

CSE SYSTEMS & ENGINEERING LTD

Full Year Financial Statement And Dividend Announcement

Full-year financial statement on consolidated results for the year ended 31 December 2001.
These figures have not been audited.

| | | Group | | | Company | | |
|------------|--|---------|---------|--------|---------|--------|--------|
| | | S\$'000 | | % | S\$'000 | | % |
| | | 2001 | 2000 | Change | 2001 | 2000 | Change |
| 1.(a) | Turnover | 113,900 | 105,604 | 8 | 19,372 | 29,604 | (35) |
| 1.(b) | Investment income | 0 | 0 | 0 | 13 | 0 | NM |
| 1.(c) | Other income including interest income | 121 | 315 | (62) | 343 | 864 | (60) |
| 2.(a) | Operating profit before income tax, minority interests, extraordinary items, interest on borrowings, depreciation and amortisation, foreign exchange gain/(loss) and exceptional items | 7,922 | 19,557 | (59) | 1,103 | 4,650 | (76) |
| 2.(b)(i) | Interest on borrowings | 1,411 | 828 | 70 | 1,341 | 686 | 95 |
| 2.(b)(ii) | Depreciation and amortisation | 1,571 | 1,101 | 43 | 328 | 437 | (25) |
| 2.(b)(iii) | Foreign exchange gain/(loss) | 1,953 | 497 | 293 | 1,866 | 578 | 223 |
| 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 | 6,893 | 18,125 | (62) | 1,300 | 4,105 | (68) |

| | | Group | | | Company | | |
|------------|---|---------|--------|--------|---------|-------|--------|
| | | S\$'000 | | % | S\$'000 | | % |
| | | 2001 | 2000 | Change | 2001 | 2000 | Change |
| 2.(e) | Income derived from associated companies | (849) | 2 | NM | 0 | 0 | 0 |
| 2.(f) | Less income tax | 2,540 | 3,719 | (32) | 244 | 962 | (75) |
| 2.(g)(i) | Operating profit after tax before deducting minority interests | 3,504 | 14,408 | (76) | 1,056 | 3,143 | (66) |
| 2.(g)(ii) | Less minority interests | (543) | 283 | NM | 0 | 0 | 0 |
| 2.(h) | Operating profit after tax attributable to members of the company | 4,047 | 14,125 | (71) | 1,056 | 3,143 | (66) |
| 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 | 4,047 | 14,125 | (71) | 1,056 | 3,143 | (66) |
| 2.(j) | Operating profit after tax and extraordinary items attributable to members of the company | 4,047 | 14,125 | (71) | 1,056 | 3,143 | (66) |

*NM - NOT MEANINGFUL

| | | Group Figures | |
|-------|---|---------------|---------------|
| | | Latest year | Previous year |
| 3.(a) | Operating profit [2(g)(i) above] as a percentage of turnover [1(a) above] | 3.08% | 13.60% |
| 3.(b) | Operating profit [2(h) above] as a percentage of issued capital and reserves at end of year | 42.07% | 336.15% |
| 3.(c) | Earnings per ordinary share for the year based on 2(h) above after deducting any provision for preference dividends:- | | |
| | (i) Based on existing issued share capital | 1.52 cents | 5.45 cents |
| | (ii) On a fully diluted basis | 1.50 cents | 5.33 cents |
| 3.(d) | Earnings per share based on 2(j) above:- | | |
| | (i) Based on existing issued share capital | 1.52 cents | 5.45 cents |
| | (ii) On a fully diluted basis | 1.50 cents | 5.33 cents |
| 3.(e) | Net tangible asset backing per ordinary share | 1.50 cents | 2.14 cents |

| | | Group | | | Company | | |
|-------|--|---------|--------|--------|---------|--------|--------|
| | | S\$'000 | % | | S\$'000 | % | |
| | | 2001 | 2000 | Change | 2001 | 2000 | Change |
| 4.(a) | Sales reported for first half year | 51,555 | 44,087 | 17 | 8,906 | 16,028 | (44) |
| 4.(b) | Operating profit [2(g)(i) above] reported for first half year | 179 | 6,140 | (97) | 1,374 | 1,862 | (26) |
| 4.(c) | Sales reported for second half year | 62,345 | 61,517 | 1 | 10,466 | 13,576 | (23) |
| 4.(d) | Operating profit [2(g)(i) above] reported for second half year | 3,325 | 8,268 | (60) | (318) | 1,281 | NM |

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

An adjustment amounting to S\$260,404 was made for an overprovision of tax in respect of prior years.

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

NIL

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

| | |
|---|-----------------|
| Sale of investments/properties | \$Profit/(Loss) |
| Sale of investment in subsidiary companies | \$936,000.00 |
| Sale of operations in CIM Infotech Pte Ltd, Taiwan Branch | (\$601,000.00) |

5.(d) Any other comments relating to Paragraph 5

NIL

6. Segmental Results

(a) **By Activities**

The Group had merged its IT Consulting division and eBworx into a single business unit.

| 2001 | | | | |
|-------------------------------------|----------------------------|----------------------|---------------------------|--|
| S\$'000 | Industrial Business | IT Consulting | Consolidated Total | |
| Turnover | 95,282 | 18,618 | 113,900 | |
| Profit before one-time charges & MI | 12,713 | (1,883) | 10,830 | |
| One-time charges | (2,788) | (1,998) | (4,786) | |
| PBT after one-time charge before MI | 9,925 | (3,881) | 6,044 | |
| MI before tax | (218) | 677 | 459 | |
| PBT after MI | 9,707 | (3,204) | 6,503 | |
| Return on Sales (%) | 10.19 | NM | 5.7 | |

| 2000 | | | | |
|-------------------------------------|----------------------------|----------------------|---------------------------|--|
| S\$'000 | Industrial Business | IT Consulting | Consolidated Total | |
| Turnover | 70,430 | 35,174 | 105,604 | |
| Profit before one-time charges & MI | 12,543 | 5,584 | 18,127 | |
| One-time charges | 0 | 0 | 0 | |
| PBT after one-time charge before MI | 12,543 | 5,584 | 18,127 | |
| MI before tax | (70) | (346) | (416) | |
| PBT after MI | 12,473 | 5,238 | 17,711 | |
| Return on Sales (%) | 17.71 | 14.90 | 16.7 | |

(b) **By Geographical markets**

| 2001 S\$'000 | Singapore | Asia | The Americas | Europe/ Middle East | Consolidated Total |
|-------------------------------------|-----------|--------|--------------|------------------------|-----------------------|
| Turnover | 19,701 | 11,813 | 63,278 | 19,108 | 113,900 |
| Profit before one-time charges & MI | 472 | 2,146 | 6,492 | 1,720 | 10,830 |
| One-time charges | (1,998) | 0 | (1,910) | (878) | (4,786) |
| PBT after one-time charge before MI | (1,526) | 2,146 | 4,582 | 842 | 6,044 |
| MI before tax | 749 | (290) | 0 | 0 | 459 |
| PBT after MT | (777) | 1,856 | 4,582 | 842 | 6,503 |
| Return on Sales (%) | NM | 15.71 | 7.24 | 4.40 | 5.7 |

| 2000 S\$'000 | Singapore | Asia | The Americas | Europe/ Middle East | Consolidated Total |
|-------------------------------------|-----------|--------|--------------|------------------------|-----------------------|
| Turnover | 32,142 | 12,134 | 51,195 | 10,133 | 105,604 |
| Profit before one-time charges & MI | 3,968 | 3,316 | 8,168 | 2,675 | 18,127 |
| One-time charges | 0 | 0 | 0 | 0 | 0 |
| PBT after one-time charge before MI | 3,968 | 3,316 | 8,168 | 2,675 | 18,127 |
| MI before tax | (292) | (124) | 0 | 0 | (416) |
| PBT after MT | 3,676 | 3,192 | 8,168 | 2,675 | 17,711 |
| Return on Sales (%) | 11.44 | 26.31 | 15.95 | 26.40 | 16.7 |

(c) **Backlog orders
S\$'000**

| Year | Industrial Business | IT Consulting | Consolidated Total |
|----------|---------------------|---------------|--------------------|
| Dec 2000 | 28,800 | 30,900 | 59,700 |
| Jun 2001 | 33,200 | 31,000 | 64,200 |
| Sep 2001 | 31,000 | 30,800 | 61,800 |
| Dec 2001 | 47,300 | 33,400 | 80,700 |

Note: March 2001 numbers were not previously announced.

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

Group

| S\$'000 | Year | | | | YTD | 2000 YTD |
|---------------------------------------|--------|---------|--------|------------|---------|-------------|
| | Q1 | Q2 | Q3 | 2001 Q4 | | |
| Sales | 25,400 | 26,155 | 29,313 | 33,032 | 113,900 | 105,604 |
| PBT before one-time charges & MI | 1,817 | 2,194 | 2,287 | 4,532 | 10,830 | 18,127 |
| One time charges | (357) | (3,053) | (168) | (1,208) | (4,786) | 0 |
| PBT after one-time charge & before MI | 1,460 | (859) | 2,119 | 3,324 | 6,044 | 18,127 |
| MI before tax | 92 | 333 | 168 | (134) | 459 | (416) |
| PBT after one-time charges & MI* | 1,552 | (526) | 2,287 | 3,190 | 6,503 | 17,711 |

*Minority Interest (MI) share of tax for 2001 is \$84,000 (2000: \$133,000).

Overview

This was a difficult year for the Group. The Group was faced with a weak global economy as well as the need to refocus its businesses and control its operating costs. During the year, it made several strategic decisions including:

- i. exiting the networking and infrastructure business in Singapore;
- ii. divesting the operations of providing information technology (IT) services to the hi-tech industries in Singapore and in Taiwan through management buy-out;
- iii. reorganizing its IT Consulting team to focus on government agencies and the finance sector;
- iv. reorganizing the management team for Singapore and United Kingdom; and
- v. reducing the workforce in Singapore, United Kingdom and Philippines.

The reorganization of the Group gave rise to a one-time charge of S\$2.7 million for FY2001. With the reorganization, the Group improved its performance in the fourth quarter over its third quarter.

The Group also provided S\$1.9 million for doubtful debts following a US customer's filing for Chapter 11-bankruptcy protection and S\$0.2 million for write-off of doubtful debts for a local company.

Highlights of Fourth Quarter and Annual Performance

Revenue for Q4FY2001 was S\$33.0 million, a decrease of 7% over Q4FY2000 and an increase of 13% over Q3FY2001.

Revenue for the full year FY2001 was S\$113.9 million, an increase of 8% over revenue of S\$105.6 million in FY2000.

For Q4FY2001, the Group reported a profit before tax, one-time charges & minority interest of S\$4.5 million, a decrease of 34% compared to profit before tax, one-time charges & minority interest of S\$6.9 million for Q4 FY2000 and an increase of 98% over Q3FY2001. In Q4 FY 2001, one-time restructuring costs of S\$1.2 million was incurred for eBworx.

For the full year FY2001, profit before tax, one-time charges & minority interest of \$10.8 million decreased by 40% compared to profit before tax, one-time charges & minority interest of S\$18.1 million for the full year FY 2000.

The order book registered by the Group at end of FY2001 was valued at S\$80.7 million, compared to S\$59.7 million registered at the end of FY2000.

The Group ended the year with a Shareholders' Fund before minority interest of S\$9.6 million and a bank borrowing of S\$46.3 million. On 1 February 2002, the Group completed a share placement of 40 million new shares raising net proceeds of approximately S\$18.2 million. Taking into account the effects of the share placement at the end of FY2001, the Group's pro-forma debt to Shareholders' Fund ratio is 1.0 time.

Industrial Business Unit

| S\$'000 | Year | 2001 | | | | YTD | 2000 YTD |
|---------------|------|-------|-------|-------|-------|--------|-------------|
| | | Q1 | Q2 | Q3 | Q4 | | |
| Sales Asia | | 2,861 | 2,863 | 3,953 | 3,654 | 13,331 | 10,331 |

| | | | | | | |
|--------------------|---------------|---------------|---------------|---------------|---------------|-------------|
| Servelec (UK) | 3,537 | 4,171 | 4,824 | 6,142 | 18,674 | 10,1 |
| W-Industries (USA) | 12,955 | 15,528 | 17,745 | 17,049 | 63,277 | 50,0 |
| Total | 19,353 | 22,562 | 26,522 | 26,845 | 95,282 | 70,4 |

Industrial Business Unit

| S\$'000 | Year | | | | YTD | 20 |
|-------------------------------------|-------|---------|-------|------------|---------|------|
| | Q1 | Q2 | Q3 | 2001 Q4 | | |
| PBT before one-time charges & MI | | | | | | |
| Asia | 861 | 554 | 554 | 1,792 | 3,761 | 4,1 |
| Servelec (UK) | (483) | 263 | 240 | 1,579 | 1,599 | 2,1 |
| W-Industries (USA) | 1,355 | 2,142 | 2,153 | 1,703 | 7,353 | 6,2 |
| Total | 1,733 | 2,959 | 2,947 | 5,074 | 12,713 | 12,5 |
| One-time charges | (357) | (2,263) | (168) | 0 | (2,788) | |
| PBT after one-time charge before MI | 1,376 | 696 | 2,779 | 5,074 | 9,925 | 12,5 |
| MI before tax | (30) | (53) | (41) | (94) | (218) | (7) |
| PBT after one-time charges & MI | 1,346 | 643 | 2,738 | 4,980 | 9,707 | 12,4 |

*MI share of tax for 2001 is \$64,000 (2000: \$15,000).

For Q4 FY2001, turnover of the industrial business unit was S\$26.8 million and profit before tax, one-time charges & minority interest was S\$5.1 million.

For FY2001, the Industrial business unit achieved a growth in turnover of 35% to S\$95.3 million in FY2001 (FY2000: S\$70.4 million). Profit before tax, one-time charges & minority interest increased by 1.4% to S\$12.7 million in FY2001 (FY2000: S\$12.5million).

The lower profit margin for the business unit was attributed to:

- i) the higher operating costs in Servelec for the first half of FY2001 which was subsequently reduced in second half of FY2001; and
- ii) the completion of projects for a semiconductor customer by the unit's Asia operations which had lower gross margin than the oil & gas and energy projects in the business unit.

The significant one-time charges against earnings in FY2001 were as follows:

- i) S\$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; and
- ii) S\$0.88 million for restructuring costs incurred by Servelec Limited, the Group's United Kingdom-based subsidiary.

IT Consulting Business Unit

| S\$'000 | Year | | | | YTD | 20 |
|-------------------|-------|-------|-------|------------|--------|------|
| | Q1 | Q2 | Q3 | 2001 Q4 | | |
| Sales | | | | | | |
| Computer Services | 1,685 | 1,412 | 1,487 | 2,773 | 7,357 | 8,1 |
| Networking | 1,650 | 361 | 245 | 835 | 3,091 | 13,8 |
| eBworx | 2,712 | 1,820 | 1,059 | 2,579 | 8,170 | 13,2 |
| Total | 6,047 | 3,593 | 2,791 | 6,187 | 18,618 | 35,1 |

| S\$'000 | Year | | | 2001 | | YTD | 2000 YTD |
|-------------------------------------|-------|---------|-------|---------|---------|-------|-------------|
| | Q1 | Q2 | Q3 | Q4 | | | |
| PBT before one-time charges & MI | | | | | | | |
| Computer Services | 246 | 119 | 175 | 95 | 635 | 2,200 | |
| Networking | 365 | 74 | (61) | (352) | 26 | 1,500 | |
| eBworx | (527) | (958) | (774) | (285) | (2,544) | 1,700 | |
| Total | 84 | (765) | (660) | (542) | (1,883) | 5,500 | |
| One-time charges | 0 | (790) | 0 | (1,208) | (1,998) | | |
| PBT after one-time charge before MI | 84 | (1,555) | (660) | (1,750) | (3,881) | 5,500 | |
| MI before tax | 122 | 386 | 209 | (40) | 677 | (340) | |
| PBT after one-time charges & MI | 206 | (1,169) | (451) | (1,790) | (3,204) | 5,200 | |

*MI share of tax for 2001 is \$20,000 (2000: \$118,000).

The Group had merged and restructured its IT consulting division and eBworx into a single business unit for better management control and business focus. The revitalized division will focus on two areas. The first is to provide IT services to government agencies. The other focus is the provision of IT services to the financial services sector in Southeast Asia.

For Q4 FY2001, the turnover of the IT Consulting business unit was S\$6.2 million and profit before tax, one-time charges & minority interest was a loss of S\$0.54 million. The loss from the networking division of S\$0.4 m is due to project completion and is not expected to be repeated in FY2002. Although eBworx shows a loss of S\$2.5 million in FY 2001, its financial services operations remained profitable in the year. In Q4 FY2001, it has divested its loss-making semiconductor business (Taiwan/Singapore) and reduced its corporate operating costs.

For FY2001, the turnover of the IT Consulting business unit decreased by 47% to S\$18.6 million (FY2000: S\$35.2 million). Profit before tax, one-time charges & minority interest decreased by 134% to a loss of S\$1.9 million (FY2000: profit before tax, one-time charges & minority interest of S\$5.6 million).

In FY2001, the business unit had been affected by:

- i. a continuous effort to exit the network and infrastructure business and the stage completion of the e-Government orders received are not enough to offset the decline in revenue and profits;
- ii. the higher operation costs in eBworx for the first half of FY2001 which was subsequently reduced in second half of FY2001;
- iii. the weak semiconductor industry which resulted in project delays for our Taiwan operations;
- iv. the political and economic uncertainties in the Philippines which resulted in project delays for our Philippines operations;
- v. share of losses of S\$0.88 million from our US associated company InfiniteInfo, Inc;

The significant one-time charges against earnings in the FY 2001 were as follows:

- i) S\$0.21 million for write-off of doubtful debts;
- ii) S\$0.92 million for restructuring costs; and

- iii) Net restructuring costs of S\$0.87 million on provision and disposal of subsidiaries; CIM Infotech Pte Ltd Taiwan Branch, eBworx America Inc, Digital Nervous System Sdn Bhd, eBworx Philippines, Inc, Chaumont Pte Ltd and associate company, InfiniteInfo, Inc.

- 7.(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.

8. Commentary on current year prospects

Business Outlook

The world economic outlook remains uncertain. The Group is mindful of the challenges ahead and the need to be vigilant.

The Group's Industrial business division will continue to service its existing customers in the Americas, United Kingdom and Southeast Asia. It will explore new opportunities in the Middle East, Africa and China. It will also cross-sell its US capabilities in wellhead control systems and chemical injection systems and its UK expertise in telemetry in Asia.

After a slow Q1FY2001 for the Americas, demand from customers started to pick up for the rest of FY2001. The demand from our customers in UK/Middle East/Africa/Asia also started to pick up in the second half of FY2001. Based on customer's inquiries, the outlook remains positive for FY2002.

The Industrial business unit has secured backlog orders of S\$47.3 million as at 31 December 2001. The backlog orders comprise projects and maintenance contracts that have delivery periods extending beyond FY2002. The Group recognizes revenue on a progressive billing basis matching the cost of the project to the milestones achieved. For FY2002, the Industrial business unit expects to recognize about 80% of the backlog orders. In addition, the Industrial business unit expects to continue to report approximately 50% of its revenue from recurring short-term orders (i.e. orders received and delivered within 3 months).

The Group had merged and restructured its IT Consulting division and eBworx into a single business unit for better management control and business focus. The revitalized division will focus on two areas. The first is to provide IT services to government agencies. The other focus is the provision of IT services to the financial services sector in Southeast Asia.

The IT Consulting division has backlog orders of S\$33.4 million as at 31 December 2001. The backlog orders comprise projects and maintenance contracts that have delivery periods extending beyond FY2002. Following the Group's revenue recognition policy, IT Consulting division expects to recognize approximately 60% of the backlog orders in FY2002.

Based on the tender/quotation activities for government agencies and the financial services sector in Q4FY2001 and January/February FY2002, the outlook for FY2002 is positive.

To further enhance and broaden its products and capabilities, the Group will continue to invest in the development and the marketing of the credit management systems for the financial services sector, hospital management system for the healthcare market and security management for the prisons and other military or secured installations.

Barring unforeseen circumstances, the Directors expect the Group's profit before income tax, one-time charges and minority interest for FY2002 to be better than FY2001.

9. Dividend

(a) Any dividend declared for the present financial period? [None](#)

(b) Any dividend declared for the previous corresponding period? **None**

(c) *Total Annual Dividend*

| | Latest Year () | Previous Year () |
|----------------------------|----------------|------------------|
| Ordinary Preference Total: | 0 | 0 |

(d) Date payable

NIL

(e) Books closing date

NIL

(f) Any other comments relating to Paragraph 9

NIL

10. Balance sheet

| | CSE Group | | CSE Company | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Dec 2001 S\$'000 | Dec 2000 S\$'000 | Dec 2001 S\$'000 | Dec 2000 S\$'000 |
| Fixed Assets | 11,453 | 5,586 | 8,167 | 2,014 |
| Subsidiary Company | 0 | 0 | 97,517 | 90,144 |
| Joint Venture | 42 | 44 | 50 | 50 |
| Associated Company | 177 | 1,078 | 0 | 0 |
| Other Investment | 0 | 1,001 | 0 | 0 |
| Intangible Assets | 6,223 | 539 | 0 | 0 |
| Other Long Term Receivables | 0 | 3,766 | 0 | 0 |
| | 17,895 | 12,014 | 105,734 | 92,214 |
| Current Assets | | | | |
| Projects-in-Progress | 18,280 | 13,419 | 7,227 | 6,594 |
| Stocks | 1,219 | 495 | 726 | 0 |
| Trade Debtors | 28,340 | 34,779 | 5,917 | 10,623 |
| Other Debtors, Deposits and Prepayment | 4,227 | 1,092 | 550 | 234 |
| Deferred Tax Asset | 260 | 0 | 0 | 0 |
| Amount due from Subsidiary Companies | 0 | 0 | 12,763 | 10,114 |
| Amount due from Associated Companies | 548 | 0 | 0 | 0 |
| Amount due from Related Companies | 0 | 0 | 0 | 0 |
| Fixed Deposits | 9 | 382 | 0 | 344 |
| Cash and Bank Balances | 5,690 | 6,787 | 879 | 704 |

| | | | | |
|---|----------|----------|----------|-------|
| | 58,573 | 56,954 | 28,062 | 28,62 |
| Current Liabilities | | | | |
| Trade Creditors and Accruals | 13,045 | 15,662 | 4,247 | 6,15 |
| Bank Loan, unsecured | 36,746 | 13,202 | 36,746 | 10,19 |
| Projects-in-Progress | 3,843 | 3,575 | 1,316 | 1,52 |
| Amount due to Subsidiary Companies | 0 | 0 | 6,688 | 2,17 |
| Amount due to Associated Companies | 0 | 20 | 0 | |
| Amount due to Related Companies | 0 | 0 | 0 | |
| Provision for warranties | 965 | 1,258 | 658 | 94 |
| Provision for Tax | 2,058 | 3,059 | 502 | 1,13 |
| | 56,657 | 36,776 | 50,157 | 22,12 |
| Net Current Assets/(Liabilities) | 1,916 | 20,178 | (22,095) | 6,49 |
| Long Term Liabilities | | | | |
| Amount due to Bankers | 9,520 | 26,010 | 9,520 | 26,00 |
| Deferred Tax Liability | 37 | 0 | 0 | |
| Total Assets | 10,254 | 6,182 | 74,119 | 72,71 |
| Capital and Reserves | | | | |
| Share Capital | 13,393 | 13,174 | 13,393 | 13,17 |
| Share Premium | 45,180 | 45,049 | 45,180 | 45,04 |
| (Accumulated Losses)/Revenue Reserve | (49,969) | (54,016) | 15,546 | 14,49 |
| Foreign Currency Translation Reserve | 1,015 | (5) | 0 | |
| Minority Interest | 635 | 1,980 | 0 | |
| | 10,254 | 6,182 | 74,119 | 72,71 |

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

(a) **Changes in Issued Share Capital**

Since 30 September 2001, there are no changes in Issued Share Capital. (Refer to notes 13, subsequent events on the placement of shares subsequent to 31 December 2001).

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

Since 30 September 2001, the company has granted 8,040,000 shares options to the participants of the CSE Systems & Engineering shares options scheme to subscribe for 8,040,000 unissued ordinary shares at \$0.05 each in the company. The company has cancelled 110,000 share options.

Since 30 September 2001, the company also has granted 1,585,000 shares options to the participants of the CSE (U.S. Subsidiaries) incentive stock option plan to subscribe for 1,585,000 unissued ordinary shares at \$0.05 each in the company.

As at 31 December 2001, there are 17,105,000 and 1,585,000 unissued reserved shares which are covered under the options granted and accepted pursuant to the CSE Systems & Engineering share options scheme and CSE (U.S Subsidiaries) incentive stock option plan respectively.

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

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

| As at 31/12/2001 | | As at 30/06/2001 | |
|------------------|--------------|------------------|--------------|
| Secured | Unsecured | Secured | Unsecured |
| 0 | \$36,746,000 | 0 | \$23,333,000 |

(b) Amount repayable after one year

| As at 31/12/2001 | | As at 30/06/2001 | |
|------------------|-------------|------------------|--------------|
| Secured | Unsecured | Secured | Unsecured |
| 0 | \$9,520,000 | 0 | \$12,244,000 |

(c) Any other comments relating to Paragraph 12

NIL

13. Subsequent Events

The company has 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 has been appointed as the placement manager and placement agent, and has 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 has successfully placed out all the 40,000,000 placement shares.

Assuming that the placement of shares take place at 31 December 2001, the financial effects on the Group are as follows:

| Shareholder's Fund | Before Placements (S\$'000) | After Placement (S\$'000) |
|------------------------------------|------------------------------------|----------------------------------|
| As at 31 Dec 2001 | 9,619 | 9,619 |
| Net Proceeds From Placement | 0 | 18,222 |
| Shareholder's Fund After Placement | 9,619 | 27,841 |
| As at 31 Dec 2001 | 46,266 | 46,266 |
| Assuming Repayment of Loan | 0 | (18,222) |
| Balance After Repayment | 46,266 | 28,044 |
| Gearing | 4.8 times | 1.0 time |

14. Economic Value Added (EVA)

EVA for the full year 2001 was a negative of S\$8.0 million on average EVA Capital of S\$134.2 million as compared to 2000 EVA of S\$6.4 million on average EVA Capital of S\$81.1 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
25/02/2002