

**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 2010.

**1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010**

	GROUP		
	2010 \$'000	2009 \$'000	+ / (-) %
Revenue	95,629	75,800	26.2
Cost of sales	(74,442)	(57,875)	28.6
Gross profit	21,187	17,925	18.2
Other income (including interest income)	38	13	192.3
General and administrative costs	(11,992)	(11,778)	1.8
Selling and distribution costs	(2,731)	(2,701)	1.1
Profit from operations	6,502	3,459	88.0
Finance costs	(308)	(447)	(31.1)
Share of results of associated company	150	34	341.2
Profit from operations before taxation	6,344	3,046	108.3
Taxation	(1,164)	(724)	60.8
Profit after taxation	5,180	2,322	123.1
Other comprehensive income:			
Foreign currency translation	(169)	(34)	N/M
Fair value adjustment on available-for-sale financial assets	320	-	N/M
Total comprehensive income for the year	5,331	2,288	133.0

Included in the above expenses are -

Amortisation/ write off of intangible assets	-	(676)	N/M
Depreciation of fixed assets	(2,198)	(1,989)	10.5
Fair value changes of financial instruments	162	(20)	N/M
Foreign exchange loss	(539)	(300)	79.7
Impairment of investment in securities	(68)	(320)	(78.8)
Impairment of intangible assets	-	(543)	N/M

N/M – Not meaningful

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

	GROUP		COMPANY	
	31 Dec	31 Dec	31 Dec	31 Dec
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<b>Fixed assets</b>	11,711	11,000	2,909	1,284
<b>Intangible assets</b>	3,918	3,918	3,918	3,918
<b>Investment in subsidiary companies</b>	-	-	11,542	11,276
<b>Investment in associated company</b>	803	679	482	508
<b>Investment in securities</b>	1,536	1,280	1,536	1,280
<b>Deferred tax asset</b>	535	535	535	535
	<u>18,503</u>	<u>17,412</u>	<u>20,922</u>	<u>18,801</u>
<b>Current assets</b>				
Inventories	23,793	12,280	23,736	12,262
Trade receivables	21,062	12,770	20,829	12,640
Other receivables	826	858	695	700
Amounts due from subsidiary companies	-	-	2,145	226
Cash and cash equivalents	2,940	14,885	2,465	13,458
	<u>48,621</u>	<u>40,793</u>	<u>49,870</u>	<u>39,286</u>
<b>Current liabilities</b>				
Trade payables and accruals	19,818	10,545	18,914	10,044
Amounts due to subsidiary companies	-	-	3,914	258
Provision for taxation	1,805	1,555	1,552	1,240
Bank borrowings	7,157	6,851	7,157	6,851
Other liabilities	1,875	2,408	1,801	2,334
	<u>30,655</u>	<u>21,359</u>	<u>33,338</u>	<u>20,727</u>
<b>Net current assets</b>	<u>17,966</u>	<u>19,434</u>	<u>16,532</u>	<u>18,559</u>
<b>Non-current liabilities</b>				
Bank borrowings	(4,033)	(6,633)	(4,033)	(6,633)
<b>Net assets</b>	<u>32,436</u>	<u>30,213</u>	<u>33,421</u>	<u>30,727</u>
Represented by:				
<b>Share capital</b>	23,897	23,816	23,897	23,816
<b>Less : Treasury shares</b>	(837)	(837)	(837)	(837)
	<u>23,060</u>	<u>22,979</u>	<u>23,060</u>	<u>22,979</u>
<b>Revenue reserves</b>	9,259	7,187	10,041	7,667
<b>Other reserves</b>	320	81	320	81
<b>Foreign currency translation reserve</b>	(203)	(34)	-	-
	<u>32,436</u>	<u>30,213</u>	<u>33,421</u>	<u>30,727</u>

**1(b)(ii) BORROWINGS**

**Amount repayable in one year or less, or on demand**

As at 31 Dec 2010		As at 31 Dec 2009	
Secured	Unsecured	Secured	Unsecured
-	7,157	-	6,851

**Amount repayable after one year**

As at 31 Dec 2010		As at 31 Dec 2009	
Secured	Unsecured	Secured	Unsecured
-	4,033	-	6,633

**Details of any collateral**

Not applicable.

1(c) **CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>GROUP</b>	
	FY2010	FY2009
	\$'000	\$'000
<b>Cash flows from operating activities:</b>		
Profits from operations before taxation	6,344	3,046
Adjustments for:		
Amortisation of intangible assets	-	676
Depreciation in fixed assets	2,198	1,989
Interest income	(20)	(13)
Interest expense	308	447
Loss on disposal of fixed assets	(27)	93
Impairment of investment in securities (non-current)	64	320
Fair value gains on financial instruments	(142)	-
Share of results of associated companies	(150)	(34)
	<hr/>	<hr/>
<b>Operating income before investment in working capital</b>	8,575	6,524
(Increase)/ decrease in receivables	(8,260)	2,645
(Increase)/ decrease in inventories	(11,513)	3,959
Increase/ (Decrease) in payables	8,740	(3,943)
	<hr/>	<hr/>
<b>Cash (used in)/ generated from operations</b>	(2,458)	9,185
Interest received	20	13
Interest paid	(308)	(447)
Income tax paid, net of refund	(915)	(1,389)
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<b>Net cash (used in)/ provided by operating activities</b>	(3,661)	7,362
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<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(2,909)	(2,025)
Dividend income from associated company	26	-
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<b>Net cash used in investing activities</b>	(2,883)	(2,025)
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<b>Cash flows from financing activities:</b>		
Dividends paid on ordinary shares	(3,107)	(2,003)
(Repayment of)/ Proceeds from loans and borrowings	(2,294)	548
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<b>Net cash used in financing activities</b>	(5,401)	(1,455)
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<b>Net (decrease)/ increase in cash and cash equivalents</b>	(11,945)	3,882
<b>Cash and cash equivalents at beginning of the year</b>	14,885	11,003
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<b>Cash and cash equivalents at end of the year</b>	2,940	14,885
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## 1(d)(i) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

<b>Group</b>	Share capital \$'000	Treasury shares \$'000	Revenue reserves \$'000	Other reserves \$'000	Foreign currency translation reserve \$'000	Total equity
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
Balance at 1 January 2009	23,815	(837)	6,868	82	-	29,928
Total comprehensive income for the period	-	-	2,322	-	(34)	2,288
Dividends paid	-	-	(2,003)	-	-	(2,003)
Issuance of shares on exercise of employee share option	1	-	-	(1)	-	-
Balance at 31 December 2009	23,816	(837)	7,187	81	(34)	30,213

<b>Company</b>	Share capital	Treasury shares	Revenue reserves	Other reserves	Total equity
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
Balance at 1 January 2009	23,815	(837)	6,425	82	29,485
Profit net of tax	-	-	3,245	-	3,245
Dividends paid	-	-	(2,003)	-	(2,003)
Issuance of shares on exercise of employee share option	1	-	-	(1)	-
Balance at 31 December 2009	23,816	(837)	7,667	81	30,727

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

No. of shares issued arising from exercise of options granted under CEI Employees' Share Option Scheme ("CEI ESOS") during the year : NIL

	31 Dec 2010	31 Dec 2009
No. of unexercised options under CEI ESOS	-	1,118,000
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 2010 (31 December 2009: 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 revised FRS 103 Business Combinations and FRS 27 Consolidated and Separate Financial Statements are applicable for annual periods beginning on or after 1 July 2009. The Revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The revised FRS 27 also has changes that would have an impact on the Group's consolidated financial statements for future transaction with non-controlling interests. Adoption of those revised FRS's did not have any effect on the financial performance or position of the Group during the financial year. They did however give rise to revision in accounting policies. Those revised FRS's will affect future acquisitions and loss of controls and transactions with minority interests.

Other than the above, the Group has applied the same accounting policies and methods of computation in the current year as compared with the audited financial statements as at 31 December 2009.

## 5. CHANGES IN ACCOUNTING POLICIES AND THE EFFECT OF THE CHANGES

Please refer to Note 4.

## 6. EARNINGS PER ORDINARY SHARE (EPS)

	GROUP	
	FY2010	FY2009
Earnings per share based on profit attributable to shareholders:		
Based on existing issued share capital	1.49 cts	0.66 cts
Based on fully diluted basis	1.49 cts	0.66 cts

## 7. NET ASSET VALUE

	Group		Company	
	FY2010	FY2009	FY2010	FY2009
Net asset value per share based on existing issued share capital as at the end of the year reported on (excluding treasury shares).	8.22 cts	7.58 cts	8.51 cts	7.72 cts

## 8. REVIEW OF GROUP PERFORMANCE

The Group's Revenue for FY 2010 of \$95.6 million was 26.2% higher than FY 2009 due to increase in demand as a result of the global recovery. The Gross Margin decreased from 23.7% in FY 2009 to 22.2% in FY 2010 due to higher material cost and manufacturing overheads. The Gross Profit increased by 18.2% from \$17.9 million to \$21.2 million in FY 2010.

The Profit from Operations was \$6.5 million, an increase of 88.0%. The increase was mainly due to higher Gross Profit. General and Administrative costs was about the same as previous year. The withdrawal of the "Jobs Credit Scheme" in FY 2010 caused the salaries cost to be higher by \$0.6m. This was offset by lower Impairment of Intangible Assets of \$0.5m and lower Impairment of Securities of \$0.2m. Selling and Distribution costs remained consistent with previous year. Finance costs decreased as a result of lower interest rates. Share of Results of Associated Company increased due to higher profit reported by an associated company.

The Group's effective tax rate decreased from 23.8% in FY 2009 to 18.3% in FY 2010. The lower effective tax rate in FY 2010 was due to write back of over-provision of taxation in previous years.

The Group's Profit after taxation was about \$5.2 million, an increase of 123.1%.

Earnings per share was 1.49 cents in FY 2010 as compared to 0.66 cents in FY 2009, based on a fully diluted basis.

Net asset value of 8.22 cents as at 31 December 2010 was 8.4% higher than 7.58 cents as at 31 December 2009.

Inventories increased by \$11.5 million from \$12.3 million to \$23.8 million in FY 2010. Trade receivables increased by \$8.3 million from \$12.8 million to \$21.1 million in FY 2010, and Trade Payables and Accruals increased by \$9.3 million from \$10.5 million to \$19.8 million in FY 2010. These were mainly the result of higher revenue recorded in FY 2010.

The Group's borrowings decreased by \$2.3 million from \$13.5 million to \$11.2 million in FY 2010. Cash and Cash Equivalents decreased by \$12.0 million from \$14.9 million to \$2.9 million in FY 2010. The decrease in Cash and Cash Equivalents was to repay the borrowings, and also 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 2010, it was mentioned that "the Directors expect that barring any unforeseen circumstances, the Group's Revenue for the second half of FY2010 will be better than the first half, and the Group will remain profitable for FY2010".

The Directors wish to announce that the Group reported Revenue of \$52.5 million in the second half (first half: \$43.1 million).

The Group also reported a Net Profit of \$5.18 million in FY2010.

## 10. PROSPECT

As at 31 December 2010, the Group has orders on hand worth \$48.1 million (31 December 2009: \$27.6 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.

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 2011.

## 11. DIVIDENDS

### (a) Current Financial Period Reported On

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

### (b) Corresponding Period of the Immediate Preceding Financial Year

Name of Dividend	Second & final	Special dividend
Dividend Type	Cash	Cash
Dividend (cents)	0.166	0.232
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 15 April 2011, will be made on 9 May 2011.

**(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 21 April 2011 to 5.00 p.m. on 25 April 2011 (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 21 April 2011 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 21 April 2011 will be entitled to the proposed one-tier tax-exempt second & final dividend and one-tier tax-exempt special dividend.

**12. BUSINESS SEGMENTAL INFORMATION**

	Asia Pacific		USA		Europe		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment turnover	26,501	8,977	31,890	52,155	37,238	14,668	95,629	75,800
Cost of sales	(18,604)	(6,432)	(25,013)	(40,484)	(30,825)	(10,959)	(74,442)	(57,875)
Gross profit	7,897	2,545	6,877	11,671	6,413	3,709	21,187	17,925
Unallocated expenses							(14,685)	(14,466)
Operating profit							6,502	3,459
Interest expense							(308)	(447)
Share of results of associated company							150	34
Profit before taxation							6,344	3,046
Tax expense							(1,164)	(724)
Net profit for the year							5,180	2,322

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

**13. FACTORS LEADING TO ANY MATERIAL CHANGES IN CONTRIBUTIONS TO TURNOVER AND EARNINGS BY THE BUSINESS OR GEOGRAPHICAL SEGMENTS**

During the year, some customers transferred their product lines from USA to Europe and Asia. This caused the Revenue from USA to decline.

In addition, the Group managed to secure more business from existing customers in Europe and Asia, as well as added more customers in these regions. These contributed to the increase in Revenue from Europe and Asia.

The Contribution to Earnings of the various businesses remained consistent with previous year.

#### 14. BREAKDOWN OF SALES

	GROUP		+ / (-) %
	2010 \$'000	2009 \$'000	
Turnover reported for :			
First half year	43,072	38,012	13.3
Second half year	52,557	37,788	39.1
Profit after taxation reported for :			
First half year	2,314	1,279	80.9
Second half year	2,866	1,043	174.8

#### 15. 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	5,084	1,651
Preference	-	-
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Total	5,084	1,651
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#### 16. INTERESTED PERSON TRANSACTIONS

Not applicable as the Company has no general mandate for interested person transactions.

**BY ORDER OF THE BOARD**

**Teo Soon Hock**  
Secretary

Singapore, 31 January 2011