

Proposed acquisition of 100% of Systems Integration & Automation Limited (SIA)

The Board of Directors is pleased to announce that CSE Global Limited ("CSE"), through its wholly-owned UK subsidiary, CSE-Global (UK) Limited, has entered into a sale and purchase agreement with M S Allison, K T Jones and C Hibberd (collectively known as "Vendors") to acquire 100% of Systems Integration & Automation Limited ("SIA") for a consideration of £10.10 million (approximately S\$21.51 million).

The purchase consideration

The purchase consideration of £10.10 million (approximately S\$21.51 million) was arrived at following negotiations between CSE and the Vendors on a willing-buyer and willing-seller basis, and having taken into account the following factors:-

- i. The £1.929 million (approximately S\$4.11 million) profit after tax for the financial year ended 30 November 2009 of SIA as tabled below under financial effects of the acquisition;
- ii. The fit between SIA and the CSE's operations;
- iii. The track record and customer base of SIA in United Kingdom, Middle East and North Africa;
- iv. The net assets of SIA as at completion of £ 2.47 million (approximately S\$5.26 million);
- v. Established and proven profitable operations in Aberdeen (Scotland) and Sheffield (England) ;
- vi. Established track record in oil & gas, power and nuclear; and
- vii. The future prospects of SIA.

Using the price of £10.10 million (approximately S\$21.51 million), the price to earnings for the financial year ended 30 November 2009 is 5.2 times. The price to net assets at completion is 4.1 times.

The CSE proposes to finance the acquisition from the internal resources and bank borrowings.

None of the substantial shareholders of CSE or Directors has any interest, direct or indirect, in the acquisition.

Discloseable Transaction

For the purposes of Rule 1006 of the listing manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited:

(i) The acquisition is regarded as a discloseable transaction based on the following tests:

(a) Net Profit Test

The audited profits before tax attributable to SIA (amounting to £2.70 million (equivalent to S\$5.75 million) for the financial year ended 30 November 2009) is approximately 9.7% compared to the CSE Group's net profits of S\$59.0 million for financial year ended 31 December 2009) (using a conversion rate of £1.00: S\$2.13).

(b) Market Capitalisation Test

The consideration of £10.10 million (approximately S\$21.51 million) is approximately 4.7% compared to the market capitalisation of CSE of approximately S\$462.0 million (based on 476,045,852 shares in issue and the weighted transacted price on 24 March of S\$0.97 per CSE share and using a conversion rate of £1.00 : S\$2.13).

Based on the above computations, the acquisition constitutes a discloseable transaction under Chapter 10 of the Listing Manual.

Information on SIA

Founded in 2002 and registered in England, SIA (www.sysia.co.uk) is a supplier of Safety Systems, Protection Systems and Control systems. SIA's engineering and construction services range from conceptual design, FEED, design manufacture and factory acceptance testing through to installation, commissioning and post handover activities. SIA works for UK and international clients of which all are major blue chip companies, others are main contractors or consultants in the oil and gas, power and nuclear markets. Systems Integration and Automation Limited (SIA) employ TUV Certified Functional Safety engineers to ensure total system safety compliance. SIA currently has 46 employees.

Oil & Gas: AMEC, Apache, BP, Chiyoda, ExxonMobil, Perenco, Petrofac, SBM, Shell, Talisman and Wood Group

Power: Centrica and EON

Nuclear: AWE and British Nuclear Group

Financials

i. Profit and loss statement

£'000	30 November 2009 Audited	30 November 2008 Audited	30 November 2007 Audited
Turnover	8,988	5,617	5,905
Profit before taxation	2,700	1,608	1,401
Taxation	771	472	429
Profit after taxation	1,924	1,136	970

The improvement in profit before taxation in FY2009 was the result of SIA able to maintain its operating margin on increased revenue.

ii. Balance Sheet

£'000	30 November 2009 Audited	30 November 2008 Audited	30 November 2007 Audited
Fixed asset	838	857	864
Cash at bank	1,986	1,126	1,021
Other current assets	1,930	1,153	1,254
Bank loan and overdraft	(219)	(269)	(319)
Other liabilities	(2,327)	(1,079)	(1,427)
Net Assets	2,208	1,788	1,393
Share Capital	1	1	1
Revaluation reserve	245	245	245
Revenue reserve	1,962	1,542	1,147
Shareholders Funds	2,208	1,788	1,393

The increase in other current assets was due mainly to higher accounts receivables arising from the increased sales in FY2009 and a prepayment of £0.25m to supplier as at 30 November 2009. The increase in other liabilities for 30 November 2009 compared to 30 November 2008 was due mainly to the advance payment of £1.016m by a customer.

Rationale for the acquisition

The proposed acquisition is in line with the long-term business plan of CSE to expand through acquisition of companies with specialized skills and technologies complementary to the CSE. The proposed acquisition will enable to CSE to strengthen its position in the UK, Middle East and North Africa.

Financial effects of the acquisition

For illustrative purposes, the pro forma financial effects of the acquisition set out below are prepared using the CSE's unaudited consolidated financial statements for the financial year ended 31 December 2009 and based on, inter alia, the following key assumptions:-

- a. the completion of the acquisition on 1 January 2009;
 - b. CSE net borrows £10.10 million at 5.0% interest per annum.; and
 - c. The exchange rate of £1.00 to S\$2.13
- i. Proforma financials for SIA after taking into account interest expenses.

	S\$'000
Profit after tax	4,109
Interest expenses	1,076

Addition to CSE's profit after tax	3,033
	=====

- ii. Net tangible assets as at 31 December 2009

	<u>Before Acquisition</u>	<u>After Acquisition</u>
Net tangible assets (S\$'000)	71,469	54,659
No of shares outstanding	476,045,852	476,045,852
Net tangible assets per share (cents)	15.01	11.48

- iii. Earnings per share for the financial year ending 31 December 2009

	<u>Before Acquisition</u>	<u>After Acquisition</u>
Profit after tax (S\$'000)	43,659	46,692
No of shares outstanding	476,045,852	476,045,852
Earnings per share (cents)	9.17	9.81

- iv. Gearing as at 31 December 2009

	<u>Before Acquisition</u>	<u>After Acquisition</u>
Bank Borrowings (S\$'000)	109,795	131,308
Cash in hand and bank	56,053	60,283
Shareholders Fund (S\$'000)	136,615	136,615
Net gearing	0.39	0.52

Documents for Inspection

A copy of the Sale and Purchase Agreement is available for inspection during normal business hours at the registered office of CSE at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 for a period of three months from the date of this announcement.