

**CSE SYSTEMS & ENGINEERING LTD**

**Half Year Financial Statement And Dividend Announcement**

Financial statements for the six months ended 30 June 2002.  
These figures have not been audited.

		Group			Company		
		S\$'000		%	S\$'000		%
		2002	2001	Increase/ (Decrease)	2002	2001	Increase/ (Decrease)
1.(a)	Turnover	67,860	51,555	32	10,546	8,906	18
1.(b)	Cost of sales	44,130	33,147	33	7,423	6,238	19
1.(c)	Gross profit	23,730	18,408	29	3,123	2,668	17
1.(d)	Investment income	0	0	0	0	0	0
1.(e)	Other income including interest income	73	65	12	40	232	(82)
2.(a)	Operating profit before income tax, minority interests, extraordinary items, interest on borrowings, depreciation and amortisation, foreign exchange gain/(loss) and exceptional items	9,968	1,074	828	1,099	1,344	(18)
2.(b)(i)	Interest on borrowings	379	675	(44)	304	617	(51)
2.(b)(ii)	Depreciation and amortisation	1,369	594	130	296	216	37
2.(b)(iii)	Foreign exchange gain/(loss)	83	1,198	(93)	20	1,184	(98)
2.(c)	Exceptional items (provide separate disclosure of items)	0	0	0	0	0	0

		Group			Company		
		S\$'000		%	S\$'000		%
		2002	2001	Increase/ (Decrease)	2002	2001	Increase/ (Decrease)
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	8,303	1,003	728	519	1,695	(69)
2.(e)	Income derived from associated companies (With separate disclosure of any items included therein which are exceptional because of size & incidence)	(84)	(402)	(79)	0	0	0
2.(f)	Operating profit before income tax	8,219	601	1,268	519	1,695	(69)
2.(g)	Less income tax (Indicate basis of computation)	2,404	422	470	201	321	(37)
2.(g)(i)	Operating profit after tax before deducting minority interests	5,815	179	3,149	318	1,374	(77)
2.(g)(ii)	Less minority interests	375	(437)	NM	0	0	0
2.(h)	Operating profit after tax attributable to members of the company	5,440	616	783	318	1,374	(77)
2.(i)(i)	Extraordinary items (provide separate disclosure of 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

		Group			Company		
		S\$'000		%	S\$'000		%
		2002	2001	Increase/ (Decrease)	2002	2001	Increase/ (Decrease)
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	0	0	0	0	0	0
2.(j)	Operating profit after tax and extraordinary items attributable to members of the company	5,440	616	783	318	1,374	(77)

\*NM - NOT MEANINGFUL

		Group Figures	
		Latest period	Previous corresponding period
3.(a)	Operating profit [2(g)(i) above] as a percentage of turnover [1(a) above]	8.57%	0.35%
3.(b)	Operating profit [2(h) above] as a percentage of issued capital and reserves at end of the period	16.84%	10.37%
3.(c)	Earnings per ordinary share for the period based on 2(h) above after deducting any provision for preference dividends:-		
	(i) Based on weighted average number of ordinary shares in issue	1.80 cents	0.23 cents
	(ii) On a fully diluted basis	1.77 cents	0.23 cents
	(To disclose the basis used in arriving at the weighted average number of shares for the purposes of (c)(i) above and to provide details of any adjustments made for the purpose of (c)(ii) above)		
3.(d)	Net tangible asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	9.04 cents	2.56 cents
3.(e)	<u>To provide an analysis of expenses based on their function within the group for the current and previous corresponding period</u>		

**Group Figures**

<b>S\$'000</b>	<b>Latest period</b>	<b>Previous period</b>
<b>Operating expenses:</b>		
Personnel and related costs	7,354	7,951
General and administrative costs	3,356	4,109
Selling and distribution costs	915	1,614
Upkeep building and equipment costs	2,093	1,701
Other operating costs	117	2,024

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

	<b>June 2002</b>	<b>June 2001</b>
Weighted average number of shares outstanding during the period	267,860,407	263,485,407
Weighted average number of shares issued during the period	34,696,133	2,610,497
Weighted average number of shares	302,556,540	266,095,904

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:-

	<b>June 2002</b>	<b>June 2001</b>
Weighted average number of shares outstanding during the period, used in computation of basic earnings per share	302,556,540	266,095,904
Weighted average number of unissued shares under share options	17,433,967	12,200,912
Number of shares that would have been issued at fair value under share options	(12,265,238)	(7,110,433)
Adjusted weighted average number of shares	307,725,269	271,186,383

Item 4 is not applicable to interim results	Group			Company		
	S\$'000		%	S\$'000		%
	2002	2001	Increase/ (Decrease)	2002	2001	Increase/ (Decrease)
4.(a)	Sales reported for first half year					
4.(b)	Operating profit [2(g)(i) above] reported for first half year					
4.(c)	Sales reported for second half year					
4.(d)	Operating profit [2(g)(i) above] reported for second half year					

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

Nil

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)

Nil

\$0.00

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

Nil

## 6. Segmental Results

(a) By Activities

1H2002  
S\$'000

Industrial  
Business

IT  
Consulting

Consolidated  
Total

Turnover

55,798

12,062

67,860

PBT before goodwill amortisation, one time charges & MI	7,531	1,340	8,871
Return on Sale (%)	13.5	11.1	13.1
Goodwill amortisation	0	(652)	(652)
One-time charges	0	0	0
PBT before MI	7,531	688	8,219
MI before tax	(75)	(328)	(403)
PBT after MI	7,456	360	7,816

<b>1H2001</b>	<b>Industrial</b>	<b>IT</b>	<b>Consolidated</b>
<b>S\$'000</b>	<b>Business</b>	<b>Consulting</b>	<b>Total</b>
Turnover	41,915	9,640	51,555
Profit/(Loss) before tax, goodwill amortisation, one time charges & MI	4,692	(676)	4,016
Return on Sale (%)	11.2	NM	7.8
Goodwill amortisation	0	(5)	(5)
One-time charges	(2,620)	(790)	(3,410)
Profit/(Loss) before tax and MI	2,072	(1,471)	601
MI before tax	(83)	508	425
Profit/(Loss) before tax after MI	1,989	(963)	1,026

(b) By Geographical markets

<b>1H2002</b>	<b>Singapore</b>	<b>Asia</b>	<b>The Americas</b>	<b>Europe/Middle East</b>	<b>Consolidated Total</b>
<b>S\$'000</b>					
Turnover	9,906	7,607	39,032	11,315	67,860
PBT before goodwill amortisation, one time charges & MI	341	2,139	4,535	1,856	8,871
Return on Sale (%)	3.4	28.1	11.6	16.4	13.1
Goodwill amortisation	(652)	0	0	0	(652)
One-time charges	0	0	0	0	0
PBT before MI	(311)	2,139	4,535	1,856	8,219
MI before tax	0	(403)	0	0	(403)
PBT after MI	(311)	1,736	4,535	1,856	7,816

<b>1H20021</b>	<b>Singapore</b>	<b>Asia</b>	<b>The Americas</b>	<b>Europe/Middle East</b>	<b>Consolidated Total</b>
<b>S\$'000</b>					
Turnover	9,974	5,390	28,483	7,708	51,555
Profit/(Loss) before tax, goodwill amortisation, one time charges & MI	(187)	1,465	2,958	(220)	4,016
Return on Sale (%)	NM	27.2	10.4	NM	7.8
Goodwill amortisation	(5)	0	0	0	(5)
One-time charges	(790)	0	(1,910)	(710)	(3,410)
Profit/(Loss) before tax and MI	(982)	1,465	1,048	(930)	601
MI before tax	508	(83)	0	0	425
Profit/(Loss) before tax and after MI	(474)	1,382	1,048	(930)	1,026

(c) Backlog orders

	S\$'million		
<b>Year</b>	<b>Industrial Business</b>	<b>IT Consulting</b>	<b>Consolidated Total</b>
June 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
Jun 2002	51.3	36.0	87.3

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

The Group reported a significant increase in profit after tax to S\$5.4 million for 1H2002 compared to S\$0.6 million for 1H2001.

This was achieved on the back of a 32% increase in Group turnover to S\$67.9 million for 1H2002 compared to S\$51.6 million for 1H2001.

The Group's performance improved in both of its divisions, Industrial business unit and IT Consulting business unit. The improvement in performance was due primarily to the increase in stage completion of projects in the Americas, Europe/Middle East and eBworx Malaysia. Furthermore, the performance was not affected by one time writeoffs as was seen in the 1H2001.

The Group's two divisions, Industrial business unit and IT Consulting business unit, contributed 82% and 18% to turnover and 95% and 5% to profit before tax respectively.

The geographical contributions are 26%, 57% and 17% for turnover and 18%, 58% and 24% for profit before tax for Asia, the Americas and Europe/Middle East respectively.

In 1H2002, the Group generated S\$7.6 million positive cashflow from operating activities compared to S\$4.0 million in 1H2001, besides the S\$18.2 million raised from the share placement in 1Q2002. With the cash inflow, the Group reduced its bank borrowing to S\$25.2 million at the end of 1H2002. Based on the Group's shareholders' fund before minority interest of S\$32.3 million, the Group's gross gearing ratio improved to 0.78 times at the end of 1H2002.

The order book registered by the Group at the end of 1H2002 was valued at S\$87.3 million, an increase of 36% compared to S\$64.2 million at the end 1H2001.

**Financial Performance**

Second quarter performance

Year S\$'000	2Q2002	2Q2001
Turnover	35,535	26,155
PBT before goodwill amortisation, one-time charges & MI	4,857	2,199
Return on sales (%)	13.7	8.4
Goodwill amortisation	(326)	(5)
One time charges	0	(3,053)
Profit/(Loss) before tax and MI	4,531	(859)
MI before tax	(283)	333
Profit/(Loss) before tax and after MI	4,248	(526)

The Group's turnover for 2Q2002 was S\$35.5 million, an increase of 35.9% over 2Q2001 of S\$26.2 million. The Group's profit before tax, goodwill amortisation, one-time charges and minority interests for 2Q2002 was S\$4.9 million, an increase of 122% over 2Q2001 of S\$2.2 million. . The Group's operating return on sales increased to 13.7% for 2Q2002 compared to 8.4% for 2Q2001.

First half-year performance

<b>Year</b> <b>S\$'000</b>	<b>1H2002</b>	<b>1H2001</b>
Turnover	67,860	51,555
PBT before goodwill amortisation, one-time charges & MI	8,871	4,016
Return on sales (%)	13.1	7.8
Goodwill amortisation	(652)	(5)
One time charges	0	(3,410)
Profit/(Loss) before tax and MI	8,219	601
MI before tax	(403)	425
Profit/(Loss) before tax and after MI	7,816	1,026

The Group's turnover for 1H2002 was S\$67.9 million, an increase of 31.6% over 1H2001 of S\$51.6 million. The Group's profit before tax, goodwill amortisation, one-time charges and minority interest for 1H2002 was S\$8.9 million, an increase of 120.9% over 1H2001 of S\$4.0 million. The Group's operating return on sales increased to 13.1% for 1H2002 compared to 7.8% for 1H2001.

#### Industrial Business Unit

<b>Year</b> <b>S\$'000</b>	<b>2Q2002</b>	<b>2Q2001</b>	<b>1H2002</b>	<b>1H2001</b>
<b>Turnover</b>				
Asia	2,574	2,863	5,655	5,724
Europe/Middle East (Servelec)	5,862	4,171	11,111	7,708
The Americas (W-Industries)	20,392	15,528	39,032	28,483
Total	28,828	22,562	55,798	41,915
<b>PBT before goodwill amortisation, one-time charges &amp; MI</b>				
Asia	419	554	1,160	1,415
Europe/Middle East (Servelec)	867	263	1,837	(220)
The Americas (W-Industries)	2,698	2,142	4,534	3,497
Total	3,984	2,959	7,531	4,692
Return on sales (%)	13.8	13.1	13.5	11.2
Goodwill amortisation	0	0	0	0
One time charges	0	(2,263)	0	(2,620)
PBT before MI	3,984	696	7,531	2,072
MI before tax	(45)	(53)	(75)	(83)
PBT after MI	3,939	643	7,456	1,989

For 2Q2002, turnover of the Industrial Business Unit was S\$28.8 million, an increase of 27.8% over 2Q2001 of S\$22.6 million. The Industrial Business Unit's profit before tax, goodwill amortisation, one-time charges and minority interest for 2Q2002 was S\$4.0 million, an increase of 33.3% over 2Q2001 of S\$3.0 million. The Industrial Business Unit's operating return on sales improved to 13.8% for 2Q2002 compared to 13.1% for 2Q2001.

For 1H2002, turnover of the Industrial Business Unit was S\$55.8 million, an increase of 33.1% over 1H2001 of S\$41.9 million. The Industrial Business Unit's profit before tax, goodwill amortisation, one-time charges and minority interest for 1H2002 was S\$7.5 million, an increase of 60.5% over 1H2001 of S\$4.7 million. The Industrial Business Unit's operating return on sales improved to 13.5% for 1H2002 compared to 11.2% for 1H2001.

#### IT Consulting Business Unit

Year	2Q2002	2Q2001	1H2002	1H2001
S\$'000				
<b>Turnover</b>				
Computer Services	2,624	1,773	5,793	5,108
eBworx	4,083	1,820	6,269	4,532
Total	6,707	3,593	12,062	9,640
Profit/(Loss) before tax, goodwill amortisation, one-time charges & MI				
Computer Services	145	193	250	804
eBworx	728	(953)	1,090	(1,480)
Total	873	(760)	1,340	(676)
Return on sales (%)	13.0	NM	11.1	NM
Goodwill amortisation	(326)	(5)	(652)	(5)
One time charges	0	(790)	0	(790)
Profit/(Loss) before tax and MI	547	(1,555)	688	(1,471)
MI before tax	(238)	386	(328)	508
Profit/(Loss) before tax and after MI	309	(1,169)	360	(963)

For 2Q2002, turnover of the IT Consulting Business Unit was S\$6.7 million, an increase of 86.7% over 2Q2001 of S\$3.6 million. The IT Consulting Business Unit's profit before tax, goodwill amortisation, one-time charges and minority interest for 2Q2002 was S\$0.9 million compared to a loss of S\$0.8 million for 2Q2001. The IT Consulting Business Unit's operating return on sales for 2Q2002 is 13.0%.

For 1H2002, turnover of the IT Consulting Business Unit was S\$12.1 million, an increase of 25.1% over 1H2001 of S\$9.6 million. The IT Consulting Business Unit's profit before tax, goodwill amortisation, one-time charges and minority interest for 1H2002 was S\$1.3 million compared to a loss of S\$0.7 million for 1H2001. The IT Consulting Business Unit's operating return on sales for 1H2002 is 11.1%.

- 7.(b) Where a forecast, or a prospect statement, has been previously disclosed to shareholders, the issuer must explain any variance between the forecast or prospect statement and the actual results

None

- 7.(c) A statement by the Directors of the Company 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 give 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. A commentary at the date of this 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

The Group remains cautious of 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 has improved. The Group expects its Industrial business unit to repeat 1HFY2002 performance in 2HFY2002 and its IT Consulting business unit, which is expected to contribute approximately 15% to the Group's profits in FY2002, to perform better in 2HFY2002 than 1HFY2002.

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 (if applicable)

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

(d) Date payable

NIL

(e) Books closure date

NIL

(f) Any other comments relating to Paragraph 9

NIL

10.(a) Balance sheet

	Group		Company	
	June 2002 S\$'000	December 2001 S\$'000	June 2002 S\$'000	December 2001 S\$'000
<b>Fixed assets</b>	11,544	11,453	8,126	8,168
<b>Subsidiary companies</b>	-	-	97,518	97,518
<b>Associated companies</b>	93	177	-	-
<b>Joint venture</b>	42	42	50	50
<b>Intangible assets</b>	5,487	6,139	-	-
<b>Current Assets</b>	63,389	58,575	19,792	28,062
<b>Current Liabilities</b>	40,754	56,975	26,682	50,461
<b>Net current assets/(liabilities)</b>	22,635	1,600	(6,890)	(22,399)
<b>Long term liabilities</b>	(6,493)	(9,557)	(6,429)	(9,520)
	33,308	9,854	92,375	73,817
<b>Capital and reserves</b>				
Share capital	15,393	13,393	15,393	13,393
Share premium	61,420	45,180	61,420	45,180
(Accumulated loss)/revenue reserve	(44,929)	(50,369)	15,562	15,244
Foreign currency translation reserve	414	1,015	-	-

<b>Total Shareholders' Fund</b>	32,298	9,219	92,375	73,817
Minority interest	1,010	635	-	-
	33,308	9,854	92,375	73,817

10.(b) Cash flow statement

	<b>Group June 2002 S\$'000</b>	<b>Group June 2001 S\$'000</b>
Net profit before tax	8,219	601
Add/(Less): Adjustment for non-cash items	1,232	2,767
Operating profit before reinvestment in working capital	9,451	3,368
Add: Reinvestment in working capital	(1,819)	632
Net cash generated from operating activities	7,632	4,000
<b>Add / (Less)</b>		
Net cash used in investing activities	(884)	(2,911)
Net cash used in financing activities	(2,833)	(3,286)
Net increase / (decrease) in cash and cash equivalents	3,915	(2,197)
<b>Add</b>		
Cash and cash equivalent at beginning of the year	5,699	7,169
Cash and cash equivalent at end of the period	9,614	4,972

10.(c) Statement of changes in equity

	<b>Group</b>		<b>Company</b>	
	<b>June 2002 S\$'000</b>	<b>December 2001 S\$'000</b>	<b>June 2002 S\$'000</b>	<b>December 2001 S\$'000</b>
<b>Issued Capital</b>				
Balance at 1 January	13,393	13,174	13,393	13,174
Share options exercised 4,375,000 shares @ \$0.05	-	219	-	219
Share placement of 40,000,000 shares @ \$0.05	2,000	-	2,000	-
Balance at 30 June/31 December	15,393	13,393	15,393	13,393
<b>Share Premium</b>				
Balance at 1 January	45,180	45,049	45,180	45,049
Share options exercised 4,375,000 shares @ \$0.03 above par	-	131	-	131
Share placement of 40,000,000 shares @ \$0.417 above par	16,680	-	16,680	-
Expenses on issue of placement shares	(440)	-	(440)	-
Balance at 30 June/31 December	61,420	45,180	61,420	45,180
<b>(Accumulated Loss)/Revenue Reserve</b>				
Balance at 1 January as previously stated	(50,369)	(54,016)	15,244	14,490
Effect of adopting SAS 17 – Employees benefits	-	(399)	-	(399)
Balance at 1 January	(50,369)	(54,415)	15,244	14,091
Net profit during the period/year	5,440	4,046	318	1,153

Balance at 30 June/31 December	(44,929)	(50,369)	15,562	15,244
<b>Translation Reserve</b>				
Balance at 1 January	1,015	(5)	-	-
Exchange difference during the period/year	(601)	1,020	-	-
Balance at 30 June/31 December	414	1,015	-	-

10.(d) Explanatory notes that are material to an understanding of the information provided in 10.(a), (b) and (c) above

Nil

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

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

There is no new issue of shares in 2Q2002.

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

During 2Q2002, the Company cancelled grants of 314,000 unissued reserved shares pursuant to the CSE Systems & Engineering share options scheme.

As at 30 June 2002, there were 16,779,000 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.

12. The group's borrowings and debt securities as at the end of the financial period reported on, and comparative figures as at the end of the most recently announced financial statements

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

As at 31/06/2002		As at 31/03/2002	
Secured	Unsecured	Secured	Unsecured
0	\$18,765,000	0	\$16,101,000

(b) Amount repayable after one year

As at 31/06/2002		As at 31/03/2001	
Secured	Unsecured	Secured	Unsecured
0	\$6,429,000	0	\$9,508,000

(c) Any other comments relating to Paragraph 12

Nil

13. A statement that the same accounting polices and methods of computation are followed in the financial statements as compared with the most recent audited annual financial statements. Where there have been any changes or departure from the accounting policies and methods of computation, including those required by an accounting standard, this should be disclosed together with the reasons for the change and the effect of the change

Besides the adoption of SAS12 in FY2002, which was mandatory for all financial statements commencing from 1 April 2001, the same accounting policies and methods of computation are followed in the financial statements as compared with the most recent audited annual financial statements. The Group has deferred tax assets of approximately \$35,000 as at 30 June 2002, this amount was taken in full into the Group's profit and loss account in 1H2002 arising from the change in its accounting policy.

- 14 Economic Value Added (EVA)

EVA for the period ended June 2002 was a negative of S\$0.4 million on average EVA Capital of S\$130.0 million as compared to the period ended June 2001 EVA negative of S\$3.8 million on average EVA Capital of S\$96.1 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  
05/08/2002