

CSE GLOBAL LTD

Co. Reg. No: 198703851D

Directors' Report
and Audited Financial Statements

**CSE GLOBAL LTD
AND SUBSIDIARY COMPANIES**

31 December 2006

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Report of the Directors

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of CSE Global Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2006.

Directors

The Directors of the Company in office at the date of this report are :-

Lim Ming Seong
 Goh Boon Seong
 Tan Mok Koon
 Lee Soo Hoon Phillip
 Lim Boh Soon
 Sin Boon Ann

Arrangements to enable Directors to acquire shares and debentures

Except as described in the subsequent paragraphs, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following Directors of the Company who held office at the end of the financial year had, according to the register of director's shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in the shares and share options of the Company, as stated below :-

Name of Director	At 1.1.2006	At 31.12.2006
CSE Global Limited		
Number of ordinary shares		
Lim Ming Seong	–	2,100,000
Tan Mok Koon	34,342,500	44,800,500
Goh Boon Seong	250,000	430,000
Lee Soo Hoon Phillip	120,000	240,000
Lim Boh Soon	180,000	240,000
Sin Boon Ann	30,000	30,000
Name of Director	At 1.1.2006	At 31.12.2006
CSE Global Limited		
Share options granted on 30.10.2001 exercisable at a price of \$0.3060 each in ordinary shares exercisable from 30.10.2003 to 30.10.2006		
Goh Boon Seong	60,000	–

Report of the Directors

Directors' interests in shares and debentures (cont'd)

Name of Director	At 1.1.2006	At 31.12.2006
Share options granted on 31.10.2002 exercisable at a price of \$0.3072 each in ordinary shares exercisable from 30.10.2004 to 30.10.2007		
CSE Global Limited		
Goh Boon Seong	60,000	60,000
Share options granted on 31.12.2003 exercisable at a price of \$0.5300 each in ordinary shares exercisable from 31.12.2005 to 31.12.2008		
Goh Boon Seong	60,000	60,000
Lee Soo Hoon Phillip	60,000	60,000
Lim Boh Soon	60,000	60,000
Sin Boon Ann	60,000	60,000

The number of shares represents those shares registered in the director's name.

There was no change in any of the above mentioned interests between the end of the financial year and 21 January 2007.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, either at the beginning or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Share options

The Company

The Company grants share options to Directors and full time employees of the Company and of the Group pursuant to the following share option schemes :-

- (i) CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001; and
- (ii) CSE (US Subsidiaries) Incentive Stock Option Plan ("US Plan")

Report of the Directors

Share options (cont'd)

Details of the share option schemes and the respective share options that are granted as at 31 December 2006 are disclosed in the following :-

(i) **CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001**

Under the Company's CSE ESOS subsequent to 9 October 2001, the share options that are granted as at 31 December 2006 are as follows :-

Date of grant	Balance as at 1.1.2006	Addition	Cancelled	Exercised	Balance as at 31.12.2006	Exercise Price	Exercise Period
30 October 2001	60,000	-	-	(60,000)	-	\$0.3060	30 October 2003 to 30 October 2006
31 October 2002	1,753,000	-	-	(1,486,000)	267,000	\$0.3072	31 October 2004 to 31 October 2007
31 December 2003	7,592,000	-	-	(2,338,000)	5,254,000	\$0.5300	31 December 2005 to 31 December 2008
	9,405,000	-	-	(3,884,000)	5,521,000		

There are no participants of CSE ESOS subsequent to 9 October 2001 who are controlling shareholders of the Company or their associates, or who received 5 percent or more of the total number of share options available under the CSE ESOS subsequent to 9 October 2001. As the Company does not have any parent company, there are therefore no participants of CSE ESOS subsequent to 9 October 2001 who are directors or employees of the Company's parent company and its subsidiary companies.

The participants of CSE ESOS subsequent to 9 October 2001 who are Directors of the Company as at 31 December 2006 are disclosed in the following tables:

Share options granted on 30.10.2001 exercisable at the price of \$0.3060 each, exercisable from 30.10.2003 to 30.10.2006				
Name of participant in respect of CSE ESOS subsequent to 9 October 2001	Options granted during the financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Goh Boon Seong	-	60,000	60,000	-
Lee Soo Hoon Phillip	-	60,000	60,000	-
Lim Boh Soon	-	60,000	60,000	-

Report of the Directors

Share options (cont'd)

(i) **CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001 (cont'd)**

Share options granted on 31.10.2002 exercisable at a price of \$0.3072 each, exercisable from 31.10.2004 to 31.10.2007				
Name of participant in respect of CSE ESOS subsequent to 9 October 2001	Options granted during the financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Goh Boon Seong	–	60,000	–	60,000
Lee Soo Hoon Phillip	–	60,000	60,000	–
Lim Boh Soon	–	60,000	60,000	–
Sin Boon Ann	–	30,000	30,000	–

Share options granted on 31.12.2003 exercisable at a price of \$0.5300 each, exercisable from 31.12.2005 to 31.12.2008				
Name of participant in respect of CSE ESOS subsequent to 9 October 2001	Options granted during the financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Goh Boon Seong	–	60,000	–	60,000
Lee Soo Hoon Phillip	–	60,000	–	60,000
Lim Boh Soon	–	60,000	–	60,000
Sin Boon Ann	–	60,000	–	60,000

The terms of the share options granted under the CSE ESOS subsequent to 9 October 2001 to the Directors of the Company are the same as those granted to the employees of the Group and they are disclosed below.

Only Directors and full time employees of the Group who have attained the age of twenty one (21) years are eligible to participate in the CSE ESOS subsequent to 9 October 2001. Each option entitles the participant to subscribe for a number of new ordinary shares in the Company pre-determined at the date of grant. The options are granted in consideration of \$1.00 per option for all the shares in respect of which the option is granted. The shares under option may be exercised in full or in blocks of 1,000 shares or a multiple thereof on the payment of the exercise price. The participants to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company. Options granted are cancelled when the participant ceases to be a full-time employee of the Company or any corporation in the Group subject to certain exceptions at the discretion of the Company. The exercise of the options is also subjected to the satisfactory performance of the participant's duties.

Report of the Directors

Share options (cont'd)

(i) *CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001 (cont'd)*

For all the options that are granted under CSE ESOS subsequent to 9 October 2001, those options may be exercised within a period commencing after the second anniversary of the date of grant and expiring on the fifth anniversary of the date of grant.

For all the options that are granted under CSE ESOS subsequent to 9 October 2001, the subscription price at which a participant subscribes for new ordinary shares of the Company upon the exercise of the option granted shall be at a discount of between zero (0) percent and twenty (20) per cent of the average of the last dealt prices for an ordinary share of the Company, as determined by reference to the daily Official List published by the Singapore Exchange Securities Trading Limited, for the five (5) consecutive trading days immediately preceding the date of grant of the option, or the previous nominal value of the ordinary shares of \$0.05 each of the Company, whichever is higher.

The quantum of the discount shall be equal to the compounded rate of growth (expressed in percentage terms) of the Group's audited profit before tax and extraordinary items for two (2) consecutive financial years beginning from the financial year in which the date of grant falls. The discount shall, in no event, exceed twenty (20) per cent, notwithstanding that the compounded rate of growth may exceed twenty (20) per cent. No discount shall be given if the compounded rate of growth is nil or negative.

The subscription prices of the share options issued under CSE ESOS subsequent to 9 October 2001 are entitled to a maximum discount of 20%. The determination of the quantum of the 20% discount on the subscription prices of share options issued under CSE ESOS subsequent to 9 October 2001 is based on the performance of the CSE Group for the two consecutive financial years beginning from the financial year in which the date of grant falls. The quantum of the discount on the subscription prices of share options issued under CSE ESOS subsequent to 9 October 2001 is only determined on the respective vesting dates. The number, proportion and discount entitlements of the various categories of share options granted under CSE ESOS subsequent to 9 October 2001, where determinable to date, are disclosed in the following table:

Date of grant	Aggregate options outstanding as at end of financial year under review	Proportion against aggregate options outstanding	Financial years considered for performance evaluation	Vesting date of share options	Expiry date of share options	Discount entitlement
31 October 2002	267,000	38%	FY2002 to FY2003	31 October 2004	31 October 2007	20%
31 December 2003	5,254,000	53%	FY2003 to FY2004	31 December 2005	31 December 2008	18%

Report of the Directors

(ii) CSE (US Subsidiaries) Incentive Stock Option Plan ("US Plan")

Under the Company's US Plan, the share options that are granted as at 31 December 2006 are as follows :-

Date of grant	Balance as at 1.1.2006	Addition	Cancelled	Exercised	Balance as at 31.12.2006	Exercise Price	Exercise Period
30 October 2001	110,000	-	-	(110,000)	-	\$0.3060	30 October 2003 to 30 October 2006
31 October 2002	167,000	-	-	(100,000)	67,000	\$0.3840	31 October 2004 to 31 October 2007
31 December 2003	1,337,000	-	-	(1,195,000)	142,000	\$0.6480	31 December 2005 to 31 December 2008
	1,614,000	-	-	(1,405,000)	209,000		

There are no participants of US Plan who are Directors of the Company, controlling shareholders of the Company or their associates, or who received 5 percent or more of the total number of share options available under the US Plan. As the Company does not have any parent company, there are therefore no participants of US Plan who are directors or employees of the Company's parent company and its subsidiary companies.

Only full time employees of the subsidiary companies of the Group incorporated in any state of the United States of America who have attained the age of twenty one (21) years are eligible to participate in the US Plan, except for the employees who were already holding options that are granted under the CSE ESOS at the time the US Plan was adopted by the Company. Each option entitles the participant to subscribe for a number of new ordinary shares in the Company pre-determined at the date of grant. The shares under option may be exercised in full or in blocks of 1,000 shares or a multiple thereof on the payment of the exercise price. The participants to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company. Options granted are cancelled when the participant ceases to be a full-time employee of the subsidiary companies of the Group incorporated in any state of the United States of America subject to certain exceptions at the discretion of the Company. The exercise of the options is also subjected to the satisfactory performance of the participant's duties.

The options granted under the US Plan may be exercised within a period commencing after the second anniversary of the date of grant and expiring on the fifth anniversary of the date of grant.

The subscription price at which a participant subscribes for new ordinary shares of the Company upon the exercise of the option granted under the US Plan shall be the average of the last dealt prices for an ordinary share of the Company, as determined by reference to the daily Official List published by the Singapore Exchange Securities Trading Limited, for the five (5) consecutive trading days immediately preceding the date of grant of the option, or the previous nominal value of the ordinary shares of \$0.05 each of the Company, whichever is higher. The subscription prices of the share options issued under US Plan are not entitled to any form of discounts.

Report of the Directors

Audit Committee

The Audit Committee was established on 22 January 1999.

The Audit Committee comprises three members, all of whom are non-executive Directors and are independent of the management of the Company.

The members of the Audit Committee at the date of this report comprise the following Directors :-

Non-executive/Independent Directors :

Lee Soo Hoon Phillip (Chairman)

Lim Boh Soon

Sin Boon Ann

The Audit Committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

Auditors

Ernst & Young have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors,

Lim Ming Seong

Director

Tan Mok Koon

Director

Singapore

15 March 2007

Statement by Directors

We, Lim Ming Seong and Tan Mok Koon, being two of the Directors of CSE Global Limited, do hereby state that, in the opinion of the Directors :-

- (i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated statement of cash flows together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Lim Ming Seong
Director

Tan Mok Koon
Director

Singapore
15 March 2007

Independent Auditors' Report

to Members of CSE Global Limited

We have audited the accompanying financial statements of CSE Global Limited (the "Company") and its subsidiaries (the "Group") set out on pages 10 to 71, which comprise the balance sheets of the Group and the Company as at 31 December 2006, the statements of changes in equity of the Group and the Company, and the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

- (i) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
15 March 2007

Balance Sheets

as at 31 December 2006

	Note	Group		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000 (Restated)
Fixed assets	4	12,650	19,254	304	7,606
Subsidiary companies	5	–	–	158,766	152,266
Associated companies	6	15,473	15,321	10,299	10,333
Intangible assets	7	61,989	32,967	132	–
Deferred tax assets	8	1,630	1,608	763	488
Current assets					
Projects-in-progress	9	12,216	15,154	–	531
Stocks	10	8,373	5,746	–	–
Trade debtors and other debtors	11	132,773	102,635	3,870	5,080
Prepayments		3,418	1,796	19	17
Amounts due from subsidiary companies	5	–	–	30,150	8,119
Amounts due from associated companies	6	61	43	–	–
Short-term deposits	28	4,306	1,333	–	–
Cash and bank balances	28	62,595	28,029	14,975	525
		223,742	154,736	49,014	14,272
Current liabilities					
Projects-in-progress	9	5,776	4,773	–	–
Derivative financial instruments	12	173	1,426	173	1,426
Trade creditors and accruals	13	94,475	48,969	4,280	3,221
Finance leases	30	220	225	–	–
Amounts due to bankers	14	90,045	72,004	74,647	72,004
Amounts due to subsidiary companies	5	–	–	33,140	11,809
Provision for warranties	15	1,540	1,594	–	–
Provision for taxation		4,887	3,791	–	–
		197,116	132,782	112,240	88,460
Net current assets/(liabilities)		26,626	21,954	(63,226)	(74,188)
Non-current liabilities					
Deferred tax liabilities	8	(1,843)	(570)	–	–
Finance leases	30	(424)	(366)	–	–
Amounts due to bankers	14	(7,701)	(2,783)	(7,701)	(2,783)
		108,400	87,385	99,337	93,722
Equity attributable to equity holders of the Company					
Share capital	16	88,412	16,491	88,412	16,491
Share premium	17	–	68,548	–	68,548
Revenue reserve		24,241	3,439	9,702	7,876
Other reserves	18	1,189	817	1,189	817
Foreign currency translation reserve	19	(5,455)	(1,923)	34	(10)
		108,387	87,372	99,337	93,722
Minority interest		13	13	–	–
		108,400	87,385	99,337	93,722

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Profit and Loss Account

for the year ended 31 December 2006

	Note	Group	
		2006 \$'000	2005 \$'000
Revenues	20	334,472	267,335
Cost of sales		(224,759)	(179,957)
Gross profit		109,713	87,378
Other operating income			
Miscellaneous income	21	685	1,315
Finance income	22	826	377
Operating expenses			
Administrative costs		(59,100)	(52,464)
Selling and distribution costs		(7,323)	(4,761)
Other operating costs		(810)	(900)
Finance costs	23	(4,310)	(2,859)
Share of results of associated companies, net of tax		185	474
Profit before taxation	24	39,866	28,560
Taxation	25	(10,743)	(6,437)
Profit for the financial year		29,123	22,123
Attributable to :-			
Equity holders of the Company		29,123	22,122
Minority interest		–	1
		29,123	22,123
Earnings per share (in cents)			
Basic EPS	26	8.74	6.78
Diluted EPS	26	8.64	6.69

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 December 2006

2005 Group	Attributable to equity holders of the Company						Minority interest \$'000	Total Equity \$'000
	Share capital \$'000	Share premium \$'000	Revenue reserve \$'000	Other reserves \$'000	Translation reserve \$'000	Total \$'000		
At 31 December 2004 as previously stated	16,028	65,450	(11,031)	–	(1,665)	68,782	12	68,794
Cumulative effects of adopting FRS 102	–	–	(1,128)	1,128	–	–	–	–
At 31 December 2004 as restated	16,028	65,450	(12,159)	1,128	(1,665)	68,782	12	68,794
Effects of adopting FRS 39	–	–	–	729	–	729	–	729
At 1 January 2005 as restated	16,028	65,450	(12,159)	1,857	(1,665)	69,511	12	69,523
Effects of exchange differences arising from :-								
– Translation of financial statements of foreign operations	–	–	–	–	(1,205)	(1,205)	–	(1,205)
– Hedging of net investment	–	–	–	–	947	947	–	947
Net changes in hedging reserve	–	–	–	(1,914)	–	(1,914)	–	(1,914)
Net expense recognised directly in equity	–	–	–	(1,914)	(258)	(2,172)	–	(2,172)
Profit for the financial year	–	–	22,122	–	–	22,122	1	22,123
Total recognised net income for the financial year	–	–	22,122	(1,914)	(258)	19,950	1	19,951
Cost of share-based payments	–	–	–	874	–	874	–	874
Dividends (Note 34)	–	–	(6,524)	–	–	(6,524)	–	(6,524)
Exercise of employees share option (Note 16)	463	–	–	–	–	463	–	463
Premium on shares issued during the financial year	–	3,098	–	–	–	3,098	–	3,098
At 31 December 2005	16,491	68,548	3,439	817	(1,923)	87,372	13	87,385

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 December 2006

2006 Group	Attributable to equity holders of the Company						Minority interest \$'000	Total Equity \$'000
	Share capital \$'000	Share premium \$'000	Revenue reserve \$'000	Other reserves \$'000	Translation reserve \$'000	Total \$'000		
At 1 January 2006	16,491	68,548	3,439	817	(1,923)	87,372	13	87,385
Effects of exchange differences arising from :-								
– Translation of financial statements of foreign operations	–	–	–	–	(3,325)	(3,325)	–	(3,325)
– Hedging of net investment	–	–	–	–	(207)	(207)	–	(207)
Net changes in hedging reserve	–	–	–	1,186	–	1,186	–	1,186
Net expense recognised directly in equity	–	–	–	1,186	(3,532)	(2,346)	–	(2,346)
Profit for the financial year	–	–	29,123	–	–	29,123	1	29,123
Total recognised net income for the financial year	–	–	29,123	1,186	(3,532)	26,777	–	26,777
Dividends (Note 34)	–	–	(8,321)	–	–	(8,321)	–	(8,321)
Exercise of employees share option (Note 16)	2,559	–	–	–	–	2,559	–	2,559
Transfer of share premium to share capital	68,548	(68,548)	–	–	–	–	–	–
Transfer from other reserves on exercise of share options	814	–	–	(814)	–	–	–	–
At 31 December 2006	88,412	–	24,241	1,189	(5,455)	108,387	13	108,400

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 December 2006

2005 Company	Attributable to equity holders of the Company					Total equity \$'000
	Share capital \$'000	Share premium \$'000	Revenue reserve \$'000	Other reserves \$'000	Translation reserve \$'000	
At 31 December 2004 as previously stated	16,028	65,450	10,828	–	(1,658)	90,648
Cumulative effects of adopting FRS 102	–	–	(1,128)	1,128	–	–
Cumulative effects of adopting revised FRS 21	–	–	(1,672)	–	1,672	–
At 31 December 2004 as restated	16,028	65,450	8,028	1,128	14	90,648
Effects of adopting FRS 39	–	–	–	729	–	729
Prior year adjustment (Note 2.3)	–	–	847	–	–	847
At 1 January 2005 as restated	16,028	65,450	8,875	1,857	14	92,224
Net effect of exchange differences	–	–	–	–	(24)	(24)
Net changes in hedging reserve	–	–	–	(1,914)	–	(1,914)
Net expense recognised directly in equity	–	–	–	(1,914)	(24)	(1,938)
Profit for the financial year	–	–	5,525	–	–	5,525
Total recognised net income for the financial year	–	–	5,525	(1,914)	(24)	3,587
Cost of share-based payments	–	–	–	874	–	874
Dividends (Note 34)	–	–	(6,524)	–	–	(6,524)
Exercise of share options	463	–	–	–	–	463
Premium on shares issued during the year	–	3,098	–	–	–	3,098
At 31 December 2005	16,491	68,548	7,876	817	(10)	93,722

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 December 2006

2006 Company	Attributable to equity holders of the Company					Total equity \$'000
	Share capital \$'000	Share premium \$'000	Revenue reserve \$'000	Other reserves \$'000	Translation reserve \$'000	
At 1 January 2006 as previously stated	16,491	68,548	6,212	817	(10)	92,058
Cumulative effects of prior year adjustment (Note 2.3)	–	–	1,664	–	–	1,664
At 1 January 2006 as restated	16,491	68,548	7,876	817	(10)	93,722
Net effect of exchange differences	–	–	–	–	44	44
Net changes in hedging reserve	–	–	–	1,186	–	1,186
Net expense recognised directly in equity	–	–	–	1,186	44	1,230
Profit for the financial year	–	–	10,147	–	–	10,147
Total recognised net income for the financial year	–	–	10,147	1,186	44	11,377
Transfer of share premium to share capital	68,548	(68,548)	–	–	–	–
Transfer from other reserves on exercise of share options	814	–	–	(814)	–	–
Dividends (Note 34)	–	–	(8,321)	–	–	(8,321)
Exercise of share options	2,559	–	–	–	–	2,559
At 31 December 2005	88,412	–	9,702	1,189	34	99,337

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2006

	2006 \$'000	2005 \$'000
Cash flows from operating activities :		
Profit before taxation	39,866	28,560
Adjustments for :		
Depreciation of fixed assets	2,565	2,442
Amortisation of intangible assets	253	240
Share of results of associated companies, net of tax	(185)	(474)
Gain on partial disposal of an associated company	–	(95)
Interest expense	4,005	2,675
Interest income	(826)	(377)
(Gain)/loss on disposal of fixed assets	(434)	106
Fair value changes in value of derivative financial instruments	(275)	(241)
Cost of share-based payments	–	874
Currency realignment	(1,542)	(122)
Operating income before reinvestment in working capital	43,427	33,588
Increase in debtors	(26,253)	(47,612)
Decrease in projects-in-progress, net and stocks	2,697	6,751
Increase in creditors	11,193	20,858
Cash generated from operations	31,064	13,585
Interest paid	(4,005)	(2,675)
Interest received	826	377
Income tax paid	(11,097)	(4,885)
Net cash generated from operating activities	16,788	6,402
Cash flows from investing activities :		
Purchase of fixed assets	(3,095)	(4,313)
Acquisition of subsidiary companies, net of cash acquired (Note 5)	94	–
Acquisition of associated companies	–	(10,379)
Refund of fund remitted on acquisition of associated company	33	–
Purchase of intangible assets	(746)	–
Advances made to associated companies	(18)	(575)
Proceeds from disposal of fixed assets	7,547	204
Proceeds from disposal of equity interest in associated companies	–	2,400
Net cash generated from/(used in) investing activities	3,815	(12,663)
Cash flows from financing activities :		
Net proceeds from issuance of shares	2,559	3,561
Proceeds from short-term borrowing from banks	22,959	17,355
Dividends paid to shareholders	(8,321)	(6,524)
Repayment of finance lease obligations	(261)	(307)
Net cash generated from financing activities	16,936	14,085
Net increase in cash and cash equivalents	37,539	7,824
Cash and cash equivalents at beginning of financial year (Note 28)	29,362	21,538
Cash and cash equivalents at end of financial year (Note 28)	66,901	29,362

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2006

1. Corporate information

CSE Global Limited (the "Company") is a limited liability company which is incorporated in the Republic of Singapore.

The registered office of the Company is located at 3, Church Street, #08-01 Samsung Hub, Singapore 049483.

The principal activities of the Company are those relating to provision of total integrated industrial automation, information technology and intelligent transport solutions and investment holding. The principal activities of the subsidiary companies are those relating to design, delivery, commissioning as well as provision of comprehensive maintenance to a wide array of industrial systems and investment holding. There have been no significant changes in the nature of these activities during the financial year.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at their fair values.

The carrying values of recognised assets and liabilities that are designated as hedged items in a fair value hedge are adjusted to record the gain or loss on the hedged items attributable to the hedged risks.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values are rounded to the nearest thousand (\$'000) except where otherwise indicated.

2.2 FRS and INT FRS not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (Annual periods beginning on or after)
FRS 1	: Amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)	1 January 2007
FRS 40	: Investment Property	1 January 2007
FRS 107	: Financial Instruments: Disclosures	1 January 2007
FRS 108	: Operating Segments	1 January 2009
INT FRS 107	: Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economies	1 March 2006
INT FRS 108	: Scope of FRS 102, Share-based Payment	1 May 2006
INT FRS 109	: Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110	: Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111	: FRS 102, Group and Treasury Shares Transactions	1 March 2007
INT FRS 112	: Service Concession Agreements	1 January 2008

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.2 FRS and INT FRS not yet effective (cont'd)

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS 1 as indicated below.

FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from annual period beginning 1 January 2007.

2.3 Prior year adjustment

FRS 102 is effective for Singapore-incorporated companies admitted to the Singapore Stock Exchange for annual period beginning on or after 1 January 2005. All other entities incorporated or registered in Singapore shall apply FRS 102 for annual periods beginning on or after 1 January 2006.

The subsidiaries of the Group adopted FRS 102 at the beginning of the financial year ended 31 December 2006. Accordingly, the option expenses arising from share options issued to the employees of the subsidiaries of the Group which were previously recorded by the holding company have been recharged to the respective subsidiaries.

The revenue reserve of the Company and investment in subsidiary companies as at 31 December 2005 have increased by \$1,644,000.

2.4 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill at 31 December 2006 approximated \$56,479,000 (2005 : \$29,986,000). More details are given in Note 7.

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.4 Significant accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty (cont'd)

(ii) Depreciation of plant and equipment

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 2 to 57 years. The carrying amount of the Group's fixed assets at 31 December 2006 approximated \$12,650,000 (2005 : \$19,254,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables at 31 December 2006 approximated \$4,887,000 (2005 : \$3,791,000).

(iv) Provision for warranty

The Group has exposure to warranties arising from warranty obligations stated in its project contracts. Management estimates the amount of warranty to be provided based on available information and its prior experience. The carrying amount of the Group's provision for warranty at 31 December 2006 approximated \$1,540,000 (2005 : \$1,594,000).

(b) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment of investments and financial assets

The Group follows the guidance of FRS 39 on determining when an investment or financial asset is other-than-temporary impaired. This determination requires significant judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry performance, changes in technology and operational and financing cash flow.

(ii) Revenue recognition

The Group recognises revenue arising from contracts using the percentage of completion method when the stage of contract completion can be reliably determined, cost to date can be clearly identified, and the total contract revenue and costs to complete can be reliably estimated. Significant judgement is involved in the recoverability of gross amount due from customers and the adequacy of foreseeable losses, if any. The carrying amounts due from customers for contract work, net (Note 9) is approximately \$63,158,000 (2005 : \$55,911,000).

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.5 Functional and foreign currency

Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

(a) **Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account in accordance with the revised FRS 21.

(b) **Foreign currency translation**

Assets and liabilities of foreign operations are translated into SGD equivalents at exchange rates ruling at balance sheet date. Revenues and expenses are translated at average exchange rates for the year, which approximates the exchange rates of the dates of the transactions. All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

2.6 Subsidiary companies

A subsidiary company is a company in which the Group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less impairment losses.

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.7 Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.10 below.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Minority interest represents the portion of profit or loss and net assets in the subsidiary not held by the Group. It is presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and is separately disclosed in the consolidated profit and loss account.

2.8 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the board of directors.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit or loss of the associate is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.8 Associates (cont'd)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and un-audited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses.

2.9 Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of fixed assets.

Depreciation is calculated on the straight-line method to write off the cost of fixed assets over their estimated useful lives at the following annual rates :-

Leasehold land	–	57 years
Buildings	–	20 to 39 years
Leasehold improvements	–	2 to 20 years
Plant and machinery	–	4 to 5 years
Tools and equipment	–	5 years
Office furniture and fittings	–	5 years
Computer equipment	–	2 to 5 years
Motor vehicles	–	5 to 7 years

No depreciation is provided on freehold land and construction in progress.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of economic benefits from items of fixed assets.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.10 Intangible assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

Goodwill and fair value adjustments which arose on acquisitions of foreign subsidiaries before 1 January 2005 are deemed to be assets and liabilities of the parent company and are recorded in SGD at the rates prevailing at the date of acquisition.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.10 Intangible assets (cont'd)

Other intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the profit and loss account through the 'Other operating costs' line item.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

Licenses and intellectual property rights

Costs relating to licenses and intellectual property rights, which are acquired, are capitalised and amortised on a straight-line basis over their 10 to 15-year useful lives.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.11 Impairment of non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

2.12 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognised at fair value, plus directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments and gains or losses are recognised in the profit and loss account.

2.13 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and short-term deposits.

Cash and bank balances and short term deposits carried in the balance sheets are accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.12.

2.14 Trade and other debtors

Trade and other debtors include amounts due from subsidiaries, associated companies and related parties. These are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.12.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.15 below.

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.15 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(b) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.16 Stocks and projects-in-progress

Stocks are stated at the lower of cost and net realisable value. Cost comprises the cost of materials calculated on a first-in-first-out basis. Net realisable value represents the estimated selling price less anticipated cost of disposal and after making allowance for damaged, obsolete and slow-moving items.

Projects-in-progress are stated at cost plus attributable profits less progress payments received and receivable and provision for foreseeable losses. Cost of projects-in-progress includes direct materials, labour and an appropriate proportion of overheads.

2.17 Trade and other payables

Liabilities for trade and other creditors, which are usually settled on 30-90 day terms, and payables to subsidiary companies, associated companies and related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.18 *Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.19 *Borrowing costs*

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.20 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.21 *Employee benefits*

(a) *Defined contribution plans*

As required by law, the Group's companies in Singapore, Malaysia and India make contributions to their respective countries' state pension schemes, being the Central Provident Fund ("CPF") in Singapore and the Employees Provident Fund ("EPF") in Malaysia and India. These state pension schemes are defined contribution plans that serve as the national retirement benefits plan for the employees of the Group working in those countries.

As required by law, the Group's companies in the United Kingdom operate a defined contribution pension scheme. Assets of the scheme are held separately from those of the companies in the United Kingdom in an independently administered fund.

The contributions that are made towards the above mentioned contribution pension schemes are recognised as compensation expenses in the same period as the employment that gives rise to the contributions.

Details of the defined contribution pension schemes are as disclosed in Note 25 under employees' provident fund.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.21 Employee benefits (cont'd)

(c) Employee stock option scheme (cont'd)

The Company has in place the following share option schemes for granting of share options to eligible employees of the Group to subscribe for shares in the Company :

- (i) CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001; and
- (ii) CSE (US Subsidiaries) Incentive Stock Option Plan ("US Plan")

Employees (including senior executives and directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share options ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the company ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

2.22 Leases

(a) Finance lease

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased fixed assets. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss account. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.22 Leases (cont'd)

(b) Operating lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.23 Revenue recognition

Project revenue from contracts is recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, cost to date can be clearly identified, and the total contract revenue and costs to complete can be reliably estimated. The stage of completion is measured by either:

- the percentage of costs incurred to estimated total costs to complete the contracts; or
- the proportion of labour costs incurred for work to date to the total estimated labour costs to be incurred; or
- upon completion of designated phases of a contract.

An expected loss on the contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Revenue from sale of goods and services rendered is recognised upon delivery of goods/ services and acceptance by customers.

Maintenance revenue is recognised on a straight line basis over the specified contract period. Maintenance revenue received in advance is deferred as unearned income and recognised as income over the life of the maintenance contracts.

Dividend income is recognised when the Group's right to receive payment is established.

Rental income is recognised on a time apportionment basis.

2.24 Income taxes

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.24 Income taxes (cont'd)

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Income tax relating to items recognised directly in equity is recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.24 Income taxes (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.25 Derivative financial instruments and hedging activities

The Group may use derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign exchange rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss account for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as :

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, that is attributable to a particular risk and could affect profit or loss;
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.25 Derivative financial instruments and hedging activities (cont'd)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

(a) Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to the profit and loss account.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the profit and loss account over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the profit and loss account.

Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the profit and loss account. The changes in the fair value of the hedging instrument are also recognised in the profit and loss account.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the profit and loss account. Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

(b) Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the hedging reserve, while the ineffective portion is recognised in the profit and loss account.

Amounts taken to hedging reserve are transferred to the profit and loss account when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to the profit and loss account. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the profit and loss account.

Notes to the Financial Statements

31 December 2006

2. Significant accounting policies (cont'd)

2.25 Derivative financial instruments and hedging activities (cont'd)

(c) Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in the foreign currency translation reserve while any gains or losses relating to the ineffective portion are recognised in the profit and loss account. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in the foreign currency translation reserve is transferred to the profit and loss account.

2.26 Derecognition of financial assets and liabilities

(a) Financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

Notes to the Financial Statements

31 December 2006

3. Group companies

Details of subsidiary companies of the Company at 31 December are :-

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2006 \$'000	2005 \$'000	2006 %	2005 %
ii	CSE Systems & Engineering (Thailand) Limited ⁽¹⁾ (Thailand)	Sales and provision of computer network systems (Thailand)	965	965	100	100
iii	CSE Systems & Engineering (India) Private Limited ⁽⁷⁾ (India)	Sales and provision of computer network systems (India)	370	370	100	100
iii	Transtel Engineering (Tianjin) Co. Ltd ⁽⁸⁾ (China)	Sales and provision of computer network systems (China)	212	212	100	100
iv	CSE Systems & Engineering (America), Inc. (America)	Sales and provision of computer network systems (America)	759	759	100	100
i	CSE-Myers Pte Ltd (Singapore)	Performs treasury, financing and financial services for the companies in the group (Singapore)	25,060	25,060	100	100
ii	CSE-EIS (Malaysia) Sdn Bhd ⁽²⁾ (Malaysia)	Sales and provision of computer network systems (Malaysia)	1,491	1,491	100	100
i	CSE-Infotech Limited (Singapore)	e-business integration, research and development and investment holding (Singapore)	12,750	12,750	100	100
v	W-Industries, Inc. (America)	Sale and provision of system integration services (America)	36,807	36,807	100	100
ii	CSE-Servelec Group Limited ⁽³⁾ (United Kingdom)	Design, manufacture, installation and commissioning of control of management information systems and development, manufacture and sale of electronic and micro processor monitoring equipment (United Kingdom)	46,137	46,137	100	100

Notes to the Financial Statements

31 December 2006

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2006 \$'000	2005 \$'000	2006 %	2005 %
iii	CSE Technology (Beijing) Co., Ltd ⁽⁹⁾ (China)	Sale and provision of computer network systems (China)	275	275	100	100
ii	eBworx Hong Kong Limited ⁽⁴⁾ (Hong Kong)	Provision of information technology solutions (Hong Kong)	– *	– *	100	100
i	TransTel Engineering Pte Ltd (Singapore)	Provision of turnkey telecommunications solutions for the oil and gas and petrolchemical industries (Singapore)	14,858	8,358	100	100
i	CSE-IAP Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	5,105	5,105	100	100
i	CSE-EIS Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	1,580	1,580	100	100
i	RTUnet (Asia) Pte Ltd (Singapore)	Distribution and marketing of remote terminal units (Singapore)	22	22	100	–
iii	CSE-Global (Australia) Pty Ltd ⁽¹⁰⁾ (Australia)	Distribution of electrical engineering equipment and distribution and marketing of remote terminal units (Australia)	16,796	16,796	100	–
			163,187	156,687		

* 2 ordinary share of HK\$1 each

Notes to the Financial Statements

31 December 2006

3. Group companies (cont'd)

Details of subsidiary companies held by the Group at 31 December are :-

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
			2006 %	2005 %
Held by CSE-Infotech Limited				
i	CSE-ITS Pte Ltd (Singapore)	Provision of computer software applications (Singapore)	100	100
ix	CSE (Global) Belgium (Belgium)	Distribution and marketing of remote terminal units and investment holding (Belgium)	100	–
Held by CSE (Global) Belgium				
vii	Techno Trade SA (Belgium)	Distribution and marketing of remote terminal units (Belgium)	100	–
Held by CSE-Servelec Group Limited				
ii	CSE-Servelec Limited ⁽³⁾ (United Kingdom)	Design, manufacture, installation and commissioning of control and management information systems (United Kingdom)	100	100
ii	CSE-Seprol Limited ⁽³⁾ (United Kingdom)	Development, manufacture and sale of electronic and microprocessor monitoring equipment (United Kingdom)	100	100
iii	CSE-Servelec s.r.o. ⁽⁹⁾ (Slovakia)	Provision of oil and gas pipeline management systems(Slovakia)	100	100
viii	CSE-Scomag Limited (United Kingdom)	Design, installation and commissioning of control and management information systems (United Kingdom)	100	–
Held by W-Industries, Inc.				
v	W-Industries of Louisiana, Inc. (America)	Sale and provision of system integration services (America)	100	100

Notes to the Financial Statements

31 December 2006

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
			2006 %	2005 %
<i>Held by TransTel Engineering Pte Ltd</i>				
iv	P.T.TransTel Engineering (Indonesia)	Provision of turnkey telecommunications solutions for the oil and gas and petrolchemical industries (Indonesia)	100	100
iv	TransTel Engineering (Nigeria) Ltd (Nigeria)	Provision of turnkey telecommunications solutions for the oil and gas and petrolchemical industries (Nigeria)	80	80
iii	Transtel Engineering (Tianjin) Co. Ltd ⁽⁷⁾ (China)	Provision of turnkey telecommunications solutions for the oil and gas and petrolchemical industries (China)	100	100
x	CSE-Transtel Engineering Europe Ltd (United Kingdom)	Provision of turnkey telecommunications solutions for the oil & gas & petrolchemical industries (United Kingdom)	100	100
ix	Transtel Engineering Thailand Ltd (Thailand)	Provision of turnkey telecommunications solutions for the oil and gas and petrochemical industries (Thailand)	100	–
<i>Held by CSE-Global (Australia) Pty Ltd</i>				
iii	CSE-Uniserve Corporation Pty Ltd ⁽¹⁰⁾ (Australia)	Distribution of electrical engineering equipment (Australia)	100	100
iii	RTUnet Australia Pty Ltd ⁽¹⁰⁾ (Australia)	Distribution and marketing of remote terminal units (Australia)	100	100
<i>Held by CSE-Uniserve Corporation Pty Ltd</i>				
iii	CSE-Uniserve Pty Ltd ⁽¹⁰⁾ (Australia)	Distribution of electrical engineering equipment (Australia)	100	100
iii	CSE-Uniserve Engineering Pty Ltd ⁽¹⁰⁾ (Australia)	Distribution of electrical engineering equipment (Australia)	100	100
iii	CSE-Uniserve NZ Limited ⁽¹⁰⁾ (New Zealand)	Distribution of electrical engineering equipment (New Zealand)	100	100

Notes to the Financial Statements

31 December 2006

3. Group companies (cont'd)

Details of associated companies include :-

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2006 \$'000	2005 \$'000	2006 %	2005 %
Held by CSE Global Limited						
iv	Energy Storage and Power Corporation (America)	Sales and marketing of air injection technology and energy storage projects (America)	10,299	10,333	49	49
Held by CSE-Infotech Limited						
iv	Infiniteinfo, Inc (America)	Design and implementation of internet solutions with total integration to client's other applications (America)	1,117	1,117	43	43
ii	eBworx Berhad ⁽²⁾ (Malaysia)	Provision of computer software applications and dealing in computer software and hardware for the financial services industry (Malaysia)	168	168	26	29
ii	Solutions Exchange, Inc. ⁽⁵⁾ (The Philippines)	Purchase, sale, distribution, maintenance of all kinds of goods, commodities, wares, intellectual properties and other related information technology (The Philippines)	105	105	35	35
Held by TransTel Engineering Pte Ltd						
iv	TransTel Engineering Qatar (Qatar)	Provision of turnkey telecommunications solutions for the oil and gas and petrolchemical industries (Qatar)	92	92	49	49

Notes to the Financial Statements

31 December 2006

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2006 \$'000	2005 \$'000	2006 %	2005 %
Held by TransTel Engineering Pte Ltd (cont'd)						
vi	TransTel Engineering(M) Sdn Bhd (Malaysia)	Provision of turnkey telecommunications solutions for the oil and gas and petrolchemical industries (Malaysia)	17	17	40	40
iv	TransTel Engineering & Co LLC (Oman)	Provision of turnkey telecommunications solutions for the oil and gas and petrolchemical industries (Oman)	318	318	49	49
iv	TransTel Engineering Kish Co Ltd (Iran)	Provision of turnkey telecommunications solutions for the oil and gas and petrolchemical industries (Iran)	– ^	– ^	49	49
			12,116	12,150		

^ represents capital contribution equivalent to Iranian Rial 490,000 (S\$106)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
			2006 %	2005 %
Held by eBworx Berhad				
ii	Digital Nervous System Sdn Bhd ⁽²⁾ (Malaysia)	Provision of computer software applications and dealing in computer software and hardware for the financial services industry (Malaysia)	26	29
i	eBworx International Pte Ltd (Singapore)	Provision of computer software applications and dealing in computer software and hardware for the financial services industry (Malaysia)	26	29
iii	eBworx Technology (Beijing) Co Ltd ⁽⁶⁾ (China)	Provision of computer software applications and dealing in computer software and hardware for the financial services industry (China)	26	29

Notes to the Financial Statements

31 December 2006

3. Group companies (cont'd)

- (i) Audited by Ernst & Young, Singapore
- (ii) Audited by associated firms of Ernst & Young, Singapore
 - (1) Audited by Ernst & Young, Bangkok
 - (2) Audited by Ernst & Young, Kuala Lumpur
 - (3) Audited by Ernst & Young, Leeds
 - (4) Audited by Ernst & Young, Hong Kong
 - (5) Audited by SyCip Gorres Velayo & Co
- (iii) Audited by other auditors
 - (6) Audited by M.V Guruprasad, Chartered Accountants
 - (7) Audited by Tianjin Jin Xiang, Certified Public Accountants
 - (8) Audited by Beijing Zhong Shi, Certified Public Accountants
 - (9) Audited by Tax Audit Consult s.r.o.
 - (10) Audited by Foster Raffan, Certified Public Accountants
- (iv) Not required to be audited under the laws of the country of incorporation
- (v) Not required to be audited under the laws of the country of incorporation, but audited by Ernst & Young, Singapore for the purposes of consolidation of the Group.
- (vi) This associated company did not present any audited financial statements as it is dormant and not significant.
- (vii) This subsidiary did not present any audited financial statements as it was acquired on 5 December 2006.
- (viii) This subsidiary did not present any audited financial statements as it was acquired on 18 December 2006.
- (ix) This subsidiary company did not present any audited financial statements as it was incorporated during the financial year.
- (x) This subsidiary did not present any audited financial statements as it is dormant and not significant.

During the year, the Group incorporated the following subsidiary companies :-

Name of company (Country of incorporation)	Group's effective interest after incorporation %	Cost of Investment \$'000
CSE (Global) Belgium (Belgium)	100	8,016
Transtel Engineering (Thailand) Co. Ltd. (Thailand)	100	212

Notes to the Financial Statements

31 December 2006

4. Fixed assets

Group	Construction in progress \$'000	Freehold land \$'000	Freehold building \$'000	Leasehold land \$'000	Leasehold building \$'000	Leasehold improvements \$'000	Plant and machinery \$'000	Tools and equipment \$'000	Office furniture and fittings \$'000	Computer equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost												
At 1 January 2005	1,165	832	3,853	2,134	6,510	488	2,653	912	4,434	2,100	2,372	27,453
Currency realignment	17	12	58	-	(1)	(1)	(232)	9	(81)	(93)	(33)	(345)
Additions	-	52	1,177	-	10	705	15	294	1,116	530	836	4,735
Disposals	-	-	-	-	(3)	(412)	(3)	(13)	(153)	(148)	(465)	(1,197)
At 31 December 2005 and 1 January 2006	1,182	896	5,088	2,134	6,516	780	2,433	1,202	5,316	2,389	2,710	30,646
Currency realignment	(92)	(70)	(395)	(1)	-	(2)	101	(76)	(151)	34	(59)	(711)
Additions	-	-	686	-	6	294	67	495	643	702	515	3,408
Due to acquisition of subsidiaries	-	-	-	-	-	-	50	-	143	60	45	298
Disposals	-	-	-	(2,125)	(6,468)	-	(1,200)	(18)	(127)	(64)	(442)	(10,444)
At 31 December 2006	1,090	826	5,379	8	54	1,072	1,451	1,603	5,824	3,121	2,769	23,197
Accumulated depreciation												
At 1 January 2005	-	-	554	121	1,006	240	2,527	753	2,287	1,468	1,262	10,218
Currency realignment	-	-	9	-	(1)	(2)	(222)	8	(78)	(76)	(19)	(381)
Charge for the year	-	-	298	37	329	272	50	96	501	394	465	2,442
Disposals	-	-	-	-	(2)	(326)	(3)	(13)	(76)	(99)	(368)	(887)
At 31 December 2005 and 1 January 2006	-	-	861	158	1,332	184	2,352	844	2,634	1,687	1,340	11,392
Currency realignment	-	-	(76)	(1)	-	-	99	(65)	(31)	34	(38)	(78)
Charge for the year	-	-	297	19	165	339	43	241	507	448	506	2,565
Disposals	-	-	-	(168)	(1,455)	-	(1,200)	(16)	(93)	(58)	(342)	(3,332)
At 31 December 2006	-	-	1,082	8	42	523	1,294	1,004	3,017	2,111	1,466	10,547
Net book value												
At 31 December 2005	1,182	896	4,227	1,976	5,184	596	81	358	2,682	702	1,370	19,254
At 31 December 2006	1,090	826	4,297	-	12	549	157	599	2,807	1,010	1,303	12,650

Notes to the Financial Statements

31 December 2006

4. Fixed assets (cont'd)

During the year, the Group acquired fixed assets with an aggregate fair value of \$314,000 (2005 : \$422,000) by means of finance leases during the financial year. The carrying amount of fixed assets held under finance leases at the end of the financial year was \$452,000 (2005 : \$480,000).

Company	Leasehold land \$'000	Leasehold building \$'000	Leasehold improve- ments \$'000	Office furniture and fittings \$'000	Computer Equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost							
At 1 January 2005	2,125	6,468	201	114	324	234	9,466
Additions	–	–	–	–	4	300	304
Disposals	–	–	–	–	(2)	(233)	(235)
At 31 December 2005 and 1 January 2006	2,125	6,468	201	114	326	301	9,535
Additions	–	–	–	4	17	–	21
Disposals	(2,125)	(6,468)	–	(2)	(31)	–	(8,626)
At 31 December 2006	–	–	201	116	312	301	930
Accumulated depreciation							
At 1 January 2005	111	969	28	39	269	158	1,574
Charge for the year	37	323	67	22	40	49	538
Disposals	–	–	–	–	(2)	(181)	(183)
At 31 December 2005 and 1 January 2006	148	1,292	95	61	307	26	1,929
Charge for the year	19	163	67	19	24	60	352
Disposals	(167)	(1,455)	–	(2)	(31)	–	(1,655)
At 31 December 2006	–	–	162	78	300	86	626
Net book value							
At 31 December 2005	1,977	5,176	106	53	19	275	7,606
At 31 December 2006	–	–	39	38	12	215	304

Notes to the Financial Statements

31 December 2006

5. Subsidiary companies

	Company	
	2006 \$'000	2005 \$'000
Unquoted ordinary shares, at cost	163,187	156,687
Less : Impairment losses	(4,421)	(4,421)
Carrying amount of investments	158,766	152,266
Amounts due from subsidiary companies, current :-		
Trade	1,867	-
Non-trade	5,736	2,144
Short term loan	22,547	5,975
Amounts due from subsidiary companies, current	30,150	8,119

Amounts due from subsidiaries denominated in foreign currencies included in the Company's amounts due from subsidiaries are as follow :-

	Company	
	2006 \$'000	2005 \$'000
United States Dollars	1,451	703
Australia Dollars	2,845	1,368
Euro	9,966	-
Amounts due to subsidiary companies, current :-		
Non-trade	5,524	8,472
Short term loan	27,616	3,337
Amounts due to subsidiary companies, current	33,140	11,809

Amounts due to subsidiaries denominated in foreign currencies included in the Company's amounts due from subsidiaries are as follow :-

	Company	
	2006 \$'000	2005 \$'000
United States Dollars	4,263	3,022
British Sterling Pounds	3,510	-

The short term loans and amounts due from/to subsidiary companies are unsecured, interest-free and are repayable on demand.

Notes to the Financial Statements

31 December 2006

5. Subsidiary companies (cont'd)

Acquisition of subsidiaries

On 5 December 2006 and 18 December 2006, the Group acquired Techno Trade SA, an unlisted company based in Belgium specialising in the distribution and marketing of remote terminal units.

From the date of acquisition, Techno Trade SA has contributed approximately \$355,000 to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit for the Group would have been approximately \$33,154,000¹.

On 18 December 2006, the Group acquired all the shares in CSE Scomag Limited which is also an unlisted company based in United Kingdom, specialising in the design, installation and commissioning of control and management information system.

From the date of acquisition, CSE Scomag Limited has contributed approximately \$128,000 to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit for the Group would have been approximately \$31,444,000¹.

The allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities acquired in these business combination are currently being determined and have not been completed. In the meantime, the provisional goodwill that results from the difference between the purchase price and the adjusted carrying amount of the assets and liabilities acquired amounts to \$27,654,000 and is reported under intangible assets (Note 7).

The fair values of the identifiable assets and liabilities of subsidiaries as at the date of acquisitions were:

	Recognised on acquisition \$'000	Carrying amount before combination \$'000
Fixed assets (Note 4)	298	298
Intangibles (Note 7)	2,034	–
Trade receivables and other debtors	5,507	5,507
Stocks and work-in-progress	1,383	1,383
Cash and cash equivalents	15,754	15,754
	24,976	22,942
Trade and other payables	(2,497)	(2,497)
Long term liabilities	(125)	(125)
Deferred tax liability	(691)	–
Provision for taxation	(3,091)	(3,091)
	(6,404)	(5,713)
Net identifiable assets acquired	18,572	17,229
Goodwill arising on acquisitions (Note 7)	27,654	
Total purchase consideration	46,226	

¹ This is exclusive of any interest expense that would have been incurred had loans been taken at the beginning of the financial year to finance the acquisition.

Notes to the Financial Statements

31 December 2006

5. Subsidiary companies (cont'd)

The total costs of the acquisitions were approximately \$46,226,000 and comprised cash and deferred cash settlement.

	\$'000
Cost of acquisitions :	
Deferred cash settlement	30,566
Cash paid	15,660
Total cost of acquisition	46,226
Cash inflow on acquisitions :	
Cash paid	(15,660)
Net cash acquired with the subsidiary	15,754
Net cash inflow on acquisition	94

6. Associated companies

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Quoted shares, at cost	168	168	–	–
Unquoted shares, at cost	11,949	11,982	10,299	10,333
	12,117	12,150	10,299	10,333
Less: Impairment losses	(566)	(566)	–	–
	11,551	11,584	10,299	10,333
Share of net post-acquisition reserves	3,922	3,737	–	–
Carrying amount of investments	15,473	15,321	10,299	10,333
			Group	
			2006	2005
			\$'000	\$'000
Market value of quoted shares at 31 December			8,576	8,717

Notes to the Financial Statements

31 December 2006

6. Associated companies (cont'd)

The summarised financial information of the associated companies is as follows:

	Group	
	2006	2005
	\$'000	\$'000
Results		
Turnover	14,970	15,524
Net profit for the year	1,001	1,027
Assets and liabilities		
Non-current assets	14,706	13,881
Current assets	24,428	27,174
Total assets	39,134	41,055
Non-current liabilities	45	7,608
Current liabilities	6,276	3,339
Total liabilities	6,321	10,947
Total assets and liabilities	32,813	30,108
	Group	
	2006	2005
	\$'000	\$'000
Amounts due from associated companies :-		
Non-trade	61	43

The amounts due from associated companies are unsecured, interest-free and are repayable on demand.

Notes to the Financial Statements

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7. Intangible assets

Group	Goodwill \$'000	Licences \$'000	Intellectual property rights \$'000	Total \$'000
Cost				
At 1 January 2005	30,292	54	3,290	33,636
Currency realignment	(306)	(5)	–	(311)
At 31 December 2005 and 1 January 2006	29,986	49	3,290	33,325
Currency realignment	(1,237)	6	–	(1,231)
Additions	–	252	494	746
Due to acquisition of subsidiaries	27,654	–	2,034	29,688
At 31 December 2006	56,403	307	5,818	62,528
Accumulated amortisation				
At 1 January 2005	–	33	90	123
Currency realignment	–	(5)	–	(5)
Provided during the year	–	21	219	240
At 31 December 2005 and 1 January 2006	–	49	309	358
Currency realignment	(76)	4	–	(72)
Provided during the year	–	15	238	253
At 31 December 2006	(76)	68	547	539
Net carrying value				
At 31 December 2006	56,479	239	5,271	61,989
At 31 December 2005	29,986	–	2,981	32,967
Remaining amortisation period (years) – 2005	NA	–	14	NA
Remaining amortisation period (years) – 2006	NA	9	10 to 13	NA
Company				
				Licences \$'000
Cost				
Additions and balance at 31 December 2006				147
Accumulated amortisation				
Provision during the year and balance at 31 December 2006				15
Net carrying value				
At 31 December 2006				132

Amortisation of licenses and intellectual property are included in the line "other operating costs" in the profit and loss statement.

Notes to the Financial Statements

31 December 2006

7. Intangible assets (cont'd)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the Group's cash-generating units (CGU) identified according to each individual business unit, for impairment testing, as follows :-

	Group	
	2006 \$'000	2005 \$'000
W-Industries, Inc.	13,539	14,678
CSE-Servelec Group Limited	19,098	1,564
CSE-Global (Australia) Pty Ltd	9,482	9,571
CSE-Infotech Limited	1,282	1,280
TransTel Engineering Pte Ltd	2,406	2,406
CSE-EIS (Malaysia) Sdn Bhd	486	487
CSE (Global) Belgium	10,186	–
	56,479	29,986

The recoverable amounts of the CGUs are determined based on value-in-use calculations. The value-in-use calculations use 5-years cash flow projections based on financial budgets approved by management. Management have considered and determined the factors applied in these financial budgets which include budgeted gross margins and average growth rates. The budgeted gross margins are based on past performance and its expectation of market development. Average growth rates of 10% – 20% (2005: 10% – 20%) used are consistent with forecasts based on existing contracts and book orders. The discount rate applied is assumed at 10.4% (2005: 10.4%) for value-in-use calculations, which approximates the industry weighted average cost of capital.

8. Deferred tax assets/liabilities

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deferred tax assets	1,630	1,608	763	488
Deferred tax liabilities	(1,843)	(570)	–	–
	(213)	1,038	763	488

This can be analysed as follows :-

Differences in depreciation	(1,044)	(1,265)	(13)	(246)
Difference in valuation of intangible asset ⁽¹⁾	(691)	–	–	–
Provisions	756	484	–	40
Unutilised tax losses and capital allowances	930	2,032	776	694
Unremitted foreign sourced interest income	(218)	(231)	–	–
Other deferred tax assets	54	18	–	–
	(213)	1,038	763	488

(1) Difference arose as a result of preliminary purchase price allocation relating to the acquisition of Techno Trade SA.

Notes to the Financial Statements

31 December 2006

8. Deferred tax assets/liabilities (cont'd)

As at 31 December 2006, the Group has unutilised tax losses amounting to approximately \$6,655,000 (2005 : \$6,034,000) and capital allowance amounting to \$1,297,000 (2005 : \$1,636,000) available for offset against future profits, subject to agreement by tax authorities and compliance with tax regulations in the respective countries in which certain subsidiary companies operate.

At 31 December 2006, no deferred income tax liability has been recognised (2005 : \$Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates, to the extent over which the Group has control over its remittance.

There are no income tax consequences attached to the payment of dividends by CSE Global Limited to the shareholders of the Company.

9. Projects-in-progress, net

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cost incurred and attributable profits less recognised losses	107,586	129,863	–	531
Less: Progress billings	(44,428)	(73,952)	–	–
Amounts due from customers for contract work, net	63,158	55,911	–	531
Gross amount due from customers for contract work disclosed in :-				
Project-in-progress	12,216	15,154	–	531
Unbilled receivables (Note 11)	56,718	45,530	–	–
	68,934	60,684	–	531
Gross amount due to customers for contract work	(5,776)	(4,773)	–	–
Gross amount due from customers for contract work, net	63,158	55,911	–	531

10. Stocks

	Group	
	2006 \$'000	2005 \$'000
Raw materials	2,336	595
Stocks work-in-progress	1,688	370
Finished goods	4,155	4,781
Stocks in transit	194	–
Total stocks at lower of cost and net realisable value	8,373	5,746
Stocks are stated after deducting allowance for stock obsolescence	576	1,001

Notes to the Financial Statements

31 December 2006

11. Trade debtors and other debtors

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade debtors	71,983	54,962	3,406	4,427
Unbilled receivables (Note 9)	56,718	45,530	–	–
	128,701	100,492	3,406	4,427
Other debtors	1,834	469	28	318
Deposits	436	637	80	80
Staff loans and advances	257	326	–	1
Tax recoverable	1,545	711	356	254
	132,773	102,635	3,870	5,080
Trade debtors are stated net of allowance for doubtful debts of :-	593	395	–	68

Included in the Group's trade debtors and other debtors balances at 31 December are the following foreign currency denominated balances as follow :

	Group	
	2006 \$'000	2005 \$'000
United States Dollars	40,647	35,364
British Sterling Pounds	19,411	8,394
Australia Dollars	5,919	5,627
Euro	3,253	–

Allowance for doubtful debts

For the financial year ended 31 December 2006, an impairment loss of \$21,000 (2005: \$187,000) was recognised in the profit and loss subsequent to a debt recovery assessment performed on trade debtors and other debtors as at 31 December 2006.

Notes to the Financial Statements

31 December 2006

12. Derivative financial instruments

	Group and Company			
	2006		2005	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Forward currency contracts # (Note 33)	–	(34)	–	241
Firm commitments (Note 18)	–	–	–	1,185
Forward currency contracts * (Note 33)	–	207	–	–
	–	173	–	1,426

These are designated as fair value through profit and loss financial instruments.

* This is designated as a hedging instrument in the hedge of a net investment in a subsidiary.

At 31 December 2006, the settlement dates on open forward contracts ranged between 1 to 6 months.

13. Trade creditors and accruals

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Trade creditors and accruals	94,475	48,969	4,280	3,221

Trade creditors and accruals denominated in foreign currencies included in the Group's trade creditors and accruals at 31 December are as follow :

	Group	
	2006	2005
	\$'000	\$'000
United States Dollars	14,687	10,163
British Sterling Pounds	41,760	6,596
Australia Dollars	7,539	6,763
Euro	2,221	1,456
Thailand Baht	376	1,041

Notes to the Financial Statements

31 December 2006

14. Amounts due to bankers

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Short term loans, unsecured				
– Singapore Dollars	34,850	32,600	31,850	32,600
– British Sterling Pounds	9,092	8,727	9,092	8,727
– United States Dollars	30,443	27,894	18,045	27,894
– Euro	15,660	–	15,660	–
Current portion of long term loans, unsecured				
– United States Dollars	–	2,783	–	2,783
	90,045	72,004	74,647	72,004
Long term loans, unsecured				
– United States Dollars	7,701	2,783	7,701	2,783
	97,746	74,787	82,348	74,787

The unsecured short term loans of the Company and of the Group bear interest at 4.06% – 6.87% (2005 : 2.75% – 5.64%) per annum.

The unsecured long term loans of the Company and of the Group bear interest ranging between 6.25%– 6.33% (2005 : 4.14% – 5.07%) per annum and is repayable from June 2008. These floating rate loans fix interest rates based on the prevailing market rate at intervals of 6 months.

15. Provision for warranties

	Group	
	2006 \$'000	2005 \$'000
Balance at 1 January	1,594	1,330
Currency realignment	12	(43)
Provision during the year	940	1,423
Provision written back	(630)	(264)
Provision utilised	(376)	(852)
	1,540	1,594

Provision for warranties relates to estimated costs for possible rectification work during the warranty period of the project-in-progress. The provision for such costs is based on estimates made from historical data associated with similar projects.

Notes to the Financial Statements

31 December 2006

16. Share capital

	Group and Company			
	2006		2005	
	No of shares	\$'000	No of shares	\$'000
At 1 January	329,812,907	16,491	319,681,407	16,028
Issued for cash at a premium of \$0.4546	–	–	2,868,500	143
Issued for cash at a premium of \$0.256	170,000	52	1,530,000	77
Issued for cash at a premium of \$0.2572	1,486,000	457	4,036,000	159
Issued for cash at a premium of \$0.334	100,000	38	1,197,000	59
Issued for cash at a premium of \$0.3859	–	–	500,000	25
Issued for cash at a premium off \$0.48	2,338,000	1,239	–	–
Issued for cash at a premium of \$0.598	1,195,000	773	–	–
	335,101,907	19,050	329,812,907	16,491
Exercise of employee share options (Note 18)	–	814	–	–
Transfer of share premium to share capital (Note 17)	–	68,548	–	–
At 31 December	335,101,907	88,412	329,812,907	16,491

The Company issued 60,000, 1,486,000 and 2,338,000 (2005: 900,000, 4,036,000 and 500,000) new ordinary shares in the share capital of the Company fully paid at \$0.3060, \$0.3072 and \$0.5300 (2005 : \$0.3060, \$0.3072 and \$0.4359) each for cash respectively, pursuant to the exercise of vested share options that were granted under the CSE Global Limited Executives' Share Option Scheme subsequent to 9 October 2001 to Directors and full time employees of the Group.

Furthermore, the Company also issued 110,000, 100,000 and 1,195,000 (2005 : 630,000 and 1,197,000) in the share capital of the Company fully paid up at \$0.306, \$0.3840 and \$0.648 each for cash respectively, pursuant to the exercise of vested options that were granted under the CSE (US Subsidiaries) Incentive Stock Option Scheme to Directors and full time employees of the Group.

The 5,289,000 new ordinary shares in the share capital of the Company that were issued as a result of the above mentioned share option exercises rank pari passu in all respects with the existing issued ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends when declared by the Company. All ordinary shares carry one vote per share without restriction.

The Company grants share options to Directors and full time employees of the Company and of the Group pursuant to the following share options schemes :-

- (i) CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001; and
- (ii) CSE (US Subsidiaries) Incentive Stock Option Plan ("US Plan").

In accordance with the Companies' (Amendment) Act 2005, on 30 January 2006, the concepts of "par value" and "authorised capital" was abolished and on that date, the shares of the Company ceased to have a par value. The outstanding amount standing in the share premium reserve had become part of the Company's share capital.

Notes to the Financial Statements

31 December 2006

16. Share capital (cont'd)

Details of the share option schemes and the respective share options existing as at 31 December 2006 are disclosed in the following :-

(i) **CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001**

Under the Company's CSE ESOS subsequent to 9 October 2001, the share options that are granted as at 31 December 2006 are as follows :-

Date of grant	Balance as at 1.1.2006	Addition	Cancelled	Exercised	Balance as at 31.12.2006	Exercise Price	Exercise Period
30 October 2001 ¹	60,000	-	-	(60,000)	-	\$0.3060	30 October 2003 to 30 October 2006
31 October 2002 ¹	1,753,000	-	-	(1,486,000)	267,000	\$0.3072	31 October 2004 to 31 October 2007
31 December 2003	7,592,000	-	-	(2,338,000)	5,254,000	\$0.5300	31 December 2005 to 31 December 2008
	9,405,000	-	-	(3,884,000)	5,521,000		

¹ These share options have not been recognised in accordance with FRS 102 as they were granted before 22 November 2002.

There are no participants of CSE ESOS subsequent to 9 October 2001 who are controlling shareholders of the Company or their associates, or who received 5 percent or more of the total number of share options available under the CSE ESOS subsequent to 9 October 2001.

The participants of CSE ESOS subsequent to 9 October 2001 who are Directors of the Company as at 31 December 2006 are disclosed in the following tables:

Share options granted on 30.10.2001 exercisable at the price of \$0.3060 each, exercisable from 30.10.2003 to 30.10.2006

Name of participant in respect of CSE ESOS subsequent to 9 October 2001	Options granted during the financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Goh Boon Seong	-	60,000	60,000	-
Lee Soo Hoon Phillip	-	60,000	60,000	-
Lim Boh Soon	-	60,000	60,000	-

Notes to the Financial Statements

31 December 2006

16. Share capital (cont'd)

(ii) CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001 (cont'd)

Share options granted on 31.10.2002 exercisable at a price of \$0.3072 each, exercisable from 31.10.2004 to 31.10.2007

Name of participant in respect of CSE ESOS subsequent to 9 October 2001	Options granted during the financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Goh Boon Seong	–	60,000	–	60,000
Lee Soo Hoon Phillip	–	60,000	60,000	–
Lim Boh Soon	–	60,000	60,000	–
Sin Boon Ann	–	30,000	30,000	–

Share options granted on 31.12.2003 exercisable at a price of \$0.5300 each, exercisable from 31.12.2005 to 31.12.2008

Name of participant in respect of CSE ESOS subsequent to 9 October 2001	Options granted during the financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Goh Boon Seong	–	60,000	–	60,000
Lee Soo Hoon Phillip	–	60,000	–	60,000
Lim Boh Soon	–	60,000	–	60,000
Sin Boon Ann	–	60,000	–	60,000

The terms of the share options granted under the CSE ESOS subsequent to 9 October 2001 to the Directors of the Company are the same as those granted to the employees of the Group and they are disclosed below.

Only Directors and full time employees of the Group who have attained the age of twenty one (21) years are eligible to participate in the CSE ESOS subsequent to 9 October 2001. Each option entitles the participant to subscribe for a number of new ordinary shares in the Company pre-determined at the date of grant. The options are granted in consideration of \$1.00 per option for all the shares in respect of which the option is granted. The shares under option may be exercised in full or in blocks of 1,000 shares or a multiple thereof on the payment of the exercise price. The participants to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company. Options granted are cancelled when the participant ceases to be a full-time employee of the Company or any corporation in the Group subject to certain exceptions at the discretion of the Company. The exercise of the options is also subjected to the satisfactory performance of the participant's duties.

Notes to the Financial Statements

31 December 2006

16. Share capital (cont'd)

(ii) *CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001 (cont'd)*

For all the options that are granted under CSE ESOS subsequent to 9 October 2001, those options may be exercised within a period commencing after the second anniversary of the date of grant and expiring on the fifth anniversary of the date of grant.

For all the options that are granted under CSE ESOS subsequent to 9 October 2001, the subscription price at which a participant subscribes for new ordinary shares of the Company upon the exercise of the option granted shall be at a discount of between zero (0) percent and twenty (20) per cent of the average of the last dealt prices for an ordinary share of the Company, as determined by reference to the daily Official List published by the Singapore Exchange Securities Trading Limited, for the five (5) consecutive trading days immediately preceding the date of grant of the option, or the previous nominal value of the ordinary shares of \$0.05 each of the Company, whichever is higher.

The quantum of the discount shall be equal to the compounded rate of growth (expressed in percentage terms) of the Group's audited profit before tax and extraordinary items for two (2) consecutive financial years beginning from the financial year in which the date of grant falls. The discount shall, in no event, exceed twenty (20) per cent, notwithstanding that the compounded rate of growth may exceed twenty (20) per cent. No discount shall be given if the compounded rate of growth is nil or negative.

The subscription prices of the share options issued under CSE ESOS subsequent to 9 October 2001 are entitled to a maximum discount of 20%. The determination of the quantum of the 20% discount on the subscription prices of share options issued under CSE ESOS subsequent to 9 October 2001 is based on the performance of the CSE Group for the two consecutive financial years beginning from the financial year in which the date of grant falls. The quantum of the discount on the subscription prices of share options issued under CSE ESOS subsequent to 9 October 2001 is only determined on the respective vesting dates. The number, proportion and discount entitlements of the various categories of share options granted under CSE ESOS subsequent to 9 October 2001, where determinable to date, are disclosed in the following table:

Date of grant	Aggregate options outstanding as at end of financial year under review	Proportion against aggregate options outstanding	Financial years considered for performance evaluation	Vesting date of share options	Expiry date of share options	Discount entitlement
30 October 2001	–	6%	FY2001 to FY2002	30 October 2003	30 October 2006	0%
31 October 2002	267,000	38%	FY2002 to FY2003	31 October 2004	31 October 2007	20%
31 December 2003	5,254,000	53%	FY2003 to FY2004	31 December 2005	31 December 2008	18%

Notes to the Financial Statements

31 December 2006

16. Share capital (cont'd)

(iii) CSE (US Subsidiaries) Incentive Stock Option Plan ("US Plan")

Under the Company's US Plan, the share options that are granted as at 31 December 2006 are as follows :-

Date of grant	Balance as at 1.1.2006	Addition	Cancelled	Exercised	Balance as at 31.12.2006	Exercise Price	Exercise Period
30 October 2001 ¹	110,000	-	-	(110,000)	-	\$0.3060	30 October 2003 to 30 October 2006
31 October 2002 ¹	167,000	-	-	(100,000)	67,000	\$0.3840	31 October 2004 to 31 October 2007
31 December 2003	1,337,000	-	-	(1,195,000)	142,000	\$0.6480	31 December 2005 to 31 December 2008
	1,614,000	-	-	(1,405,000)	209,000		

¹ These share options have not been recognised in accordance with FRS 102 as they were granted before 22 November 2002.

There are no participants of US Plan who are Directors of the Company, controlling shareholders of the Company or their associates, or who received 5 percent or more of the total number of share options available under the US Plan. As the Company does not have any parent company, there are therefore no participants of US Plan who are directors or employees of the Company's parent company and its subsidiary companies.

Only full time employees of the subsidiary companies of the Group incorporated in any state of the United States of America who have attained the age of twenty one (21) years are eligible to participate in the US Plan, except for the employees who were already holding options that are granted under the CSE ESOS at the time the US Plan was adopted by the Company. Each option entitles the participant to subscribe for a number of new ordinary shares in the Company pre-determined at the date of grant. The shares under option may be exercised in full or in blocks of 1,000 shares or a multiple thereof on the payment of the exercise price. The participants to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company. Options granted are cancelled when the participant ceases to be a full-time employee of the subsidiary companies of the Group incorporated in any state of the United States of America subject to certain exceptions at the discretion of the Company. The exercise of the options is also subjected to the satisfactory performance of the participant's duties.

The options granted under the US Plan may be exercised within a period commencing after the second anniversary of the date of grant and expiring on the fifth anniversary of the date of grant.

The subscription price at which a participant subscribes for new ordinary shares of the Company upon the exercise of the option granted under the US Plan shall be the average of the last dealt prices for an ordinary share of the Company, as determined by reference to the daily Official List published by the Singapore Exchange Securities Trading Limited, for the five (5) consecutive trading days immediately preceding the date of grant of the option, or the previous nominal value of the ordinary shares of \$0.05 each of the Company, whichever is higher. The subscription prices of the share options issued under US Plan are not entitled to any form of discounts.

Notes to the Financial Statements

31 December 2006

16. Share capital (cont'd)

The weighted average share price for the shares exercised for the financial year ended 31 December 2006 and 2005 are as shown below :

	2006	2005
CSE ESOS subsequent to 9 October 2001 granted on 31 December 2003		
Weighted average share price (\$)	0.9737	0.5946
US Plan granted on 31 December 2003		
Weighted average share price (\$)	0.9807	0.5716

17. Share premium

	Group and Company	
	2006	2005
	\$'000	\$'000
Balance at 1 January	68,548	65,450
Premium on issue of ordinary shares	–	3,101
	68,548	68,551
Less: Expenses on issuance of ordinary shares	–	(3)
Transfer of share premium reserve to share capital (Note 16)	(68,548)	–
Balance at 31 December	–	68,548

18. Other reserves

	Group and Company	
	2006	2005
	\$'000	\$'000
Hedging reserve	–	(1,186)
Share-based payment reserve	1,189	2,003
	1,189	817
(a) Hedging reserve		
At 1 January	(1,186)	728
Net fair value changes on cash flow hedges	1,186	(1,914)
At 31 December	–	(1,186)
(b) Share-based payment reserve		
At 1 January	2,003	1,129
Exercise of share options	(814)	874
At 31 December	1,189	2,003

Notes to the Financial Statements

31 December 2006

18. Other reserves (cont'd)

Hedging reserve

Hedging reserve records the cumulative fair value changes on the derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

Share-based payment reserve

Share-based payment reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

19. Foreign currency translation reserve

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at 1 January	(1,923)	(1,665)	(10)	14
Exchange difference for the year arising on consolidation	(3,325)	(258)	44	(24)
Hedge of net investment in foreign subsidiary (Note 33)	(207)	–	–	–
Balance at 31 December	(5,455)	(1,923)	34	(10)

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

20. Revenues

Revenues mainly represent the revenue recognised on projects-in-progress.

21. Miscellaneous income

	Group	
	2006 \$'000	2005 \$'000
Gain on partial disposal of an associated company	–	95
Rental income	83	186
Commission income	47	27
Miscellaneous income	555	408
Net exchange gain	–	599
	685	1,315

Notes to the Financial Statements

31 December 2006

22. Finance income

	Group	
	2006 \$'000	2005 \$'000
Interest income – short-term deposits	826	377

23. Finance costs

	Group	
	2006 \$'000	2005 \$'000
Interest expense – bank loans	4,005	2,675
Bank charges	305	184
	4,310	2,859

24. Profit before taxation

	Group	
	2006 \$'000	2005 \$'000
The following items have been included in arriving at profit before taxation :-		
Non-audit services paid to:-		
Auditors of the Company	98	88
Other auditors of subsidiary companies	13	184
Depreciation of fixed assets	2,565	2,442
(Gain)/loss on disposal of fixed assets	(434)	106
Amortisation of intangible assets	253	240
Allowance for stock obsolescence	–	626
(Write-back of allowance)/allowance for doubtful trade debts	(21)	187
Bad trade debts written off directly to the profit and loss	23	129
Provision for warranties, net	310	1,159
Personnel and related costs comprising :-		
Salaries and bonuses	35,865	30,163
Employees' provident fund	1,799	1,348
Share-based payment expense	–	874
Other personnel and related costs	3,993	4,065
Directors' fees		
– Directors of the Company	190	196
Net exchange loss	976	–
Fair value changes in value of derivative financial instruments	(275)	241

Notes to the Financial Statements

31 December 2006

25. Taxation

The major components of income tax expense for the years ended 31 December are :

	Group	
	2006 \$'000	2005 \$'000
Current taxation :		
– Singapore	1,713	1,587
– Foreign	7,714	5,222
Deferred taxation :		
– Singapore	(295)	(517)
– Foreign	430	(4)
	9,562	6,288
Withholding tax	1,071	416
Overprovision for prior years' taxation – current	(325)	(267)
Underprovision for prior years' taxation – deferred	435	–
Taxation	10,743	6,437

A reconciliation between the tax expense and the product of accounting profit before taxation multiplied by the applicable tax rate for the financial years ended 31 December can be analysed as follows :

	Group	
	2006 \$'000	2005 \$'000
Profit before taxation (excluding share of results of associated companies)	39,681	28,086
Taxation at statutory tax rate of 20.0% (2005 : 20.0%)	7,936	5,617
Adjustments :		
Expenses not deductible for tax purposes	1,064	1,993
Temporary differences previously not recognised, now recognised	7	6
Utilisation of tax losses and capital allowance previously not recognised	(33)	(41)
Income not subjected to taxation	(2,969)	(3,965)
Different effective tax rates of other countries	3,557	2,677
Others	–	1
	9,562	6,288
Share of profit of associated companies is net of tax amounting to	10	21

Notes to the Financial Statements

31 December 2006

26. Earnings per share

Basic earnings per share

Basic earnings per share amounts are calculated by dividing profit for the financial year that is attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the financial year that is attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and loss account and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2006	2005
	\$'000	\$'000
Profit for the year attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per share	29,123	22,122
	2006	2005
	No. of shares	
Weighted average number of shares for basic earnings per share computation :-		
Outstanding during the year	329,812,907	319,681,407
Issued during the year	3,434,630	6,736,038
	333,247,537	326,417,445

Diluted earnings per share

The weighted average number of ordinary shares adjusted for the effect of all dilutive potential ordinary shares is determined as follows :-

	2006	2005
	No. of shares	
Weighted average number of shares outstanding during the year, used in the computation of basic earnings per share	333,247,537	326,417,445
Weighted average number of unissued ordinary shares under share options	7,584,370	15,142,575
Number of shares that would have been issued at fair value under share options	(3,701,391)	(10,857,079)
Weighted average number of ordinary shares adjusted for the effect of dilution	337,130,516	330,702,941

Notes to the Financial Statements

31 December 2006

27. Directors' remuneration

Pursuant to Rule 1207(11) to (14) of the Singapore Exchange Securities Trading Limited Listing Manual, the following number of Directors of the Company whose remuneration falls within the stipulated remuneration bands is disclosed as follows :-

	Company					
	2006			2005		
	Executive Directors	Non-executive Directors	Total	Executive Directors	Non-executive Directors	Total
\$500,000 and above	1	–	1	1	–	1
\$250,000 to below \$500,000	–	–	–	–	–	–
Below \$250,000	–	5	5	–	5	5
	1	5	6	1	5	6

28. Cash and cash equivalents

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Short-term deposits	4,306	1,333	–	–
Cash and bank balances	62,595	28,029	14,975	525
	66,901	29,362	14,975	525

Cash and cash equivalents denominated in foreign currencies included in the Group's cash and cash equivalents balance at 31 December are as follow :

	Group	
	2006 \$'000	2005 \$'000
United States Dollars	20,309	10,414
British Sterling Pounds	20,144	7,663
Australia Dollars	4,242	4,855
Euro	2,512	31
New Zealand Dollars	2,142	2,580

Included in the Company's cash and cash equivalents balance at 31 December 2006 is an amount of approximately \$168,000 (2005 : \$33,000) denominated in US Dollars.

Notes to the Financial Statements

31 December 2006

29. Segment information

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets

Business segments

The primary operating segment format is not separately presented as the Group only has one business segment. The Group is in the business of systems integration solution and the provision of computer network systems. The provision of these services provide the Group with similar risks and rates of returns. For this reason, the management and the directors are of the opinion that the Group only has one business segment.

Geographical segments

The turnover by geographical segments is based on the location of customers regardless of where the goods are produced. The assets and capital expenditure are based on the location of those assets.

Allocation basis

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment accounting policies are the same as the policies of the Group as described in Note 2.

Geographical segments

The following table presents revenue and expenditure information regarding geographical segments for the year ended 31 December 2006 and 2005 :

	Asia-Pacific		America		Europe/ Middle East		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Segment revenue :-								
Sales to external customers	104,519	85,236	151,995	122,157	77,958	59,942	334,472	267,335
Total assets	153,403	118,692	84,625	78,302	76,712	26,892	314,740	223,886
Other Segment Information :-								
Capital expenditure	1,350	2,374	1,430	1,957	628	404	3,408	4,735

Projects in Asia-Pacific cover countries such as Singapore, China, Hong Kong, Korea, Japan, Thailand, Malaysia, Indonesia and Vietnam and Australia.

Notes to the Financial Statements

31 December 2006

30. Commitments

(a) *Operating lease commitments – As lessee*

As at the balance sheet date, the Group has the following minimum lease payments under non-cancellable operating lease on premises and equipment with initial or remaining term of one year or more :-

	Group	
	2006	2005
	\$'000	\$'000
Payable within 1 year	3,024	2,204
Payable later than 1 year but not later than 5 years	8,188	6,035
Payable later than 5 years	3,297	–
	14,509	8,239
Rental expenses (principally for offices and equipment)	3,281	2,678

The Group leases a number of office premises under operating leases. These leases typically run for an initial tenure of between one to ten years. Certain leases include options to renew the leases after the expiry of the initial tenure. Lease payments under these leases are usually fixed for the entire initial tenure.

The leases generally do not contain any escalation clauses with the exception of one lease which provides for an increase in rental at a fixed rate of 7% over the preceding year's rent at commencement of the 4th and 7th year of lease term. There are no restrictions placed upon the Group or the Company by entering into these leases.

(b) *Operating lease commitments – As lessor*

As at the balance sheet date, the Group and Company have the following minimum lease payments under non-cancellable operating lease on rental premises located within its leasehold building with a remaining term of one year or more :-

	Group and Company	
	2006	2005
	\$'000	\$'000
Payable within 1 year	121	56
Payable later than 1 year but not later than 5 years	142	33
	263	89
Rental income (Note 21)	83	186

During the financial year, the leasehold building was disposed.

Notes to the Financial Statements

31 December 2006

30. Commitments (cont'd)

(c) *Finance lease commitments*

The Group conducts a portion of its operations from leased office equipments and motor vehicles. These leases are classified as finance leases and expire over the next four years.

As at the balance sheet date, the Group has the following future minimum lease payments under finance leases together with the present value of the net minimum lease payments on equipment with initial or remaining term of one year or more :-

	Group			
	Total minimum lease payments 2006 \$'000	Present value of payments 2006 \$'000	Total minimum lease payments 2005 \$'000	Present value of payments 2005 \$'000
Payable within 1 year	258	220	263	225
Payable later than 1 year but not later than 5 years	470	424	403	366
	728	644	666	591
Less: Amounts representing finance charges	(84)	-	(75)	-
Present value of minimum lease payments	644	644	591	591

Included in lease creditors of the Group is an amount of approximately \$631,000 (2005 : \$591,000) denominated in Australian dollars.

The finance leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or entering into other leases agreements.

Notes to the Financial Statements

31 December 2006

31. Key management personnel compensation

	Group	
	2006 \$'000	2005 \$'000
Directors of the Group :-		
Short-term employee benefits *	5,815	3,030
Fees paid	190	196
Share-based payments #	–	355
	6,005	3,581
Key executive officers :-		
Short-term employee benefits *	3,725	2,673
Share-based payments #	–	733
	3,725	3,406
* Comprising employees' provident fund contributions made to:-		
– Directors of the Group	181	123
– Key executive officers	130	99
	311	222

No new share options were granted in 2005 and 2006. The share based payments recognised in 2005 have been computed for share options granted in 2003 in the previous financial years using the Black-Scholes Option Pricing Model as stated in Note 17, in accordance with FRS 102.

32. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivative financial instruments, comprise bank loans, debentures, finance leases, and cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Exposure to foreign currency risk, credit risk, interest rate risk and liquidity risk arise in the normal course of the Group's business. The Group uses pre-dominantly foreign exchange forward contracts in connection with its risk management activities to reduce the Group's exposure to fluctuations in foreign exchange rates. While these are subject to the risk of market rates changing subsequent to the contract date, such changes are generally offset by the opposite effects on the items being hedged. The Group does not hold any foreign exchange forward contracts for trading or speculative purposes.

The Group has established processes to monitor and control hedging transactions in respect of the foreign exchange forward contracts on a timely and effective manner as part of the Group's risk management procedures. These risk management processes are reviewed by the management on a periodic basis to ensure its effectiveness in managing the Group's risk in respect of the above.

Notes to the Financial Statements

31 December 2006

32. Financial risk management objectives and policies (cont'd)

The Group's accounting policies in relation to derivative financial instruments are set out in Note 2.25.

Foreign currency risk

The Group has exposure to foreign currency risk as a result of engaging in transactions denominated in foreign currencies that arise from the Group's trading and investing activities in the course of business. Where exposures to foreign currency risk are certain, it is the Group's policy to conduct foreign currency hedging activities to hedge against such risks. The primary purpose of the Group's foreign currency hedging activities is to protect the Group against the volatility associated with foreign currency exposure. The Group uses pre-dominantly foreign exchange forward contracts with maturities of less than 12 months to hedge the above mentioned transactions denominated in foreign currencies.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Credit risk

The Group's maximum exposure to credit risk, in the event that the counter-parties to the transactions with the Group fail to perform their obligations as of balance sheet date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet, and is generally limited to the amounts, if any, by which the counter-parties' obligations exceed the obligations of the Group.

In the aspect of credit risk arising from the inability of customers of the Group to make payments when their receivables fall due, it is the Group's policy to provide credit terms to creditworthy and reputable customers. These receivables are continually monitored on an ongoing basis to ensure that issues arising from non-collectibility are minimised. Therefore, the Group does not expect material credit losses on its debts with customers.

In the aspect of credit risk arising from the Group's foreign exchange forward contracts, it is the Group's policy to enter into foreign exchange forward contracts with a diversity of creditworthy and reputable financial institutions. Therefore, the Group does not expect material credit losses on its foreign exchange forward contracts.

The Group has no significant concentration of credit risk.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's borrowings and overdraft facilities from financial institutions, from which the Group obtains additional financing for its activities. The Group's policy is to manage its interest costs by obtaining the most favourable interest rates on its borrowings of various tenors without increasing its foreign currency exposure. Information relating to the Group's interest rate exposure on its borrowings is also disclosed in Note 14.

Surplus funds of the Group are also placed with financial institutions as short-term deposits to generate interest income.

Liquidity risk

To ensure the continuity of funding for the Group's operations, the Group obtains short term funding from reputable financial institutions.

Notes to the Financial Statements

31 December 2006

33. Financial instruments

Fair value

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments carried at fair value

The Group and Company has carried all derivative financial instruments, at their fair value as required by FRS 39.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, current trade and other payables and current bank loans, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Management has determined that the carrying amounts of the non-current portions of the finance leases amounting to \$424,000 (2006 : \$366,000) approximate their fair values.

Derivative financial instruments and hedging activities

Derivative financial instruments included in the balance sheets of the Group and Company at 31 December are as follow :

	Group and Company			
	2006		2005	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Forward currency contracts	–	173	–	1,426

(i) **Derivative financial instruments fair valued through profit and loss**

As at 31 December 2006 and 2005, the Group and Company held forward currency contracts which are fair valued through profit and loss. The terms of these contracts are as follow :

	Maturity	Exchange Rate
2006		
Forward contracts:-		
Buy		
USD 250,000	6.6.2007#	US\$/S\$1.59
USD 250,000	6.6.2007#	US\$/S\$1.60

Notes to the Financial Statements

31 December 2006

33. Financial instruments (cont'd)

(i) *Derivative financial instruments fair valued through profit and loss (cont'd)*

	Maturity	Exchange Rate
2005		
Forward contracts:-		
Sell		
GBP3,000,000	12.6.2006	GBP/US\$1.79
Buy		
GBP3,000,000	12.6.2006	GBP/US\$1.70
USD2,500,000	13.3.2006	US\$/S\$1.65
USD3,537,000	31.3.2006	US\$/S\$1.66

These contracts mature on a monthly basis with the ultimate maturity date on 6 June 2007.

A fair value gain of approximately \$34,000 (2005 : loss of \$241,000) arising from the above forward contracts fair-valued through profit and loss, was recognised in the profit and loss account (Note 12).

(ii) *Hedge of net investments in foreign operations*

The Group and Company has entered into a forward contract to sell AUD 6 million for US Dollars at exchange rate US\$/AUD 0.7693. This contract which matures on 22 January 2007 has been designated as hedge of the net investment in the Australian operations and is being used to hedge the Group's exposure to foreign currency risk on these investments. The treatment of the fair value differences is in accordance with Note 2.25(c).

34. Dividends

	Group and Company	
	2006 \$'000	2005 \$'000
Final exempt (one-tier) dividend for 2005 of \$0.025 per ordinary share	8,321	–
Final exempt (one-tier) dividend for 2004 of \$0.02 per ordinary share	–	6,524
	8,321	6,524

The proposed first and final tax exempt dividends of \$0.035 cents per ordinary share to be paid in respect of the financial year ended 31 December 2006 have not been recognised as a liability as at year-end as it is subject to approval at the Annual General Meeting of the Company.

35. Subsequent events

(a) *Change in corporate tax rate*

On 15 February 2007, the Singapore Government announced a revision in the Singapore corporate tax rate from 20% to 18% for Year of Assessment 2008. In accordance with FRS 12 Income Taxes, and FRS 10 Events After the Balance Sheet Date, this is a non-adjusting subsequent event. The provisions for deferred tax in these financial statements have not been adjusted to reflect the change in the tax rate. The financial effect of the reduced tax rate will be reflected in the 31 December 2007 financial year. Had the provisions been adjusted, the taxation charge for the year for the Group and Company would be reduced by \$94,000 and \$Nil respectively. The provision for deferred tax for the Group and Company would be reduced by approximately \$74,000 and \$76,000 respectively.

Notes to the Financial Statements

31 December 2006

35. Subsequent events (cont'd)

(b) Bonus issue

On 26 February 2007, the Company announced that the Company was proposing a bonus issue of new ordinary shares in the capital of the Company (the "bonus shares") on the basis of one (1) bonus share for every two (2) existing ordinary share in the capital of the Company held by the shareholders of the Company (the "Proposed Bonus Issue") on a date yet to be determined at the date of the announcement (the "Book Closure Date"). Fractional entitlements will be disregarded and will be disposed of in a manner as the Directors may in their absolute discretion deem fit for the benefit of the Company.

The bonus shares, when allotted and issued, will not be entitled to the dividends proposed for the financial year 2006. The bonus shares, when allotted and issued, will rank *pari passu* in all respects with the existing ordinary shares in the capital of the Company.

The proposed bonus issue and listing of the bonus shares will be subjected to the approval of the SGX-ST and the approval of the shareholders at an Extraordinary General Meeting to be convened subsequently. The Company will be making an application to the SGX-ST for approval of the proposed bonus issue.

36. Comparatives

Comparatives in the financial statements have been changed from the previous financial year to be consistent with current year presentation of financial asset and liability classification in accordance with FRS 1 Presentation of Financial Statements.

	Group		Company	
	31.12.2005 as restated \$'000	31.12.2005 as previously reported \$'000	31.12.2005 as restated \$'000	31.12.2005 as previously reported \$'000
Balance Sheet				
Trade debtors and other debtors	102,635	–	5,080	–
Prepayments	1,796	–	17	–
Trade debtors	–	100,492	–	4,427
Other debtors, deposit and prepayments	–	3,939	–	670
Derivative financial instruments	1,426	–	1,426	–
Trade creditors and accruals	48,969	50,395	3,221	4,647

37. Authorisation of financial statements

The financial statements of CSE Global Limited for the financial year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Directors on 15 March 2007.

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