

CEI CONTRACT MANUFACTURING LIMITED
(Company Registration No. 199905114H)

ANNOUNCEMENT

ACQUISITION OF 10% SHAREHOLDING INTEREST IN KINERGY LTD. (“KINERGY”)
(“ACQUISITION”)

Introduction

We refer to the announcement made by CEI Contract Manufacturing Limited (“CEI” or the “Group”) on 29 December 2006 (the “Previous Announcement”). In the Announcement, it was stated that the Company has entered into a Subscription Agreement with Kinergy to acquire a 10% stake in the enlarged share capital of Kinergy (the “Sales Shares”), pursuant and subject to Kinergy’s successful listing on the SGX-SESDAQ. Post Acquisition, CEI will become a substantial shareholder of Kinergy. In connection with Kinergy seeking a listing on SGX-SESDAQ and its initial public offer (the “IPO”), Kinergy has today registered a final prospectus with the Monetary Authority of Singapore (“MAS”), of which its shares are to be expected to be admitted to the Official List of the SGX-SESDAQ on 15 February 2007.

The consideration of the 10% stake in Kinergy which amounts to S\$2.94 million is based on the subscription price per share of S\$0.23 of 12,804,000 ordinary shares in Kinergy (the “Sale Shares”) or an equivalent of a 10% stake in the enlarged share capital.

Rule 1006 of the SGX-ST Listing Manual

The relative figures for the Acquisition computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual are set out below:-

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|-----|--|--|
| (a) | The net asset value of the assets to be disposed of, compared with the Group’s net asset value | Not applicable |
| (b) | The net profits ⁽¹⁾ attributable to the assets acquired or disposed of, compared with the Group’s net profits ⁽¹⁾ . | 8.23% ⁽²⁾ |
| (c) | The aggregate value of the consideration given or received compared with the issuer’s market capitalisation. | 5.30% ⁽³⁾ |
| (d) | The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue. | Not applicable as the Consideration for the Proposed Acquisition will be in cash |

Notes:

- (1) Under Rule 1002(3)(b), "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Determined by dividing the unaudited consolidated net profit of Kinergy for half year ended 30 June 2006 ("HY 2006") of approx S\$2.80 million by the latest announced unaudited consolidated net profit of CEI and its subsidiaries (the "Group") for HY2006 of S\$3.40 million multiplied by CEI's 10% stake in the issued and paid up share capital of Kinergy.
- (3) Determined by dividing the maximum Consideration of S\$2.94 million and the market capitalisation of CEI as at 28 December 2006 (being the market day preceding the date of the Agreement) of S\$55.52 million.

The market capitalisation of CEI is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on 28 December 2006 of S\$0.1701 per share with the issued share capital of CEI of 326,392,574 shares.

- (4) n.a. = not applicable

Classification of Transaction

Having regard to the above, the Proposed Transaction is a "Discloseable Transaction" within the meaning of Rule 1010 of the SGX-ST Listing Manual.

Information to be announced under Rule 1010 of the SGX-ST Listing Manual

- (1) *Particulars of the assets acquired*

A 10% stake in the enlarged share capital of Kinergy of which Kinergy's shares are to expected to be admitted to the Official List of the SGX-SESDAQ on 15 February 2007.

- (2) *A description of the trade carried on*

Kinergy is in the business of providing electronics manufacturing services ("EMS") as well as manufacturing proprietary equipment for customers who are mainly from the semiconductor industry. Kinergy's manufacturing process involves the application of their experience in precision material cutting and knowledge in mutli-discipline engineering such as mechanical, electronics, vision system, laser technology and electrical engineering. Kinergy is in the business of providing "high mix, low volume" manufacturing services.

- (3) *The aggregate value of consideration, including factors taken into consideration in arriving at the value of the consideration*

- (4) *Any material conditions attaching to the transaction including a put, call or other option and details thereof;*

The Agreement is subject to the following conditions precedent:

- (a) the registration of the Final Prospectus with MAS and the opening of the Invitation; and
- (b) the closing of the application list on such date set out in the Final Prospectus without, up to and including such date of the closing of the application list, (a) the Invitation being withdrawn in any way; (b) the happening of any event requiring the lodgment of a supplementary or replacement prospectus under section 241 of the SFA; or (c) a stop order being served by the MAS under section 242 of the SFA.

- (5) *The value of the assets being acquired*

The unaudited consolidated net tangible asset value of the Kinergy shares as at 30 June 2006 was approximately S\$25.80 million. As CEI is acquiring 10% of the issued and paid up capital of Kinergy, the value of the assets being acquired is approximately S\$2.58 million.

- (6) The source(s) of funds for the acquisition.
The Consideration of S\$2.94million will be funded by internal resources.

- (7) *The net profits attributable to the assets being acquired*

Not applicable

- (8) *The effect of the transaction on the net tangible assets per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the end of that financial year*

For illustrative purposes only, assuming that the Acquisition had been effected at the end of 31 December 2006 its effect on the consolidated net tangible assets ("NTA") per share of CEI for would have been as follows:-

	As at 31 December 2006	After the Proposed Acquisition
NTA per share (S\$ cents)	8.04	8.04

- (9) The effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year

For illustrative purposes only, assuming the Acquisition had been effected at the beginning of FY2006, its effect on the earnings per share ("EPS") of CEI for FY2006 would have been as follows:-

	FY 2006	After the Acquisition
EPS (S\$ cents)	1.63	1.63

- (10) The rationale for the transaction including the benefits which are expected to accrue to the issuer as a result of the transaction

The Acquisition will allow the Company and Kinergy 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 will contribute its strength in precision mechanical engineering and assemblies. Jointly, the Company and Kinergy will clearly have much higher manufacturing capacity and will be better able to meet the needs and demands of their current and any potential customers and the electronics market.

- (11) *Whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests*

None of the Directors or controlling shareholders has any interest, direct or indirect, in the transaction.

- (12) *Details of any service contracts of the directors proposed to be appointed to the issuer in connection with the Acquisition.*

Not applicable, no directors have been identified for appointment to the Board of CEI in connection with the Acquisition.

Documents for Inspection

The following documents are available for inspection at the registered office of the Company at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 office hours for a period of three (3) months from the date of this Announcement.

- (1) Subscription Agreement dated 29 December 2006

By Order of the Board

Teo Soon Hock
Company Secretary
6 February 2007