

CSE SYSTEMS & ENGINEERING LTD

Third Quarter Financial Statement

Third Quarter financial statement on consolidated results for the nine months ended 30 September 2001.
These figures have not been audited.

		Group			Company		
		S\$'000		%	S\$'000		%
		2001	2000	Change	2001	2000	Change
1.(a)	Turnover	80,868	70,041	15	13,574	20,721	(35)
1.(b)	Investment income	0	0	0	0	0	0
1.(c)	Other income including interest income	76	292	(74)	365	790	(54)
2.(a)	Operating profit before income tax, minority interests, extraordinary items, interest on borrowings, depreciation and amortisation, foreign exchange gain/(loss) and exceptional items	4,019	12,658	(68)	2,162	3,026	(29)
2.(b)(i)	Interest on borrowings	1,003	431	133	949	299	217
2.(b)(ii)	Depreciation and amortisation	958	708	35	283	327	(13)
2.(b)(iii)	Foreign exchange gain/(loss)	1,210	(313)	NM	1,157	(369)	NM
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	3,268	11,206	(71)	2,087	2,031	3

		Group			Company		
		S\$'000		%	S\$'000		%
		2001	2000	Change	2001	2000	Change
2.(e)	Income derived from associated companies	(548)	25	NM	0	0	0
2.(f)	Less income tax	1,220	2,492	(51)	407	636	(36)
2.(g)(i)	Operating profit after tax before deducting minority interests	1,500	8,739	(83)	1,680	1,395	20
2.(g)(ii)	Less minority interests	(607)	92	NM	0	0	0
2.(h)	Operating profit after tax attributable to members of the company	2,107	8,647	(76)	1,680	1,395	20
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	2,107	8,647	(76)	1,680	1,395	20
2.(j)	Operating profit after tax and extraordinary items attributable to members of the company	2,107	8,647	(76)	1,680	1,395	20

Group Figures

	2001	2000
3.(a)	Earnings per share based on 2(h) above after deducting any provision for preference dividends:-	
	(i) Based on existing issued share capital	0.79 cents
	(ii) On a fully diluted basis	3.33 cents
3.(b)	Earnings per share based on 2(j) above:-	
	(i) Based on existing issued share capital	0.78 cents
	(ii) On a fully diluted basis	3.25 cents
3.(c)	Net tangible asset backing per ordinary share	1.27 cents
		0.40 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
NIL

\$Profit/(Loss)

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

NIL

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

Group

	Year			2001		2000
\$S'000	Q1	Q2	Q3	YTD	YTD	
Sales	25,400	26,155	29,313	80,868	70,04	
PBT before one-time charges & MI	1,817	2,194	2,287	6,298	11,23	
One time charges	(357)	(3,053)	(168)	(3,578)		
PBT after one-time charge & before MI	1,460	(859)	2,119	2,720	11,23	
MI before tax	92	333	168	593	(14	
PBT after one-time charge & MI*	1,552	(526)	2,287	3,313	11,08	

*Minority Interest (MI) share of tax for 2001 is \$14,000 (2000: \$57,000).

In the third quarter, turnover is \$29.3 million and profit before tax, one-time charges & minority interest is \$2.3 million.

For the nine months ending 30 September 2001, turnover increased by 15% to \$80.9 million compared with \$70.0 million for 2000. Profit before tax, one-time charges & minority interest declined by 44% to \$6.3 million (2000: \$11.2 million).

Industrial Business Unit

S\$'000	Year		2001			2000
	Q1	Q2	Q3	YTD	YTD	
Sales						
Asia	2,861	2,863	3,953	9,677	6,733	
Servelec (UK)	3,537	4,171	4,824	13,532	5,100	
W-Industries (USA)	12,955	15,528	17,745	46,228	34,940	
Total	19,353	22,562	26,522	68,437	46,773	

S\$'000	Year		2001			2000
	Q1	Q2	Q3	YTD	YTD	
PBT before one-time charges & MI						
Asia	861	554	554	1,969	2,120	
Servelec (UK)	(483)	263	240	20	480	
W-Industries (USA)	1,355	2,142	2,153	5,650	5,290	
Total	1,733	2,959	2,947	7,639	7,900	
One time charges	(357)	(2,263)	(168)	(2,788)		
PBT after one-time charge before MI	1,376	696	2,779	4,851	7,900	
MI before tax	(30)	(53)	(41)	(124)	(300)	
PBT after one-time charges & MI	1,346	643	2,738	4,727	7,860	

*MI share of tax for 2001 is \$38,000 (2000: \$7,000.).

In the third quarter, the business unit repeated its second quarter performance of profit before tax, one-time charges & minority interest of \$2.9 million. The lower gross margin for the Asian operations in the third quarter as compared with the 2nd quarter was due to the completion of projects for a semiconductor customer which had lower gross margin than the oil & gas and energy projects in the business unit. The reduction in operational cost of its UK operations in the first quarter allowed it to return to profitability in the second quarter and to remain profitable in the third quarter. For the nine months, the UK operations broke even at profit before tax and one-time charges. After a slow first quarter, the US operations recovered in the second quarter and maintained the same level of profitability in the third quarter.

For the nine months ending 30 September 2001, the Industrial business unit, which focuses primarily in the oil & gas and energy sectors, achieved a growth in turnover of 46% to \$68.4 million in 2001 (2000: \$46.8 million). Profit before tax, one-time charges & minority interest declined by 3% to \$7.6 million in 2001 (2000: \$7.9million).

The significant one-time charges against earnings in the first nine months were as follows:

- i) \$1.91 million for provisions of doubtful debts by the Group's United States based subsidiary, W-Industries Inc, following the filing for Chapter 11-bankruptcy protection in April 2001 by its client, Friede Goldman Halter, Inc.
- ii) \$0.88 million for restructuring costs incurred by Servelec Limited, the Group's United Kingdom-based subsidiary.

IT Consulting

S\$'000	Year 2001				2000
	Q1	Q2	Q3	YTD	YTD
Sales					
Computer Services	1,685	1,412	1,487	4,584	6,000
Networking	1,650	361	245	2,256	10,040
Total	3,335	1,773	1,732	6,840	16,040

S\$'000	Year 2001				2000
	Q1	Q2	Q3	YTD	YTD
PBT before one-time charges & MI					
Computer Services	246	119	175	540	1,620
Networking	365	74	(61)	378	1,220
Total	611	193	114	918	2,840
One time charges	0	0	0	0	0
PBT after one-time charge before MI	611	193	114	918	2,840
MI before tax	0	0	0	0	0
PBT after one-time charges & MI	611	193	114	918	2,840

In the third quarter, the business unit continued in its efforts to focus on higher value-added services in its Computer Services operations. The Networking operations showed a loss before tax, one-time charges & minority interest of \$61,000. The Group will continue to move away from lower value added Networking projects and control costs.

For the nine months ending 30 September 2001, turnover of the IT Consulting business unit decreased by 57% to \$6.8 million (2000: \$16 million). Profit before tax, one-time charges & minority interest decreased by 68% to \$0.9 million (2000: \$2.8 million).

eBworx

S\$'000	Year		2001			2000
	Q1	Q2	Q3	YTD	YTD	
Sales						
Total Sales	2,712	1,820	1,059	5,591	7,200	

S\$'000	Year		2001			2000
	Q1	Q2	Q3	YTD	YTD	
PBT before one-time charges & MI						
PBT before one-time charges & MI	(527)	(958)	(774)	(2,259)	48	
One time charges	0	(790)	0	(790)		
PBT after one-time charge before MI	(527)	(1,748)	(774)	(3,049)	48	
MI before tax	122	386	209	717	(11)	
PBT after one-time charges & after MI*	(405)	(1,362)	(565)	(2,332)	37	

*MI share of tax for 2001 is negative \$24,000 (2000 : \$50,000.).

In the third quarter, the business unit continued to be affected:

- i) by the weak semiconductor industry which resulted in project delays for our Taiwan operations; and
- ii) the political and economic uncertainties in the Philippines which resulted in project delays for our Philippines operations.

The business unit continues to control its operating costs.

For the nine months ending 30 September 2001, turnover of eBworx declined by 22% to \$5.6 million (2000: 7.2 million). Profit before tax, one-time charges & MI decreased by 568% to a loss before tax, one-time charges & minority interest of \$2.3 million (2000: profit before tax, one-time charges & minority interest of \$0.5 million).

We have increased our ownership in eBworx to 84.45% in September 2001 and further increased to 93.76% in October 2001 as a result of the restructuring exercise of the Company.

The significant one-time charges against earnings in the first half-year were as follows:

- i) \$0.21 million for write-off of doubtful debts
- ii) \$0.58 million for restructuring costs.

Segmental Results

(i) By Activities

2001 S\$'000	Industrial Business	IT Consulting	eBworx	Consolidate Total
Turnover	68,437	6,840	5,591	80,868
Profit before one time charges & MI	7,639	918	(2,259)	6,298
One-time charges	(2,788)	0	(790)	(3,578)
PBT after one-time charge before MI	4,851	918	(3,049)	2,720
MI before tax	(124)	0	717	593
PBT after MI	4,727	918	(2,332)	3,313
Return on Sales (%)	6.91	13.42	NM	4.1

2000 S\$'000	Industrial Business	IT Consulting	eBworx	Consolidate Total
Turnover	46,791	16,049	7,201	70,041
Profit before one time charges & MI	7,902	2,846	483	11,231
One-time charges	0	0	0	0
PBT after one-time charge before MI	7,902	2,846	483	11,231
MI before tax	(38)	0	(111)	(149)
PBT after MI	7,864	2,846	372	11,082
Return on Sales (%)	16.81	17.73	5.17	15.8

(ii) By Geographical markets

2001 S\$'000	Singapore	Asia	The Americas	Europe/ Middle East	Consolidate Total
Turnover	14,277	7,724	46,228	12,639	80,868
Profit before one time charges & MI	324	813	5,120	41	6,298
One-time charges	(790)	0	(1,910)	(878)	(3,578)
PBT after one-time charge before MI	(466)	813	3,210	(837)	2,720
MI before tax	717	(124)	0	0	593
PBT after MI	251	689	3,210	(837)	3,313
Return on Sales (%)	1.76	8.92	6.94	NM	4.1

20010 S\$'000	Singapore	Asia	The Americas	Europe/ Middle East	Consolidate Total
Turnover	22,121	6,674	36,137	5,109	70,041
Profit before one time charges & MI	2,484	1,547	6,717	483	11,231
One-time charges	0	0	0	0	0
PBT after one-time charge before MI	2,484	1,547	6,717	483	11,231
MI before tax	(56)	(93)	0	0	(149)
PBT after MI	2,428	1,454	6,717	483	11,082
Return on Sales (%)	10.98	21.79	18.59	9.45	15.8

(iii) Backlog Orders

S\$ million

Period Ending	Industrial Business	IT Consulting	eBworx	Consolidated Total
30 Sep 2000	32.6	29.9	9.8	72.3
31 Dec 2000	28.8	21.6	9.3	59.7
30 June 2001	33.2	22.3	8.7	64.2
30 Sep 2001	31.0	21.2	9.6	61.8

The Group has secured \$26.9 million of new orders in the third quarter. Subsequent to 30 September 2001, the Group secured \$9.8 million from HDB. (Announced on 17 October 2001).

- 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

Group

The world economic outlook remains uncertain particularly after the 11 September 2001 incident in the USA and is of concern to the Group.

Based on backlog orders of \$61.8 million as at 30 September 2001 and, barring unforeseen circumstances, the Directors expect the Group's profit before income tax, one time charges and minority interest for the fourth quarter to be as good as, if not better than, the third quarter.

Besides the \$9.8 million order received from HDB in October 2001, the Group is currently working on several significant potential orders. They should materialise in the next two quarters and will be announced accordingly.

Industrial

The business unit expects to maintain its current level of performance in the fourth quarter. It will continue to explore new opportunities in the Middle East and China.

IT Consulting

The business unit will continue to focus on providing services to the Government of Singapore. In the fourth quarter, it will deliver e-filing and workflow projects in its backlog orders to the Government of Singapore.

eBworx

The business unit will continue to face the weak semiconductor market and the uncertainties in the Philippine market. It will focus on controlling its operating costs and delivering part of its existing backlog order of \$9.6 million.

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
Nil

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

As at 30 September 2001, there were unexercised options for 9,175,000 unissued ordinary shares of S\$0.05 each.

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

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

As at 30/09/2001		As at 31/03/2001	
Secured	Unsecured	Secured	Unsecured
0	S\$29,586,000	0	S\$11,433,000

(b) Amount repayable after one year

As at 30/09/2001		As at 31/03/2001	
Secured	Unsecured	Secured	Unsecured
0	S\$12,242,000	0	S\$26,010,000

(c) Any other comments relating to Paragraph 9

NIL

10. Economic Value Added (EVA)

EVA for the period ended September 2001 was a negative of S\$6.5 million on average EVA Capital of S\$123 million as compared to the period ended September 2000 a positive EVA of S\$3.2 million on average EVA Capital of S\$75.1 million. The Group's Weighted Average Cost of Capital (WACC) was 10.5% for the last three financial years.

BY ORDER OF THE BOARD

Tan San-Ju
Company Secretary
09/11/2001