

CEI CONTRACT MANUFACTURING LIMITED

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 2006. These figures have not been audited.

1(a) STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2006

	GROUP		
	<u>2006</u>	<u>2005</u>	<u>+ / (-)</u>
	\$'000	\$'000	%
Revenue	75,127	70,562	6.5
Cost of sales	(55,315)	(51,378)	7.7
Gross profit	<u>19,812</u>	<u>19,184</u>	3.3
Other income (including interest income)	321	474	(32.3)
General and administrative costs	(11,041)	(9,680)	14.1
Selling and distribution costs	(1,956)	(2,284)	(14.4)
Profit from operations	<u>7,136</u>	<u>7,694</u>	(7.3)
Finance costs	(35)	--	N/M
Share of results of associated company	106	(59)	N/M
Profit from operations before taxation	<u>7,207</u>	<u>7,635</u>	(5.6)
Taxation	(1,893)	(1,870)	1.2
Profit after taxation	<u>5,314</u>	<u>5,765</u>	(7.8)
	=====		

Included in the above expenses are -

Depreciation of fixed assets	(1,344)	(1,390)	(3.3)
Fair value changes of financial instruments	25	(192)	N/M
Foreign exchange gain/(loss)	(691)	106	N/M

N/M – Not meaningful.

1(b)(i) BALANCE SHEETS

	GROUP		COMPANY	
	31 Dec 2006 \$'000	31 Dec 2005 \$'000	31 Dec 2006 \$'000	31 Dec 2005 \$'000
Fixed assets	7,197	7,782	706	1,148
Subsidiary companies	-	-	9,787	9,480
Associated companies	598	622	551	681
Deferred tax asset	500	550	500	550
	<u>8,295</u>	<u>8,954</u>	<u>11,544</u>	<u>11,859</u>
Current assets	34,596	33,048	33,645	32,077
Current liabilities	(16,644)	(14,763)	(20,849)	(18,957)
Net assets	<u>26,247</u>	<u>27,239</u>	<u>24,340</u>	<u>24,979</u>
	=====	=====	=====	=====
Represented by:				
Share capital	19,274	16,315	19,274	16,315
Share premium	--	2,944	--	2,944
Capital reserve	478	412	478	412
Revenue reserves	6,495	7,568	4,588	5,308
	<u>26,247</u>	<u>27,239</u>	<u>24,340</u>	<u>24,979</u>
	=====	=====	=====	=====

1(b)(ii) BORROWINGS

Amount repayable in one year or less, or on demand

As at 31 Dec 2006		As at 31 Dec 2005	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 31 Dec 2006		As at 31 Dec 2005	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

Not applicable.

1(c) CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	GROUP	
	FY2006	FY2005
	\$'000	\$'000
Cash flows from operating activities:		
Profits from operations before taxation	7,207	7,635
Adjustments for:		
Depreciation in fixed assets	1,344	1,390
Interest income	(249)	(470)
Interest expense	35	--
Impairment of an associated company	130	--
Fair value of employees options	69	114
Fair value of investment securities	(25)	192
Share of results of associated companies	(106)	59
	<hr/>	<hr/>
Operating income before investment in working capital	8,405	8,920
Increase in receivables	(4,025)	(1,685)
Increase in inventories	(5,634)	(700)
Increase in payables	2,145	847
	<hr/>	<hr/>
Cash generated from operations	891	7,382
Interest received	249	470
Interest expense	(35)	--
Income tax paid, net of refund	(2,106)	(2,322)
	<hr/>	<hr/>
Net cash (used in)/provided by operating activities	(1,001)	5,530
	-----	-----
Cash flows from investing activities:		
Purchase of fixed assets	(758)	(1,336)
Proceeds from redemption of matured bonds	2,023	--
Investment in associated company	--	(481)
Purchase of investment securities	(250)	(1,000)
	<hr/>	<hr/>
Net cash provided by/(used in) investing activities	1,015	(2,817)
	-----	-----
Cash flows from financing activities:		
Dividends paid on ordinary shares	(6,387)	(9,060)
Net proceed from issue of shares under option scheme	12	1,628
	<hr/>	<hr/>
Net cash used in financing activities	(6,375)	(7,432)
	-----	-----
Net decrease in cash and cash equivalents	(6,361)	(4,719)
Cash and cash equivalent at beginning of the year	12,029	16,748
	<hr/>	<hr/>
Cash and cash equivalent at end of the year	5,668	12,029
	=====	=====

1(d)(i) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

	Group		Company		Company	
	31 Dec 06 \$'000	31 Dec 05 \$'000	31 Dec 06 \$'000	31 Dec 05 \$'000	31 Dec 06 No. of shares ('000)	31 Dec 05
Share capital						
Balance at beginning of year	16,315	15,722	16,315	15,722	326,298	314,439
Issue of shares pursuant to employees share options	12	593	12	593	95	11,859
Exercise of employees share options	3	--	3	--		
Transfer from share premium to share capital	2,944	--	2,944	--		
Balance at end of year	19,274	16,315	19,274	16,315	326,393	326,298
Share premium						
Balance at beginning of year	2,944	1,592	2,944	1,592		
Issue of shares pursuant to employees share options	--	1,035	--	1,035		
Exercise of employees share options	--	317	--	317		
Transfer to share capital from share premium	(2,944)	--	(2,944)	--		
Balance at end of year	--	2,944	--	2,944		
Capital reserve						
Balance at beginning of year	412	704	412	704		
Costs of employees share options	69	114	69	114		
Exercise of employees share options	(3)	(317)	(3)	(317)		
Net fair value changes of cash flow hedges	--	(89)	--	(89)		
Balance at end of year	478	412	478	412		
Revenue reserve						
Balance at beginning of year	7,568	10,863	5,308	7,910		
Net profit for the year	5,314	5,765	5,667	6,458		
Dividends paid	(6,387)	(9,060)	(6,387)	(9,060)		
Balance at end of year	6,495	7,568	4,588	5,308		
Total equity and shares	26,247	27,239	24,340	24,979	326,393	326,298

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

During the year, the Company issued 95,000 ordinary shares upon the exercise of options granted under the CEI Employees' Share Option Scheme (CEI ESOS).

As at 31 December 2006, there were unexercised options for 8,923,400 unissued shares under the CEI ESOS.

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 Group has applied the same accounting policies and methods of computation in the financial statements for the financial year ended 31 December 2006 compared with the audited financial statements as at 31 December 2005.

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

There is no significant change to the accounting policies during the year.

6. EARNINGS PER ORDINARY SHARE (EPS)

	GROUP	
	FY2006	FY2005
Earnings per share based on profit attributable to shareholders:		
Based on existing issued share capital	1.63 cts	1.85 cts
Based on fully diluted basis	1.62 cts	1.83 cts
(Adjusted for the dilutive effect of employees' share options).		

7. NET ASSET VALUE

	Group	Company		
	2006	2005	2006	2005
Net asset value per share based on existing issued share capital as at the end of the year reported on.	8.04 cts	8.35 cts	7.46 cts	7.66 cts

8. REVIEW OF GROUP PERFORMANCE

The Group's Revenue for FY 2006 of \$75.1 million was 6.5% higher than FY 2005. Cost of sales was about 73.6% of Revenue in FY 2006 as compared to 72.8% in FY 2005. Although the Gross margin decreased from 27.2% in FY 2005 to 26.4% in FY 2006, the Gross profit increased by \$0.6 million or 3.3%.

Other income decreased by \$0.2 million due to lower interest income, while administrative costs were higher in FY 2006 due mainly to foreign exchange loss of \$0.7 million as compared to a gain of \$0.1 million in FY 2005.

The Group's Profit before taxation decreased by 5.6% to \$7.2 million.

The Group's effective tax rate increased from 24.5% in FY 2005 to 26.3% in FY 2006 due to higher tax provision. The Group's Profit after taxation was \$5.3 million, a decrease of 7.8%.

Earnings per share was 1.62 cents in FY 2006 against 1.83 cents in FY 2005, based on a fully diluted basis.

Net asset value of 8.04 cents as at 31 December 2006 was lower than 8.35 cents as at 31 December 2005 due to payment of dividends.

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 year ended 31 December 2006.

In the opinion of the Directors, no items or events 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 PROSPECT STATEMENT

In the mid-year announcement of FY 2006, it was mentioned that "Group's Revenue and Profit in the second half of FY 2006 will be comparable to that of the first half of FY 2006."

The Board wishes to announce that Group's Revenue and Profit in the second half of FY2006 (as compared to the first half of FY 2006) were 12.5% and 15.2% higher respectively.

10. PROSPECT

On 29 December 2006, the Company entered into a subscription agreement to acquire 10% equity stake in Kinergy Ltd, which will be internally funded and subject to the listing of Kinergy Ltd on the SGX-SESDAQ. The subscription price per share of Kinergy Ltd shall be at the initial public offer price. Kinergy Ltd is in the business of "high mix, low volume" manufacturing services. This strategic investment will provide opportunities for the Company and Kinergy Ltd to mutually derive synergies and expand their market share on a joint basis. The synergy that is envisaged to be created will allow the Company to bring to the fore its strength in electronic board assemblies, while Kinergy Ltd will contribute its strength in precision mechanical engineering and assemblies. Jointly, the Company and Kinergy Ltd will clearly have a much higher manufacturing capabilities and will be better able to meet needs and demands of their current and any potential customers in the electronic market.

As at 31 December 2006, the Group has orders on hand worth \$32.8 million which is expected to be fulfilled within the current financial year. This is 15.9% higher than the orders on hand at 30 June 2006 of \$28.3 million.

Based on current business leads and new customers' orders, the Directors expect that barring any unforeseen circumstances, the Group's Revenue and Profit after taxation as a percentage of Revenue for FY 2007 will be comparable.

11. DIVIDENDS

The Directors recommend payment of :

- a) One-tier tax-exempt second and final dividend of 0.34 cents per share amounting to \$1,109,735 ; and
- b) One-tier tax-exempt special dividend of 0.53 cents per share amounting to \$1,729,880.

This brings the total final dividends to \$2,839,615. If approved by the shareholders at the forthcoming Annual General Meeting, the above dividends shall be paid on 3 May 2007, to shareholders on the Register of Members which will be closed from 5 p.m. on 18 April 2007 to 5 p.m. on 19 April 2007 (both dates inclusive).

Total interim, special and final dividend declared for the financial year FY 2006 approximate to \$6.3 million or 1.93 cents per share.

(a) Current Financial Period Reported On

Name of Dividend	Second & final	Special dividend
Dividend Type	Cash	Cash
Dividend Rate	0.340 cents per ordinary share	0.530 cents per ordinary share
Tax Rate	Tax exempt (one-tier)	Tax exempt (one-tier)

(b) Corresponding Period of the Immediate Preceding Financial Year

Name of Dividend	Second & final	Special dividend
Dividend Type	Cash	Cash
Dividend Rate	0.340 cents per ordinary share	0.555 cents per ordinary share
Tax Rate	Tax exempt (one-tier)	Tax exempt (one-tier)

(c) Date payable

Payment of the dividends, if approved by the members at the Annual General Meeting to be held on 11 April 2007, will be made on 3 May 2007.

(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 18 April 2007 to 19 April 2007 (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, Lim Associates (Pte) Ltd, 3 Church Street #08-01, Samsung Hub, Singapore 049483 up to 5.00 p.m. on 18 April 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 18 April 2007 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	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Segment turnover	10,765	10,915	50,080	47,841	14,282	11,806	75,127	70,562
Cost of sales	(8,094)	(8,297)	(37,222)	(35,147)	(9,999)	(7,935)	(55,315)	(51,379)
Gross profit	2,671	2,618	12,858	12,694	4,283	3,871	19,812	19,183
Unallocated expenses							(12,676)	(11,489)
Operating profit							7,136	7,694
Interest expense							(35)	-
Share of results of associated company							106	(59)
Profit before taxation							7,207	7,635
Tax expense							(1,893)	(1,870)
Net profit for the year							5,314	5,765

13. BREAKDOWN OF SALES

	GROUP		+ / (-) %
	2006 \$'000	2005 \$'000	
Turnover reported for :			
First half year	35,358	35,476	(0.3)
Second half year	39,769	35,086	13.3
Profit after taxation reported for :			
First half year	2,469	2,836	(12.9)
Second half year	2,845	2,929	(2.9)

14. 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	6,306	8,765
Preference	-	-
Total	6,306	8,765

BY ORDER OF THE BOARD

Teo Soon Hock
Secretary

Singapore, 5 February 2007