CEI Contract Manufacturing Limited

Company Registration No: 199905114H



CONTENTS

Corporate Profile / Corporate Information	1
Chairman's Message	2
Board of Directors	3
Key Management Executives	4
Sustainability Report	5
Report on Corporate Governance	6
Risk Identification, Management Policies and Processes	14
Financial Highlights	15
Financial Report	16
Statistics of Shareholders	59
Notice of AGM	61
Proxy Form	65
Letter to Shareholders - Proposed Renewal of the Share Purchase Mandate	i

CORPORATE PROFILE

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

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

The Company serves customers in the industrial equipment market segment. These include electroluminescence 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, semiconductor equipment and SMT equipment.

The Company is ISO9001, ISO13485, ISO14001, AS9100, UL508A and UL817 certified.

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



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



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



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

Board of Directors
Tien Sing Cheong
(Executive Chairman)

Tan Ka Huat
(Managing Director)

Gan Chee Yen
(Non-Executive Director)

Tan Bien Chuan
(Independent Director)

Tang Martin Yue Nien
(Independent Director)

Colin Ng Teck Sim
(Independent Director)

Wang Ya Lun Allen
(Appointed on 17 April 2015
as Alternate Director to Gan Chee Yen)

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

Nominating Committee
Colin Ng Teck Sim (Chairman)
Tang Martin Yue Nien
Tien Sing Cheong
Tan Bien Chuan

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

Board Risk 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
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Auditors
Ernst & Young LLP
Certified Public Accountants

Tan Chian Khong (Engagement Partner)*
Level 18, One Raffles Quay
North Tower
Singapore 048583

*Appointed in Financial Year 2012

Solicitors
Colin Ng & Partners
36 Carpenter Street
Singapore 059915

Bankers
DBS Bank Ltd
12 Marina Boulevard
Marina Bay Financial Centre
Tower 3
Singapore 018982

The Hongkong and Shanghai
Banking Corporation Limited
21 Collyer Quay #13-02
HSBC Building
Singapore 049320

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS

FINANCIAL YEAR 2015

In Financial Year (FY) 2015, the Group's Revenue of $132.3 million was 9.1% higher than FY 2014. The Gross Profit Margin increased from 24.2% in FY 2014 to 25.3% in FY 2015.

The General and Administrative Costs and Selling and Distribution Costs were lower mainly due to a swing from fair value loss in FY 2014 to fair value gain in FY 2015 on forward currency contracts, and generally lower expenses due to cost control efforts. Finance cost was lower as a result of lower borrowings.

In FY 2015 the Impairment of Goodwill was NIL (FY 2014: $1.5 million).

The Group's Profit after taxation increased from $5.14 million to $10.82 million in FY 2015.

Inventories decreased from $28.4 million to $24.2 million. Bank borrowings decreased from $12.7 million to $7.5 million. Cash and cash equivalents increased from $8.1 million to $13.0 million. These were achieved through improved profit and working capital management.

On 11 May 2015, the Company completed a share consolidation of every four (4) ordinary shares in the capital of the Company into one (1) consolidated share.

FINANCIAL YEAR 2016

As at 31 December 2015, the Group has orders on hand worth $49.0 million (31 December 2014: $59.8 million) most of which are expected to be fulfilled within the current financial year.

The company focuses on high mix low volume niche segment; providing printed circuit board and box-build assembly, equipment design, cable harness assembly and manufacturing services. It is well equipped to provide value-added services such as materials management, circuit layout, The Company also provides prototype & development engineering, metal stamping, cable harnessing and precision machined components.

The Group serves customers from a diverse range of market segments. These include analytical instruments, medical equipment, semi-conductor equipment, oil and gas industries, aviation and displays for industrial applications.

The Group expects to remain profitable for FY 2016.

Dividends

The Directors recommend payment of:

(a) A one-tier tax-exempt second and final dividend of 0.40 cents per share amounting to $346,794 and

(b) A one-tier tax-exempt special dividend of 4.80 cents per share amounting to $4,161,526.

Total interim, final and special dividends declared for the financial year FY 2015 was 80.2% of the profit after taxation, which approximate to $8,669,846 or 10.0 cents per share.

Acknowledgement

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



Tien Sing Cheong
Chairman
29 February 2016

BOARD OF DIRECTORS



Mr Tien Sing Cheong *Executive Chairman*

Appointed as Executive Director on 28 August 1999 and was last re-elected on 23 April 2013. 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 known as Nanyang Technological University), 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 16 April 2015. Mr Gan is the Chief Executive Officer of Fullerton Financial Holdings Pte Ltd, a wholly-owned subsidiary 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 16 April 2015. 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 Asia Venture Philanthropy Network 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 16 April 2014. 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 Master of Science degree from the Massachusetts Institute of Technology's (MIT) Sloan School of Management. He was a member of the MIT Corporation for ten years and is 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 16 April 2014. 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 a member of the Disciplinary Committee of the Singapore Exchange Limited. 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 Technological University.



Mr Wang Ya Lun Allen *Alternate Director to Mr Gan Chee Yen*

Appointed as an alternate director to Mr Gan Chee Yen on 17 April 2015. Mr. Wang is a director of TIH Limited and holds a Bachelor of Technology (Accounting) from the British Columbia Institute of Technology and a Master of Arts from The Columbia University. He is also a Chartered Financial Analyst from the Association for Investment Management and Research.

KEY MANAGEMENT EXECUTIVES

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

Mr. Chan Cheong Seng
is the General Manager, Equipment Manufacturing Division. Mr. Chan holds a Bachelor degree in Engineering (Mechanical and Production) from the National University of Singapore.

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

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

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. Ong Choon Peng
is the Director, Materials Management. Mr. Ong holds a Bachelor of Business degree in Marketing from the Curtin University of Technology, a Diploma in Management Studies from the Singapore Institute of Management and a Technician Diploma in Production Engineering.

Mr. Sia Chee Hoe
is the Chief Financial Officer / General Manager (Corporate Services). He is a Non-Practising Member of the Institute of Singapore Chartered Accountants. He holds a qualification from the Association of Chartered Certified Accountants.

SUSTAINABILITY REPORT

Towards our People & Performance

In CEI, we recognize that our people are vital to the sustainability of our business. In our continuous efforts to retain employees and minimize human capital risk, we provide training and development to develop skill set and a yearly performance management system in place to reward employees.

Our employees enjoy benefits package which includes all statutory family friendly leave (including additional 1 week paternity leave recommended by government in 2015), medical benefits and Company's group health insurance plan.

Besides providing a safe working environment with the help of a Workplace Safety & Health Committee, we also promote a healthy and balanced lifestyle to our employees. We organized recreation activities like Dinner & Dance, retreats, sports activities and health talks, throughout the year. The activities were planned to suit all employees at different age group. Health screening was also organized this year at subsidised rate.

With engaged, motivated employees and a clear business strategy, we strive to maintain a profitable and sustainable business that rewards all stakeholders and their continual support.

Towards our Community

We give back to our society through our yearly donations to support various causes. We also sponsor awards and book prizes to the education institution.

To create awareness of the visually impaired, we arranged with the Singapore Association of the Visually Handicapped a massage session for our employees and were well received.

Towards our Environment

Being an ISO 14001 certified company, we are committed to environmental conservation. We communicate our Environmental Policy to new employees during orientation programme so that they are aware of our policy and practices.

Our energy conservation measures focus largely on air-conditioning and lightings. Air-conditioning systems are progressively replaced with inverters and all are programmed to switch off automatically after office hours. Lights are also switched off during lunch hours and when not in use. We have progressively switched to energy-efficient lighting such as using low-energy light-emitting diode (LED) technology.

We were awarded for running a water efficient building in 2012. We continue our efforts in conserving our water resources by adopting water efficient flow rates/flush volumes at the various water fittings.

Our employees are also encouraged to adopt green office practices such as printing double-sided documents & re-cycling one-sided printed paper and used envelopes for internal documents. We improved our office software system and went paperless on applications like e-leave, e-PR & PO etc. Besides conserving our environment, it has also improved our work productivity.

Our overseas subsidiary has yearly contract with the local Environment Agent to assist us in maintaining green practices as well as following strict guidelines from the local authorities on chemical waste disposal.

REPORT ON CORPORATE GOVERNANCE

CEI is committed in 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) and listing requirements under the Singapore Exchange Securities Trading Limited (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 (Guideline 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;
- 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 three (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 (Guidelines 3.2(b) 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 (Guideline 3.2(d));
- Article 120(2) of the Company's Articles of Association provides for telephonic and video-conferencing meetings (Guideline 1.4);
- All transactions concerning mergers, acquisitions, investments and capital expenditures exceeding $500,000 are discussed and come under the Board's purview (Guideline 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 (Guideline 1.6);
- The Company's Board composition and balance comprise independent directors making up at least one-third of the Board (Guideline 2.1);
- Directors are considered independent under circumstances spelt out in Principle 2, Guideline 2.1 of the Code (Guideline 2.1);
- The independent directors have no relationship with the Company, its related corporations, its 10% shareholders or its officers (Guidelines 2.3 & 4.7);
- 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 (Guideline 2.5);
- 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 (Guideline 2.6);
- 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, Securities and Futures Act and all other rules and regulations of the SGX (Guideline 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 (Guideline 3.1).

In addition, the Board delegates and entrusts certain of its functions and powers to board committees, namely Audit Committee, Remuneration Committee, Nominating Committee and Board Risk Committee (Guideline 1.3).

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
Wang Ya Lun Allen (Alternate Director to Gan Chee Yen) appointed on 17 April 2015	2	2

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

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

Board Risk Committee		
	Held	Attended
Tan Bien Chuan (Chairman)	1	1
Tang Martin Yue Nien	1	1
Gan Chee Yen	1	1
Colin Ng Teck Sim	1	1

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 place 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 (Guideline 4.1);

- Responsibility for identifying and nominating candidates from a selection process for the approval of the Board; determining annually whether or not a director is independent (Guidelines 4.3 & 4.6);

- 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 (Guideline 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; (Guideline 4.4);

- To adopt internal guidelines that addresses the competing time commitments that are faced when directors serve on multiple boards. The NC recommends that each Director serves no more than six (6) boards of listed companies (Guideline 4.4);

- A formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board (Guideline 5.1); and

- Rigorous review of independence of any director who has served on the Board beyond nine years from the date of his first appointment. A process has been put in place for NC to review the independence of such director before recommendation to the Board for approval on a yearly basis (Guideline 2.4).

In evaluating the Board's performance, the NC reviews the Group's performance at all NC meetings, which include –

- 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 (Guidelines 5.1, 5.2, 5.3); and

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

Mr Tan Bien Chuan, Mr Tang Martin Yue Nien and Mr Colin Ng Teck Sim have served on the Board beyond nine years. They were considered independent upon rigorous review by the NC, after taking into consideration, inter alia, their participation in various meetings with the management, the Board and various Committees, including their regular feedback and queries raised on the Group's financial positions, business strategies and investment decisions.

NC and the Board had reviewed the background, qualifications and experience of Mr Wang Ya Lun Allen, alternate director to Mr Gan Chee Yen, before his appointment during the financial year.

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 (Guideline 8.3).

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 2015 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.

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

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 for FY 2015 is as follows (Guideline 9.2):

Directors' Remuneration					
	FEES	SALARY	BONUS	BENEFITS	TOTAL
NAME	$	$	$	$	$
Tien Sing Cheong	-	245,113	174,663	6,800	426,576
Tan Ka Huat	-	291,291	179,493	35,222	506,006
Tan Bien Chuan	58,000	-	-	-	58,000
Tang Martin Yue Nien	56,000	-	-	-	56,000
Gan Chee Yen	49,000	-	-	-	49,000
Colin Ng Teck Sim	56,000	-	-	-	56,000

Notes :

Directors' Fees paid in FY 2015 were approved by shareholders as a lump sum at the AGM for FY 2014.

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 in the Notes to the Financial Statements (Guidelines 9.2 & 9.3).

In view of the competitive nature of the Company's business and to ensure retention of its key management team, the Company has decided not to disclose the breakdown of each key management remuneration. The RC reviewed the remuneration packages and terms of employment of each of the key management person reporting directly to the CEO on an annual basis.

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 2015 (Guideline 9.4).

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.

- 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 (Guideline 12.3);

- 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 (Guideline 12.4);

- The AC has met the external auditors and with the internal auditors respectively, without the presence of the Company's management (Guideline 12.5);

- Nominate external auditors for re-appointment.

The AC members attend external trainings and courses from time to time to keep abreast of changes to accounting standards and issues which have direct impact on financial statements (Guideline 12.8).

The Board appointed Ernst & Young LLP as its external auditors for the Company, its Singapore-incorporated subsidiaries and significant associated companies, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number of and experience of supervisory and professional staff assigned to the particular audit. The auditing firm is registered with the Accounting and Corporate Regulatory Authority.

The Board and the Audit Committee of the Company were satisfied that the appointment of different auditors of the Group's overseas' subsidiaries and significant associated company would not compromise the standard and effectiveness of the Group's audit.

Accordingly, the Company complied with Rule 712 and Rule 716 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The aggregate amount of fees paid to the external auditors, broken down into audit and non-audit services, is disclosed in the Notes to the Financial Statements. The Audit Committee confirmed that it has undertaken a review of all non-audit services provided by the auditors and they would not, in the Audit Committee's opinion, affect the independence of the auditors for the financial year ended 31 December 2015 (Guideline 12.6).

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.

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

In addressing business risks and the adequacy of systems of internal controls, the AC has considered the following (Guideline 11.2) –

- 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 LLP (Guidelines 13.2 & 13.3);
- The internal auditor reports directly to the Chairman of AC (Guideline 13.1);
- The scope of internal audit work is proposed by the internal auditor and is approved by the AC (Guideline 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 (Guideline 13.4).

BOARD RISK COMMITTEE (BRC)

The Board, with the assistance from the BRC and AC, is responsible for the governance of risk by ensuring that management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives. (Guideline 11.1)

The AC is responsible for making the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems of the Group can be made by the Board in the annual report of the Company according to the requirements in the SGX-ST's Listing Manual and the Code. In this regard, the AC is also the BRC which was formed in February 2013 as part of the Group's efforts to strengthen its risk management processes and framework. (Guideline 11.4)

The BRC is guided by its terms of reference. The Board approved the Group Risk Management Framework for the identification, assessment, monitoring and reporting of significant risks.

The risks are proactively identified and addressed. The ownership of these risks lies with the respective business and corporate executive heads with stewardship residing with the Board.

The BRC assists the Board to oversee management in the formulation, update and maintenance of an adequate and effective risk management framework while the AC reviews the adequacy and effectiveness of the risk management and internal control system.

At the management level, a Risk Management Committee (RMC) comprising key management personnel is responsible for directing and monitoring the development, implementation and practice of Enterprise Risk Management (ERM) across the Group.

RMC reports to the BRC during the BRC meetings. The Company maintains a risk checklist and risk management report which identifies the material risks. Internal controls are put in place to mitigate those risks. Business and corporate executive heads in the Group review and update the risk checklist and risk management report regularly. The risk checklist and risk management report are reviewed by the BRC, AC and the Board. The BRC also reviews the approach of identifying and assessing risks and internal controls in the risk checklist and risk management report.

The AC sought the views of the external auditors in making assessment of the internal control over the financial reporting matters. In addition, based on the Group Risk Management Framework established and maintained by the Group, the work performed by the RMC and the internal auditors as well as the assurance received from the CEO, CFO and business and corporate executive heads.

The Board has received written assurance from the CEO and the CFO that, to the best of their knowledge and efforts,:

(a) The financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2015 give a true and fair view of the Group's operations and finances; and

(b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operation, compliance and information technology risks.

The Board notes that the system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen. Furthermore, the Board also acknowledges that no system of internal controls and risks management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human errors, losses, fraud or other irregularities.

The Board, with the concurrence of the AC and BRC, is of the opinion that the Group's risk management system and internal controls addressing financial, operational, compliance and information technology risks were adequate and effective as at 31 December 2015. (Guideline 11.2)

Whistle Blowing Policy (Guideline 12.7)

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 (Guideline 15.1);

- All information of the Company's business initiatives is disclosed on a timely basis and the Company does not practice selective disclosure (Guideline 15.2);

- The Company had engaged the services of Zaobao.com, an investor relations company, as a means of reaching out to its Mandarin speaking audience (Guideline 15.4);

- The Company had previously organised trips for shareholders to its factory in Batam to provide an insight of its business in Batam (Guideline 15.4).

- The Company's AGMs have been well attended and convenient venues have been selected (Guideline 16.1);

- Shareholders are given ample time and opportunities to air their views and ask directors or management questions concerning the Company (Guideline 16.1);

- Separate resolutions for each distinct issue are tabled for shareholders' approval (Guideline 16.2); 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.

There is no material contract of the Company and its subsidiaries involving the interests of the chief executive officer, each director or controlling shareholder for the financial year ended 31 December 2015. [SGX-ST Listing Rule 1207(8)]

On behalf of the Board,





Tien Sing Cheong
Director

Tan Ka Huat
Director

Singapore
29 February 2016

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 70 customers, of which the top 5 customers account for 52% of FY 2015 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. The percentages of our sales and expenses denominated in foreign currencies in FY 2015 are set out as follows:

	US Dollar
Sales in US dollars as a percentage of total revenue	98%
Purchases in US dollars and Euros as a percentage of total costs	56%

Given that the Singapore dollar is our functional currency, we have net exposures in US dollar receivables. Therefore, depreciation in the US dollar 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,





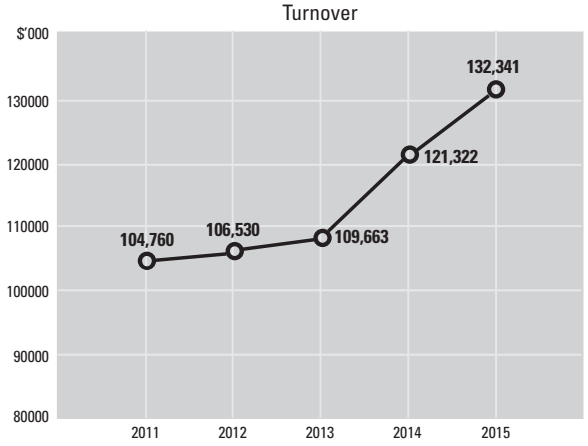
Tien Sing Cheong
Director

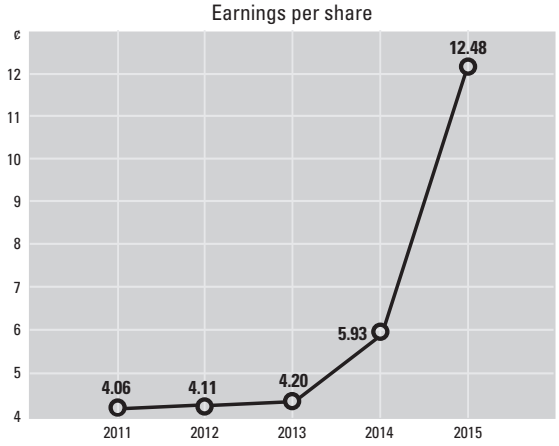
Tan Ka Huat
Director

Singapore
29 February 2016

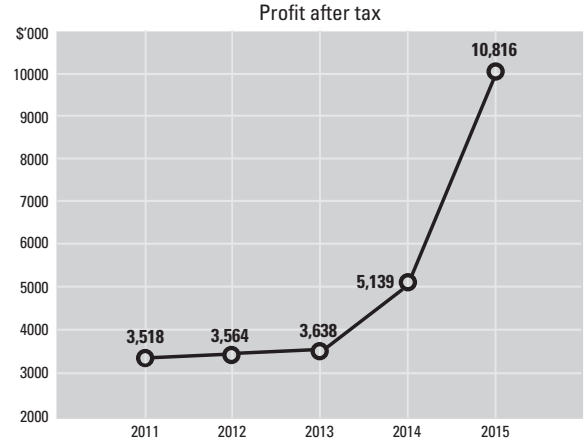
FINANCIAL HIGHLIGHTS

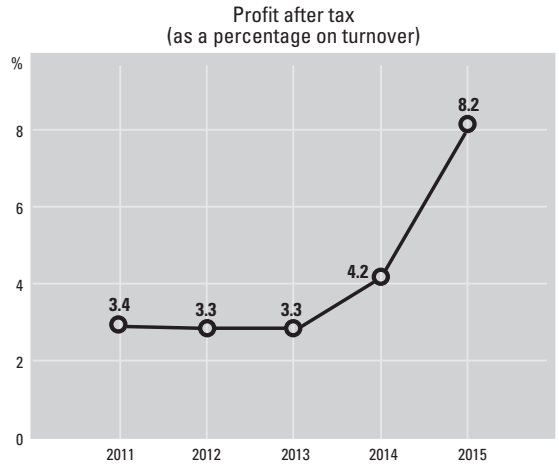
5-YEAR PERFORMANCE OF THE GROUP





On 11 May 2015, the Company completed a share consolidation of every four (4) ordinary shares in the capital of the Company into one (1) consolidated share. The earnings per share from 2011 to 2014 have been restated to reflect the share consolidation.





CEI Contract Manufacturing Limited & Subsidiary Companies

31 December 2015

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	
Wang Ya Lun Allen	(Appointed on 17 April 2015 as Alternate Director to Gan Chee Yen)

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

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 (appointed in Financial Year 2012): Tan Chian Khong

Index

	Page
Directors' Statement	17
Independent Auditor's Report	20
Consolidated Statement of Comprehensive Income	21
Balance Sheets	22
Statements of Changes in Equity	23
Consolidated Cash Flow Statement	24
Notes to the Financial Statements	25

Directors' Statement

The directors wish to present their statement 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 2015.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and 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.

Directors

The directors of the Company in office at the date of this statement 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	
Wang Ya Lun Allen	(Appointed on 17 April 2015 as Alternate Director to Mr Gan Chee Yen)

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	
Name of director	**At beginning of the year (Restated)**	**At end of the year**
The Company		
Ordinary shares		
Tien Sing Cheong	8,671,900	8,671,900
Tan Ka Huat	3,975,340	3,975,340
Gan Chee Yen	344,300	344,300
Tan Bien Chuan	469,700	469,700
Tang Martin Yue Nien	399,700	399,700
Colin Ng Teck Sim	-	157,000

On 11 May 2015, the Company completed a share consolidation of every four (4) ordinary shares in the capital of the Company into one (1) consolidated share. The number of shares at beginning of the year have been restated to reflect the share consolidation.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

By virtue of Section 7 of the Companies Act, Cap. 50, Mr. Tien Sing Cheong and Mr. 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.

Options

During the financial year:

(a) No options have been granted by the Company to any person to take up unissued shares in the Company, and

(b) No shares have been issued by virtue of any exercise of option to take up unissued shares of the Company.

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 carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the half yearly and annual financial statements and the auditors' report on the annual financial statements of the Group and the Company before submission to the board of directors;
- Reviewed the effectiveness of the Group and the Company's material internal controls, including financial, operational, compliance and information technology controls via reviews carried out by the internal auditor;
- Met with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed 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;
- Reviewed the cost effectiveness and independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the board of directors the external auditors to be nominated, approved the compensation of the external auditor and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- Reviewed interested persons transactions in accordance with the requirements of the Singapore Exchange Trading Limited'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.

Audit Committee (cont'd)

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.

Auditor

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

On behalf of the Board of Directors,





Tien Sing Cheong
Director

Tan Ka Huat
Director

Singapore
29 February 2016

Independent Auditor's Report
For the financial year ended 31 December 2015

Independent auditor's report to the members of CEI Contract Manufacturing Limited

Report on the financial statements

We have audited the accompanying financial statements of CEI Contract Manufacturing Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 21 to 58, which comprise the balance sheets of the Group and the Company as at 31 December 2015, 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 financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 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 financial statements and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditor's judgment, 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 auditor considers internal control relevant to the entity's preparation of 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 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 financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, 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 corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
29 February 2016

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	Note	Group 2015 $	2014 $
Revenue	4	132,340,531	121,321,963
Cost of sales		(98,896,188)	(91,977,418)
Gross profit		33,444,343	29,344,545
Other income		1,313	2,110
General and administrative costs		(15,825,757)	(17,174,887)
Selling and distribution costs		(4,433,476)	(4,447,904)
Finance costs		(168,510)	(225,724)
Other expense	5	–	(1,500,000)
Share of results of associated company		258,000	175,000
Profit before taxation	5	13,275,913	6,173,140
Taxation	6	(2,459,690)	(1,034,199)
Profit after taxation		10,816,223	5,138,941
Other comprehensive income - net of tax			
Foreign currency translation		46,878	68,385
Total comprehensive income for the financial year attributable to owners of the Company		**10,863,101**	**5,207,326**
Earnings per share			
Basic	7	12.48 cents	5.93 cents
Diluted	7	12.48 cents	5.93 cents

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

Balance Sheets
As at 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		$	$	$	$
ASSETS					
Non-current assets					
Property, plant and equipment	8	7,159,382	8,444,980	2,587,563	2,971,251
Goodwill	9	1,063,464	1,063,464	1,063,310	1,063,310
Investments in and advances to subsidiary companies	10	–	–	3,918,437	4,944,437
Investments in associated company	11	1,339,240	1,185,640	481,900	481,900
Deferred tax assets	6	655,375	827,440	262,000	473,000
		10,217,461	11,521,524	8,313,210	9,933,898
Current assets					
Inventories	12	24,210,148	28,354,173	24,026,821	28,216,567
Trade receivables	13	24,432,376	25,094,805	24,351,850	24,992,489
Other receivables	14	182,429	183,478	69,298	60,383
Prepayments and advances to suppliers		988,641	564,374	807,107	428,060
Amounts due from subsidiary companies	15	–	–	1,345,293	1,367,067
Cash and cash equivalents	16	13,013,708	8,078,724	12,479,296	7,584,078
		62,827,302	62,275,554	63,079,665	62,648,644
Total assets		73,044,763	73,797,078	71,392,875	72,582,542
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables and accruals	17	19,556,833	21,594,954	18,181,528	20,173,617
Amounts due to subsidiary companies	15	–	–	2,560,504	2,086,174
Bank borrowings	18	7,522,862	11,733,562	7,522,862	11,733,562
Provision for taxation		3,452,696	2,113,944	2,472,420	1,193,265
Advance billings to customers		1,553,795	1,673,130	1,553,795	1,673,130
Other liabilities	19	924,105	406,544	924,105	406,544
		33,010,291	37,522,134	33,215,214	37,266,292
Net current assets		29,817,011	24,753,420	29,864,451	25,382,352
Non-current liability					
Bank borrowings	18	–	1,000,000	–	1,000,000
Total liabilities		33,010,291	38,522,134	33,215,214	38,266,292
Net assets		40,034,472	35,274,944	38,177,661	34,316,250
Equity attributable to owners of the Company					
Share capital	20	23,897,299	23,897,299	23,897,299	23,897,299
Treasury shares	20	(836,625)	(836,625)	(836,625)	(836,625)
Retained earnings		17,290,887	12,578,237	15,116,987	11,255,576
Foreign currency translation reserve		(317,089)	(363,967)	–	–
Total equity		40,034,472	35,274,944	38,177,661	34,316,250
Total equity and liabilities		73,044,763	73,797,078	71,392,875	72,582,542

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 2015

Group	Share capital (Note 20) $	Treasury shares (Note 20) $	Retained earnings $	Foreign currency translation reserve $	Total equity $
2015					
At 1 January 2015	23,897,299	(836,625)	12,578,237	(363,967)	35,274,944
Profit for the financial year	–	–	10,816,223	–	10,816,223
Other comprehensive income for the financial year	–	–	–	46,878	46,878
Total comprehensive income for the financial year	–	–	10,816,223	46,878	10,863,101
Contributions by and distributions to owners					
Dividends on ordinary shares (Note 21)	–	–	(6,103,573)	–	(6,103,573)
At 31 December 2015	23,897,299	(836,625)	17,290,887	(317,089)	40,034,472
2014					
At 1 January 2014	23,897,299	(836,625)	10,421,724	(432,352)	33,050,046
Profit for the financial year	–	–	5,138,941	–	5,138,941
Other comprehensive income for the financial year	–	–	–	68,385	68,385
Total comprehensive income for the financial year	–	–	5,138,941	68,385	5,207,326
Contributions by and distributions to owners					
Dividends on ordinary shares (Note 21)	–	–	(2,982,428)	–	(2,982,428)
At 31 December 2014	23,897,299	(836,625)	12,578,237	(363,967)	35,274,944

Company	Share capital (Note 20) $	Treasury shares (Note 20) $	Retained earnings $	Total equity $
2015				
At 1 January 2015	23,897,299	(836,625)	11,255,576	34,316,250
Profit after tax, being the total comprehensive income for the financial year	–	–	9,964,984	9,964,984
Contributions by and distributions to owners				
Dividends on ordinary shares (Note 21)	–	–	(6,103,573)	(6,103,573)
At 31 December 2015	23,897,299	(836,625)	15,116,987	38,177,661
2014				
At 1 January 2014	23,897,299	(836,625)	9,921,585	32,982,259
Profit after tax, being the total comprehensive income for the financial year	–	–	4,316,419	4,316,419
Contributions by and distributions to owners				
Dividends on ordinary shares (Note 21)	–	–	(2,982,428)	(2,982,428)
At 31 December 2014	23,897,299	(836,625)	11,255,576	34,316,250

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 2015

	2015 $	2014 $
Cash flows from operating activities		
Profit before taxation	13,275,913	6,173,140
Adjustments for:		
Depreciation of property, plant and equipment	2,422,339	2,605,296
Interest income	(1,313)	(2,910)
Interest expense	168,510	225,724
Impairment of goodwill	–	1,500,000
Fair value (gain)/loss on forward contracts	(340,000)	393,000
Share of results of an associated company	(258,000)	(175,000)
Reversal of provision for inventory obsolescence	(1,091,620)	(2,135,512)
Operating cash flows before changes in working capital	14,175,829	8,583,738
Decrease/(increase) in receivables and prepayments	239,212	(3,788,914)
Decrease in inventories	5,235,645	2,687,347
(Decrease)/increase in creditors	(1,299,896)	1,499,205
Cash flows from operations	18,350,790	8,981,376
Interest received	1,313	2,910
Income tax paid	(948,873)	(734,813)
Interest paid	(179,210)	(236,532)
Net cash flows from operating activities	17,224,020	8,012,941
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,136,741)	(1,229,640)
Dividend received from an associated company	104,400	52,200
Net cash flows used in investing activities	(1,032,341)	(1,177,440)
Cash flows from financing activities		
Dividends paid	(6,103,573)	(2,982,428)
Proceeds from loans and borrowings	–	2,800,000
Repayments of loans and borrowings	(5,200,000)	(2,500,000)
Net cash flows used in financing activities	(11,303,573)	(2,682,428)
Net increase in cash and cash equivalents	4,888,106	4,153,073
Effect of exchange rate changes on cash and cash equivalents	46,878	68,385
Cash and cash equivalents at beginning of the year	8,078,724	3,857,266
Cash and cash equivalents at end of the year (Note 16)	13,013,708	8,078,724

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

Notes to the Financial Statements
For the financial year ended 31 December 2015

1. Corporate information

CEI Contract Manufacturing Limited (the "Company") is a limited liability company incorporated and domiciled 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 10 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 adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 *Standards issued but not yet effective*

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

Except for FRS 115 and FRS 109, the directors expect that the adoption of the other standards 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 FRS 115 and FRS 109 are described below.

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

2.3 *Standards issued but not yet effective (cont'd)*

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost and assets, and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

2.4 *Basis of consolidation and business combination*

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group 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 Group. 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 and dividends 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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
– de-recognises the carrying amount of any non-controlling interest;
– de-recognises the cumulative translation differences recorded in equity;

2.4 ***Basis of consolidation and business combination (cont'd)***

(a) Basis of consolidation (cont'd)

– recognises the fair value of the consideration received;
– recognises the fair value of any investment retained;
– recognises any surplus or deficit in profit or loss;
– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations

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 a change to other comprehensive income. If the contingent consideration is classified as equity, it is not 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), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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 2.7. 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.

2.5 ***Functional and foreign currency***

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional 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 end of the reporting period. 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 measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the profit or loss.

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

2.5 ***Functional and foreign currency (cont'd)***

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.17. 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.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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 (until year 2023)
Leasehold buildings	-	Shorter of lease period or 25 years
Plant and machinery	-	3 - 5 years
Motor vehicles	-	5 - 6 years
Office furniture, fittings and equipment	-	5 years
Computer equipment	-	2 years
Renovation	-	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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 on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

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

2.7 ***Goodwill***

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit or group of cash-generating units to which the goodwill relates. 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.

2.8 ***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 indication exists, or when an annual impairment testing of 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 of disposal 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. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 ***Subsidiary companies***

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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)

2.10 ***Associated companies***

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

If the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate. For example, an item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the entity's investment in that associate. Such items may include preference shares and long-term receivables or loans but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists, such as secured loans.

In the Company's separate financial statements, investments in associated company is accounted for at cost less any impairment losses.

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

2.11 ***Financial instruments***

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) ***Loans and receivables***

Non-derivative 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, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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 had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

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.

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

2.11 ***Financial instruments (cont'd)***

(b) ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) ***Financial liabilities at amortised cost***

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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.

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

2.12 ***Impairment of financial assets (cont'd)***

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in 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) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost 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 current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.13 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.14 ***Inventories***

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

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

When necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

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.

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

2.15 ***Provisions***

General

Provisions are recognised when the Group has a present obligation (legal or constructive) 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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.16 ***Financial guarantee***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.17 ***Borrowing costs***

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that 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 substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18 ***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. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) ***Employee leave entitlement plans***

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave is expected to be settled wholly before twelve months after the reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest or the liability and remeasurement of the liability are recognised in profit or loss.

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

2.19 ***Leases***

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.20 ***Revenue***

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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Sales of goods***

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, usually on delivery of goods. 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.

2.21 ***Taxes***

(a) ***Current income tax***

Current income 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 at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

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

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

2.21 ***Taxes (cont'd)***

(b) Deferred tax (cont'd)

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

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 end of each reporting period.

Deferred 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 income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

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

2.22 ***Share capital and share issuance expenses***

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.23 ***Treasury shares***

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Treasury shares do not carry voting rights and no dividends are allocated to them respectively.

2.24 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. 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 periods.

3.1 ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) ***Impairment of goodwill***

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.

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

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

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 goodwill as well as a sensitivity analysis are set out in Note 9. The carrying amount of goodwill as at 31 December 2015 is $1,063,464 (2014: $1,063,464).

(b) ***Impairment of investments in and advances to subsidiary companies***

The carrying values of investments in and the advances to subsidiaries that are effectively quasi-equity loans are reviewed for impairment in accordance with FRS 36 Impairment of Assets. CEI International Investments (Vietnam) Limited recorded losses of $(154,893) in current financial year (2014: Profit of $96,937). After taking into account the fair value of the property of CEI International Investments (Vietnam) Limited as assessed in Note 8 (a), the carrying value of the investments in and advances to subsidiary companies exceeds its recoverable value.

Impairment loss of $1,026,000 (2014: $1,100,000) has been recognized in the profit and loss to write down the carrying value of investment in CEI International Investments Pte Ltd and advances to CEI International Investments (Vietnam) Limited. The carrying value of the investments in and advances to subsidiary companies is approximately $920,000 (2014: $1,946,000).

(c) ***Inventory obsolescence and decline in net realisable value***

An impairment review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the products. Possible changes in these estimates could result in revisions to the valuation of inventory. The carrying amounts are disclosed in Note 12 to the financial statements.

3.2 ***Judgements made in applying accounting policies***

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

(a) ***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 provisions for current taxation are disclosed in the balance sheet. More details are disclosed in Note 6 to the financial statements.

(b) ***Determination of functional currency***

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Management assessed that Singapore Dollar is the Company's functional currency as it is the currency used to determine the selling price of products quoted to its customers in US Dollar. In addition, part of the material costs, major part of the salaries and expenses, and all of the financing activities were also in Singapore Dollar. While there may be some mixed indicators, it is the opinion of the management that Singapore Dollar is the dominant currency and therefore the functional currency of the Company.

4. Revenue

Revenue represents the net invoiced value of goods sold.

5. Profit before taxation

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

	Group	
	2015	**2014**
	$	**$**
Audit fees paid to:		
- Auditors of the Company	130,000	135,000
- Other auditors	28,285	20,000
Non audit fees paid to		
- Auditors of the Company	19,200	18,600
Depreciation of property, plant and equipment	2,422,339	2,605,296
Reversal of provision for inventory obsolescence	(1,091,620)	(2,135,512)
Interest income on fixed deposits	(1,313)	(2,910)
Foreign exchange gain	(583,829)	(836,779)
Operating lease expenses (Note 22)	212,350	195,706
Staff costs:		
- Central Provident Fund contributions	1,871,940	1,551,561
- Salaries, wages, bonuses and other costs	15,406,758	16,490,280
Fair value (gain)/loss on derivatives	(340,000)	393,000
Finance costs – interest on bank borrowings	168,510	225,724
Other expense:		
- Impairment of goodwill (Note 9)	-	1,500,000

6. Taxation

(a) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group	
	2015	**2014**
	$	**$**
Consolidated income statement		
Current tax	(2,321,074)	(1,472,559)
Tax credits recognised	33,449	674,000
Deferred income tax	(172,065)	(235,640)
Income tax expense recognised in profit or loss	(2,459,690)	(1,034,199)

(b) *Relationship between tax expense and accounting profit*

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 is as follows:

	Group	
	2015	**2014**
	$	**$**
Profit before taxation	13,275,913	6,173,140
Income tax at statutory tax rate of 17% (2014: 17%)	(2,256,905)	(1,049,434)
Adjustments:		
Non-deductible expenses	(242,178)	(428,407)
Income not subject to taxation	17,748	66,383
Effect of partial tax exemption and tax relief	77,596	26,399
Tax credits	33,449	674,000
Others	(89,400)	(323,140)
	(2,459,690)	(1,034,199)

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

The Group has tax losses of approximately $1,120,000 (2014: $1,369,000) 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. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in Vietnam.

6. Taxation (cont'd)

(c) *Deferred income tax*

Deferred income tax as at 31 December 2015 and 2014 relates to the following:

	Group		Company	
	2015 $	2014 $	2015 $	2014 $
Deferred tax assets				
Provision for inventory obsolescence	182,024	367,599	182,024	367,599
Other provisions	293,890	436,825	205,102	368,433
Gross deferred tax assets	475,914	804,424	387,126	736,032
Deferred tax liability				
Deficit/(excess) of net book value over tax written down value of property, plant and equipment	187,498	31,397	(119,937)	(263,032)
Others	(8,037)	(8,381)	(5,189)	–
Net deferred tax assets	655,375	827,440	262,000	473,000

(d) *Tax consequences of proposed dividends*

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 21).

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 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. There has been no share options outstanding in FY 2015 and FY2014.

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

	2015 $	2014 $
Profit for the year attributable to ordinary shareholders for basic and diluted earnings per share	10,816,223	5,138,941

	No. of Shares	No. of Shares (Restated)
Weighted average number of ordinary shares for basic earnings per share computation*	86,698,463	86,698,463
Weighted average number of ordinary shares adjusted for the effects of dilution*	86,698,463	86,698,463

On 11 May 2015, the Company completed a share consolidation of every four (4) ordinary shares in the capital of the Company into one (1) consolidated share. The weighted average number of shares at 2014 have been restated to reflect the share consolidation.

* 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 FY2015 and FY2014.

8. Property, plant and equipment

Group	Leasehold land and buildings $	Plant and machinery $	Motor vehicles $	Office furniture, fitting and equipment $	Computer equipment $	Renovation $	Total $
Cost							
As at 1 January 2014	10,802,516	16,080,524	700,288	792,861	2,049,247	960,950	31,386,386
Additions	–	663,370	300,000	40,108	181,723	44,439	1,229,640
Disposal/write-off	–	(60,990)	–	(12,352)	(24,994)	(156,602)	(254,938)
Exchange differences	34,493	29,955	–	989	3,031	–	68,468
As at 31 December 2014 and 1 January 2015	10,837,009	16,712,859	1,000,288	821,606	2,209,007	848,787	32,429,556
Additions	9,126	666,203	–	208,324	182,993	70,095	1,136,741
Disposal/write-off	–	(47,452)	–	(200,549)	(314,726)	(5,200)	(567,927)
Exchange differences	19,158	43,168	–	549	1,683	–	64,558
As at 31 December 2015	10,865,293	17,374,778	1,000,288	829,930	2,078,957	913,682	33,062,928
Accumulated depreciation							
As at 1 January 2014	6,049,084	11,831,117	583,028	499,390	1,782,012	821,119	21,565,750
Depreciation charge for the financial year	656,311	1,445,511	43,550	207,083	217,458	35,383	2,605,296
Disposal/write-off	–	(60,982)	–	(12,350)	(24,983)	(155,817)	(254,132)
Exchange differences	13,856	50,370	–	1,257	2,179	–	67,662
As at 31 December 2014 and 1 January 2015	6,719,251	13,266,016	626,578	695,380	1,976,666	700,685	23,984,576
Depreciation charge for the financial year	658,475	1,364,050	38,622	118,601	185,945	56,646	2,422,339
Disposal/write-off	–	(34,162)	–	(193,836)	(309,046)	(5,198)	(542,242)
Exchange differences	7,762	29,258	–	642	1,211	–	38,873
As at 31 December 2015	7,385,488	14,625,162	665,200	620,787	1,854,776	752,133	25,903,546
Net carrying amount							
As at 31 December 2014	4,117,758	3,446,843	373,710	126,226	232,341	148,102	8,444,980
As at 31 December 2015	3,479,805	2,749,616	335,088	209,143	224,181	161,549	7,159,382

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

Company	Leasehold land and buildings $	Plant and machinery $	Motor vehicles $	Office furniture, fitting and equipment $	Computer equipment $	Renovation $	Total $
Cost							
As at 1 January 2014	1,884,704	3,382,629	557,425	623,017	1,773,788	1,053,520	9,275,083
Additions	–	9,322	300,000	39,109	153,798	44,439	546,668
Disposal/write-off	–	(3,474)	–	(12,352)	(24,994)	(156,602)	(197,422)
As at 31 December 2014 and 1 January 2015	1,884,704	3,388,477	857,425	649,774	1,902,592	941,357	9,624,329
Additions	–	56,228	–	208,324	147,838	70,095	482,485
Disposal/write-off	–	(45,402)	–	(198,569)	(314,725)	(5,200)	(563,896)
As at 31 December 2015	1,884,704	3,399,303	857,425	659,529	1,735,705	1,006,252	9,542,918
Accumulated depreciation							
As at 1 January 2014	493,328	2,106,175	440,207	339,658	1,568,396	949,582	5,897,346
Depreciation charge for the financial year	151,788	339,122	43,334	202,084	180,643	35,383	952,354
Disposal/write-off	–	(3,472)	–	(12,350)	(24,983)	(155,817)	(196,622)
As at 31 December 2014 and 1 January 2015	645,116	2,441,825	483,541	529,392	1,724,056	829,148	6,653,078
Depreciation charge for the financial year	151,788	342,774	38,411	106,082	155,050	56,646	850,751
Disposal/write-off	–	(42,375)	–	(191,856)	(309,045)	(5,198)	(548,474)
As at 31 December 2015	796,904	2,742,224	521,952	443,618	1,570,061	880,596	6,955,355
Net carrying amount							
As at 31 December 2014	1,239,588	946,652	373,884	120,382	178,536	112,209	2,971,251
As at 31 December 2015	1,087,800	657,079	335,473	215,911	165,644	125,656	2,587,563

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

CEI International Investments (Vietnam) Limited recorded losses of $(154,893) in current financial year (2014: Profit of $96,937). The carrying values of property, plant and equipment are reviewed for impairment in accordance with FRS 36 Impairment of Assets.

Based on valuation by independent valuer, Savills Vietnam Co. Ltd, the fair value of the property held by CEI International Investments (Vietnam) Limited is determined to be approximately $1,979,600 (2014: $1,849,400) by reference to open market values on an existing use basis. The date of valuation is 3 December 2015 (2014: 4 December 2014). The carrying value of the property, plant and equipment is $1,234,220 (2014: $1,349,333).

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

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

(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. Goodwill

	Group		Company	
	2015 $	2014 $	2015 $	2014 $
Goodwill, at cost	3,918,464	3,918,464	3,918,310	3,918,310
Less: Allowance for impairment	(2,855,000)	(2,855,000)	(2,855,000)	(2,855,000)
	1,063,464	1,063,464	1,063,310	1,063,310

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. There is no change in the nature and operation of the business.

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 a five-year period.

Key assumptions used in the value in use calculations

The calculations of value in use for the cash generating units are most sensitive to the following assumptions:

Growth rates - The management has adopted forecasted sales growth rate of 1% for 2016, and 3% per annum from 2017 to 2020 (2014: -1% per annum for 2015 and 3% per annum from 2016 to 2019) and 2% (2014: 2%) growth rate for the terminal value computation from the 5th year to perpetuity. The forecasts estimated growth rate does not exceed the average long-term growth rate for the relevant market. The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the cash generating units.

Budgeted gross profit margins - Gross profit margins are based on average values achieved in the past five years.

9. Goodwill (cont'd)

Key assumptions used in the value in use calculations (cont'd)

The pre-tax discount rate applied to the cash flow projections is 9.5% (2014: 9.5%) per annum. Discount rate represents the current market assessment of the risks specific to the cash-generating units, regarding the time value of money and the risks of the underlying assets which have not been incorporated in the cash flow estimates.

Sensitivity to changes in assumptions

There are no reasonably possible changes in the above key assumptions used to determine the cash generating unit's recoverable amount that would cause the cash generating unit's carrying amount to materially exceed its recoverable amount.

Impairment loss recognised

No impairment loss (2014: $1,500,000) has been recognised in the profit or loss to write-down the carrying amount of the goodwill.

10. Investments in and advances to subsidiary companies

	Company	
	2015	**2014**
	$	**$**
Unquoted shares, at cost	5,493,376	5,493,376
Less: Allowance for impairment	(1,574,939)	(806,922)
	3,918,437	4,686,454
Advances to a subsidiary company	3,933,061	3,933,061
Less: Allowance for impairment	(3,933,061)	(3,675,078)
	-	257,983
	3,918,437	4,944,437

The advances were mainly made to CEI International Investments (Vietnam) Limited. The advances are non-trade related, unsecured, interest-free and repayable only when the cash flows of the subsidiary company permits. The advances are effectively quasi-equity loans to the subsidiary company.

Impairment loss of $1,026,000 (2014: $1,100,000) has been recognized in the profit and loss to write down the carrying value of investment in CEI International Investments Pte Ltd and advances to CEI International Investments (Vietnam) Limited.

10. Investments in and advances to subsidiary companies (cont'd)

Details of the subsidiary companies as at 31 December are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Company Cost		Percentage of equity held	
		2015 $	2014 $	2015 %	2014 %
Subsidiary companies Held by the Company					
CEI International Investments Pte Ltd [1] (Singapore)	Investment holding (Singapore)	2,494,341	2,494,341	100	100
PT Surya Teknologi Batam [2] (Indonesia)	Printed circuit board assembly and contract manufacturing (Indonesia)	2,999,035	2,999,035	100	100
		5,493,376	5,493,376		
Subsidiary companies Held through subsidiary company					
CEI International Investments (VN) Ltd [3] (Vietnam)	Printed circuit board assembly and contract manufacturing (Vietnam)			100	100
Clean Energy Innovation Pte Ltd [4]	Invest in technology, and to manufacture and distribute related products of the investment (Singapore)			100	100

[1] Audited by Ernst & Young LLP, Singapore.
[2] Audited by JAS & Rekan, Drs Sukimto Sjamsuli. Ernst & Young LLP, Singapore audited certain balances for the audit of consolidated financial statements.
[3] Audited by Ernst & Young Vietnam Limited.
[4] This subsidiary is dormant from the date of incorporation.

11. Investments in associated company

	Group		Company	
	2015 $	2014 $	2015 $	2014 $
Unquoted shares, at cost	608,000	608,000	608,000	608,000
Share of post-acquisition reserves	857,340	703,740	–	–
Impairment losses	(100,000)	(100,000)	(100,000)	(100,000)
Others	(26,100)	(26,100)	(26,100)	(26,100)
	1,339,240	1,185,640	481,900	481,900

The allowance for impairment is $100,000 as at 31 December 2015 and 2014. There was no further impairment loss provided during the year (2014: Nil).

Dividend of $104,400 (2014: $52,200) was received from an associate during the current financial year.

11. Investments in associated company (cont'd)

(a) Details of the associated company as at 31 December are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Company Cost		Percentage of equity held	
		2015 $	2014 $	2015 %	2014 %
Associated company Held by the Company					
Santec Corporation Pte Ltd [(1)] (Singapore)	Precision engineering, stamping and tool and die making (People's Republic of China)	608,000	608,000	25.7	25.7

[(1)] Audited by Diong T.P. & Co.

(b) The summarised financial information of Santec Corporation Pte Ltd based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements is as follows:

	2015 $'000	2014 $'000
Summarised balance sheet		
Current assets	7,102	5,910
Non-current assets	965	968
Total assets	8,067	6,878
Current and total liabilities	(1,758)	(1,251)
Net assets	6,309	5,627
Proportion of the Group's ownership	25.7%	25.7%
Group's share of net assets	1,621	1,446
Impairment losses	(100)	(100)
Other adjustments*	(182)	(160)
Carrying amount of the investment	1,339	1,186
Summarised statement of comprehensive income		
Revenue	8,042	7,395
Profit after tax	986	685
Other comprehensive income	103	99
Total comprehensive income	1,089	784

*Other adjustments significantly relate to foreign currency translation reserve.

12. Inventories

	Group		Company	
	2015 $	2014 $	2015 $	2014 $
Balance sheet:				
Raw materials	17,598,956	22,460,373	17,415,629	22,322,767
Work-in-progress	2,582,483	3,065,982	2,582,483	3,065,982
Finished products	4,028,709	2,827,818	4,028,709	2,827,818
Total inventories at lower of cost and net realisable value	24,210,148	28,354,173	24,026,821	28,216,567

12. Inventories (cont'd)

	Group and Company	
	2015	2014
	$	$
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	98,896,188	91,977,418
Inclusive of the following charge:		
- Reversal of provision for inventory obsolescence, net	(1,091,620)	(2,135,512)

The reversal of provision for inventory obsolescence was made when the related inventories were subsequently utilised in the production or sold above their carrying value.

13. Trade receivables

Trade receivables are non-interest bearing and generally on 30 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. These receivables are not secured by any collateral or credit enhancements.

Approximately 99% (2014: 99%) of the trade receivables are denominated in United States Dollar.

Receivables that are past due but not impaired:

The Group has trade receivables amounting to $5,328,781 (2014: $5,772,467) that are past due at the respective balance sheet date but not impaired. There are no significant collection risks as the customers are of good credit standings and have no history of payment default. These receivables are unsecured and the analysis of their aging at the respective balance sheet dates are as follows:

	2015	2014
	$	$
Trade receivables past due:		
1 – 30 days overdue	4,364,370	4,300,733
31 – 60 days overdue	383,640	857,536
61 – 90 days overdue	219,404	291,825
More than 90 days overdue	361,367	322,373
	5,328,781	5,772,467

There is no trade receivables that are individually impaired as at 31 December 2015 and 2014.

14. Other receivables

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Deposits	182,429	183,478	69,298	60,383

15. 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

The trade balance owing to a subsidiary company is unsecured, interest-free and repayable on demand.

16. Cash and cash equivalents

Cash and cash equivalents comprise the cash at banks and on hand.

Cash at banks earn certain minimum interest at banks' deposit rates.

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

	Group		Company	
	2015 $	2014 $	2015 $	2014 $
United States Dollars	7,350,559	5,936,930	7,075,653	5,713,693
Euro	74,369	54,677	74,369	54,677
Indonesian Rupiah	191,236	176,195	–	–

17. Trade payables and accruals

	Group		Company	
	2015 $	2014 $	2015 $	2014 $
Trade payables	11,998,673	13,109,794	11,552,382	12,537,315
Accruals for operating expenses	7,444,160	8,031,160	6,515,146	7,182,302
Fair value of forward contracts (Note 24(d))	114,000	454,000	114,000	454,000
	19,556,833	21,594,954	18,181,528	20,173,617

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	
	2015 $	2014 $	2015 $	2014 $
United States Dollars	4,645,222	6,709,337	4,645,222	6,709,337
Euro	19,853	17,928	19,853	17,928
Sterling Pound	33,066	151,618	33,066	151,618

18. Bank borrowings

	Group and Company	
	2015 $	2014 $
Bank loans (current)	7,522,862	11,733,562
Bank loans (non-current)	–	1,000,000
	7,522,862	12,733,562

The bank loans (current) are unsecured and bear interest at 1.42% to 3.20% (2014: 1.00% to 3.20%) per annum, which approximates the effective interest rates. These loans are repayable within the next 12 months.

The bank loan (non-current) in 2014 is unsecured and bears a fixed interest rate of 3.20% per annum.

19. Other liabilities

	Group and Company	
	2015	2014
	$	$
Deposits by customers	924,105	406,544

Below is the other liabilities denominated in foreign currency as at 31 December:

	Group and Company	
	2015	2014
	$	$
United States Dollars	924,105	406,544

20. Share capital and treasury shares

	Group and Company	
	2015	2014
	$	$
(a) *Share capital*		
Issued and fully paid:		
Balance at beginning and end of financial year		
86,698,463 (2014 (restated): 86,698,463) ordinary shares	23,897,299	23,897,299
(b) *Treasury shares*		
Balance at beginning and end of year		
1,235,750 (2014 (restated): 1,235,750) ordinary shares	836,625	836,625

On 11 May 2015, the Company completed a share consolidation of every four (4) ordinary shares in the capital of the Company into one (1) consolidated share. Number of shares for the comparative period has been restated to reflect the share consolidation. Before the share consolidation, the number of ordinary shares and treasury shares were 351,736,907 and 4,943,000 respectively.

Treasury shares relate to ordinary shares of the Company that is held by the Company. There were no shares acquired by the Company during the 2015 and 2014 financial years.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

21. Dividends

	Group and Company	
	2015	2014
	$	$
(a) *Dividends declared and paid:*		
Interim dividends:		
- Exempt (one-tier) for 2015: 1.040 cents (2014 (restated): 1.040 cents) per share	901,664	901,664
Special dividends:		
- Exempt (one-tier) for 2015: 3.760 cents (2014 (restated): 0.800 cents) per share	3,259,863	693,588
Final dividends:		
- Exempt (one-tier) for 2014 (restated): 0.400 cents (2013 (restated): 0.400 cents) per share	346,794	346,794
Special dividends:		
- Exempt (one-tier) for 2014 (restated): 1.840 cents (2013 (restated): 1.200 cents) per share	1,595,252	1,040,382
	6,103,573	2,982,428

21. Dividends (cont'd)

	Group and Company	
	2015	2014
	$	$
(b) *Proposed but not recognised as a liability as at 31 December*		
Dividends on ordinary shares, subject to shareholders' approval at AGM		
- Final exempt (one-tier) dividend for 2015: 0.400 cents (2014 (restated): 0.400 cents) per share	346,794	346,794
- Special exempt (one-tier) dividend for 2015: 4.800 cents (2014 (restated): 1.840 cents) per share	4,161,526	1,595,252
	4,508,320	1,942,046

On 11 May 2015, the Company completed a share consolidation of every four (4) ordinary shares in the capital of the Company into one (1) consolidated share. The rate of dividends for the comparative period has been restated to reflect the share consolidation.

22. Commitments

Operating lease commitment – as lessee

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 also entered into a three year lease agreement for a small factory unit which will expire in January 2018, with an option to extend the lease for another two years.

The Group's operating lease expense was $212,350 and $195,706 for the financial years ended 31 December 2015 and 2014 respectively.

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

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Not later than one year	246,072	229,082	246,072	229,082
Later than one year but not later than five years	659,360	766,375	659,360	766,375
Later than five years	328,828	466,805	328,828	466,805
	1,234,260	1,462,262	1,234,260	1,462,262

23. Related party disclosures

(a) *Sale and purchase of goods and services*

Other than the related party information disclosed elsewhere in the financial statements, there are no other significant transactions between the Group and related parties who are not members of the Group during the financial year.

(b) *Compensation of directors and other key management personnel*

	Group	
	2015	2014
	$	$
Salaries, wages, bonuses and other costs	3,090,541	3,028,386
Central Provident Fund	116,218	103,797
Total	3,206,759	3,132,183
Comprise amounts paid to:		
Directors of the Company	1,124,280	926,616
Other key management personnel	2,082,479	2,205,567
Total	3,206,759	3,132,183

23. Related party disclosures (cont'd)

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

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

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

	2015	2014
Number of directors of the Group in remuneration bands:		
$500,000 to $749,999	1	-
$250,000 to $499,999	1	2
Below $250,000	4	4
Total	6	6

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

	2015	2014
Number of executives of the Group in remuneration bands:		
$250,000 to $499,999	4	3
Below $250,000	1	2
Total	5	5

24. Financial risk management objectives and policies

The Group and Company are 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 and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. 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.

There has been no change to the Group's exposure to these financial risks on the manner in which it manages and measures the risks for FY 2015.

(a) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. 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 and the Company'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 and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted payments.

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

(a) *Liquidity risk (cont'd)*

Group	Less than 1 year $	1 to 5 years $	Total $
2015			
Financial assets:			
Trade receivables	24,432,376	–	24,432,376
Other receivables	182,429	–	182,429
Cash and cash equivalents	13,013,708	–	13,013,708
Total undiscounted financial assets	37,628,513	–	37,628,513
Financial liabilities:			
Trade payables and accruals	19,556,833	–	19,556,833
Other liabilities	924,105	–	924,105
Bank borrowings	7,545,877	–	7,545,877
Total undiscounted financial liabilities	28,026,815	–	28,026,815
Total net undiscounted financial assets	9,601,698	–	9,601,698
2014			
Financial assets:			
Trade receivables	25,094,805	–	25,094,805
Other receivables	183,478	–	183,478
Cash and cash equivalents	8,078,724	–	8,078,724
Total undiscounted financial assets	33,357,007	–	33,357,007
Financial liabilities:			
Trade payables and accruals	21,594,954	–	21,594,954
Other liabilities	406,544	–	406,544
Bank borrowings	11,782,596	1,008,000	12,790,596
Total undiscounted financial liabilities	33,784,094	1,008,000	34,792,094
Total net undiscounted financial liabilities	(427,087)	(1,008,000)	(1,435,087)
Company			
2015			
Financial assets:			
Trade receivables	24,351,850	–	24,351,850
Other receivables	69,298	–	69,298
Amounts due from subsidiary companies	1,345,293	–	1,345,293
Cash and cash equivalents	12,479,296	–	12,479,296
Total undiscounted financial assets	38,245,737	–	38,245,737
Financial liabilities:			
Trade payables and accruals	18,181,528	–	18,181,528
Other liabilities	924,105	–	924,105
Amounts due to subsidiary companies	2,560,504	–	2,560,504
Bank borrowings	7,545,877	–	7,545,877
Total undiscounted financial liabilities	29,212,014	–	29,212,014
Total net undiscounted financial assets	9,033,723	–	9,033,723
2014			
Financial assets:			
Trade receivables	24,992,489	–	24,992,489
Other receivables	60,383	–	60,383
Amounts due from subsidiary companies	1,367,067	–	1,367,067
Cash and cash equivalents	7,584,078	–	7,584,078
Total undiscounted financial assets	34,004,017	–	34,004,017
Financial liabilities:			
Trade payables and accruals	20,173,617	–	20,173,617
Other liabilities	406,544	–	406,544
Amounts due to subsidiary companies	2,086,174	–	2,086,174
Bank borrowings	11,782,596	1,008,000	12,790,596
Total undiscounted financial liabilities	34,448,931	1,008,000	35,456,931
Total net undiscounted financial liabilities	(444,914)	(1,008,000)	(1,452,914)

24. 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 and Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company'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 short term deposits are in Note 16 and 18.

Sensitivity analysis for interest rate risk

At 31 December 2015, if interest rates had been 75 (2014: 75) basis points lower/higher with all other variables held constant, the Group's net profit for the year would be approximately $98,000 (2014: $61,000) higher/ lower, arising mainly as a result of lower/higher interest income from fixed deposits. The higher/lower interest expense on bank borrowings would also affect the net profit for the year by $49,000 (2014: $73,000).

(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 end of the reporting period, the Group's and the Company'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.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 13.

Credit risk concentration profile

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 the Group's trade receivables at the end of the reporting period is as follows:

	2015		2014	
	$'000	**%**	**$'000**	**%**
By Country:				
United States	3,557	14	5,933	24
Europe	7,267	30	7,439	30
Asia Pacific	13,608	56	11,723	46
	24,432	100	25,095	100

As at 31 December 2015, 29% (2014: 31%) of the Group's trade receivables are due from 2 (2014: 2) major customers who are principally located in the United States, Europe and Asia Pacific. There is no significant credit risk as these companies are of good credit standing and have no history of payment defaults.

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

(d) ***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 98% (2014: 99%) of the Group's sales for the financial year ended 31 December 2015 is denominated in United States Dollars whilst approximately 87% (2014: 81%) of purchases for the financial year ended 31 December 2015 is denominated in foreign currencies. The Group's foreign currency denominated trade receivables, trade payable, bank borrowings and other liabilities at the respective balance sheet dates are disclosed in Notes 13, 17, 18 and 19 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 16.

Based on confirmed customers' orders and revenue forecast, the Group's main operating entity uses 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 2015, the Group had hedged 9.7% (2014: 10.5%) 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.

	2015		2014	
	Contractual notional amount $'000	**Estimated fair value (Note 17) $'000**	**Contractual notional amount $'000**	**Estimated fair value (Note 17) $'000**
Foreign exchange forward contracts to deliver United States dollars and receive Singapore dollars	12,638	(114)	12,744	(454)

The maturity date of the foreign exchange forward contracts ranged from 1 to 6 months.

The Group does not apply hedge accounting for such foreign currency denominated sales and purchases.

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.

	2015 $'000	**2014 $'000**
USD		
- strengthened by 5%	1,346	1,237
- weakened by 5%	(1,346)	(1,237)

25. Capital management

Capital includes net tangible assets. 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 2015 and 2014.

The Group has complied with externally imposed capital requirements and loan covenants to which it was subjected to.

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	
	2015	**2014**
Net tangible assets	38,971,008	34,211,480
Current ratio	1.90	1.66

26. 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.

(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 2015			
	Quoted price in active markets (Level 1) $'000	**Significant other observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Financial liability:				
Derivatives (Note 17)				
- Forward currency contracts	–	(114)	–	(114)

	Group 2014			
	Quoted price in active markets (Level 1) $'000	**Significant other observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Financial liability:				
Derivatives (Note 17)				
- Forward currency contracts	–	(454)	–	(454)

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

(a) ***Fair value of financial instruments that are carried at fair value (cont'd)***

Fair value hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

- 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) and

- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Determination of fair value

Fair value is determined directly by reference to their published market bid price at balance sheet date.

(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.

(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 15. 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)

	2015		2014	
	Carrying amount $'000	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
Fixed rate bank loan	–	–	1,000	939

27. Segment information

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.

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 years ended 31 December 2015 and 2014 and certain asset and liability information regarding geographical segments at 31 December 2015 and 2014.

	Asia-Pacific		USA		Europe		Consolidated	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Segment turnover								
Sales	62,895	53,414	24,941	26,724	44,505	41,184	132,341	121,322
Cost of sales	(44,830)	(38,470)	(18,422)	(19,661)	(35,644)	(33,846)	(98,896)	(91,977)
Segment result	18,065	14,944	6,519	7,063	8,861	7,338	33,445	29,345
Interest income	–	–	–	–	–	–	1	3
Depreciation of property, plant and equipment	–	–	–	–	–	–	(2,422)	(2,605)
Interest expense	–	–	–	–	–	–	(169)	(226)
Fair value gain/(loss) on financial instruments	–	–	–	–	–	–	340	(393)
Impairment of goodwill	–	–	–	–	–	–	–	(1,500)
Unallocated expenses	–	–	–	–	–	–	(18,177)	(18,626)
Share of results of associated company	258	175	–	–	–	–	258	175
Profit before taxation							13,276	6,173
Taxation							(2,460)	(1,034)
Net profit for the year							10,816	5,139

Information about major customers

There are two major customers that each contributed more than 10% of the Group's Revenue:

(1) Revenue amounts to $22,259,827 (2014: $20,851,063) arising from sales in Asia Pacific, USA and Europe.
(2) Revenue amounts to $17,664,606 (2014: $13,785,214) arising from sales in Asia Pacific, USA and Europe.

	Asia-Pacific		USA		Europe		Consolidated	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Other geographical information								
Trade receivables and inventories	23,322	23,276	11,987	16,930	13,333	13,243	48,642	53,449
Interests in associated company	1,339	1,186	–	–	–	–	1,339	1,186
Unallocated assets *	–	–	–	–	–	–	23,064	19,162
Total assets							73,045	73,797
Unallocated and total liabilities							33,010	38,522

* Capital expenditures of approximately $1,136,741 (2014: $1,229,640) and depreciation charge of approximately $2,422,339 (2014: $2,605,296) relate to that of the unallocated assets.

27. Segment information (cont'd)

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

The following table presents the asset information regarding geographical segments at 31 December 2015 and 2014.

	Singapore		Indonesia		Vietnam		Consolidated	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Segment assets	64,486	64,614	4,162	4,913	1,995	2,021	70,643	71,548
Goodwill	1,063	1,063	–	–	–	–	1,063	1,063
Interests in associated company	1,339	1,186	–	–	–	–	1,339	1,186
Total assets	66,888	66,863	4,162	4,913	1,995	2,021	73,045	73,797
Capital expenditure	483	547	487	257	167	426	1,137	1,230

28. Categories of financial assets and liabilities

(a) *Loans and receivables*

	Group		Company	
	2015 $	2014 $	2015 $	2014 $
Advances to subsidiary companies	–	–	–	32,461
Trade receivables	24,432,376	25,094,805	24,351,850	24,992,489
Other receivables (excluding fair value of forward contracts) (Note 14)	182,429	183,478	69,298	60,383
Amount due from subsidiary companies (Note 15)	–	–	1,345,293	1,367,067
Cash and cash equivalents (Note 16)	13,013,708	8,078,724	12,479,296	7,584,078
	37,628,513	33,357,007	38,245,737	34,036,478

(b) *Financial liabilities measured at amortised cost*

Trade payables and accruals (less fair value of forward contracts, accrued salary and other employees benefits) (Note 17)	13,231,316	14,226,056	12,577,736	13,493,268
Amounts due to a subsidiary company (Note 15)	–	–	2,560,504	2,086,174
Bank borrowings (Note 18)	7,522,862	12,733,562	7,522,862	12,733,562
Other liabilities (Note 19)	924,105	406,544	924,105	406,544
	21,678,283	27,366,162	23,585,207	28,719,548

29. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 29 February 2016.

Statistics of Shareholdings as at 29 February 2016

Number of issued and paid-up shares (excluding treasury shares)	:	86,698,463
Number of treasury shares held	:	1,235,750
Issued and fully paid-up capital	:	S$23,897,299
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 – 99	247	6.11	11,385	0.01
100 – 1,000	839	20.76	437,491	0.50
1,001 – 10,000	2,022	50.02	8,468,137	9.77
10,001 – 1,000,000	924	22.86	42,235,571	48.72
1,000,001 and above	10	0.25	35,545,879	41.00
Total	4,042	100.00	86,698,463	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Tien Sing Cheong	8,671,900	10.00
2.	Republic Technologies Pte Ltd	7,840,800	9.04
3.	TIHT Investment Holdings Pte Ltd	7,840,800	9.04
4.	Tan Ka Huat @ Kaharianto Tanmalano Or Tan Kylie	2,500,000	2.88
5.	UOB Kay Hian Private Limited	1,853,107	2.14
6.	Tan Ka Huat @ Kaharianto Tanmalano	1,475,340	1.70
7.	Ng Cheng Kung Or Neo Chwe Yong	1,455,490	1.68
8.	DBS Nominees (Private) Limited	1,377,479	1.59
9.	Tan Cheok Hoong	1,335,800	1.54
10.	United Overseas Bank Nominees (Private) Limited	1,195,163	1.38
11.	Kuan Bon Heng	915,750	1.06
12.	Heng Teck Yow	912,950	1.05
13.	Lim Sea Leang	825,304	0.95
14.	OCBC Nominees Singapore Private Limited	809,700	0.93
15.	Lim Boon Lee	726,200	0.84
16.	Choo Kang Looi @ Chew Kang Looi	675,000	0.78
17.	Raffles Nominees (Pte) Limited	542,373	0.63
18.	Ang Hao Yao (Hong Haoyao)	528,000	0.61
19.	Koh Sew Lean	500,000	0.58
20.	Chin Teck Keong	494,120	0.57
	Total	42,475,276	48.99

Statistics of Shareholdings as at 29 February 2016 (cont'd)

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

	Direct Interest	%	Indirect/ Deemed Interest	%
Tien Sing Cheong	8,671,900	10.00	–	–
Republic Technologies Pte Ltd	7,840,800	9.04	7,840,800	9.04
Temasek Holdings (Private) Limited	–	–	15,681,600 [(1)]	18.09
Temasek Capital (Private) Limited	–	–	15,681,600 [(1)]	18.09
Seletar Investments Pte Ltd	–	–	15,681,600 [(1)]	18.09
TIHT Investment Holdings Pte Ltd	7,840,800	9.04	–	–
V-Nee Yeh	–	–	7,840,800	9.04
U Yick Yee Angie	–	–	7,840,800	9.04
Kin Chan	–	–	7,840,800	9.04
Argyle Street Management Holdings Limited	–	–	7,840,800	9.04
Argyle Street Management Limited	–	–	7,840,800	9.04
ASM Hudson River Fund	–	–	7,840,800	9.04
ASM Asia Recovery Fund	–	–	7,840,800	9.04
ASM Asia Recovery (Master) Fund	–	–	7,840,800	9.04
ASM Ventures Limited	–	–	7,840,800	9.04
TIH Limited	–	–	7,840,800	9.04
Killian Court Pte. Ltd.	–	–	7,840,800	9.04

Notes:
(1) Temasek Holdings (Private) Limited, Temasek Capital (Private) Limited and Seletar Investments Pte Ltd are deemed to have an interest in 7,840,800 shares held by Republic Technologies Pte Ltd.

Based on the information available to the Company, approximately 65.70% 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

AS WE WILL BE USING MOBILE PHONES FOR POLLING, SHAREHOLDERS ATTENDING THE ANNUAL GENERAL MEETING ARE REQUESTED TO BRING THEIR SMART PHONES.

NOTICE IS HEREBY GIVEN that the Seventeenth 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 Wednesday, 6 April 2016 at 10.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2015 together with the Auditors' Report thereon. (Resolution 1)

2. To declare a one-tier tax-exempt second and final dividend of 0.40 cents per share for the year ended 31 December 2015 (2014: 0.40 cents per share). (Resolution 2)

   On 11 May 2015, the Company completed a share consolidation of every four (4) ordinary shares in the capital of the Company into one (1) consolidated share.

   The rate of final and special dividends for the corresponding period has been restated to reflect the share consolidation. The actual rate of final and special dividend (before the share consolidation) was 0.10 cents and 0.46 cents respectively.

3. To declare a one-tier tax-exempt special dividend of 4.80 cents per share for the year ended 31 December 2015 (2014: 1.84 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 Chairman of the Board and a member of the Nominating Committee and will be considered non-independent.

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

5. To approve the payment of Directors' fees of S$223,000 for the year ended 31 December 2015 (2014: S$219,000). (Resolution 6)

6. To re-appoint Ernst & Young LLP as the Auditors of the Company 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**

   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

AS SPECIAL BUSINESS (cont'd)

(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,

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, 15 March 2016

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 statements of the Group for the financial year ended 31 December 2015 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 not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. 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.

3. A member who is a relevant intermediary entitled to attend the Meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. 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.

5. 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.

6. 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 shall 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 seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. 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.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____ NRIC No:/Passport No: _____
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 Wednesday, 6 April 2016 at 10.30 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.

(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 Financial Statements for the year ended 31 December 2015		
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 $223,000		
7	Re-appointment of Ernst & Young LLP as Auditors		
8	Authority to issue shares		
9	Renewal of Share Purchase Mandate		

Dated this _____ day of _____ 2016

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

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

*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 81SF of the Securities and Futures Act, Cap. 289 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. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

   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.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 March 2016.

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 shall 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 seventy-two (72) 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)
Wang Ya Lun Allen (Alternate Director to Gan Chee Yen)

Registered Office:

2 Ang Mo Kio Avenue 12
Singapore 569707
15 March 2016

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 15 March 2016 in respect of the AGM to be held on Wednesday, 6 April 2016 at 10.30 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 "**2015 Share Purchase Mandate**") at the last Annual General Meeting of the Company held on 16 April 2015 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 2015 Share Purchase Mandate will expire on the forthcoming AGM of the Company to be held on 6 April 2016 ("**2016 AGM**").

Accordingly, the Directors propose to seek the approval of Shareholders for the renewal of the 2015 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 might 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 that 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 2016 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 1,235,750 treasury shares) as at 10 February 2016 (the "**Latest Practicable Date**") is 86,698,463. Purely for illustrative purposes, on the basis of 86,698,463 Shares in issue (excluding 1,235,750 treasury shares) as at the Latest Practicable Date and assuming that no further Shares are issued on or prior to the 2016 AGM, not more than 1,733,969 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 2016 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 86,698,463 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 1,733,969 Shares.

Assuming the Company purchases or acquires the 1,733,969 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 $1,023,215 based on 59.01 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 $1,023,215 based on 59.01 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 2015 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

	Group		Company	
	Before Share Purchase	**After Share Purchase**	**Before Share Purchase**	**After Share Purchase**
As at 31 December 2015				
Shareholders' Funds	40,034,472	39,011,257	38,177,661	37,154,446
Treasury Shares	(836,625)	(836,625)	(836,625)	(836,625)
Net Tangible Assets	38,971,008	37,947,793	37,114,351	36,091,136
Current Assets	62,827,302	61,804,087	63,079,665	62,056,450
Current Liabilities	33,010,291	33,010,291	33,215,214	33,215,214
Total Borrowings	7,522,862	7,522,862	7,522,862	7,522,862
Cash and Cash Equivalents	13,013,708	11,990,493	12,479,296	11,456,081
Number of Shares as at 31 December 2015 ('000)	86,698	84,964	86,698	84,964
Weighted average shares ('000)	86,698	84,964	86,698	84,964
Financial Ratios				
NTA per Share (cents) [(1)]	44.95	44.66	42.81	42.48
Basic Earnings per Share (cents) [(2)]	12.48	12.73	11.49	11.73
Gearing (%)	18.79%	19.28%	19.70%	20.25%
Current Ratio (times) [(3)]	1.90	1.87	1.90	1.87

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

	Group		Company	
	Before Share Purchase	**After Share Purchase**	**Before Share Purchase**	**After Share Purchase**
As at 31 December 2015				
Shareholders' Funds	40,034,472	39,011,257	38,177,661	37,154,446
Treasury Shares	(836,625)	(1,859,840)	(836,625)	(1,859,840)
Net Tangible Assets	38,971,008	37,947,793	37,114,351	36,091,136
Current Assets	62,827,302	61,804,087	63,079,665	62,056,450
Current Liabilities	33,010,291	33,010,291	33,215,214	33,215,214
Total Borrowings	7,522,862	7,522,862	7,522,862	7,522,862
Cash and Cash Equivalents	13,013,708	11,990,493	12,479,296	11,456,081
Number of Shares as at 31 December 2015 ('000)	86,698	84,964	86,698	84,964
Weighted average shares ('000)	86,698	84,964	86,698	84,964
Financial Ratios				
NTA per Share (cents) [(1)]	44.95	44.66	42.81	42.48
Basic Earnings per Share (cents) [(2)]	12.48	12.73	11.49	11.73
Gearing (%)	18.79%	19.28%	19.70%	20.25%
Current Ratio (times) [(3)]	1.90	1.87	1.90	1.87

Notes:

(1) NTA per share is calculated by the Net Tangible Assets divided by the number of shares as at 31 December 2015.

(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 2015 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 are 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 56,960,923 Shares in the hands of the public, representing approximately 65.70% 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 2016 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:

Directors/Substantial Shareholders	Direct Interest	Indirect/ Deemed Interest	Total Interest	
	Number of Shares	Number of Shares	Number of Shares	%
Directors:			14,055,940	
Tien Sing Cheong	8,671,900	-		10.00
Tan Ka Huat	1,513,340	2,500,000		4.63
Gan Chee Yen	344,300	-		0.40
Tan Bien Chuan	469,700	-		0.54
Tang Martin Yue Nien	399,700	-		0.46
Colin Ng Teck Sim	157,000	-		0.18
Wang Ya Lun Allen	-	-		-
Substantial Shareholders:			24,353,500	
Temasek Holdings (Private) Limited	-	15,681,600		18.09
Temasek Capital (Private) Limited	-	15,681,600		18.09
Seletar Investments Pte Ltd	-	15,681,600		18.09
Republic Technologies Pte Ltd	7,840,800	7,840,800		18.09
V-Nee Yeh	-	7,840,800		9.04
U Yick Yee Angie	-	7,840,800		9.04
Kin Chan	-	7,840,800		9.04
Argyle Street Management Holdings Limited	-	7,840,800		9.04
Argyle Street Management Limited	-	7,840,800		9.04
ASM Hudson River Fund	-	7,840,800		9.04
ASM Asia Recovery Fund	-	7,840,800		9.04
ASM Asia Recovery (Master) Fund	-	7,840,800		9.04
ASM Ventures Limited	-	7,840,800		9.04
TIH Limited	-	7,840,800		9.04
Killian Court Pte. Ltd.	-	7,840,800		9.04
TIHT Investment Holdings Pte Ltd	7,840,800	-		9.04
Tien Sing Cheong	8,671,900	-		10.00

Note:

(1) Based on an issued share capital of 86,698,463, excluding 1,235,750 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 1,235,750 treasury shares.

10. **Directors' Confirmation and Recommendation**

The share buy-back will not be carried out if it will adversely affect the financial condition of the Company.

The share buy-back will not be carried out one month before the announcement of the Company's half year and full year financial statements.

The terms of this transacton in this application does not contravene any laws and regulations governing the Company and the Articles of Association of the Company.

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 2015 Share Purchase Mandate to be proposed at the forthcoming 2016 AGM.

11. **Directors' Responsibility Statement**

This letter has been approved by all the Directors who collectively and individually accept full responsibility for the accuracy of the information given this letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this letter constitutes full and true disclosure of all material facts about the proposed renewal of the share purchase mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would made any statement in this letter misleading. Where information in the letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the letter in its proper form and context.

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 2016 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 2015.

Yours faithfully
For and on behalf of
The Board of Directors



Tien Sing Cheong
Chairman

This page has been intentionally left blank.

Telephone / Facsimile : Tel: (65) 6481 1882 Fax: (65) 6578 9755

Address : 2 Ang Mo Kio Avenue 12 Singapore 569707

Contact : Tan Ka Huat, Managing Director
Email: tankh@cei.com.sg