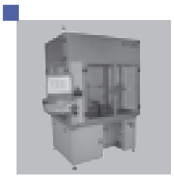
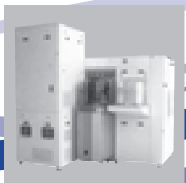
CEI Contract Manufacturing Limited

Company Registration No: 199905114H





ANNUAL REPORT 2010

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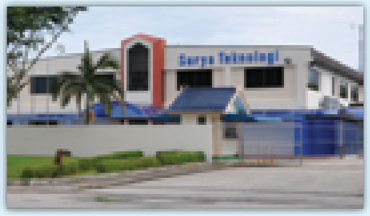
CORPORATE PROFILE

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

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, ISO 14001, UL508 certified and AS9100 & TS16949 (Letter of Conformance).

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

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)
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Auditors
Ernst & Young LLP
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
DBS Bank Ltd
6 Shenton Way
DBS Building Tower 1
Singapore 068809

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 2010

In Financial Year (FY) 2010, the Group's Revenue of $95.6 million was 26.2% higher than that of FY 2009 due to increase in demand as a result of the global recovery. Comparing the Group's Revenue on a half-year basis, the first and second half Group's Revenue were $43.1 million and $52.5 million respectively.

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

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

The Group's borrowings decreased by $2.3 million from $13.5 million in FY 2009 to $11.2 million in FY 2010. Cash and Cash Equivalents decreased by $12.0 million from $14.9 million to $2.9 million in FY 2010. The decrease in Cash and Cash Equivalents was to repay the borrowings, and also to finance the increased working capital.

FINANCIAL YEAR 2011

We expect the Group to be profitable in the first half of FY 2011. This is supported by orders on hand of $48.1 million at the end of December 2010.

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.

In FY 2010, we added 10 new customers. These customers will give us opportunity to serve more medtech and semiconductor instruments and equipment, and new market segments in high frequency equipment, radioactive detection devices and automation systems.

Dividends

The Directors recommend payment of:

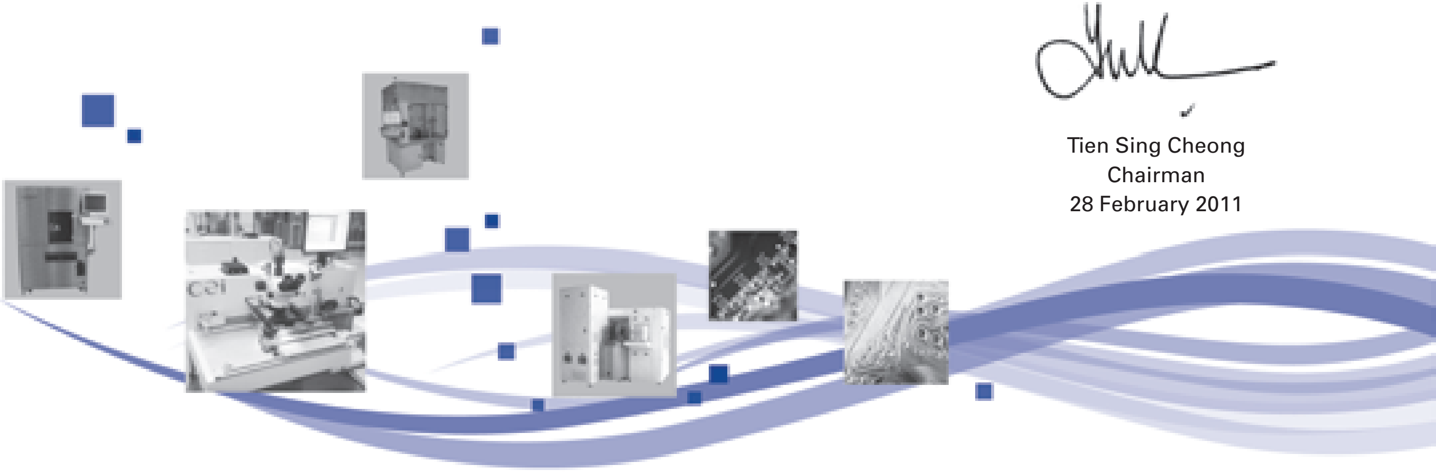
(a) One-tier tax-exempt second and final dividend of 0.166 cents per share amounting to $575,678 and
(b) One-tier tax-exempt special dividend of 0.700 cents per share amounting to $2,427,557.

Total interim, final and special dividends declared for the financial year FY 2010 was 98.2% of the profit after taxation, which approximate to $5,083,999 or 1.466 cents per share.

Acknowledgement

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

Tien Sing Cheong
Chairman
28 February 2011



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 15 April 2010. Mr Gan is the Co-Chief Investment Officer and Senior Managing Director, Special Projects 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 6 April 2009. 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 6 April 2009. 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 (MIT) Sloan School of Management. He is a member of the MIT Corporation and trustee emeritus at Cornell University.

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 15 April 2010. 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 / Process Engineering. 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 attended an Executive MBA programme for his 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 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);
- 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); and
- 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	3
Colin Ng Teck Sim	3	3

Remuneration Committee		
	Held	Attended
Tang Martin Yue Nien (Chairman)	3	3
Tan Bien Chuan	3	3
Gan Chee Yen	3	3
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

Audit Committee		
	Held	Attended
Tan Bien Chuan (Chairman)	3	3
Tang Martin Yue Nien	3	3
Gan Chee Yen	3	3
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);

- 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);

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

- 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".

NOMINATING COMMITTEE (NC) (cont'd)

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 2010 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 is 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 2010 is as follows (Guidance Note 9.2):

Directors' Remuneration					
	FEES	SALARY	BONUS	BENEFITS	TOTAL
NAME	$	$	$	$	$
Tien Sing Cheong	-	233,195	17,370	12,013	262,578
Tan Ka Huat	-	277,603	21,445	6,825	305,873
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 2010.

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 to the Financial Statements (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 is an immediate family of a director during the financial year ended 31 December 2010. (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 Consultants Pte Ltd (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)

AUDIT COMMITTEE (AC) (cont'd)

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 complaint 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 Company's website and SGXnet (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); and
- 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 Directors, senior management and senior accounting personnel are discouraged from dealing in the Company's securities on short-term considerations. 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 complied with Rule 1207 (18) of the Listing Manual issued by the Singapore Exchange Securities Trading Limited with regard to dealing in the Company's shares.

On behalf of the Board,

Tien Sing Cheong
Director

Tan Ka Huat
Director

Singapore
28 February 2011

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 50 customers, of which the top 5 customers account for 66% of FY 2010 revenue.

Over the years, the Group has increased its customer base and decreased 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 2010 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 dollar 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) **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.

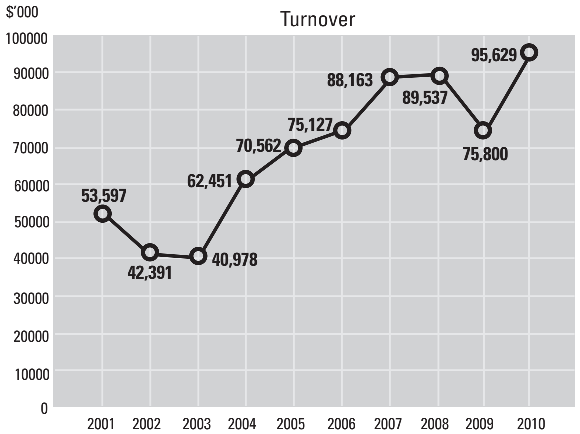
On behalf of the Board,

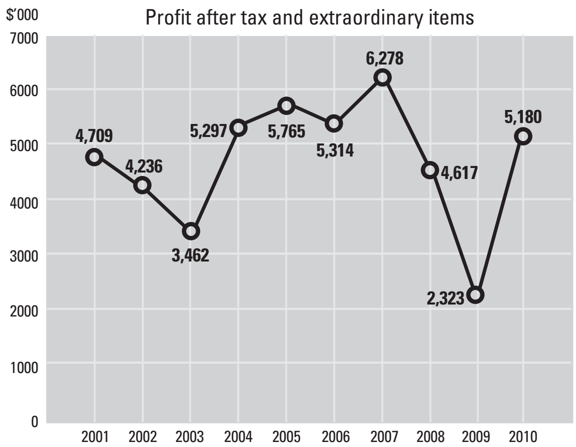
Tien Sing Cheong
Director

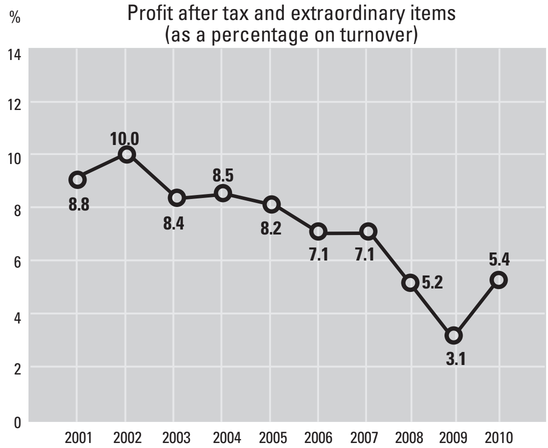
Tan Ka Huat
Director

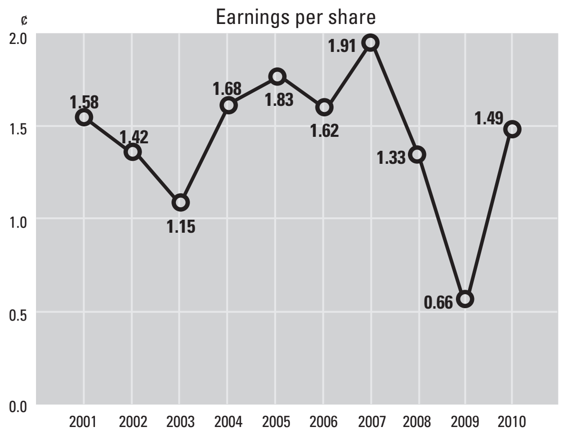
Singapore
28 February 2011

FINANCIAL HIGHLIGHTS









Directors' Report and Audited Financial Statements

CEI Contract Manufacturing Limited & Subsidiary Companies

31 December 2010

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

DBS Bank Ltd
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank

Share Registrar

Boardroom Corporate and Advisory Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Auditors

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge (since financial year ended 31 December 2007): Alvin Phua Chun Yen

Directors' Report

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 2010.

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, Mr. Tien Sing Cheong and Mr. 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	
	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	1,598,800	1,598,800

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)

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	31,414,408	–

Date of grant	Balance as at 1.1.2010	Options exercised	Options lapsed	Balance Options forfeited	Number of holders as at 31.12.2010	Exercise as at 21.12.2010	Price $	Exercisable period
6.9.2005	1,118,000	–	(1,118,000)	–	–	–	–	–

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 review the internal auditors' evaluation of the adequacy of the Company's system of internal 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 and any reports received from regulators;
- 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.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened three meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

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
28 February 2011

Statement by Directors

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

(a) the accompanying balance sheets, consolidated statement of comprehensive income, 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 2010, 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
28 February 2011

Independent Auditors' Report
For the financial year ended 31 December 2010

To the Members of CEI Contract Manufacturing Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated 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 2010, the statements of changes in equity of the Group and the Company, the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for 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 sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 of the financial statements that give a true and fair view 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 consolidated 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, 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 2010 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.

Report on Other Legal and Regulatory Requirements

In our opinion, 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 LLP

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore
28 February 2011

Consolidated Statement of Comprehensive Income for the year ended 31 December 2010

	Note	Group	
		2010	**2009**
		$	$
Revenue	4	95,628,673	75,799,894
Cost of sales		(74,441,709)	(57,874,269)
Gross profit		21,186,964	17,925,625
Other income		38,401	13,334
General and administrative costs		(11,991,668)	(11,778,462)
Selling and distribution costs		(2,731,706)	(2,700,998)
Finance costs		(307,554)	(446,754)
Share of results of associated company		150,490	34,000
Profit before taxation	5	6,344,927	3,046,745
Taxation	6	(1,164,585)	(724,250)
Profit after taxation		5,180,342	2,322,495
Other comprehensive income - net of tax			
Foreign currency translation		(169,476)	(34,000)
Fair value adjustment on available-for-sale financial assets		320,100	-
Total comprehensive income for the year		5,330,966	2,288,495
Earnings per share			
Basic	7	1.49 cents	0.66 cents
Diluted	7	1.49 cents	0.66 cents

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

Balance Sheets as at 31 December 2010

	Note	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
ASSETS					
Non-current assets					
Property, plant and equipment	8	11,711,236	10,999,746	2,909,076	1,283,783
Intangible assets	9	3,918,464	3,918,464	3,918,310	3,918,464
Investments in and advance to subsidiary companies	10	–	–	11,541,821	11,275,601
Investments in associated companies	11	803,180	678,790	481,900	508,000
Investment securities	12	1,536,500	1,280,400	1,536,500	1,280,400
Deferred tax asset	6	534,500	534,500	534,500	534,500
		18,503,880	17,411,900	20,922,107	18,800,748
Current assets					
Inventories	13	23,793,400	12,280,122	23,736,412	12,262,447
Trade receivables	14	21,061,730	12,770,352	20,828,974	12,640,258
Other receivables	15	486,552	540,509	358,669	402,621
Prepayments		339,094	316,547	334,313	296,371
Amounts due from subsidiary companies	16	–	–	2,147,168	225,746
Cash and cash equivalents	17	2,939,865	14,885,096	2,465,289	13,458,012
		48,620,641	40,792,626	49,870,825	39,285,455
Total assets		67,124,521	58,204,526	70,792,932	58,086,203
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables and accruals	18	19,817,383	10,544,561	18,913,952	10,043,535
Amounts due to subsidiary companies	16	–	–	3,914,249	257,993
Bank borrowings	19	7,157,282	6,850,402	7,157,282	6,850,402
Provision for taxation		1,805,247	1,555,416	1,551,938	1,240,455
Advanced billings to customers		1,574,394	1,950,631	1,574,394	1,950,631
Other liabilities	20	300,469	457,339	226,029	382,888
		30,654,775	21,358,349	33,337,844	20,725,904
Net current assets		17,965,866	19,434,277	16,532,981	18,559,551
Non-current liabilities					
Bank borrowings	19	4,033,030	6,633,150	4,033,030	6,633,150
		4,033,030	6,633,150	4,033,030	6,633,150
Total liabilities		34,687,805	27,991,499	37,370,874	27,359,054
Net assets		32,436,716	30,213,027	33,422,058	30,727,149
Equity					
Share capital	21	23,897,299	23,816,155	23,897,299	23,816,155
Treasury shares	21	(836,625)	(836,625)	(836,625)	(836,625)
Revenue reserves		9,259,418	7,186,353	10,041,284	7,666,475
Employee share option reserve	22	–	81,144	–	81,144
Capital revaluation reserve		320,100	–	320,100	–
Foreign currency translation reserve		(203,476)	(34,000)	–	–
Total equity		32,436,716	30,213,027	33,422,058	30,727,149
Total equity and liabilities		67,124,521	58,204,526	70,792,932	58,086,203

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 2010

2010 Group	Share capital (Note 21) $	Treasury shares (Note 21) $	Revenue reserves $	Employee share option reserve (Note 22) $	Capital revaluation reserve $	Foreign currency translation reserve $	Total equity $
At 1 January 2010	23,816,155	(836,625)	7,186,353	81,144	–	(34,000)	30,213,027
Profit net of tax	–	–	5,180,342	–	–	–	5,180,342
Other comprehensive income for the year	–	–	–	–	320,100	(169,476)	150,624
Total comprehensive income for the year	–	–	5,180,342	–	320,100	(169,476)	5,330,966
Dividends on ordinary shares (Note 23)	–	–	(3,107,277)	–	–	–	(3,107,277)
Expiration of employee share options	81,144	–	–	(81,144)	–	–	–
At 31 December 2010	23,897,299	(836,625)	9,259,418	–	320,100	(203,476)	32,436,716
2009 Group							
At 1 January 2009	23,814,685	(836,625)	6,868,123	82,614	–	–	29,928,797
Profit net of tax	–	–	2,322,495	–	–	–	2,322,495
Other comprehensive income for the year	–	–	–	–	–	(34,000)	(34,000)
Total comprehensive income for the year	–	–	2,322,495	–	–	(34,000)	2,288,495
Dividends on ordinary shares (Note 23)	–	–	(2,004,265)	–	–	–	(2,004,265)
Forfeiture/cancellation of employee share options	1,470	–	–	(1,470)	–	–	–
At 31 December 2009	23,816,155	(836,625)	7,186,353	81,144	–	(34,000)	30,213,027

2010 Company	Share capital (Note 21) $	Treasury shares (Note 21) $	Revenue reserves $	Employee share option reserve (Note 22) $	Capital revaluation reserve $	Total equity $
At 1 January 2010	23,816,155	(836,625)	7,666,475	81,144	–	30,727,149
Profit net of tax	–	–	5,482,086	–	–	5,482,086
Other comprehensive income for the year	–	–	–	–	320,100	320,100
Dividends on ordinary shares (Note 23)	–	–	(3,107,277)	–	–	(3,107,277)
Expiration of employee share options	81,144	–	–	(81,144)	–	–
At 31 December 2010	23,897,299	(836,625)	10,041,284	–	320,100	33,422,058
2009 Company						
At 1 January 2009	23,814,685	(836,625)	6,424,895	82,614	–	29,485,569
Profit net of tax	–	–	3,245,845	–	–	3,245,845
Dividends on ordinary shares (Note 23)	–	–	(2,004,265)	–	–	(2,004,265)
Forfeiture/cancellation of employee share options	1,470	–	–	(1,470)	–	–
At 31 December 2009	23,816,155	(836,625)	7,666,475	81,144	–	30,727,149

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 2010

	2010 $	2009 $
Cash flows from operating activities		
Profit before taxation	6,344,927	3,046,745
Adjustments for:		
Amortisation of intangible assets	–	133,300
Impairment of intangible assets	–	543,400
Depreciation of property, plant and equipment	2,194,706	1,988,781
Interest income	(20,401)	(13,334)
Interest expense	307,554	446,754
(Gain)/Loss on disposal of property, plant and equipment	(27,075)	93,031
Impairment of investment in securities	64,000	320,100
Fair value (gains)/loss on financial instruments	(141,605)	20,000
Share of results of an associated company	(150,490)	(34,000)
Operating income before working capital changes	8,571,616	6,544,777
(Increase)/decrease in receivables and prepayments	(8,259,968)	2,645,475
(Increase)/decrease in inventories	(11,513,278)	3,959,120
Increase/(decrease) in creditors	8,739,715	(3,793,659)
Cash (used in)/generated from operations	(2,461,915)	9,355,713
Interest received	20,401	13,334
Income tax paid	(914,196)	(1,559,476)
Interest paid	(307,554)	(446,754)
Net cash (used in)/generated from operating activities	(3,663,264)	7,362,817
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,907,550)	(2,024,736)
Dividend income from an associated company	26,100	–
Net cash used in investing activities	(2,881,450)	(2,024,736)
Cash flows from financing activities		
Dividends paid	(3,107,277)	(2,004,265)
(Repayment of)/Proceeds from loans and borrowings	(2,293,240)	548,451
Net cash used in financing activities	(5,400,517)	(1,455,814)
Net (decrease)/increase in cash and cash equivalents	(11,945,231)	3,882,267
Cash and cash equivalents at beginning of the year	14,885,096	11,002,829
Cash and cash equivalents at end of the year (Note 17)	2,939,865	14,885,096

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

Notes to the Financial Statements - 31 December 2010

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 designs and manufactures 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.

2.2 *Changes in accounting policies*

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year. The Group has adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for annual periods on or after 1 January 2010. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company:

FRS 103 Business Combinations (revised) and FRS 27 Consolidated and Separate Financial Statements (revised)

The revised FRS 103 Business Combinations and FRS 27 Consolidated and Separate Financial Statements are applicable for annual periods beginning on or after 1 July 2009.

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;
- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;
- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and
- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

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

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

	Effective for annual periods beginning on or after
Amendments to FRS 32 *Financial Instruments: Presentation – Classification of Rights Issues*	1 February 2010
INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Revised FRS 24 *Related Party Disclosures*	1 January 2011
Amendments to INT FRS 114 *Prepayments of Minimum Funding Requirements*	1 January 2011
INT FRS 115 *Agreements for the Construction of Real Estate*	1 January 2011

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

Revised FRS 24 Related Party Disclosures

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

2.4 *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 2010, the carrying amount of property, plant and equipment held by CEI International Investments (Vietnam) Limited amounted to $2,045,979 (2009: $1,920,553).

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

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

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

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

(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 2010 was $3,594,143 (2009: $2,044,576). 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 assesses 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.

(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 other comprehensive income. 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 profit or loss. The impairment loss recognised for available-for-sale financial assets during the financial year amounted to $64,000 (2009: $320,100).

(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 2010, the Group's carrying amount of investment in Santec Corporation Pte Ltd and TeleMoney Asia Pte Ltd was $803,180 and $Nil (2009: $678,790 and $Nil) 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 2010, the carrying amount of investment in CEI International Investment Pte Ltd was $2,494,341 (2009: $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 2.4 (a) (i) above.

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.

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

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

(b) Judgements made in applying accounting policies

(i) Allocation of goodwill to cash generating units

Management did not allocate the goodwill acquired in a business combination of $3.9 million (Note 9) to the individual cash generating units as management is of the view that there is no consistent and reasonable basis to allocate the synergistic and likely benefit that will flow to the individual cash generating units. Thus, for the purpose of impairment testing of goodwill, management has allocated such goodwill to a group of cash generating units that comprises two individual cash generating units. Management has determined the expected benefit from the synergies of the business combination in applying judgement of allocating such goodwill to the group of cash generating units. The expected benefit from the synergies of the business combination determined by management pertains to the ability of the acquired business to develop operations of the Group to provide a total solutions service to its existing and new customers.

(ii) 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 amounts of the Group's deferred tax assets/liabilities and provision for current taxation are disclosed in the balance sheet.

2.5 *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 profit or loss 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 other comprehensive income and accumulated as foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation. In the Company's separate financial statements, such exchange differences are recognised in the profit or loss.

(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 statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that foreign operation is recognised in the profit or loss.

2.6 *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.

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

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

(b) Principles of consolidation

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company.

Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

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

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 profit or loss in the year the asset is derecognised.

2.8 *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 exceeds its interest in the associated company, the Group does not recognise 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. Summary of significant accounting policies (cont'd)

2.9 *Intangible assets*

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 cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. 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 operations disposed of and the portion of the cash-generating unit retained.

2.10 *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.

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 profit or loss. 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. Summary of significant accounting policies (cont'd)

2.11 *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 other comprehensive income is recognised in profit or loss.

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) 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 profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(b) 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 in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

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

2.12 *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 profit or loss.

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 profit or loss.

(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 profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are recognised in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.13 *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)

2.14 *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, derivatives are measured at fair value. Financial liabilities (except for financial guarantee) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss 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 profit or loss. A financial liability is derecognised when the obligation under the liability is extinguished.

2.15 *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.

2.16 *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.

2.17 *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 profit or loss, 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 profit or loss 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)

2.18 *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

Interest income is recognised using the effective interest method.

(c) Dividend income

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

2.19 *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.

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

2.19 *Income taxes (cont'd)*

(b) Deferred tax (cont'd)

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.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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.

2.20 *Segment reporting*

For management purposes, the Group is monitored by geographical segments. Management reviews regularly the segment results in order to assess the segment performance and 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 environment.

2.21 *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 profit or loss on the purchase, sale, issue or cancellation of treasury shares.

3. Subsidiary, associated and joint venture companies

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 2010 $	Company Cost 2009 $	Percentage of equity held 2010 %	Percentage of equity held 2009 %
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 (Singapore) - In Members' voluntary liquidation.	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] - In Members' voluntary liquidation.	Precision machining and contract manufacturing (People's Republic of China)			100	100
Clean Energy Innovation Pte Ltd [1] - Incorporated in 2010	Invest in technology, and to manufacture and distribute related products of the investment (Singapore)			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	25
Telemoney Asia Pte Ltd [6] (Singapore)	Provision of online and mobile payment services (Vietnam)	177,250	173,250	42.83	33.33
		785,250	781,250		

[1] Audited by Ernst & Young, Singapore.
[2] Audited by JAS # Rekan, 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.

4. Revenue

Revenue represents the net invoiced value of goods sold.

5. Profit before taxation

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

	Group	
	2010	2009
	$	$
Audit fees paid to		
- Auditors of the Company	123,000	113,000
- Other auditors	15,450	16,000
Non audit fees paid to		
- Auditors of the Company	29,500	19,500
Depreciation of fixed assets	2,194,706	1,988,781
Amortisation of intangible assets	–	133,300
Impairment of intangible assets	–	543,400
Impairment of investment securities	64,000	320,100
Allowance for inventory obsolescence	133,163	367,414
Interest income on fixed deposits	(20,401)	(13,334)
Exchange loss	538,735	299,755
(Gain)/loss on disposal of property, plant and equipment	(27,075)	93,031
Rental expenses	92,297	107,928
Staff costs		
- Central Provident Fund contributions	891,936	847,572
- Salaries, wages, bonuses and other costs	10,179,083	9,327,187
Fair value (gain)/loss on derivatives	(141,605)	20,000
Finance costs - interest on bank borrowings	307,554	446,754

6. Taxation

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

	Group	
	2010	2009
	$	$
Current taxation – current year	(1,264,585)	(960,250)
Current taxation – over provision in respect of prior years	100,000	100,000
Deferred taxation – current year	–	158,694
Effect of reduction in tax rate	–	(22,694)
Income tax expense recognised in profit or loss	(1,164,585)	(724,250)

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	
	2010	2009
	$	$
Profit before tax	6,344,927	3,046,745
Income tax at statutory tax rate of 17%	(1,078,638)	(517,947)
Adjustments:		
Expense not deductible for tax purposes	(207,629)	(233,373)
Income not subject to tax	47,681	–
Tax effect of partial tax exemption	25,925	37,992
Deferred tax assets not recognised	(22,100)	(157,181)
Over provision of current taxation in respect of prior years	100,000	100,000
Effect of reduction in tax rate	–	(22,694)
Others	(29,824)	68,953
	(1,164,585)	(724,250)

6. Taxation (cont'd)

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

The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

The Group has tax losses of $2,930,000 (2009: $2,800,000) 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.

(b) Deferred income tax

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).

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

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Deferred tax liabilities				
Excess of net book value over tax written down value of property, plant and equipment	(210,564)	(187,926)	(210,564)	(187,926)
Gross deferred tax liabilities	(210,564)	(187,926)	(210,564)	(187,926)
Deferred tax assets				
Allowance for stock obsolescence	745,064	722,426	745,064	722,426
Gross deferred tax assets	745,064	722,426	745,064	722,426
Net deferred tax assets	534,500	534,500	534,500	534,500
Disclosure in balance sheets:				
Deferred tax asset	534,500	534,500	534,500	534,500
Deferred tax liability	–	–	–	–
	534,500	534,500	534,500	534,500

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:

	2010 $	2009 $
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	5,180,342	2,322,495
	No. of Shares	**No. of Shares**
Weighted average number of ordinary shares for basic earnings per share computation*	346,793,907	346,793,907
Weighted average number of ordinary shares adjusted for the effects of dilution*	346,793,907	346,793,907

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions. There has been no treasury shares transaction in FY2010 and FY2009.

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 2009	10,610,190	9,124,924	741,814	557,258	1,485,957	1,058,048	23,578,191
Additions	1,210,000	668,184	–	38,867	72,631	35,054	2,024,736
Disposal/write-off	–	(50,274)	–	(36,362)	(17,188)	(57,332)	(161,156)
As at 31 December 2009 and 1 January 2010	11,820,190	9,742,834	741,814	559,763	1,541,400	1,035,770	25,441,771
Additions	-	2,664,504	99,546	25,882	117,618	-	2,907,550
Disposal/write-off	-	(3,267)	(208,156)	(44,466)	(5,363)	(210,971)	(472,223)
As at 31 December 2010	11,820,190	12,404,071	633,204	541,179	1,653,655	824,799	27,877,098
Accumulated depreciation							
As at 1 January 2009	3,158,572	6,753,709	360,503	332,051	1,417,980	498,554	12,521,369
Depreciation charge for the year	580,212	949,754	122,435	62,443	69,163	204,774	1,988,781
Disposal/write-off	–	(5,205)	–	(5,050)	(17,399)	(40,471)	(68,125)
As at 31 December 2009 and 1 January 2010	3,738,784	7,698,258	482,938	389,444	1,469,744	662,857	14,442,025
Depreciation charge for the year	691,125	1,114,937	103,527	57,897	78,254	148,966	2,194,706
Disposal/write-off	-	(3,267)	(207,044)	(44,418)	(5,363)	(210,777)	(470,869)
As at 31 December 2010	4,429,909	8,809,928	379,421	402,923	1,542,635	601,046	16,165,862
Net carrying amount							
As at 31 December 2010	7,390,281	3,594,143	253,783	138,256	111,020	223,753	11,711,236
As at 31 December 2009	8,081,406	2,044,576	258,876	170,319	71,656	372,913	10,999,746

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

Company	Leasehold land & buildings $	Plant and machinery $	Motor vehicles $	Office furniture, fitting and equipment $	Computer equipment $	Renovation $	Total $
Cost							
As at 1 January 2009	-	1,681,862	599,582	361,019	1,250,115	882,224	4,774,802
Additions	-	54,234	–	36,179	69,345	35,385	195,143
Disposal/write-off	-	(1,110)	–	(5,330)	(4,802)	(240)	(11,482)
As at 31 December 2009 and 1 January 2010	-	1,734,986	599,582	391,868	1,314,658	917,369	4,958,463
Additions	1,884,704	102,290	98,446	16,980	107,415	-	2,209,835
Disposal/write-off	-	-	(208,156)	(11,212)	-	-	(219,368)
As at 31 December 2010	1,884,704	1,837,276	489,872	397,636	1,422,073	917,369	6,948,930
Accumulated depreciation							
As at 1 January 2009	-	1,021,231	238,740	200,757	1,194,502	415,945	3,071,175
Depreciation charge for the year	-	237,771	106,927	45,206	58,616	165,346	613,866
Disposal/write-off	-	(1,036)	–	(4,167)	(5,159)	–	(10,362)
As at 31 December 2009 and 1 January 2010	-	1,257,966	345,667	241,796	1,247,959	581,291	3,674,679
Depreciation charge for the year	37,950	181,447	98,276	47,060	70,479	148,218	583,430
Disposal/write-off	-	-	(207,044)	(11,211)	-	-	(218,255)
As at 31 December 2010	37,950	1,439,413	236,899	277,645	1,318,438	729,509	4,039,854
Net carrying amount							
As at 31 December 2010	1,846,754	397,863	252,973	119,991	103,635	187,860	2,909,076
As at 31 December 2009	-	477,020	253,915	150,072	66,699	336,078	1,283,784

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 "value in use" approach. Based on the discounted cash flow prepared by the Management, the value in use is determined to be approximately $3,201,364. The carrying value of the property, plant and equipment is $2,618,854.

(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 (This is held by the parent company)	Detached three-storey factory building	1 March 2004 to 28 February 2023	2,617

9. Intangible assets

	Goodwill $
Group and Company	
Cost and carrying amount	
At 31 December 2009 and 31 December 2010	3,918,464

Impairment testing of goodwill

The goodwill arose from the business combination in year 2008 and was allocated to the Company's group of cash-generating units. The recoverable value of the group of cash-generating units 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 2011 and extended to financial years ending 31 December 2015.

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 and do not exceed the long-term average growth rate of the industry relevant to the group of cash-generating units.

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

10. Investments in and advances to subsidiary companies

	Company	
	2010	2009
	$	$
Unquoted shares, at cost (Note 3)	9,032,741	9,032,741
Impairment losses	(1,634,145)	(1,409,223)
Carrying amount of investments	7,398,596	7,623,518
Advances to a subsidiary company	4,143,225	3,652,083
	11,541,821	11,275,601

The advances to 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	
	2010	2009	2010	2009
	$	$	$	$
Unquoted shares, at cost (Note 3)	785,250	781,250	785,250	781,250
Share of post-acquisition reserves	321,280	170,790	–	–
Impairment losses	(277,250)	(273,250)	(277,250)	(273,250)
Others	(26,100)	–	(26,100)	–
	803,180	678,790	481,900	508,000

(a) Impairment assessment

(i) Investments in Santec Corporation Pte Ltd

The allowance for impairment is $100,000 as at 31 December 2010 and 2009. There was no further impairment loss provided during the year.

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 $4,000 (2009: $Nil). As at 31 December 2010, the allowance for impairment is $177,250 (2009: $173,250).

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

	2010 $'000	2009 $'000
Assets and Liabilities		
Total assets	4,803	4,899
Total liabilities	(2,427)	(1,600)
Profit and loss		
Revenue	7,447	4,049
Profit for the year	393	34

12. Investment securities

	Group and Company	
	2010 $'000	2009 $'000
Non-current		
Available-for-sale investments		
Equity instruments (quoted), at fair value	2,944,920	2,944,920
Less: Allowance for impairment		
At 1 January	(1,664,520)	(1,344,420)
Impairment loss recognised during the year	(64,000)	(320,100)
Fair value gain on available-for-sale financial asset	320,100	–
At 31 December	(1,408,420)	(1,664,520)
	1,536,500	1,280,400

13. Inventories

Balance sheet:	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Finished products	1,462,497	1,008,552	1,462,497	1,008,552
Work-in-progress	2,333,126	1,443,650	2,333,126	1,443,650
Raw materials	19,997,777	9,827,920	19,940,789	9,810,245
Total inventories at lower of cost and net realisable value	23,793,400	12,280,122	23,736,412	12,262,447

	Group and Company 2010 $	Group and Company 2009 $
Inventories are stated after deducting allowance for inventory obsolescence of	4,382,727	4,249,564
Analysis of allowance for inventory obsolescence:		
Balance at beginning of year	4,249,564	3,882,150
Allowance made during the year (Note 5)	133,163	367,414
Balance at end of year	4,382,727	4,249,564

Comprehensive income:	Group and Company 2010 $	Group and Company 2009 $
Inventories recognised as expense in cost of sales	74,441,709	57,874,269
Inclusive of the following charge:		
- Inventories written-down	133,163	367,414

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% (2009: 99%) of the trade receivables are denominated in United States Dollar.

The Group has trade receivables amounting to $6,911,157 (2009: $2,792,919) 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:

	2010 $	2009 $
Trade receivables past due:		
1- 30 days overdue	3,805,701	2,127,933
31 – 60 days overdue	1,387,999	440,345
61 – 90 days overdue	541,133	50,888
More than 90 days overdue	1,176,324	173,753
	6,911,157	2,792,919

There is no trade receivables that are individually impaired as at 31 December 2010 and 2009.

15. Other receivables

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Deposits	223,499	458,268	96,224	316,539
Net GST Receivables	121,448	82,241	120,840	86,082
Fair value of forward contracts (Note 27(e))	141,605	–	141,605	–
	486,552	540,509	358,669	402,621

16. Amounts due from/to subsidiary companies

(a) Amounts due from subsidiary companies

The amounts owing by subsidiary companies are non-trade in nature, short-term, unsecured, and interest-free.

(b) Amounts due to a subsidiary company

	Company	
	2010	2009
	$	$
Trade	3,592,614	257,993
Non-trade	321,635	–
	3,914,249	257,993

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	
	2010	2009	2010	2009
	$	$	$	$
Fixed deposits	–	5,216,882	–	4,514,882
Cash at bank	2,927,448	9,656,020	2,455,695	8,933,344
Cash on hand	12,417	12,194	9,594	9,786
	2,939,865	14,885,096	2,465,289	13,458,012

The fixed deposits bear interest rates ranging from 0.4% to 3.4% per annum in FY 2009, which also approximate the effective interest rates. The short term fixed deposits were 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	
	2010	2009	2010	2009
	$	$	$	$
United States Dollars	1,942,333	4,601,804	1,857,444	3,899,804
Euro Dollars	71,783	84,904	71,783	84,904
Vietnamese Dong	233,894	101,183	–	–
Indonesia Rupiah	102,143	50,826	–	–
Chinese Renminbi	7,043	49,375	–	–

18. Trade payables and accruals

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Trade payables	16,787,739	7,907,114	16,296,868	7,727,647
Accruals for operating expenses	3,029,644	2,637,447	2,617,084	2,315,888
	19,817,383	10,544,561	18,913,952	10,043,535

Included in accruals for operating expenses is $20,000 in FY 2009 relating to fair value of derivative financial instruments (Note 27(e)).

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

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

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
United States Dollars	7,843,300	4,131,358	7,843,300	4,114,844
Euro Dollars	146,891	100,021	146,891	100,021
Sterling Pound	94,835	52,259	94,835	52,259
Canadian Dollars	89,195	–	89,195	–
Vietnamese Dong	156,521	–	–	–
Indonesian Rupiah	40,777	24,683	–	–

19. Bank borrowings

	Group and Company	
	2010	2009
	$	$
Bank loans (current)	7,157,282	6,850,402
Bank loans (non-current)	4,033,030	6,633,150
	11,190,312	13,483,552

The bank loans (current) are unsecured and bear interest at 1.4432% to 4.10% (2009: 1.79% to 4.10%) per annum, which approximates the effective interest rates. These loans are repayable within the next 12 months.

There are four bank loans (non-current) that are unsecured and repayable over the next 2 to 4 years:

(i) $1,200,000 bank loan bearing a fixed interest of 4.1% for the 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.

(ii) $2,500,000 bank loan bearing interest rate at 2.5% (2009: 2.75%) above the Swap Offer Rate.

(iii) $208,150 bank loan bearing interest rate at the prevailing short term market rate.

(iv) $124,880 bank loan bearing interest rate at the prevailing short term market rate.

20. Other liabilities

	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Deposits by customers	300,469	457,339	226,029	382,888

21. Share capital and treasury shares

	Group and Company 2010 $	Group and Company 2009 $
(a) Share capital		
Issued and fully paid:		
Balance at beginning of year: 351,736,907 (2009: 351,736,907) ordinary shares	23,816,155	23,814,685
Expiration/forfeiture/cancellation of employee share options	81,144	1,470
Balance at end of year: 351,736,907 (2009: 351,736,907) ordinary shares	23,897,299	23,816,155
(b) Treasury shares		
Balance at beginning and end of year: 4,943,000 (2009: 4,943,000) ordinary shares	836,625	836,625

Treasury shares relate to ordinary shares of the Company that were acquired by the Company. There were no shares acquired by the Company during the 2010 and 2009 financial year.

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	
	2010	2009
	$	$
At beginning of year	81,144	82,614
Expiration/forfeiture/cancellation of employee share options	(81,144)	(1,470)
At end of year	–	81,144

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	
	2010	2009
	$	$
(a) Dividends declared and paid:		
Interim dividends:		
- Exempt (one-tier) for 2010: 0.600 cents (2009: 0.180 cents) per share	2,080,764	624,028
Special dividends:		
- Exempt (one-tier) for 2010: Nil (2009: Nil cents) per share	–	–
Final dividends:		
- Exempt (one-tier) for 2009: 0.166 cents (2008: 0.166 cents) per share	575,679	575,679
Special dividends:		
- Exempt (one-tier) for 2009: 0.130 cents (2008: 0.232 cents) per share	450,834	804,558
	3,107,277	2,004,265

(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 2010: 0.166 cents (2009: 0.166 cents) per share	575,678	575,678
- Special exempt (one-tier) dividend for 2010: 0.700 cents (2009: 0.130 cents) per share	2,427,557	450,832
	3,003,235	1,026,510

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 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.

24. Employee benefits (cont'd)

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 2010	Number of shares 2009
Outstanding at beginning of the year	1,118,000	1,148,000
Lapsed	(1,118,000)	–
Forfeited	–	(30,000)
Outstanding at end of the year	–	1,118,000
Exercisable at end of year	–	1,118,000

(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
2010									
6	6.9.2005	1,118,000	–	(1,118,000)	–	–	–	–	–
		1,118,000	–	(1,118,000)	–	–			
2009									
6	6.9.2005	1,148,000	–	–	(30,000)	1,118,000	30	0.1520	6.9.2007 – 6.9.2010
		1,148,000	–	–	(30,000)	1,118,000			

(c) Details of share options exercised

The Group does not have any share options exercised in the financial year 2010 and 2009. A total of 33,760,436 options have been exercised as at the date of this report.

25. Operating lease commitments

The Group 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 Group's operating lease expense was $81,450 and $65,630 for the years ended 31 December 2010 and 2009 respectively.

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

	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Not later than one year	85,930	77,880	85,930	446,628
Later than one year but not later than five years	393,652	356,775	393,652	446,628
Later than five years	954,464	1,002,538	954,464	–
	1,434,046	1,437,193	1,434,046	893,256

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

	Company	
	2010	**2009**
	$	**$**
Subcontract cost paid to subsidiary companies**	7,129,711	5,494,986
Rental paid to subsidiary company**	334,975	446,633
Transfer of industrial building from subsidiary company****	1,884,705	–

** These transactions were conducted on an arm's length basis on normal commercial terms.
**** The industrial building was transferred from a subsidiary company at an amount approximate to net book value.

(b) Compensation of directors and other key management personnel

	Group	
	2010	**2009**
	$	**$**
Central Provident Fund	92,606	96,222
Salaries, wages, bonuses and other costs	2,327,770	2,736,778
Total compensation paid to key management personnel	2,420,376	2,833,000
Comprise amounts paid to:		
Directors of the Company	764,851	1,033,017
Other key management personnel	1,655,525	1,799,983
Total compensation paid to key management personnel	2,420,376	2,833,000

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.

	2010	**2009**
Number of directors of the Group in remuneration bands:		
$250,000 to $499,000	2	2
Below $250,000	4	4
Total	6	6

26. Related party disclosures (cont'd)

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

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

	2010	2009
Number of executives of the Group in remuneration bands:		
$250,000 to $499,000	–	1
Below $250,000	5	4
Total	5	5

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

As at 31 December 2010, no director and other key management personnel of the Company held any option (2009: Nil) to purchase ordinary shares of the Company under CEI ESOS.

During the financial year ended 31 December 2010, 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 Senior Director (Corporate Services) and/or Deputy Director (Finance). 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.

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 $
2010			
Trade payables	16,787,739	–	16,787,739
Other liabilities	1,874,863	–	1,874,863
Bank borrowings	7,157,282	4,033,030	11,190,312
	25,819,884	4,033,030	29,852,914
2009			
Trade payables	7,907,114	–	7,907,114
Other liabilities	2,407,970	–	2,407,970
Bank borrowings	6,850,402	6,633,150	13,483,552
	17,165,486	6,633,150	23,798,636

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

(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 2010, 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 $62,000 higher/lower, 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 minimises 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.

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:

	2010		**2009**	
	$'000	**%**	**$'000**	**%**
United States	6,377	30	6,184	48
Europe	7,940	38	3,690	29
Asia Pacific	6,745	32	2,896	23
	21,062	100	12,770	100

As at 31 December 2010, 39.7% (2009: 47.2%) 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.

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

(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.

Sensitivity analysis

At the balance sheet date, if the fair value of the quoted equity instrument had been 10% higher/lower, the Group's other comprehensive income and fair value reserve would have been approximately $153,650 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 2010 and 2009 are denominated in United States Dollars whilst approximately 70% and 77% of purchases for the financial years ended 31 December 2010 and 2009 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.

At 31 December 2010 and 2009, the Group had hedged 7.5% and 10.1% of its foreign currency denominated sales, for which firm commitments existed at the balance sheet date. The table below summarises the open forward foreign currency contracts as at the respective balance sheet dates.

	2010		2009	
	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	7,716	142	8,424	(20)

The maturity date of the foreign exchange forward contracts ranged from 1 to 4 months.

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

(e) Foreign exchange risk (cont'd)

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.

	2010 $'000	2009 $'000
USD		
- strengthened by 5%	747	393
- weakened by 5%	(747)	(393)

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 2009 and 2010.

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	
	2010	2009
Net tangible assets	$28,518,252	$26,294,563
Current ratio	1.59	1.91

29. Fair value of financial instruments

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.

29. Fair value of financial instruments (cont'd)

(a) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group 2010 Quoted price in active markets (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant umobservable inputs (Level 3) $'000	Total $'000
Financial assets:				
Available-for-sale financial assets (Note 12)				
- Equity instruments (quoted)	1,536	–	–	1,536
- Secured bonds	-	–	–	–
At 31 December 2010	1,536	–	–	1,536
Financial liabilities:				
Derivatives (Note 15)				
- Forward currency contracts	(142)	–	–	(142)
At 31 December 2010	(142)	–	–	(142)

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable data (unobservable inputs)

Determination of fair value

Quoted of equity instruments (Note 12): Fair value is determined directly by reference to their published market bid price at balance sheet date.

Quoted secured bonds (Note 12): Fair value is estimated by reference to the potential settlement to holders of the bonds.

(b) Fair value of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

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.

29. Fair value of financial instruments (cont'd)

(c) Fair value of financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

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.

Loans and borrowings (non-current)

	2010		2009	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Fixed rate bank loan	1,200	1,152	2,412	2,321

30. Information by segment on the Group's operations

The Group's geographical segments are based on the origin of customers' purchase orders. The following table presents revenue and expenditure information regarding geographical segments for the year ended 31 December 2010 and 2009 and certain asset and liability information regarding geographical segments at 31 December 2010 and 2009.

	Asia-Pacific		USA		Europe		Consolidated	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Segment turnover								
Sales	26,501	8,977	31,890	52,155	37,238	14,668	95,629	75,800
Cost of sales	(18,604)	(6,432)	(25,013)	(40,484)	(30,825)	(10,959)	(74,442)	(57,875)
Segment result	7,897	2,545	6,877	11,671	6,413	3,709	21,187	17,925
Unallocated income							–	13
Unallocated expenses							(14,992)	(14,925)
Share of results of associated company	150	34	–	–	–	–	150	34
Profit before taxation							6,345	3,047
Taxation							(1,165)	(724)
Net profit for the year	`						5,180	2,323
Other geographical information								
Segment assets	10,520	5,087	18,465	12,582	15,870	7,381	44,855	25,050
Interests in associated company	803	379	–	–	–	–	803	379
Unallocated assets*							21,467	32,776
Total assets							67,125	58,205
Unallocated and total liabilities							34,688	27,991

* Capital expenditures of approximately $2,908,000 (2009: $2,025,000) and depreciation charge of approximately $2,195,000 (2009: $1,989,000) relate to that of the unallocated assets.

30. Information by segment on the Group's operations (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 2010 and 2009.

	Singapore		Indonesia		Vietnam		Shanghai		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment assets	52,569	44,463	7,275	6,893	2,552	2,168	8	84	62,404	53,608
Intangible assets	3,918	3,918	–	–	–	–	–	–	3,918	3,918
Interests in associated company	803	679	–	–	–	–	–	–	803	679
Total assets	57,290	49,060	7,275	6,893	2,552	2,168	8	84	67,125	58,205
Capital expenditure	325	195	2,141	1,365	442	465	–	–	2,908	2,025

31. Categories of financial assets and liabilities

(a) Available-for-sale financial assets

	Note	Group		Company	
		2010	2009	2010	2009
		$	$	$	$
Investment securities	12	1,536,500	1,280,400	1,536,500	1,280,400

(b) Loans and receivables

	Note	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Trade receivables	14	21,061,730	12,770,352	20,828,974	12,640,258
Other receivables	15	486,552	540,509	358,669	402,621
Amount due from subsidiary companies	16	–	–	2,147,168	225,746
Cash and cash equivalents	17	2,939,865	14,885,096	2,465,289	13,458,012
		24,488,147	28,195,957	25,800,100	26,726,637

(c) Financial liabilities measured at amortised cost

	Note	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Trade payables and accruals	18	19,817,383	10,544,561	18,913,952	10,043,535
Amounts due to a subsidiary company	16	–	–	3,914,249	257,993
Bank borrowings	19	11,190,312	13,483,552	11,190,312	13,483,552
Other liabilities	20	300,469	457,339	226,029	382,888
		31,308,164	24,485,452	34,244,542	24,167,968

32. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 28 February 2011.

Statistics of Shareholdings as at 8 March 2011

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	443	9.73	203,480	0.06
1,000 – 10,000	1,572	34.51	8,475,084	2.44
10,001 – 1,000,000	2,508	55.06	151,043,932	43.56
1,000,001 and above	32	0.70	187,071,411	53.94
Total	4,555	100.00	346,793,907	100.00

Twenty Largest Shareholders

No.	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 or Tan Jacqueline	10,000,000	2.88
4.	Tan Cheok Hoong	9,817,000	2.83
5.	Ng Cheng Kung	6,021,960	1.74
6.	Tan Ka Huat @ Kaharianto Tanmalano	5,901,360	1.70
7.	United Overseas Bank Nominees Pte Ltd	5,419,564	1.56
8.	DBS Nominees Pte Ltd	5,300,720	1.53
9.	Heng Teck Yow	3,851,800	1.11
10.	OCBC Nominees Singapore Pte Ltd	3,694,644	1.07
11.	Kuan Bon Heng	3,560,000	1.03
12.	Lim Sea Leang	3,050,536	0.88
13.	OCBC Securities Private Ltd	2,809,288	0.81
14.	Choo Kang Looi @ Chew Kang Looi	2,700,000	0.78
15.	DBS Vickers Securities (Singapore) Pte Ltd	2,217,188	0.64
16.	Tan Citi Time Pte Ltd	1,992,000	0.57
17.	Chin Teck Keong	1,912,080	0.55
18.	Thng Ah Hiang	1,891,787	0.55
19.	Tan Bien Chuan	1,878,800	0.54
20.	UOB Kay Hian Pte Ltd	1,789,056	0.52
	Total	171,221,783	49.38

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 Twelfth 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 Friday, 15 April 2011 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 2010 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 2010 (2009: 0.166 cents per share). (Resolution 2)

3. To declare a one-tier tax-exempt special dividend of 0.700 cents per share for the year ended 31 December 2010 (2009: 0.130 cents per share). (Resolution 3)

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

   Mr Tien Sing Cheong (Resolution 4)
   Mr Tang Martin Yue Nien (Resolution 5)

   Mr Tien Sing Cheong will, upon re-election as a Director of the Company, remain as Executive Chairman of the Board and a member of the Nominating Committee.

   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$203,500 for the year ended 31 December 2010 (2009: S$196,400). (Resolution 6)

6. To re-appoint Ernst & Young LLP as the Company's Auditors and to authorise the Directors of the Company 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

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

AS SPECIAL BUSINESS (cont'd)

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) 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 (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to 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 (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;

   (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

   (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall 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 (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 two per centum (2%) 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, 31 March 2011

Explanatory Notes:

(i) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, effective 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 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 shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) 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 any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company effective 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 the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to two per centum (2%) 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 2010 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.

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

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.

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 at The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046 on Friday, 15 April 2011 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 2010		
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 Tien Sing Cheong as a Director		
5	Re-election of Mr Tang Martin Yue Nien as a Director		
6	Approval of Directors' fees amounting to $203,500		
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 ________________ 2011

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

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

*Delete where inapplicable

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.

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

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)

Registered Office:

2 Ang Mo Kio Avenue 12
Singapore 569707

31 March 2011

To: The shareholders of CEI Contract Manufacturing Limited ("**Shareholders**")

Dear Sir/Madam

PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

We refer to the Notice of Annual General Meeting (the "**AGM**") of CEI Contract Manufacturing Limited (the "**Company**") dated 31 March 2011 in respect of the AGM to be held on Friday, 15 April 2011 at 10.00 a.m. and resolution 9 set out under "Special Business" in the Notice of the said AGM ("**Resolution 9**").

1. **Background**

Shareholders had approved the renewal of a mandate (the "**2010 Share Purchase Mandate**") at the last Annual General Meeting of the Company held on 15 April 2010 to enable the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**"). The authority conferred on the Directors under the 2010 Share Purchase Mandate will expire on the forthcoming AGM of the Company to be held on 15 April 2011 ("**2011 AGM**").

Accordingly, the Directors propose to seek the approval of Shareholders for the renewal of the 2010 Share Purchase Mandate (the "**Proposed Share Purchase Mandate**"). The Proposed Share Purchase Mandate is set out in Resolution 9. The purpose of this letter is to provide Shareholders with information in relation to the Proposed Share Purchase Mandate.

2. **Rationale for the Proposed Share Purchase Mandate**

The mandate sought by the Company for the share purchase is in conjunction with the Share Performance Plan ("**SPP**") and the Restricted Share Plan ("**RSP**") to reward the Employees and Non-Executive Directors respectively. The shares purchased may be held or dealt with as treasury shares which will be transferred to the Employees under the SPP and to the Non-Executive Directors under the RSP.

The purchase by a company of its issued shares is one of the ways in which the return on equity of the company may be improved, thereby increasing shareholder value. By obtaining the Proposed Share Purchase Mandate, the Company will have the flexibility to undertake purchases of Shares at any time, subject to market conditions, during the period when the Proposed Share Purchase Mandate is in force. The Proposed Share Purchase Mandate will also facilitate the return to the Shareholders by the Company of surplus cash (if any) which is in excess of the Company's financial needs in an expedient and cost-effective manner.

The Directors further believe that Share purchases by the Company may help to mitigate short-term market volatility in the Company's Share price, off-set the effects of short-term speculation and bolster Shareholders' confidence.

Shareholders should note that purchases or acquisitions of Shares pursuant to the Proposed Share Purchase Mandate may not be carried out to the full limit as authorised.

3. **Authority and Limits of the Share Purchase Mandate**

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Proposed Share Purchase Mandate are summarised below:

(a) **Maximum Number of Shares**

Only shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares which may be purchased or acquired by the Company pursuant to the Proposed Share Purchase Mandate shall not exceed **two per cent (2%)** of the issued ordinary share capital of the Company as at the date of the passing of Resolution 9 set out in the Notice of the 2011 AGM (the "**Maximum Limit**"), where the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered excluding any treasury shares that may be held by the Company from time to time.

The total number of Shares in issue (excluding 4,943,000 treasury shares) as at 8 March 2011 (the "**Latest Practicable Date**") is 346,793,907. Purely for illustrative purposes, on the basis of 346,793,907 Shares in issue (excluding 4,943,000 treasury shares) as at the Latest Practicable Date and assuming that no further Shares are issued on or prior to the 2011 AGM, not more than 6,935,878 Shares (representing 2% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the Proposed Share Purchase Mandate.

The Company will monitor purchases of shares to ensure that the Maximum Limit will not be exceeded.

(b) **Duration of Authority**

Purchases or acquisitions of Shares may be made, at any time and from time to time, by the Company on and from the date of the 2011 AGM at which the Share Purchase Mandate is last approved up to the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;

(ii) the date on which the share purchases are carried out to the full extent mandated; or

(iii) the time when the authority conferred by the Proposed Share Purchase Mandate is revoked or varied by the Shareholders of the Company in general meeting.

The Proposed Share Purchase Mandate may be renewed at each Annual General Meeting or other general meeting of the Company.

(c) **Manner of Purchases or Acquisitions of Shares**

Purchases or acquisitions of Shares may be effected by the Company by way of:

(i) on-market purchases ("**Market Purchases**"); and/or

(ii) off-market purchases, otherwise than on a securities exchange, in accordance with an "equal access scheme" as defined in Section 76C of the Companies Act ("**Off-Market Purchases**").

Market Purchases refer to purchases or acquisitions of Shares by the Company effected on the SGX-ST, through one or more duly licensed dealers appointed by the Company for the purpose.

In an Off-Market Purchase, the Directors may impose such terms and conditions which are not inconsistent with the Proposed Share Purchase Mandate, the SGX-ST Listing Manual, the Companies Act and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An equal access scheme must, however, satisfy the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers are the same, except that there shall be disregarded:-

(aa) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;

(bb) (if applicable) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and

(cc) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Under the SGX-ST Listing Manual, if the Company wishes to make an Off-Market Purchase, the Company will issue an offer document containing, *inter alia,* the following information to all Shareholders:

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances; and

(iii) the information required under Rule 883(2), (3), (4) and (5) of the SGX-ST Listing Manual.

(d) **Maximum Purchase Price**

The purchase price (excluding ancillary expenses such as brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for the Shares must not exceed the maximum price ("**Maximum Price**") as set out below:

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase, 105% of the Average Closing Price of the Shares,

in each case, excluding related expenses of the purchase or acquisition.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

4. **Status of Purchased or Acquired Shares under the Share Purchase Mandate**

A Share which is purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

5. **Treasury Shares Held by the Company**

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) **Maximum Holdings**

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) **Voting and Other Rights**

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) **Disposal and Cancellation**

Where Shares are held as treasury shares, the Company may at any time:

(i) sell the treasury shares for cash;

(ii) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancel the treasury shares; or

(v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

6. **Source of Funds**

Previously, any payment made by the Company in consideration of the purchase or acquisition of its own Shares may only be made out of the Company's distributable profits. The Companies Act now permits the Company to also purchase its own Shares out of capital, as well as from its profits.

The Directors do not propose to exercise the Proposed Share Purchase Mandate in a manner and to such an extent that the working capital position of the Group would be materially adversely affected.

The Company will use internal resources or external borrowings or a combination of both to fund purchases of Shares pursuant to the Proposed Share Purchase Mandate.

7. **Financial Effects**

Where the Company chooses to cancel any of the shares it repurchased, the Company shall:

(a) reduce the amount of its share capital where the shares were purchased or acquired out of the capital of the Company;

(b) reduce the amount of its profits where the shares were purchased or acquired out of the profits of the Company; or

(c) reduce the amount of its share capital and profits proportionately where the shares are purchased or acquired out of both the capital and the profits of the company,

by the total amount of the purchase price paid by the Company for the shares cancelled.

The consideration paid by the Company for the purchase or acquisition of Shares (including related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

The financial effects on the Company arising from purchases or acquisitions of Shares which may be made pursuant to the Proposed Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases or acquisitions.

In the event that Shares are repurchased by the Company, the financial effect on the EPS, the NTA and the share capital are the same whether the Shares repurchased are cancelled or held as treasury shares. Where the Shares repurchased are held as treasury shares, this is recorded in the balance sheet of the Company as a separate line item.

7.1 **Purchase or Acquisition out of capital or profits**

Under the Companies Act, as amended by the Companies Amendment Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. For this purpose, a company is "insolvent" if:

(a) it is unable to pay its debts as they become due in the normal course of business. The Companies Amendment Act requires the company further to be able to pay its debts as they fall due in the normal course of business not only at the time of the purchase or acquisition but also during the period of 12 months after the purchase or acquisition; or

(b) the value of its assets is less than the value of its liabilities (including contingent liabilities), having regard to the most recent financial statements of the company and all other circumstances that the directors or managers of the company know or ought to know affect or may affect such values. The Companies Amendment Act further requires that the value of the company's assets will not be less than the value of its liabilities not only at the time of the purchase or acquisition but also after such purchase or acquisition.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding related brokerages, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

7.2 **Information as at the Latest Practicable Date**

As at the Latest Practicable Date, the issued share capital of the Company comprised 346,793,907 Shares (excluding treasury shares). As at the Latest Practicable Date, there are no outstanding unexercised Share options**.**

7.3 **Maximum price that may be paid for Shares acquired or purchased**

Based on the existing issued and paid-up ordinary share capital of the Company as at the Latest Practicable Date, the purchase by the Company of 2 per cent of its issued Shares will result in the purchase or acquisition of 6,935,878 Shares.

Assuming the Company purchases or acquires the 6,935,878 Shares at the Maximum Price, the maximum amount of funds required (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) is:

(a) in the case of Market Purchases of Shares, approximately $ 1,005,009 based on 14.49 cents for one Share (being the price equivalent to five per cent. above the Average Closing Price of the Shares traded on the SGX-ST for the five consecutive Market Days immediately preceding the Latest Practicable Date); and

(b) in the case of Off-Market Purchases of Shares, approximately $ 1,005,009 based on 14.49 cents for one Share (being the price equivalent to five per cent. above the Average Closing Price of the Shares traded on the SGX-ST for the five consecutive Market Days immediately preceding the Latest Practicable Date).

For illustrative purposes only, on the basis of the assumptions set out in 7.2 and 7.3 above, and assuming that the purchases of Shares are financed solely by internal resources, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made entirely out of capital on the audited financial statements of the Group and the Company for the financial year ended 31 December 2010 would have been as follows:

Market Purchases and/or Off-Market Purchases of up to a maximum of 2% made out of capital and cancelled

As at 31 December 2010	Group – Before Share Purchase	Group – After Share Purchase	Company – Before Share Purchase	Company – After Share Purchase
Shareholders' Funds	$32,436,716	$31,431,707	$33,422,058	$32,417,049
Treasury Shares	($836,625)	($1,841,634)	($836,625)	($1,841,634)
Net Tangible Assets	$28,518,252	$27,513,243	$29,503,748	$28,498,739
Current Assets	$48,620,641	$48,620,641	$49,870,825	$49,870,825
Current Liabilities	$30,654,775	$30,654,775	$33,337,844	$33,337,844
Total Borrowings	$11,190,312	$12,195,321	$11,190,312	$12,195,321
Cash and Cash Equivalents	$2,939,865	$2,939,865	$2,465,289	$2,465,289
Number of Shares as at 31 December 2010 ('000)	346,793	339,858	346,793	339,858
Weighted average shares ('000)	346,793	339,858	346,793	339,858
Financial Ratios				
NTA per Share (cents) (1)	8.22	8.10	8.51	8.39
Basic Earnings per Share (cents) (2)	1.49	1.52	1.58	1.61
Gearing (%)	34.50%	38.8%	33.48%	37.62%
Current Ratio (time) (3)	1.59	1.59	1.50	1.50

Market Purchases and/or Off-Market Purchases of up to a maximum of 2% made out of capital and held as treasury shares

As at 31 December 2010	Group – Before Share Purchase	Group – After Share Purchase	Company – Before Share Purchase	Company – After Share Purchase
Shareholders' Funds	$32,436,716	$31,431,707	$33,422,058	$32,417,049
Treasury Shares	($836,625)	($1,841,634)	($836,625)	($1,841,634)
Net Tangible Assets	$28,518,252	$27,513,243	$29,503,748	$28,498,739
Current Assets	$48,620,641	$48,620,641	$49,870,825	$49,870,825
Current Liabilities	$30,654,775	$30,654,775	$33,337,844	$33,337,844
Total Borrowings	$11,190,312	$12,195,321	$11,190,312	$12,195,321
Cash and Cash Equivalents	$2,939,865	$2,939,865	$2,465,289	$2,465,289
Number of Shares as at 31 December 2010 ('000)	346,793	339,858	346,793	339,858
Weighted average shares ('000)	346,793	339,858	346,793	339,858
Financial Ratios				
NTA per Share (cents) (1)	8.22	8.10	8.51	8.39
Basic Earnings per Share (cents) (2)	1.49	1.52	1.58	1.61
Gearing (%)	34.50%	38.80%	33.48%	37.62%
Current Ratio (time) (3)	1.59	1.59	1.50	1.50

Notes:

(1) NTA per share is calculated by the Net Tangible Assets divided by the number of shares as at 31 December 2010.

(2) Basic EPS is calculated by the profit attributable to shareholders divided by the weighted average number of shares.

(3) Current ratio is derived based on current assets divided by current liabilities.

Shareholders should note that the financial effects set out above are for illustration purposes only (based on the aforementioned assumptions). The actual impact will depend on, *inter alia,* the number and price of the Shares purchased or acquired (if any). In particular, Shareholders should note that the above analysis is based on the audited financial statements of the Company for the financial year ended 31 December 2010 and is not necessarily representative of future financial performance.

The Company may take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

8. **Requirements in the SGX-ST Listing Manual**

(a) The SGX-ST Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (i) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was effected, and (ii) in the case of an Off-Market Purchase, on the second Market Day after the close of acceptances of the offer. The notification of such purchases or acquisitions to the SGX-ST shall be in such form, and shall include such details, as may be prescribed by the SGX-ST in the SGX-ST Listing Manual.

(b) The SGX-ST Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time(s). However, as the Company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate in the following circumstances:

(i) at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of a decision of the Board until the price-sensitive information has been publicly announced; and

(ii) in the case of Market Purchases, during the period commencing one month immediately before the announcement of the Company's half-year or full-year results, as the case may be, and (if applicable) the period of two weeks before the announcement of the Company's other interim results, as the case may be.

(c) The SGX-ST Listing Manual requires a company to ensure that at least 10% of equity securities (excluding preference shares and convertible equity securities) in a class that is listed is held by public shareholders. The "public", as defined under the SGX-ST Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its, as well as the associates of such persons.

As at the Latest Practicable Date, there are approximately 228,623,747 Shares in the hands of the public, representing approximately 65.92% of the issued ordinary share capital of the Company. Accordingly, the Company is of the view that there is, at present, a sufficient number of Shares held by public shareholders which would permit the Company to undertake purchases and acquisitions of its Shares up to the full 2% limit pursuant to the Proposed Share Purchase Mandate, without adversely affecting the listing status of its Shares on the SGX-ST.

9. **Certain Take-over Code Implications**

9.1 **Obligation to Make a Take-over Offer**

Any resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following any purchase or acquisition of Shares by the Company, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("**Rule 14**"). Consequently, depending on the number of Shares purchased or acquired by the Company and the Company's issued share capital at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make a take-over offer under Rule 14.

9.2 **Persons Acting in Concert**

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons. *inter alia,* will be presumed to be acting in concert, namely, (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts), and (ii) a company, its parent, and fellow, and their associated companies and companies of which such companies are associated companies, all with each other. For this purpose, a company is an Associate of another company if the second company owns or controls at least twenty per cent. (20%) but not more than fifty per cent. (50%) of the voting rights of the first-mentioned company.

9.3 **Effect of Rule 14 and Appendix 2**

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code. In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent (30%) or more, or, if the voting rights of such Directors and their concert parties fall between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to thirty per cent. (30%) or more, or, if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Proposed Share Purchase Mandate.

Based on the shareholdings of the Directors in the Company as at the Latest Practicable Date, none of the Directors will become obligated to make a mandatory offer by reason only of the purchase of 2% Shares by the Company pursuant to the Proposed Share Purchase Mandate.

The Directors are not aware of any Shareholder or group of shareholders acting in concert who may become obligated to make a mandatory offer in the event that the Directors exercise the power to repurchase Shares pursuant to the Proposed Share Buy Back Mandate.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Proposed Share Purchase Mandate are advised to consult their professional advisers before they acquire any Shares in the Company during the period when the Proposed Share Purchase Mandate is in force.

The statements herein do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional advisers and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any purchase or acquisition of Shares by the Company.

9.4 **Tax Implications**

Pursuant to sections 10I and 10J of the Income Tax Act (Cap 134) of Singapore ("**Income Tax Act**"), where a company purchases its own shares and makes payment out of its contributed capital, it will not be regarded as a payment of dividend but a return of capital. Where a company purchases its own shares using its distributable profits, it is deemed as having paid a dividend to the shareholders from whom the shares are purchased or acquired.

In relation to a Market Purchase, in the case of the Company (since it is listed on the SGX-ST), the Company may apply to the SGX-ST for a special trading counter for the purposes of effecting the Market Purchase, subject to approval being obtained from Shareholders for the Share Buy-Back Mandate at the 2011 AGM.

Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases through the special trading counter set up on the SGX-ST will, subject to the fulfillment of certain conditions by the Shareholders, be treated for income tax purposes, in the hands of the Shareholders as the receipt of a dividend. This dividend is exempt from tax under the one-tier corporate tax system which became effective on 1 January 2003. Under the one-tier corporate tax system, resident companies pay a final income tax on their corporate profits and any distributions of dividends from their corporate profits will be exempt from tax in the hands of its shareholders.

Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases through the normal ready counters will be treated for income tax purposes like any other disposal of shares and not as a dividend. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipt of an income or a capital nature.

Proceeds received by Shareholders who sell their Shares to the Company in an Off-Market Purchase in accordance with an equal access scheme authorized by the Company, and such Shareholders are not transferees to whom Section 10N of the Income Tax Act applies, will be treated for income tax purposes as the receipt of dividends and therefore exempt from tax in the hands of the Shareholders.

The above statements are general in nature and are based on certain aspects of current tax laws in Singapore which are in force as of the date of this letter and are subject to any changes in such laws, or in the interpretation of these laws occurring after the date of this letter, which changes could be made on a retroactive basis. These statements should not be regarded as a comprehensive description of all the tax considerations that may be relevant to a decision to vote in favour of or against the Share Buy-Back Mandate.

Shareholders should note that the foregoing statements are not to be regarded as advice on the tax position of any Shareholder or on any tax implications arising from the Share Buy-Back Mandate. Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisors.

9.5 **Directors and Substantial Shareholders' Interests**

As at the Latest Practicable Date, the interests of Directors and Substantial Shareholders of the Company in the Shares, based on the Company's Register of Directors' Shareholdings and Register of Substantial Shareholders respectively are as follows:

	Direct Interest	**Indirect/ Deemed Interest**	**Total Interest**	
Directors/Substantial Shareholders	**Number of Shares**	**Number of Shares**	**Number of Shares**	**%**
Directors:			55,443,760	
Tien Sing Cheong	34,687,600	-		10.00
Tan Ka Huat	15,901,360	-		4.59
Gan Chee Yen	1,377,200	-		0.40
Tan Bien Chuan	1,878,800	-		0.54
Tang Martin Yue Nien	1,598,800	-		0.46
Colin Ng Teck Sim	-	-		
Substantial Shareholders:			97,414,000	
Temasek Holdings (Private) Limited	-	62,726,400		18.09
Temasek Capital (Private) Limited	-	62,726,400		18.09
Seletar Investments Pte Ltd	-	62,726,400		18.09
Republic Technologies Pte Ltd	62,726,400	-		18.09
Tien Sing Cheong	34,687,600	-		10.00

Note:

(1) Based on an issued share capital of 346,793,907, excluding 4,943,000 treasury shares, as at the Latest Practicable Date.

As at the Latest Practicable Date, none of our Directors or Substantial Shareholders will be obliged to make a mandatory take-over offer in the event that the Company purchased the maximum 2% of the issued Shares under the Proposed Share Purchase Mandate.

9.6 **Shares Purchased by the Company**

The Company has not made any market acquisition of ordinary shares in the previous 12 months. As at the latest practicable date, however, the Company has 4,943,000 treasury shares.

10. **Directors' Recommendation**

The Directors are of the opinion that the Proposed Share Purchase Mandate is in the best interest of the Company and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 9 relating to the renewal of the 2010 Share Purchase Mandate to be proposed at the forthcoming 2011 AGM.

11. **Directors' Responsibility Statement**

This letter has been approved by all the Directors who collectively and individually accept responsibility for the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this letter are fair and accurate and that there are no material facts the omission of which would made any statement herein misleading.

12. **Disclaimer**

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this letter.

13. **Documents For Inspection**

The following documents may be inspected at the registered office of the Company during normal business hours from the date hereof up to and including the date of the 2011 AGM:

(a) the Memorandum and Articles of Association of the Company; and

(b) the Annual Report of the Company for the financial year ended 31 December 2010.

Yours faithfully
For and on behalf of
The Board of Directors

Tien Sing Cheong
Chairman

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