CEI Contract Manufacturing Limited

Company Registration No: 199905114H










ANNUAL REPORT 2008

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CORPORATE PROFILE

CEI Contract Manufacturing Limited was listed on the main board of the Singapore Exchange Securities Trading Limited in March 2000.

The Company provides printed circuit board and box-build assembly, equipment design and manufacturing services. It is well equipped to provide value-added services such as materials management, circuit layout, prototype & development engineering, metal stamping and precision machined components.

The Company serves customers in the industrial equipment market segment. These include electro-luminescent displays used in industrial, transportation and medical applications; medical and health care equipment; office equipment as in digital photocopiers; analytical instruments as in gas and liquid chromatographs and measurement instruments; industrial safety controllers and environmental sensors, front and back end semiconductor equipment and SMT equipment.

The Company is ISO9001:2008, IS0 13485, AS9100 (Letter of Conformance), TS16949, ISO 14001 and UL508 certified.

Headquartered in Singapore with manufacturing sites in Singapore, Batam (Indonesia), Ho Chih Minh City (Vietnam) and Shanghai (China).

CEI Contract Manufacturing Limited
2, Ang Mo Kio Avenue 12
Singapore 569707

PT Surya Teknologi
Batamindo Industrial Park
Lot 312/313 Jalan Beringin, Muka Kuning
Batam, Indonesia

CEI International Investments (Vietnam) Limited
2, Street 6 Vietnam Singapore Industrial Park
Thuan An, Binh Duong Province
Vietnam

Board of Directors
Tien Sing Cheong
(Executive Chairman)

Tan Ka Huat
(Managing Director)

Gan Chee Yen
(Non-Executive Director)

Tan Bien Chuan
(Independent Director)

Tang Martin Yue Nien
(Independent Director)

Colin Ng Teck Sim
(Independent Director)

Nominating Committee
Tan Bien Chuan (Chairman)
Tang Martin Yue Nien
Tien Sing Cheong

Remuneration Committee
Tang Martin Yue Nien (Chairman)
Tan Bien Chuan
Gan Chee Yen
Colin Ng Teck Sim

Audit Committee
Tan Bien Chuan (Chairman)
Tang Martin Yue Nien
Gan Chee Yen
Colin Ng Teck Sim

Joint Company Secretaries
Teo Soon Hock
Susie Low Geok Eng

Registered Office
2 Ang Mo Kio Avenue 12
Singapore 569707

Share Registrar and Share Transfer Office
Boardroom Corporate & Advisory Services Pte Ltd
(formerly known as Lim Associates (Pte) Ltd)
3 Church Street
#08-01 Samsung Hub
Singapore 049483

Business Office
2 Ang Mo Kio Avenue 12
Singapore 569707

Auditors
Ernst & Young
Certified Public Accountants
Alvin Phua Chun Yen
(Engagement Partner)*
Level 18, One Raffles Quay
North Tower
Singapore 048583
*Appointed in Financial Year 2007

Solicitors
Colin Ng & Partners
36 Carpenter Street
Singapore 059915

Bankers
ABN Amro Bank N.V.
(an authorised agent of
The Royal Bank of Scotland plc)
Level 23, One Raffles Quay
South Tower
Singapore 048583

DBS Bank Ltd
6 Shenton Way
DBS Building Tower 1
Singapore 068809

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
#10-00 OCBC Centre
Singapore 049513

The Hongkong and Shanghai Banking Corporation Limited
21 Collyer Quay
#01-00 HSBC Building
Singapore 049320

Standard Chartered Bank
6 Battery Road #22-00
Singapore 049909

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS

FINANCIAL YEAR 2008

In Financial Year (FY) 2008, the Group's Revenue was approximately the same as FY 2007. Comparing the Group's Revenue on a half-year basis, the first and second half Group's Revenue were $44.2 million and $45.4 million respectively.

The Profit from Operations was $6.3 million, a decrease of 27.4%. For FY 2008, General and Administrative costs increased by $3.1 million, and Selling and Distribution costs increased by $0.6 million – a total of $3.7 million. This was mainly due to (i) an impairment in the fair value of the investment in securities of $1.3 million, (ii) the increase in foreign exchange loss of $1.1 million, and (iii) additional overhead costs of the newly acquired equipment manufacturing business of $1.2 million.

The Group's effective tax rate decreased from 25.2% in FY 2007 to 22.7% in FY 2008 due to write back of over-provision of taxation in previous years.

The Group's Profit after taxation was $4.6 million, a decrease of 26.4%. Excluding the impairment of investment in securities of $1.3 million, the Group's profit after taxation would have been higher at $5.9 million, representing a Net Profit margin of 6.7%.

Although the Group had borrowings of $12.9 million as at 31 December 2008 (31 December 2007: $6.9 million), the Group's financial position remained healthy with a net borrowing of $1.9 million at the end of FY 2008. The increase of $6.0 million in borrowings was due to the acquisition of a new factory in Batam of $2.5 million with the balance being used to finance the working capital of the Company.

FINANCIAL YEAR 2009

We expect the Group to remain profitable in the first half of FY 2009. This is supported by orders on hand of $32.6 million at the end of December 2008.

The Group serves customers from a diverse range of market segments. These include analytical instruments, medical equipment, semi-conductor equipment, displays for industrial applications and oil and gas industries. We continue to add new names to our impressive list of customers.

With a slowdown in the global economies, the outlook will be uncertain for FY 2009, and we expect all industries to be affected.

Dividends

The Directors recommend payment of:

(a) One-tier tax-exempt second and final dividend of 0.166 cents per share amounting to $575,699; and
(b) One-tier tax-exempt special dividend of 0.232 cents per share amounting to $804,592.

Total interim, special and final dividend declared for the financial year FY 2008 approximate to $2.76 million or 0.796 cents per share.

Acknowledgement

My sincere appreciation to our Customers, Business Partners, Shareholders and Employees of CEI, for their continual support.

Tien Sing Cheong
Chairman
6 March 2009

BOARD OF DIRECTORS

Mr Tien Sing Cheong
Executive Chairman

Appointed as Executive Director on 28 August 1999 and was last re-elected on 4 April 2008. Mr Tien is also the Executive Chairman of the Company. Mr Tien holds a Bachelor of Science in Engineering degree from the University of Hong Kong, a Master of Science degree from Stanford University, California and a Master of Business Administration degree from the University of Santa Clara, California. Mr Tien is also a Fellow of the Institution of Mechanical Engineers, United Kingdom.

Mr Tan Ka Huat
Managing Director

Appointed as Executive Director on 28 August 1999 and also Managing Director of the Company. Mr Tan holds a Bachelor of Science (Physics) degree from Nanyang University (now NTU), a Diploma in Business Administration from the National University of Singapore and a Master of Business degree from University of Technology, Sydney.

Mr Gan Chee Yen
Non-Executive Director

Appointed as a Non-Executive Director since 28 August 1999 and was last re-elected on 4 April 2008. Mr Gan is the Senior Managing Director for Investments and Co-Chief Investment Officer of Temasek Holdings (Private) Limited. He is also a member of the Board of Commissioner of PT Bank Danamon Indonesia, Tbk. Mr Gan holds a Bachelor of Accountancy degree from the National University of Singapore. He has also participated in the Program for Management Development at the Harvard Business School in September 2001.

Mr Tan Bien Chuan
Independent Director

Appointed as an Independent and Non-Executive Director on 9 February 2000 and was last re-elected on 11 April 2007. Mr Tan is the co-founder and Managing Director of OWW Capital Partners Pte Ltd, a venture capital firm. He is also a non-executive director of Goodpack Limited. Mr Tan holds a Bachelor of Science (Hons) degree in Computer Science and Accounting from the University of Manchester, United Kingdom and is a member of the Institute of Chartered Accountants in England and Wales.

Mr Tang Martin Yue Nien
Independent Director

Appointed as an Independent and Non-Executive Director on 9 February 2000 and was last re-elected on 11 April 2007. Mr. Tang is a private investor based in Hong Kong. He was Chairman, Asia of Spencer Stuart, a global executive search-consulting firm. Mr. Tang holds a Bachelor of Science degree in Electrical Engineering from Cornell University in Ithaca, New York and a Masters of Science degree from the Massachusetts Institute of Technology's Sloan School of Management and is a trustee of both Cornell University and Massachusetts Institute of Technology.

Mr Colin Ng Teck Sim
Independent Director

Appointed as an Independent and Non-Executive Director on 1 January 2007 and was last re-elected on 11 April 2007. Mr. Ng is the founding partner of Colin Ng & Partners. He is an advocate and solicitor of the Supreme Court of Singapore and a solicitor of the Supreme Court of England and Wales. He is also a notary public, a member of the Appeals Committee of the Singapore Exchange Limited and a registered professional with Catalist for continuing sponsorship. Mr Ng graduated with a LLB (Hons) from the National University of Singapore in 1981. He also holds a Master of Business Administration (Accountancy) from Nanyang Technology University.

Key Management Executives

Mr Heng Teck Yow is the Director, Business Development / Sales. Mr Heng holds a Diploma in Industrial Engineering.

Mr. Ho Weng Wah is the General Manager, Equipment Manufacturing Division. Mr. Ho holds a Bachelor of Business (Business Administration) from Royal Melbourne Institute of Technology, Australia, and Advanced Diploma in Computer and Communication Systems from Ngee Ann Polytechnic.

Mr Hung Nyet Hiong is the Director, Engineering. Mr Hung holds a Bachelor of Engineering (Electrical) degree from the National University of Singapore.

Mr Li Ying Kit is the General Manager, CEI International Investments (VN) Limited, Vietnam. Mr Li holds a Bachelor of Science (Hons), Electrical Engineering, from the National Defence Academy (Japan) and a Master of Science (Defence Technology) from Cranfield Institute of Technology, United Kingdom.

Mr Lim Piak Hwa is the Senior Director, Materials Management. Mr Lim holds a Bachelor of Engineering degree from the National University of Singapore, a graduate diploma in Marketing Management from the Singapore Institute of Management and a Master of Business (Accounting) degree from Monash University, Melbourne.

Mr Ng Cheng Kung is the General Manager, PT Surya Teknologi Batam. Mr Ng holds an Advanced Diploma in Automation in Manufacturing from the Singapore Polytechnic.

Mr Seow Sin Leng is the Senior Director, Corporate Services. Mr Seow holds a Bachelor of Accountancy degree and a Master of Business Administration degree from the University of Singapore.

Mr Sia Chee Hoe is the Financial Controller. He is a Non-Practising Member of the Institute of Certified Public Accountants of Singapore. He holds a qualification from the Association of Chartered Certified Accountants.

Ms Thng Ah Hiang is the Senior Director, Customer Relations Management / Marketing. Ms Thng holds a Diploma in Industrial Management from the Singapore Polytechnic.

REPORT ON CORPORATE GOVERNANCE

CEI is committed to observing good standards of corporate governance and a continual process of developing procedures and policies in keeping with best business practice.

This Report describes CEI's corporate governance practices with specific reference to the Code Of Corporate Governance ("Code"), a "listing requirement" under the SGX-ST Listing Manual.

Where otherwise indicated, CEI believes that it has and will remain compliant with the Code.

BOARD OF DIRECTORS

In complying with the Code, –

- The Company is headed by an effective Board to lead and control its operations and affairs (Principle 1);
- Attendance of Board meetings and Committee meetings held during the financial year are set out under Table A (Guidance Note 1.4);
- In ensuring that operations and Board executive time are not disrupted, Board and Committee meetings for the ensuing financial year are organised prior to the start of each ensuing financial year (Guidance Note 3.2(a));
- The Executive Chairman sets the agenda for each board meeting in consultation with the Managing Director. As a general rule, board papers are disseminated to directors at least 3 working days prior to a scheduled meeting. As and when required, management personnel are invited to Board meetings to provide additional information on any matters held for discussion (Guidance Note 3.2(a) and 3.2(d));
- Apart from scheduled Board Meetings, all directors are apprised of the financial performance of the Company and the Group on a monthly basis (Guidance Note 3.2(b));
- Article 120(2) of the Company's Articles provide for telephonic and video-conferencing meetings (Guidance Note 1.4);
- All transactions concerning mergers, acquisitions, investments and capital expenditures exceeding $500,000 are discussed and come under the Board's purview (Guidance Note 1.5);
- The Company will update newly appointed and existing directors on relevant new laws, regulations and changing commercial risks as and when they are made known (Guidance Note 1.6);
- The Company's Board composition and balance comprise independent directors making up at least one-third of the Board (Guidance Note 2.1);
- Directors are considered independent under circumstances spelt out in Principle 2, Guidance Note 2.1 of the Code (Guidance Note 2.1);
- In considering the scope and nature of the operations of the Company and of the Group, the current size of the Board is considered appropriate. Additional members will be added to the Board as and when circumstances require (Guidance Note 2.3);
- There are adequate relevant competencies of the directors, who as a group carry specialist backgrounds in strategic planning and direction, industry knowledge and experience, accounting and finance, legal, investment banking and corporate finance and human resource executive search and management (Guidance Note 2.4);
- The Company's Board assumes responsibility for corporate governance (Principle 1).

- Should directors, whether as a group or individually, need independent professional advice, an officer of the Company will, upon direction by the Board, appoint a professional advisor selected by the group or the individual, to render the advice. Such costs from professional advice rendered will be borne by the Company (Principle 6.5); and

- The Company Secretary attends all board meetings. The Company Secretary assists the Board in ensuring that procedures are followed and that the Company complies with the requirements of the Companies Act and all other rules and regulations of the SGX (Guidance Note 6.3).

- To ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making, the roles of Chairman and Chief Executive Officer are separated (Guidance Note 3.1).

TABLE A

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

	Board	
	Held	Attended
Tien Sing Cheong (Chairman)	3	3
Tan Ka Huat	3	3
Tan Bien Chuan	3	3
Tang Martin Yue Nien	3	3
Gan Chee Yen	3	2
Colin Ng Teck Sim	3	3

	Nominating Committee	
	Held	Attended
Tan Bien Chuan (Chairman)	3	3
Tang Martin Yue Nien	3	3
Tien Sing Cheong	3	3

	Remuneration Committee	
	Held	Attended
Tang Martin Yue Nien (Chairman)	3	3
Tan Bien Chuan	3	3
Gan Chee Yen	3	2
Colin Ng Teck Sim	3	3

	Audit Committee	
	Held	Attended
Tan Bien Chuan (Chairman)	3	3
Tang Martin Yue Nien	3	3
Gan Chee Yen	3	2
Colin Ng Teck Sim	3	3

NOMINATING COMMITTEE (NC)

The NC's establishment is in compliance with the Code. Article 126 of the Company's Articles of Association permits the Directors to delegate any of their powers. NC is guided by the Terms of Reference as approved by the Board.

In complying with the Code, -

A formal and transparent process for the appointment of new directors and re-appointment of directors is in placed and empowered through the NC's Terms Of Reference (Principle 4).

These principal functions include -

- Making recommendations to the Board on the appointment of new executive and non-executive directors, including making recommendations to the composition of the Board generally and the balance between executive and non-executive directors appointed to the Board (Guidance Note 4.1);

- Responsibility for identifying and nominating candidates for the approval of the Board, determining annually whether or not a director is independent (Guidance Note 4.3);

- Recommending Directors, who are retiring by rotation, to be put forward for re-election. All Directors are required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years. Article 107 of the Articles requires one-third of the Board to retire by rotation at every AGM (Guidance Note 4.2);

NOMINATING COMMITTEE (NC) (cont'd)

- Deciding whether or not a director is able to and has been adequately carrying out his duties as a director of the Company, particularly when a director has multiple board representations (Guidance Note 4.4); and

- To adopt internal guidelines that address the competing time commitments that are faced when directors serve on multiple boards (Guidance Note 4.4).

- Principle 5 of the Code provides that there "should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board".

Given the current size of the Board, and that both executive directors of the Company are the Executive Chairman and Managing Director and that each independent and non-executive director hold specialist and complementary backgrounds, the NC takes the view that an assessment of the Board's performance as a whole correspondingly reflects the contribution of each director (Guidance Note 5.1). Although there is no formal assessment of the Board's performance, the NC makes it a practice to review the Group's performance at all NC meetings.

Therefore, in evaluating the Board's performance as a whole, the NC reviews –

- Quantitative performance criteria such as return on assets, return on equity, return on investment, profitability on capital employed, dividend yield, share price performance measured against reasonably similar industries together with other financial ratios were considered (Guidance Note 5.1, 5.2, 5.3 & 5.5); and

- Qualitative performance criteria such as the Company's strategic longer term and short-term goals were considered (Guidance Note 5.1 & 5.2).

REMUNERATION COMMITTEE (RC)

The RC's establishment is in compliance with the Code. Article 126 of the Company's Articles of Association permits the Directors to delegate any of their powers. RC is guided by the Terms of Reference as approved by the Board.

In complying with the Code –

The RC will review and recommend to the Board, a framework of remuneration for the Board and key executives. The RC's review will principally include –

- Review all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options and benefits-in-kind (Principle 7);

- Review remuneration packages against those comparable within the industry and comparable companies where this is possible and that they are reasonable and that these should include a performance-related element coupled to the Company's financial performance (Principle 8); and

- Review remuneration packages of employees related to directors of the Company and of the Group and that these commensurate with their respective job scopes and levels of responsibility (Guidance Note 9.3).

The RC notes the following with respect to the current financial year –

With respect to remuneration packages for executive directors,

- The Executive Chairman and Managing Director are currently on 2-year Service Agreements which commenced on 1 November 2007 under terms and conditions approved by the Remuneration Committee; and

- The terms of remuneration for the Executive Chairman and Managing Director include a performance bonus element based on the Group's profitability.

Executive directors do not receive Directors' fees.

REMUNERATION COMMITTEE (RC) (cont'd)

Non-executive directors are paid directors' fees subject to approval at the AGM.

The Company's CEI ESOS Scheme administered by the CEI ESOS COMMITTEE ended in December 2005.

The final CEI ESOS was granted on 6 September 2005 and will lapse by 5 September 2010 if not exercised.

Details of the CEI ESOS Scheme are disclosed in the Directors' Report (Guidance Note 9.4).

The Company's Share Performance Plan (SPP) is administered by the RC. The RC will ensure that the terms and conditions under the SPP are adhered to. The list of eligible employees and the number of shares to be awarded from the Treasury shares will be recommended by CEI management and approved by the RC.

A breakdown showing the level and mix of each individual director's remuneration payable for FY 2008 is as follows (Guidance Note 9.2):

Directors' Remuneration

NAME	FEES (S$)	SALARY (S$)	BONUS (S$)	BENEFITS (S$)	TOTAL (S$)
Tien Sing Cheong	-	229,440	205,696	8,435	443,571
Tan Ka Huat	-	271,740	209,771	76,418	557,929
Tan Bien Chuan	55,300	-	-	-	55,300
Tang Martin Yue Nien	51,700	-	-	-	51,700
Gan Chee Yen	44,700	-	-	-	44,700
Colin Ng Teck Sim	44,700	-	-	-	44,700

Notes :

Directors' Fees would be subject to approval by shareholders as a lump sum at the AGM for FY 2008.

Directors' interest in share options are disclosed in the Directors' Report.

For Senior Executives Remuneration (Who Are Not Directors Of The Company), disclosure of the top five executives' remuneration in bands of $250,000 is disclosed under Note 26 (b) to the Accounts (Guidance Notes 9.1 & 9.2).

The Company adopts a remuneration policy for staff comprising a fixed component and variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the Company and individual performance (Principle 9).

No employee of the Group who is an immediate family of a director was paid a remuneration that exceeded S$150,000 for the financial year ended 31 December 2008. (Guidance Note 9.3).

AUDIT COMMITTEE (AC)

The AC's establishment is in compliance with the Code and the Companies Act, Cap. 50. Article 126 of the Company's Articles of Association permits the Directors to delegate any of their powers. AC is guided by the Terms of Reference which incorporates the provisions as regulated and approved by the Board.

In complying with the Code –

- The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings (Guidance Note 11.3);

- The AC reviews the scope and results of the external and internal audit and its cost effectiveness and the independence and objectivity of the external auditors (Guidance Note 11.4);

- The AC has undertaken a review of all non-audit services provided by the external auditors and is of the opinion that the provision of such services does not affect the independence of the external auditors;

- The AC meets with the external auditors and with the internal auditors respectively, without the presence of the Company's management (Guidance Note 11.5);

- The AC will review the independence of the external and internal auditors annually (Guidance Note 11.6); and

- Nominate external auditors for re-appointment.

The Board has ultimate responsibility for the systems of internal control maintained and set in place by management.

The systems are intended to provide reasonable assurance, but not an absolute guarantee against material financial misstatement or loss, safeguarding investments and assets, reliability of financial information, compliance with appropriate legislation, regulation and best practice and the identification of business risks (Principle 12).

To a large extent, the Board's responsibilities are fulfilled through the AC (Guidance Note 12.1).

The AC has reviewed the Company's risk assessment based on the Internal Auditor reports and given the scope of work done and findings for the year, is assured that the Company's systems of internal controls are adequately in place (Guidance Note 12.1).

In addressing business risks and the adequacy of systems of internal controls, the AC has considered the following (Guidance Note 12.2) –

- The review and identification of business risks is an ongoing process; and

- A reliance on management and the internal auditors to identify key business risks prior to determining the scope and nature of internal audit work required.

The Company's internal audit function is independent of the business activities it audits (Principle 13) –

- The internal audit function is outsourced to BDO Raffles (Guidance Notes 13.2 & 13.3);

- The internal auditor reports directly to the Chairman of AC (Guidance Note 13.1);

- The scope of internal audit work is proposed by the internal auditor and is approved by the AC (Guidance Note 13.4); and

- To ensure the adequacy of the internal audit function, the AC is apprised of the internal audit work, findings and follow-up work at all AC meetings. (Guidance Note 13.4)

Whistle Blowing Policy (Guidance Note 11.7)

The Board had on the recommendation of AC approved and put in place the Whistle Blowing Policy and Procedure For Reporting Impropriety In Matters of Financial Reporting And Other Matter ("Policy"). The Policy had been disseminated to staff and they were advised that no staff would be intimidated or restrained from reporting any impropriety to the AC Chairman. Also, the identity of complainant would be kept confidential unless by law required to reveal or the identity of the complainant is already publicly known or the Board of Directors opined that it would be in the best interest of the Group to disclose the identity.

Upon receipt of such complaint, AC Chairman in consultation with fellow members would exercise discretion on how to proceed with the investigation, thereafter recommend any remedial or legal action to be taken, where necessary.

The AC Chairman has received no complain as at the date of this report.

COMMUNICATION WITH SHAREHOLDERS

In complying with the Code –
- The Company has adopted half-yearly reporting of its financial results based on its market capitalisation and are published through the SGXnet and news releases (Guidance Note 14.1);
- All information of the Company's business initiatives is disclosed on a timely basis and the Company does not practise selective disclosure (Guidance Note 14.2);
- The Company has also engaged the services of Zaobao.com, an investor relations company, as a means of reaching out to its Mandarin speaking audience;
- The Company's AGMs have been well attended and convenient venues have been selected in the past (Guidance Note 15.1);
- Shareholders are given ample time and opportunities to air their views and ask directors or management questions concerning the Company (Guidance Note 15.1);
- Separate resolutions for each distinct issue are tabled for shareholders approval (Guidance Note 15.2);
- Article 90(2) of the Articles allows a member of the Company to appoint up to two proxies to attend and vote instead of the member

SECURITIES TRANSACTIONS

The Company has issued a Policy on Share Dealings to key employees of the Company, setting out the implications of insider trading and Rule 1207 (18) of the Listing Manual issued by the Singapore Exchange Securities Trading Limited. To further provide guidance to employees on dealing in the Company's shares, the Company has adopted a code of conduct on transactions in the Company's shares. The code of conduct was modelled after Rule 1207 (18) of the Listing Manual. The Company Secretary informs the directors, senior management and senior accounting personnel that they should not deal in the Company shares during the period commencing one month before half-year and full financial year announcements of the Company's financial statements. In addition, the Company Secretary also reminds the offence of insider trading under the Securities and Futures Act for the directors and employees to deal in the Company shares when they are in possession of unpublished material price-sensitive information in relation to the Company shares.

The Directors have adopted the Best Practices Guide with regard to dealing in the Company's shares.

On behalf of the Board,

Tien Sing Cheong
Director

Tan Ka Huat
Director

Singapore
6 March 2009

RISK IDENTIFICATION, MANAGEMENT POLICIES AND PROCESSES

Operating and business risks and associated management responses and policies may be summarised as follows:

(i) Customers

Today, the Group has more than 20 customers, of which the top 5 customers account for 70% of FY 2008 revenue.

Over the years, the Group has aimed to increase its customer base and to decrease dependency on any one customer account.

(ii) Availability and pricing of components

We procure components needed in manufacturing for our customers. Some of these customers' components are available only from a single supply source. In the event that such suppliers are unable to supply the customised components, we may not be able to develop an alternative source of supply in a timely manner. This will delay our production and delivery to customers and have a material adverse impact on our financial results.

Furthermore, the price of electronic components will increase during periods of shortage. Any significant increase in such purchase price, which cannot be absorbed by the customers, will have a material adverse effect on the financial results.

Working with the customers to accept alternate suppliers is an on-going effort.

(iii) Currency exchange

Our sales revenue is denominated mainly in US dollars. Our purchases of components are denominated in US dollars and Euros. The percentages of our sales and expenses denominated in foreign currencies in FY 2008 are set out as follows:

	US Dollar	Euro
Sales in US dollars as a percentage of total revenue	99%	NA
Purchases in US dollars and Euros as a percentage of total costs	60%	2%

In view of the above foreign currency exposures, given the Singapore dollar as our reporting currency, we have net exposures in US$ receivables and Euro payables. Therefore, depreciation in the US dollar relative to the Singapore dollar will have an unfavourable effect on our financial results. Conversely, an appreciation in Euro relative to the Singapore dollar will have an unfavourable effect on our financial results.

We will continue to monitor our foreign exchange exposure and are using hedging instruments to manage our foreign exchange risk on an ongoing basis.

(iv) Industry competition

We continue to focus on the high mix / low-to-moderate volume segment of the PCBA, Box-Build and equipment manufacturing. We are not in any position to prevent competitors from entering into the market.

(v) Investment risk

In view of the industry competition, we are constantly exploring investment opportunities to enhance our existing capabilities and to provide higher value-added and complementary services to our customers. One of the ways is to invest in companies or purchase of businesses and assets. The risk involved in such investment activities is that the rate of return of equity, growth potential and sustainability may not be transparent.

(vi) Dependence on key management personnel

The success of the Group depends on the continued services of our key management personnel.

The Group encourages succession planning to ensure that there is timely backup.

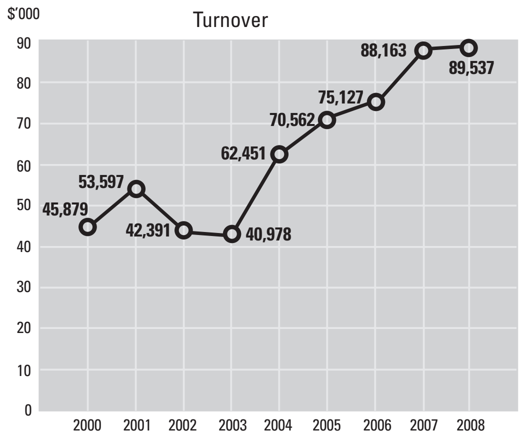
On behalf of the Board,

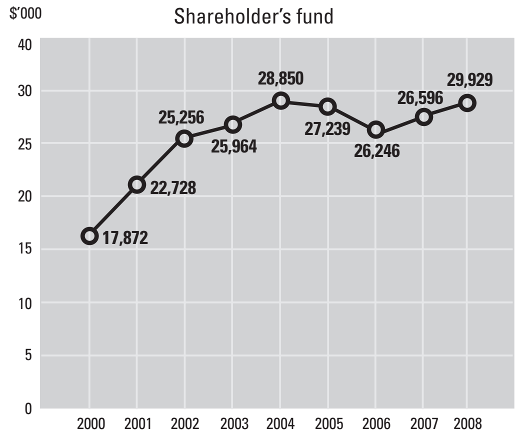
Tien Sing Cheong
Director

Tan Ka Huat
Director

Singapore
6 March 2009

FINANCIAL HIGHLIGHTS





Directors

Tien Sing Cheong (Executive Chairman)
Tan Ka Huat (Managing Director)
Gan Chee Yen
Tan Bien Chuan
Tang Martin Yue Nien
Colin Ng Teck Sim

Company Secretaries

Teo Soon Hock
Susie Low Geok Eng

Registered office

Address	:	No. 2 Ang Mo Kio Avenue 12 Singapore 569707
Telephone	:	(65) 6481 1882
Fax	:	(65) 6578 9755
Email	:	susie.low@boardroomlimited.com

Bankers

Oversea-Chinese Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank Ltd
ABN Amro Bank N.V.
Standard Chartered Bank

Share Registrar

Boardroom Corporate and Advisory Services Pte Ltd
3 Church Street, #08-01
Samsung Hub
Singapore 049483

Auditors

Ernst & Young LLP
Partner-in-charge (since financial year ended 31 December 2007): Alvin Phua

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The directors are pleased to present their report to the members together with the audited consolidated financial statements of CEI Contract Manufacturing Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2008.

Directors

The directors of the Company in office at the date of this report are:

Tien Sing Cheong (Executive Chairman)
Tan Ka Huat (Managing Director)
Gan Chee Yen
Tan Bien Chuan
Tang Martin Yue Nien
Colin Ng Teck Sim

In accordance with Article 107 of the Company's Articles of Associations, Tan Bien Chuan and Tang Martin Yue Nien will retire and, being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares and debentures

Except as described under "Directors' interest in shares and debentures", neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object, is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interest in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company as stated below:

	Direct interest	
Name of director	**At beginning of the year**	**At end of the year**
The Company		
Ordinary shares		
Tien Sing Cheong	34,687,600	34,687,600
Tan Ka Huat	15,901,360	15,901,360
Gan Chee Yen	1,377,200	1,377,200
Tan Bien Chuan	1,878,800	1,878,800
Tang Martin Yue Nien	1,268,800	1,598,800

Directors' interest in shares and debentures (cont'd)

Name of director	Direct interest At beginning of the year	At end of the year
<u>The Company</u>		
Share options of $0.1236 each exercisable from 13.2.2005 to 13.2.2008		
Tang Martin Yue Nien	330,000	-
Share options of $0.1578 each exercisable from 7.7.2005 to 7.7.2008		
Tan Bien Chuan	132,000	-
Tang Martin Yue Nien	132,000	-

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2009.

By virtue of Section 7 of the Companies Act, Cap. 50, Tien Sing Cheong and Tan Ka Huat are deemed to have interests in shares of the subsidiaries of the Company, all of which are wholly-owned.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a Company in which the director has a substantial financial interest.

Options

The CEI Contract Manufacturing Employees' Share Option Scheme ("CEI ESOS") is administered by the following members:

Tan Bien Chuan	(Chairman and Independent Director)
Tang Martin Yue Nien	(Independent Director)
Gan Chee Yen	(Non-executive Director)
Tien Sing Cheong	(Executive Chairman)
Tan Ka Huat	(Managing Director)

Options (cont'd)

Each share option entitles the employees of the Company to subscribe for one new ordinary share in the Company. The options are granted in consideration of $1 per option for all the shares in respect of which the option is granted. The options may be exercised after two years but not later than 5 years from the date the share option was granted. The shares under option may be exercised in full or in blocks of 1,000 shares or a multiple thereof on the payment of the exercise price. The employees to whom the options have been granted do not have the right to participate, by virtue of the options, in a share issue of any other company. Options granted are cancellable when the option holder ceases to be in office or under full-time employment of the Company subject to certain exceptions at the discretion of the Company.

The information relating to CEI ESOS are as follows:

Participants	Options granted during the financial year under review	Aggregate options granted since commencement of the CEI ESOS to end of financial year under review	Aggregate options exercised/lapsed since commencement of CEI ESOS to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Directors of the Company				
Tien Sing Cheong	-	3,234,000	3,234,000	-
Tan Ka Huat	-	3,234,000	3,234,000	-
Gan Chee Yen	-	1,852,400	1,852,400	-
Tan Bien Chuan	-	1,852,400	1,852,400	-
Tang Martin Yue Nien	-	1,852,400	1,852,400	-
Other participants				
Employees of the Company	-	31,414,408	30,266,408	1,148,000

Date of grant	Balance as at 1.1.2008	Options exercised	Options lapsed	Options forfeited	Balance as at 31.12.2008	Number of holders as at 31.12.2008	Exercise Price $	Exercisable period
13.2.2003	2,059,000	(1,267,000)	(770,000)	(22,000)	-	-	0.1236	13.2.2005 – 13.2.2008
7.7.2003	904,000	(46,000)	(858,000)	-	-	-	0.1578	7.7.2005 – 7.7.2008
6.9.2005	1,699,000	(471,000)	-	(80,000)	1,148,000	32	0.1520	6.9.2007 – 6.9.2010
	4,662,000	(1,784,000)	(1,628,000)	(102,000)	1,148,000			

Since the commencement of CEI ESOS to the end of the financial year:

- There are no participant who are controlling shareholders of the Company;
- Except for Tien Sing Cheong and Tan Ka Huat, no other participants have received 5% or more of the total number of options available under CEI ESOS;
- No options entitle the holder to participate by virtue of the options in any share issue of any other corporations have been granted; and
- The options have been granted at a discount of 20% off the market price at the date of grant.

Audit Committee

The Audit Committee (the "AC") comprises four members, all of whom are non-executive directors. The majority of the members including the Chairman, are independent. The members of the AC in office at the date of this report are:

Tan Bien Chuan	(Chairman and Independent Director)
Tang Martin Yue Nien	(Independent Director)
Colin Ng Teck Sim	(Independent Director)
Gan Chee Yen	(Non-Executive Director)

The AC met as necessary and carried out its functions in accordance with the Singapore Companies Act, Cap. 50, including the following:

- Reviews the audit plans of the internal and external auditors of the Company and ensures the adequacy of the Company's system of accounting controls and the co-operation given by the Company's management to the external and internal auditors;
- Reviews the half yearly and annual financial statements and the auditors' report on the annual financial statements before submission to the board of directors;
- Reviews the effectiveness of the Company's material internal controls, including financial, operational and compliance controls via reviews carried out by the internal auditors;
- Meets with the external auditors, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes;
- Reviews the cost effectiveness and independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors and their independence;
- Recommends to the board of directors the external auditors to be nominated, and reviews the scope and results of the audit;
- Reports actions and minutes of the AC to the board of directors with such recommendations as the AC considers appropriate; and
- Reviews interested persons transactions in accordance with the requirements of the Singapore Exchange Trading Limited (SGX-ST)'s Listing Manual.

Further information regarding the AC is disclosed in the Report on Corporate Governance.

Auditors

Ernst & Young LLP expressed their willingness to accept reappointment as auditors.

On behalf of the board of directors,

Tien Sing Cheong
Director

Tan Ka Huat
Director

Singapore
6 March 2009

Statement by Directors

We, Tien Sing Cheong and Tan Ka Huat, being two of the directors of CEI Contract Manufacturing Limited, do hereby state that, in the opinion of the directors,

(a) the accompanying balance sheets, consolidated income statement, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008, and of the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors,

Tien Sing Cheong
Director

Tan Ka Huat
Director

Singapore
6 March 2009

To the Members of CEI Contract Manufacturing Limited

We have audited the accompanying financial statements of CEI Contract Manufacturing Limited (the "Company") and its subsidiary companies (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2008, statement of changes in equity of the Group and the Company, the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore
6 March 2009

Consolidated Income Statement for the year ended 31 December 2008

	Note	Group 2008 $	Group 2007 $
Revenue	4	89,536,779	88,162,693
Cost of sales		(66,367,060)	(66,442,633)
Gross profit		23,169,719	21,720,060
Other income		213,194	329,118
General and administrative costs		(14,385,126)	(11,272,044)
Selling and distribution costs		(2,733,505)	(2,148,888)
Finance costs		(292,780)	(246,738)
Share of results of associated company		-	20,000
Profit before taxation	5	5,971,502	8,401,508
Taxation	6	(1,354,603)	(2,123,963)
Profit after taxation		4,616,899	6,277,545
Earnings per share			
Basic	7	1.33 cents	1.92 cents
Diluted	7	1.33 cents	1.91 cents

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets as at 31 December 2008

	Note	Group		Company	
		2008	2007	2008	2007
		$	$	$	$
ASSETS					
Non-current assets					
Property, plant and equipment	8	11,056,822	8,158,648	1,703,627	769,775
Intangible assets	9	4,595,164	-	4,595,164	-
Investments in subsidiary companies	10	-	-	10,663,388	9,948,809
Investments in associated companies	11	644,790	661,140	508,000	524,350
Investment securities	12	1,600,500	2,944,920	1,600,500	2,944,920
Deferred tax asset	6	408,500	630,000	409,500	630,000
		18,305,776	12,394,708	19,480,179	14,817,854
Current assets					
Inventories	13	16,239,242	12,983,832	16,162,725	12,980,703
Trade receivables	14	15,587,751	13,271,106	15,260,083	13,188,433
Other receivables	15	322,181	798,832	206,084	691,946
Prepayments		362,951	217,146	332,987	193,917
Investment securities	12	-	1,087,985	-	1,087,985
Amounts due from subsidiary companies	16	-	-	128,317	-
Cash and cash equivalents	17	11,002,829	9,304,093	10,475,702	8,872,093
		43,514,954	37,662,994	42,565,898	37,015,077
Total assets		**61,820,730**	**50,057,702**	**62,046,077**	**51,832,931**
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables and accruals	18	15,280,962	12,584,810	15,247,846	11,971,303
Amounts due to a subsidiary company	16	-	-	1,099,645	4,333,665
Bank borrowings	19	10,535,101	6,938,352	10,535,101	6,938,352
Provision for taxation		2,220,642	2,501,183	1,907,127	2,126,835
Advanced billings to customers		1,302,493	1,120,815	1,302,493	1,120,814
Other liabilities	20	142,735	316,804	68,296	256,582
		29,481,933	23,461,964	30,160,508	26,747,551
Net current assets		14,033,021	14,201,030	12,405,390	10,267,526
Non-current liabilities					
Bank borrowings	19	2,400,000	-	2,400,000	-
Deferred tax liabilities	6	10,000	-	-	-
		2,410,000	-	2,400,000	-
Total liabilities		**31,891,933**	**23,461,964**	**32,560,508**	**26,747,551**
Net assets		**29,928,797**	**26,595,738**	**29,485,569**	**25,085,380**
Equity					
Share capital	21	23,814,685	19,894,166	23,814,685	19,894,166
Treasury shares	21	(836,625)	(334,915)	(836,625)	(334,915)
Revenue reserves		6,868,123	6,640,472	6,424,895	5,130,114
Employee share option reserve	22	82,614	396,015	82,614	396,015
Total equity		**29,928,797**	**26,595,738**	**29,485,569**	**25,085,380**
Total equity and liabilities		**61,820,730**	**50,057,702**	**62,046,077**	**51,832,931**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity for the year ended 31 December 2008

2008 Group	Share capital (Note 21) $	Treasury shares (Note 21) $	Revenue reserves $	Employee share option reserve (Note 22) $	Total equity $
At 1 January 2008	19,894,166	(334,915)	6,640,472	396,015	26,595,738
Profit for the year, representing total recognised income for the year	-	-	4,616,899	-	4,616,899
Purchase of treasury shares	-	(501,710)	-	-	(501,710)
Dividends on ordinary shares (Note 23)	-	-	(4,389,248)	-	(4,389,248)
Issuance of shares on business combination	3,371,667	-	-	-	3,371,667
Issuance of shares on exercise of employee share options	548,852	-	-	(313,401)	235,451
At 31 December 2008	23,814,685	(836,625)	6,868,123	82,614	29,928,797

2007 Group	Share capital (Note 21) $	Treasury shares (Note 21) $	Revenue reserves $	Employee share option reserve (Note 22) $	Total equity $
At 1 January 2007	19,273,512	-	6,494,655	478,346	26,246,513
Profit for the year, representing total recognised income for the year	-	-	6,277,545	-	6,277,545
Purchase of treasury shares	-	(334,915)	-	-	(334,915)
Dividends on ordinary shares (Note 23)	-	-	(6,131,728)	-	(6,131,728)
Grants of equity-settled share options to employees	-	-	-	44,600	44,600
Issuance of shares on exercise of employee share options	620,654	-	-	(126,931)	493,723
At 31 December 2007	19,894,166	(334,915)	6,640,472	396,015	26,595,738

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity for the year ended 31 December 2008 (cont'd)

2008 Company	**Share capital (Note 21) $**	**Treasury shares (Note 21) $**	**Revenue reserves $**	**Employee share option reserve (Note 22) $**	**Total equity $**
At 1 January 2008	19,894,166	(334,915)	5,130,114	396,015	25,085,380
Profit for the year, representing total recognised income for the year	-	-	5,684,029	-	5,684,029
Dividends on ordinary shares (Note 23)	-	-	(4,389,248)	-	(4,389,248)
Purchase of treasury shares	-	(501,710)	-	-	(501,710)
Issuance of shares on business combination	3,371,667	-	-	-	3,371,667
Issuance of shares on exercise of employee share options	548,852	-	-	(313,401)	235,451
At 31 December 2008	23,814,685	(836,625)	6,424,895	82,614	29,485,569
2007 Company					
At 1 January 2007	19,273,512	-	4,587,828	478,346	24,339,686
Profit for the year, representing total recognised income for the year	-	-	6,674,014	-	6,674,014
Dividends on ordinary shares (Note 23)	-	-	(6,131,728)	-	(6,131,728)
Grants of equity-settled share options to employees	-	-	-	44,600	44,600
Purchase of treasury shares	-	(334,915)	-	-	(334,915)
Issuance of shares on exercise of employee share options	620,654	-	-	(126,931)	493,723
At 31 December 2007	19,894,166	(334,915)	5,130,114	396,015	25,085,380

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement for the year ended 31 December 2008

	2008 $	2007 $
Cash flows from operating activities		
Profit before taxation	5,971,502	8,401,508
Adjustments for:		
Amortisation of intangible assets	158,300	-
Depreciation of property, plant and equipment	1,506,029	1,314,018
Interest income	(72,483)	(148,485)
Interest expense	292,780	246,738
Loss on disposal of property, plant and equipment	6,758	2,684
Impairment of an associated company	16,350	26,900
Impairment of investment in securities	1,594,420	-
Expense of share–based payment	-	44,600
Fair value adjustment of investment securities	(163,850)	(61,300)
Share of results of associated company	-	(20,000)
Gain on deemed disposal of an associated company	-	(70,000)
Operating income before working capital changes	9,309,806	9,736,663
Increase in receivables and prepayments	(507,632)	(99,684)
(Increase)/Decrease in inventories	(2,534,196)	617,961
Decrease in creditors	(1,105)	(413,467)
Cash generated from operations	6,266,873	9,841,473
Interest received	72,483	148,485
Income tax paid	(1,568,644)	(1,847,655)
Interest paid	(292,780)	(246,738)
Net cash generated from operating activities	4,477,932	7,895,565
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,151,393)	(2,278,533)
Redemption/(purchase) of investment securities	1,000,000	(2,944,920)
Business combination, net of cash acquired (Note 3)	(969,045)	-
Net cash used in investing activities	(4,120,438)	(5,223,453)
Cash flows from financing activities		
Dividends paid	(4,389,248)	(6,131,728)
Proceeds from issuance of share capital	235,451	493,723
Proceeds from loans and borrowings	5,996,749	6,938,352
Purchase of treasury shares	(501,710)	(334,915)
Net cash generated from financing activities	1,341,242	965,432
Net increase in cash and cash equivalents	1,698,736	3,637,544
Cash and cash equivalents at beginning of the year (Note 17)	9,304,093	5,666,549
Cash and cash equivalents at end of the year (Note 17)	11,002,829	9,304,093

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

CEI Contract Manufacturing Limited (the "Company") is a limited liability company incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 2 Ang Mo Kio Avenue 12, Singapore 569707.

The principal activities of the Company are those of contract manufacturing and design and manufacture of proprietary equipment. Contract manufacturing services include (a) assemblies of printed circuit board, box-build, prototype and equipment, and (b) value add engineering works such as circuit layout and functional design. The Company also design and manufacture its own brand of proprietary equipment for the semiconductor industry. The principal activities of the subsidiary companies are set out in Note 3 to the financial statements.

There have been no significant changes in the nature of these activities during the year.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "$") to the nearest dollar, unless otherwise indicated.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

2.2 *Future changes in accounting policies*

The Group has not applied the following FRS and INT FRS that have been issued but not yet effective and are relevant to the Group.

			Effective date (Annual periods beginning on or after)
FRS 1	:	Presentation of Financial Statements – revised presentation	1 January 2009
FRS 23	:	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 108	:	Operating Segments	1 January 2009

(a) **FRS 1 Presentation of Financial Statements – revised presentation**

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

(b) **FRS 23 Amendment to FRS 23, Borrowing Costs**

FRS 23 has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of FRS 23, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying asset, if any, after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

2. Summary of significant accounting policies (cont'd)

2.2 *Future changes in accounting policies (cont'd)*

(c) **FRS 108 Operating Segments**

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

2.3 *Significant accounting estimates and judgements*

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of property, plant and equipment

The carrying values of property, plant and equipment are reviewed for impairment in accordance with FRS 36 Impairment of Assets. As at 31 December 2008, the carrying amount of property, plant and equipment held by CEI International Investments (Vietnam) Limited amounted to $1,688,022 (2007: $1,705,235).

In the determination of the recoverable value of the above property, plant and equipment, the Group has ascertained the recoverable value based on fair value approach. Based on the recoverable value ascertained, there is no impairment provided. More details are included in Note 8.

(ii) Depreciation of plant and machinery

The costs of plant and machinery used for contract manufacturing are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these plant and machinery to be within 3 to 5 years. The carrying amount of the Group's plant and machinery as at 31 December 2008 was $2,371,215 (2007: $2,694,385). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Impairment of non-financial assets

The Group assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of intangible assets are set out in Note 9.

2. Summary of significant accounting policies (cont'd)

2.3 *Significant accounting estimates and judgements (cont'd)*

(a) **Key sources of estimation uncertainty (cont'd)**

(iv) Impairment of available-for-sale financial assets

The Group classified certain assets as available-for-sale financial assets and recognises changes in their fair values in equity. When the fair value declines, management exercises judgement based on observable data relating to the possible events that may have caused the decline in value to determine whether the decline in value is an impairment that should be recognised in the income statement. The impairment loss recognised for available-for-sale financial assets during the financial year amounted to $1,594,420.

(v) Impairment of investment in associated company

The carrying values of investments in associated companies and the related goodwill are reviewed for impairment in accordance with FRS 28 Investments in Associates. As at 31 December 2008, the Group's carrying amount of investment in Santec Corporation Pte Ltd and TeleMoney Asia Pte Ltd was $644,790 and $Nil (2007: $644,790 and $16,350) respectively.

In the determination of the value in use of the investment, the Group is required to estimate the expected cash flows to be generated by the associated company and to choose a suitable discount rate in order to calculate the present value of those cash flows. More details are included in Note 11.

(vi) Impairment of investments in subsidiary companies

The carrying values of investments in subsidiary companies are reviewed for impairment in accordance with FRS 36 Impairment of Assets. As at 31 December 2008, the carrying amount of investment in CEI International Investment Pte Ltd was $2,494,341 (2007: $2,494,341).

The recoverable value of the investment is largely dependent on the recoverable value of the underlying assets of CEI International Investments (Vietnam) Limited whose underlying assets are assessed in Note 2.3 (a) (i) above.

(vii) Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 31.

(b) **Judgements made in applying accounting policies**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

(i) Provision for taxation

The Group has exposure to income taxes in a few jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's deferred tax assets/liabilities and provision for current taxation are disclosed in the balance sheet.

2. Summary of significant accounting policies (cont'd)

2.4 *Functional and foreign currency*

(a) **Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the income statement.

(b) **Foreign currency translation**

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange difference arising from the translation are taken directly to a separate component of equity as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the income statement as a component of the gain or loss on disposal.

2.5 *Subsidiary companies and principles of consolidation*

(a) **Subsidiary companies**

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less any impairment losses.

(b) **Principles of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Acquisitions of subsidiary companies are accounted for using the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the costs of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.8. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

2. Summary of significant accounting policies (cont'd)

2.5 *Subsidiary companies and principles of consolidation (cont'd)*

(b) **Principles of consolidation (cont'd)**

Subsidiary companies are fully consolidated from the date of acquisition using the purchase method, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.6 *Associated companies*

An associated company is an entity, not being a subsidiary company or a joint venture company, in which the Group has significant influence. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated company.

The Group's investments in associated companies are accounted for using the equity method. Under the equity method, the investments in associated companies are measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associated companies. Goodwill relating to associated companies is included in the carrying amount of the investments. Any excess of the Group's share of the net fair value of the associated companies' identifiable assets, liabilities and contingent liabilities over the cost of the investments are excluded from the carrying amount of the investments and are instead included as income in the determination of the Group's share of the associated companies' profit or loss in the period in which the investments are acquired.

When the Group's share of losses in an associated company equals or exceed its interest in the associated company, the Group does not recognised further losses, unless it has incurred obligations or made payments on behalf of the associated company.

The financial statements of the associate are prepared as of the same reporting date as the Company.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses.

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	-	Over lease period of 43 years
Leasehold buildings	-	Shorter of lease period or 25 years
Plant and machinery	-	3 - 5 years
Office furniture, fittings and equipment	-	5 years
Motor vehicles	-	5 - 6 years
Computer equipment	-	2 years
Renovation	-	5 years

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.8 *Intangible assets*

(a) **Goodwill**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the allocated goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

(b) **Other intangible assets**

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

(i) Customer relationships

Customer relationships relates to long-running smooth cooperation for sustained support from customers. It is amortised on a straight-line basis over 6 years.

(ii) Order backlogs

Order backlogs relates to the fair value of the order backlogs placed by the customers with the acquired business prior to the business combination. It is amortised over 12 months which represents the average turnover period to fulfil the orders.

2.9 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2. Summary of significant accounting policies (cont'd)

2.9 *Impairment of non-financial assets (cont'd)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.10 *Financial assets*

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(a) **Financial assets at fair value through profit or loss**

Financial assets held for trading are classified as financial assets at fair value through profit and loss. Financial assets held for trading are derivatives or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income statement.

(b) **Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(c) **Available-for-sale financial assets**

Available-for-sale financial assets are those not classified as financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised directly in fair value adjustment reserve, except that impairment losses are recognised in the income statement. The cumulative gain or loss previously reported in equity is recognised in the income statement when the financial asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.11 *Impairment of financial assets*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) **Assets carried at amortised cost**

If there is objective evidence that an impairment loss on financial assets carried at amortised costs has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of the impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets have been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) **Available-for-sale financial assets**

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2.12 *Inventories*

Inventories are stated at the lower of costs (determined principally on standard costs which approximate the actual costs) and net realisable value.

In arriving at net realisable value, due allowance is made for all obsolete and slow-moving items.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

Cost of finished goods and work-in-progress include cost of direct materials, labour and an appropriate portion of fixed and variable factory overheads.

2. Summary of significant accounting policies (cont'd)

2.13 *Financial liabilities*

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income statement.

2.14 *Provisions*

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.15 *Borrowing costs*

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

2.16 *Employee benefits*

(a) **Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) **Employee share option plans**

Employees (including senior executives) of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted.

The cost of equity-settled transactions is recognised in the income statement, together with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2. Summary of significant accounting policies (cont'd)

2.17 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before the revenue is recognised.

(a) **Sales of goods**

Revenue is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

(b) **Interest income**

Revenue is recognised using the effective interest method.

(c) **Dividend income**

Dividend income is recognised when the Group's right to receive payment is established.

2.18 *Income taxes*

(a) **Current tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(b) **Deferred tax**

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2. Summary of significant accounting policies (cont'd)

2.18 *Income taxes (cont'd)*

(b) **Deferred tax (cont'd)**

Income tax relating to items recognised directly in equity is recognised in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) **Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.19 *Segment reporting*

A business segment is a distinguishable component of the Group that is engaged in providing goods or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing goods or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2.20 *Treasury shares*

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of treasury shares.

3. Subsidiary, associated and joint venture companies

(a) Details of the subsidiary, associated and joint venture companies as at 31 December are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Company Cost 2008 $	Company Cost 2007 $	Percentage of equity held 2008 %	Percentage of equity held 2007 %
Subsidiary companies Held by the Company					
CEI International Investments Pte Ltd (1) (Singapore)	Investment holding (Singapore)	2,494,341	2,494,341	100	100
Tangera Pte Ltd (1) (Singapore)	Holding of industrial property (Singapore)	3,539,365	3,539,365	100	100
PT Surya Teknologi Batam (2) (Indonesia)	Printed circuit board assembly and contract manufacturing (Indonesia)	2,999,035	2,999,035	100	100
		9,032,741	9,032,741		
Subsidiary companies Held through subsidiary company					
CEI International Investments (VN) Ltd (3) (Vietnam)	Printed circuit board assembly and contract manufacturing (Vietnam)			100	100
CEI Electronics Equipment (Shanghai) Co., Ltd (formerly known as IC Equipment (Shanghai) Co. Ltd) (4)	Precision machining and contract manufacturing (People's Republic of China)			100	-
Associated companies Held by the Company					
Santec Corporation Pte Ltd (5) (Singapore)	Precision engineering, stamping and tool and die making (People's Republic of China)	608,000	608,000	25	37
TeleMoney Asia Pte Ltd (6) (Singapore)	Provision of online and mobile payment services (Vietnam)	173,250	173,250	33.33	33.33
		781,250	781,250		

3. Subsidiary, associated and joint venture companies (cont'd)

(a) Details of the subsidiary, associated and joint venture companies as at 31 December are: (cont'd)

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held 2008 %	2007 %
Joint venture company			
Held through subsidiary company			
CEI -TOYO Singapore Pte Ltd (Singapore)	Contract manufacturing services (Singapore)	-	53.33

CEI-Toyo was voluntarily liquidated by its members on 26 October 2007.

(1) Audited by Ernst & Young, Singapore.
(2) Audited by Kantor Akuntan Publik Drs. Sukimto Sjamsuli.
(3) Audited by member firm of Ernst & Young Global in Vietnam.
(4) Audited by Shanghai Shangshen Certified Public Accountants Co., Ltd
(5) Audited by Diong T.P. & Co.
(6) Audited by Chan-Soh & Co.

(b) Business combination

On 1 January 2008, the Group acquired the businesses and assets of IC Equipment Pte Ltd and 100% of the equity of its subsidiary company, CEI Electronics Equipment (Shanghai) Co., Ltd (formerly known as IC Equipment (Shanghai) Co. Ltd).

The fair values of the assets acquired and liabilities assumed in the business combination set out above the cash flow effects is:

	$
Fixed assets	260,238
Inventories	721,214
Trade debtors	1,253,356
Other debtors and prepayments	222,306
Cash and bank balances	388,127
Trade creditors	(2,122,815)
Other creditors and accruals	(582,051)
Intangible assets	835,000
Deferred tax liabilities	(165,000)
Fair value of net assets acquired	810,375
Purchase consideration	4,728,839
Goodwill	3,918,464
Purchase consideration	4,728,839
Less: Issuance of ordinary shares (Note 21)	(3,371,667)
Purchase consideration paid in cash	1,357,172
Cash and cash equivalents acquired in business combination	(388,127)
Net cash outflow on business combination	969,045

The effect of the business combination on the financial position of the Group at 31 December 2008 and its results for the year is shown below:

	$
Total assets as at 31 December 2008	1,610,280
Total liabilities as at 31 December 2008	2,182,716
Contributions to the Group for the year:	
- revenue	4,904,435
- loss before tax	(963,465)
- loss after tax	(958,465)

4. Revenue

Revenue represents the net invoiced value of goods sold.

5. Profit before taxation

This is stated after charging/(crediting) the following:

	Group	
	2008	2007
	$	$
Audit fees paid to		
- Auditors of company	115,000	83,000
- Other auditors	16,000	15,000
Non audit fees paid to		
- Auditors of company	36,000	33,000
- Other auditors	43,250	31,750
Depreciation of fixed assets	1,506,029	1,314,018
Amortisation of intangible assets	158,300	-
Impairment of investment securities	1,594,420	-
Impairment loss in respect of an associated company	16,350	26,900
Allowance for inventory obsolescence	529,348	648,432
Interest income on fixed deposits	(72,483)	(148,485)
Exchange loss	1,596,383	483,559
Loss on disposal of property, plant and equipment	6,758	2,684
Rental expenses	48,986	69,972
Staff costs		
- Central Provident Fund contributions	821,375	592,854
- Salaries, wages, bonuses and other costs	9,778,039	9,454,596
- Expense of share-based payments	-	44,600
Fair value adjustment of investment securities	(163,850)	(61,300)
Fair value loss/(gain) on derivatives	181,850	(18,500)
Finance costs – interest on bank borrowings	292,780	246,738
Gain on deemed disposal of an associated company	-	(70,000)
Write back of allowance for doubtful receivables	-	(52,976)

6. Taxation

(a) The major components of income tax expense for the years ended 31 December are:

	Group	
	2008	2007
	$	$
Current taxation - current year	(1,492,000)	(2,253,963)
Current taxation - over provision in respect of prior years	368,897	-
Deferred taxation - current year	(231,500)	180,000
Deferred taxation - adjustment due to change in tax rate	-	(50,000)
	(1,354,603)	(2,123,963)

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December were as follows:

	Group	
	2008	2007
	$	$
Profit before tax	5,971,502	8,401,508
Income tax at statutory tax rate of 18% (2007: 18%)	(1,074,870)	(1,512,271)
Adjustments:		
Expense not deductible for tax purposes	(541,629)	(443,401)
Different effective tax rates of other countries	-	(23,228)
Tax effect of partial tax exemption	31,780	1,251
Deferred tax assets not recognised	(76,085)	(79,413)
Adjustment due to change in tax rate	-	(50,000)
Over provision of current taxation in respect of prior years	368,897	-
Others	(62,696)	(16,901)
	(1,354,603)	(2,123,963)

6. Taxation (cont'd)

(a) The major components of income tax expense for the years ended 31 December are: (cont'd)

The Group has tax losses of $2,400,000 (2007: $2,100,000) attributable to the subsidiary company in Vietnam, which are available for offset against future profits of the subsidiary company arising within 5 years from the year the losses were incurred. No deferred tax asset is recognised due to uncertainty of recovery.

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 23).

(b) Deferred income tax

Deferred income tax as at 31 December relates to the following:

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Deferred tax liabilities				
Excess of net book value over tax written down value of property, plant and equipment	(188,000)	(74,000)	(177,000)	(74,000)
Intangible assets	(165,000)	-	(165,000)	-
Gross deferred tax liabilities	(353,000)	(74,000)	(342,000)	(74,000)
Deferred tax assets				
Allowance for stock obsolescence	698,787	671,000	698,787	671,000
Fair value changes of financial instruments	-	33,000	-	33,000
Others	52,713	-	52,713	-
Gross deferred tax assets	751,500	704,000	751,500	704,000
Net deferred tax asset	398,500	630,000	409,500	630,000
Disclosure in balance sheet:				
Deferred tax asset	408,500	630,000	409,500	630,000
Deferred tax liability	(10,000)	-	-	-
	398,500	630,000	409,500	630,000

7. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential options into ordinary shares.

The following reflects the income and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	2008 $	2007 $
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	4,616,899	6,277,545
	No. of shares	**No. of shares**
Weighted average number of ordinary shares for basic earnings per share computation	346,624,240	327,654,407
Effects of dilution arising from employee share options scheme	12,889	1,242,308
Weighted average number of ordinary shares adjusted for the effects of dilution	346,637,129	328,896,715

8. Property, plant and equipment

Group	Leasehold land & buildings	Plant and machinery	Motor vehicles	Office furniture, fitting and equipment	Computer equipment	Renovation	Total
	$	$	$	$	$	$	$
Cost							
As at 1 January 2007	7,728,355	6,830,147	1,572,853	372,690	1,375,743	451,569	18,331,357
Additions	266,918	1,931,742	-	10,050	61,923	7,900	2,278,533
Disposal/write-off	-	(180,961)	(497,051)	(4,283)	(18,006)	-	(700,301)
As at 31 December 2007 and 1 January 2008	7,995,273	8,580,928	1,075,802	378,457	1,419,660	459,469	19,909,589
Additions	2,614,917	436,763	400,000	155,990	52,947	490,776	4,151,393
Business combination	-	107,609	-	27,995	13,931	110,703	260,238
Disposal/write-off	-	(376)	(733,988)	(5,184)	(581)	(2,900)	(743,029)
As at 31 December 2008	10,610,190	9,124,924	741,814	557,258	1,485,957	1,058,048	23,578,191
Accumulated depreciation							
As at 1 January 2007	2,490,157	5,408,286	1,261,481	250,243	1,276,613	447,760	11,134,540
Depreciation charge for the year	316,196	656,880	213,383	39,697	85,328	2,534	1,314,018
Disposal/write-off	-	(178,623)	(497,002)	(3,988)	(18,004)	-	(697,617)
As at 31 December 2007 and 1 January 2008	2,806,353	5,886,543	977,862	285,952	1,343,937	450,294	11,750,941
Depreciation charge for the year	352,219	867,281	109,870	51,264	74,624	50,771	1,506,029
Disposal/write-off	-	(115)	(727,229)	(5,165)	(581)	(2,511)	(735,601)
As at 31 December 2008	3,158,572	6,753,709	360,503	332,051	1,417,980	498,554	12,521,369
Net carrying amount							
As at 31 December 2008	7,451,618	2,371,215	381,311	225,207	67,977	559,494	11,056,822
As at 31 December 2007	5,188,920	2,694,385	97,940	92,505	75,723	9,175	8,158,648

8. Property, plant and equipment (cont'd)

Company	Plant and machinery $	Motor vehicles $	Office furniture, fitting and equipment $	Computer equipment $	Renovation $	Total $
Cost						
As at 1 January 2007	938,489	1,430,106	212,777	1,156,632	369,897	4,107,901
Additions	455,206	-	3,270	36,941	7,900	503,317
Disposal/write-off	-	(496,536)	-	(1,640)	-	(498,176)
As at 31 December 2007 and 1 January 2008	1,393,695	933,570	216,047	1,191,933	377,797	4,113,042
Additions	228,929	400,000	142,647	44,832	449,130	1,265,538
Business combination	59,238	-	7,117	13,931	58,197	138,483
Disposal/write-off	-	(733,988)	(4,792)	(581)	(2,900)	(742,261)
As at 31 December 2008	1,681,862	599,582	361,019	1,250,115	882,224	4,774,802
Accumulated depreciation						
As at 1 January 2007	614,722	1,170,329	154,064	1,093,203	369,897	3,402,215
Depreciation charge for the year	165,156	197,781	20,417	54,593	1,231	439,178
Disposal/write-off	-	(496,487)	-	(1,639)	-	(498,126)
As at 31 December 2007 and 1 January 2008	779,878	871,623	174,481	1,146,157	371,128	3,343,267
Depreciation charge for the year	241,353	94,346	31,049	48,926	47,328	463,002
Disposal/write-off	-	(727,229)	(4,773)	(581)	(2,511)	(735,094)
As at 31 December 2008	1,021,231	238,740	200,757	1,194,502	415,945	3,071,175
Net carrying amount						
As at 31 December 2008	660,631	360,842	160,262	55,613	466,279	1,703,627
As at 31 December 2007	613,817	61,947	41,566	45,776	6,669	769,775

8. Property, plant and equipment (cont'd)

(a) Property, plant and equipment held by CEI International Investments (Vietnam) Limited

The recoverable value of the property, plant and equipment held by CEI International Investments (Vietnam) Limited is determined based on fair value approach. Based on valuation by independent valuer, Savills Vietnam Ltd, the fair value of the property, plant and equipment held by CEI International Investments (Vietnam) Limited is determined to be approximately $2,590,000 by reference to open market values on an existing use basis. The date of valuation is 31 December 2008.

(b) Details of leasehold land and buildings held through subsidiary companies are as follows:

Location	Description	Tenure	Land Area (sqm)
Batamindo Industrial Park, Batam, Indonesia	Detached single-storey factory with mezzanine floor	21 April 1998 to 18 December 2019	5,788
Batamindo Industrial Park, Batam, Indonesia	Detached single-storey factory with mezzanine floor	12 November 2008 to 18 December 2019	5,793
Vietnam Singapore Industrial Park, Binh Duong, Vietnam	Detached single-storey factory with mezzanine floor	6 March 2002 to 11 February 2046	5,000
Vietnam Singapore Industrial Park, Binh Duong, Vietnam	Land parcel	7 December 2004 to 11 February 2046	4,500
Ang Mo Kio Industrial Park II, Singapore	Detached three-storey factory building	1 March 2004 to 28 February 2023	2,617

9. Intangible assets

	Goodwill $	Customer relationships $	Order backlog $	Total $
Group and Company				
Cost				
Business combination and balance at 31 December 2008	3,918,464	810,000	25,000	4,753,464
Accumulated amortisation				
Amortisation for the year and balance at 31 December 2008	-	(133,300)	(25,000)	(158,300)
	3,918,464	676,700	-	4,595,164

(a) Impairment testing of goodwill

The goodwill arose from the business combination during the year (Note 3) and is allocated to the Company's principal activities as a cash-generating unit. The recoverable value of this cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Board of Directors covering the financial year ending 31 December 2009 and extended to financial years ending 31 December 2013.

9. Intangible assets (cont'd)

(a) Impairment testing of goodwill (cont'd)

The pre-tax discount rate applied to the cash flow projections is 11% per annum. The growth rate used to extrapolate the cash flows is based on management's expectation of the long-term business environment.

No impairment loss is required as the estimated recoverable value is in excess of its carrying value.

10. Investments in subsidiary companies

	Company	
	2008	2007
	$	$
Unquoted shares, at cost (Note 3)	9,032,741	9,032,741
Impairment losses	(1,409,223)	(1,409,223)
Carrying amount of investments	7,623,518	7,623,518
Amounts owing by a subsidiary company	3,039,870	2,325,291
	10,663,388	9,948,809

The amounts owing by a subsidiary company are non-trade related, unsecured, interest-free and repayable only when the cash flows of the subsidiary company permits.

11. Investments in associated companies

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Unquoted shares, at cost (Note 3)	781,250	781,250	781,250	781,250
Share of post-acquisition reserves	136,790	136,790	-	-
Impairment losses	(273,250)	(256,900)	(273,250)	(256,900)
	644,790	661,140	508,000	524,350

(a) Impairment assessment

(i) Investments in Santec Corporation Pte Ltd

The recoverable value of the investment in Santec Corporation Pte Ltd, including the related goodwill, is determined based on a value in use calculation using the cash flow projections based on financial budgets approved by management covering a five year period. The discount rate applied to cash flow projections is 13% (2007: 13%) and the cash flows beyond the 5 year period are extrapolated using a Nil growth rate.

The key assumptions for the cash flow projections are the budgeted gross margins and the expected production volumes. The basis used to determine the budgeted gross margins is approximately the average gross margins achieved in the year immediately before the budgeted year achieved, after elimination of one-off items that had affected the historical margins. The expected production volumes are based on the growth rates of the actual volumes achieved in the 2 years immediately before the budgeted year.

Based on the estimated recoverable value, no further impairment loss is required. The allowance for impairment is $100,000 as at 31 December 2007 and 2008.

11. Investments in associated companies (cont'd)

(a) Impairment assessment (cont'd)

(ii) Investments in TeleMoney Asia Pte Ltd

The Group's investment in TeleMoney Asia Pte Ltd is fully impaired as the company has not commenced operations. The impairment loss provided during the year amounted to $16,350 (2007: $26,900). As at 31 December 2008, the allowance for impairment is $173,250 (2007: $156,900).

(b) The summarised financial information of the associated companies are as follows:

	2008 $'000	2007 $'000
Assets and Liabilities		
Total assets	5,150	3,995
Total liabilities	(1,681)	(847)
Profit and loss		
Revenue	2,895	2,558
Profit for the year	-	109

12. Investment securities

	Group and Company 2008 $	 2007 $
Non-current		
Available-for-sale investments		
Equity instruments (quoted), at cost	2,944,920	2,944,920
Allowance for impairment	(1,344,420)	-
	1,600,500	2,944,920
Current		
Fair value through profit and loss		
Callable target return surf deposit	-	836,300
Available-for-sale investments		
Secured bonds	250,000	251,685
Allowance for impairment	(250,000)	-
	-	1,087,985

(a) Callable target return surf deposit

The callable target return surf deposit earned an interest of 7.3% over the life of the deposit. The deposit was redeemed by the bank during the year.

(b) Secured bonds

The secured bonds are fully impaired during the year due to uncertainties of its recoverability.

13. Inventories

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Finished products	2,649,750	1,483,520	2,649,750	1,483,520
Work-in-progress	2,366,331	1,282,272	2,366,331	1,282,272
Raw materials	11,223,161	10,218,040	11,146,644	10,214,911
Total inventories at lower of cost and net realisable value	16,239,242	12,983,832	16,162,725	12,980,703

	Group and Company 2008 $	Group and Company 2007 $
Inventories are stated after deducting allowance for inventory obsolescence of	3,882,150	3,352,802
Analysis of allowance for inventory obsolescence:		
Balance at beginning of year	3,352,802	2,704,370
Allowance made during the year (Note 5)	529,348	648,432
Balance at end of year	3,882,150	3,352,802

14. Trade receivables

Trade receivables are non-interest bearing and generally on 30 to 60 days' terms. They are recognised at their original invoiced amounts which represents their fair values on initial recognition.

Approximately 99% (2007: 99%) of the trade receivables are denominated in United States dollar.

The Group has trade receivables amounting to $6,215,137 (2007: $4,519,742) that are past due at the respective balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the respective balance sheet dates are as follows:

	2008 $	2007 $
Trade receivables past due:		
1- 30 days overdue	3,697,600	3,540,914
31 – 60 days overdue	1,065,694	470,674
61 – 90 days overdue	588,331	322,140
More than 90 days overdue	863,512	186,014
	6,215,137	4,519,742

There is no trade receivables that are individually impaired as at 31 December 2007 and 2008.

15. Other receivables

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Deposits	200,333	662,778	74,589	554,415
Others	121,848	136,054	131,495	137,531
	322,181	798,832	206,084	691,946

Included in other receivables is $18,500 relating to fair value of derivative financial instruments (Note 27(e)) in FY 2007.

16. Amounts due from/to subsidiary companies

(a) Amounts due from subsidiary companies

The amounts owing by subsidiary companies are non-trade in nature, unsecured, interest-free and received during the year.

(b) Amounts due to a subsidiary company

	Company	
	2008	2007
	$	$
Trade	878,339	3,880,363
Non-trade	221,306	453,302
	1,099,645	4,333,665

The trade and non-trade balances owing to a subsidiary company are unsecured, interest-free and repayable on demand.

17. Cash and cash equivalents

Cash and cash equivalents comprise the following balance sheet amounts:

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Fixed deposits	3,004,000	1,954,189	3,004,000	1,954,189
Cash at bank	7,990,226	7,335,454	7,463,099	6,906,813
Cash on hand	8,603	14,450	8,603	11,091
	11,002,829	9,304,093	10,475,702	8,872,093

The fixed deposits bear interest rates ranging from 0.4% to 3.4% (2007: 3% to 5.25%) per annum, which also approximate the effective interest rates. The short term fixed deposits are made for varying periods of between one week and three months.

Included in cash and cash equivalents are the following amounts denominated in foreign currencies:

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
United States dollars	5,127,903	4,724,961	5,127,903	4,710,400
Euro dollars	64,983	73,377	64,983	73,377
Vietnamese Dong	43,539	18,860	-	-
Indonesia Rupiah	112,263	107,848	-	-
Chinese Renminbi	127,858	-	-	-

18. Trade payables and accruals

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Trade payables	12,409,318	9,270,544	12,397,633	9,009,885
Accruals for operating expenses	2,871,644	3,314,266	2,850,213	2,961,418
	15,280,962	12,584,810	15,247,846	11,971,303

Included in accruals for operating expenses is $181,851 relating to fair value of derivative financial instruments (Note 27(e)) in FY 2008.

Trade payables are non-interest bearing and are normally settled on 30 day terms.

Included in trade payables are the following amounts denominated in foreign currencies:

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
United States dollars	6,220,220	6,161,907	6,220,220	6,158,205
Euro dollars	313,551	283,503	313,551	283,503
Pound Sterling	16,750	4,549	16,750	4,549
Indonesia Rupiah	22,638	21,738	-	-

19. Bank borrowings

	Group and Company	
	2008	2007
	$	$
Fixed rate bank loans (current)	10,535,101	6,938,352
Fixed rate bank loans (non-current)	2,400,000	-
	12,935,101	6,938,352

The fixed rate bank loans (current) are unsecured and bear interest at 2.10% to 5.72% per annum, which approximates the effective interest rates. These loans are repayable within the next 12 months.

The fixed rate bank loans (non-current) are unsecured and repayable over the next 2 to 5 years. The loans bear a fixed interest of 4.1% for the 2nd and 3rd year, and interest of 1.5% per annum above the prevailing 3-Month Swap Offer Rate as determined by the bank 2 business days prior to the interest period for such drawing for the 4th and 5th year.

20. Other liabilities

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Deposits by customers	142,735	316,804	68,296	256,582

21. Share capital and treasury shares

	Group and Company	
	2008	2007
	$	$
(a) Share capital		
Issued and fully paid:		
Balance at beginning of year		
330,119,574 (2007: 326,392,574) ordinary shares	19,894,166	19,273,512
Issuance during the financial year		
19,833,333 (2007 : Nil) ordinary shares		
as consideration for business combination	3,371,667	-
1,784,000 (2007: 3,727,000) ordinary shares		
under employee share option scheme	548,852	620,654
Balance at end of year		
351,736,907 (2007: 330,119,574) ordinary shares	23,814,685	19,894,166
(b) Treasury shares		
Balance at beginning of year		
1,852,000 (2007: Nil) ordinary shares	334,915	-
Acquired during the financial year		
3,091,000 (2007: 1,852,000) ordinary shares	501,710	334,915
Balance at end of year		
4,943,000 (2007: 1,852,000) ordinary shares	836,625	334,915

Treasury shares relate to ordinary shares of the Company that is held by the Company. The Company acquired 3,091,000 (2007: 1,852,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $501,710 (2007: $334,915) and this was presented as a component within shareholders' equity.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The Company has an Employees' Share Option Scheme (Note 24) under which options to subscribe for the Company's ordinary shares have been granted to employees.

22. Employee share option reserve

	Group and Company	
	2008	2007
	$	$
At beginning of year	396,015	478,346
Grant of equity-settled share options	-	44,600
Exercise of employee share options	(313,401)	(126,931)
At end of year	82,614	396,015

Employee share options reserves represent the equity-settled share options granted to employees (Note 24). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options and is reduced by the expiry of the share options.

23. Dividends

	Group and Company	
	2008	2007
	$	$
(a) Dividends declared and paid:		
Interim dividends:		
- Exempt (one-tier) for 2008: 0.166 cents (2007: 0.166 cents) per share	575,679	546,286
Special dividends:		
- Exempt (one-tier) for 2008: 0.232 cents (2007: 0.831 cents) per share	804,558	2,734,720
Final dividends:		
- Exempt (one-tier) for 2007: 0.340 cents (2006: 0.340 cents) per share	1,189,611	1,114,076
Special dividends:		
- Exempt (one-tier) for 2007: 0.520 cents (2006: 0.530 cents) per share	1,819,400	1,736,646
	4,389,248	6,131,728
(b) Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholder's approval at AGM		
- Final exempt (one-tier) dividend for 2008: 0.166 cents (2007: 0.340 cents) per share	575,699	1,183,543
- Special exempt (one-tier) dividend for 2008: 0.232 cents (2007: 0.520 cents) per share	804,592	1,810,125
	1,380,291	2,993,668

24. Employee benefits

The Company has an employee share incentive plan, CEI Contract Manufacturing Employees Share Option Scheme for the granting of non-transferable options. Options are granted at the prevailing market price determined as the average price of the five (5) consecutive trading days immediately preceding the Date of Grant of option.

The subscription price for each share in respect of which an Option is exercisable shall be a discount of between zero (0) and 20% of the prevailing market price. The quantum of discount is performance driven, formula-based and considers the Group's audited profit after taxation for two consecutive financial years starting with the financial year in which the Option was granted.

All the options issued are at a 20% discount off the market price at date of grant.

Options may only be exercised after the second anniversary of the Date of Grant of that Option but before the fifth anniversary of the Date of Grant of that Option. Options granted are cancelled when the option holder ceases to be under full employment of the Company or any corporation in the Group subject to certain exceptions at the discretion of the Company.

Information with respect to the number of options granted under the CEI Contract Manufacturing Employees Share Option Scheme is as follows:

(a) Options outstanding under Employees Share Options Scheme

	Number of shares	
	2008	**2007**
Outstanding at beginning of the year	4,662,000	8,923,400
Exercised [(1)]	(1,784,000)	(3,727,000)
Lapsed	(1,628,000)	(439,400)
Forfeited	(102,000)	(95,000)
Outstanding at end of the year [(2)]	1,148,000	4,662,000
Exercisable at end of year	1,148,000	4,662,000

(1) The weighted average share price at the date of exercise for the options was $0.1520 (2007: $0.1542).

(2) The exercise price for options outstanding at the end of the year was $0.1520 (2007: $0.1215 to $0.1578). The weighted average remaining contractual life for these options is 1.5 years (2007: 2.6 years).

24 . Employee benefits (cont'd)

(b) Details of share options

ESOS	Date of grant	Balance as at 1 January or date of grant if later	Options exercised	Options lapsed	Options forfeited	Balance as at 31 December	Number of holders as at 31 December	Exercise Price $	Exercisable period
2008									
4	13.2.2003	2,059,000	(1,267,000)	(770,000)	(22,000)	-	-	0.1236	13.2.2005 – 13.2.2008
5	7.7.2003	904,000	(46,000)	(858,000)	-	-	-	0.1578	7.7.2005 – 7.7.2008
6	6.9.2005	1,699,000	(471,000)	-	(80,000)	1,148,000	32	0.1520	6.9.2007 – 6.9.2010
		4,662,000	(1,784,000)	(1,628,000)	(102,000)	1,148,000			
2007									
3	18.9.2002	2,256,400	(1,817,000)	(439,400)	-	-	-	0.1215	18.9.2004 – 18.9.2007
4	13.2.2003	2,807,000	(748,000)	-	-	2,059,000	22	0.1236	13.2.2005 – 13.2.2008
5	7.7.2003	1,573,000	(669,000)	-	-	904,000	11	0.1578	7.7.2005 – 7.7.2008
6	6.9.2005	2,287,000	(493,000)	-	(95,000)	1,699,000	46	0.1520	6.9.2007 – 6.9.2010
		8,923,400	(3,727,000)	(439,400)	(95,000)	4,662,000			

(c) Details of share options exercised

	ESOS	No. of shares exercised	Exercise price $	Proceeds from share issue $
2008				
	4	1,267,000	0.1236	156,601
	5	46,000	0.1578	7,258
	6	471,000	0.1520	71,592
		1,784,000		235,451
2007				
	3	1,817,000	0.1215	220,766
	4	748,000	0.1236	92,453
	5	669,000	0.1578	105,568
	6	493,000	0.1520	74,936
		3,727,000		493,723

A total of 33,760,436 (2007: 31,976,436) options have been exercised as at the date of this report.

25. Operating lease commitments

A subsidiary company has entered into lease agreement for land which will expire in February 2023. The annual rent is subject to revision in March every year to market rate but will not exceed 5.5% of the rent for each immediately preceding year.

The Company has leased part of the leasehold building from a subsidiary company and the lease has a life of 2 years with escalation clauses included.

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Not later than one year	73,824	69,972	446,628	298,202
Later than one year but not later than five years	338,194	320,548	446,628	298,202
Later than five years	1,099,079	1,190,477	-	-
	1,511,097	1,580,997	893,256	596,404

26. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if : (i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financing decisions of the Group or vice versa; or (ii) it is subject to common control or common significant influence.

During the year, there were the following significant transactions with related parties based on terms agreed by the parties:

(a) Sale and purchase of goods and services

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Subcontract cost paid to subsidiary companies	-	-	4,996,878	5,529,548
Rental paid to subsidiary company	-	-	347,680	246,113

These transactions were conducted on an arm's length basis on normal commercial terms.

(b) Compensation of directors and other key management personnel

	Group	
	2008	2007
	$	$
Central Provident Fund	99,519	73,170
Salaries, wages, bonuses and other costs	3,132,867	2,233,770
Total compensation paid to key management personnel	3,232,386	2,306,940
Comprise amounts paid to:		
Directors of the Company	1,208,826	956,377
Other key management personnel	2,023,560	1,350,563
Total compensation paid to key management personnel	3,232,386	2,306,940

26. Related party disclosures (cont'd)

(b) Compensation of directors and other key management personnel (cont'd)

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

The table below shows the ranges of gross remuneration received by the directors of the Company.

	2008	2007
Number of directors of the Group in remuneration bands:		
$500,000 to $749,000	1	1
$250,000 to $499,000	1	1
Below $250,000	4	4
Total	6	6

The table below shows the ranges of gross remuneration received by the top 5 executives (excluding directors) of the Company:

	2008	2007
Number of executives of the Group in remuneration bands:		
$250,000 to $499,000	3	1
Below $250,000	2	4
Total	5	5

(c) Directors' and key management personnel's interest in CEI ESOS

As at 31 December 2008, no director and other key management personnel of the Company held any option (2007: 2,079,000) to purchase ordinary shares of the Company under CEI ESOS.

During the financial year ended 31 December 2008, no option was granted to directors and key management personnel.

27. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include liquidity risk, interest rate risk, credit risk, market risk and foreign currency risk.

The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer and/or Financial Controller. It is, and has been throughout the financial years under review, that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The following provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. There is no significant exposure to liquidity risk. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's liquidity risk management policy is to match the maturities of financial assets and liabilities and to maintain sufficient liquid financial assets and stand-by credit facilities.

27. Financial risk management objectives and policies (cont'd)

(a) Liquidity risk (cont'd)

The following table summarises the maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	Less than 1 year $	1 to 5 years $	Total $
2008			
Trade payables	12,409,318	-	12,409,318
Other liabilities	1,445,228	-	1,445,228
Bank borrowings	10,535,101	2,400,000	12,935,101
Interest on bank borrowings	229,250	194,250	423,500
	24,618,897	2,594,250	27,213,147
2007			
Trade payables	9,270,544	-	9,270,544
Other liabilities	1,437,619	-	1,437,619
Bank borrowings	6,938,352	-	6,938,352
Interest on bank borrowings	51,397	-	51,397
	17,697,912	-	17,697,912

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their bank borrowings and fixed deposits.

The Group's policy is to manage interest cost by using a mix of fixed and floating rate debt arrangements. Information regarding the interest rates of the Group's bank borrowings and fixed deposits are in Note 17 and 19.

Sensitivity analysis for interest rate risk

At 31 December 2008, if interest rates had been 75 basis points lower/higher with all other variables held constant, the Group's net profit for the year would be approximately $75,000 lower/higher, arising mainly as a result of lower/higher interest income from fixed deposits and higher/lower interest expense on bank borrowings.

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents and derivatives), the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the balance sheet date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values.

27. Financial risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

Credit risk concentration

The Group determines concentration of credit risk by monitoring the country profile of its trade receivables on an on-going basis.

The credit risk concentration profile of trade receivables by country are as follows:

	2008		2007	
	$'000	%	$'000	%
United States	9,459	61	7,828	59
Europe	3,386	22	2,478	19
Asia Pacific	2,743	17	2,965	22
	15,588	100	13,271	100

As at 31 December 2008, 40.0% (2007: 54.3%) of the Group's trade receivables are due from 2 major customers who are principally located in United States and Europe. There is no significant credit risk as these companies are of good credit standing and have no history of payment defaults.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in a quoted equity instrument. This instrument is quoted on the SGX-ST in Singapore and is classified as available-for-sale financial assets. This investment was made with a view to foster potential business partnership and it is not the Group's policy to derive investment returns and dividend yield by engaging in investing activities.

Sensitivity analysis

At the balance sheet date, if the fair value of the quoted equity instrument had been 10% higher/lower, the Group's profit net of tax would have been approximately $160,000 higher/lower, arising as a result of an increase/decrease in the fair value of the quoted equity instrument.

(e) Foreign exchange risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily United States Dollar.

Approximately 99% of the Group's sales for the financial years ended 31 December 2007 and 2008 are denominated in United States Dollars whilst approximately 71% and 70% of purchases for the financial years ended 31 December 2007 and 2008 respectively are denominated in foreign currencies. The Group's foreign currency denominated trade receivable and trade payable balances at the respective balance sheet dates are disclosed in Note 14 and 18 respectively.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. These balances at the respective balance sheet dates are disclosed in Note 17.

Based on confirmed customers' orders and revenue forecast, the Group's main operating entity use forward currency contracts to hedge the net currency exposures. The forward currency contracts must be in the same currency as the hedged item. The Group negotiates the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

27. Financial risk management objectives and policies (cont'd)

(e) Foreign exchange risk (cont'd)

At 31 December 2007 and 2008, the Group had hedged 4.6% and 10.0% of its foreign currency denominated sales, for which firm commitments existed at the balance sheet date. The table below summarise the open forward foreign currency contracts as at the respective balance sheet dates.

	2008		2007	
	Contractual notional amount $'000	Estimated fair value $'000	Contractual notional amount $'000	Estimated fair value $'000
Foreign exchange forward contracts to deliver United States dollars and receive Singapore dollars	4,317	(182)	1,438	18

The maturity date of the foreign exchange forward contracts ranged from 1 to 2 months.

Sensitivity analysis for foreign exchange risk

The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollar ("USD"), with all other variables held constant, of the Group's net profit and equity.

	2008 $'000	2007 $'000
USD - strengthened by 5%	612	466
- weakened by 5%	(612)	(466)

28. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2008.

The Group monitors capital using the net tangible asset value and current ratio of the Group. The Group's policy is to keep the net tangible asset value at not less than $15 million, and to maintain a current ratio of more than 1.0. The net tangible assets values and current ratios of the Group as at 31 December are as follows:

	Group	
	2008	2007
Net tangible assets	$25,333,633	$26,595,738
Current ratio	1.48	1.61

29. Fair values

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(a) Cash and cash equivalents, amounts due from/to subsidiary companies (current), trade and other receivables and other payables and bank borrowings (current)

The carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.

(b) Amounts owing by a subsidiary company (non-current)

The amounts due from a subsidiary company have no repayment terms as disclosed in Note 10. Accordingly, the fair values of the amounts are not determinable as the timing of the future cash flows cannot be estimated reliably.

(c) Derivatives

The fair value of forward currency contracts is calculated by reference to forward exchange rates as at the balance sheet date for contracts with similar maturity profiles.

(d) Investment securities

The fair value of quoted equity instrument is determined directly by reference to their published market traded prices.

30. Information by segment on the Group's operations

(a) By business activity

The Group's principal activity consists wholly of contract manufacturing and design and manufacture of proprietary equipment (Note 1), therefore, no segment reporting of business activity is appropriate.

(b) By geographical areas

The Group's geographical segments are based on the location of customers. The following table presents revenue and expenditure information regarding geographical segments for the year ended 31 December 2008 and 2007 and certain asset and liability information regarding geographical segments at 31 December 2008 and 2007.

	Asia-Pacific		USA		Europe		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Segment turnover								
Sales	14,988	11,111	57,691	57,623	16,858	19,429	89,537	88,163
Cost of sales	(11,089)	(8,332)	(42,902)	(43,675)	(12,376)	(14,436)	(66,367)	(66,443)
Segment result	3,899	2,779	14,789	13,948	4,482	4,993	23,170	21,720
Unallocated income							213	329
Unallocated expenses							(17,411)	(13,667)
Share of results of associated company	-	20	-	-	-	-	-	20
Profit before taxation							5,972	8,402
Taxation							(1,355)	(2,124)
Net profit for the year							4,617	6,278
Other geographical information								
Segment assets	6,895	4,653	19,395	16,058	5,537	5,776	31,827	26,487
Interests in associated company	645	661	-	-	-	-	645	661
Unallocated assets *							29,349	22,910
Total assets							61,821	50,058
Unallocated and total liabilities							31,892	23,462

* Capital expenditures of approximately $4,151,000 (2007: $2,278,000) and depreciation charge of approximately $1,506,000 (2007: $1,314,000) relate to that of the unallocated assets.

30. Information by segment on the Group's operations (cont'd)

(b) By geographical areas (cont'd)

The Group's assets are based mainly in Singapore, Indonesia, Shanghai and Vietnam where the Group operates.

The following table presents the asset information regarding geographical segments at 31 December 2008 and 2007.

	Singapore		Indonesia		Vietnam		Shanghai		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Segment assets	48,107	43,718	5,970	3,846	1,835	1,833	669	-	56,581	49,397
Intangible assets	4,595	-	-	-	-	-	-	-	4,595	-
Interests in associated company	645	661	-	-	-	-	-	-	645	661
Total assets	53,347	44,379	5,970	3,846	1,835	1,833	669	-	61,821	50,058
Capital expenditure	1,265	503	2,707	1,588	127	187	52	-	4,151	2,278

31. Categories of financial assets and liabilities

(a) Available-for-sale financial assets

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Investment securities	12	1,600,500	3,196,605	1,600,500	3,196,605

(b) Loans and receivables

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Trade receivables	14	15,587,751	13,271,106	15,260,083	13,188,433
Other receivables	15	322,181	798,832	206,084	691,946
Amount due from subsidiary companies	16	-	-	128,317	-
Cash and cash equivalents	17	11,002,829	9,304,093	10,475,702	8,872,093
		26,912,761	23,374,031	26,070,186	22,752,472

(c) Fair value through profit and loss account

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Investment securities	12	-	836,300	-	836,300

(d) Financial liabilities measured at amortised cost

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Trade payables and accruals	18	15,280,962	12,584,810	15,247,846	11,971,303
Amounts due to a subsidiary company	16	-	-	1,099,645	4,333,665
Bank borrowings	19	12,935,101	6,938,352	12,935,101	6,938,352
Other liabilities	20	142,735	316,804	68,296	256,582
		28,358,798	19,839,966	29,350,888	23,499,902

32. Subsequent event

On 22 January 2009, the Singapore Finance Minister announced the revision in the Singapore corporate tax rate from 18% to 17% with effect from Year of Assessment 2010. This is a non-adjusting subsequent event and the financial effect of the reduced tax rate will be reflected in the 2009 financial statements.

The Group's deferred taxation has been computed on the year end prevailing rate of 18%. Applying the tax rate of 17% would result in an approximately $22,000 reduction in deferred tax asset.

33. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 6 March 2009.

Statistics Of Shareholdings As At 2 March 2009

Number of issued and paid-up shares (excluding treasury shares)	:	346,793,907
Number of treasury shares held	:	4,943,000
Issued and fully paid-up capital	:	S$23,572,686.36
Class of shares	:	Ordinary
Voting rights	:	One vote per share

The percentage of treasury shares held against the total issued shares (excluding treasury shares) is 1.43%.

Statistics of Shareholdings

Size of Shareholdings	No of Shareholders	%	No of Shares	%
1 – 999	421	8.87	192,235	0.06
1,000 – 10,000	1,649	34.74	8,953,932	2.58
10,001 – 1,000,000	2,648	55.78	156,398,355	45.10
1,000,001 and above	29	0.61	181,249,385	52.26
Total	4,747	100.00	346,793,907	100.00

Twenty Largest Shareholders

Name	No of Shares	%
1. Republic Technologies Pte Ltd	62,726,400	18.09
2. Tien Sing Cheong	34,687,600	10.00
3. Tan Ka Huat @ Kaharianto Tanmalano	15,901,360	4.59
4. Tan Cheok Hoong	6,214,000	1.79
5. DBS Nominees Pte Ltd	6,110,504	1.76
6. Ng Cheng Kung	6,021,960	1.74
7. United Overseas Bank Nominees Pte Ltd	6,013,572	1.73
8. Heng Teck Yow	3,851,800	1.11
9. OCBC Nominees Singapore Pte Ltd	3,790,652	1.09
10. Kuan Bon Heng	3,560,000	1.03
11. Lim Sea Leang	3,050,536	0.88
12. Choo Lang Looi @ Chew Kang Looi	2,700,000	0.78
13. DBS Vickers Securities (Singapore) Pte Ltd	2,632,028	0.76
14. Chin Teck Keong	1,912,080	0.55
15. Thng Ah Hiang	1,891,787	0.55
16. Tan Bien Chuan	1,878,800	0.54
17. OCBC Securities Private Ltd	1,858,168	0.54
18. UOB Kay Hian Pte Ltd	1,837,448	0.53
19. Tang Martin Yue Nien	1,598,800	0.46
20. Fong Yin Choon	1,549,660	0.45
Total	169,787,155	48.97

Substantial Shareholders
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Republic Technologies Pte Ltd	62,726,400	18.09	–	–
Temasek Holdings (Private) Limited	–	–	62,726,400(1)	18.09
Temasek Capital (Private) Limited	–	–	62,726,400(1)	18.09
Seletar Investments Pte Ltd	–	–	62,726,400(1)	18.09
Tien Sing Cheong	34,687,600	10.00	–	–

Notes:
(1) Temasek Holdings (Private) Limited, Temasek Capital (Private) Limited and Seletar Investments Pte Ltd are deemed to have an interest in 62,746,400 shares held by Republic Technologies Pte Ltd.

Based on the information available to the Company, approximately 65.92% of the Company's shares listed on the Singapore Exchange Securities Trading Limited were in the hands of the public. Therefore, the Company has complied with Rule 723 of the SGX Listing Manual.

CEI CONTRACT MANUFACTURING LIMITED
(Company Registration No. 199905114H)
(Incorporated in Singapore with limited liability)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of CEI CONTRACT MANUFACTURING LIMITED ("the Company") will be held at The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046 on Monday, 6 April 2009 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2008 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a one-tier tax-exempt second and final dividend of 0.166 cents per share for the year ended 31 December 2008 (2007: 0.34 cents per share). **(Resolution 2)**

3. To declare a one-tier tax-exempt special dividend of 0.232 cents per share for the year ended 31 December 2008 (2007: 0.52 cents per share). **(Resolution 3)**

4. To re-elect the following Directors retiring pursuant to Article 107 of the Company's Articles of Association:

   Mr Tan Bien Chuan **(Resolution 4)**
   Mr Tang Martin Yue Nien **(Resolution 5)**

   Mr Tan Bien Chuan will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and Nominating Committee, and a member of the Remuneration Committee and will be considered independent.

   Mr Tang Martin Yue Nien will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee and will be considered independent.

5. To approve the payment of Directors' fees of S$196,400 for the year ended 31 December 2008 (2007: S$196,400). **(Resolution 6)**

6. To re-appoint Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. **Authority to issue shares up to 50 per centum (50%) of the issued shares in the capital of the Company**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

AS SPECIAL BUSINESS (cont'd)

(b) notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which the aggregate number of shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.
[See Explanatory Note (i)] **(Resolution 8)**

9. Renewal of Share Purchase Mandate

That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in the Letter to Shareholders attached, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 9)**

By Order of the Board

Teo Soon Hock
Secretary
Singapore, 20 March 2009

Explanatory Notes:

(i) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 10% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

AS SPECIAL BUSINESS (cont'd)

(ii) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in the Letter to Shareholders attached. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2008 are set out in greater detail in the Letter to Shareholders attached.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 2 Ang Mo Kio Avenue 12 Singapore 569707 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

IMPORTANT:
1. For investors who have used their CPF monies to buy CEI Contract Manufacturing Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

CEI CONTRACT MANUFACTURING LIMITED

Company Registration No. 199905114H

(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____________________

of ____________________

being a *member/members of CEI CONTRACT MANUFACTURING LIMITED (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	(%)
Address			

and /or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	(%)
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Monday, 6 April 2009 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✔] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2008		
2	Payment of proposed one-tier tax-exempt second & final dividend		
3	Payment of proposed one-tier tax-exempt special dividend		
4	Re-election of Mr Tan Bien Chuan as a Director		
5	Re-election of Mr Tang Martin Yue Nien as a Director		
6	Approval of Directors' fees amounting to $196,400		
7	Re-appointment of Ernst & Young LLP as Auditors		
8	Authority to issue new shares		
9	Renewal of Share Purchase Mandate		

Dated this ____________ day of ____________ 2009

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

CEI CONTRACT MANUFACTURING LIMITED
Company Registration No. 199905114H
(Incorporated In The Republic of Singapore)

PROXY FORM (Cont'd Page 2)

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 2 Ang Mo Kio Avenue 12 Singapore 569707 not less than forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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