



CEI LIMITED

(Company Registration No. 199905114H)

Full Year Financial Statements

The Board of Directors of CEI Limited wishes to announce the unaudited results of the Group and of the Company for the Year Ended 31 December 2019.

1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	GROUP		
	<u>2019</u> \$'000	<u>2018</u> \$'000	+ / (-) %
Revenue	138,747	140,330	(1.1)
Cost of sales	(105,838)	(107,810)	(1.8)
Gross profit	<u>32,909</u>	<u>32,520</u>	1.2
Other income (including interest income)	3	1	N/M
General and administrative costs	(19,783)	(18,779)	5.3
Selling and distribution costs	(4,740)	(4,535)	4.5
Profit from operations	<u>8,389</u>	<u>9,207</u>	(8.9)
Finance costs – Interest on borrowings	(166)	(103)	N/M
Finance costs – Interest on lease liabilities (See Para 5)	(114)	–	N/M
Share of results of associated companies	(28)	–	N/M
Profit from operations before taxation	<u>8,081</u>	<u>9,104</u>	(11.2)
Taxation	(916)	(1,659)	(44.8)
Profit after taxation	<u>7,165</u>	<u>7,445</u>	(3.8)
Other comprehensive income:			
Foreign currency translation	(36)	25	N/M
Total comprehensive income for the period	<u>7,129</u>	<u>7,470</u>	(4.6)

Included in the above expenses are -

Depreciation of fixed assets	(1,452)	(1,839)	(21.0)
Depreciation of right-of-use assets (See Para 5)	(492)	–	N/M
Rental expenditure (See Para 5)	(24)	(590)	N/M
Interest on lease liabilities (See Para 5)	(114)	–	N/M
Fair value gain/(loss) on forward contracts	43	(127)	N/M
Foreign exchange loss	(472)	(168)	N/M

N/M – Not meaningful

1(b) STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Non-current assets				
Property, plant and equipment	2,268	3,257	1,265	1,817
Right-of-use assets (See Para 5)	3,723	–	3,723	–
Goodwill	1,063	1,063	1,063	1,063
Investments in subsidiaries	–	–	5,107	5,107
Investments in an associated company	1,368	1,082	929	582
Deferred tax assets	950	863	210	203
	<u>9,372</u>	<u>6,265</u>	<u>12,297</u>	<u>8,772</u>
Current assets				
Inventories	26,668	33,785	25,511	32,292
Trade receivables	26,172	26,977	25,452	26,537
Other receivables	358	309	250	202
Prepayments and advances to suppliers	413	598	249	389
Amounts due from a subsidiary company	–	–	556	1,378
Cash and cash equivalents	8,165	3,355	5,798	3,105
	<u>61,776</u>	<u>65,024</u>	<u>57,816</u>	<u>63,903</u>
Current liabilities				
Trade payables and accruals	18,056	19,214	16,818	17,921
Lease liabilities (See Para 5)	373	–	373	–
Amounts due to subsidiary companies	–	–	3,804	4,813
Bank borrowings	6,009	7,519	6,009	7,519
Provision for taxation	1,279	2,094	1,159	1,946
Contract liability	1,621	2,063	1,621	2,063
	<u>27,338</u>	<u>30,890</u>	<u>29,784</u>	<u>34,262</u>
Net current assets	<u>34,438</u>	<u>34,134</u>	<u>28,032</u>	<u>29,641</u>
Non-current liability				
Defined benefit obligations	949	645	–	–
Lease liabilities (See Para 5)	3,400	–	3,400	–
	<u>4,349</u>	<u>645</u>	<u>3,400</u>	<u>–</u>
Net assets	<u>39,461</u>	<u>39,754</u>	<u>36,929</u>	<u>38,413</u>
Equity attributable to owners of the Company				
Share capital	23,897	23,897	23,897	23,897
Treasury shares	(837)	(837)	(837)	(837)
	<u>23,060</u>	<u>23,060</u>	<u>23,060</u>	<u>23,060</u>
Retained earnings	16,358	16,615	13,869	15,353
Foreign currency translation reserve	43	79	–	–
	<u>39,461</u>	<u>39,754</u>	<u>36,929</u>	<u>38,413</u>

1(c) **BORROWINGS**

Amount repayable in one year or less, or on demand

As at 31 Dec 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
-	6,009	-	7,519

Amount repayable after one year

As at 31 Dec 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
-	-	-	-

Details of any collateral

Not applicable.

1(d) CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	GROUP	
	<u>31 Dec</u> <u>2019</u> \$'000	<u>31 Dec</u> <u>2018</u> \$'000
Cash flows from operating activities		
Profit before taxation	8,081	9,104
Adjustments for:		
Depreciation of property, plant and equipment	1,452	1,839
Depreciation of rights of use assets (See para 5)	492	–
Interest income	(3)	(1)
Finance costs - Interest on bank borrowings	166	103
Finance costs - Interest on lease liabilities (See para 5)	114	–
Fair value gain on forward contracts	(43)	(59)
Unrealised exchange (gain)/loss	216	25
Reversal of write-down of inventories	–	(342)
Provision for defined benefit obligations	303	222
Share of results of an associated company	28	–
Impairment loss of receivables	–	55
Operating cash flows before changes in working capital	10,806	10,946
Decrease in receivables and prepayments	769	849
Decrease/(increase) in inventories	6,917	(8,380)
Decrease in creditors	(1,399)	(913)
Cash flows from operations	17,093	2,502
Interest received	3	1
Income tax paid	(1,818)	(1,145)
Interest paid	(176)	(86)
Net cash flows from operating activities	15,102	1,272
Cash flows from investing activities		
Purchase of property, plant and equipment	(463)	(293)
Increase in investments in an associated company	(348)	–
Dividend received from an associated company	33	257
Net cash flows used in investing activities	(778)	(36)
Cash flows from financing activities		
Dividends paid	(7,422)	(6,450)
Proceeds from loans and borrowings	–	6,000
Repayments of loans and borrowings	(1,500)	(500)
Payment for lease liabilities (See para 5)	(556)	–
Net cash flows used in financing activities	(9,478)	(950)
Net increase in cash and cash equivalents	4,846	286
Effect of exchange rate changes on cash and cash equivalents	(36)	25
Cash and cash equivalents at beginning of the period	3,355	3,044
Cash and cash equivalents at end of the period	8,165	3,355

1(e) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

<u>Group</u>	Share capital \$'000	Treasury shares \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
Balance at 1 January 2019	23,897	(837)	16,615	79	39,754
Total comprehensive income	-	-	7,165	(36)	7,129
Dividends paid	-	-	(7,422)	-	(7,422)
Balance at 31 December 2019	23,897	(837)	16,358	43	39,461
Balance at 1 January 2018	23,897	(837)	15,943	(269)	38,734
Effects of adoption of SFRS(I)	-	-	(323)	323	-
Balance at 31 December 2017 (as restated) and 1 January 2018	23,897	(837)	15,620	54	38,734
Total comprehensive income	-	-	7,445	25	7,470
Dividends paid	-	-	(6,450)	-	(6,450)
Balance at 31 December 2018	23,897	(837)	16,615	79	39,754
<u>Company</u>		Share capital \$'000	Treasury shares \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2019		23,897	(837)	15,353	38,413
Profit net of tax		-	-	5,937	5,937
Dividends paid		-	-	(7,421)	(7,421)
Balance at 31 December 2019		23,897	(837)	13,869	36,929
Balance at 1 January 2018		23,897	(837)	14,066	37,126
Profit net of tax		-	-	7,737	7,737
Dividends paid		-	-	(6,450)	(6,450)
Balance at 31 December 2018		23,897	(837)	15,353	38,413

1(f) & 1(h)(a) CHANGES IN COMPANY'S SHARE CAPITAL

		As at 31 Dec 2019	As at 31 Dec 2018
No. of treasury shares held	:	1,235,750	1,235,750
No. of issued shares excluding treasury shares	:	86,698,463	86,698,463

1(g) There was no outstanding convertible as at 31 December 2019 and 31 December 2018.

1(h)(b) There were no sales, transfers, disposal, cancellation and/or use of treasury shares in the current financial year.

2. AUDIT/REVIEW

The figures have not been audited or reviewed.

3. AUDITORS' REPORT

Not applicable as figures have not been audited or reviewed.

4. ACCOUNTING POLICIES

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as compared to those applied in the audited financial statements for the financial year ended 31 December 2018.

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

As required by the listing requirements of the Singapore Exchange, the Group has adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)s") that are relevant to the Group on 1 January 2019. The adoption of SFRS(I)s did not result in a restatement of prior periods' financial information nor any material impact to the financial statements for the current financial period.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases.

On the adoption of SFRS(I) 16, the Group has opted to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 1 January 2019. The Group recognised \$4,215,000 of right-of-use assets, S\$442,000 of lease liability (current) and S\$3,773,000 of lease liability (non-current) in the statement of financial position as at 1 January 2019.

The adoption of SFRS(I) 16 has not resulted in material impact to the Group's Profit for the year ended and Net Assets as at 31 December 2019:

	\$'000
<u>Effect on Group's profit</u>	
Depreciation of right-of-use assets	(492)
Finance cost - Interest on lease liabilities	(114)
Reclassification of rental charge to payment of lease liabilities	556
	<u>(50)</u>
<u>Effect on Group's net asset</u>	
Right-of-use assets	3,723
Lease liabilities (current)	(373)
Lease liabilities (non-current)	<u>(3,400)</u>
	<u>(50)</u>

6. EARNINGS PER ORDINARY SHARE (EPS)

	GROUP	
	FY2019	FY2018
Earnings per share based on profit attributable to shareholders:		
Based on existing issued share capital	8.26 cts	8.59 cts
Based on fully diluted basis	8.26 cts	8.59 cts

7. NET ASSET VALUE

	Group		Company	
	As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2018
Net asset value per share based on existing issued share capital as at the end of the period reported on (excluding treasury shares).	45.52 cts	45.85 cts	42.59 cts	44.31 cts

8. REVIEW OF GROUP PERFORMANCE

Revenue and Profit

The Group's Revenue for FY2019 of \$138.7 million was 1.1% lower than FY2018. The Gross Profit Margin increased from 23.2% in FY2018 to 23.7% in FY2019. The Gross Profit Margin in FY2018 was affected by longer leadtime of electronics components that resulted in lower operational efficiency of the labour and manufacturing resources.

The General and Administrative Costs and Selling and Distribution Costs were higher mainly due to increase in salaries and related costs across the geographical locations where the Group operates.

The Profit from Operations before Taxation decreased from \$9.10 million to \$8.08 million in FY2019.

Taxation was lower in FY2019 due to one-off tax incentive recognised in FY2019.

The Profit after Taxation decreased from \$7.45 million to \$7.17 million in FY2019.

Earnings per share was 8.26 cents in FY2019, compared with 8.59 cents in FY2018, based on a fully diluted basis.

Net asset value per share was 45.52 cents as at 31 Dec 2019, compared with 45.85 cents as at 31 Dec 2018.

Financial Position: 31 December 2019 vs 31 December 2018

Inventories decreased by \$7.1 million, from \$33.8 million to \$26.7 million. Cash and cash equivalents increased by \$4.8 million, from \$3.4 million to \$8.2 million, while Bank borrowings decreased by \$1.5 million, from \$7.5 million to \$6.0 million.

9. VARIANCE FROM PROSPECT STATEMENT

There is no variance from the prospect statement.

10. PROSPECT

As at 31 December 2019, the Group has orders on hand, with confirmed delivery dates, worth \$55.9 million (31 December 2018: \$63.4 million), which are expected to be fulfilled within the current financial year.

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.

Global economic headwinds and the spread of the 2019 Novel Coronavirus are causing uncertainties in some part of the businesses. The Group will continue to manage our business judiciously.

Barring any unforeseen circumstances, the Directors expect the Group to remain profitable for FY 2020.

11. DIVIDENDS

(a) Current Financial Period Reported On

Name of Dividend:	<u>Second & final</u>	<u>Special</u>
Dividend Type:	Cash	Cash
Dividend (Cents):	0.40	3.98
Tax Rate:	One-tier tax exempt	One-tier tax exempt

(b) Corresponding Period of the Immediate Preceding Financial Year

Name of Dividend:	<u>Second & final</u>	<u>Special</u>
Dividend Type:	Cash	Cash
Dividend (Cents):	0.40	3.98
Tax Rate:	One-tier tax exempt	One-tier tax exempt

(c) Date payable

Payment of the dividends, if approved by the members at the Annual General Meeting to be held on 16 April 2020, will be made on 4 May 2020.

(d) Books closure date

NOTICE IS HEREBY GIVEN THAT, subject to the approval by the members at the Annual General Meeting to be held on 16 April 2020, the Share Transfer Books and Register of Members of CEI Limited ("the Company") will be closed at 5.00 p.m. on 24 April 2020 for the preparation of dividend warrants for both the one-tier tax-exempt second and final dividend and one-tier tax-exempt special dividend.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 24 April 2020 will be registered to determine shareholders' entitlements to the said dividends. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 24 April 2020 will be entitled to the proposed one-tier tax-exempt second and final dividend and one-tier tax-exempt special dividend.

12. INTERESTED PERSON TRANSACTIONS (unaudited)

	Aggregate value of all transactions conducted under a shareholders mandate pursuant to Rule 920 of the SGX Listing Manual	
	FY2019 \$'000	FY2018 \$'000
Transactions for the Sale of Goods and Services		
Innosparcs Pte Ltd	22	329
ST Electronics (Satcom & Sensor Systems) Pte Ltd	523	269
STELOP Pte Ltd	459	-
SMART Systems Pte Ltd	85	-
	<hr/>	<hr/>
	1,089	598
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13. BUSINESS SEGMENTAL INFORMATION

	Asia Pacific		USA		Europe		Consolidated	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Segment turnover	67,494	64,025	24,642	25,210	46,611	51,095	138,747	140,330
Cost of sales	(49,617)	(48,174)	(19,208)	(19,263)	(37,013)	(40,373)	(105,838)	(107,810)
Gross profit	17,877	15,851	5,434	5,947	9,598	10,722	32,909	32,520
Unallocated expenses							(24,800)	(23,416)
Share of results of associated company							(28)	-
Profit before taxation							8,081	9,104
Tax expense							(916)	(1,659)
Net profit for the year							7,165	7,445

(The Group defined its Business Segment based on origin of customers' purchase orders.)

14. FACTORS LEADING TO ANY MATERIAL CHANGES IN CONTRIBUTIONS TO TURNOVER AND EARNINGS BY THE BUSINESS OR GEOGRAPHICAL SEGMENTS

There is no material change in Contributions to Turnover and Earnings by the business or geographical segments.

15. BREAKDOWN OF SALES

Group	Latest Financial Year \$'000	Previous Financial Year \$'000	% increase/ (decrease)
(a) Sales reported for first half year	69,579	68,101	2.17%
(b) Operating profit after tax deducting minority interests reported for first half year	3,680	3,655	0.68%
(c) Sales reported for second half year	69,168	72,229	(4.24%)
(d) Operating profit after tax deducting minority interests reported for second half year	3,485	3,790	(8.05%)

16. BREAKDOWN OF THE TOTAL ANNUAL DIVIDEND (IN DOLLAR VALUE) FOR THE LATEST FULL YEAR AND PREVIOUS FULL YEAR

Total annual dividend (net of tax)

	Latest Full Year \$'000	Previous Full Year \$'000
Ordinary Preference	7,421 -	7,300 -
Total	<u>7,421</u>	<u>7,300</u>

17. PERSON OCCUPYING MANAGERIAL POSITION

There is no person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

18. CONFIRMATION OF DIRECTORS AND EXECUTIVE OFFICERS' UNDERTAKINGS PURSUANT TO LISTING RULE 720(1)

The Company has procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

BY ORDER OF THE BOARD

**Teo Soon Hock
Secretary**

Singapore, 7 February 2020