

**Issuer:** CEI Limited

**Security:** CEI Limited

**Meeting details:**

Date: 12 April 2017

Time: 11:00H

Venue: The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046

**Company Description**

CEI Limited provides contract manufacturing services to industrial equipment market in the United States, Europe, and Asia Pacific. The company provides printed circuit board and box-build assembly services, as well as equipment design, cable harness assembly, and manufacturing services; and value-added services, such as materials management, circuit layout, prototype and development engineering, metal stamping, cable harnessing, and precision machined components. It also designs and manufactures its own brand of proprietary equipment for the semiconductor industry. CEI Limited offers its services for electroluminescence displays used in industrial, transportation, and medical applications; medical and health care equipment; office equipment, such as digital photocopiers; analytical instruments comprising gas and liquid chromatographs, and measurement instruments; industrial safety controllers and environmental sensors; front and back end semiconductor equipment; and SMT equipment. The company was formerly known as CEI Contract Manufacturing Limited and changed its name to CEI Limited in April 2016. CEI Limited was founded in 1980 and is headquartered in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=AVV](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AVV))

**Q1.** The group has made great improvements in its operations in the last 2 years. From FY2011 to FY2013, the turnover was about \$105 million to 110 million annually but turnover for the past two years jumped to above \$130 million annually (page 15 – Financial highlights). Net profit margin after tax has more than doubled from 3.3% (FY2011-FY2013) to 7.5% (average of FY2015-FY2016).

Even though turnover is now at the \$130 million level, the group’s “property, plant and equipment” as at 31 December 2016 amounted to just \$5.6 million, down from \$10.3 million in 2011 when revenue was at the \$100 million level. Purchase of property, plant and equipment was \$0.6 million but depreciation was \$2.2 million in 2016.

- a) **Shareholders would like to understand if the improved operational efficiencies could be sustained or further improved, and also if sufficient investment and capital expenditure have been made to grow the business further.**
- b) **Can management disclose the current utilisation rates of the group’s sites in Batam, Vietnam and Singapore?**

**Q2.** As part of the group’s Risk identification, Management policies and Processes (page 14), it was disclosed that the group has “more than 74 customers, of which the top 5 customers account for 55% of FY 2016 revenue”.

The number of customers has ranged from more than 70 to more than 80 customers, of which the top 5 customers have accounted for 51%-56% of the financial year’s revenue from FY2011 to FY2015.

- a) **Is management targeting to further increase the customer base and to further reduce the reliance of the top customers?**
- b) **Can shareholders get better visibility into the nature of growth in the past two financial years? How much of the increased revenue was derived from new customers/new products, and how much of the increased revenue was due to better pricing?**
- c) **What are some of the opportunities the group is targeting for the financial year?**

**Q3.** As disclosed in the directors’ profile (page 3), the three independent directors were first appointed to the board in February 2000 and January 2007, and thus all three directors have served on the board for more than nine years from the date of their first appointments.

Notwithstanding the fact that the three directors were “*considered independent upon rigorous review by the NC, after taking into consideration, inter alia, their participation in various meetings with the management, the Board and various Committees, including their regular feedback and queries raised on the Group’s financial positions, business strategies and investment decisions*”, Guideline 2.4 of the Code of Corporate Governance issued by the Monetary Authority of Singapore calls for the board to “also take into account the need for progressive refreshing of the Board”.

- a) **Can the board provide more detail on its plans to ensure the progressive refreshing of the board?**
- b) **Please also disclose the company’s search and nomination process for new directors.**