

First Quarter Financial Statement And Dividend Announcement For The Period Ended 31 March 2006

PART 1 – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1 The following statements in the form presented in the issuer's most recently audited annual financial statement:-

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

S\$'000	Group		Change (%)
	2006	2005	
	1Q	1Q	
Revenue	68,584	51,839	32%
Cost of sales	(45,608)	(35,066)	30%
Gross profit	22,976	16,773	37%
Other operating income (Note 1)	157	1,387	-89%
Other operating expenses			
Administrative costs (Note 2)	(12,677)	(11,884)	7%
Selling and distribution costs (Note 3)	(953)	(1,271)	-25%
Other operating costs (Note 4)	(111)	(209)	-47%
Finance costs (Note 5)	(876)	(594)	47%
Share of results of associated companies, net of tax	(15)	(237)	-94%
Total Expenses	(14,632)	(14,195)	
Profit from continuing operations before taxation	8,501	3,965	114%
Taxation (Note 6)	(2,502)	(650)	N.M.
Profit from continuing operations after taxation	5,999	3,315	81%
Attributable to :-			
Equity holders of the Company	6,009	3,327	81%
Minority interest	(10)	(12)	-17%
	5,999	3,315	81%
Earnings per ordinary shares (in cents)			
- Basic	1.82	1.03	
- Diluted	1.80	1.02	

N.M. – Not meaningful

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:-

S\$'000	2006 1Q	2005 1Q	Change %
Profit from continuing operations is arrived at after charging/(crediting) the following:			
(A) Interest on borrowings(Note 5)	819	530	54%
(B) Depreciation and amortization	648	589	10%
(C) Allowance for doubtful debts and bad debts	40	58	-31%
(D) Foreign exchange loss/(gain)	147	(961)	N.M.
(E) Changes in fair value of financial instruments	(54)	56	N.M.

N.M. – Not meaningful

Note 1

S\$'000	2006 1Q	2005 1Q	Change (%)
Rental income	15	88	-83%
Commission income	52	11	N.M.
Miscellaneous income	36	267	-86%
Net exchange (loss)/gain	(147)	961	N.M.
Miscellaneous income	(44)	1,327	-103%
Finance income	201	60	N.M.
Other operating income	157	1,387	-89%

N.M. – Not meaningful

Note 2

The increase in the administrative costs for 1Q 2006 was mainly due to the increase in manpower expenses.

Note 3

The decrease in selling and distribution costs for 1Q 2006 was due to consolidation of Middle East sale efforts with local sales representation.

Note 4

S\$'000	Group		Change (%)
	2006 1Q	2005 1Q	
Allowance for doubtful debts and bad debts	40	61	-34%
Miscellaneous expenses	16	78	-79%
Amortisation of intangible assets	55	70	-22%
	111	209	

N.M. – Not meaningful

Note 5

The increase in finance costs for 1Q 2006 was due to higher interest rates.

The Group operates in several tax jurisdictions with different tax rates. Thus, the effective tax rate will vary from time to time depending on where the sales and profits are recorded.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group 31-Mar-06 S\$'000	Group 31-Dec-05 S\$'000	Company 31-Mar-06 S\$'000	Company 31-Dec-05 S\$'000
Fixed assets	18,803	19,254	7,493	7,606
Subsidiary companies	-	-	150,602	150,602
Associated companies	15,272	15,321	10,299	10,333
Intangible assets	31,928	32,967	-	-
Deferred tax assets	1,787	1,608	628	488
Current Assets				
Projects in progress	12,157	15,154	46	531
Stocks	6,568	5,746	-	-
Trade debtors (Note 7)	105,473	100,492	3,853	4,427
Other debtors, deposits & prepayments	4,186	3,939	396	670
Amount due from subsidiary companies	-	-	8,778	8,119
Amount due from an associated company	46	43	3	-
Short-term deposits	1,409	1,333	-	-
Cash & bank balances	28,229	28,029	936	525
	158,068	154,736	14,012	14,272
Current Liabilities				
Projects in progress	5,576	4,773	-	-
Trade creditors & accruals	48,432	50,395	3,663	4,647
Finance leases	241	225	-	-
Amount due to bankers	70,669	72,004	70,669	72,004
Amount due to subsidiary companies	-	-	13,534	11,809
Amount due to an associated company	-	-	-	-
Provision for warranties	1,412	1,594	-	-
Provision for taxation	5,025	3,791	-	-
	131,355	132,782	87,866	88,460
Net current assets/(liabilities)	26,713	21,954	(73,854)	(74,188)
Long term liabilities				
Deferred tax liabilities	(583)	(570)	-	-
Finance leases	(368)	(366)	-	-
Amounts due to bankers	(1,348)	(2,783)	(1,348)	(2,783)
	92,204	87,385	93,820	92,058
Capital and reserves				
Share capital	86,241	16,491	86,241	16,491
Share premium (Note 8)	-	68,548	-	68,548
Revenue reserve	9,448	3,439	6,447	6,212
Other reserves	1,120	817	1,120	817
Foreign currency translation reserve	(4,608)	(1,923)	12	(10)
Total Shareholders' Fund	92,201	87,372	93,820	92,058
Minority interest	3	13	-	-
	92,204	87,385	93,820	92,058

Note 7

Several large projects will meet their significant payment milestones in 2Q 2006, resulting in higher accrued sales in the trade debtors at the end of 1Q 2006.

Note 8

Under the Companies (Amendment) Act 2005 effective 30 January 2006, the concepts of par value and authorised share capital are abolished and the amount in the share premium account as of 30 January 2006 becomes part of the Company's share capital.

1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

Amount repayable in one year or less, or on demand

As at 31 Mar 2006		As at 31 Dec 2005	
Secured	Unsecured	Secured	Unsecured
NIL	\$70,910,000	NIL	\$72,229,000

Amount repayable after one year

As at 31 Mar 2006		As at 31 Dec 2005	
Secured	Unsecured	Secured	Unsecured
NIL	\$1,716,000	NIL	\$3,149,000

Details of any collateral

Not Applicable.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	1.1.2006 to 31.3.2006 \$'000	1.1.2005 to 31.3.2005 \$'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES :-</u>		
Operating profit before taxation	8,501	3,965
Adjustments for :-		
Depreciation for fixed assets	593	519
Share of results of associated companies	15	237
Amortisation of intangible assets	55	70
Changes in fair value of financial instruments	(54)	56
Share based payment expenses	-	122
Interest expense	819	530
Interest income	(201)	(60)
Currency realignment	(1,336)	150
Operating profit before reinvestment in working capital	8,392	5,589
Increase in debtors	(4,406)	(7,626)
Decrease in projects-in-progress, net and stocks	2,978	6,426
Decrease in creditors	(2,295)	(4,696)
Cash (used in)/generated from operations	4,669	(307)
Interest paid	(819)	(530)
Interest received	201	60
Income tax paid	(1,535)	(1,296)
Net cash used in operating activities	2,516	(2,073)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
(Advance to)/repayment from associated companies	(2)	42
Adjustment of investment in associated company	34	-
Purchase of fixed assets	(552)	(1,163)
Proceeds from sale of fixed assets	43	9
Net cash used in investing activities	(477)	(1,112)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from issuance of shares	990	1,495
Repayment of short term loans to bankers	(2,770)	(1,262)
Proceeds of finance leasing obligations	17	130
Net cash (used in)/ generated from financing activities	(1,763)	363
Net decrease in cash and cash equivalents	276	(2,822)
Cash and cash equivalents at beginning of period	29,362	21,538
Cash and cash equivalents at end of period	29,638	18,716

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 1.1.2006 to 31.3.2006	Group 1.1.2005 to 31.3.2005	Company 1.1.2006 to 31.3.2006	Company 11.1.2005 to 31.3.2005
Share Capital				
Balance at 1 January	16,491	16,028	16,491	16,028
Share options exercised during the period	990	229	990	229
Transfer from Share Premium (Note 8)	68,548	-	68,548	-
Transfer from Other Reserves – on exercise of share options	212	-	212	-
Balance at 31 March	86,241	16,257	86,241	16,257
Share Premium				
Balance at 1 January	68,548	65,450	68,548	65,450
Share options exercised during the period	-	1,266	-	1,266
Transfer to Share Capital (Note 8)	(68,548)	-	(68,548)	-
Balance at 31 March	-	66,716	-	66,716
(Accumulated Loss) / Revenue Reserve				
Balance at 1 January - as restated	3,439	(12,159)	6,212	8,028
Net profit during the period	6,009	3,327	235	227
Balance at 31 March	9,448	(8,832)	6,447	8,255
Other Reserves				
Balance at 1 January - as restated	817	1,857	817	1,857
Net fair value changes of cashflow hedges	515	(286)	515	(286)
Cost of share-based payments	-	122	-	122
Transfer to Share Capital - on exercise of share options	(212)	-	(212)	-
Balance at 31 March	1,120	1,693	1,120	1,693
Translation Reserve				
Balance at 1 January	(1,922)	(1,665)	(10)	14
Exchange difference during the period	(2,686)	262	22	371
Balance at 31 March	(4,608)	(1,403)	12	385

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the immediately preceding financial year.

During 1Q 2006, there was an issue of 2,399,000 ordinary shares of \$0.05 each in the capital of the Company arising from the exercise of options to subscribe for 2,299,000 and 100,000 of ordinary shares of \$0.05 each in the capital of the Company under the CSE Global Limited Executives' Share Option Scheme and the CSE (U.S. Subsidiaries) Incentive Stock Option Plan respectively.

Other than the above mentioned, there were no other changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

Share Options

As at 31 March 2006, there were unexercised options for 7,106,000 and 1,514,000 of unissued ordinary shares of \$0.05 each in the capital of the Company under the CSE Global Limited Executives' Share Option Scheme and the CSE (U.S. Subsidiaries) Incentive Stock Option Plan respectively.

As at 31 December 2005, there were unexercised options for 9,405,000 and 1,614,000 of unissued ordinary shares of \$0.05 each in the capital of the Company under the CSE Global Limited Executives' Share Option Scheme and CSE (U.S. Subsidiaries) Incentive Stock Option Plan respectively.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited nor reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not Applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as compared with the audited financial statements as at 31 December 2005.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

	1Q 2006	1Q 2005
Earning per ordinary share of the group after deducting any provision for preference dividends:-		
(a) Based on weighted average number of ordinary shares in issue; and	1.82	1.03
(b) On a fully diluted basis (detailing any adjustments made to the earnings).	1.80	1.02

For the computation of basic earnings per share, the basis of arriving at the weighted average number of shares is determined as follows :-

Weighted average number of shares outstanding during the period	329,812,907	319,681,407
Weighted average number of shares issued during the period	1,013,822	3,799,533
Weighted average number of shares	<u>330,826,729</u>	<u>323,480,940</u>

For the computation of diluted earnings per share, the weighted average number of shares adjusted for the effect of all dilutive potential ordinary shares is determined as follows :-

Weighted average number of shares outstanding during the period, used in computation of basic earnings per share	330,826,729	323,480,940
Weighted average number of unissued shares under share options	10,005,178	16,582,467
Number of shares that would have been issued at fair value under share options	(6,154,229)	(12,799,686)
Adjusted weighted average number of shares	<u>334,677,678</u>	<u>327,263,721</u>

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

	31 March 2006		31 December 2005	
	Group	Company	Group	Company
Net asset value per ordinary share based on existing issued share capital (in cents)	27.75	28.24	26.49	27.88

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group' business. The review must discuss any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Performance

Operations across all geographical regions had performed well. The Group recorded an increase in revenue of \$16.7 million (32.3%) to \$68.6 million in 1Q 2006 from \$51.8 million in 1Q 2005 and an increase in profit after tax by \$2.7 million (80.6%) to \$6.0 million in 1Q 2006 from \$3.3 million in 1Q 2005.

Performance of Geographical Segments

	1Q 2006 \$'000	1Q 2005 \$'000	Variance %
Revenue			
Asia-Pacific	18,059	13,504	33.7%
The Americas	34,605	29,688	16.6%
Europe/Middle East/Africa	15,920	8,647	84.1%
Group	68,584	51,839	32.3%
Profit after tax, amortisation and minority interest			
Asia-Pacific	1,147	872	31.5%
The Americas	2,280	2,436	-6.4%
Europe/Middle East/Africa	2,582	19	N.M.
Group	6,009	3,327	80.6%

For 1Q 2006, the geographical regions of Asia-Pacific, The Americas and Europe/Middle East/Africa contributed 26.3%, 50.5% and 23.2% to revenue and 19.1%, 37.9% and 43.0% to profit after tax and minority interest respectively.

Performance of Business Segments

	1Q 2006 \$'000	1Q 2005 \$'000	Variance %
Revenue			
Industrial	68,584	51,839	32.3%
IT Consulting	-	-	-
Group	68,584	51,839	32.3%
Profit after tax, amortisation and minority interest			
Industrial	5,788	3,567	62.3%
IT Consulting	221	(240)	192.1%
Group	6,009	3,327	80.6%

N.B.: For details on business under Industrial business unit ("IBU") and IT Consulting business unit ("ITCBU"), please refer to Part II Item 13.

For 1Q 2006, CSE's IBU division contributed \$68.6 million to revenue and \$5.8 million to profit after tax and minority interest respectively.

Liquidity and Capital Resources

For 1Q 2006, CSE generated an operational cash inflow of \$2.5 million. At the end of the period, CSE's net gearing was 0.46 times.

Orders

\$'000	Industrial Business
Outstanding orders b/f from 4Q 2005	181,163
Q1 2006 order book in	70,054
Q1 2006 sales	(68,584)
Outstanding orders c/f to 2Q 2006	182,633

For 1Q 2006, CSE received new orders totaling \$70.1 million and the outstanding orders as at end of 1Q 2006 is \$182.6 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There is no variance between the previous prospect statement and the actual results.



(Reg No198703851D)

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

CSE expects its business environment to remain competitive. Prospects remain strong and CSE is confident of an improved performance in the next quarter and for the rest of the financial year.

11. If a decision regarding dividend has been made:-

(a) Whether an interim ordinary dividend has been declared (recommended); and

No interim ordinary dividend been declared or recommended during the current financial period or the previous corresponding financial period.

(b)(i) Amount per share cents / (rate %).

Not applicable

(b)(ii) Previous corresponding period cents / (rate %).

Not applicable

(c) Whether the dividend is before, net of tax or tax-exempt. If before tax or net of tax, state the tax rate and country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(d) The date on which Registrable Transfers received by the company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Business Segments

The Industrial Business unit ("IBU") delivers a wide and diverse range of solutions involving the implementation of Control and Safety Systems, Information Systems, Terminal Automation Systems, Pneumatic and Hydraulic Control Systems, Programmable and Supervisory Control and Data Acquisition (SCADA) Systems, Instrumentation and Electrical Field Construction Services, SCOPE Telemetry, Programmable Control Systems (Simplex and Duplex), Triplicate Modular Redundant Systems and Solid State Relay and Instrumentation for applications to the Energy and Petrochemical / Chemical, Oil and Gas and Power, Process Utility industries on a turnkey basis, Electrical engineering Systems and Air Injection Technology for Power Augmentation.

In addition, IBU also offers complete turnkey SCADA / Telemetry Systems to the water, drainage, sewerage and environmental (pollution and hydrology) industries through the implementation of the client-server distributed database SCADA package, SCOPE-X (Servelec Configurable Online Process Executive) and the Seprol Ranges of Remote Terminal Unit (RTU). The Group also offers the implementation of RIO, a fully integrated Clinical Information System, to automate and facilitate the recording and reporting of patients' related information to the Healthcare industry in relation to Mental Health, Maternity and Children Cares.

IBU also provides turnkey telecommunication network solutions for infrastructure projects in the Oil and Gas and Energy industry, both onshore and offshore. This includes Offshore Platforms, Onshore Processing Facilities (Refineries, LNG plants, Gas Plants and Petrochemical Plants) and Power Generation Plants. Moreover, the Group develops and markets a pipeline simulation, monitoring, management and leak detection system for oil and gas pipelines. In addition, IBU supplies and distributes electrical engineering products to the mining, process engineering, power generation, power transmission/distribution, and manufacturing industries. IBU also provides electrical engineering design and system solutions to energy (oil & gas and power), the heavy industrial (mining & minerals), water and sewerage sectors. Furthermore, IBU manufactures and distributes Kingfisher Ranges of RTU products designed for SCADA applications in a broad range of industrial fields.

In addition, IBU also provides Intelligent Transport Systems that include systems such as the toll collection system, congestion charging system, urban traffic control and surveillance system, motorway management system, transportation communication system and security system.

IT Consulting Business Unit ("ITCBU") offers solutions for Credit Management, Cash Management, Online Internet Banking Services, Mobile / Wireless Banking, Provision of Digital Sales Force Automation with built-in Customer Relationship Management Systems and the Trade Finance to the banking and finance industry



(Reg No 198703851D)

14. In review of performance, the factors leading to any material changes in contributions to turnover and earnings by business or geographical segments.

Not applicable.

15. A breakdown of sales as follows:-

Not applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable.

17. Interested person transactions

Not applicable.

By order of the Board

Tan San-Ju
Company Secretary

9 May 2006