



CEI LIMITED

(Company Registration No. 199905114H)

Third Quarter and Nine Months Financial Statements

The Board of Directors of CEI Limited wishes to announce the unaudited results of the Group and of the Company for the Third Quarter and Nine Months Ended 30 September 2019.

1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019

	GROUP					
	Third quarter ended:			Nine months ended:		
	30 Sep	30 Sep	+/(-) %	30 Sep	30 Sep	+/(-) %
	2019	2018		2019	2018	
\$'000	\$'000		\$'000	\$'000		
Revenue	33,584	35,405	(5.1)	103,163	103,506	(0.3)
Cost of sales	(25,616)	(27,199)	(5.8)	(78,161)	(79,160)	(1.3)
Gross profit	7,968	8,206	(2.9)	25,002	24,346	2.7
Other income (including interest income)	-	-	-	1	1	-
General and administrative costs	(5,057)	(5,135)	(1.5)	(15,402)	(14,531)	6.0
Selling and distribution costs	(1,322)	(1,179)	12.1	(3,605)	(3,373)	6.9
Profit from operations	1,589	1,892	(16.0)	5,996	6,443	(6.9)
Finance costs	(47)	(33)	42.4	(141)	(60)	N/M
Share of results of associated companies	(17)	-	N/M	21	-	N/M
Profit from operations before taxation	1,525	1,859	(18.0)	5,876	6,383	(7.9)
Taxation	(226)	(417)	(45.8)	(897)	(1,286)	(30.2)
Profit after taxation	1,299	1,442	(9.9)	4,979	5,097	(2.3)
Other comprehensive income:						
Foreign currency translation	70	(19)	N/M	21	7	N/M
Total comprehensive income for the period	1,369	1,423	(3.8)	5,000	5,104	(2.0)

Included in the above expenses are -

Depreciation of fixed assets	(506)	(451)	12.2	(1,545)	(1,385)	11.6
Fair value (loss)/gain on forward contracts	(239)	123	N/M	(262)	(395)	(33.7)
Foreign exchange gain/(loss)	317	(185)	N/M	137	210	(34.8)

N/M – Not meaningful

1(b) STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
	30 Sep 2019 \$'000	31 Dec 2018 \$'000	30 Sep 2019 \$'000	31 Dec 2018 \$'000
Non-current assets				
Property, plant and equipment	3,201	3,257	2,088	1,817
Goodwill	1,063	1,063	1,063	1,063
Investments in subsidiaries	-	-	5,107	5,107
Investments in an associated company	1,417	1,082	929	582
Deferred tax assets	951	863	210	203
	<u>6,632</u>	<u>6,265</u>	<u>9,397</u>	<u>8,772</u>
Current assets				
Inventories	31,587	33,785	30,216	32,292
Trade receivables	24,153	26,977	23,573	26,537
Other receivables	232	309	124	202
Prepayments and advances to suppliers	494	598	312	389
Amounts due from a subsidiary company	-	-	839	1,378
Cash and cash equivalents	6,032	3,355	4,611	3,105
	<u>62,498</u>	<u>65,024</u>	<u>59,675</u>	<u>63,903</u>
Current liabilities				
Trade payables and accruals	20,930	19,214	19,714	17,921
Amounts due to subsidiary companies	-	-	4,277	4,813
Bank borrowings	6,507	7,519	6,507	7,519
Provision for taxation	1,325	2,094	1,196	1,946
Contract liability	1,634	2,063	1,634	2,063
	<u>30,396</u>	<u>30,890</u>	<u>33,328</u>	<u>34,262</u>
Net current assets	<u>32,102</u>	<u>34,134</u>	<u>26,347</u>	<u>29,641</u>
Non-current liability				
Defined benefit obligations	841	645	-	-
Lease liability	560	-	560	-
	<u>1,401</u>	<u>645</u>	<u>560</u>	<u>-</u>
Net assets	<u>37,333</u>	<u>39,754</u>	<u>35,184</u>	<u>38,413</u>
Equity attributable to owners of the Company				
Share capital	23,897	23,897	23,897	23,897
Treasury shares	(837)	(837)	(837)	(837)
	<u>23,060</u>	<u>23,060</u>	<u>23,060</u>	<u>23,060</u>
Retained earnings	14,173	16,615	12,124	15,353
Foreign currency translation reserve	100	79	-	-
	<u>37,333</u>	<u>39,754</u>	<u>35,184</u>	<u>38,413</u>

1(c) **BORROWINGS**

Amount repayable in one year or less, or on demand

As at 30 September 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
-	6,507	-	7,519

Amount repayable after one year

As at 30 September 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
-	-	-	-

Details of any collateral

Not applicable.

**1(d) CONSOLIDATED CASH FLOW STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED
30 SEPTEMBER 2019**

	GROUP			
	Third quarter ended:		Nine months ended:	
	30 Sep	30 Sep	30 Sep	30 Sep
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before taxation	1,525	1,859	5,876	6,383
Adjustments for:				
Depreciation of property, plant and equipment	506	451	1,545	1,385
Interest income	1	1	-	-
Interest expense	47	33	141	60
Fair value loss/(gain) on forward contracts	239	(123)	262	395
Unrealised exchange (gain)/loss	(388)	336	(301)	(229)
Reversal of write-down of inventories	-	24	-	-
Provision for defined benefit obligations	81	56	196	150
Share of results of an associated company	17	-	(21)	-
Operating cash flows before changes in working capital	2,028	2,637	7,698	8,144
Decrease/(increase) in receivables and prepayments	1,406	(1,790)	3,044	512
(Increase)/decrease in inventories	(179)	(3,709)	2,198	(12,299)
Increase in creditors	1,132	1,700	1,152	4,306
Cash flows from operations	4,387	(1,162)	14,092	663
Interest received	-	-	1	1
Income tax paid	(811)	(430)	(1,754)	(1,083)
Interest paid	(56)	(24)	(143)	(42)
Net cash flows from / (used in) operating activities	3,520	(1,616)	12,196	(461)
Cash flows from investing activities				
Purchase of property, plant and equipment	(37)	(94)	(387)	(250)
Increase in investments in an associated company	-	-	(348)	-
Dividend received from an associated company	33	257	33	257
Net cash flows (used in) / from investing activities	(4)	163	(702)	7
Cash flows from financing activities				
Repayment of lease liability	(140)	-	(417)	-
Dividends paid	(3,624)	(3,503)	(7,421)	(6,450)
Proceeds from loans and borrowings	-	3,000	-	6,000
Repayments of loans and borrowings	(1,000)	-	(1,000)	-
Net cash flows used in financing activities	(4,764)	(503)	(8,838)	(450)
Net (decrease)/increase in cash and cash equivalents	(1,248)	(1,956)	2,656	(904)
Effect of exchange rate changes on cash and cash equivalents	(28)	(19)	21	7
Cash and cash equivalents at beginning of the period	7,308	4,122	3,355	3,044
Cash and cash equivalents at end of the period	6,032	2,147	6,032	2,147

1(e) STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

<u>Group</u>	Share capital \$'000	Treasury shares \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
Balance at 1 July 2019	23,897	(837)	16,498	30	39,588
Total comprehensive income	-	-	1,299	70	1,369
Dividends paid	-	-	(3,624)	-	(3,624)
Balance at 30 September 2019	23,897	(837)	14,173	100	37,333
Balance at 1 July 2018	23,897	(837)	16,328	80	39,468
Total comprehensive income	-	-	1,442	(19)	1,423
Dividends paid	-	-	(3,503)	-	(3,503)
Balance at 30 September 2018	23,897	(837)	14,267	61	37,388
<u>Company</u>		Share capital \$'000	Treasury shares \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2019		23,897	(837)	15,027	38,087
Profit net of tax		-	-	721	721
Dividends paid		-	-	(3,624)	(3,624)
Balance at 30 September 2019		23,897	(837)	12,124	35,184
Balance at 1 July 2018		23,897	(837)	15,482	38,542
Profit net of tax		-	-	2,025	2,025
Dividends paid		-	-	(3,503)	(3,503)
Balance at 30 September 2018		23,897	(837)	14,004	37,064

1(e) STATEMENT OF CHANGES IN EQUITY FOR NINE MONTHS ENDED 30 SEPTEMBER 2019

<u>Group</u>	Share capital \$'000	Treasury shares \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
Balance at 1 January 2019	23,897	(837)	16,615	79	39,754
Total comprehensive income	-	-	4,979	21	5,000
Dividends paid	-	-	(7,421)	-	(7,421)
Balance at 30 September 2019	23,897	(837)	14,173	100	37,333
Balance at 1 January 2018	23,897	(837)	15,620	54	38,734
Total comprehensive income	-	-	5,097	7	5,104
Dividends paid	-	-	(6,450)	-	(6,450)
Balance at 30 September 2018	23,897	(837)	14,267	61	37,388

<u>Company</u>	Share capital \$'000	Treasury shares \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2019	23,897	(837)	15,353	38,413
Profit net of tax	-	-	4,192	4,192
Dividends paid	-	-	(7,421)	(7,421)
Balance at 30 September 2019	23,897	(837)	12,124	35,184
Balance at 1 January 2018	23,897	(837)	14,066	37,126
Profit net of tax	-	-	6,388	6,388
Dividends paid	-	-	(6,450)	(6,450)
Balance at 30 September 2018	23,897	(837)	14,004	37,064

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

		As at 30 Sep 2019	As at 31 Dec 2018
No. of treasury shares held	:	1,235,750	1,235,750
No. of issued shares excluding treasury shares	:	86,698,463	86,698,463

1(g) There was no outstanding convertible as at 30 September 2019 and 31 December 2018.

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

2. AUDIT/REVIEW

The figures have not been audited or reviewed.

3. AUDITORS' REPORT

Not applicable as figures have not been audited or reviewed.

4. ACCOUNTING POLICIES

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

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

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

SFRS(I) 16 Leases

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

On the adoption of SFRS(I) 16, the Group has opted to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 1 January 2019. The Group recognised \$1,102,000 of right-of-use asset as part of the property, plant and equipment, \$542,000 of lease liability (current) as part of trade payables and accruals and \$560,000 of lease liability (non-current) in the statement of financial position as at 1 January 2019.

6. EARNINGS PER ORDINARY SHARE (EPS)

	Group			
	Third quarter of FY2019	FY2018	Nine months of FY2019	FY2018
Earnings per share based on profit attributable to shareholders:				
Based on existing issued share capital	1.50 cts	1.66 cts	5.74 cts	5.88 cts
Based on fully diluted basis	1.50 cts	1.66 cts	5.74 cts	5.88 cts

7. NET ASSET VALUE

	Group		Company	
	As at 30 Sep 2019	As at 31 Dec 2018	As at 30 Sep 2019	As at 31 Dec 2018
Net asset value per share based on existing issued share capital as at the end of the period reported on (excluding treasury shares).	43.06 cts	45.85 cts	40.58 cts	44.31 cts

8. REVIEW OF GROUP PERFORMANCE

Revenue and Profit: Nine months ("9MTH") ended 30 Sep 2019 vs Nine months ended 30 Sep 2018

The Group's Revenue for 9MTH of 2019 of \$103.2 million was similar to 9MTH of 2018. The Gross Profit Margin increased from 23.5% in 9MTH of 2018 to 24.2% in 9MTH of 2019.

The General and Administrative Costs increased from \$14.5m to \$15.4m in 9MTH of 2019. The General and Administrative Costs in the 9MTH of 2018 were lower due to a one-off write-back of provision of expenses, and also payout received from the Wage Credit Scheme.

The Profit from Operations before Taxation was \$5.88m in 9MTH of 2019, compared with \$6.38m in 9MTH of 2018.

The Profit after Taxation was \$4.98m in 9MTH of 2019, compared with \$5.10m in 9MTH of 2018.

Earnings per share was 5.74 cents in 9MTH of 2019, compared with 5.88 cents in 9MTH of 2018, based on a fully diluted basis.

Net asset value per share was 43.06 cents as at 30 Sep 2019, compared with 43.12 cents as at 30 Sep 2018.

Revenue and Profit: 3Qtr ended 30 Sep 2019 vs 3Qtr ended 30 Sep 2018

The Group's Revenue for 3Q 2019 of \$33.6 million was 5.1% lower compared with 3Q 2018 as our customers in the industrial sector were affected by the global economic headwinds and uncertainties. The Gross Profit Margin increased from 23.2% in 3Q 2018 to 23.7% in 3Q 2019. The increase in Gross Profit Margin is not sufficient to offset the lower Revenue, resulting in Gross Profit decreasing from \$8.2m to \$8.0m in 3Q 2019.

The General and Administrative Costs decreased marginally from \$5.1m to \$5.0m in 3Q 2019. The Selling and Distribution Costs increased from \$1.2m to \$1.3m in 3Q 2019 to support increase in overseas marketing activities.

The Profit from Operations before Taxation was \$1.53m in 3Q 2019, compared with \$1.86m in 3Q 2018.

The Profit after Taxation was \$1.30m in 3Q 2019, compared with \$1.44m in 3Q 2018.

Earnings per share was 1.50 cents in 3Q 2019, compared with 1.66 cents in 3Q 2018, based on a fully diluted basis.

Financial Position: 30 September 2019 vs 31 December 2018

Inventories decreased by \$2.2 million, from \$33.8m to \$31.6m. Trade receivables decreased by \$2.8m, from \$27.0m to \$24.2m. Cash and cash equivalents increased by \$2.7m, from \$3.3m to \$6.0m, while Bank borrowings decreased from \$7.5m to \$6.5m.

9. VARIANCE FROM PROSPECT STATEMENT

There is no variance from the prospect statement.

10. PROSPECT

As at 30 September 2019, the Group has orders on hand, with confirmed delivery dates, worth \$58.3 million (30 September 2018: \$63.4 million), which are expected to be fulfilled within the next six months.

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

Global economic headwinds and trade tensions are causing uncertainties in some part of the businesses. The Group will continue to manage our business judiciously.

Barring any unforeseen circumstances, the Directors expect the Group to remain profitable for FY 2019.

11. DIVIDENDS

(a) Current Financial Period Reported On

NIL

(b) Corresponding Period of the Immediate Preceding Financial Year

NIL

12. DIVIDENDS

The Company did not declare any dividend for the third quarter ended 30 September 2019.

13. INTERESTED PERSON TRANSACTIONS (unaudited)

Aggregate value of all transactions conducted under a shareholders mandate pursuant to Rule 920 of the SGX Listing Manual

	Third quarter of		Nine months of	
	FY2019	FY2018	FY2019	FY2018
	\$'000	\$'000	\$'000	\$'000
Transactions for the Sale of Goods and Services				
Innospark Pte Ltd	-	57	22	329
ST Electronics (Satcom & Sensor Systems) Pte Ltd	167	123	370	269
STELOP Pte Ltd	5	-	206	-
SMART Systems Pte Ltd	-	-	85	-
	<u>172</u>	<u>180</u>	<u>683</u>	<u>598</u>

14. CONFIRMATION BY THE BOARD OF DIRECTORS

The directors confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial results for the third quarter and nine months ended 30 September 2019 to be false or misleading.

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

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

BY ORDER OF THE BOARD

**Teo Soon Hock
Secretary**

Singapore, 30 October 2019