

CSE SYSTEMS & ENGINEERING LTD

First Quarter Financial Statement

Half-year financial statement on consolidated results for the three months ended 31 March 2002.
These figures have not been audited.

		Group			Company		
		S\$'000		%	S\$'000		%
		2002	2001	Change	2002	2001	Change
1.(a)	Turnover	32,325	25,400	27	5,767	5,421	6
1.(b)	Investment income	0	0	0	0	0	0
1.(c)	Other income including interest income	52	18	189	41	92	(55)
2.(a)	Operating profit before income tax, minority interests, extraordinary items, interest on borrowings, depreciation and amortisation, foreign exchange gain/(loss) and exceptional items	4,587	1,445	217	817	785	4
2.(b)(i)	Interest on borrowings	229	346	(34)	223	295	(24)
2.(b)(ii)	Depreciation and amortisation	712	320	123	146	107	36
2.(b)(iii)	Foreign exchange gain/(loss)	45	922	(95)	46	890	(948)
2.(c)	Exceptional items	0	0	0	0	0	0
2.(d)	Operating profit before income tax, minority interests and extraordinary items but after interest on borrowings, depreciation and amortisation, foreign exchange gain/(loss) and exceptional items	3,691	1,701	117	494	1,273	(612)

		Group			Company		
		S\$'000		%	S\$'000		%
		2002	2001	Change	2002	2001	Change
2.(e)	Income derived from associated companies	(3)	(241)	99	0	0	0
2.(f)	Less income tax	1,094	481	128	80	210	(62)
2.(g)(i)	Operating profit after tax before deducting minority interests	2,593	979	165	414	1,063	(61)
2.(g)(ii)	Less minority interests	105	(111)	NM	0	0	0
2.(h)	Operating profit after tax attributable to members of the company	2,488	1,090	128	414	1,063	(61)
2.(i)(i)	Extraordinary items	0	0	0	0	0	0
2.(i)(ii)	Less minority interests	0	0	0	0	0	0
2.(i)(iii)	Extraordinary items attributable to members of the company	0	0	0	0	0	0
2.(i)(iv)	Transfer to/from Exchange Reserve	0	0	0	0	0	0
2.(i)(v)	Transfer to Capital Reserve	0	0	0	0	0	0
2.(i)(vi)	Transfer to Reserve Fund	2,488	1,090	128	414	1,063	(61)
2.(j)	Operating profit after tax and extraordinary items attributable to members of the company	2,488	1,090	128	414	1,063	(61)

*NM - Not Meaningful

		Group Figures	
		2002	2001
3.(a)	Earnings per share based on 2(h) above after deducting any provision for preference dividends:-		
	(i) Based on existing issued share capital	0.84 cents	0.41 cents
	(ii) On a fully diluted basis	0.82 cents	0.40 cents
3.(b)	Earnings per share based on 2(j) above:-		
	(i) Based on existing issued share capital	0.84 cents	0.41 cents
	(ii) On a fully diluted basis	0.82 cents	0.40 cents
3.(c)	Net tangible asset backing per ordinary share	8.05 cents	2.83 cents

4.(a) Amount of any adjustment for under or overprovision of tax in respect of prior years

NIL

4.(b) Amount of any pre-acquisition profits

NIL

4.(c) Amount of profits on any sale of investments and/or properties

Sale of investments/properties

\$Profit/(Loss)

NIL

4.(d) Any other comments relating to Paragraph 4

NIL

5.(a) Review of the performance of the company and its principal subsidiaries

Group

S\$'000	Year	2001			2002		2001
		Q2	Q3	Q4	Q1	YTD	Q1 YTD
Sales		26,155	29,313	33,032	32,325	32,325	25,400
PBT before goodwill amortisation, one-time charges & MI		2,199	2,366	4,486	4,014	4,014	1,800
Goodwill amortisation		(5)	(79)	(295)	(326)	(326)	(326)
One time charges		(3,053)	(168)	(1,572)	0	0	(350)
Profit/(Loss) before tax and MI		(859)	2,119	2,619	3,688	3,688	1,400
MI before tax		333	168	570	(120)	(120)	900
Profit/(Loss) before tax and after MI*		(526)	2,287	3,189	3,568	3,568	1,550

*Minority Interest (MI) share of tax for 2002 is \$15,000 (2001 : \$19,000.).

Overview

After a difficult FY2001, the reorganized Group showed stability and growth in Q1 FY2002. Both of its business units were profitable.

The Group has begun to see the synergistic benefits of its acquisitions of W-Industries in USA and Servelec in UK. In Q1 FY2002, it delivered a S\$1.8 million control system to Philips Petroleum in Bohai Bay, China. This was the first major project in which CSE leveraged on the wellhead control technology of its subsidiary W-Industries. It has also started work on the joint-project between CSE and its subsidiary Servelec for the S\$6.5 million fault monitoring system for Jurong Town Corporation.

CSE together with its subsidiary Servelec has secured a S\$0.2 million control system order in Kuwait.

Highlights of First Quarter Performance

Revenue for Q1 FY 2002 was S\$32.3 million, an increase of 27% over Q1 FY2001. The increase in revenue was primarily due to higher revenues in the Group's USA and UK operations.

The Group's operating profit before tax, goodwill amortisation, one-time charges & minority interest for Q1 FY2002 was S\$4.0 million, an increase of 121% over Q1 FY2001. The improvement in profit before tax, goodwill amortisation, one-time charges & minority interest was primarily due to better utilization in the Group's USA and UK operations as well as the absence of one-time charges. The S\$0.33 million of amortisation of goodwill arose from the re-organisation of eBworx into a 100% owned subsidiary of the Group.

The order book registered by the Group at the end of Q1 FY2002 was valued at S\$85.0 million, compared to S\$80.7 million at the end of FY2001.

During the current quarter, S\$2.4 million generated for operating activities and S\$18.2 million from its share placement in January 2002 were used by the Group to repay S\$20.6 million of its bank loan in Q1 FY2002.

The Group ended the first quarter 2002 with a Shareholders' Fund before minority interest of S\$29.9 million and a bank borrowing of S\$25.6 million giving it a gearing ratio of 0.86 time.

Industrial Business Unit

S\$'000	Year	2001			2002		2001
		Q2	Q3	Q4	Q1	YTD	Q1 YTD
Sales							
Asia		2,863	3,953	3,654	3,081	3,081	2,863
Servelec (UK)		4,171	4,824	6,142	5,249	5,249	3,528
W-Industries (USA)		15,528	17,745	17,049	18,640	18,640	12,951
Total		22,562	26,522	26,845	26,970	26,970	19,382

Industrial Business Unit

Year	2001			2002		2001
	Q2	Q3	Q4	Q1	YTD	Q1 YTD
S\$'000						
PBT before goodwill amortisation, one-time charges & MI						
Asia	554	554	1,833	741	741	86
Servelec (UK)	263	240	1,579	970	970	(48)
W-Industries (USA)	2,142	2,153	1,703	1,836	1,836	1,35
Total	2,959	2,947	5,115	3,547	3,547	1,73
Goodwill Amortisation	0	0	0	0	0	
One time charges	(2,263)	(168)	0	0	0	(35)
PBT before MI	696	2,779	5,115	3,547	3,547	1,37
MT before tax	(53)	(41)	(94)	(30)	(30)	(3)
PBT after MI	643	2,738	5,021	3,517	3,517	1,34

*MI share of tax for FY2002 is S\$15,000 (FY2001: S\$11,000.).

For Q1 FY2002, turnover of the Industrial Business Unit was S\$27.0 million and profit before tax, goodwill amortisation, one-time charges & minority interest was maintained at a margin of 13% or S\$3.5 million. The increase in revenue was primarily due to higher revenues in the business unit's USA and UK operations while the business unit's Asia operations remained stable.

IT Consulting Business Unit

Year	2001			2002		2001
	Q2	Q3	Q4	Q1	YTD	Q1 YTD
S\$'000						
Sales						
Computer Services	1,773	1,732	3,608	3,169	3,169	3,33
eBworx	1,820	1,059	2,579	2,186	2,186	2,71
Total	3,593	2,791	6,187	5,355	5,355	6,04

Year	2001			2002		2001
	Q2	Q3	Q4	Q1	YTD	Q1 YTD
S\$'000						
Profit/(Loss) before tax, goodwill amortisation, one-time charges & MI						
Computer Services	193	114	(257)	105	105	61
eBworx	(953)	(695)	(372)	362	362	(52)
Total	(760)	(581)	(629)	467	467	8
Goodwill amortisation	(5)	(79)	(295)	(326)	(326)	
One time charges	(790)	0	(1,572)	0	0	
Profit/(Loss) before tax and MI	(1,555)	(660)	(2,496)	141	141	8
MI before tax	386	209	664	(90)	(90)	12
Profit/(Loss) before tax and after MI*	(1,169)	(451)	(1,832)	51	51	20

*MI share of tax for FY2002 is Nil (FY2001: S\$8,000)

For Q1 FY2002, turnover of the IT Consulting Unit was S\$5.4 million and profit before tax, goodwill amortisation, one-time charges & minority interest was S\$0.47 million. This was a significant improvement over the previous four quarters. The positive contribution was the result of the restructuring exercise in 2H FY2001 to bring expenses in line with the prevailing business volume as well as focusing on high value added services. The growth in financial services in Malaysia contributed to turnaround of eBworx. IT services for the Singapore government agencies recorded a decline in profit as compared to the same period last year because the progressive recognition of backlog orders for the current financial year will pre-dominantly be in 2H FY2002.

In Q1 FY2002, eBworx Malaysia Sdn Bhd has obtained the MSC Committee approval for MSC status. eBworx Malaysia was granted pioneer status for a period of 10 years which effectively means no tax is payable during this period.

Segmental Results

(a) By Activities

2002 S\$'000	Industrial Business	IT Consulting	Consolidated Total
Turnover	26,970	5,355	32,325
PBT before goodwill amortisation, one time charges & MI	3,547	467	4,014
Goodwill amortisation	0	(326)	(326)
One-time charges	0	0	0
PBT before MI	3,547	141	3,688
MI before tax	(30)	(90)	(120)
PBT after MI	3,517	51	3,568
Return on Sales (%)	13.04	1.0	11.04

2001 S\$'000	Industrial Business	IT Consulting	Consolidated Total
Turnover	19,353	6,047	25,400
PBT before goodwill amortisation, one time charges & MI	1,733	84	1,817
Goodwill amortisation	0	0	0
One-time charges	(357)	0	(357)
PBT before MI	1,376	84	1,460
MI before tax	(30)	122	92
PBT after MI	1,346	206	1,522
Return on Sales (%)	7.0	3.41	6.11

(a) By Geographical markets

2002 S\$'000	Singapore	Asia	The Americas	Europe/ Middle East	Consolidated Total
Turnover	4,939	3,337	18,640	5,409	32,325
PBT before goodwill amortisation, one time charges & MI	421	755	1,836	1,002	4,014
Goodwill amortisation	(326)	0	0	0	(326)
One-time charges	0	0	0	0	0
PBT before MI	95	755	1,836	1,002	3,688

MI before tax	0	(120)	0	0	(120)
PBT after MI	95	635	1,836	1,002	3,568
Return on Sales (%)	1.92	19.03	9.85	18.52	11.04

2001 S\$'000	Singapore	Asia	The Americas	Europe/ Middle East	Consolidated Total
Turnover	6,058	2,850	12,955	3,537	25,400
PBT before goodwill amortisation, one time charges & MI	708	478	1,114	(483)	1,817
Goodwill amortisation	0	0	0	0	0
One-time charges	0	0	(357)	0	(357)
PBT before MI	708	478	757	(483)	1,460
MI before tax	122	(30)	0	0	92
PBT after MI	830	448	757	(483)	1,522
Return on Sales (%)	13.70	15.72	5.84	NM	6.11

(c) Backlog orders

S\$'Million

Year	Industrial Business	IT Consulting	Consolidated Total
Mar 2001	32.9	30.1	63.0
Jun 2001	33.2	31.0	64.2
Sep 2001	31.0	30.8	61.8
Dec 2001	47.3	33.4	80.7
Mar 2002	53.6	31.4	85.0

- 5.(b) A statement by the Directors of the Company on whether "any item or event of a material or unusual nature which would have affected materially the results of operations of the Group and Company has occurred between the date to which the report refers and the date on which the report is issued". If none, to include a negative statement.

In the opinion of the Directors, no item or event of a material or unusual nature has affected materially the results of the operations of the Group and Company between the date to which this report refers and the date on which this report is issued.

6. Commentary on current year prospects

The Group remained cautious on the uncertain world economic outlook. However, based on the backlog orders and the current market and customer trend, the outlook for the Group for FY2002 should improve significantly. The Group had received S\$36.6 million of new orders in Q1FY2002 and has backlog orders of S\$85.0 million as at 31 March 2002 an increase of 5% compared to S\$80.7 million at the end of FY2001.

The Industrial business unit has secured backlog orders of S\$53.6 million as at 31 March 2002. Barring unforeseen circumstances, the Directors expect the Group's Industrial business unit to maintain its Q1FY2002 performance for the rest of the year and to contribute approximately 85% to the Group's profits in FY2002.

The IT Consulting business unit has secured backlog orders of S\$31.4 million as at 31 March 2002. Barring unforeseen circumstances and based on the anticipated progressive recognition of the backlog orders, the Directors expect the Group's IT Consulting business unit to contribute approximately 15% to the Group's profits in FY2002.

7. Dividend

(a) Any dividend declared for the present financial period? **None**

(b) Any dividend declared for the previous corresponding period? [None](#)

(c) Date payable

NIL

(d) Books closing date

NIL

(e) Any other comments relating to Paragraph 7

NIL

8. Details of any changes in the company's issued share capital

(a) Changes in Issued Share Capital

The Company had entered into a placement agreement dated 25 January 2002 with The Development Bank of Singapore Ltd ("DBS Bank"). Pursuant to the placement agreement, DBS Bank had been appointed as the placement manager and placement agent, and had agreed to subscribe or procure subscriptions for 40,000,000 new ordinary shares of S\$0.05 each in the capital of the Company at the issue price of S\$0.467 for each placement share. The placement agent had successfully placed out all the 40,000,000 placement shares.

(b) Share Options Under the Company's Executive' Share Option Scheme

As at 31 March 2002, there were 17,093,000 and 1,585,000 unissued reserved shares pursuant to the CSE Systems & Engineering share options scheme and CSE (U.S Subsidiaries) incentive stock option plan respectively.

9. Comparative figures of the group's borrowings and debt securities

(a) Amount repayable in one year or less, or on demand

As at 31/03/2002		As at 31/12/2001	
Secured	Unsecured	Secured	Unsecured
0	16,101,000	0	36,746,000

(b) Amount repayable after one year

As at 31/03/2002		As at 31/12/2001	
Secured	Unsecured	Secured	Unsecured
0	9,508,000	0	9,520,000

(c) Any other comments relating to Paragraph 9

NIL

10. Balance Sheet

NIL

11. Gearing

	S\$'000
Amounts due to bankers as at 31 December 2001	S\$46,266
Net proceeds from share placements in January 2002	(S\$18,229)
Net cash generated from operation in Q1 FY2002	(S\$ 2,428)
Amounts due to bankers as at 31 March 2002	S\$25,609
Shareholder's Fund Before Minority Interest as at 31 March 2002	S\$29,864
Gearing as at 31 March 2002	0.86

12. Economic Value Added (EVA)

EVA for the first quarter 2002 was a negative of S\$0.7 million on average EVA Capital of S\$130.0 million as compared to 2001 EVA negative of S\$1.1 million on average EVA Capital of S\$95.0 million. The Group's Weighted Average Cost Of Capital (WACC) was 10.5% for the last three financial year.

BY ORDER OF THE BOARD

Tan San-Ju
Company Secretary
06/05/2002