

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 2015.

1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	GROUP		
	<u>2015</u>	<u>2014</u>	<u>+ / (-)</u>
	\$'000	\$'000	%
Revenue	132,341	121,322	9.1
Cost of sales	(98,896)	(91,977)	7.5
Gross profit	33,445	29,345	14.0
Other income (including interest income)	1	2	N/M
General and administrative costs	(15,826)	(17,175)	(7.9)
Selling and distribution costs	(4,433)	(4,448)	(0.3)
Profit from operations	13,187	7,724	70.7
Finance costs	(169)	(226)	(25.2)
Impairment of goodwill	-	(1,500)	N/M
Share of results of associated company	258	175	47.4
Profit from operations before taxation	13,276	6,173	115.1
Taxation	(2,460)	(1,034)	137.9
Profit after taxation	10,816	5,139	110.5
Other comprehensive income:			
Foreign currency translation	46	69	(31.5)
Total comprehensive income for the year	10,862	5,208	108.6

Included in the above expenses are -

Depreciation of fixed assets	(2,422)	(2,605)	(7.0)
Fair value gain/(loss) on forward contracts	340	(393)	N/M
Foreign exchange gain	584	837	(30.2)
Impairment of goodwill	-	(1,500)	N/M

N/M – Not meaningful

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

	GROUP		COMPANY	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Fixed assets	7,159	8,445	2,587	2,971
Intangible assets	1,063	1,063	1,063	1,063
Investment in and advance to subsidiary companies	-	-	3,919	4,945
Investment in associated company	1,339	1,186	482	482
Deferred tax asset	656	827	262	473
	<u>10,217</u>	<u>11,521</u>	<u>8,313</u>	<u>9,934</u>
Current assets				
Inventories	24,210	28,354	24,027	28,217
Trade receivables	24,432	25,095	24,352	24,992
Other receivables	1,171	748	876	488
Amounts due from subsidiary companies	-	-	1,345	1,367
Cash and cash equivalents	13,014	8,079	12,479	7,584
	<u>62,827</u>	<u>62,276</u>	<u>63,079</u>	<u>62,648</u>
Current liabilities				
Trade payables and accruals	19,557	21,594	18,182	20,173
Amounts due to subsidiary companies	-	-	2,560	2,086
Provision for taxation	3,452	2,114	2,472	1,193
Bank borrowings	7,523	11,734	7,523	11,734
Other liabilities	2,478	2,080	2,478	2,080
	<u>33,010</u>	<u>37,522</u>	<u>33,215</u>	<u>37,266</u>
Net current assets	<u>29,817</u>	<u>24,754</u>	<u>29,864</u>	<u>25,382</u>
Non-current liabilities				
Bank borrowings	-	(1,000)	-	(1,000)
Net assets	<u>40,034</u>	<u>35,275</u>	<u>38,177</u>	<u>34,316</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	17,291	12,578	15,117	11,256
Foreign currency translation reserve	(317)	(363)	-	-
	<u>40,034</u>	<u>35,275</u>	<u>38,177</u>	<u>34,316</u>

1(b) (ii) BORROWINGS

Amount repayable in one year or less, or on demand

As at 31 Dec 2015		As at 31 Dec 2014	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	7,523	-	11,734

Amount repayable after one year

As at 31 Dec 2015		As at 31 Dec 2014	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	-	-	1,000

Details of any collateral

Not applicable.

1(c) CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	GROUP	
	FY2015	FY2014
	\$'000	\$'000
Cash flows from operating activities:		
Profits from operations before taxation	13,276	6,173
Adjustments for:		
Depreciation in fixed assets	2,422	2,605
Interest income	(1)	(3)
Interest expense	169	226
Impairment of goodwill	-	1,500
Fair value (gain)/loss on forward contracts	(340)	393
Decrease in inventory provision	(1,092)	(2,136)
Share of results of associated companies	(258)	(175)
Operating income before investment in working capital	<u>14,176</u>	<u>8,583</u>
Decrease/(Increase) in receivables	239	(3,790)
Decrease in inventories	5,236	2,688
(Decrease)/Increase in payables	(1,300)	1,499
Cash generated from operations	<u>18,351</u>	<u>8,980</u>
Interest received	1	3
Interest paid	(180)	(236)
Income tax paid, net of refund	(949)	(734)
Net cash generated from operating activities	<u>17,223</u>	<u>8,013</u>
Cash flows from investing activities:		
Purchase of fixed assets	(1,136)	(1,229)
Dividend income from associated company	104	52
Net cash used in investing activities	<u>(1,032)</u>	<u>(1,177)</u>
Cash flows from financing activities:		
Dividends paid on ordinary shares	(6,103)	(2,983)
Proceeds from loans and borrowings	-	2,800
Repayment of loans and borrowings	(5,200)	(2,500)
Net cash used in financing activities	<u>(11,303)</u>	<u>(2,683)</u>
Net increase in cash and cash equivalents	4,888	4,153
Effect of exchange rate changes on cash and equivalents	47	69
Cash and cash equivalents at beginning of the year	8,079	3,857
Cash and cash equivalents at end of the year	<u>13,014</u>	<u>8,079</u>
	=====	=====

1(d) (i) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

Group	Share capital \$'000	Treasury shares \$'000	Revenue reserves \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
Balance at 1 January 2015	23,897	(837)	12,578	(363)	35,275
Total comprehensive income for the year	-	-	10,816	46	10,862
Dividends paid	-	-	(6,103)	-	(6,103)
Balance at 31 December 2015	23,897	(837)	17,291	(317)	40,034
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
Company	Share capital \$'000	Treasury shares \$'000	Revenue reserves \$'000	Total equity \$'000	
Balance at 1 January 2015	23,897	(837)	11,256	34,316	
Profit net of tax	-	-	9,964	9,964	
Dividends paid	-	-	(6,103)	(6,103)	
Balance at 31 December 2015	23,897	(837)	15,117	38,177	
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	

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

	31 Dec 2015	30 June 2015
No. of treasury shares held	: 1,235,750	1,235,750
No. of issued shares excluding treasury shares	: 86,698,463	86,698,463

There was no outstanding convertible as at 31 December 2015 and 31 December 2014.

1(d)(iii) TOTAL NUMBER OF ISSUED SHARES EXCLUDING TREASURY SHARES

	31 Dec 2015	31 Dec 2014
No. of issued shares excluding treasury shares:	86,698,463	346,793,907

On 11 May 2015, the Company completed a share consolidation of every four (4) ordinary shares in the capital of the Company into one (1) consolidated share.

There were 86,698,463 ordinary shares issued (after consolidation and excluding treasury shares) as at 31 December 2015, and 346,793,907 ordinary shares issued (before consolidation and excluding treasury shares) as at 31 December 2014.

1(d)(iv) 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 2015. 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

As described in Note 4, the adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

6. EARNINGS PER ORDINARY SHARE (EPS)

	Group	
	FY2015	FY2014
Earnings per share based on profit attributable to shareholders:		
Based on existing issued share capital	12.48 cts	5.93 cts
Based on fully diluted basis	12.48 cts	5.93 cts

7. NET ASSET VALUE

	Group		Company	
	FY2015	FY2014	FY2015	FY2014
Net asset value per share based on existing issued share capital as at the end of the year reported on (excluding treasury shares).	46.18 cts	40.69 cts	44.03 cts	39.58 cts

8. REVIEW OF GROUP PERFORMANCE

The Group's Revenue for FY 2015 of \$132.3 million was 9.1% higher than FY 2014. The Gross Profit Margin increased from 24.2% in FY 2014 to 25.3% in FY 2015.

The General and Administrative Costs were lower mainly due to a swing from fair value loss in FY 2014 to fair value gain in FY 2015 on forward currency contracts, and generally lower expenses due to cost control efforts. Finance costs was lower as a result of lower borrowings.

In FY 2015 the Impairment of Goodwill was NIL (FY2014: \$1.5 million).

The Profit from Operations before Taxation increased from \$6.17 million to \$13.28 million in FY 2015.

The Profit after Taxation increased from \$5.14 million to \$10.82 million in FY 2015.

Earnings per share increased from 5.93 cents to 12.48 cents, based on a fully diluted basis.

Net asset value per share increased from 40.69 cents to 46.18 cents as at 31 December 2015.

Inventories decreased from \$28.4 million to \$24.2 million. Bank Borrowings decreased from \$12.7 million to \$7.5 million. Cash and Cash Equivalents increased from \$8.1 million to \$13.0 million. These were achieved through improved profit and working capital management.

9. VARIANCE FROM PROSPECT STATEMENT

There is no variance from the prospect statement.

10. PROSPECT

As at 31 December 2015, the Group has orders on hand worth \$49.0 million (31 December 2014: \$59.8 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, aviation and displays for industrial applications.

Barring any unforeseen circumstances, the Directors expect the Group to remain profitable for FY 2016.

11. DIVIDENDS

(a) Current Financial Period Reported On

Name of Dividend	Second & final	Special dividend
Dividend Type	Cash	Cash
Dividend (cents)	0.400	4.800
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)	0.400	1.840
Tax Rate	One-tier tax exempt	One-tier tax exempt

On 11 May 2015, the Company completed a share consolidation of every four (4) ordinary shares in the capital of the Company into one (1) consolidated share. The rate of final and special dividends for the corresponding period has been restated to reflect the share consolidation. The actual rate of final and special dividend (before the share consolidation) was 0.100 cents and 0.460 cents respectively.

(c) Date payable

Payment of the dividends, if approved by the members at the Annual General Meeting to be held on 6 April 2016, will be made on 27 April 2016.

(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 April 2016 to 5.00 p.m. on 15 April 2016 (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 14 April 2016 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 April 2016 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. BUSINESS SEGMENTAL INFORMATION

	Asia Pacific		USA		Europe		Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Segment turnover	62,895	53,414	24,941	26,724	44,505	41,184	132,341	121,322
Cost of sales	(44,830)	(38,470)	(18,422)	(19,661)	(35,644)	(33,846)	(98,896)	(91,977)
Gross profit	18,065	14,944	6,519	7,063	8,861	7,338	33,445	29,345
Unallocated expenses							(20,427)	(21,847)
Impairment of goodwill							-	(1,500)
Share of results of associated company							258	175
Profit before taxation							13,276	6,173
Tax expense							(2,460)	(1,034)
Net profit for the year							10,816	5,139

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

14. 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.

15. BREAKDOWN OF SALES

	Latest Financial Year \$'000	Previous Financial Year \$'000	% increase/ (decrease)
	Group	Group	Group
(a) Sales reported for first half year	67,187	56,510	18.9%
(b) Operating profit/(loss) after tax deducting minority interests reported for first half year	5,205	2,360	120.6%
(c) Sales reported for second half year	65,154	64,812	0.5%
(d) Operating profit/(loss) after tax deducting minority interests reported for second half year	5,611	2,779	101.9%

16. 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	8,670 -	3,537 -
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Total	8,670 =====	3,537 =====

17. 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, 2 February 2016