

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 2007. These figures have not been audited.

1(a) STATEMENT OF PROFIT AND LOSS FOR THE HALF YEAR ENDED 30 JUNE 2007

	GROUP		
	<u>2007</u> \$'000	<u>2006</u> \$'000	+ / (-) %
Revenue	44,216	35,358	25.1
Cost of sales	(33,202)	(26,021)	27.6
Gross profit	11,014	9,337	18.0
Other income (including interest income)	85	158	(46.2)
General and administrative costs	(5,463)	(4,934)	10.7
Selling and distribution costs	(1,085)	(1,197)	(9.4)
Profit from operations	4,551	3,364	35.3
Finance costs	(93)	--	N.M.
Share of results of associated companies	20	39	(48.7)
Profit before taxation	4,478	3,403	31.6
Taxation	(1,208)	(934)	29.3
Profit after taxation	3,270	2,469	32.4

N.M. – Not meaningful.

Included in the above expenses are –	<u>2007</u> \$'000	<u>2006</u> \$'000	+ / (-) %
Depreciation and amortisation	(601)	(705)	(14.8)
Foreign exchange loss	(67)	(436)	(84.6)
Gain on deemed disposal of an associated company	70	-	N.M.

1(b)(i) BALANCE SHEETS

	GROUP		COMPANY	
	30 June 2007 \$'000	31 Dec 2006 \$'000	30 June 2007 \$'000	31 Dec 2006 \$'000
Fixed assets	8,135	7,197	754	706
Subsidiary companies	-	-	9,622	9,787
Associated companies	688	598	621	551
Investment in securities	3,649	-	3,649	-
Deferred tax asset	500	500	500	500
	<u>12,972</u>	<u>8,295</u>	<u>15,146</u>	<u>11,544</u>
Current assets				
Inventories	13,601	13,602	13,600	13,601
Trade receivables	15,132	13,393	15,073	13,248
Other receivables	971	908	828	770
Investment securities	1,072	1,027	1,072	1,026
Amounts owing by subsidiary companies	-	-	-	72
Cash and cash equivalents	6,786	5,666	6,346	4,928
	<u>37,562</u>	<u>34,596</u>	<u>36,919</u>	<u>33,645</u>
Current liabilities				
Trade payables and accruals	13,819	12,621	13,241	12,166
Amounts owing to a subsidiary company	-	-	3,680	5,007
Provision for taxation	2,088	2,095	1,775	1,807
Short term loans	5,168	-	5,168	-
Other liabilities	1,876	1,929	1,816	1,869
	<u>22,951</u>	<u>16,645</u>	<u>25,680</u>	<u>20,849</u>
Net current assets	<u>14,611</u>	<u>17,951</u>	<u>11,239</u>	<u>12,796</u>
Net assets	<u>27,583</u>	<u>26,246</u>	<u>26,385</u>	<u>24,340</u>
	=====	=====	=====	=====
Represented by:				
Share capital	19,496	19,274	19,496	19,274
Employee share options reserves	470	478	470	478
Capital revaluation reserves	704	-	704	-
Revenue reserves	6,913	6,494	5,715	4,588
	<u>27,583</u>	<u>26,246</u>	<u>26,385</u>	<u>24,340</u>
	=====	=====	=====	=====

1(b)(ii) BORROWINGS

Amount repayable in one year or less, or on demand

As at 30 June 2007		As at 31 Dec 2006	
Secured	Unsecured	Secured	Unsecured
-	5,168	-	-

Amount repayable after one year

As at 30 June 2007		As at 31 Dec 2006	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

Nil

1(c) CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2007

	2007 \$'000	2006 \$'000
Cash flows from operating activities:		
Profits from operations before taxation	4,478	3,403
Adjustments for:		
Depreciation in fixed assets	601	705
Interest income	(55)	(158)
Interest expense	93	-
Fair value of investment securities	(46)	-
Fair value of employees' share options	45	32
Share of results of associated companies	(20)	(39)
Gain on deemed disposal of an associated company	(70)	-
Operating income before investment in working capital	5,026	3,943
Increase in receivables	(1,802)	(850)
Decrease/(increase) in inventories	1	(4,700)
Increase in payables	1,165	2,256
Cash generated from operations	4,390	649
Interest received	55	158
Interest paid	(93)	-
Income tax paid, net of refund	(1,215)	(1,359)
Net cash provided by/(used in) operating activities	3,137	(552)
Cash flows from investing activities:		
Purchase of fixed assets	(1,539)	(440)
Purchase of investment	(2,965)	-
Net cash used in investing activities	(4,504)	(440)
Cash flows from financing activities:		
Dividends paid on ordinary shares	(2,851)	(3,920)
Net proceed from issue of shares under option scheme	170	14
Proceeds from short term loans	5,168	-
Net cash provided by/(used in) financing activities	2,487	(3,906)
Net increase/(decrease) in cash and cash equivalents	1,120	(4,898)
Cash and cash equivalent at beginning of the period	5,666	12,031
Cash and cash equivalent at end of the period	<u>6,786</u>	<u>7,133</u>

1(d)(i)

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2007

	Group		Company	
	30 Jun 07 \$'000	30 Jun 06 \$'000	30 Jun 07 \$'000	30 Jun 06 \$'000
Share capital				
Balance at beginning of period	19,274	16,315	19,273	16,315
Issue of shares pursuant to employees share options	168	13	169	13
Fair value recognised as share capital upon exercise of share options	54	-	54	-
Transfer of share premium reserve to share capital account	-	2,945	-	2,945
Balance at end of period	19,496	19,273	19,496	19,273
Share premium				
Balance at beginning of period	-	2,945	-	2,945
Transfer of share premium reserve to share capital account	-	(2,945)	-	(2,945)
Balance at end of period	-	-	-	-
Employee share options reserves				
Balance at beginning of period	479	412	479	412
Fair value of shares pursuant to employees share options	45	34	45	34
Fair value recognised as share capital upon exercise of share options	(54)	(2)	(54)	(2)
Balance at end of period	470	444	470	444
Revaluation reserves				
Balance at beginning of period	-	-	-	-
Fair value change of available-for-sale Financial assets	704	-	704	-
Balance at end of period	704	-	704	-
Revenue reserves				
Balance at beginning of period	6,494	7,568	4,588	5,307
Net profit for the period	3,270	2,469	3,978	2,971
Dividends paid	(2,851)	(3,920)	(2,851)	(3,920)
Balance at end of period	6,913	6,117	5,715	4,358
Total equity	27,583	25,834	26,385	24,075

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

The Company issued 1,276,000 shares upon the exercise of options granted under the CEI Employees' Share Option Scheme (CEI ESOS).

As at 30 June 2007, there were 7,552,400 share options under the CEI ESOS which are yet to be exercised.

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 Group has applied the same accounting policies and methods of computation in the current period as compared with the audited financial statements as at 31 December 2006.

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

The Group has applied the same accounting policies and methods of computation in the current period as compared with the audited financial statements as at 31 December 2006.

6. EARNINGS PER ORDINARY SHARES (EPS)

	2007	2006
Earnings per share based on profit attributable to shareholders:		
Based on existing issued share capital	1.00 cts	0.76 cts
Based on fully diluted basis	0.99 cts	0.75 cts

(The EPS figures above have incorporated the dilutive effect of employees' share options).

7. NET ASSET VALUE

	Group		Company	
	2007	2006	2007	2006
Net asset value per share based on existing issued share capital as at the end of the period reported on.	8.42 cts	7.92 cts	8.05 cts	7.38 cts

8. REVIEW OF GROUP PERFORMANCE

The Group's Revenue for the first half of FY 2007 of \$44.2 million was 25.1% higher than the corresponding half-year of FY 2006. Cost of sales was about 75.1% of Revenue in first half of FY 2007 as compared to 73.6% in first half of FY 2006. The gross margin decreased from 26.4% in the first half of FY 2006 to 24.9% in the first half of FY 2007 was due mainly to an increase in material costs and utilities. The gross profit, in absolute term, increased by \$1.68 million or 18.0%.

Other income decreased by \$0.07 million due to lower interest income. Administrative costs were higher in first half of FY 2007 due to additional headcount to support the increase in business activity. There was also an increase in salary related cost.

The Group's Profit before taxation increased by 31.6% to \$4.5 million.

The Group's effective tax rate decreased from 27.4% in first half of FY 2006 to 27.0% in first half of FY 2007. The Group's Profit after taxation was \$3.3 million, an increase of 32.4%.

Earnings per share were 0.99 cents against 0.75 cents, based on a fully diluted basis.

Net asset value of 8.42 cents as at 30 June 2007 was higher than 7.92 cents as at 30 June 2006 (8.04 cents as at 31 December 2006).

There were (i) no profit arising from the disposal of long term investments ; (ii) no material adjustments for under or over provision of taxation in respect of prior years ; (iii) no pre-acquisition profits and (iv) no disposal of investment properties during the half year ended 30 June 2007.

In the opinion of the Directors, no item or event of a material or unusual nature which would have affected materially the results of the operations of the Group and the Company has occurred between the date to which the report refers and the date on which the report is issued.

9. VARIANCE FROM PROSPECTIVE STATEMENT

In the announcement of the Group's financial results for the year ended 31 December 2006, it was mentioned that "the Group's revenue and Profit after taxation as a percentage of Revenue for FY 2007 will be comparable".

As at the date of this announcement, the Group's revenue for the first half of FY 2007 of \$44.2 million was 25.1% higher than the corresponding half-year of FY 2006. The Profit after taxation as a percentage of Revenue for the first half of FY 2007 was comparable to that of FY 2006.

10. PROSPECT

As at 30 June 2007, the Group has orders on hand worth \$36.1 million which is expected to be fulfilled within the current financial year. This is 10.1% higher than the orders on hand at 31 December 2006 of \$32.8 million.

Based on current business leads and the existing customers' orders, the Directors expect that barring any unforeseen circumstances, the Group's Revenue and Profit after taxation in the second half of FY 2007 will be comparable to that of the first half of FY 2007.

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)	0.1660	0.8310
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	Special
Dividend Type	Cash	Cash
Dividend (cents)	0.1660	0.5900
Tax Rate	One-tier tax exempt	

(c) Date payable

The dividend will be payable on 4 September 2007.

(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 23 August 2007 to 24 August 2007 (both dates inclusive), for the preparation of the dividend warrants for both one-tier tax-exempt interim dividend and one-tier tax-exempt special dividend. Duly completed registrable transfers received by the Company's Share Registrar, Lim Associates (Pte) Ltd, 3 Church Street #08-01, Samsung Hub, Singapore 049483, up to 5.00 p.m. on 23 August 2007 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 23 August 2007 will be entitled to the proposed dividends.

12. CONFIRMATION BY THE BOARD OF DIRECTORS

The Directors confirm that, to the best of their 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 2007 to be false or misleading.

BY ORDER OF THE BOARD

Teo Soon Hock
Secretary

Singapore, 7 August 2007