

CEI CONTRACT MANUFACTURING LIMITED

(Company Registration No. 199905114H)

Half 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 Financial Half Year Ended 30 June 2012. These figures have not been audited.

1(a) STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2012

	GROUP		
	<u>2012</u>	<u>2011</u>	<u>+ / (-)</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Revenue	54,645	54,679	(0.1)
Cost of sales	(42,694)	(43,639)	(2.2)
Gross profit	11,951	11,040	8.3
Other income (including interest income)	1,093	148	N/M
General and administrative costs	(7,293)	(6,708)	8.7
Selling and distribution costs	(1,758)	(1,543)	13.9
Profit from operations	3,993	2,937	36.0
Finance costs	(224)	(192)	16.7
Share of results of associated companies	82	64	28.1
Profit before taxation	3,851	2,809	37.1
Taxation	(563)	(571)	(1.4)
Profit after taxation	3,288	2,238	46.9
Other comprehensive (loss)/ income:			
Foreign currency translation	37	(73)	N/M
Fair value adjustment of available-for-sale financial assets	(192)	-	N/M
Total comprehensive income for the period	3,133	2,165	44.7

N/M – Not meaningful.

Included in the above expenses are –	<u>2012</u>	<u>2011</u>	<u>+ / (-)</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Depreciation of fixed assets	(1,159)	(1,233)	(6.0)
Gain on disposal of investment securities	1,088	-	N/M
Foreign exchange gain/ (loss)	8	(250)	N/M

1(b) STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
	30 June 2012 \$'000	31 Dec 2011 \$'000	30 June 2012 \$'000	31 Dec 2011 \$'000
Fixed assets	9,361	10,252	2,306	2,439
Subsidiary companies	-	-	8,875	8,797
Associated companies	948	867	482	482
Investment securities	-	1,408	-	1,408
Intangible assets	3,918	3,918	3,918	3,918
Deferred tax asset	828	828	828	828
	<u>15,055</u>	<u>17,273</u>	<u>16,409</u>	<u>17,872</u>
Current assets				
Inventories	26,680	28,622	26,594	28,495
Trade receivables	21,373	19,933	21,224	19,675
Other receivables	784	706	584	529
Amounts owing by subsidiary companies	-	-	2,119	2,767
Cash and cash equivalents	6,441	4,712	5,635	4,092
	<u>55,278</u>	<u>53,973</u>	<u>56,156</u>	<u>55,558</u>
Current liabilities				
Trade payables and accruals	15,988	17,227	15,032	16,211
Amounts owing to subsidiary companies	-	-	1,210	2,493
Bank borrowings	9,132	9,503	9,132	9,503
Provision for taxation	1,914	1,951	1,277	1,323
Other liabilities	2,462	2,159	2,462	2,159
	<u>29,496</u>	<u>30,840</u>	<u>29,113</u>	<u>31,689</u>
Net current assets	<u>25,782</u>	<u>23,133</u>	<u>27,043</u>	<u>23,869</u>
Non-current liabilities				
Bank borrowings	7,300	9,100	7,300	9,100
Net assets	<u>33,537</u>	<u>31,306</u>	<u>36,152</u>	<u>32,641</u>
	=====	=====	=====	=====
Represented by:				
Share capital	23,897	23,897	23,897	23,897
Treasury shares	(837)	(837)	(837)	(837)
Revenue reserves	10,565	8,179	13,092	9,389
Other reserves	-	192	-	192
Foreign currency translation reserve	(88)	(125)	-	-
	<u>33,537</u>	<u>31,306</u>	<u>36,152</u>	<u>32,641</u>
	=====	=====	=====	=====

1(c) BORROWINGS

Amount repayable in one year or less, or on demand

As at 30 June 2012		As at 31 Dec 2011	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	\$9,132	-	\$9,503

Amount repayable after one year

As at 30 June 2012		As at 31 Dec 2011	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	\$7,300	-	\$9,100

Details of any collateral

Nil

1(d) **CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2012**

	2012 \$'000	2011 \$'000
Cash flows from operating activities:		
Profits from operations before taxation	3,851	2,809
Adjustments for:		
Depreciation of fixed assets	1,159	1,233
Interest income	(2)	(2)
Interest expense	224	192
Gain on disposal of fixed assets	(3)	-
Share of results of associated companies	(82)	(64)
Gain on disposal of investment securities	(1,088)	-
Fair value loss/(gain) on unsettled forward currency contract	133	(147)
Operating income before investment in working capital	4,192	4,021
Increase in receivables	(1,518)	(479)
Decrease/(Increase) in inventories	1,941	(1,767)
Decrease in payables	(1,070)	(1,858)
Cash generated from/(used in) operations	3,545	(83)
Interest received	2	2
Interest paid	(186)	(192)
Income tax paid, net of refund	(600)	(828)
Net cash generated from/(used in) operating activities	2,761	(1,101)
Cash flows from investing activities:		
Purchase of fixed assets	(267)	(528)
Proceed on disposal of fixed assets	3	-
Proceed on disposal of investment securities	2,305	-
Cash generated from/(used in) investing activities	2,041	(528)
Cash flows from financing activities:		
Dividends paid on ordinary shares	(902)	(3,004)
(Repayment of)/Proceeds from bank borrowings	(2,171)	8,593
Net cash (used in)/provided by financing activities	(3,073)	5,589
Net increase in cash and cash equivalents	1,729	3,960
Cash and cash equivalent at beginning of the period	4,712	2,940
Cash and cash equivalent at end of the period	6,441	6,900

1(e) STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2012

Group	Share capital \$'000	Treasury shares \$'000	Revenue reserve \$'000	Other reserves \$'000	Foreign currency Translation reserve \$'000	Total equity \$'000
Balance at 1 January 2012	23,897	(837)	8,179	192	(125)	31,306
Total comprehensive income for the period	-	-	3,288	(192)	37	3,133
Dividends paid	-	-	(902)	-	-	(902)
Balance at 30 June 2012	23,897	(837)	10,565	-	(88)	33,537
Balance at 1 January 2011	23,897	(837)	9,260	320	(203)	32,437
Total comprehensive income for the period	-	-	2,238	-	(73)	2,165
Dividends paid	-	-	(3,004)	-	-	(3,004)
Balance at 30 June 2011	23,897	(837)	8,494	320	(276)	31,598
Company						
Balance at 1 January 2012	23,897	(837)	9,389	192	-	32,641
Total comprehensive income for the period	-	-	4,605	(192)	-	4,413
Dividends paid	-	-	(902)	-	-	(902)
Balance at 30 June 2012	23,897	(837)	13,092	-	-	36,152
Balance at 1 January 2011	23,897	(837)	10,042	320	-	33,422
Total comprehensive income for the period	-	-	2,379	-	-	2,379
Dividends paid	-	-	(3,004)	-	-	(3,004)
Balance at 30 June 2011	23,897	(837)	9,417	320	-	32,797

1(f) CHANGES IN COMPANY'S SHARE CAPITAL

	30 Jun 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

1(g) NUMBER OF SHARES THAT MAY BE ISSUED ON CONVERSION OF ALL OUTSTANDING CONVERTIBLES

There was no outstanding convertible as at 30 June 2012 and 30 June 2011.

1(h) ISSUED SHARE CAPITAL

There were 346,793,907 ordinary shares issued (excluding treasury shares) as at 30 June 2012 (31 December 2011: 346,793,907).

There were no sales, transfers, disposal, cancellation and/or use of treasury shares in the current financial period.

2. AUDIT/REVIEW

The figures have not been audited or reviewed.

3. AUDITORS' REPORT

Not applicable as the 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

Not applicable.

6. EARNINGS PER ORDINARY SHARES (EPS)

	2012	2011
Earnings per share based on profit attributable to shareholders:		
Based on existing issued share capital	0.95 cts	0.65 cts
Based on fully diluted basis	0.95 cts	0.65 cts

7. NET ASSET VALUE

	Group		Company	
	30 June 2012	31 Dec 2011	30 June 2012	31 Dec 2011
Net asset value per share based on existing issued share capital as at the end of the period reported on.	8.54 cts	7.90 cts	9.29 cts	8.28 cts

8. REVIEW OF GROUP PERFORMANCE

The Group's Revenue was mainly denominated in US\$. The Group's Revenue for the first half of FY 2012 of \$54.6 million was flat compared with the first half of FY 2011. The Gross Profit Margin increased from 20.2% in FY 2011 to 21.9% in FY 2012 mainly as a result of stronger US\$.

The Profit from Operations was \$4.0 million, an increase of 36.0%. Other income (including interest income) increased by approximately \$1.0 million due to a one-off gain on disposal of Investment Securities. The General and Administrative Costs and Selling and Distribution Costs were higher due to increase in headcount and salary-related costs.

The Group's Profit after taxation was about \$3.3 million, an increase of 46.9%. Excluding the one-off gain on disposal of Investment Securities, the Group's Profit after taxation would have been \$2.2 million, about the same as the first half of FY 2011.

Earnings per share was 0.95 cents against 0.65 cents, based on a fully diluted basis.

Net asset value of 8.54 cents as at 30 June 2012 was 8.1% higher than 7.90 cents as at 31 December 2011.

The Group's borrowings decreased by \$2.2 million from \$18.6 million to \$16.4 million. Cash and Cash Equivalents increased by \$1.7 million from \$4.7 million to \$6.4 million. The improvement in cashflow was mainly contributed by profit from the operations, and also proceed from the disposal of Investment Securities.

9. VARIANCE FROM PROSPECTIVE STATEMENT

In the announcement of the Group's financial results for the year ended 31 December 2011, it was mentioned "the Directors expect that barring any unforeseen circumstances, the Group will remain profitable for FY 2012".

The Directors wish to announce that the Group reported a Net Profit of \$3.3 million in the first half of FY 2012.

10. PROSPECT

As at 30 June 2012, the Group has orders on hand worth \$48.3 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 Directors expect a challenging business environment in the second half of FY 2012 due to the uncertainties in the global economy. 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 in the second half of FY 2012.

11. DIVIDENDS

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes.

Name of Dividend	Interim	Special
Dividend Type	Cash	Cash
Dividend (cents)	0.460	0.150
Tax Rate	One-tier tax-exempt	

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes.

Name of Dividend	Interim
Dividend Type	Cash
Dividend (cents)	0.460
Tax Rate	One-tier tax exempt

(c) Date payable

The dividends will be payable on 23 August 2012.

(d) Books closure date

The Share Transfer Books and the Register of Members of the Company will be closed from 5.00 p.m. on 14 August 2012 to 15 August 2012 (both dates inclusive), for the preparation of the dividend warrants for both the one-tier tax-exempt interim 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 August 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 14 August 2012 will be entitled to the proposed dividends.

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 first half-year ended 30 June 2012 to be false or misleading.

BY ORDER OF THE BOARD

Teo Soon Hock
Secretary

Singapore, 3 August 2012