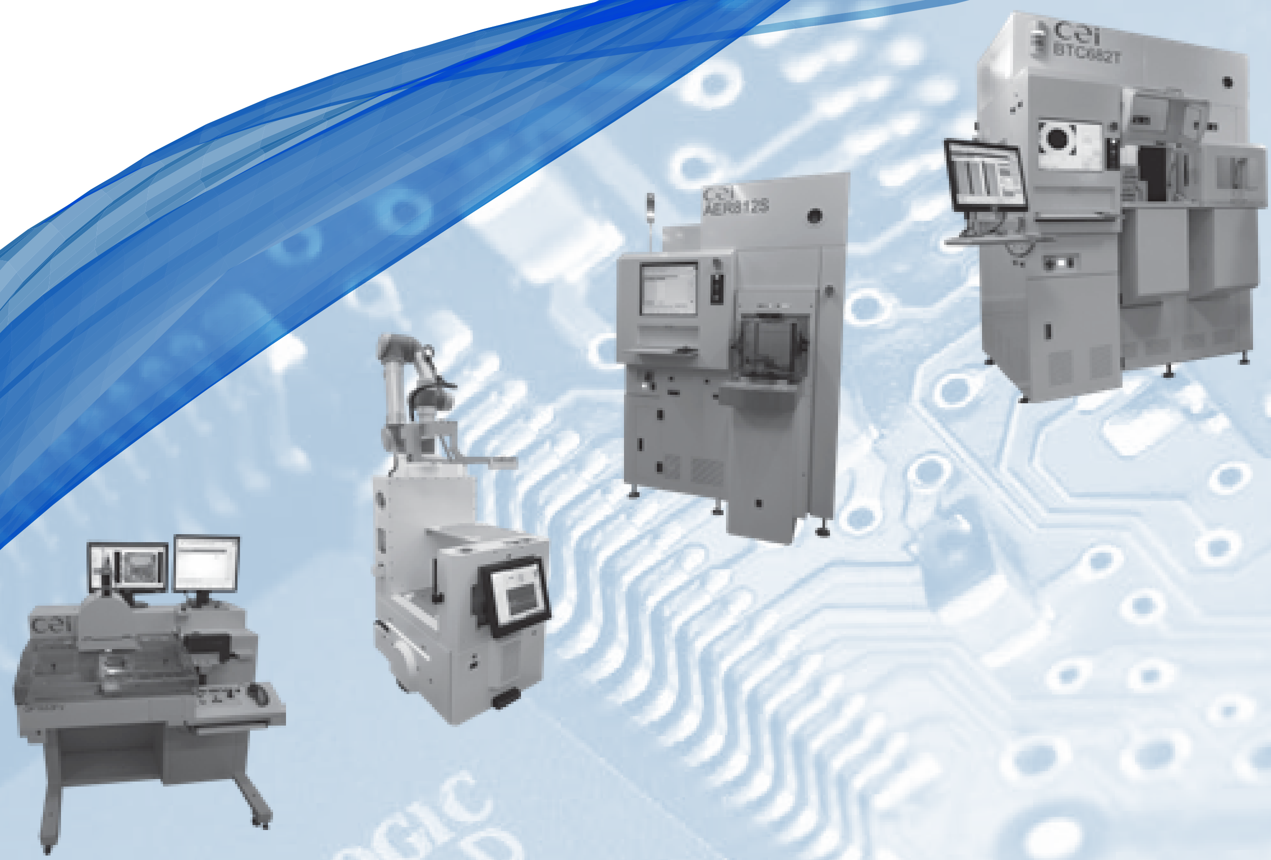
CEI Limited

Company Registration No: 199905114H

ANNUAL REPORT 2020



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CORPORATE PROFILE

CEI 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

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

The Company provides manufacturing services for printed circuit board assembly, complete box-build assembly, equipment design & manufacturing and cable harness assembly. It is also well equipped to provide value-added services such as materials management, circuit layout, development engineering & prototype samples, metal stamping and precision machining 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 automation equipment such as high speed printers; analytical instruments such as gas and liquid chromatographs and measurement instruments; industrial safety controllers and environmental sensors, semiconductor equipment and SMT equipment.

The Company is ISO9001:2015, ISO13485:2016, ISO14001:2015, AS9100D, UL508A, UL817 and Nadcap AC7120 certified.

Board of Directors

Tien Sing Cheong
(Executive Chairman)

Tan Ka Huat
(Managing Director)

Tan Bien Chuan
(Lead Independent Director)

Gan Chee Yen
(Non-Executive Director)

Tang Martin Yue Nien
(Independent Director)

Theng Siew Lian Lisa
(Independent Director)

Wang Ya Lun Allen
(Alternate Director to Gan Chee Yen)

Colin Ng Teck Sim(1)
(Independent Director)
(1) Vacated the office as Director on 30 June 2020

Audit Committee

Tan Bien Chuan (Chairman)
Tang Martin Yue Nien
Gan Chee Yen
Theng Siew Lian Lisa
Colin Ng Teck Sim(1)

Nominating Committee

Theng Siew Lian Lisa(2) (Chairperson)
(2) Appointed as Chairperson on 1 July 2020
Tang Martin Yue Nien
Tien Sing Cheong
Tan Bien Chuan
Colin Ng Teck Sim(1)

Remuneration Committee

Tang Martin Yue Nien (Chairman)
Tan Bien Chuan
Gan Chee Yen
Theng Siew Lian Lisa
Colin Ng Teck Sim(1)

Board Risk Committee

Tan Bien Chuan (Chairman)
Tang Martin Yue Nien
Gan Chee Yen
Theng Siew Lian Lisa
Colin Ng Teck Sim(1)

Joint Company Secretaries

Teo Soon Hock
Ng Shoo Yuen(3)
(3) Appointed on 7 August 2020
Ngiam May Ling(4)
(4) Resigned on 31 August 2020

Registered Office

2 Ang Mo Kio Avenue 12
Singapore 569707

Share Registrar and Share Transfer Office

In.Corp Corporate Services Pte. Ltd.
30 Cecil Street, #19-08 Prudential Tower
Singapore 049712

Auditor

Ernst & Young LLP
Public Accountants and Chartered Accountants
Alvin Phua Chun Yen (Engagement Partner)*
One Raffles Quay, North Tower, Level 18
Singapore 048583

*Appointed in Financial Year 2016

Solicitors

CNP Law LLP
600 North Bridge Road #13-01, Parkview Square
Singapore 188778

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 2020

The Group's Revenue for FY 2020 of $123.5 million was 11.0% lower than FY 2019 due to the impact of COVID-19 pandemic. The Gross Profit Margin decreased from 23.7% in FY 2019 to 22.9% in FY 2020. The Gross Profit Margin in FY 2020 was lower as some of the manufacturing costs include fixed overheads.

The General and Administrative Costs and Selling and Distribution Costs together were lower by $3.4 million, mainly due to recognition of Jobs Support Scheme from the government of $1.7 million, a net foreign exchange gain of $0.5 million, and other miscellaneous cost control efforts.

The Profit from Operations before Taxation decreased from $8.39 million to $7.16 million in FY 2020.

The Profit after Taxation decreased from $7.17 million to $6.01 million in FY 2020.

Earnings per share was 6.94 cents in FY 2020, compared with 8.26 cents in FY 2019, based on a fully diluted basis.

Net asset value per share was 44.96 cents as at 31 Dec 2020, compared with 45.52 cents as at 31 Dec 2019.

Inventories increased by $2.7 million, from $26.7 million to $29.4 million, due to positioning of raw material ahead of expected supply chain disruption. Cash and cash equivalents increased by $0.2 million, from $8.2 million to $8.4 million, while Bank borrowings decreased by $2.0 million, from $6.0 million to $4.0 million.

FINANCIAL YEAR 2021

As at 31 December 2020, the Group has orders on hand, with confirmed delivery dates, worth $56.7 million (31 December 2019: $55.9 million), 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 and 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, semiconductor equipment, oil and gas industries, aviation and displays for industrial applications.

The COVID-19 pandemic are causing challenges and uncertainties in many businesses. The Group will continue to manage its business judiciously.

Dividends

The Directors recommend payment of:

(a) A one-tier tax-exempt third and final dividend of 0.40 cents per share amounting to $346,794 and
(b) A one-tier tax-exempt special dividend of 2.60 cents per share amounting to $2,254,160.

Total interim, final and special dividends declared for FY 2020 was 144.5% of the profit after taxation, which approximate to $8,687,186 or 10.02[1] 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
26 March 2021

[1] On 8 April 2020, the Company had declared an interim cash dividend of 3.98 cents per Share in respect of FY2020 to replace the proposed special dividend of 3.98 cents in respect of FY2019 that was withdrawn and rescinded.

BOARD OF DIRECTORS

Mr. Tien Sing Cheong *Executive Chairman*

Appointed as Executive Director on 28 August 1999 and was last re-elected on 20 April 2018. 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*

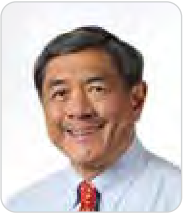
Appointed as Executive Director on 28 August 1999 and was last re-elected on 28 May 2020. Mr. Tan is also Managing Director of the Company. Mr. Tan holds a Bachelor of Science (Physics) degree from Nanyang University (now known as Nanyang Technological University), a Diploma in Business Administration from the National University of Singapore and a Master of Business degree from University of Technology, Sydney. He is a Life Member of IEEE USA.

Mr. Tan Bien Chuan *Lead Independent Director*

Appointed as an Independent and Non-Executive Director on 9 February 2000 and was last re-elected on 28 May 2020. Mr. Tan is the co-founder and Managing Director of OWW Capital Partners Pte Ltd, a venture capital firm. He 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. Gan Chee Yen *Non-Executive Director*

Appointed as a Non-Executive Director since 30 November 1999 and was last re-elected on 28 May 2020. Mr. Gan is a Corporate Advisor of Fullerton Financial Holdings Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited. He is a Director of Surbana Jurong Private Limited, Heliconia Capital Management Private Limited, ICHX Tech Pte Ltd and Bank of China-Fullerton Community Bank Co. Mr. Gan holds a Bachelor of Accountancy degree from the National University of Singapore. He is a member of the Institute of Singapore Chartered Accountants. He has also participated in the Program for Management Development at the Harvard Business School in September 2001.



Dr. Tang Martin Yue Nien *Independent Director*

Appointed as an Independent and Non-Executive Director on 9 February 2000 and was last re-elected on 24 April 2019. In November 2018, Dr. Tang was conferred the title of Doctor of Letters *(honoris causa)* by the Hong Kong University of Science and Technology. He is a private investor based in Hong Kong. He was Chairman, Asia of Spencer Stuart, a global executive search consulting firm. Dr. 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. In 2019, he was elected as a life member of the MIT Corporation and is trustee emeritus at Cornell University.

Ms. Theng Siew Lian Lisa *Independent Director*

Appointed as an Independent and Non-Executive Director on 1 December 2019 and was last re-elected on 28 May 2020. Ms. Theng is a legal practitioner and Managing Partner of CNP Law LLP. She is also an advocate and solicitor of the Supreme Court of Singapore. She was appointed by The Honourable the Chief Justice of Singapore to be a member of the Inquiry Panel under the Legal Profession Act. Ms. Theng graduated with a LLB (Hons) from the National University of Singapore in 1990. She is also a Commissioner for Oaths and a Notary Public appointed by the Supreme Court of the Republic of Singapore.

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 the Chief Executive Officer of TIH Investment Management Pte Ltd and a director of TIH Limited. He 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 CFA Institute.

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

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

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. Sean Yee Chee Hong
is the General Manager, CEI International Investments (VN) Limited, Vietnam. Mr. Yee holds a Bachelor of Arts (major in Economics and Japanese Studies) and a Bachelor of Arts (Hons) degree in Japanese Studies from the National University of Singapore.

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

Mr. Tan Sze Meng Joseph
is the General Manager, Equipment Manufacturing Division. Mr. Tan holds a Bachelor of Science degree (major in Economics and Mathematics) from the National University of Singapore and a Graduate Diploma in Marketing Management from the Singapore Institute of Management.

SUSTAINABILITY REPORT

Board Statement

The Board of Directors (the "Board") and the Management are responsible for the long-term success and sustainability of the Group. In doing so, the Board and the Management consider sustainability issues as part of the strategic formulation and adopt sustainable practices. This includes identification, management and monitoring of the Group's material environment, social and governance ("ESG") factors.

The Management has established a Sustainability Team. The Team conducts regular reviews, assessments and feedback process on ESG topics.

The Board, with assistance of the Management, has the overall responsibility for the Group's sustainability reporting and strategies.

Report Scope and Methodology

Our Sustainability Report demonstrates the Group's consideration of sustainability issues and has specifically considered Environmental, Social and Governance ("ESG") factors. The report content focuses mainly on the sustainability activities and initiatives that are in Singapore, and to the overseas subsidiary only where it is relevant.

We have prepared this report with reference to recognise global reporting framework. We have also aligned to the primary components as set out by the Singapore Stock Exchange's (SGX's) requirements for sustainability reporting. Our data are reported to the best of our knowledge. We did not seek external assurance for this report.

Stakeholder Engagement

We recognize that our key shareholders can be affected by, or have the ability to influence the success of our business. All our business and functional units proactively engage with their respective stakeholders to address issues pertinent to them.

The following table shows the key stakeholders and how we engaged them.

Key Stakeholders	Engagement Channel
Customers	• Business reviews and meetings • Customer satisfaction surveys with customers
Employees	• Induction programme for new employees • Department and KPI review meetings • Regular communication via email, notice boards and intranet • Training and development programmes • Recreational and wellness activities • Performance and career development
Shareholders	• Timely updates of financial results and announcements and other relevant disclosures via SGXNet and company website • Annual General Meeting • Extraordinary General Meeting (where it is necessary)
Suppliers	• Supplier reviews and meetings • Vendor assessment audit for key suppliers • Regular communication via email

Material ESG

The following factors were identified that are material to the development of our business:

	Material Factors:
Our People & Performance	1. Diversity and Fair Employment 2. Talent Management and Retention 3. Training and Development 4. Occupational Health and Safety
Our Community	5. Community Contribution
Our Environment	6. Energy and Water 7. Waste Management
Our Governance	8. Anti-corruption

SUSTAINABILITY REPORT

Towards Our People & Performance

DIVERSITY AND FAIR EMPLOYMENT

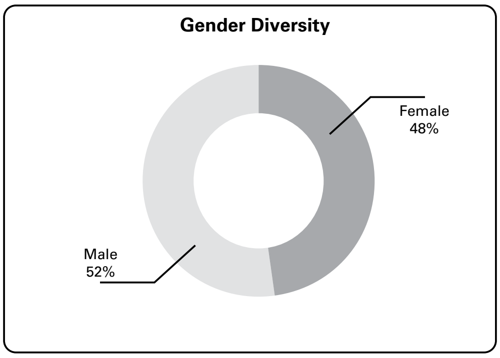
In CEI, we recognize that our people are vital to the growth and sustainability of our business.

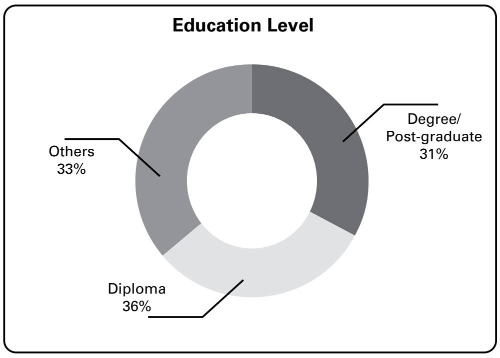
We have a diverse workforce. Our selection and recruitment criteria are based on an applicant's skills, experience and/or ability to perform the job. This commitment is reflected in the signing of the TAFEP Fair Employment Practices Pledge where we agree with the principles of fair employment and that we will work towards adopting those principles in the management of our human resources. We have established procedure on employment, disciplinary actions and grievance handling.

The distribution of male/female in our Singapore workforce is fairly proportionate. In 2020, 52% were male, while 48% were female.

For education level, 31% have a degree/post-graduate qualification, 36% are diploma holders while 33% have a non-tertiary qualification.

Going forward, we will continue to encourage diversity in our workforce.





TALENT MANAGEMENT AND RETENTION

As part of talent management, identified staff members are monitored and developed through internal and external training. This is reviewed periodically by the management to ensure the identified staff members can maximise their potential.

In our continuous efforts to retain our employees, we strive to engage them through our various company's practices and activities. Our employees are regularly engaged through various communication platforms. They are updated on company's progress and development during company's events and orientation programme. Employees are also engaged via emails, intranet portal & notice boards and respective department meetings. Our yearly performance management review is also a platform to reward employees and an opportunity for employees to engage and provide feedback via their respective department heads.

To promote cohesiveness and forge a sense of belonging, we encouraged our employees to take part in a range of recreational activities like Dinner & Dance, sports events such as our weekly yoga, yearly bowling tournament, and sports retreat which has a variety of friendly sports competition to suit all employees of different age group. However, due to COVID-19 pandemic, we were unable to carry out all physical activities. In place of Dinner and Dance, we had an online event which includes updates from our Managing Director on our company's performance. This help to build a sense of cohesiveness despite the current situation.

Our employees continue to enjoy benefits package which includes all statutory family friendly leave, medical benefits and Company's group health insurance plan. For the welfare of our employees, we have also enhanced some of our human resource benefits and organised health screening at a heavily subsidized 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.

SUSTAINABILITY REPORT

TRAINING AND DEVELOPMENT

A well trained and competent workforce is vital to the success of our business. We have an established guideline of training identification, monitoring and review. The management and/or supervisor also nominate employees for training as and when the needs arise, to support the strategy and growth of the Company.

In addition to training and development to enhance the technical and soft skills of our employees, we conduct orientation to new employees as part of training and awareness of Company's policy and practice.

In 2020, we have achieved a total of 606 training hours for our Singapore workforce. The training hours have reduced, as compared to 2019, as some trainings were either cancelled or put on hold due to the COVID-19 situation. With the situation more settled in Singapore, we will continue to invest in training and development to enhance our competencies.

	2019	2020
Total training hours	888	606
Total training places	139	77
Total headcount	254	252

OCCUPATIONAL HEALTH & SAFETY

With the supervision of our Workplace Safety & Health Committee, we continue to provide a safe working environment through monthly safety inspection, annual fire drill, chemical spill exercises and safety e-training to new employees. In view of the COVID-19 situation, all these were caried out with workplace safe management measures in place. We also raise our employees' safety awareness through education and communication.

In 2020, our Group records zero incident of workplace fatality and permanent disability. We will continue to emphasize on workplace safety and the Group targets to achieve zero workplace incident of workplace fatality and permanent disability.

	2019	2020
Workplace accidents resulting in:		
- Fatality	Nil	Nil
- Permanent Disability	Nil	Nil

COVID-19: EMPLOYEE HEALTH, SAFETY AND WELL-BEING

We assembled a management-led Task Force Committee and appointed five Safe Management Officers (SMO) to look into the implementation, co-ordination and monitoring of the Safe Management Measures at the workplace. With IT support arrangement for remote working, we adopted work from home for employees who were able to do so. We had regular staff communication and advisories to keep employees posted on latest developments of the COVID situation in Singapore.

For the well-being of our employees, various measures were implemented. We issued surgical masks, thermometer, hand sanitizer and face shield to our employees. Cleaning of premises were stepped up and facilities upgraded. Examples include, contactless sliding main glass door, sensor toilet taps and anti-bacterial surface coatings for doorknobs/handles.

To avoid exposure of our employees to crowded public transportation, we provided Comfort Delgro taxi daily to those who take public transport to office.

SUSTAINABILITY REPORT

Towards our Community

COMMUNITY CONTRIBUTION

CEI recognizes the importance of giving back to the communities. For many years, we have been actively supporting the charities as well as non-profit organizations.

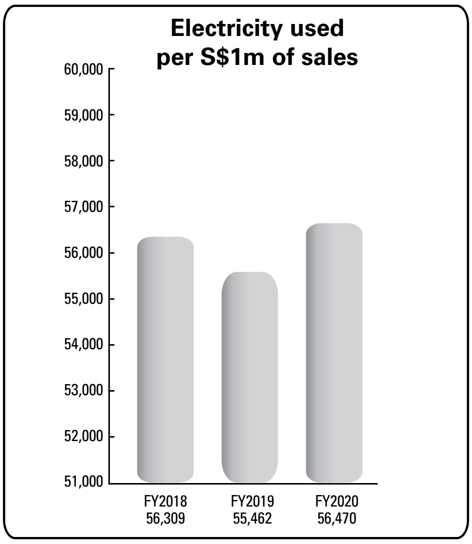
In 2020, in addition to our yearly cash donation to support various meaningful causes, we have also actively supported COVID-19 related initiatives. We also continue to support and sponsor awards and book prizes to the education institution as we believe that education is the main driver of our future.

Towards our Environment

We are an ISO 14001:2015 certified company. We are committed to environmental conservation as we are also mindful of global issues of scarcity and climate change. We communicate our Environmental Policy to new employees during orientation programme so that they are aware of our policy and practices.

ENERGY AND WATER

Our energy conservation measures focus largely on air-conditioning and lightings. Air-conditioning systems are progressively replaced with inverters and 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.



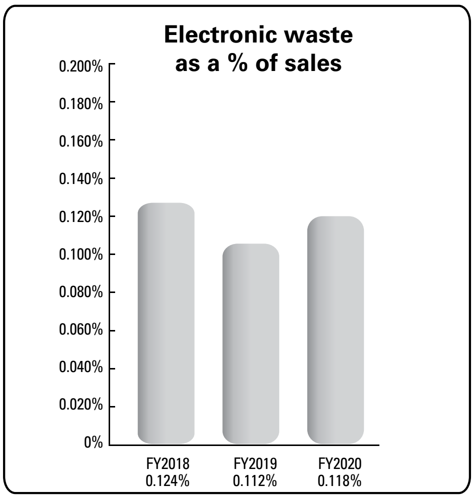
As part of our efforts in conserving our water resources we continue to adopt water efficient flow rates/flush volumes at the various water fittings, and we have also implemented water recycling into our manufacturing process. Water awareness and education posters are also put up in office premises to remind employees to conserve water.

In 2020, for every S$1m of revenue, the Group used 56,470 kwh of electricity. This is 1.8% higher than the 55,462 kwh of electricity used in 2019.

We will continue in our commitment of responsible use of electricity and water resources in order to help preserve the environment in which the Group operates in.

WASTE MANAGEMENT

Our employees are 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 continue to innovate and improve in document workflow and document management.



We have converted many processes from paper to electronics. As a result, we not only cut down on paper usage, it has also improved our work productivity. In 2020, we have cut down usage of 153,751 sheets of paper as compared to 150,844 in 2019.

In addition to paper recycling, we have also engaged a licensed recycler to properly recycle our electronic and electrical wastes ("e-waste") generated from our operations. We can help to conserve our earth's resources when we recycle our e-waste as the recycled material is used to make new products. And by doing so, we will rely less on mining for new raw materials which are limited in supply. Reducing mining will also mean less pollution.

In 2020, the Group recorded 0.118% of electronic waste. This is about flat as compared to 0.112% in 2019. We will continue to make efforts to reduce electronic waste.

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.

Towards Good Governance

ANTI-CORRUPTION

Good corporate governance and sound risk management processes is vital to safeguarding the long-term interests of shareholders and business.

Besides being compliance to the Code of Governance, we have policies in place to eliminate undesirable behavior among employees and prevent reputational damage as well as sustain stakeholder trust.

We have a Conflict of Interest Policy where all employees are required to sign and undertake that they shall not directly or indirectly accept gifts of cash, favours or anything else of value from anyone having or seeking business with the Company. The Policy also requires employees not to have any direct/indirect interest in, or relationship with other businesses and organisations where potential conflicts of interest may arise. Disclosure is needed when such conflict arises. This Policy is also signed yearly by all Division and Department Heads and all employees who regularly liaise with external parties.

Our Whistle Blowing Policy and Procedure for Reporting Impropriety in Matters of Financial Reporting and Other Matter provides a channel where employees and external parties may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Group will treat all information received confidentially and protect the identity and the interest of all whistleblowers. Anonymous disclosures will be accepted and anonymity honoured.

The Policy is communicated to employees via email and through the Company's intranet. On an ongoing basis, this Policy is covered during employees' orientation/training and periodic communication to all employees as part of the Group's efforts to promote awareness of fraud control.

The Group has not received any complaint of impropriety in financial reporting, fraud, corruption et cetera in 2020.

Company's Compliance or Explanation

CEI Limited (the "Company") is committed to maintaining a high standard of corporate governance in complying with the Code of Corporate Governance 2018 (the "Code") which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited ("SGX-ST")'s Listing Manual. The Company has complied with all principles and provisions of the Code. The Annual Report should be read in totality for the Company's full compliance with the Code. Where there is any deviation from the provisions of the Code, an explanation has been provided within this report.

This report describes the Company's corporate governance practices that were in place throughout the financial year ended 31 December 2020 ("FY2020"). As part of the continuous efforts to improve the risk governance framework, the Board Risk Committee was established in February 2013 to oversee the adequacy and effectiveness of the Group's risk management framework and policies.

A. BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

The primary function of the Board of Directors (the "Board") is to provide effective leadership and direction to enhance the long-term value of the Group to its shareholders and other stakeholders. The Board oversees the business affairs of the Group. The Board has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance reviews, and corporate governance practices.

In addition, the principal duties of the Board include:

- Setting the Group's strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.
- Overseeing the process for evaluating the adequacy of internal control risk management, financial reporting and compliance.
- Appointing the Group Managing Director ("MD") and approving the remuneration polices and guidelines for the Board and senior management.
- Reviewing the performance of senior management and overseeing succession planning for senior management.
- Setting the Group's values and standards (including ethical standards) and ensuring that obligations to shareholders are understood and met.
- Identifying key stakeholder groups and recognising that their perceptions affect the Company's reputation.
- Considering sustainability issues, e.g., environmental and social factors, as part of the strategic formulation.
- Assume responsibility for corporate governance.
- Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

Independent Judgement

All directors are fiduciaries who exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group. This is one of the performance criteria for the peer and self-assessment on the effectiveness of the individual directors.

The members of the Board and their membership on the board committees of the Company are presented in the Corporate Profile of the annual report.

The Board comprises six members and an alternate director. There is a strong and independent element on the Company's Board. Of the six Board members, three are independent directors.

The Non-Executive Directors ("NEDs") constructively challenge and assist in the development of proposals on strategy, assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance. When necessary, NEDs (led by the Lead Independent Director) will have discussion amongst themselves without the presence of the Management.

Board Approval

The Group has adopted and documented internal guidelines setting forth matters that require Board approval. The types of material transactions that require Board approval include guidelines as listed below:

- Strategies and objectives of the Group;
- Annual budgets and business plans;
- Announcement of half-yearly and full year results and release of annual reports;
- Issuance of shares;
- Declaration of interim dividends and proposal of final dividends;
- Convening of shareholders' meetings;
- Investment, divestments or capital expenditure exceeding S$500,000;
- Commitments to terms loans and lines of credits from banks and financial institutions; and
- Interested person transactions.

Apart from the matters that specifically require the Board's approval, the Board approves transactions exceeding S$500,000, while delegating authority for transactions below those limits to senior management so as to optimise operational efficiency.

Induction and Training of Directors

SGX-ST Listing Rule 210(5)(a)

A newly-appointed director is given a detailed and in-depth briefing and induction into the Group through a comprehensive orientation programme conducted by the Executive Chairman and Managing Director ("MD") as well as senior management. The orientation programme gives directors an understanding of the Group's businesses to enable them to assimilate into their new roles. The programme also allows the new director to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management.

The director is given a tour and briefing of key facilities and activities of the Group, as well as a detailed presentation by key senior management covering the structure, business and governance practices, growth strategies of the Group and an overview of key business risks, issues and challenges the Group faces.

A briefing containing policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Group, prohibition of dealings in the Company's securities, restrictions on the disclosure of price-sensitive information, corporate governance and risk management is also provided.

A first-time director who has no prior experience as a director of a listed company on the SGX-ST must undergo training in the roles and responsibilities of a director of a listed company as prescribed by the SGX-ST.

Delegation by the Board

The Board has delegated certain functions to various board committees, namely the Audit Committee ("AC"), Nominating Committee ("NC"), Remuneration Committee ("RC") and Board Risk Committee ("BRC"). Each of the board committees has its own written terms of reference and whose actions are reported to and monitored by the Board. The Board accepts that while these various board committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

Key Features of Board Processes

The dates of Board and board committee meetings as well as annual general meeting ("AGM") are scheduled one year in advance. To assist directors in planning their attendance, the Company Secretaries consults every director before fixing the dates of these meetings. The Board meets at least thrice a year and as warranted by particular circumstances. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Telephonic attendance and conference via audio-visual communication at Board and board committee meetings are allowed under the Company's Constitution. The details of the number of Board meetings and board committees held in the year as well as the attendance of each board member at those meetings are disclosed below:

Type of Meetings	Board	NC	RC	AC	BRC	AGM
No. of Meetings Held	3	3	3	3	1	1

Name of Directors	No. of Meetings Attended					
Tien Sing Cheong	3	3	N/A	N/A	N/A	1
Tan Ka Huat	3	N/A	N/A	N/A	N/A	1
Tan Bien Chuan	3	3	3	3	1	1
Tang Martin Yue Nian	3	3	3	3	1	1
Gan Chee Yen	3	N/A	3	3	1	1
Theng Siew Lian Lisa	3	3	3	3	1	1
Wang Ya Lun Allen (Alternate Director to Gan Chee Yen)	3	N/A	3	3	1	*
Colin Ng Teck Sim (vacated the office as Director on 30 June 2020)	*	*	*	*	*	*

* Absent with apologies

Complete, Adequate and Timely Information

The Management recognises the importance of ensuring the flow of complete, adequate and timely information to the directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities.

To allow directors sufficient time to prepare for the meetings, all Board and board committee papers are distributed to directors 3 working days in advance of the meeting. Any additional material or information requested by the directors is promptly furnished.

The Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations.

Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and board committee meetings.

To facilitate direct access to the senior management, directors are also provided with the names and contact details of the management team.

In order to keep directors abreast of analysts' views on the Group's performance, the Board is updated once a year on the market view which includes a summary of analysts' feedback and recommendations following the full-year and half-year results announcements.

The Board reviews the monthly management report, which includes budgets, forecasts and monthly management accounts. In respect of budgets, any material variances between the projections and actual results are disclosed and explained to the Board.

The Internal Auditors also provide the Board with internal audit report. This report includes:

- Status of the audits in the annual internal audit plan.
- Key findings arising from completed audits.
- Implementation status of outstanding management action plans (if any).

The Board Risk Management Committee presents risk assessment to the Board on an annual basis, which includes movements in risks, risk assessment of major investment, capital expenditure, and acquisitions.

Company Secretaries

Directors have separate and independent access to the Company Secretaries. The Company Secretaries are responsible for, among other things, ensuring that Board procedures are observed and that Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act (Cap. 289), Companies Act (Cap. 50) and SGX-ST's Listing Manual, are complied with. They also assist the Executive Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The Company Secretaries assist the Executive Chairman in ensuring good information flows within the Board and its board committees and between the Management and NEDs. The Company Secretaries also facilitate the orientation and assists with professional development as required.

As the primary compliance officer overseeing the Group's compliance with the SGX-ST's Listing Manual, the Company Secretaries are responsible for designing and implementing a framework for the Management's compliance with the SGX-ST's Listing Manual, including advising the Management to ensure that material information is disclosed promptly.

The Company Secretaries attend and prepare minutes for all Board and board committees meetings. In regard to the board committees, the Company Secretaries assist in ensuring coordination and liaison between the Board, the board committees and the Management. The Company Secretaries assist the Chairman of the Board, the Chairman of each board committee and the Management in the development of the agendas for the various Board and board committee meetings.

As provided in the Constitution of the Company, the appointment and the removal of any Company Secretaries are subject to the Board's approval.

Independent Professional Advice

The Board has a process for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Board Size and Board Composition

The Board comprises six directors and an alternate director. Excluding the Executive Chairman and MD, all directors are non-executive.

Each year, the NC reviews the size and composition of the Board and board committees and the skills and core competencies of its members, including director nominee, to ensure an appropriate diversity of thought, balance and mix of skills, knowledge, experience, age and gender. These competencies include banking, accounting and finance, business acumen, management experience, industry knowledge, strategic planning experience, customer-based knowledge, familiarity with regulatory requirements and knowledge of risk management. The Board considers that its directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

Taking into account the nature and scope of the Group's businesses and the number of board committees, the Board considers a board size of six members as appropriate. The Board believes that the current composition and size provide sufficient diversity without interfering with efficient decision-making. The directors' academic and professional qualifications are presented in the Board of Directors' Profile of the annual report.

Directors' Independence Review

SGX-ST Listing Rule 210(5)(d)(i)(ii)

Director who has no relationship with the Group, its related corporations, officers or its shareholders with shareholdings of 5% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment in the best interests of the Group, is considered to be independent.

The NC is tasked to determine on an annual basis and as and when the circumstances require whether or not a director is independent, bearing in mind the Guidelines set forth in the Code and any other salient factor which would render a director to be deemed not independent. For the purpose of determining directors' independence, every director has provided declaration of their independence which is deliberated upon by the NC and the Board.

After taking into account the views of the NC, the Board considers that the following directors are regarded as non-independent directors of the Company:

Name of director	Reasons for non-independence
Tien Sing Cheong	Mr. Tien is employed as Executive Chairman of the Group.
Tan Ka Huat	Mr. Tan is employed as Managing Director of the Group. He is also the CEO of the Group.
Gan Chee Yen	Mr. Gan is a non-executive director and is deemed not independent as he was employed by a substantial shareholder in the past three financial years.

Save for the abovementioned directors, all the other directors on the Board are considered by the NC and the Board to be independent directors.

The Board also recognises that independent directors may over time develop significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. When there are such directors, the Board will do a rigorous review of their continuing contribution and independence and may exercise its discretion to extend the tenures of these directors. Presently, Mr. Tan Bien Chuan and Dr. Tang Martin Yue Nien have served as independent directors of the Company for more than nine years since their first appointments. The Board has subjected this independence to a particularly rigorous review.

Taking into account the views of the NC, the Board concurred that Mr. Tan Bien Chuan and Dr. Tang Martin Yue Nien continued to demonstrate strong independence in character and judgment and in the discharge of their responsibilities as directors of the Company. They have continued to express their individual viewpoints, debated issues and objectively scrutinised and challenged the Management. They have sought clarification and amplification as they deemed required, including through direct access to the Group's employees.

Further, having gained in-depth understanding of business and operating environment of the Group, they provide the Company with much needed experience and knowledge of the industry. Based on the declaration of independence received from Mr. Tan Bien Chuan and Dr. Tang Martin Yue Nien, they have no association with the Management that could compromise their independence.

After taking into account all these factors, and also having weighed the need for Board's refreshment against tenure for relative benefit, the Board has determined Mr. Tan Bien Chuan and Dr. Tang Martin Yue Nien continue to be considered as independent directors, notwithstanding they have served on the Board for more than nine years from the date of their first appointment.

Currently, independent directors make up half of the Board where the Executive Chairman is part of the management team. The Company is actively looking for suitable candidates to on board as Independent Director of the Company, to ensure that a majority of Independent Directors are made up of the Board where the Chairman is not independent.

This provides a strong and independent element on the Board. This is fundamental to good corporate governance as it facilitates the exercise of independent and objective judgment on corporate affairs. It also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined.

Role of the Non-Executive Directors

The Board and the Management fully appreciate that an effective and robust Board whose members engage in open and constructive debate, and challenge the Management on its assumptions and proposals, is fundamental to good corporate governance.

A Board should also aid in the development of strategic proposals and oversee effective implementation by the Management to achieve set objectives.

For this to happen, the Board and NEDs, in particular, must be kept well informed of the Group's businesses and be knowledgeable about the industry the Group operates in. NEDs have make up a majority of the Board.

To ensure that NEDs are well supported by accurate, complete and timely information, NEDs have unrestricted access to the Management.

The Group has adopted initiatives to put in place processes to ensure that NEDs have sufficient time and resources to discharge their duties effectively. These initiatives include:

- Regular informal meetings are held by the Management to brief the NEDs on prospective deals and potential developments at an early stage, before formal Board's approval is sought.
- Periodic information papers and board papers on the latest market developments and trends, and key business initiatives are circulated to NEDs on a timely basis to afford the directors time to review them.
- To provide an opportunity for the NEDs to familiarise themselves with the management team so as to facilitate the Board's review of the Group's succession planning and leadership development programme,
- Constructively challenge and help develop proposals on strategy; and
- Review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

PRINCIPLE 3: EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Executive Chairman and MD functions in the Company are assumed by different individuals. The Executive Chairman, Mr. Tien Sing Cheong, and the MD, Mr. Tan Ka Huat, are Executive Directors. The Executive Chairman and MD are not immediate family members.

There is a clear division of responsibilities between the Executive Chairman and MD, which ensures an appropriate balance of power and authority at the top of the Company, increased accountability, and greater capacity of the Board for independent decision making.

The Executive Chairman:

- Is responsible for leadership of the Board and is pivotal in creating the conditions for overall effectiveness of the Board, board committee and individual director.
- Takes a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the directors, the Company Secretaries and the Management.
- Approves the agendas for the Board meeting and ensures sufficient allocation of time for thorough discussion of agenda items.
- Promotes an open environment for debates and ensures NEDs are able to speak freely and contribute effectively.
- Exercises control over the quality, quantity and timeliness of information flow between the Board and the Management.
- Provides close oversight, guidance, advice and leadership to the MD and the Management.
- Plays a pivotal role in fostering constructive dialogue between shareholders, the Board and the Management at AGMs and other shareholder meetings.

The MD is the highest-ranking executive officer of the Group and is responsible for:

- Running the day-to-day business of the Group, within the authorities delegated to him by the Board.
- Ensuring implementation policies and strategy across the Group as set by the Board.
- Day-to-day management of the executive and senior management team.
- Leading the development of senior management within the Group with the aim of assisting the training and development of suitable individuals for future director roles.

Lead Independent Director

The Board appointed Mr. Tan Bien Chuan to act as the lead independent director. Shareholders with concerns may contact him directly, when contact through the normal channels via the Executive Chairman, the MD or the Chief Financial Officer ("CFO") has failed to provide satisfactory resolution, or when such contact is inappropriate.

All the independent directors, including lead independent director, meet at least annually without the presence of other executive and non-independent directors. The lead independent director provides feedback to the Executive Chairman after such meeting.

The lead independent director is a member of all the board committees.

PRINCIPLE 4: BOARD MEMBERSHIP

NC composition

The NC comprises the following members, a majority of whom, including the NC Chairman, are independent:

- Theng Siew Lian Lisa (Chairperson and Independent Director) - appointed on 1 July 2020
- Colin Ng Teck Sim (Chairman and Independent Director) - vacated the office as Director on 30 June 2020
- Tang Martin Yue Nien (Independent Director)
- Tien Sing Cheong (Executive Director)
- Tan Bien Chuan (Lead Independent Director)

The NC, which has written terms of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. The key terms of reference of the NC include the following:

- Review and recommend to the Board on the appointment and re-appointment of directors (including alternate directors) and progressive renewal of the Board.
- Review the skills required by the Board, and the size of the Board.
- Ensure that the Company adheres to the board composition requirements, including having independent directors make up majority of the Board.
- Evaluate whether or not a director is able to and has been adequately carrying out his/her duties as director of the Company, when he/she has multiple board representations.
- Develop a process for evaluating the performance of the Board, its board committees and the contribution of each director.
- Formal assessment of the effectiveness of the Board as a whole and individual director.
- Review the training and professional development programmes for the Board.
- Review the Board succession plans for directors, in particular, the Executive Chairman, the MD and key management personnel.

Directors' Independence Review

The task of assessing the independence of directors is delegated to the NC. The NC reviews the independence of each director annually, and as and when circumstances require.

Annually, each director is required to complete a Director's Independence Checklist (the "Checklist") to confirm his/her independence. The Checklist is drawn up based on the guidelines provided in the Code.

Each director must also confirm in the Checklist whether he considers himself independent despite not having any relationships identified in the Code.

Thereafter, the NC reviews the Checklist completed by each director, assesses the independence of the directors and recommends its assessment to the Board.

The Board, after taking into account the views of the NC, determined that with the exception of Mr. Gan Chee Yen and Mr. Wang Ya Lun Allen, all the other non-executive directors are independent.

Under the SGX-ST Listing Manual, a director will not be independent if he is employed by the company or any of its related corporations for the current or any of the past three financial years, or, if he has any immediate family member who is employed or has been employed by the company or any of its related corporations for the past three financial years, and whose remuneration is determined by the remuneration committee of the company.

As the relevant Listing Rules do not apply to any of the non-executive directors, they are also considered independent under SGX-ST's Listing Manual.

Directors' Time Commitments and Multiple Directorships

The NC has adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards. The guideline provides that, as a general rule, each Director should hold no more than 6 listed company board representations, after taking into specific considerations on the capacity of the directors. The guideline includes the following:

- Directors must consult the Chairman of the Board and the NC Chairman prior to accepting any new appointments as directors and other principal commitments; and
- In support of their candidature for directorship or re-appointment, directors are to provide the NC with details of the board appointment and other principal commitments and an indication of the time involved.

The NC determines annually whether a director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out his/her duties as a director of the Company.

The NC takes into account the results of the assessment of the effectiveness of the individual director, and the respective director's actual conduct on the board, in making this determination.

In respect of FY 2020, the NC was of the view that each director's directorship was in line with the Company's guideline of a maximum of 6 listed company board representations and that each director has discharged his/her duties adequately.

Succession Planning for the Board and Senior Management

Succession planning is an important part of the governance process. The NC seeks to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

The NC reviews the succession and leadership development plans for senior management, which are subsequently approved by the Board. As part of this annual review, the successors to key positions are identified, and development plans instituted for them.

Process for Selection and Appointment of New Directors

The NC has put in place a formal process for the selection of new directors, including alternate directors, to increase transparency of the nomination process in identifying and evaluating nominees for directors. The NC leads the process as follows:

- NC evaluates the balance, skills, knowledge, experience, gender and age of the existing Board and the requirements of the Group. In light of such evaluation, the NC determines the role and the key attributes that an incoming director should have.
- After endorsement by the Board of the key attributes, the NC taps on the resources of directors' personal contacts and recommendations of the potential candidates and goes through a short-listing process. If candidates identified from this process are not suitable, resource from one of its substantial shareholder is consulted and executive recruitment agencies are appointed in the search process.
- NC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.
- NC recommends the most suitable candidate to the Board for appointment as director.
- Alternate directors bear all the duties and responsibilities of a director.

Any newly-appointed Directors will be briefed on the Group's operations and furnished with information and updates on the Group's corporate governance practices at the time of appointment as well as the latest updates in laws and regulations affecting the Group's business. Upon appointment, a new Director would be provided with a formal letter outlining a director's duties and obligations under applicable laws and the SGX-ST Listing Manual.

Upon appointment of each director, the Company would provide a formal letter to the director, setting out the director's duties and obligations under applicable laws and the listing rules of the SGX-ST.

Process for Re-Appointment of Directors

SGX-ST Listing Rule 720(5)

The NC is responsible for re-appointment of directors. In its deliberations on the re-appointment of existing directors, the NC takes into consideration the director's contribution and performance (including his or her contribution and performance as an independent director, if applicable).

The assessment parameters include attendance record, preparedness, intensity of participation at meetings of the Board and board committees as well as the quality of intervention and special contribution.

All directors (other than the MD) are subject to retirement at regular intervals of at least once every three years. Regulations 108 (1) and 108 (2) of the Company's Constitution provides that one-third of the directors (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation and be subject to re-election at the Company's AGM. However, with effect from 1 January 2019, all directors must submit themselves for re-nomination and re-appointment at least once every three years, including the MD pursuant to Rule 720(5) of the SGX-ST's Listing Manual. The MD would be required to submit himself for re-appointment to the board at a general meeting no later than 31 December 2021.

In addition, Regulation 107 of the Company's Constitution provides that a newly-appointed director during the financial year must retire and submit himself/herself for re-elected at the next AGM following his/her appointment. Thereafter, he or she is subject to be re- elected at least once every three years.

Information of Mr. Tien Sing Cheong and Dr. Tang Martin Yue Nien, being the Directors who have been nominated for re-election, required under Appendix 7.4.1 of the SGX-ST's Listing Rules are set out in this Report.

Briefings, Updates and Trainings Provided for Directors

The NC reviews and makes recommendations on the training and professional development programs to the Board.

The Board is briefed on changes to the accounting standards and regulatory updates as and when they are implemented. The MD updates the Board at each meeting on various project and investment developments of the Group.

As part of the Company's continuing education for directors, the Company Secretaries circulates to the Board articles, reports and press releases relevant to the Group's business to keep the directors updated on current industry trends and issues. News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority, which are relevant to directors are also circulated to the Board.

The Company arranges and funds the training of its directors to develop and maintain their skills and knowledge.

The particular of training programmes attended by the directors, as arranged and funded by the Group were as follows:

- Directors-in-Dialogue Forum: Boards and Cybersecurity organised by Temasek Management Services Pte. Ltd.
- Directors-in-Dialogue Forum: Boards at Risk organised by Temasek Management Services Pte. Ltd.
- Directors-in-Dialogue Forum: The New Age Board - Turning Uncertainty Into Breakthrough Opportunities organised by Temasek Management Services Pte. Ltd.
- Directors-in-Dialogue Forum: Boards Leadership organised by Temasek Management Services Pte. Ltd.

PRINCIPLE 5: BOARD PERFORMANCE

The Board has implemented a process carried out by the NC, for assessing the effectiveness of the Board as a whole, effectiveness of its board committees and the contribution by each individual director to the effectiveness of the Board on an annual basis.

Evaluation Process

The NC Chairman, in conjunction with the Chairman of the Board, conducts an annual assessment of the effectiveness of the Board as a whole, effectiveness of its board committees and the contribution by each individual director. There are two components to this assessment:

A. Board assessment; and
B. Peer evaluations.

The performance evaluation process begins with an annual confirmation from the NC Chairman to the Company Secretaries on the evaluation framework to ensure that areas of particular interest and key issues are focused on.

The Company Secretaries sends out a customised Board Evaluation Questionnaire ("Questionnaire") to each director for completion. Each director is required to complete the Questionnaire and send the Questionnaire directly to the Company Secretaries within ten working days.

An Explanatory Note is attached to the Questionnaire to clarify the background, rationale and objectives of the various performance criteria used in the Questionnaire with the aim of achieving consistency in the understanding and interpretation of the questions.

Based on the returns from each of the director, the Company Secretaries prepare a consolidated report. Thereafter, the Company Secretaries present the report at the NC meeting with all the directors, chaired by the NC Chairman. The NC Chairman then holds a discussion with all directors to agree on future action plans, if any.

From the results of the 2020 evaluation, action points and issues that were discussed include:

- Succession planning
- Inventory management

The Company Secretaries will inform the NC on the appointment of new director or retirement or resignation of existing director, following the outcome of an annual performance evaluation of individual directors, and the NC will take into consideration his views in this regard.

Board Performance Criteria

The performance criteria for the board evaluation are as follows:

- Adequacy of Board meetings
- Independence component in the Board
- Board's team spirit
- Board's ability to make decision as a whole
- Board's ability to strategize and propose sound business direction as a whole
- Board's effectiveness in identifying and reviewing major concerns of the Group
- Board's effectiveness in strategizing and problem solving
- Assess Board's performance against the performance of specific targets over a five-year period to determine if the Board has enhanced long-term shareholders' value.

Individual Director's Performance Criteria

The individual director's performance criteria are categorised into five segments; namely,

- Interactive skills (whether the director works well with other directors and participate actively).
- Knowledge (the director's industry and business knowledge, functional expertise, whether the director provides valuable inputs, the director's ability to analyse, communicate and contribute to the productivity of meetings, and understanding of finance and accounts, are taken into consideration).
- Director's duties (the director's board committee work contribution, whether the director takes his/her role as director seriously and works to further improve his/her own performance, whether he listens and discusses objectively and exercises independent judgment, and meeting preparation are taken into consideration).
- Availability (the director's attendance at Board and board committee meetings, whether the director is available when needed, and his/her informal contribution via email, telephone, written notes etc are considered).
- Overall contribution, bearing in mind that each director was appointed for his/her strength in certain areas which taken together provides the Board with the required mix of skills and competencies.

The performance of individual directors is taken into account in their re-election. Specific needs which arise from time to time are taken into account in any appointment of new directors.

B. REMUNERATION MATTERS

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Remuneration Committee ("RC")

The RC comprises the following five members, a majority of whom, including the RC Chairman, are independent:

- Tang Martin Yue Nien (Chairman and Independent Director)
- Tan Bien Chuan (Lead Independent Director)
- Gan Chee Yen (Non-Executive Director)
- Theng Siew Lian Lisa (Independent Director)
- Colin Ng Teck Sim (Independent Director) – vacated the office as Director on 30 June 2020

The RC is responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The members of the RC carried out their duties in accordance with the terms of reference which include the following:

- Review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel. The framework covers all aspect of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, grant of shares and share options and benefits in kind.
- Review and recommend to the Board, the specific remuneration packages for each director as well as for the key management personnel.
- Review the level and mix of remuneration and benefits policies and practices of the Company, including the long-term incentive schemes on an annual basis. The performance of the Company and that of individual employees would be considered by the RC in undertaking such reviews.
- Implement and administer the Company's share options plan.
- Review the Group's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.
- Review the development of senior staff and assesses their strengths and development needs based on the Group's leadership competencies framework, with the aim of building talent and maintaining strong and sound leadership for the Group.

The RC from time to time and where necessary seeks advice from external remuneration consultants in framing the remuneration policy and determining the level and mix of remuneration for directors and key management personnel.

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

PRINCIPLE 8: DISCLOSURE OF REMUNERATION

In recommending the level and mix of remuneration, the RC seeks to establish a framework for attracting, retaining and motivating employees. The Group's compensation framework comprises fixed pay, short-term and long-term incentives. The Group subscribes to linking executive remuneration to corporate and individual performance, based on an annual appraisal of employees. The level and structure of remuneration of directors and key management personnel are aligned with the long-term interests and risk policies of the Company.

Remuneration of Executive Directors and Key Management Personnel

In designing the compensation structure, the RC seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between current versus long-term compensation, such as sustained performance and value creation, and between cash versus equity incentive compensation.

The compensation structure is designed such that the percentage of the variable component of a key management personnel's remuneration increases as they move up the organisation. The variable component also depends on the actual achievement of corporate targets and individual performance objectives.

Executive directors do not receive directors' fees.

The remuneration structure for executive directors and key management personnel consists of the following components:

a) Fixed remuneration
b) Variable bonus
c) Other benefits
d) Share Performance Plan and Restricted Share Plan

a) Fixed remuneration

   The fixed remuneration comprises basic salary, statutory employer's contributions to the Central Provident Fund and fixed allowances. In setting remuneration packages, the Group takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors and key management personnel.

b) Variable bonus

Variable bonus is an annual remuneration component which varies according to the Group's and the individual's performance objectives. To link rewards to performance, the more senior the executive in the Group, the higher is the percentage of the variable bonus against total compensation.

The performance objective of the Group is profit after tax.

The RC believes that profit after tax best reflects the financial health and performance of the Group's business and is also a key performance measure used by other companies in similar industry, which allows for general comparability of performance.

The RC also believes that it is an appropriate measure as it reflects overall earnings performance and requires the Management to be responsible for, and manage every line item on, the consolidated income statement.

Additionally, in making its decision regarding appropriate performance objectives, the RC also considered the following factors relative to profit before tax and profit after tax:

- Each executive director and key management personnel believe he or she can meaningfully contribute to the achievement of these performance objectives.
- Maintaining the consistency of the objectives over a number of years allows for more accurate measurement and comparison of, and reward for, the desired performance from year to year.
- Profit before tax is used in our incentive plans for other employees, and thus, the interests of the entire organisation are aligned to achieve the same goals.
- They are not overly complex metrics and easily understood, providing for clear "line-of-sight".

c) Other benefits

The Group provides benefits consistent with local market practice, such as medical benefits, club membership, employee discounts and car allowance. Eligibility for these benefits will depend on individual salary grade and length of service.

d) Share Performance Plan and Restricted Share Plan

The executive directors and key management personnel were eligible for the Share Performance Plan whereas the NEDs were eligible for the Restricted Share Plan.

Remuneration of Non-Executive Directors

The RC reviews the scheme put in place by the Company for rewarding the NEDs to ensure that the compensation is commensurate with effort, time spent and responsibilities of the NEDs.

The RC seeks to ensure that NEDs are not over-compensated to the extent that their independence may be compromised.

Having regard to the scope and extent of a director's responsibilities and obligations, the prevailing market conditions, and referencing directors' fees against comparable benchmarks, the Board agreed with the RC's recommendation that the current fee structure for NEDs remains unchanged from FY2020.

The fees for NEDs comprise a basic retainer fee, additional fees for appointment to board committees and a travel reimbursement for directors who were required to travel out of their country or city of residence to attend board meetings and board committee meetings. The Chairman of each board committee is also paid a higher fee compared with the members of the respective committees in view of the greater responsibility carried by that office.

The amount of directors' fees payable to NEDs for each financial year is subject to shareholders' approval at the Company's AGM.

The Restricted Share Plan was in place for NEDs. To better align with shareholders' interests, the Restricted Share Plan was to award NEDs the Company's shares of not more than one-third of their fees in shares while they remain on the Board.

Use of Contractual Provisions for Executive Directors

The service contracts with executive directors contain reclamation of incentive component clause to safeguard the Group's interest in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss or fraud by executive directors or key management personnel.

Remuneration of Directors

A breakdown showing the level and mix of each individual director's remuneration for FY 2020 is as follows:

Directors' Remuneration					
	Fees	Salary	Bonus	Benefits	Total
Name	**$**	**$**	**$**	**$**	**$**
Tien Sing Cheong	-	251,780	201,133	70,035	522,948
Tan Ka Huat	-	298,720	205,803	82,604	587,127
Tan Bien Chuan	68,000	-	-	-	68,000
Tang Martin Yue Nien	62,000	-	-	-	62,000
Gan Chee Yen	54,000	-	-	-	54,000
Colin Ng Teck Sim	62,000	-	-	-	62,000
Theng Siew Lian Lisa	5,000	-	-	-	5,000

Notes:

Directors' Fees paid in FY2020 were approved by shareholders as a lump sum at the AGM for FY2019.

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.

There are no termination, retirement and post-employment benefits granted to directors and top key management personnel (who are not directors) for FY 2020.

The Group discloses the names and remuneration of employees who are substantial shareholders of the Company.

The Group does not have any employees who are immediate family members of a director, Executive Chairman, MD or a substantial shareholder of the company.

C. ACCOUNTABILITY AND AUDIT

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Hence, Board members receive monthly financial and business reports from the Management. Such reports keep the Board members informed of the Company's and the Group's performance, position and prospects and consist of the consolidated profit and loss accounts, analysis of sales, operating profit, pre-tax profit by operating segments compared against budgets, together with explanations for significant variances for the month and year-to-date.

The Board reviews and approves the results as well as any announcements before its release. The Board provides shareholders with half-yearly and annual financial reports. Results for the half-year are released to shareholders within 45 days from the end of the half-year. Annual results are released within 60 days from the financial year-end. In presenting the annual and half-yearly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's position and prospects. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

The Board also reviews legislation and regulatory compliance reports from the Management to ensure that the Group complies with the relevant regulatory requirements.

For the financial year under review, the Executive Chairman, the MD and the CFO have provided assurance to the Board on the integrity of the financial statements for the Company and its subsidiaries.

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board, with the assistance from the BRC and AC, is responsible for the governance of risk by ensuring that the 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.

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 (including financial, operational, compliance and information technology) 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. The BRC was established to strengthen its risk management processes and framework.

The BRC comprises the following members, a majority of whom, including the BRC Chairman, are independent:

- Tan Bien Chuan (Chairman and Lead Independent Director)
- Tang Martin Yue Nien (Independent Director)
- Gan Chee Yen (Non-Executive Director)
- Theng Siew Lian Lisa (Independent Director)
- Colin Ng Teck Sim (Independent Director) - vacated the office as Director on 30 June 2020

The BRC is guided by its terms of reference. Specifically, the BRC assists the Board to:

- Determine the Group's levels of risk tolerance and risk policies.
- Oversee the Management in the formulation, update and maintenance of an adequate and effective risk management framework in addressing material risks including material financial, operational, compliance and information technology risks.
- Make the necessary recommendation to AC and the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems can be made by the Board in the annual report in accordance with the SGX-ST's Listing Manual and the Code.
- Review the Group's risk profile regularly and the adequacy of any proposed action if necessary.
- Review any material breaches of risk appetite/tolerances/limits and the adequacy of any proposed action if necessary.

The Board approved the Group Risk Management Framework for the identification, assessment, monitoring and reporting of significant risks. Reference was also made to the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council.

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 the 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.

The 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, the 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.

On an annual basis, the Group's internal audit function prepares an audit plan taking into consideration risks identified and assessed from the risk management system. This risk-based audit plan is approved by the AC and audits are conducted to assess the adequacy and effectiveness of the Group's system of internal controls in addressing financial, operational, information technology and compliance risks. In addition, material control weaknesses over financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit.

All audit findings and recommendations made by the internal and external auditors are reported to the AC and significant findings are discussed at the AC meetings. The Group's internal audit function follows up on all recommendations to ensure timely remediation of audit issues and reports the status to the AC every half-yearly.

The Board has received written assurance from the Executive Chairman, the MD 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 FY2020 and 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 MD and CFO have obtained similar assurance from the business and corporate executive heads in the Group.

Opinion on the Adequacy and Effectiveness of Internal Control and Risk Management Systems

SGX-ST Listing Rule 1207(10)

The AC sought the views of the external auditors in making assessment of the internal control over 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 audit function as well as the written assurance received from the MD and the CFO, the Board with the concurrence of the AC and BRC, is of opinion that the Group's internal controls addressing financial, operational, compliance and information technology controls and risk management, were adequate and effective as at 31 December 2020. Both the Board and the AC did not identify any material weaknesses in the Group's internal controls in FY2020.

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.

PRINCIPLE 10: AUDIT COMMITTEE

The AC comprises the following five members, a majority of whom, including the AC Chairman, are independent:

- Tan Bien Chuan (Chairman and Lead Independent Director)
- Tang Martin Yue Nien (Independent Director)
- Gan Chee Yen (Non-Executive Director)
- Theng Siew Lian Lisa (Independent Director)
- Colin Ng Teck Sim (Independent Director) - vacated the office as Director on 30 June 2020

The Chairman of the AC, Mr. Tan Bien Chuan, is by profession a Chartered Accountant. The other member of the AC, Mr. Gan Chee Yen, is by profession an accountant. Both members have accounting, auditing and risk management expertise and experience to discharge the AC's functions.

The main responsibilities of the AC are to assist the Board in discharging its statutory and other responsibilities relating to four main areas:

- Overseeing financial reporting;
- Overseeing internal control and risk management systems;
- Overseeing internal and external audit processes; and
- Overseeing Interested Party Transactions (IPTs).

The main responsibilities of the AC are to assist the Board in discharging its statutory and other responsibilities relating to the following main areas:

- Review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board.
- Review and report to the Board at least annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational compliance and information technology controls and risk management systems.

- Review the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and the results of the internal audit procedures.
- Review the scope and results of the external audit work, the cost-effectiveness of the audit, and the independence and objectivity of the external auditors.
- Recommend to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors.
- Review IPTs in accordance with the requirements of the SGX-ST's Listing Manual and the Company's Shareholders' Mandate for IPTs.
- Review the assurance from the Executive Chairman, MD and CFO on the financial records and financial statements.

The AC has explicit authority to investigate any matter within its terms of reference and is authorised to obtain independent professional advice. It has full access to and co-operation of the Management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any director or executive officer or any other person to attend its meetings.

Summary of the AC's Activities

The AC met thrice during the year under review. Details of members and their attendance at meetings are provided in this Report. The CFO, the Company Secretaries, internal auditors and external auditors are invited to these meetings. Other members of senior management are also invited to attend as appropriate to present reports.

The AC meet the external auditors and internal auditors once a year separately, without the presence of the Management. These meetings enable the external auditors and internal auditors to raise issues encountered in the course of their work directly to the AC.

The principal activities of the AC during FY2020 are summarised below:

Financial Reporting

The AC met on a half-yearly basis and reviewed the half-yearly and full year announcements, material announcements and all related disclosures to the shareholders before submission to the Board for approval. In the process, the AC reviewed the audit plan and audit committee report presented by the external auditors.

The AC reviewed the annual financial statements and also discussed with the Management, the CFO and the external auditors the significant accounting policies, judgment and estimate applied by the Management in preparing the annual financial statements. The AC focused particularly on:

- Significant adjustments resulting from the audit;
- The appropriateness of the going concern assumption in the preparation of the financial statements; and
- Significant deficiencies in internal controls over financial reporting matters that came to external auditor's attention during their audit together with their recommendations.

In the review of the financial statements, the AC discussed with the Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The AC also considered the clarity of disclosures on significant matters in the financial statements. Among other matters, the key audit matters as reported by the external auditor in the Independent Auditor's Report for FY2020 of this annual report were reviewed and discussed by the AC with the Management and the external auditor.

Following the review and discussions, the AC then recommended to the Board for approval of the audited annual financial statements.

External Audit Processes

The AC manages the relationship with the Group's external auditors, on behalf of the Board. During FY2020, the AC carried out its annual assessment of the cost-effectiveness of the audit process, together with the auditor's approach to audit quality and transparency. The AC concluded that the auditors demonstrated appropriate qualifications and expertise and that the audit process was effective. Therefore, the AC recommended to the Board that Ernst & Young LLP be re-appointed as the external auditor. The Board accepted this recommendation and has proposed a resolution as set out in the Notice of the Annual General Meeting to shareholders for the re-appointment of Ernst & Young LLP.

Pursuant to the requirement in the SGX-ST's Listing Manual, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current Ernst & Young LLP's audit partner for the Company took over from the previous audit partner with effect from 1 January 2016. In appointing auditors for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 715 of the SGX-ST's Listing Manual.

Auditor Independence

In order to maintain the independence of the external auditors, the external auditors have specific policy which governs the conduct of non-audit work by them. This policy prohibits them from, *inter alia:*

- Performing services which would result in the auditing of their own work;
- Participating in activities normally undertaken by the Management;
- Acting as advocate for the Group; or
- Creating a mutuality of interest between the auditors and the Group, for example being remunerated through a success fee structure.

The AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. The AC received a yearly report setting out the non-audit services, such as, tax returns and compliance services provided by Ernst & Young LLP and the fees charged. An analysis of fees paid in respect of audit and non-audit services provided by breakdown for the past two years is disclosed in the Notes to the Financial Statements.

Having undertaken a review of the non-audit services provided during the year, the AC remains confident that the objectivity and independence of the external auditors are not in any way impaired by reason of the non-audit services which they provide to the Group. Moreover, the AC is satisfied that these services were provided efficiently by the external auditors as a result of their existing knowledge of the business.

Whistle-blowing

The Board on the recommendation of the AC approved and put in place the Whistle-Blowing Policy and Procedure for Reporting Impropriety in Matters of Financial Reporting and Other Matter (the "Policy").

The AC also reviewed the adequacy of the whistle-blowing arrangements instituted by the Group through which staff and external parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Group will treat all information received confidentially and protect the identity and the interest of all whistleblowers. Anonymous disclosures will be accepted and anonymity honoured.

All cases reported are objectively investigated and appropriate remedial measures are taken where warranted. All whistle-blowing matters are reviewed monthly by the AC Chairman and yearly by the AC. Matters requiring immediate or urgent attention are reported immediately to the AC Chairman.

The policy is communicated to staff via e-mail and through the Company's intranet. On an ongoing basis, the Policy is covered during staff training and periodic communication to all staff as part of the Group's efforts to promote awareness of fraud control. The staffs were advised that they would not be intimidated or restrained from reporting any impropriety to the AC Chairman. Also, the identity of the complainant would be kept confidential unless by law required to reveal or the identity of the complainant is already publicly known by the Board of Directors opined that it would be in the best interest of the Group to disclose the identity.

Reports of suspected fraud, corruption, dishonest practices or other similar matters can be lodged to AC Chairman, CEI Limited, 30 Cecil Street, #19-08, Prudential Tower, Singapore 049712, which are managed independently by an external service-provider.

Upon receipt of such complaint, the AC Chairman in consultation with fellow members would exercise discretion on how to proceed with the investigation, thereafter recommend any remedial of legal action to be taken, where necessary. All cases reported are objectively investigated and appropriate remedial measures are taken where warranted. All whistle-blowing matters are reviewed monthly by AC Chairman and yearly by the AC members. Matters requiring immediate or urgent attention are reported immediately to the AC Chairman.

The AC Chairman did not receive any complaint during the financial year under review.

Internal Audit

The Group outsources its internal audit function to BDO LLP. The internal audit is an independent function within the Group. The Internal Auditor reports directly to the AC.

As a corporate member of the Singapore Chapter of the Institute of Internal Auditors ("IIA"), the internal audit function adopts the International Standards for the Professional Practice of Internal Auditing (the "IIA Standards") issued by IIA. The internal audit function successfully completed its external Quality Assurance Review and continues to meet or exceed the IIA Standards in all key aspects.

The AC approves the hiring, removal, evaluation and compensation of the Internal Auditors. The scope of authority and responsibility of the internal audit function is approved by the AC.

The primary role of internal audit function is to assist the Board and senior management to meet the strategic and operational objectives of the Group, by providing an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes. The Group's internal audit approach is aligned with the Group's Risk Management Framework by focusing on key financial, operational, compliance and information technology risks. The annual internal audit plan is established in consultation with, but independent of, the Management. The internal audit plan is reviewed and approved by the AC. All internal audit findings, recommendations and status of remediation, are circulated to the AC, the MD, the external auditors and relevant senior management.

The professional competence of the internal auditors is maintained that provide updates on auditing techniques, regulations, financial products and services. The internal audit function is staffed with suitably qualified experienced professionals with diverse operational and financial experience. The AC is satisfied that the internal audit function has adequate resources to perform its functions effectively.

The Internal Auditor presents the internal audit findings to the AC. The AC meets with the Internal Auditor once a year, without the presence of the Management. The internal auditors have unfettered access to all the Group's documents, records, properties and personnel, including the AC.

During FY2020, the AC has reviewed and assessed the adequacy of the Group's system of internal controls and regulatory compliance through discussion with the Management, the Internal Auditors, and external auditors.

The AC considered and reviewed with the Management and the Internal Auditor on the following:

- Annual internal audit plans to ensure that the plans covered sufficiently a review of the internal controls of the Group;
- Significant internal audit observations and the Management's response thereto; and
- Budget and staffing for the internal audit functions.

The AC has reviewed the adequacy of the internal audit function and is satisfied that the internal audit team is independent, effective and adequately resourced.

Interested Person Transactions

The AC reviewed the Group's IPTs to ensure that the transactions were carried out on normal commercial terms and are not prejudicial to the interests of the Company or its non-controlling shareholders. The Management reports to the AC the IPTs at every AC meeting.

The AC is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of IPTs was effective.

The AC confirmed that:

a) the methods or procedures for determining the transaction prices have not changed since the last shareholder approval obtained for the general mandate; and
b) the methods or procedures are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the company and its minority shareholders.

Following the subsequent changes in shareholdings pursuant to the Offer, which are detailed in Note 29 to the Financial Statements, the AC resolved that renewal of a general mandate for interested person transactions was no longer required.

D. SHAREHOLDERS RIGHTS AND ENGAGEMENT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated fairly and equitably and the rights of all investors, including non-controlling shareholders are protected.

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Group strongly encourages shareholder participation during the AGM. Shareholders are able to proactively engage the Board and the Management on the Group's business activities, financial performance and other business related matters. External auditors are also present to address shareholders' queries about the conduct of the audit and the preparation and content of auditors' report.

The Company supports and encourages active shareholder participation at general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in an English language daily newspaper in Singapore, as well as posted on the Company's website at www.cei.com.sg.

Shareholders can vote in person or appoint not more than two proxies to attend, speak and vote on their behalf at general meetings of shareholders, with the exception that shareholders such as nominee companies which provide custodial services for securities, are able to appoint more than two proxies to attend, speak and vote at general meetings notwithstanding the Company's Constitution does not differentiate between the number of proxies which may be appointed by individual shareholders and by nominee companies.

As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, e-mail or fax.

The Company's Constitution also allows investors, who hold shares through nominees such as CPF and custodian banks, to attend and vote at the general meetings.

There are separate resolutions at general meetings on each substantially separate issue.

All resolutions are voted by poll. The detailed results showing the number of votes cast for and against each resolution and the respective percentages are announced via SGXNET.

All directors attend general meetings. In particular, the Chairman of the Board and the respective Chairman of the AC, NC, RC and BRC are present to address shareholders' queries.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and the Management, and to make these minutes available to shareholders on the Company's website at www.cei.com.sg as soon as practicable.

The Company has held the last AGM on 28 May 2020 ("AGM 2020"), by live video-audio webcast and audio-only. Shareholders were able to submit their questions to the Board/Management in advance, and, vote by submitting their proxy form. The Company has provided prepaid self-addressed envelopes.

Dividend Policy

While the Company has not formally instituted a dividend policy, it has a good track record of paying annual dividends to shareholders. In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, inter alia, the Group's financial position, retained earnings, results of operation and cash flow, the Group's expected working capital requirements, the Group's expected capital expenditure and future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend payout.

The Company notes that, if no dividend has been declared and/or recommended, the reason(s) for the decision would have to be provided together with the announcement of the financial statements.

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

Disclosure of information on a timely basis

The Group is committed to maintaining high standards of corporate disclosure and transparency. The Group values dialogue sessions with its shareholders. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

Material information is disclosed in a comprehensive, accurate and timely manner via SGXNET, press release and corporate website. To ensure a level playing field and provide confidence to shareholders, unpublished price sensitive information is not selectively disclosed. In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group's interactions with the investing community, a media release or announcement will be released to the public via SGXNET.

The Group's corporate website is the key resource of information for shareholders. In addition to the half-yearly financial results materials, it contains a wealth of investor related information on the Group, including annual reports, share prices, SGXNET announcements and factsheets.

Interaction with shareholders

Enquiries from shareholders, analysts and the press are handled by specifically designated members of senior management in lieu of dedicated investor relations team. On suitable occasion, the Company would organise trips for shareholders to its factory in Batam to provide an insight of its business operations in Batam.

The Company's main dialogue with its shareholders, which includes institutional and retail investors, takes place at its AGMs. Shareholders are encouraged to attend AGMs. The Board and the Management, as well as the external auditor, are in attendance at AGMs to address shareholders' questions on issues relevant to the Company and resolutions proposed at the AGMs.

E. MANAGING STAKEHOLDERS RELATIONSHIPS

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

The Group considers and balances the needs and interests of our material stakeholders, as part of the Group's overall responsibility to ensure that the best interests of the company are served.

The Group engages the various material stakeholders through various channels as described in the Sustainability Report.

INFORMATION OF THE DIRECTORS NOMINATED FOR RE-ELECTION:

Name of Director	Mr. Tien Sing Cheong	Dr. Tang Martin Yue Nien
Date of Appointment	28 August 1999	9 February 2000
Date of last re-appointment (if applicable)	20 April 2018	24 April 2019
Age	71	70
Country of principal residence	Singapore	Hong Kong
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr. Tien as the Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr. Tien's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company. Mr Tien will, upon re-election as a Director of the Company, remain as Executive Chairman, and a member of the NC.	The re-election of Dr. Tang as the Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Dr. Tang's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company. Dr. Tang will, upon re-election as a Director of the Company, remain as RC Chairman, and a member of the AC, NC and BRC.

INFORMATION OF THE DIRECTORS NOMINATED FOR RE-ELECTION:

Name of Director	Mr. Tien Sing Cheong	Dr. Tang Martin Yue Nien
Whether appointment is executive, and if so, the area of responsibility	Executive, as Executive Chairman	Non-executive
Working experience and occupation(s) during the past 10 years	Executive Chairman, and member of NC	RC Chairman, and member of AC, NC and BRC
Professional qualifications	• Bachelor of Science in Engineering degree from University of Hong Kong • Master of Science degree from Stanford University, California • Master of Business Administration degree from University of Santa Clara, California	• Bachelor of Science degree in Electrical Engineering from Cornell University in Ithaca, New York. • Master of Science degree from the Massachusetts Institute of Technology's (MIT) Sloan School of Management. • Doctor of Letters (honoris causa) by the Hong Kong University of Science and Technology.
Working experience and occupation(s) during the past 10 years	Executive Chairman of the Company. Mr. Tien is also a Fellow of the Institution of Mechanical Engineers, United Kingdom.	In November 2018, Mr. Tang was conferred the title of Doctor of Letters (honoris causa) by the Hong Kong University of Science and Technology. Dr. Tang retired as Chairman, Asia of Spencer Stuart, a global executive search consulting firm, in November 2008. Since then, he has been an independent, non-executive director for some public and private companies. In 2019, he was elected as a life member of the MIT Corporation and is trustee emeritus at Cornell University.
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)		
Past (for the last 5 years)	• Oct 2000 to Sep 2019 - Director of Bitwave Pte Ltd	• May 2001 to Apr 2016 – Director of ER2 Holdings Ltd. • Mar 2010 to Jun 2017 – Director of China NT Pharma Group Co. Ltd • May 2016 to Apr 2018 – Director of Aviva Life Insurance Company Limited • Feb 2009 to Jun 2020 – Director of Li & Fung Ltd.
Present	• Since Nov 2001 - Director of CEI International Investments Pte Limited	• Since Aug 2007 – Director of HK Wuxi Trade Association Ltd.

Name of Director	Mr. Tien Sing Cheong	Dr. Tang Martin Yue Nien
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

Name of Director	Mr. Tien Sing Cheong	Dr. Tang Martin Yue Nien
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable	Not applicable
If yes, please provide details of prior experience.	Not applicable	Not applicable
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not applicable	Not applicable
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable	Not applicable

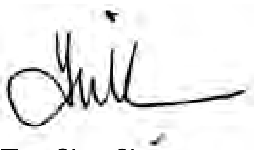
SECURITIES TRANSACTIONS

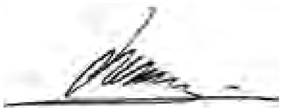
The Company has issued a Policy on Share Dealings to key employees of the Company, setting out the implications of insider trading and Rule 1207(19) of the SGX-ST's Listing Manual. To further provide guidance to employees on dealing in the Company's shares, the Company has adopted a code of conduct on transactions in the Company's shares. The code of conduct was modelled after Rule 1207(19) of the SGX-ST's 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 two weeks before quarterly financial announcements, and, 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's shares when they are in possession of unpublished material price-sensitive information in relation to the Company's shares.

The Directors have complied with Rule 1207(19) of the SGX-ST's Listing Manual 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 2020. [SGX-ST Listing Rule 1207(8)]

On behalf of the Board,





Tien Sing Cheong
Director

Tan Ka Huat
Director

Singapore
26 March 2021

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 80 customers, of which the top 5 customers account for 54% of FY 2020 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.

The COVID-19 pandemic are causing challenges and uncertainties in many businesses. The Group will continue to manage our business judiciously.

(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 2020 are set out as follows:

	US Dollar
Sales in US dollars as a percentage of total revenue	95%
Purchases in US dollars and Euros as a percentage of total costs	58%

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,

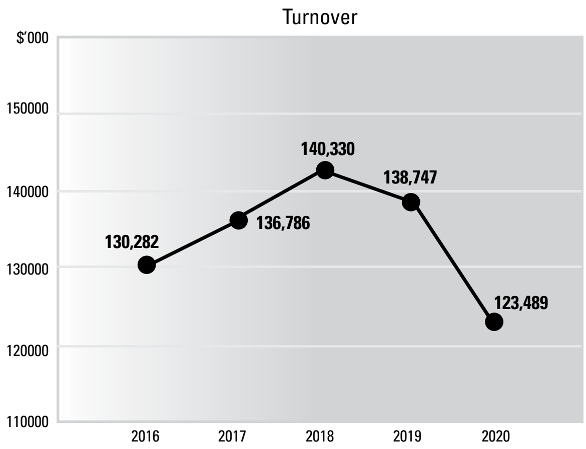
Tien Sing Cheong
Director

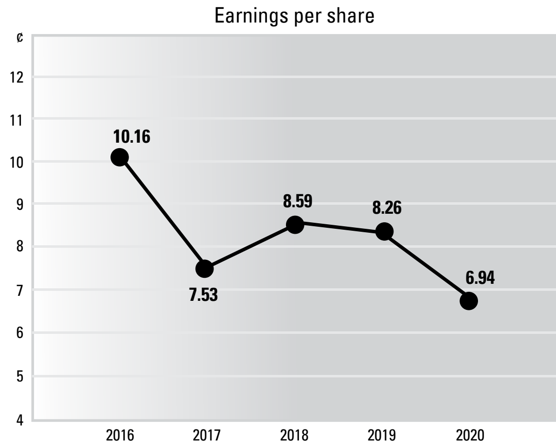
Tan Ka Huat
Director

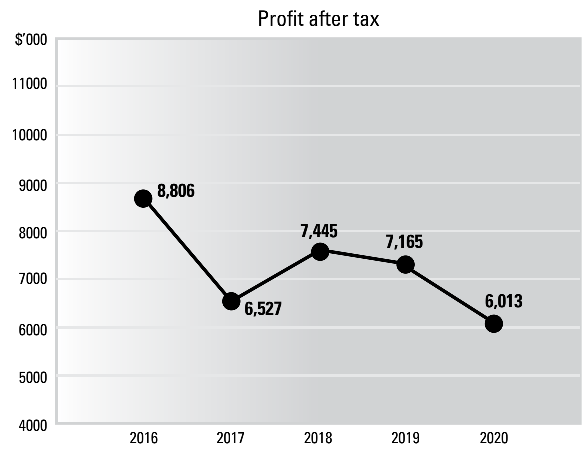
Singapore
26 March 2021

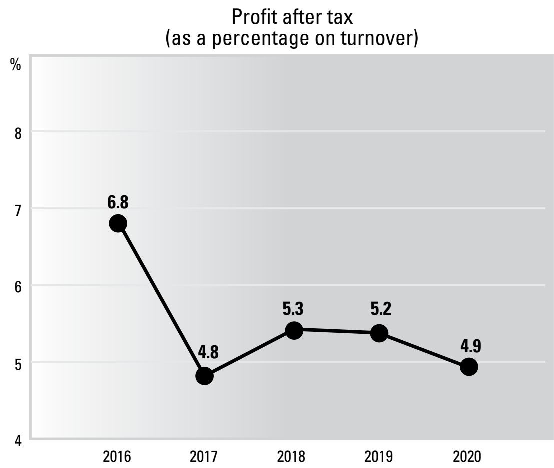
FINANCIAL HIGHLIGHTS

5-YEAR PERFORMANCE OF THE GROUP









Directors' Statement and Audited Financial Statements
31 December 2020

CEI Limited and Subsidiary Companies

Directors

Tien Sing Cheong	(Executive Chairman)
Tan Ka Huat	(Managing Director)
Tan Bien Chuan	
Gan Chee Yen	
Tang Martin Yue Nien	
Theng Siew Lian Lisa	
Wang Ya Lun Allen	(Alternate Director to Gan Chee Yen)

Company Secretaries

Teo Soon Hock	
Ng Shoo Yuen	(Appointed on 7 August 2020)
Ngiam May Ling	(Resigned on 31 August 2020)

Registered Office

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

Bankers
DBS Bank Ltd
The Hongkong and Shanghai Banking Corporation Limited

Share Registrar
In.Corp Corporate Services Pte. Ltd.
30 Cecil Street #19-08
Prudential Tower
Singapore 049712

Auditor
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge (appointed in Financial Year 2016): Alvin Phua Chun Yen

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Directors' Statement

The directors wish to present their statement to the members together with the audited consolidated financial statements of CEI 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 2020.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet 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 2020 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)
Tan Bien Chuan	
Gan Chee Yen	
Tang Martin Yue Nien	
Theng Siew Lian Lisa	
Wang Ya Lun Allen	(Alternate Director to Mr. Gan Chee Yen)

In accordance with Regulations 108 (1) and 108 (2) of the Company's Constitution, Mr. Tien Sing Cheong and Dr. 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, Chapter 50, an interest in shares and share options of the Company as stated below:

	Direct interest	
	At beginning of the year	**At end of the year**
Name of director		
The Company		
Ordinary shares		
Tien Sing Cheong	8,671,900	8,671,900*
Tan Ka Huat	4,013,340	4,013,340*
Tan Bien Chuan	469,700	469,700*
Gan Chee Yen	344,300	344,300*
Tang Martin Yue Nien	399,700	399,700*

* For subsequent changes in the Directors' interest in shares following the event subsequent to the reporting date, please refer to Note 29 to the Financial Statements.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2021.

By virtue of Section 7 of the Companies Act, Chapter 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 five 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 Lead Independent Director)
Tang Martin Yue Nien	(Independent Director)
Theng Siew Lian Lisa	(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 quarterly and annual financial statements and the auditor's 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 auditors;
- 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 auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

Audit Committee (cont'd)

The AC convened three meetings during the year. 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 have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Tien Sing Cheong
Director

Tan Ka Huat
Director

Singapore
26 March 2021

Independent Auditor's Report to the Members of CEI Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CEI Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2020, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1. Allowance for excess inventory

The Group is in the business of turnkey contract manufacturing of high-mix low-volume printed circuit board assembly, boxbuild assembly, cable harness assembly and system assembly, and, design and manufacturing of equipment for semiconductor industry.

As at 31 December 2020, the total raw material amounted to $24.3 million. Due to the nature of the Group's business, there may be situations of excess raw material that may not have future use as at 31 December 2020. As disclosed in Note 3.1 (b), the management determines excess raw material based on an estimation of raw material quantities that will be required in the future to fulfil projected customers' orders. Management then estimates the necessary amount of allowance to write down the value of those raw material that have no expected future usage at that date.

We focused on this area because the value of raw material is significant to the financial statements and there is uncertainty in the estimation of future consumption of those excess raw material.

We evaluated the reasonableness of the allowance for excess raw material determined by the management by understanding how the management forecasts their future raw material usage. We have also checked the reliability of those reports that the management used in determining forecasted raw material usage, which are based on committed or confirmed customers' orders. We then compared the raw material on hand against the forecasted raw material usage and assessed the amount of the raw material that may require full write-down. Further, we assessed the adequacy of the disclosures related to inventories in Note 12 to the consolidated financial statements.

Independent Auditor's Report to the Members of CEI Limited (cont'd)

Key audit matters (cont'd)

2. Impairment assessment on goodwill

As at 31 December 2020, the goodwill is carried at $1.1 million which represents 12% of the Group's total non-current assets. The goodwill arose from the business combination in 2008 and was allocated to the Group's Singapore-Batam cash-generating unit (CGU). The recoverable amount of this CGU is determined based on the Value-in-use cash flows projections of the CGU. The annual impairment test involved management exercising significant judgement and making assumptions about future market and economic conditions.

We considered the robustness of management's budgeting process by comparing the actual financials against previous forecast and projections. We assessed and tested the reasonableness of those key inputs and assumptions used in the impairment assessment which includes revenue, gross profit margin and other assumptions used in the projections. We also involved our internal valuation specialist to assist us in reviewing the reasonableness of the long term growth rate and discount rate used in computing the recoverable amount. We have also performed sensitivity analysis on the effect of reasonable changes in these key assumptions to the recoverable amount of the CGU. Further, we reviewed on the adequacy of the Group's disclosures in Note 9 to the consolidated financial statements about those assumptions to which the outcome of the impairment test is most sensitive to, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other information other than the financial statements and auditor's report thereon

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 Act and SFRS(I), 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Members of CEI Limited (cont'd)

Auditor's responsibilities for the audit of the financial statements (cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditor's report is Alvin Phua.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore
26 March 2021

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	Group	
		2020	**2019**
		$'000	**$'000**
Revenue	4	123,489	138,747
Cost of sales		(95,198)	(105,838)
Gross profit		28,291	32,909
Other income		4	3
General and administrative costs		(17,511)	(19,783)
Selling and distribution costs		(3,624)	(4,740)
Finance costs – interest on bank borrowings		(71)	(166)
Finance costs – interest on lease liabilities		(106)	(114)
Share of results of an associated company		61	(28)
Profit before taxation	5	7,044	8,081
Taxation	6	(1,031)	(916)
Profit after taxation		6,013	7,165
Other comprehensive income - net of tax			
Foreign currency translation		(59)	(36)
Total comprehensive income for the financial year attributable to owners of the Company		**5,954**	**7,129**
Earnings per share			
Basic	7	6.94 cents	8.26 cents
Diluted	7	6.94 cents	8.26 cents

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

Balance Sheets
As at 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	8	2,032	2,268	1,003	1,265
Right-of-use assets	19	3,309	3,723	3,309	3,723
Goodwill	9	1,063	1,063	1,063	1,063
Investments in subsidiaries	10	–	–	5,107	5,107
Investments in an associated company	11	1,429	1,368	929	929
Deferred tax assets	6	1,025	950	300	210
		8,858	9,372	11,711	12,297
Current assets					
Inventories	12	29,443	26,668	28,432	25,511
Trade receivables	13	21,940	26,172	21,595	25,452
Other current assets	14	889	358	781	250
Prepayments and advances to suppliers		440	413	308	249
Amounts due from a subsidiary company	15	–	–	566	556
Cash and cash equivalents	16	8,436	8,165	7,309	5,798
		61,148	61,776	58,991	57,816
Total assets		70,006	71,148	70,702	70,113
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables and accruals	17	19,245	18,056	17,950	16,818
Amounts due to subsidiary companies	15	–	–	6,160	3,804
Bank borrowings	18	4,002	6,009	4,002	6,009
Provision for taxation		1,030	1,279	820	1,159
Contract liability	4	2,285	1,621	2,285	1,621
Lease liabilities	19	356	373	356	373
		26,918	27,338	31,573	29,784
Net current assets		34,230	34,438	27,418	28,032
Non-current liabilities					
Defined benefit obligations	20	1,055	949	–	–
Lease liabilities	19	3,051	3,400	3,051	3,400
		4,106	4,349	3,051	3,400
Total liabilities		31,024	31,687	34,624	33,184
Net assets		38,982	39,461	36,078	36,929
Equity attributable to owners of the Company					
Share capital	21	23,897	23,897	23,897	23,897
Treasury shares	21	(837)	(837)	(837)	(837)
Retained earnings		15,938	16,358	13,018	13,869
Foreign currency translation reserve		(16)	43	–	–
Total equity		38,982	39,461	36,078	36,929
Total equity and liabilities		70,006	71,148	70,702	70,113

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 2020

Group	Share capital (Note 21) $'000	Treasury shares (Note 21) $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Total equity $'000
2020					
At 1 January 2020	23,897	(837)	16,358	43	39,461
Profit for the financial year	–	–	6,013	–	6,013
Other comprehensive income for the financial year	–	–	–	(59)	(59)
Total comprehensive income for the financial year	–	–	6,013	(59)	5,954
Contributions by and distributions to owners					
Dividends on ordinary shares (Note 22)	–	–	(6,433)	–	(6,433)
At 31 December 2020	23,897	(837)	15,938	(16)	38,982
2019					
At 1 January 2019	23,897	(837)	16,615	79	39,754
Profit for the financial year	–	–	7,165	–	7,165
Other comprehensive income for the financial year	–	–	–	(36)	(36)
Total comprehensive income for the financial year	–	–	7,165	(36)	7,129
Contributions by and distributions to owners					
Dividends on ordinary shares (Note 22)	–	–	(7,422)	–	(7,422)
At 31 December 2019	23,897	(837)	16,358	43	39,461

Company	Share capital (Note 21) $'000	Treasury shares (Note 21) $'000	Retained earnings $'000	Total equity $'000
2020				
At 1 January 2020	23,897	(837)	13,869	36,929
Profit after tax, being the total comprehensive income for the financial year	–	–	5,582	5,582
Contributions by and distributions to owners				
Dividends on ordinary shares (Note 22)	–	–	(6,433)	(6,433)
At 31 December 2020	23,897	(837)	13,018	36,078
2019				
At 1 January 2019	23,897	(837)	15,353	38,413
Profit after tax, being the total comprehensive income for the financial year	–	–	5,938	5,938
Contributions by and distributions to owners				
Dividends on ordinary shares (Note 22)	–	–	(7,422)	(7,422)
At 31 December 2019	23,897	(837)	13,869	36,929

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 2020

	2020 $'000	2019 $'000
Cash flows from operating activities		
Profit before taxation	7,044	8,081
Adjustments for:		
Depreciation of property, plant and equipment	947	1,452
Depreciation of right-of-use assets	414	492
Interest income	(4)	(3)
Finance costs - interest on bank borrowings	71	166
Finance costs - interest on lease liabilities	106	114
Fair value gain on forward contracts	(255)	(43)
Unrealised exchange loss	245	216
Provision for defined benefit obligations	180	304
Share of results of an associated company	(61)	28
Operating cash flows before changes in working capital	8,687	10,807
Decrease in receivables and prepayments	3,684	768
(Increase)/decrease in inventories	(2,775)	7,117
Increase/(decrease) in creditors	1,780	(1,599)
Cash flows from operations	11,376	17,093
Interest received	4	3
Income tax paid	(1,356)	(1,818)
Interest paid	(78)	(176)
Net cash flows from operating activities	9,946	15,102
Cash flows from investing activities		
Purchase of property, plant and equipment	(711)	(463)
Increase in investments in an associated company	–	(348)
Dividend received from an associated company	–	33
Net cash flows used in investing activities	(711)	(778)
Cash flows from financing activities		
Dividends paid	(6,433)	(7,422)
Repayments of loans and borrowings	(2,000)	(1,500)
Payment for lease liabilities	(472)	(556)
Net cash flows used in financing activities	(8,905)	(9,478)
Net increase in cash and cash equivalents	330	4,846
Effect of exchange rate changes on cash and cash equivalents	(59)	(36)
Cash and cash equivalents at beginning of the year	8,165	3,355
Cash and cash equivalents at end of the year (Note 16)	8,436	8,165

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 2020

1. Corporate information

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

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 and associated companies are set out in Note 10 and 11 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 (International) (SFRS(I)).

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 "$") to the nearest thousand ($'000), unless otherwise indicated.

2.2 *Adoption of new and amended standards*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2020. The adoption of these standards did not have any material effect on the financial performance or position of 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*
Amendment to SFRS(I) 16 Leases: Covid-19-Related Rent Concessions	1 June 2020
Amendments to SFRS(I) 3: Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-16 *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*	
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

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

2.4 *Basis of consolidation and business combination*

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions 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;
- 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 and goodwill*

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.

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 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 SFRS(I).

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. Summary of significant accounting policies (cont'd)

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.

(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 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 2.16. 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.

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

2.6 *Property, plant and equipment (cont'd)*

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

Leasehold land	-	Over the remaining lease period
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.

2.7 *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.

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

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

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.

2.10 *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 is 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.

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

2.10 *Associated companies (cont'd)*

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.

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

2.11 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Debt instruments that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Debt instruments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, and through 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.

(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.

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

2.11 *Financial instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

Subsequent measurement

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. On derecognition, the difference between the carrying amounts and the consideration paid 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 recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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. Summary of significant accounting policies (cont'd)

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 excess, 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.

2.15 *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.

2.16 *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.

2.17 *Employee benefits*

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. 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 net total of service costs, net interest or the liability and remeasurement of the liability are recognised in profit or loss.

(c) *Defined benefit plan*

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period. The Group has no plan assets.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

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

2.17 *Employee benefits*

(c) *Defined benefit plan (cont'd)*

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability
- Remeasurements of net defined benefit liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

2.18 *Leases*

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.8.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

2.18 *Leases (cont'd)*

Lease liabilities (cont'd)

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

2.19 *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

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

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

The amount of revenue recognised is based on the transaction price, which comprises the contractual price, net of the discounts. Based on the Group's experience with similar types of contracts, there are no significant variable considerations.

(b) ***Interest income***

Interest income is recognised using the effective interest method.

2.20 *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.

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.

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

2.20 *Taxes (cont'd)*

(b) Deferred tax (cont'd)

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.

(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.

2.21 *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.

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

2.23 *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.

2.24 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. It shall be recognised in profit or loss on a systematic basis over the period in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Government grant relating to the Job Support Scheme has been recognised in salaries, wages, bonuses and other costs net of government grant.

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.

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 2020 is $1,063,000 (2019: $1,063,000).

3. Significant accounting estimates and judgements (cont'd)

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

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

Inventory is stated at the lower of cost or net realisable value. Inventory review is performed periodically 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.

(c) *Impairment of investments in subsidiaries*

The carrying values of investments in subsidiaries and advances to CEI International Investments (Vietnam) Limited, that are effectively quasi-equity loans, are reviewed for impairment in accordance with SFRS(I) 1-36 Impairment of Assets. CEI International Investments (Vietnam) Limited recorded profits of $83,000 in current financial year (2019: $976,000). After taking into account the fair value of the property of CEI International Investments (Vietnam) Limited as assessed in Note 8 (a), the recoverable value of its investment in subsidiaries is higher than its carrying value.

No impairment loss was recognised in 2020 and 2019 to further 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 subsidiaries is approximately $2,107,000 (2019: $2,107,000).

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) *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.

(b) *Determination of lease term of contracts with extension option*

Management determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has a land lease contract that includes an extension option. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Company reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

4. Revenue

(a) *Disaggregation of revenue*

	Group	
	2020	2019
	$'000	$'000
By geography (segment)		
Asia Pacific	58,179	67,496
USA	22,166	24,642
Europe	43,144	46,609
Total sale of goods recognised at a point in time	123,489	138,747

(b) *Contract balances*

	Group		
	31 December		1 January
	2020	2019	2019
	$'000	$'000	$'000
Trade receivables	21,940	26,172	26,977
Contract liability	2,285	1,621	2,063

	Company		
	31 December		1 January
	2020	2019	2019
	$'000	$'000	$'000
Trade receivables	21,595	25,452	26,537
Contract liability	2,285	1,621	2,063

The Group has no contract assets or goods already delivered but not billed.

Contract liability primarily relates to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for sale of goods.

Contract liability is recognised as revenue as the Group performs under the contract.

Below is the significant change in the contract liability:

	Group	
	2020	2019
	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	426	993

5. Profit before taxation

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

	Group	
	2020	2019
	$'000	$'000
Audit fees paid to:		
- Auditor of the Company	162	162
- Other auditors	12	12
Non audit fees paid to		
- Auditors of the Company	32	23
Depreciation of property, plant and equipment	947	1,452
Depreciation of rights-of-use assets	414	492
Interest income on fixed deposits	(4)	(3)
Foreign exchange loss	194	472
Staff costs:		
- Central Provident Fund contributions	2,002	1,997
- Salaries, wages, bonuses and other costs net of government grant*	15,004	17,561
- Provision for defined benefit obligations	180	304
Fair value gain on forward contracts	(255)	(43)
Finance costs – interest on bank borrowings	71	166
Finance costs - interest on lease liabilities	106	114

* Salaries, wages, bonuses and other costs net of government grant for the financial year ended 31 December 2020 is stated after recognising $3,328,000 of government grant relating to the Job Support Scheme.

6. Taxation

(a) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	Group	
	2020	2019
	$'000	$'000
Consolidated income statement		
Current income tax:		
Current income tax	(894)	(1,479)
Tax credits recognized	57	476
Additional tax assessed in respect of prior years	(269)	–
	(1,106)	(1,003)
Deferred income tax:		
Origination and reversal of temporary differences	75	87
Income tax expense recognised in profit or loss	(1,031)	(916)

6. Taxation (cont'd)

(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 2020 and 2019 is as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Profit before taxation	7,044	8,081
Income tax at statutory tax rate of 17% (2019: 17%)	(1,197)	(1,374)
Adjustments:		
Non-deductible expenses	(143)	(159)
Income not subject to taxation	–	6
Effect of partial tax exemption and tax relief	53	76
Effect of higher tax rates of subsidiaries	(51)	(54)
Tax credits	57	475
Government grant relating to the Job Support Scheme recognised not subject to tax	566	–
Benefits from previously unrecognised tax losses	17	147
Additional tax assessed in respect of prior years	(260)	–
Additional provision for current year	(73)	(33)
	(1,031)	(916)

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

The Group has tax losses of approximately $417,000 (2019: $520,000) 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.

(c) *Deferred income tax*

Deferred income tax as at 31 December 2020 and 2019 relates to the following:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets/(liability)				
Provision for excess inventories	34	34	34	34
Provision for unconsumed leave	178	81	178	81
Other provisions	435	464	91	117
Differences in depreciations for tax purpose	414	419	17	(31)
Others	(36)	(48)	(20)	9
Net deferred tax assets	1,025	950	300	210

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company (Note 22) but not recognised as a liability in the financial statements.

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 financial 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 2020 and 2019.

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:

	2020 $'000	**2019 $'000**
Profit for the year attributable to ordinary shareholders for basic and diluted earnings per share	6,013	7,165

	2020 No. of Shares	**2019 No. of Shares**
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

* 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 2020 and 2019.

8. Property, plant and equipment

Group	Leasehold land and buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Office furniture, fitting and equipment $'000	Computer equipment $'000	Renovation $'000	Total $'000
Cost							
As at 1 January 2019	9,985	16,731	810	1,261	2,301	1,230	32,318
Additions	11	282	–	17	64	89	463
Disposal/write-off	(1)	(45)	–	(16)	(114)	(2)	(178)
As at 31 December 2019 and 1 January 2020	9,995	16,968	810	1,262	2,251	1,317	32,603
Additions	–	175	–	158	361	17	711
Disposal/write-off	–	(43)	(398)	(37)	(74)	(80)	(632)
As at 31 December 2020	9,995	17,100	412	1,383	2,538	1,254	32,682
Accumulated depreciation							
As at 1 January 2019	8,465	15,761	575	1,019	2,107	1,134	29,061
Depreciation charge for the financial year	610	443	97	74	193	35	1,452
Disposal/write-off	(1)	(45)	–	(16)	(114)	(2)	(178)
As at 31 December 2019 and 1 January 2020	9,074	16,159	672	1,077	2,186	1,167	30,335
Depreciation charge for the financial year	181	335	86	108	209	28	947
Disposal/write-off	–	(43)	(398)	(36)	(75)	(80)	(632)
As at 31 December 2020	9,255	16,451	360	1,149	2,320	1,115	30,650
Net carrying amount							
As at 31 December 2019	921	809	138	185	65	150	2,268
As at 31 December 2020	740	649	52	234	218	139	2,032

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

Company	Leasehold land and buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Office furniture, fitting and equipment $'000	Computer equipment $'000	Renovation $'000	Total $'000
Cost							
As at 1 January 2019	1,885	4,233	561	1,092	1,886	1,229	10,886
Additions	–	8	–	16	61	6	91
Disposal/write-off	–	–	–	(5)	(106)	(2)	(113)
As at 31 December 2019 and 1 January 2020	1,885	4,241	561	1,103	1,841	1,233	10,864
Additions	–	120	–	11	182	17	330
Disposal/write-off	–	(25)	(398)	(2)	(24)	(59)	(508)
As at 31 December 2020	1,885	4,336	163	1,112	1,999	1,191	10,686
Accumulated depreciation							
As at 1 January 2019	1,253	3,651	428	887	1,716	1,134	9,069
Depreciation charge for the financial year	152	165	65	74	138	35	629
Disposal/write-off	–	–	–	(5)	(92)	(2)	(99)
As at 31 December 2019 and 1 January 2020	1,405	3,816	493	956	1,762	1,167	9,599
Depreciation charge for the financial year	152	168	54	72	111	28	585
Disposal/write-off	–	(26)	(398)	(1)	(24)	(52)	(501)
As at 31 December 2020	1,557	3,958	149	1,027	1,849	1,143	9,683
Net carrying amount							
As at 31 December 2019	480	425	68	147	79	66	1,265
As at 31 December 2020	328	378	14	85	150	48	1,003

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

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 2039	5,788
Batamindo Industrial Park, Batam, Indonesia	Detached single-storey factory with mezzanine floor	12 November 2008 to 18 December 2039	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 (option to extend till 28 February 2053)	2,617

9. Goodwill

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Goodwill, at cost	3,918	3,918	3,918	3,918
Less: Allowance for impairment	(2,855)	(2,855)	(2,855)	(2,855)
	1,063	1,063	1,063	1,063

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 11% per annum for 2021 (2019: 1% for 2020) and 3% per annum from 2022 to 2025 (2019: 3% per annum from 2021 to 2024) and 2% (2019: 2%) growth rate for the terminal value computation from the 6th 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 expected material costs and manufacturing labour and overhead.

The pre-tax discount rate applied to the cash flow projections is 11.5% (2019: 11.4%) 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.

9. Goodwill (cont'd)

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 in 2020 and 2019 has been recognised in the profit or loss to write-down the carrying amount of the goodwill.

10. Investments in subsidiaries

	Company	
	2020 $'000	2019 $'000
Unquoted shares, at cost	5,493	5,493
Less: Allowance for impairment	(1,574)	(1,574)
	3,919	3,919
Advances to a subsidiary company	5,121	5,121
Less: Allowance for impairment	(3,933)	(3,933)
	1,188	1,188
	5,107	5,107

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.

No impairment loss was recognised in 2020 and 2019 in the profit and loss to write down the carrying value of investment in CEI International Investments Pte Ltd and CEI International Investments (Vietnam) Limited.

Details of the subsidiary companies as at the following dates are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Company Cost		Percentage of equity held	
		2020 $'000	2019 $'000	2020 %	2019 %
Subsidiary companies held by the Company					
CEI International Investments Pte Ltd [1] (Singapore)	Investment holding (Singapore)	2,494	2,494	100	100
PT Surya Teknologi Batam[2] (Indonesia)	Printed circuit board assembly and contract manufacturing (Indonesia)	2,999	2,999	100	100
		5,493	5,493		

10. Investments in subsidiaries (cont'd)

Subsidiary companies held through CEI International Investments Pte Ltd

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held 2020 %	2019 %
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 an associated company

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Unquoted shares, at cost	955	955	955	955
Share of post-acquisition reserves	500	439	–	–
Others	(26)	(26)	(26)	(26)
	1,429	1,368	929	929

There was no allowance for impairment as at 31 December 2020 and 31 December 2019.

No dividend was received from associate during the current financial year (2019: $33,000).

(a) Details of the associated company as at the following dates are:

Associated company held by the Company

Name of company (Country of incorporation)	Principal activities (Place of business)	Company Cost 2020 $'000	2019 $'000	Percentage of equity held 2020 %	2019 %
Santec Corporation Pte Ltd [1] (Singapore)	Precision engineering, stamping and tool and die making (People's Republic of China)	955	608	25.7	25.7

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

11. Investments in associated company (cont'd)

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

	2020 $'000	2019 $'000
Summarised balance sheet		
Current assets	7,160	4,400
Non-current assets	2,048	2,847
Total assets	9,208	7,247
Current and total liabilities	(3,270)	(1,809)
Net assets	5,938	5,438
Proportion of the Group's ownership	25.7%	25.7%
Group's share of net assets	1,526	1,398
Other adjustments*	(97)	(30)
Carrying amount of the investment	1,429	1,368
Summarised statement of comprehensive income		
Revenue	8,294	4,544
Profit/(loss) after tax	308	(158)

*Other adjustments significantly relate to foreign currency translation reserve.

12. Inventories

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Balance sheets:				
Raw materials	24,283	22,139	23,272	20,982
Work-in-progress	1,679	1,695	1,679	1,695
Finished products	3,481	2,834	3,481	2,834
Total inventories at lower of cost and net realisable value	29,443	26,668	28,432	25,511

	Group and Company	
	2020 $'000	2019 $'000
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	95,198	105,838

There were neither provision nor reversal of write-down of inventories made during the current and previous year.

13. Trade receivables

Trade receivables are non-interest bearing and majority 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.

Approximately 98% (2019: 97%) of the trade receivables are denominated in United States Dollar.

13. Trade receivables (cont'd)

Expected credit losses

The movement in allowance for expected credit losses of the Group's trade receivables computed based on lifetime ECL are as follows:

	2020 $'000	2019 $'000
At 1 January	55	55
Charge for the year	–	–
At 31 December	55	55

14. Other current assets

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Government grant receivable relating to the Job Support Scheme	350	–	350	–
Deposits	159	233	51	125
Fair value of forward contracts (Note 26(a))	380	125	380	125
	889	358	781	250

15. Amounts due from/to subsidiary companies

(a) *Amounts due from subsidiary companies*

The amounts due from subsidiary companies are non-trade in nature, unsecured, interest-free and repayable in one year.

Amount due from subsidiary companies are denominated in United States Dollar.

(b) *Amounts due to subsidiary companies*

The trade balances due to subsidiary companies are unsecured, interest-free and repayable on demand.

Approximately 9.9% (2019: 8.9%) of the amount due to subsidiary companies are denominated in United States Dollar.

16. Cash and cash equivalents

Cash and cash equivalents comprise of 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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
United States Dollars	7,132	4,651	6,616	4,547
Euro	129	40	129	40
Rupiah	469	541	–	–

17. Trade payables and accruals

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade payables	14,228	12,960	13,648	12,401
Accruals for operating expenses	5,017	5,096	4,302	4,417
	19,245	18,056	17,950	16,818

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
United States Dollars	7,951	6,048	7,951	6,048
Euro	54	63	54	63
Sterling Pound	42	162	42	162
Rupiah	251	254	–	–

18. Bank borrowings

The bank loans are unsecured and bear interest at about 0.70% to 2.25% (2019: 2.16% to 2.45%) per annum, which approximates the effective interest rates. These loans are repayable within the next 12 months.

A reconciliation of liability arising from financing activity is as follows:

	Group and Company			
	31.12.2019 $'000	Cash flow $'000	Decrease in accrued interest $'000	31.12.2020 $'000
Bank borrowings	6,009	(2,000)	(7)	4,002

	Group and Company			
	31.12.2018 $'000	Cash flow $'000	Decrease in accrued interest $'000	31.12.2019 $'000
Bank borrowings	7,519	(1,500)	(10)	6,009

19. Right-of-use assets and lease liabilities

As a lessee

The Group has lease contracts for leasehold land and building. Leases of leasehold land and building generally have lease terms between 3 and 33 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. The land lease contract includes an extension option, which are further discussed below.

Carrying amounts of right-of-use assets

	Group and Company		
	Land $'000	**Building $'000**	**Total $'000**
At 1 January 2020	2,708	1,015	3,723
Depreciation expense of right-of-use assets	(83)	(331)	(414)
As at 31 December 2020	2,625	684	3,309
At 1 January 2019	2,789	1,426	4,215
Depreciation expense of right-of-use assets	(81)	(411)	(492)
As at 31 December 2019	2,708	1,015	3,723

(a) ***Lease liabilities***

	2020 $'000	**2019 $'000**
At 1 January	(3,773)	(4,215)
Accretion of interest	(106)	(114)
Payments	472	556
As at 31 December	(3,407)	(3,773)
Current	(356)	(373)
Non-current	(3,051)	(3,400)

The maturity analysis of lease liabilities is disclosed in Note 24(a).

(b) ***Amounts recognized in profit and loss***

	2020 $'000	**2019 $'000**
Depreciation expense of right-of-use assets	(414)	(492)
Interest expense on lease liabilities	(106)	(114)
Total amount recognised in profit or loss	**(520)**	**(606)**

(c) ***Total cash outflow***

The Group had total cash outflows for leases of $472,000 in 2020 (2019: $556,000).

(d) ***Extension options***

The Group has a land lease contract that includes an extension option. This option is negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether this extension option is reasonably certain to be exercised (see Note 3.2 (c)).

20. Defined benefit obligations

Changes in present value of the defined benefit obligations are as follow:

	2020 $'000	2019 $'000
At 1 January	949	645
Interest cost	57	65
Current service cost	60	53
Actual benefit payment	(74)	–
Actuarial gains and losses arising from experience adjustments	69	(46)
Actuarial gains and losses arising from changes in financial assumptions	40	132
Actuarial gains and losses arising from changes in demographic assumptions	29	–
Exchange differences	(56)	72
Other adjustment	(19)	28
At 31 December	1,055	949

The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2020 %	2019 %
Discount rate	6.48	7.02
Salary increment rate	5.00	5.00
Mortality rate	*TMI - 2011	*TMI - 2011
Disability rate	0.5% of *TMI - 2011	1% of *TMI - 2011
Resignation rate	6.5%	0% to 25%
Actuarial costing method	Projected unit credit	
Normal retirement age	57 years old	57 years old

* Tabel Mortalita Indonesia 2011 (TMI - 2011) issued by Indonesia Life Insurance Association (AAJI) serves as a reference for mortality rates in Indonesia.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligations as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase / decrease	Present value of the defined benefit obligations $'000
Discount rate	+ 1%	948
	- 1%	1,162
Salary increment rate	+ 1%	1,161
	- 1%	947

The average duration of the defined benefit obligations at the end of the reporting period is 19 years (2019: 20 years).

21. Share capital and treasury shares

	Group and Company 2020 $'000	Group and Company 2019 $'000
(a) *Share capital*		
Issued and fully paid:		
Balance at beginning and end of financial year 86,698,463 (2019: 86,698,463) ordinary shares	23,897	23,897
(b) *Treasury shares*		
Balance at beginning and end of financial year 1,235,750 (2019: 1,235,750) ordinary shares	837	837

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.

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 2020 and 2019 financial years.

22. Dividends

	Group and Company 2020 $'000	Group and Company 2019 $'000
(a) *Dividends declared and paid during the financial year*		
Interim dividends:		
- Exempt (one-tier) for 2020: 1.040 cents (2019: 1.040 cents) per share	902	902
Special dividends:		
- Exempt (one-tier) for 2020: 2.000 cents (2019: 3.140 cents) per share	1,734	2,723
Final dividends:		
- Exempt (one-tier) for 2019: 0.400 cents (2018: 0.400 cents) per share	346	346
Special dividends:		
- Exempt (one-tier) for 2019: 3.980 cents (2018: 3.980 cents) per share	3,451	3,451
	6,433	7,422

22. Dividends (cont'd)

(b) *Proposed but not recognised as a liability as at 31 December*

	Group and Company	
	2020	**2019**
	$'000	**$'000**
Dividends on ordinary shares, subject to shareholders' approval at AGM:		
- Final exempt (one-tier) dividend for 2020: 0.400 cents (2019: 0.400 cents) per share	346	346
- Special exempt (one-tier) dividend for 2020: 2.600 cents (2019: 3.980 cents) per share	2,255	3,451
	2,601	3,797

23. Related party transactions

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

In addition to 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	
	2020	**2019**
	$'000	**$'000**
Salaries, wages, bonuses and other costs	3,210	3,066
Central Provident Fund	102	105
Total	3,312	3,171
Comprise amounts paid to:		
Directors of the Company	1,303	1,289
Other key management personnel	2,009	1,882
Total	3,312	3,171

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:

	2020	**2019**
Number of directors of the Group in remuneration bands:		
$500,000 to $749,999	1	1
$250,000 to $499,999	1	1
Below $250,000	5	4
Total	7	6

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

	2020	**2019**
Number of executives of the Group in remuneration bands:		
$250,000 to $499,999	4	4
Below $250,000	1	1
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 Executive Officer and 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.

(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. 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.

All the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted cash flows and have maturity profile as follows:

			2020		
Group	**Carrying amount $'000**	**Contractual cash flows $'000**	**One year or less $'000**	**One to five years $'000**	**More than five years $'000**
Financial assets:					
Trade receivables	21,940	21,940	21,940	–	–
Deposits under other current assets	509	509	509	–	–
Cash and cash equivalents	8,436	8,436	8,436	–	–
Total undiscounted financial assets	30,885	30,885	30,885	–	–
Financial liabilities:					
Trade payables and accruals	19,245	19,245	19,245	–	–
Bank borrowings	4,002	4,003	4,003	–	–
Lease liabilities	3,407	5,073	453	1,074	3,546
Total undiscounted financial liabilities	26,654	28,321	23,701	1,074	3,546
Total net undiscounted financial assets/(liabilities)	4,231	2,564	7,184	(1,074)	(3,546)
			2019		
Financial assets:					
Trade receivables	26,172	26,172	26,172	–	–
Deposits under other current assets	233	233	233	–	–
Cash and cash equivalents	8,165	8,165	8,165	–	–
Total undiscounted financial assets	34,570	34,570	34,570	–	–
Financial liabilities:					
Trade payables and accruals	18,056	18,056	18,056	–	–
Bank borrowings	6,009	6,030	6,030	–	–
Lease liabilities	3,773	5,469	477	1,379	3,613
Total undiscounted financial liabilities	27,838	29,555	24,563	1,379	3,613
Total net undiscounted financial assets/(liabilities)	6,732	5,015	10,007	(1,379)	(3,613)

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

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

Company	Carrying amount $'000	Contractual cash flows $'000	2020 One year or less $'000	One to five years $'000	More than five years $'000
Financial assets:					
Trade receivables	21,595	21,595	21,595	–	–
Deposits under other current assets	401	401	401	–	–
Amount due from subsidiary companies	566	566	566	–	–
Cash and cash equivalents	7,309	7,309	7,309	–	–
Total undiscounted financial assets	29,871	29,871	29,871	–	–
Financial liabilities:					
Trade payables and accruals	17,950	17,950	17,950	–	–
Amount due to subsidiary companies	6,160	6,160	6,160	–	–
Bank borrowings	4,002	4,003	4,003	–	–
Lease liabilities	3,407	5,073	453	1,074	3,546
Total undiscounted financial liabilities	31,519	33,186	28,566	1,074	3,546
Total net undiscounted financial assets/(liabilities)	(1,648)	(3,315)	1,305	(1,074)	(3,546)
			2019		
Financial assets:					
Trade receivables	25,452	25,452	25,452	–	–
Deposits under other current assets	125	125	125	–	–
Amount due from subsidiary companies	556	556	556	–	–
Cash and cash equivalents	5,798	5,798	5,798	–	–
Total undiscounted financial assets	31,931	31,931	31,931	–	–
Financial liabilities:					
Trade payables and accruals	16,818	16,818	16,818	–	–
Amount due to subsidiary companies	3,804	3,804	3,804	–	–
Bank borrowings	6,009	6,030	6,030	–	–
Lease liabilities	3,773	5,469	477	1,379	3,613
Total undiscounted financial liabilities	30,404	32,121	27,129	1,379	3,613
Total net undiscounted financial assets/(liabilities)	1,527	(190)	4,802	(1,379)	(3,613)

(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.

The Group's policy is to manage interest cost by using fixed rate debt arrangements. Information regarding the interest rates of the Group's bank borrowings are in Note 18.

Sensitivity analysis for interest rate risk

At 31 December 2020, if interest rates had been 75 (2019: 75) basis points lower/higher with all other variables held constant, the Group's net profit would be approximately $30,000 (2019: $45,000) higher/lower, arising from lower/higher interest expense on bank borrowings.

(c) *Credit risk*

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

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

(c) *Credit risk (cont'd)*

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.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss. The Group has no history of bad debt.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables based on the default rates assigned per credit standing of the customers which derives from the forward-looking information as mentioned above. The Group has no history of bad debt.

Summarised below is the information about the credit risk exposure on the Group's trade receivables:

	Current $'000	1 to 30 days past due $'000	31 to 60 days past due $'000	61 to 90 days past due $'000	Total $'000
31.12.2020					
Gross carrying amount	19,025	2,435	369	166	21,995
Loss allowance provision	47.6	6.1	0.9	0.4	55.0
31.12.2019					
Gross carrying amount	20,494	4,721	1,012	–	26,227
Loss allowance provision	43.1	9.7	2.2	–	55.0

Information regarding loss allowance movement of trade receivables are disclosed in Note 13.

During the financial year, there were no trade receivables written off as the Group expects to collect all trade receivables.

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

(c) *Credit risk (cont'd)*

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.

The Group provides for lifetime expected credit losses for all trade receivables using the default rates assigned per credit standing of the customers. The provision rates are determined based on the Group's historical observed default rates and considered the financial condition, payment pattern, overall business and industry outlook of the customers.

Information regarding credit enhancements for trade and other current assets 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:

	2020		2019	
	$'000	**%**	**$'000**	**%**
By Country:				
United States	2,771	13	4,048	16
Europe	7,745	35	7,700	29
Asia Pacific	11,424	52	14,424	55
	21,940	100	26,172	100

As at 31 December 2020, 22% (2019: 29%) of the Group's trade receivables are due from 2 (2019: 2) major customers who have operations 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.

(d) *Foreign currency exchange risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in United States Dollar.

Approximately 95% (2019: 94%) of the Group's sales for the financial year ended 31 December 2020 is denominated in United States Dollars whilst approximately 86% (2019: 87%) of purchases for the financial year ended 31 December 2020 is denominated in foreign currencies. The Group's foreign currency denominated trade receivables and trade payables and accruals at the respective balance sheet dates are disclosed in Notes 13 and 17 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.

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

(d) *Foreign currency exchange risk (cont'd)*

In the financial year ended 31 December 2020, the Group has hedged 40% to 60% (2019: 40% to 60%) of the net USD exposures for up to the next 6 months period. The table below summarises the open forward foreign currency contracts as at the respective balance sheet dates.

	2020		2019	
	Contractual notional amount $'000	Estimated fair value (Note 14) $'000	Contractual notional amount $'000	Estimated fair value (Note 14) $'000
Foreign exchange forward contracts to deliver United States dollars and receive Singapore dollars	12,145	380	7,664	125

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 currency 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.

	2020 $'000	2019 $'000
USD		
- strengthened by 5%	1,149	1,257
- weakened by 5%	(1,149)	(1,257)

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 2020 and 2019.

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	
	2020 $'000	2019 $'000
Net tangible assets	37,919	38,398
Current ratio	2.27	2.26

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 2020			
	Quoted price in active markets (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Financial asset:				
Derivatives (Note 14)				
- Forward currency contracts	–	380	–	380

	Group 2019			
	Quoted price in active markets (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Financial asset:				
Derivatives (Note 14)				
- Forward currency contracts	–	125	–	125

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, amount due to a subsidiary company (current), trade and other current assets, Amounts due from subsidiary companies and other payables and bank borrowings (current)

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

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 2020 and 2019 and certain asset and liability information regarding geographical segments at 31 December 2020 and 2019.

	Asia-Pacific		**USA**		**Europe**		**Consolidated**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment turnover								
Sales	58,179	67,494	22,166	24,642	43,144	46,611	123,489	138,747
Cost of sales	(43,443)	(49,617)	(16,736)	(19,208)	(35,019)	(37,013)	(95,198)	(105,838)
Segment result	14,736	17,877	5,430	5,434	8,125	9,598	28,291	32,909
Interest income	–	–	–	–	–	–	4	3
Depreciation of property, plant and equipment	–	–	–	–	–	–	(947)	(1,452)
Depreciation of rights of use assets	–	–	–	–	–	–	(414)	(492)
Finance costs - interest on bank borrowings	–	–	–	–	–	–	(71)	(166)
Finance costs - interest on lease liabilities	–	–	–	–	–	–	(106)	(114)
Fair value gain on financial instruments	–	–	–	–	–	–	255	43
Unallocated expenses	–	–	–	–	–	–	(20,029)	(22,622)
Share of results of associated company	–	–	–	–	–	–	61	(28)
Profit before taxation							7,044	8,081
Taxation							(1,031)	(916)
Net profit for the year							6,013	7,165

27. Segment information (cont'd)

Information about major customers

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

(1) Revenue amounts to $23,902,000 (2019: $24,036,000) arising from sales in Asia Pacific, USA and Europe.
(2) Revenue amounts to $16,056,000 (2019: $18,619,000) arising from sales in Asia Pacific, USA and Europe.

	Asia-Pacific		**USA**		**Europe**		**Consolidated**	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**
Other geographical information								
Trade receivables and inventories	25,229	28,081	7,889	8,640	18,265	16,119	51,383	52,840
Interests in associated company	1,429	1,368	–	–	–	–	1,429	1,368
Unallocated assets *							17,194	16,940
Total assets	–	–	–	–	–	–	70,006	71,148
Unallocated and total liabilities							31,024	31,687

* Capital expenditures of approximately $711,000 (2019: $463,000) and depreciation charge of approximately $947,000 (2019: $1,452,000) relate to that of the unallocated assets.

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 2020 and 2019.

	Singapore		**Indonesia**		**Vietnam**		**Consolidated**	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**
Segment assets	63,000	62,409	1,811	3,389	2,703	2,919	67,514	68,717
Goodwill	1,063	1,063	–	–	–	–	1,063	1,063
Interests in associated company	1,429	1,368	–	–	–	–	1,429	1,368
Total assets	65,492	64,840	1,811	3,389	2,703	2,919	70,006	71,148
Capital expenditure	330	91	246	145	135	227	711	463

28. Financial assets and liabilities measured at amortised cost

(a) *Financial assets*

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade receivables	21,940	26,172	21,595	25,452
Deposits under other current assets	509	233	401	125
Amounts due from a subsidiary company (Note 15)	–	–	566	556
Cash and cash equivalents (Note 16)	8,436	8,165	7,309	5,798
	30,885	34,570	29,871	31,931

(b) *Financial liabilities*

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade payables and accruals (Note 17)	19,245	18,056	17,950	16,818
Amounts due to subsidiary companies (Note 15)	–	–	6,160	3,804
Bank borrowings (Note 18)	4,002	6,009	4,002	6,009
	23,247	24,065	28,112	26,631

29. Event subsequent to the reporting date

Offer by AEM Singapore Pte. Ltd.

On 11 January 2021, PricewaterhouseCoopers Corporate Finance Pte Ltd ("PwC CF"), for and on behalf of AEM Singapore Pte. Ltd. (the "Offeror"), a company wholly-owned by AEM Holdings Ltd., has made the pre-conditional offer announcement (the "Pre-Conditional Offer Announcement"), that subject to the satisfaction of the Pre-Condition (as defined in Section 2.1 of the Pre-Conditional Offer Announcement), the Offeror intends to make a voluntary conditional offer (the "Offer") for all the issued and paid up ordinary shares (excluding any shares held in treasury) (the "Shares") in the capital of the Company other than those already held by the Offeror as at the date of the Offer in accordance with Rule 15 of the Singapore Code on Take-overs and Mergers. Offer price is set at $1.15 for each of the Shares.

On 15 February 2021, PwC CF, for and on behalf of the Offeror, has made the formal offer announcement (the "Formal Offer Announcement"), that inter alia, as at 13 February 2021, the Pre-Condition has been satisfied. Accordingly, the Offeror announced its firm intention to make the Offer.

On 3 March 2021, PwC CF, for and on behalf of the Offeror, has issued the offer document dated (the "Offer Document") setting out the terms and conditions of the Offer. As stated in the Offer Document, the Offer will close on 31 March 2021 ("Closing Date"), or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

On 19 March 2021, PwC CF, for and on behalf of the Offeror, has announced that, as at this date, the level of valid acceptances is 53.45% of the Shares. Accordingly, the Offer has been declared unconditional in all respects. And, the Closing Date of the Offer has been extended to 26 April 2021. As of 26 March 2021, the level of valid acceptances is 68.59% of the Shares.

On 22 March 2021, Mr Tien Sing Cheong and TIHT Investment Holdings Pte Ltd have disclosed that they have ceased to be the substantial shareholders and no longer hold shares in the Company. On the same date, other CEI Directors (including Mr Tan Ka Huat) who held shares in the Company have also disclosed that they no longer hold shares in the Company. On 23 March 2021, Republic Technologies Pte Ltd has disclosed that it has ceased to be the substantial shareholder and no longer hold shares in the Company. The aforementioned disclosures on SGX website are pursuant to their respective acceptances of the Offer.

30. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 26 March 2021.

Statistics of Shareholdings from the Depository Register as at 26 March 2021*

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	357	11.11	17,587	0.02
100 - 1,000	763	23.74	387,635	0.45
1,001 - 10,000	1,464	45.55	5,982,622	6.90
10,001 - 1,000,000	619	19.26	32,112,940	37.04
1,000,001 and above	11	0.34	48,197,679	55.59
Grand Total	3,214	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.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	6,330,000	7.30
5.	Citibank Nominees Singapore Pte Ltd	4,088,354	4.72
6.	DBS Nominees (Private) Limited	3,981,313	4.59
7.	Phillip Securities Pte Ltd	2,731,583	3.15
8.	Tan Ka Huat @ Kaharianto Tanmalano Or Tan Kylie	2,500,000	2.88
9.	Tan Ka Huat @ Kaharianto Tanmalano	1,475,340	1.70
10.	Ng Cheng Kung Or Neo Chwe Yong	1,442,190	1.66
11.	Raffles Nominees (Pte.) Limited	1,295,399	1.49
12.	Kuan Bon Heng	850,050	0.98
13.	United Overseas Bank Nominees (Private) Limited	825,497	0.95
14.	Heng Teck Yow	800,850	0.92
15.	Liew Chee Kong	751,000	0.87
16.	Lim Sea Leang	720,304	0.83
17.	OCBC Securities Private Limited	702,260	0.81
18.	Choo Kang Looi @ Chew Kang Looi	675,000	0.78
19.	Chin Teck Keong	551,020	0.64
20.	Lim Cher Khiang	488,127	0.56
	Total	54,561,787	62.93

* The above statistics of shareholdings have not reflected the subsequent changes in shareholdings pursuant to the Offer. Please refer to Note 29 to the Financial Statements for more details.

Statistics of Shareholdings from the Depository Register as at 26 March 2021* (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[1]	9.04
Temasek Holdings (Private) Limited	-	-	15,681,600[2]	18.09
Temasek Capital (Private) Limited	-	-	15,681,600[2]	18.09
Seletar Investments Pte Ltd	-	-	15,681,600[2]	18.09
TIHT Investment Holdings Pte Ltd	7,840,800	9.04	-	-
Killian Court Pte. Ltd.	-	-	7,840,800[1]	9.04
TIH Limited	-	-	7,840,800[1]	9.04
ASM Ventures Limited	-	-	7,840,800[1]	9.04
ASM Asia Recovery (Master) Fund	-	-	7,840,800[1]	9.04
ASM Asia Recovery Fund	-	-	7,840,800[1]	9.04
ASM Hudson River Fund	-	-	7,840,800[1]	9.04
Argyle Street Management Limited	-	-	7,840,800[1]	9.04
Argyle Street Management Holdings Limited	-	-	7,840,800[1]	9.04
Kin Chan	-	-	7,840,800[1]	9.04
Li Yick Yee Angie	-	-	7,840,800[1]	9.04
V-Nee Yeh	-	-	7,840,800[1]	9.04

Notes:

(1) Republic Technologies Pte Ltd, Killian Court Pte. Ltd., TIH Limited, ASM Ventures Limited, ASM Asia Recovery (Master) Fund, ASM Asia Recovery Fund, ASM Hudson River Fund, Argyle Street Management Limited, Argyle Street Management Holdings Limited, Kin Chan, Li Yick Yee Angie and V-Nee Yeh are deemed to have an interest in 7,840,800 shares held by TIHT Investment Holdings Pte Ltd.

(2) 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 and TIHT Investment Holdings Pte Ltd.

Based on the information available to the Company, approximately 65.88% 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.

* The above statistics of shareholdings have not reflected the subsequent changes in shareholdings pursuant to the Offer. Please refer to Note 29 to the Financial Statements for more details.

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

IMPORTANT:
PLEASE DISREGARD THIS NOTICE OF AGM AND PROXY FORM, IF YOU NO LONGER HOLD SHARES IN CEI LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-second Annual General Meeting (the "AGM") of CEI LIMITED (the "Company") will be held both in person at The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046 and by way of electronic means at <u>10am on 19 April 2021 (Monday)</u> for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2020 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 financial year ended 31 December 2020 (2019: 0.40 cents per share). (Resolution 2)

3. To declare a one-tier tax-exempt special dividend of 2.60 cents per share for the financial year ended 31 December 2020 (2019: 3.98 cents per share). (Resolution 3)

4. To re-elect Dr. Tang Martin Yue Nien who is retiring under Regulation 108(1) of the Company's Constitution and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"). (Resolution 4)

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

5. To approve Dr. Tang Martin Yue Nien's continued appointment as an Independent Director by all shareholders present at the Meeting contingent upon the passing of Ordinary Resolution 4 above and pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST. This Resolution to remain in force until the earlier of Dr. Tang Martin Yue Nien's retirement or resignation, or the conclusion of the third Annual General Meeting following the passing of this Resolution and Ordinary Resolution 6 below. [See explanatory note (i)] (Resolution 5)

6. To approve Dr. Tang Martin Yue Nien's continued appointment as an Independent Director by shareholders (excluding the Directors and Chief Executive Officer of the Company, and associates of such Directors and Chief Executive Officer) contingent upon the passing of Ordinary Resolution 5 above and pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST. This Resolution to remain in force until the earlier of Dr. Tang Martin Yue Nien's retirement or resignation of the Director; or the conclusion of the third Annual General Meeting following the passing of this Resolution and Ordinary Resolution 4 above. [See explanatory note (i)] (Resolution 6)

   Dr. Tang Martin Yue Nien will, upon election, remain as an Independent Director of the Company.

7. To re-elect Mr. Tien Sing Cheong who is retiring under Regulation 108(1) of the Company's Constitution and Rule 720(5) of the Listing Manual of the SGX-ST. (Resolution 7)

   Mr. Tien Sing Cheong will upon re-election as a Director of the Company, remain as the Executive Chairman and will be considered non-independent.

   Information on Dr. Tang Martin Yue Nien and Mr. Tien Sing Cheong can be found in the Corporate Governance Report - Information of the Directors Nominated for Re-election, the Company's Annual Report for the financial year ended 31 December 2020.

8. To approve the payment of Directors' fees of S$246,000 for the financial year ended 31 December 2020 (2019: S$251,000). (Resolution 8)

9. To re-appoint Ernst & Young LLP as the Auditors of the Company for the ensuing year and to authorise the Directors of the Company to fix their remuneration. (Resolution 9)

10. 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 with or without any modifications:

ORDINARY RESOLUTION

11. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

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

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

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

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

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 and subsidiary holdings) 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 and subsidiary holdings) 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 SGX-ST) 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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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; and

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

Adjustments in accordance with sub-paragraph (2)(a) or (2)(b) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution 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 (ii)] (Resolution 10)

By Order of the Board

Teo Soon Hock
Secretary
Singapore, 1 April 2021

Safe management measures

For Shareholders and others who intend to attend the AGM, the Company would like to inform that the AGM venue will be disinfected prior to the AGM and we will also provide hand sanitizers at the AGM venue. In addition, the following steps will be taken for Shareholders and others attending the AGM.

1. All persons attending the AGM will be required to undergo a **temperature check** and submit a **health declaration** in respect of whether he/she has been to overseas, in the last 14 days prior to the date of the AGM (i.e. commencing from and including 4 April 2021). This health declaration submitted will also be used for the purpose of contact tracing, if required.

2. Any person who are under quarantine order or Stay Home Notice or employer-imposed leave of absence, or has been to overseas, irrespective of nationality, during the said 14 days period, **will not be permitted to attend** the AGM.

3. Any person who has fever **will not be permitted to attend** the AGM. In the interest of public health, we may also at our discretion deny entry to persons exhibiting flu-like symptoms and cough.

4. **No lunch** will be served at the AGM.

Shareholders who received confirmation from the Company to attend the AGM in person but are feeling unwell on the date of the AGM are **advised not to attend the AGM**. Shareholders who received confirmation from the Company to attend the AGM in person are **advised to arrive at the AGM venue early** given that the above-mentioned measures may cause delay in the registration process.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further action measures as appropriate in order to minimize any risk to Shareholders and others who are attending the AGM in person.The Company seeks the understanding and cooperation of all Shareholders and others who intend to attend the AGM to minimize the risk of community spread of COVID-19.

Explanatory Notes:

(i) On 6 August 2018, the SGX-ST amended the Listing Manual following the publication of the Code of Corporate Governance 2018 by the Monetary Authority of Singapore. As part of the amendments to the Code of Corporate Governance 2018, certain guidelines from the Code of Corporate Governance 2012 were shifted into the Listing Manual for mandatory compliance. On 28 November 2018, the SGX-ST issued the Transitional Practice Note 3 to establish transitional arrangements for certain guidelines shifted into the Listing Manual. Pursuant thereto and in respect of Rule 210(5)(d)(iii) of the Listing Manual, to ensure that the independence designation of a director who has served for more than 9 years as at and from 1 January 2022 is not affected, the Company is seeking to obtain shareholders' approvals for Dr. Tang Martin Yue Nien's continued appointment as an independent director prior to 1 January 2022, as he has served for more than 9 years on the Board of the Company. Rule 210(5)(d)(iii) provides that continued appointment as independent director, after an aggregate period of more than 9 years on the board, must be sought and approved in separate resolutions by (A) all shareholders (Resolution 5) and (B) shareholders excluding directors, chief executive officer, and their associates (Resolution 6).

(ii) The Ordinary Resolution 10, 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 and subsidiary holdings) 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 and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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.

Notes:

1. The AGM will be held both in person at The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046 and by way of electronic means.

2. Alternative arrangements relating to attendance at the Annual General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast), submission of questions to the Chairman of the Meeting in advance of the Annual General Meeting, addressing of substantial and relevant questions at the Annual General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Annual General Meeting, are set out in the accompanying Company's announcement dated 1 April 2021.

3. The proxy form must be submitted in the following manner:
   (a) if submitted by post, use the self-addressed postage-paid envelope and be delivered to the Registered Office of the Company at 2 Ang Mo Kio Avenue 12, Singapore 569707; or
   (b) if submitted electronically, email to agm2021@cei.com.sg, in either case, by 10am on 15 April 2021 (Thursday).

4. A member may withdraw an instrument appointing the Chairman of the Meeting by sending an email to the Company at agm2021@cei.com.sg to notify the Company of the withdrawal, at least 96 hours before the time for holding the AGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote (whether to vote in favour of, or against, or to abstain from voting) at the Meeting 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 Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (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 LIMITED
Company Registration No. 199905114H
(Incorporated In The Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

IMPORTANT:
1. **Please disregard this proxy form, if you no longer hold shares in CEI Limited.**
2. The AGM will be held both in person at The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046 and by way of electronic means.
3. Alternative arrangements relating to attendance at the Annual General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast), submission of questions to the Chairman of the Meeting in advance of the Annual General Meeting, addressing of substantial and relevant questions at the Annual General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Annual General Meeting, are set out in the accompanying Company's announcement dated 1 April 2021.
4. The proxy form must be submitted in the following manner:
   (a) if submitted by post, use the self-addressed postage-paid envelope and be delivered to the Registered Office of the Company at 2 Ang Mo Kio Avenue 12, Singapore 569707; or
   (b) if submitted electronically, email to agm2021@cei.com.sg,
   in either case, by 10am on 15 April 2021 (Thursday).
5. A member may withdraw an instrument appointing the Chairman of the Meeting by sending an email to the Company at agm2021@cei.com.sg to notify the Company of the withdrawal, at least 96 hours before the time for holding the AGM.

I/We, ______________________ NRIC No:/Passport No: ______________________

of ______________________

being a *member/members of CEI LIMITED (the "Company"), hereby appoint the Chairman of the Meeting as *my/our proxy, to attend, speak and vote for *me/us and on *my/our behalf, at the Annual General Meeting of the Company to be held both in person at The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046 and by way of electronic means at 10am on 19 April 2021 (Monday) and at any adjournment thereof in the following manner:

No.	Resolutions relating to:	Numbers of Votes For [1]	Numbers of Votes Against [1]	Numbers of Votes Abstaining [1]
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2020			
2	Payment of proposed one-tier tax-exempt third and final dividend of 0.40 cents per share for the financial year ended 31 December 2020			
3	Payment of proposed one-tier tax-exempt special dividend of 2.60 cents per share for the financial year ended 31 December 2020			
4	Re-election of Dr. Tang Martin Yue Nien as a Director of the Company			
5	Approval of Dr. Tang Martin Yue Nien's continued appointment as an Independent Director by shareholders			
6	Approval of Dr. Tang Martin Yue Nien's continued appointment as an Independent Director by shareholders (excluding directors, chief executive officer, and their associates)			
7	Re-election of Mr. Tien Sing Cheong as a Director of the Company			
8	Approval of Directors' Fees amounting to S$246,000 for the financial year ended 31 December 2020			
9	Re-appointment of Ernst & Young LLP as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration			
10	Authority to issue shares			

[1] In appointing the Chairman of the Meeting as your proxy to cast all your votes For or Against a resolution, please tick within the For or Against box in respect of that resolution. Alternatively, please indicate the number of votes For or Against in the For or Against box in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to Abstain from voting on a resolution, please tick within the Abstain box in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the Abstain box in respect of that resolution.

For shareholders who wish to vote, they will have to submit their proxy forms and appoint "Chairman of the Meeting" as their proxy.

Dated this ______________ day of ______________ 2021

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

*Delete where inapplicable

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

CEI LIMITED

Company Registration No. 199905114H

(Incorporated In The Republic of Singapore)

PROXY FORM (Cont'd Page 2)

Safe management measures

For Shareholders and others who intend to attend the AGM, the Company would like to inform that the AGM venue will be disinfected prior to the AGM and we will also provide hand sanitizers at the AGM venue. In addition, the following steps will be taken for Shareholders and others attending the AGM.

1. All persons attending the AGM will be required to undergo a **temperature check** and submit a **health declaration** in respect of whether he/she has been to overseas, in the last 14 days prior to the date of the AGM (i.e. commencing from and including 4 April 2021). This health declaration submitted will also be used for the purpose of contact tracing, if required.
2. Any person who are under quarantine order or Stay-Home Notice or employer-imposed leave of absence, or has been in mainland China, Republic of Korea, Iran, northern Italy, or any other locations advised by relevant authorities after the date of this notice, irrespective of nationality, during the said 14 days period, **will not be permitted to attend the AGM**.
3. Any person who has fever **will not be permitted to attend** the AGM. In the interest of public health, we may also at our discretion deny entry to persons exhibiting flu-like symptoms and cough.
4. **No lunch** will be served at the AGM.

Shareholders who received confirmation from the Company to attend the AGM in person but are feeling unwell on the date of the AGM are **advised not to attend the AGM**. Shareholders who received confirmation from the Company to attend the AGM in person are **advised to arrive at the AGM venue early** given that the above-mentioned measures may cause delay in the registration process.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further action measures as appropriate in order to minimize any risk to Shareholders and others who are attending the AGM in person.The Company seeks the understanding and cooperation of all Shareholders and others who intend to attend the AGM to minimize the risk of community spread of COVID-19.

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, Chapter 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. For shareholders who wish to vote, they will have to submit their proxy forms by 10am on 15 April 2021 (Thursday) and appoint "Chairman of the Meeting" as their proxy.

3. Shareholders will not be able to vote at the Venue or AGM Webcast.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. A member who is a relevant intermediary entitled to attend, speak and vote (whether to vote in favour of, or against, or to abstain from voting) at the Meeting is entitled to appoint more than two proxies to attend, speak and vote (whether to vote in favour of, or against, or to abstain from voting) 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 and class of Shares in relation to which each proxy has been appointed.

6. "Relevant intermediary" has the same meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

7. The proxy form must be submitted in the following manner:

   (a) if submitted by post, use the self-addressed postage-paid envelope and be delivered to the Registered Office of the Company at 2 Ang Mo Kio Avenue 12, Singapore 569707; or

   (b) if submitted electronically, email to agm2021@cei.com.sg,

   in either case, by 10am on 15 April 2021 (Thursday).

8. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy 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 the Chairman of the Meeting as proxy 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.

9. 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.

10. A member may withdraw an instrument appointing the Chairman of the Meeting by sending an e-mail to the Company at agm2021@cei.com.sg to notify the Company of the withdrawal, at least 96 hours before the time for holding the Annual General Meeting.

11. The Company shall be entitled to reject the instrument appointing or treated as appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing or treated as appointing the Chairman of the Meeting as proxy (including any related attachment). In addition, in the case of members whose Ordinary Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing or treated as appointing the Chairman of the Meeting as proxy lodged if such members are not shown to have Ordinary Shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General 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), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 1 April 2021.

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.

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