

Trade receivables increased from \$21.2 million to \$25.1 million due to increased revenue.

Cash and cash equivalents increased from \$3.9 million to \$8.1 million mainly due to increased profit.

Save for the above, the Statement of Financial Position of the Group as at 31 December 2014 was consistent as compared with 31 December 2013.

9. VARIANCE FROM PROSPECT STATEMENT

There is no variance from the prospect statement.

10. PROSPECT

As at 31 December 2014, the Group has orders on hand worth \$59.8 million (31 December 2013: \$47.3 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.

Barring any unforeseen circumstances, and despite the anticipated challenging environment, the Directors expect the Group to remain profitable for FY 2015.

11. DIVIDENDS

(a) Current Financial Period Reported On

Name of Dividend	Second & final	Special dividend
Dividend Type	Cash	Cash
Dividend (cents)	0.100	0.460
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	0.300
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 2015, will be made on 8 May 2015.

(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 24 April 2015 to 5.00 p.m. on 27 April 2015 (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 24 April 2015 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 24 April 2015 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 2014 to be false or misleading.

14. BUSINESS SEGMENTAL INFORMATION

	Asia Pacific		USA		Europe		Consolidated	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Segment turnover	53,414	42,818	26,724	25,846	41,184	40,999	121,322	109,663
Cost of sales	(38,470)	(31,696)	(19,661)	(19,028)	(33,846)	(34,812)	(91,977)	(85,536)
Gross profit	14,944	11,122	7,063	6,818	7,338	6,187	29,345	24,127
Unallocated expenses							(21,847)	(19,968)
Impairment of goodwill							(1,500)	(400)
Share of results of associated company							175	86
Profit before taxation							6,173	3,845
Tax expense							(1,034)	(207)
Net profit for the year							5,139	3,638

(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		+ / (-) %
	2014 \$'000	2013 \$'000	
Turnover reported for :			
First half year	56,510	54,173	4.3
Second half year	64,812	55,490	16.8
Profit after taxation reported for :			
First half year	2,360	2,033	16.1
Second half year	2,779	1,605	73.2

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 Preference	3,537	2,809
	-	-
Total	3,537	2,809

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, 12 February 2015