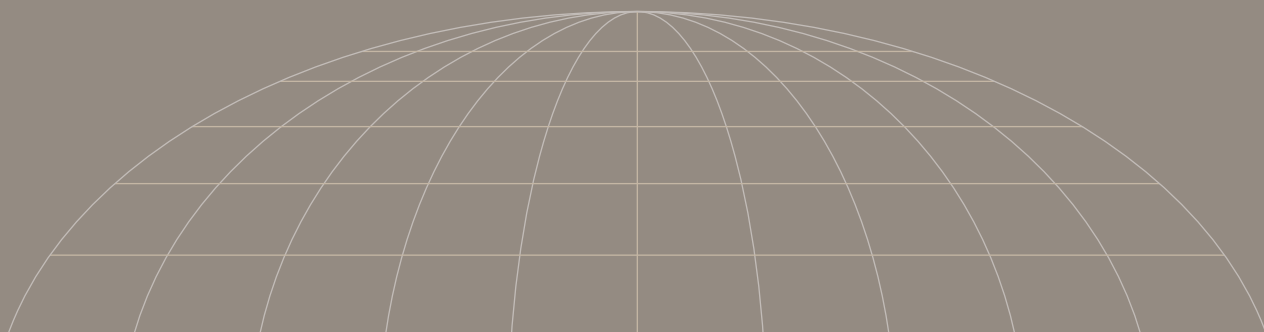


EXPANDING HORIZONS



CSE GLOBAL LTD
Annual Report 2005

CSE *global*

Co. Reg. No.: 198703851D

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LIM MING SEONG, Chairman



TAN MOK KOON, Managing Director

A YEAR OF MANY ACHIEVEMENTS

CSE had an outstanding year in 2005, as we delivered record revenue and earnings growth. The growth was led by the strength of the oil and gas industries that we serve , and also as a result of the Group's focus on organic growth, and sales and marketing investments made in the Middle East and Africa.

Revenue was a record S\$267million, up 35 percent from S\$199 million in 2004. Earnings growth was up 36 percent to S\$22 million, compared to 2004.

The Group generated operational cash inflow of S\$7 million after deploying an additional S\$29 million for working capital and technology investment to fund the increase in revenue, and to build the foundation for future growth.

The worldwide markets that CSE had focused on had been generally favorable for all our businesses, particularly in the oil and gas industry. The Group achieved record new orders amounting to S\$363 million in 2005, almost double the S\$194 million received in 2004.

Given the good performance, the Board is pleased to recommend a dividend of 2.5 cents per share for the year (2004: 2.0 cents).

Fiscal 2005 was a year of many records. Some of the highlights for the year were:

- We have evolved to be a major telecommunication integrator in the oil and gas industry, especially in gas and LNG projects. Major projects secured during the year were South Pars Field (Iran), Dolphin Field (Qatar/UAE), QG II (Qatar) and BP Tangguh (Indonesia);
- We had secured a S\$30 million contract with BT Capital Care Alliance, the Local Service Provider (LSP) for London, which selected CSE-Servelec's RiO healthcare information system to meet the immediate business needs of Mental Health and Community Trusts across London. This contract award will also enhance our chances to provide our services to the other LSPs (Accenture, CSC and Fujitsu);
- We believe in making appropriate technology investments to help form the foundation for improving our gross margin to enhance our profitability. During the year, we invested in Energy Storage and Power Corporation, a US-based company offering power augmentation solutions using air injection technology;
- We continue to divest non-core asset to strengthen our balance sheet. During the year, we entered into

a conditional sales-and-leaseback agreement with Cambridge Real Estate Investment Pte Ltd for our CSE building. We have also divested our investment in I-magination Berhad.

We show that we care

As a responsible transnational corporate citizen, CSE and our employees believe that it is vitally important to give back to the communities where we live and work. During the year, CSE and its employees donated to four local charitable organisations, namely, the Home Nursing Foundation, Singapore Cancer Society, Spastic Children's Association of Singapore, and Samaritans of Singapore, and also to the Methodist Girls' School for its school development fund.

In 2005, our employees all over the world worked in concert to raise funds to bring relief to the the Hurricane Katrina victims in the United States with CSE matching every dollar donated by our staff.

2006 Outlook

Looking forward, we are confident about our prospects in the year ahead. The underlying fundamentals in the oil and gas industry remain positive. We are seeing increased project activities in the Middle East, West Africa, Mexico, Australia and China, and we are targeting new markets in Central Asia and Eastern Europe. The prospects in the United Kingdom's healthcare market are encouraging. Our global network of 29 offices in 18 countries is well positioned, to be leveraged upon. We will continue to sow, till, grow and harvest in 2006 and beyond.

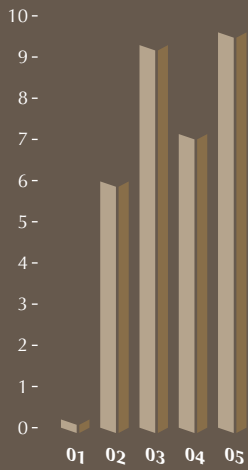
Acknowledgement

On behalf of the Board, we would like to thank our employees for their dedication, commitment and continuing hard work, our suppliers and customers for their continued trust in us, and our shareholders for their continuing support and confidence as we build a global organization that will compete and grow successfully.

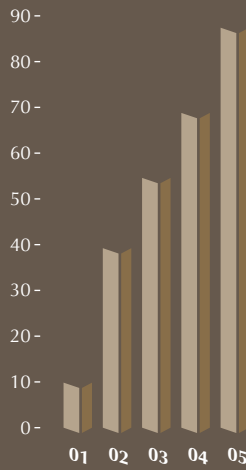
FINANCIAL HIGHLIGHTS

- 04 -

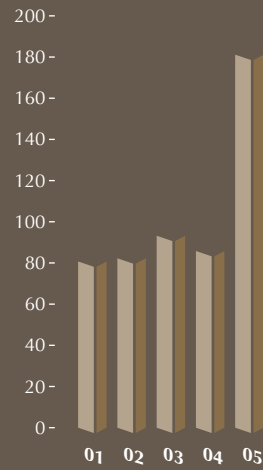
EVA (\$M)



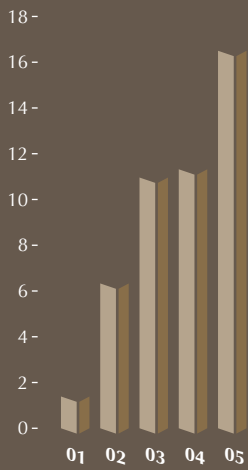
Shareholders' Fund (\$M)



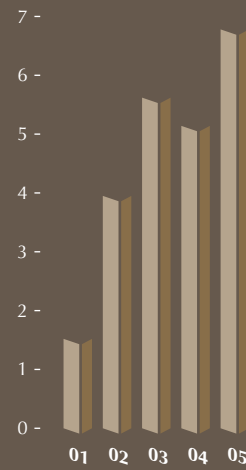
Order Backlog (\$M)



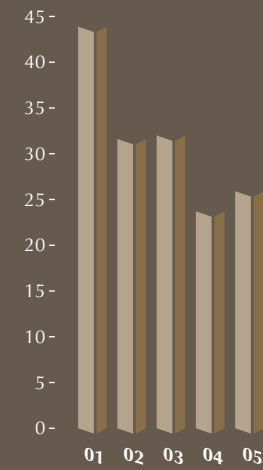
NTA Per Share (Cents)



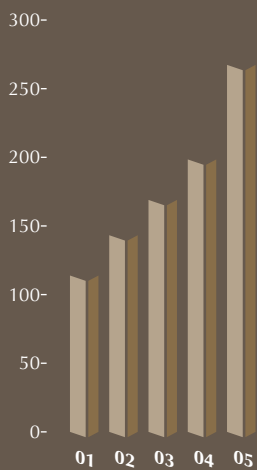
EPS (Cents)



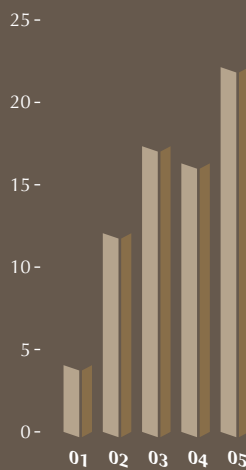
Return on Equity (%)



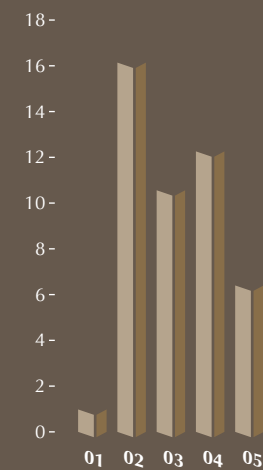
Turnover (\$M)



Profit After Tax (\$M)



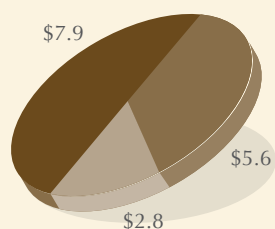
Operating Cashflow (\$M)



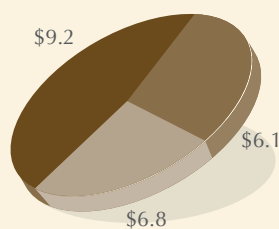
FINANCIAL HIGHLIGHTS

- 05 -

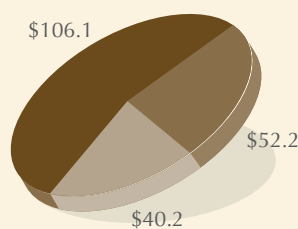
S\$'000	Group		
	2005	2004	Change %
Revenue	267,335	198,468	35%
Profit from continuing operations before taxation	28,560	19,956	43%
Profit from continuing operations after taxation	22,123	16,334	35%
Minority Interest	1	35	-97%
Profit attributable to shareholders	22,122	16,299	36%
Earning per share (cents)	6.78	5.14	32%
Fixed Assets	19,254	17,236	12%
Associated companies	15,321	6,655	130%
Intangible assets	32,967	33,513	-2%
Deferred taxation	1,608	785	105%
Current assets	154,736	104,418	48%
Current liabilities	132,782	88,529	50%
Net current assets/(liabilities)	21,954	15,889	38%
Non current liabilities	3,719	5,284	-30%
Shareholders' funds	87,372	68,782	27%
Minority interest	13	12	8%
Net assets per share (cents)	26.49	21.52	23%
Operating income before working capital changes	33,588	22,594	49%
Net cash generated from operations	6,402	12,259	-48%
Net cash used in investing activities	(12,663)	(23,129)	-45%
Net cash generated from financing activities	14,085	15,291	-8%
Cash and cash equivalents at end of the year	29,362	21,538	36%



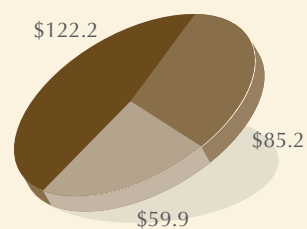
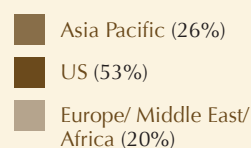
Profit After Tax by geographical locations for 2004 (\$M)



Profit After Tax by geographical locations for 2005 (\$M)



Turnover by geographical locations for 2004 (\$M)



Turnover by geographical locations for 2005 (\$M)



**BOARD OF DIRECTORS****Executive**

Tan Mok Koon (Managing Director)

Non-Executive

Lim Ming Seong (Chairman)

Goh Boon Seong (Independent)

Phillip Lee Soo Hoon (Independent)

Lim Boh Soon (Independent)

Sin Boon Ann (Independent)

EXECUTIVE COMMITTEE

Lim Ming Seong (Chairman)

Goh Boon Seong

Tan Mok Koon

AUDIT COMMITTEE

Phillip Lee Soo Hoon (Chairman)

Lim Boh Soon

Sin Boon Ann

COMPENSATION COMMITTEE

Lim Ming Seong (Chairman)

Goh Boon Seong

Tan Mok Koon

ADVISORY COMMITTEE

William Ketelhut

Graham Woodhead

Peter Whelan

SECRETARIES

Sebastian Tan Cher Liang

Tan San-Ju

REGISTERED OFFICE

10 Collyer Quay #19-08

Ocean Building

Singapore 049315

Tel : 65-6536 5355

Fax : 65-6536 1360

BUSINESS OFFICE

No. 2, Ubi View

Singapore 408556

Tel : 65-6512 0333

Fax : 65-6742 9179

SHARE REGISTRAR

Lim Associates (Pte) Ltd

10 Collyer Quay #19-08

Ocean Building

Singapore 049315

Tel : 65-6536 5355

Fax : 65-6536 1360

AUDITORS

Ernst & Young

10 Collyer Quay #21-00

Ocean Building

Singapore 049315

AUDIT PARTNER-IN-CHARGE :

Christopher Wong Mun Yick

(Appointment since 2002)

BANKERS

Arab Bank plc

Bank of China Ltd

Citibank N.A.

Development Bank of Singapore Ltd

Malayan Banking Berhad

Overseas-Chinese Banking Corporation Ltd

Rabobank International

RHB Bank Berhad

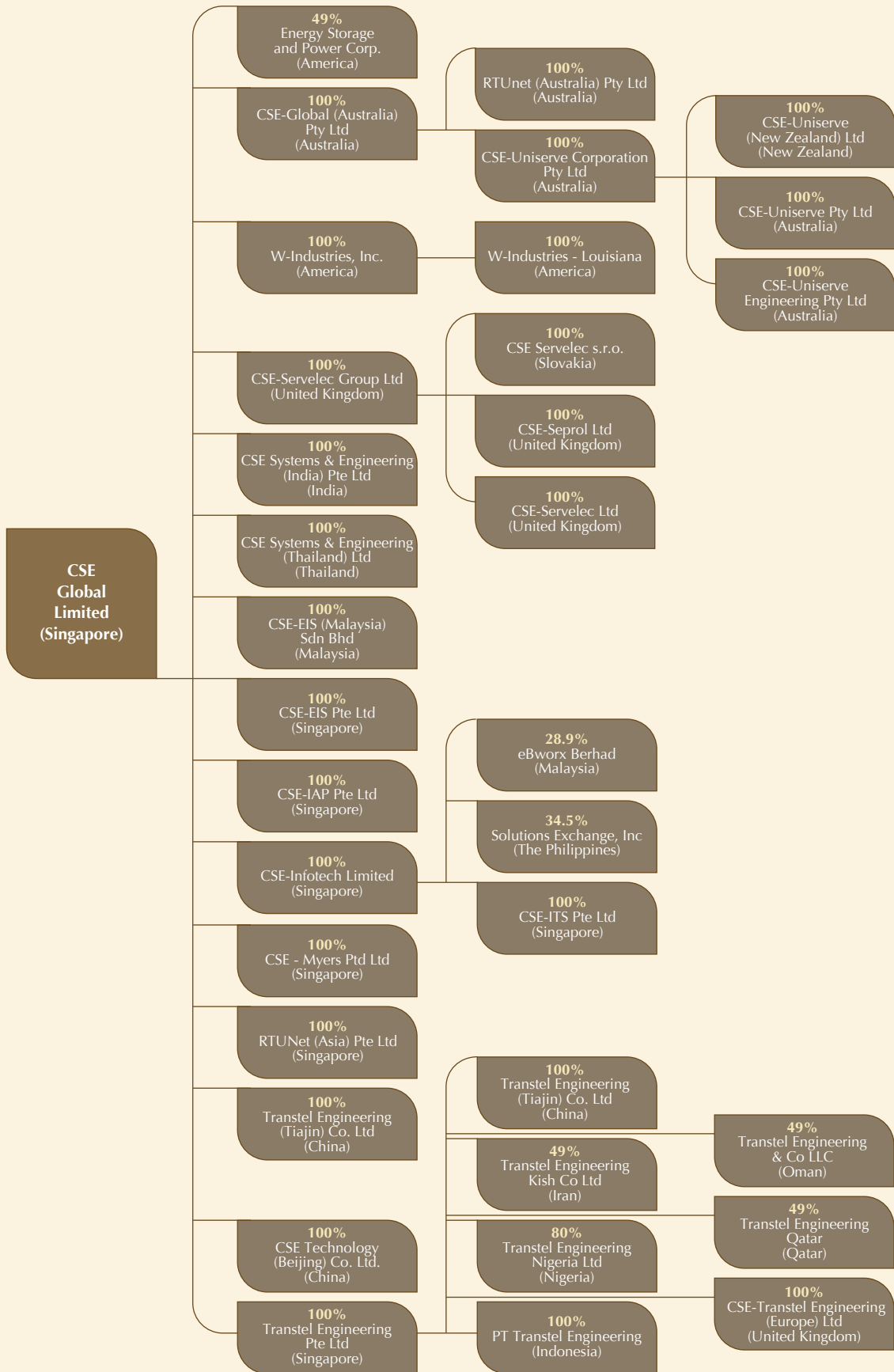
Standard Chartered Bank

The Hong Kong and Shanghai Banking Corporation Ltd

United Overseas Bank Ltd

OPERATING ENTITIES

- 07 -



The key information regarding the Directors of the Company as at the date of this report in respect of academic and professional qualifications, the date of first appointment as a Director of the Company, the date of the last re-election as a Director of the Company, and other major appointments is set out as follows:-



LIM MING SEONG
Chairman
Age 58

Mr. Lim was appointed as the Chairman and non-Executive Director of the Company on 17 January 1997. Mr. Lim was last re-elected as a Director of the Company on 26 April 2004.

Mr. Lim graduated from the University of Toronto with a Bachelor of Applied Science (Honours) in Mechanical Engineering and from the National University of Singapore with a Diploma in Business Administration. Mr. Lim has also participated in the Advanced Management Programs at INSEAD and Harvard University.

Mr. Lim, in his approximately 17 years with Singapore Technologies Group, held various senior management positions within the Singapore Technologies Group before being made the Group Director of Singapore Technologies Pte Ltd. Prior to joining Singapore Technologies Group, Mr. Lim served as the Deputy Secretary with the Ministry of Defence, Singapore.

Mr. Tan was appointed as the Managing Director and Executive Director of the Company on 7 January 1997. Mr Tan was last elected as a Director of the Company on 26 April 2005. (Prior to that Mr Tan was not subject to retirement by rotation and submission for reelection at the Annual General Meeting pursuant to Articles of Association of the Company.)

Mr. Tan graduated from the National University of Singapore with a Bachelor of Engineering (Honours) in Chemical Engineering.

Mr. Tan joined the Company in 1986 as an engineer and was promoted to General Manager in 1992. Mr. Tan was subsequently appointed as Managing Director of the Company, following the successful conclusion of a management buyout of the Company in 1997. Prior to joining the Singapore Technologies Group, Mr. Tan worked as an engineer cumulatively for about 4 years at Honeywell (S) Pte Ltd and Esso Singapore Pte Ltd.



TAN MOK KOON
Managing Director
Age 47



GOH BOON SEONG
Non-Executive
Director
Age 51

Mr. Goh was appointed as a non-Executive Director of the Company on 7 January 1997. Mr. Goh was last re-elected as a Director of the Company on 26 April 2004.

Mr. Goh graduated from the University of Singapore with a Bachelor of Business Administration.

Mr. Goh is currently serving as the Managing Director of Whiterock Management, an investment management company. Prior to the afore-mentioned, Mr. Goh held various senior management positions within the Singapore Technologies Group in the areas of corporate development, investment and finance. Before joining Singapore Technologies, he had held senior management positions in investment banking at Morgan Grenfell, PrimeEast Group, and Merrill Lynch.

Mr. Lee was appointed as an Independent Director of the Company on 22 January 1998. Mr. Lee was last re-elected as a Director of the Company on 5 May 2003.

Mr. Lee is a qualified Chartered Accountant of the Institute of Chartered Accountants in England and Wales. He is also a member of the Institute of Certified Public Accountants, Singapore, the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants. In addition, he is also a member of the Stanford Club of Singapore, the Singapore Professional Centre and the Singapore Institute of Directors.

Mr. Lee is currently serving as the Managing Director of Phillip Lee Mgt Consultants Pte Ltd. Prior to the above-mentioned, Mr. Lee was with the international public accounting firm, Ernst & Young Singapore, for 29 years, of which the last 19 years he was a partner of the firm. Mr. Lee has vast experience in areas of audit, investigations, reorganizations, valuations and liquidations.



**LEE SOO HOON
PHILLIP**
Independent Director
Age 63



LIM BOH SOON
Independent Director
Age 49

Dr. Lim was appointed as an Independent Director of the Company on 22 January 1998. Dr. Lim was last re-elected as a Director of the Company on 26 April 2005.

Dr. Lim graduated from the University of Strathclyde (formerly known as the Royal College of Science and Technology) in the United Kingdom with a Bachelor of Science (1st Class Honours) in Mechanical Engineering and subsequently a PhD in Mechanical Engineering. Dr. Lim also obtained a Graduate Diploma in Marketing Management from the Singapore Institute of Management and a Diploma in Marketing from the Chartered Institute of Management in the United Kingdom. Dr. Lim is currently the President of the Singapore Polytechnic Graduate's Guild, as well as is a member of the Singapore Institute of Directors, Singapore Computer Society, Singapore Institute of Management, Chartered Institute of Management (United Kingdom) in Singapore and an associate member of the Royal Aeronautical Society in the United Kingdom. Dr. Lim also served as a member of the Committee of Singapore's Competitiveness in the Finance and Venture Capital for the Government of Singapore.

Dr Lim has been in the venture and development capital industry in Asia for more than 16 years. He is the current CEO of Vietcombank Fund Company, a subsidiary of the largest state-owned Bank for Foreign Trade of Vietnam ("Vietcombank") in Vietnam. He is also the founder and managing partner of Arise Asset Management Pte Ltd, which once managed the technology fund for the Auric Pacific Group. Prior to that, he was Partner at UBS Capital Asia Pacific (S) Limited, co-heading the private equity arm of UBS AG in Asia. Dr Lim was also a key-founding member of Rothschild Ventures Asia Pte Ltd in Singapore. Prior to joining UBS, Dr. Lim held various senior management positions working with major Singapore corporations, such as the Natsteel Group and the Singapore Technologies Group.

Mr Sin was appointed as an Independent Director of the Company on 13 May 2002. Mr Sin was last re-elected as a Director of the Company on 5 May 2003.

Mr Sin graduated from the National University of Singapore with a Bachelor of Arts and Bachelor of Laws (Honours) and from the University of London with Master of Laws. Mr Sin is member of the Criminal Law Advisory Committee (Hearing), Academy of Law, and Law Society. In addition, Mr Sin was a member of the Company Legislation and Regulatory Framework Committee (Ministry of Finance). Mr Sin also serves as advisor to the Union of Power & Gas Employees.

Mr Sin is currently an advocate and solicitor and a director of Drew & Napier LLC, engaging in corporate finance, banking, joint ventures, investment and acquisitions work. Mr Sin has been with Drew & Napier LLC for the past 14 years, during which he was a partner, and subsequently, a director, for the last 10 years. Prior to that, Mr Sin was a lecturer at the Faculty of Law, National University of Singapore for about 5 years. He joined the faculty shortly after he was called to the Singapore Bar. Mr Sin is currently Member of Parliament, Tampines GRC and Chairman of the Government Parliamentary Committee for Community Development, Youth and Sports.



SIN BOON ANN
Independent Director
Age 48

DIRECTORS' PROFILE

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The key information regarding the Directors of the Company as at the date of this report in respect of board committees of the Company served on (as a member or chairman) is set out as follows:-

Name of Director	EC	AC	NC	CC
Lim Ming Seong	Chairman		Chairman	Chairman
Tan Mok Koon	Member			Member
Goh Boon Seong	Member		Member	Member
Lee Soo Hoon Phillip		Chairman	Member	
Lim Boh Soon		Member		
Sin Boon Ann		Member		

EC - Executive Committee

AC - Audit Committee

NC - Nominating Committee

CC - Compensation Committee

The key information regarding the Directors of the Company as at the date of this report in respect of directorships and chairmanships both present and those held over the preceding three years in listed companies other than the Company is set out as follows:-

Name of Director	Present directorships in listed companies other than the Company	Past directorships over the preceding three years in listed companies other than the Company
Lim Ming Seong	STATS ChipPAC Ltd - Deputy Chairman Starhub Limited	Chartered Semiconductor Manufacturing Ltd - Deputy Chairman Radyne Comstream Inc
Tan Mok Koon	eBworx Berhad	None
Goh Boon Seong	None	None
Lee Soo Hoon Phillip	G K Goh Holdings Limited IPC Corporation Ltd Transview Holdings Limited Kluang Rubber Company (Malaya) Berhad Kuchai Development Berhad Sungei Bagan Rubber Company (Malaya) Berhad	None
Lim Boh Soon Autron	None	Autron Corporation Ltd MyWeb Inc
Sin Boon Ann	Courage Marine Group Limited MFS Technology Ltd Transview Holdings Limited	Wizoffice.com Ltd

The key information regarding the key management of the Group as at the date of this report is set out as follows:-

Lim Boon Kheng (Age: 39)

Mr. Lim is the Group Chief Financial Officer of the Company. Mr. Lim holds a Bachelor of Accountancy from the National University of Singapore. He joined the Company as the Group Financial Controller in 1999.

Rick T.L. Lynn (Age: 50)

Mr. Lynn is the President and Chief Executive Officer of W-Industries, Inc., a wholly owned subsidiary company of the Company. Mr. Lynn holds a Bachelor of Science / Electrical Engineering from the University of Southwest Louisiana. He joined W-Industries, Inc. as an Engineering Manager in 1989.

Alan Stubbs (Age: 48)

Mr. Stubbs is the Managing Director of CSE-Servelec Group Limited, a wholly owned subsidiary company of the Company. Mr. Stubbs holds a Bachelor of Technology (Honours) from the University of Bradford. In addition, Mr. Stubbs is also a Chartered Engineer registered with the Engineering Council of the United Kingdoms, member of the Institution of Electrical Engineers of United Kingdoms, and a Freeman of the City of London. He joined CSE-Servelec Group Limited in 1984 as a Software Design Engineer.

Tarek Abdel Tawab Mohamed Abdel Bary (Age: 42)

Mr. Bary is the Managing Director of Transtel Engineering Pte Ltd, a wholly owned subsidiary company of the Company. Mr. Bary holds a Bachelor of Science / Electrical Engineering from the University of Alexandria, a Bachelor of Science / Mathematics from the University of Cairo and a Master in Telecommunications from the University of Sheffield. He joined Transtel Engineering Pte Ltd in 1997 as a Director of Projects and Engineering.

Greg Swinton (Age:45)

Mr Swinton is the Managing Director of CSE-Uniserve Pty Limited, a wholly owned subsidiary company of the Company. Mr Swinton holds a Masters of Management degree from Macquarie University and technical qualifications in Electrical Engineering and Electronics and Communications. He joined Industry Uniserve Pty Limited in 1987 as Sales Engineer.

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10 Collyer Quay #19-08
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Tel : 65-6536 5355
Fax : 65-6536 1360

Business Office

2, Ubi View
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Tel : 65-6512 0333
Fax : 65-6742 9179

Headquarters

CSE Global Ltd

2 Ubi View
Singapore 408556
Tel : 65-6512 0333
Fax : 65-6742 9179

ASIA

CSE-Infotech Limited

CSE-IAP Pte Ltd

CSE-EIS Pte Ltd

CSE-ITS Pte Ltd

CSE-Myers Pte Ltd

2 Ubi View
5th Floor
Singapore 408556
Tel : 65-6512 0333
Fax : 65-6742 9179

RTU-net (Asia) Pte Ltd

2 Ubi View
4th Floor
Singapore 408556
Tel : 65-6512 0333
Fax : 65-6742 9179

TransTel Engineering Pte Ltd

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#06-00, Dynasty Industrial Building
Singapore 159402
Tel : 65-6276 7600
Fax : 65-6276 7800

PT TransTel Engineering

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Sudirman Central Business District Lot 25
Jalan Jenderal Sudirman Kav. 52-53
Jakarta 12190, Indonesia
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Fax : 62-21-5289 8675

CSE Systems & Engineering

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Bangkok 10110, Thailand
Tel : 66-2-712 7331/3
Fax : 66-2-712 7334

CSE Systems & Engineering

(India) Pvt Ltd

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Race Course Road
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Tel : 91-80-2226 4113/7
Fax : 91-80-2226 4118

TransTel Engineering (Tianjin) Co., Ltd

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Andingmen Wai
Room 428, Building R
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Tel : 86-10-6499 2990
Fax : 86-10-6492 3501

Transtel Engineering (Tianjin) Co.,Ltd

Suite 1502, TianWei Mansion
No.1111 Xingang Lu Tanggu District
TianJin City, China
Tel : 022-65725066/68
Fax : 022-65725067

CSE Technology (Beijing) Co. Ltd.

Suite B409 Great Wall
Computer Building
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Beijing 100083, China
Tel : 86-10-8201 4593/4594/8201
Fax : 86-10-8201 4600

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Tel : 86-21-5831 3335
Fax : 86-21-5831 3059

CSE-EIS (Malaysia) Sdn. Bhd.
 Transtel Engineering (M) Sdn. Bhd.
 Suite 3.02, 3rd Floor, Wisma Bka,
 Lot 10, Jalan Astaka U8/84
 Bukit Jelutong Business
 & Technology Centre
 40150 Shah Alam,
 Selangor Darul Ehsan, Malaysia
 Tel : 603-7846 8580
 Fax : 603-7846 9580

AUSTRALIA

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 CSE-Uniserve Corporation Pty Ltd
 CSE-Uniserve Pty Ltd
 CSE-Uniserve Engineering Pty Ltd
 10 Columbia Way,
 Baulkham Hills,
 New South Wales 2153
 Australia
 Tel : 61-2-8853 4200
 Fax : 61-2-8853 4260

CSE-Uniserve Corporation Pty Ltd
 - West Australia
 Suite 5, 1st Floor Grand Central
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 Subiaco, West Australia 6008
 Australia
 Tel : 61-8-6380 0900
 Fax : 61-8-9381 9821

CSE-Uniserve Corporation Pty Ltd
 - Victoria
 13 Royton St,
 Burwood East, Victoria 3151,
 Australia
 Tel : 61-3-8805 7000
 Fax : 61-8-9209 1633

CSE-Uniserve Corporation Pty Ltd
 - Queensland
 Level 5, 80 Petrie Terrace
 Brisbane, Queensland 4000
 Australia
 Tel : 61-7-3511 6300
 Fax : 61-7-3511 6311

RTUnet (Australia) Pty Ltd
 Unit 8/3-5, Gilda Court Mulgrave,
 Victoria 3170
 Australia
 Tel : 61-3-8544 8544
 Fax : 61-3-8544 8555

NEW ZEALAND

CSE-Uniserve New Zealand Limited
 Unit F, 55 Druces Road
 Manukau City, New Zealand
 Tel : 64-9-262 3290
 Fax : 64-9-262 3292

AFRICA

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 12 Estate Road,
 Rumuogba Estate,
 Port Hartcourt
 Obiakpo Local Government
 Area of Rivers, State of Nigeria
 Tel : 234-84-486331
 Fax : 234-84-485553

MIDDLE EAST

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 c/o Emirates National Establishment
 PO Box 7611
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 United Arab Emirates
 Tel : 97-12-632 8811
 Fax : 97-12-632 0432

TransTel Engineering (Iran) Ltd
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 Zafar (Das Tgerdi), ,
 St Africa Expressway
 Intersection No. 291,
 Suite 6, 12th Floor
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 Tel : 98-21-8878 8874
 Fax : 98-21-8878 8302

Transtel Engineering Oman LLC
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 Postal Code 111
 Seeb, Sultanate of Oman
 Tel : 968-592 689
 Fax : 968-592 750

Transtel Engineering Qatar

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State of Qatar
Tel : 974-483 3354
Fax : 974-483 3356

EUROPE

CSE-Servelec Group Limited

CSE-Servelec Limited

CSE-Sepro Limited

Rotherside Road, EcKington
Sheffield S21 4HL
United Kingdom
Tel : 44-1246 433 981
Fax : 44-1246 435 018 / 432 365

CSE-Transtel Engineering (Europe) Ltd

12 York Place
West Yorkshire
Leeds LS1 2DS
United Kingdom
Tel : 44-113 2420222
Fax : 44-113 2425904

CSE-Servelec s.r.o.

Piaristická'e1 2
949 01 Nitra, Slovakia
Tel : 421-37-651 9529
Fax : 421-37-741 0021

TTC Branch in Praha

Nouzovské náměstí 936/11
197 00 Praha – Kbely
Tel : 420-2-8685 6504
Fax : 420-2-8685 6504

UNITED STATES

W-Industries, Inc.

CSE Systems & Engineering
(America) Inc.
11500 Charles Street
Houston, Texas 77041, USA
Tel : 1-713 466 9463
Fax : 1-713 466 7205

W-Industries, Inc. - Louisiana

• Lafayette
7616 Johnston Street
Maurice, Louisiana 70555
United States of America
Tel : 1-337 993 7425
Fax : 1-337 993 7427

W-Industries, Inc. – Mexico

E. Zapata No. 7
Col. Fco. I. Madero
Cd. del Carmen
Camp., C.P. 24190
Mexico
Tel : 938-382 5407
Fax : 938-384 1796

Associated Companies

eBworx Berhad

7th & 8th Floor, Menara Merais
No.1, Jalan 19/3
46300 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : 603-7956 9822
Fax : 603-7957 2661

Solutions Exchange, Inc.

Unit 2601, 26th Floor,
88 Corporate Centre,
Sedeno Street,
Corner Valero, Salcedo Village,
Makati City, Philippines
Tel : 63-2-889 6312
Fax : 63-2-889 6319

**Energy Storage and
Power Corporation**

684 Alamo Pintado Road, Suite A
Solvang, CA 93463
USA
Tel :1-805-6930399

The Board of Directors is committed to maintaining a high standard of corporate governance within the Group. Good corporate governance establishes and maintains a legal and ethical environment in the Group which strives to preserve the interests of all stakeholders and to promote investors' confidence in the Group. The Company has adopted practices based on the Code of Corporate Governance (the "Code") issued by the Corporate Governance Committee on 21 March 2001 and the Best Practices Guide as issued by the Singapore Exchange Securities Trading Limited.

The Company believes that it is substantially in compliance with the Code. This Report describes the Company's corporate governance processes with reference to the Code.

1. THE BOARD'S CONDUCT OF ITS AFFAIRS

The Board meets regularly with at least 4 Board meetings within each financial year commencing from the financial year 2002, and also as warranted by particular circumstances, as deemed appropriate by the Board. The Company has provided for telephonic and videoconference meetings in its Articles of Association. The details of the number of Board meetings held during the financial year, as well as the attendance of every Board member at those meetings and meetings of the specialised Committees established by the Board, are set out in the following table :

Name of Director	Board of Director Meeting		Executive Committee Meetings		Audit Committee Meetings		Nominating Committee Meetings		Compensation Committee Meetings	
	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended
Lim Ming Seong	4	4	1	1	—	—	1	1	1	1
Tan Mok Koon	4	4	1	1	—	—	—	—	1	1
Goh Boon Seong	4	3	1	1	—	—	1	1	1	1
Lee Soo Hoon Phillip	4	4	—	—	4	4	1	1	—	—
Lim Boh Soon	4	4	—	—	4	4	—	—	—	—
Sin Boon Ann	4	4	—	—	4	4	—	—	—	—

The Company has adopted internal guidelines setting forth matters that require board approval. In that aspect, the Board has delegated to the management of the Company the authority to approve transactions in the ordinary course of business as specified in the following table. Any transactions falling outside the scope as specified in the following table have then to be approved by the Board:

Nature of transactions	Quantum of transactions
Capital expenditure	Any amount more than \$250,000.00
Mergers, acquisitions and divestments	Any amount

The Company has in place general orientation-training programmes to ensure that every newly appointed and incoming Director of the Company is familiar with the Group's structure, the Group's business and its operations and the Company's governance practices. Every newly appointed and incoming Director of the Company is expected to undergo orientation with the Company which includes meeting with the Chairman, the Managing Director and the Group Chief Financial Officer as part of the training in the affairs of the business. The Company relies on the Directors to undergo further relevant training if necessary to update themselves on the relevant new laws, regulations and changing commercial risks, from time to time.

2. BOARD COMPOSITION AND BALANCE

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

Non-executive / Independent Directors :

Lim Ming Seong - Chairman
Goh Boon Seong
Lee Soo Hoon Phillip
Lim Boh Soon
Sin Boon Ann

Executive Director :

Tan Mok Koon - Managing Director

The Board currently comprises 6 Directors, and 1 of whom, being Tan Mok Koon, holds an executive position with the Company and is as such an Executive Director of the Company. The remaining 5 Directors are Non-executive Directors of the Company who are also independent of the management of the Company pursuant to the stipulations under Guidance Note 2 of the Code. All of the Non-executive Directors are therefore considered to be independent by the Board on a collective basis and they have no relationships with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment.

The Board's principal function is to oversee the business affairs of the Group. This includes the approval of the Group's strategic plans, key business initiatives, financial objectives, major investments and funding decisions, the review of the Group's financial performance, the evaluation of the performance of the Group and the issuance of policies. These functions are carried out by the Board directly or through committees of the Board which have been set up to support its work.

The Articles of Association of the Company does not impose any limits on the number of Directors the Company may appoint, subject to a minimum of two. The Board has examined its size to determine the impact of the number upon effectiveness and is of the view that the current Board size of 6 Directors is appropriate and facilitates effective decisionmaking, after taking into account the scope and nature of the operations of the Group.

In addition, the current Board also comprises Directors who as a group provide core competencies, such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customerbased experience and knowledge that are necessary and critical to meet the Company's objectives. Key information regarding the Directors of the Company in respect of academic and professional qualifications is set out in the Annual Report under Directors' Profile.

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has a separate Chairman and Managing Director, who is also the Chief Executive Officer of the Company, to ensure that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. In addition, the Chairman and the Managing Director are not related to each other.

The Chairman is a Non-executive Director who is independent of the management of the Company and his responsibilities pertaining to the Board includes :

- a) scheduling meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;
- b) preparing meeting agenda in consultation with the Managing Director;
- c) exercising control over quality, quantity and timeliness of the flow of information between the management and the Board; and
- d) assisting in ensuring compliance with Company's guidelines on corporate governance.

The Chairman's responsibilities pertaining to the Board also includes those other duties as required in his capacity as a member of the Executive Committee, Nominating Committee and Compensation Committee, as well as a director of WIndustries, Inc and CSE-Servelec Group Limited, both of which are wholly owned subsidiary companies of the Company.

4. BOARD MEMBERSHIP

The Board established the Nominating Committee on 13 November 2002. The Nominating Committee comprises three members, all of whom are Non-executive Directors and are independent of the management of the Company pursuant to the stipulations under Guidance Note 2 of the Code. All of the Non-executive Directors are therefore considered to be independent by the Board on a collective basis and they have no relationships with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment.

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

Non-executive / Independent Directors :

Lim Ming Seong - Chairman
Goh Boon Seong
Lee Soo Hoon Phillip

The Nominating Committee holds at least 1 Nominating Committee meeting within each financial year, and also as warranted by particular circumstances, as deemed appropriate by the Nominating Committee.

The Nominating Committee has formulated and adopted written terms of reference that describes the responsibilities of its members. The primary function of the Nominating Committee is to provide assistance to the Board in selecting suitable Directors and making recommendations on all appointments and re-elections of Directors to the Board.

4. BOARD MEMBERSHIP (CONT'D)

The responsibilities of the Nominating Committee include :-

- (i) taking into account the scope and nature of the operations of the Group to determine the appropriate size of the Board;
- (ii) re-nominating of Directors, having regard to the Director's contribution and performance, including, if applicable, as an independent Director;
- (iii) ensuring that the Board comprises Directors who as a group provide competencies such as accounting or finance, business or management experience, industry knowledge and strategic planning experience; and
- (iv) evaluating the Board's performance as a whole as well as each Director's contribution.

The Articles of Association of the Company provides for all Directors of the Company to retire by rotation at least once every three years, and after which these Directors, being eligible for re-election, are required to submit themselves for re-election at the Annual General Meeting.

The Nominating Committee has assessed the independence of the Non-executive Directors pursuant to the stipulations under Guidance Note 2 of the Code, and is satisfied that there are no relationships which would deem any of the Non-executive Directors not to be independent.

The Nominating Committee has formulated internal guidelines to address the conflict of competing time commitments that are faced by the Directors when the said Directors have multiple board representations. If a Director is on the Board of the other companies, the Nominating Committee shall consider whether adequate time and attention have been devoted to the Company. In the event that there is sufficient grounds for compliant, the Chairman of the Board shall discuss, and if necessary, warn the Director of the issues and in any continuance, the consequences flowing from the situation.

Key information regarding the Directors of the Company in respect of academic and professional qualifications, board committees served on (as a member or chairman), date of first appointment as a Director of the Company, date of last re-election as a Director of the Company, directorships and chairmanship both present and those held over the preceding three years in other listed companies and other major appointments is set out in the Annual Report under Directors' Profile. Key information regarding the Directors of the Company in respect of shareholding in the Company and its subsidiary companies are disclosed in the Report of the Directors under Directors' interests in shares and debentures and share options.

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

Non-executive / Independent Directors :

Lim Ming Seong - Chairman
Goh Boon Seong
Lee Soo Hoon Phillip
Lim Boh Soon
Sin Boon Ann

Executive Director :

Tan Mok Koon - Managing Director

4. BOARD MEMBERSHIP (CONT'D)

The Board currently comprises 6 Directors, and 1 of whom, being Tan Mok Koon, holds an executive position with the Company and is as such an Executive Director of the Company. The remaining 5 Directors are Non-executive Directors of the Company who are also independent of the management of the Company pursuant to the stipulations under Guidance Note 2 of the Code. All of the Non-executive Directors are therefore considered to be independent by the Board on a collective basis and they have no relationships with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment.

The names of the Directors who are retiring pursuant to the Articles of Association of the Company and have submitted themselves for re-election are as follows :

Mr Lee Soo Hoon Philip (Pursuant Article 95(2) of the Articles of Association)

Mr Sin Boon Ann (Pursuant Article 95(2) of the Articles of Association)

Key information regarding the above mentioned Directors of the Company in respect of academic and professional qualifications, board committees served on (as a member or chairman), date of first appointment as a Director of the Company, date of last re-election as a Director of the Company, directorships and chairmanship both present and those held over the preceding three years in other listed companies and other major appointments is set out in the Annual Report under Directors' Profile. Key information regarding the above mentioned Directors of the Company in respect of shareholding in the Company and its subsidiary companies are disclosed in the Report of the Directors under Directors' interests in shares and debentures and share options.

5. BOARD PERFORMANCE

The Nominating Committee has evaluated all of the Directors, each of the Committees and the Board taken as a whole. In evaluating the performance of the Directors, the Nominating Committee shall take into account, amongst other factors, the Directors' qualification by knowledge and experience to fulfill its duties, attendance and participation at the Board and each of its Committee meetings where applicable, quality of interventions or differences of opinion expressed and any other special contributions. The Nominating Committee shall also consider whether the Directors have reasonable understanding of the Company's business and the industry, and the Directors' working relationship with the other members of the Board. In addition to the above mentioned qualitative performance criteria, the Nominating Committee shall also use, amongst others, quantitative performance criteria like return on assets, return on equity, return on investment, economic value added and profitability on capital employed as a general measure to determine the relative performance and effectiveness of the Board. These performance criteria shall not change from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the Nominating Committee and the Board shall justify its decision for the change.

As the Nominating Committee will be measuring the Board's stewardship of the Company based principally on qualitative criteria, it is therefore not easy to show a direct correlation between the Board's actions taken as a whole and the Company's long term performance. Therefore, the Nominating Committee will not attempt to specifically quantify the Board's contribution to enhancing long term shareholders' value, for instance, by measuring it against the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index. As such, the Company's share price performance will not be used as a performance evaluation criterion of the Board. In addition, there are also no specific benchmark indices of industry peers for comparison in respect of such quantitative performance criteria. In the absence of any appropriate and relevant benchmark indices, the benchmark indices of industry peers will also not be used as a performance evaluation criterion of the Board.

6. ACCESS TO INFORMATION

The management of the Company has an on-going obligation to supply the Board with complete, adequate information in a timely manner. In addition, the Board has separate and independent access to the Company's management in respect of obtaining those information, as reliance purely on what is volunteered by the management of the Company may not to be adequate in certain circumstances and further enquiries may be required for the Board to fulfill its duties properly.

The information that is provided by the management of the Company to the Board includes background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and internal financial statements. In addition, in respect of budgets, any material variances between the projections and actual results are also disclosed and explained.

The Directors also have separate and independent access to the company secretary. In addition, the role of the company secretary is also clearly defined and includes the responsibility for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. The company secretary attends all Board meetings and Audit Committee meetings.

In addition to the above, the Board also has procedures for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

No individual Director of the Company fixes his own remuneration.

The Board established the Compensation Committee, whose functions are equivalent to the Remuneration Committee as stipulated under Guidance Note 7, on 13 November 2002.

The Compensation Committee comprises three members, two of whom are Non-executive Directors and are independent of the management of the Company pursuant to the stipulations under Guidance Note 2 of the Code. The two Non-executive Directors, being Lim Ming Seong and Goh Boon Seong, are therefore considered to be independent by the Board on a collective basis and they have no relationships with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement.

In addition, the Compensation Committee is also chaired by an independent Non-executive Director, being Lim Ming Seong, who is knowledgeable in the field of executive compensation. In addition, the Compensation Committee also has access to the relevant expert advice inside the Company.

Key information regarding the above mentioned Directors of the Company in respect of academic and professional qualifications is set out in the Annual Report under Directors' Profile.

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (CONT'D)

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

Non-executive / Independent Directors :

Lim Ming Seong - Chairman
Goh Boon Seong

Executive Director :

Tan Mok Koon - Managing Director

The Compensation Committee holds at least 1 meeting within each financial year, and also as warranted by particular circumstances, as deemed appropriate by the Compensation Committee.

The primary function of the Compensation Committee shall be to provide assistance to the Board in respect of compensation issues generally, and in particular, in relation to Non-executive Directors and the key management of the Group, bearing in mind that a meaningful portion of the Non-executive Directors' remuneration as well as the remuneration of the key management of the Group, shall be contingent upon the financial performance in order to foster the creation of long term shareholder value. The Compensation Committee shall cover all aspects of remuneration, including but not limited to Non-executive Directors' fees. The Compensation Committee's recommendations to the Board shall be made in consultation with the Chairman of the Compensation Committee, which is also the Chairman of the Board, and shall be submitted for the endorsement by the entire Board.

The Board as a whole shall cover all aspects of remuneration of the Executive Directors, the only one of whom currently is the Managing Director of the Company, including but not limited to Executive Directors' fees, salaries, allowances, bonuses, and benefits in kind, bearing in mind that a meaningful portion of the Executive Directors' remuneration shall be contingent upon the financial performance in order to foster the creation of long term shareholder value.

The responsibilities of the Compensation Committee shall include :-

- (i) recommending to the Board the framework of remuneration for the Non-executive Directors and the key management of the Group;
- (ii) determining and setting the specific remuneration packages for each of the Non-executive Directors and the key management of the Group;
- (iii) selecting eligible employees of the Group to participate in the CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") and determining the number of shares options and the relevant subscription prices to be offered to the participants subject to the terms of the CSE ESOS; and
- (iv) selecting eligible employees of the Group to participate in the CSE (US Subsidiaries) Incentive Share Option Scheme ("US Plan") and determining the number of shares options and the relevant subscription prices to be offered to the participants subject to the terms of the US Plan.

8. LEVEL AND MIX OF REMUNERATION

In the setting of the remuneration packages, the Compensation Committee shall be taking into consideration the pay and employment conditions within the industry the Group operates as well as companies within the same business segments as there are no exactly comparable companies. In addition, the Compensation Committee shall also be taking into account the Group's relative performance and the performance of individual Directors and the key management of the Group when setting the remuneration packages.

Currently, the Managing Director is the only Executive Director of the Company. The compensation of the Managing Director comprises performance-related elements which form a significant proportion of his total remuneration package. These performance-related elements are designed to align the interests of the Managing Director with those of the shareholders such that the Managing Director's rewards are linked to the performance of the Group as well as his individual performance. There are appropriate and meaningful measures for the purpose of assessing the Managing Director's performance.

The remuneration of Non-executive Directors are determined based on the level of contribution by the respective Non-executive Directors, taking into account factors such as effort and time spent, and responsibilities of the Non-executive Directors. The Compensation Committee has assessed if the Non-executive Directors are not overcompensated to the extent that their independence is compromised or that it is not necessary to consult experts on the remuneration of Non-executive Directors, and is satisfied that the Non-executive Directors are not over-compensated to the extent that their independence is compromised and that it is not necessary to consult experts on the remuneration of Non-executive Directors.

The Board will be recommending the fees of the Non-executive Directors for approval at the Annual General Meeting.

There are no existing service contracts between the Company and the Executive Director.

The Company does not have any other existing long-term incentive schemes other than the CSE ESOS and the US Plan. The details of these share option schemes are set out in the Report of the Directors under Share Options.

For the CSE ESOS, 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. For all the options that were granted under CSE ESOS prior to 9 October 2001, the options may be exercised within a period commencing after the third anniversary of the date of grant and expiring on the fifth anniversary of the date of grant. For all the options that were 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. The granting of share options under the CSE ESOS is covered by the Compensation Committee. Lim Ming Seong and Tan Mok Koon, both members of the Compensation Committee, have opted not to participate in the CSE ESOS.

For the US Plan, 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. 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 granting of share options under the US Plan is covered by the Compensation Committee. Lim Ming Seong and Tan Mok Koon, both members of the Compensation Committee, have opted not to participate in the US Plan.

9. DISCLOSURE ON REMUNERATION

The Group's remuneration policy is to be competitive within its industry and to offer fair and reasonable remuneration packages commensurate with competence, level of responsibility, performance and contributions to the Group. Based on this broad principle, the Compensation Committee shall have the responsibility and discretion to recommend remuneration packages for all of the Non-executive Directors and key management of the Group, and the Managing Director has the responsibility and discretion to determine remuneration packages of all other employees who are nonkey management of the Group. The Board as a whole shall have the responsibility and discretion to recommend remuneration package for the Managing Director of the Company.

The Company adopts an incentive compensation plan based on profits. Under the term of the plan, incentive compensation for eligible employees is tied to the creation of profits. The purpose of the incentive plan is to use incentive compensation to motivate performance which is consistent with the creation of shareholder value over the long term. A variable bonus is only declared if the Group earns more than its profit target. The plan thus makes participants accountable for the earnings which the Group generates.

The disclosure of details in respect of remuneration of the Directors of the Company is set out in the following table :

Name	Total remuneration (\$'000)	Fees (%)	Salary (%)	Bonus (%)	Provident fund contributions (%)	Other benefits (%)
For total remuneration of more than \$250,000:						
Tan Mok Koon	1,205	0	39	58	1	2
For total remuneration of less than or equal to \$250,000:						
Lim Ming Seong	50	100	0	0	0	0
Goh Boon Seong	28	100	0	0	0	0
Lee Soo Hoon Phillip	46	100	0	0	0	0
Lim Boh Soon	36	100	0	0	0	0
Sin Boon Ann	36	100	0	0	0	0

No share option granted to the directors in 2005

The disclosure of details in respect of remuneration of the top 5 key executive officers of the Group who are not Directors of the Company is set out in the following table :

Name	Total remuneration (\$'000)	Fees (%)	Salary (%)	Bonus (%)	Provident fund contributions (%)	Other benefits (%)
For total remuneration of more than \$500,000:						
Executive A	744	0	52	48	0	0
Executive B	580	0	43	51	2	3
Executive C	569	0	62	20	9	9
For total remuneration of more than \$250,000 but less than or equal to \$500,000:						
Executive D	483	0	54	44	2	0
Executive E	474	0	65	35	0	0

No share option granted to the key executive officers in 2005

To maintain confidentiality of staff remuneration the name of the top five key executives are not stated.

9. DISCLOSURE ON REMUNERATION (CONT'D)

Details of the share options that are granted to the Directors of the Company and the employees of the Group are set out in the Report of the Directors under Share options.

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

Non-executive / Independent Directors :

Lim Ming Seong - Chairman

Goh Boon Seong

Executive Director :

Tan Mok Koon - Managing Director

There are currently no employees who are immediate family members of a Director or the Managing Director.

The Board is of the view that it is not necessary to present the remuneration policy at the Annual General Meeting for the shareholders' approval.

10. ACCOUNTABILITY

The Board adopted and commenced quarterly reporting of the Group's operating and financial performance via SGXNET with effect from 1 January 2002 in an effort to provide the shareholders of the Company with a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis.

The management of the Company provides the Managing Director with balanced and understandable management accounts of the Group's performance, position and prospects on a monthly basis. The Chairman of the Board is also briefed on the Group's performance, position and prospects on a monthly basis during the monthly management meetings. The Board is briefed on the Group's performance, position and prospects on a quarterly basis during the Board meetings, and also as warranted by particular circumstances as deemed appropriate.

11. AUDIT COMMITTEE

To ensure that corporate governance is effectively practiced, the Directors have established self-regulatory and monitoring mechanisms, including the establishment of the Audit Committee.

The Audit Committee comprises three members, all of whom are Non-executive Directors and are independent of the management of the Company pursuant to the stipulations under Guidance Note 2 of the Code. All of the Non-executive Directors are therefore considered to be independent by the Board on a collective basis and they have no relationships with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment.

11. AUDIT COMMITTEE (CONT'D)

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 meets regularly with at least 4 Audit Committee meetings within each financial year, and also as warranted by particular circumstances, as deemed appropriate by the Audit Committee.

The Board is satisfied that all the members of the Audit Committee are appropriately qualified to discharge their responsibilities. Two members of the Audit Committee, being Lee Soo Hoon Phillip and Lim Boh Soon, have accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment. Key information regarding the abovementioned Directors of the Company in respect of academic and professional qualifications is set out in the Annual Report under Directors' Profile.

The Audit Committee has full access to the external auditors and the internal auditor without the presence of the management of the Company. The Audit Committee has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the management of the Company and full discretion to invite any Director or management of the Company to attend its meetings, and has reasonable resources to enable it to discharge its functions properly.

The primary function of the Audit Committee is to provide assistance to the Board in fulfilling its responsibility relating to corporate accounting and auditing, reporting practices of the Company, the quality and integrity of the financial reports of the Company, and the Company's internal control systems regarding finance, accounting, legal and regulatory compliance, contractual obligations and ethics established by the Board and the management of the Company.

The responsibilities of the Audit Committee include:

- (i) recommending the appointment or discharge of the external auditors (subject to shareholders' approval) and in this connection, considering the independence and objectivity of the external auditors annually;
- (ii) keeping under review the scope and results of the audit and its cost effectiveness, keeping the nature and extent of non-audit services supplied by the external auditors under review where the external auditors also supply a substantial volume of such services to the company, with the objective of balancing the maintenance of objectivity and value for money;
- (iii) considering and reviewing with the external auditors and the internal auditor, at least annually, the adequacy, effectiveness and efficiency of the management processes, internal financial systems and operating controls, and any significant findings and recommendations of the external auditors and the internal auditor, together with the management's responses thereto; and
- (iv) meeting with the external auditors, the internal auditor, the management and any others considered appropriate in separate executive sessions to discuss any matters the Audit Committee believes should be discussed privately and establishing a practice to meet with the external auditors without the presence of the management of the Company at least annually.

11. AUDIT COMMITTEE (CONT'D)

The Audit Committee meets with the external auditors and the internal auditor without the presence of the Company's management at least annually.

The Audit Committee has reviewed the independence of the external auditors annually. In particular, the Audit Committee has undertaken a review of all non-audit services that are provided by the external auditors and is satisfied that the provision of such services has not affected the independence of the external auditors. The fees that are charged to the Group by the external auditors for non-audit services are disclosed in the following:

	2005 \$,000	2004 \$,000
Tax Services – EY Singapore	88	66
Tax Services – Other EY Offices	184	49
Other Services:		
– Certification Services	–	–
– IPO Related Services	–	–
– Due Diligence Services		
– Resource Assistance		
Total non-audit fees	272	115

The number of Committee meetings held during the financial year and the attendance of the individual member of the Audit Committee at such meetings is set out in the Report on Corporate Governance under The Board's Conduct of its Affairs.

12. INTERNAL CONTROLS

The internal auditor has conducted independent reviews of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management, at least annually. Besides, the external auditors have also performed a review of the internal financial systems and operating controls for the financial statements attestation purposes. Such reviews have been reported to the Audit Committee.

The Audit Committee is satisfied that there are adequate internal controls in the Company.

13. INTERNAL AUDIT

The Company has established an in-house internal audit function that is independent of the activities that it audits. The internal auditor's primary line of reporting is directly to the Chairman of the Audit Committee. However, the internal auditor also reports administratively to the Managing Director of the Company.

The Audit Committee is satisfied that the internal auditor has met the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Audit Committee is satisfied that the internal audit function is adequately resourced and has the appropriate standing within the Company.

The Audit Committee has reviewed the adequacy of the internal audit function at least annually, and is satisfied that the internal audit function is adequate.

14. COMMUNICATION WITH SHAREHOLDERS

The shareholders of the Company have the opportunity to participate effectively and to vote at the Company's Annual General Meeting. They are allowed to vote in person or by proxy if they are unable to attend the Annual General Meeting. The Articles of Association of the Company does not allow for absentia voting methods such as by mail, email, fax, etc. Voting in absentia via the various absentia voting methods may only be possible following careful study to ensure that integrity of the information and the authentication of the identity of the shareholders through the various communication channels are not compromised.

There are separate resolutions at the general meetings on each distinct issue.

As part of the Company's effort to provide regular, effective and fair communication with the shareholders of the Company, the Board has adopted and commenced quarterly reporting of the Group's operating and financial performance via SGXNET and the press with effect from 1 January 2002. In addition to the above, the Managing Director also conducts a briefing in respect of the Group's operating and financial performance for the financial year just ended to the shareholders of the Company during the Annual General Meeting of the Company.

15. EXECUTIVE COMMITTEE

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

Non-executive / Independent Directors :

Lim Ming Seong - Chairman
Goh Boon Seong

Executive Director :

Tan Mok Koon - Managing Director

The primary function of the Executive Committee is to provide assistance to the Board in executing and overseeing the business, operational and financial affairs of the Group.

The responsibilities of the Executive Committee include :-

- (i) setting the Group's policy direction and overseeing the strategic development of the Group's operations;
- (ii) reviewing and submitting to the Board for its approval all of the Group's budgets, business plans, reports on financial position, development and strategic plans and financial projections; and
- (iii) execution of all decisions of the Board and other material matters relating to the business of the Group.

16. SECURITIES TRANSACTIONS

The Company has adopted and issued an internal compliance code entitled "Code of Best Practice on Securities Transactions by Officers of the Company" to all employees of the Group. The internal compliance code set out a code of conduct to provide guidance for the officers of the Group on their dealings with the Company's securities, as well as the implications of insider trading. The internal compliance code has adopted the recommendations of the Best Practices Guide as issued by the Singapore Exchange Securities Trading Limited.

The Company has complied with its Best Practices Guide on Securities Transactions.

17. INTERESTED PERSON TRANSACTIONS

Pursuant to the requirements as stipulated under Rule 1207(16) of Chapter 12 and Rule 907 of Chapter 9 of the SGX-ST Listing Manual as issued by the Singapore Exchange Securities Trading Limited, there were no interested person transactions during the financial year.

18. MATERIAL CONTRACTS

Pursuant to the requirements as stipulated under Rule 1207(8) of Chapter 12 of the SGX-ST Listing Manual as issued by the Singapore Exchange Securities Trading Limited, there were no material contracts of the Company or its subsidiary companies involving the interests of any Directors of the Company, the Managing Director of the Company or any controlling shareholders of the Company or their associates, either still subsisting by the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

On behalf of the Directors,

Lee Soo Hoon Phillip
Chairman, Audit Committee

Lim Boh Soon
Director

Singapore
15 March 2006

Pursuant to the requirements as stipulated under Rule 1207(4)(d) of Chapter 12 of the SGX-ST Listing Manual as issued by the Singapore Exchange Securities Trading Limited, the operating and financial risk management policies and processes of the Group are set out in the following.

OPERATING RISK

MANAGEMENT OF GROWTH

The Group has experienced rapid growth in the past few financial years in terms of the number of employees, scope of activities, geographical markets and level of technical expertise. This growth has resulted in added responsibilities for the Group's management who are responsible for overseeing the expansion of the Group's operations into new products and geographical markets. Further, in order to meet the demand of its current and future projects, the Group will need to attract, motivate and retain a significant number of highly qualified professionals who have significant relevant industry experiences. As a systems integrator providing highly sophisticated information technology and industrial automation solutions and services locally and overseas, the Group requires qualified professionals who are experienced and possess the relevant skill sets. Given the exacting job specification, the pool of qualified professionals is considerably small. As such, the Group faces keen competition for such pool of qualified professionals. Moreover, due to rapid growth in the global information technology and industrial automation markets, increasing competition for such professionals may also increase the Group's labour costs. To manage and sustain its growth effectively, the Directors must continue to expand its management team by attracting more talent into the Group and to motivate and retain such professionals at a competitive cost, as well as improve its operational efficiency and financial management.

RISKS ASSOCIATED WITH FUTURE ACQUISITIONS

The Group intends to continue to pursue strategic acquisitions that will provide it with complementary products/services, customer bases, technologies and qualified professionals. Such acquisitions present risks that could potentially have an adverse effect on the Group's operations and earnings, such as diversion of management's attention, failure to retain key acquired personnel, assumption of liabilities, and amortisation of goodwill and intangible assets. Moreover, customer dissatisfaction with, or problems caused by, the performance of any acquired technologies could have an adverse impact on the Group's reputation. In addition, the acquired businesses may not achieve the anticipated returns. The Group will continue to adopt a cautious approach and to exercise due diligence when considering all acquisitions. For example, the Group may impose performance guarantees and other warranties on vendors in all major acquisitions. Key acquired personnel are also expected to enter into service agreements with the Group to retain their expertise for the Group's benefit.

COMPETITION

The Group competes internationally with many firms that are substantially larger and have substantially greater financial, professional and other resources than the Group. The Group's continued success depends on its ability to compete effectively with its competitors as well as to persuade customers to use the Group's products and services instead of those developed inhouse by the customers. The Group intends to further develop its niche markets in the energy and petrochemical / chemical, oil and gas and power and process utility industries, as well as the water, drainage, sewerage and environmental (pollution and hydrology) industries, the healthcare industry, the banking and finance industry, and the public sector. The Group intends to achieve this by offering customers with intimate industry specific knowledge and cost-effective solutions. Such a strategy has enabled the Group to enjoy significant growth in recent years as reflected in its turnover and profits.

FINANCIAL RISK

The financial risk management objectives and policies of the Group are set out in the Notes to the Financial Statements in Note 33 under risk management.

STATISTICS OF SHAREHOLDINGS

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STATISTICS OF SHAREHOLDINGS AS AT 15 MARCH 2006

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. Of Shareholders	%	No. Of Shares	%
1 - 999	14	0.35	5,597	0.00
1,000 - 10,000	3,134	77.65	13,924,458	4.20
10,001 - 1,000,000	865	21.43	39,586,278	11.92
1,000,001 - and above	23	0.57	278,491,574	83.88
Total:	4,036	100.00	332,007,907	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. Of Shares	%
1.	Republic Technologies Pte Ltd	88,719,000	26.72
2.	HSBC (Singapore) Nominees Pte Ltd	38,477,000	11.59
3.	Tan Mok Koon	34,342,500	10.34
4.	DBS Nominees Pte Ltd	27,505,000	8.28
5.	DBSN Services Pte Ltd	20,280,000	6.11
6.	United Overseas Bank Nominees Pte Ltd	13,663,000	4.12
7.	Seapac Investment Pte Ltd	6,848,000	2.06
8.	Wong Yon Ching	5,002,125	1.51
9.	Teo Kit Choon	4,937,125	1.49
10.	Lim Boon Kheng	4,894,500	1.47
11.	Tiong Kuok Thai	4,602,125	1.39
12.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	3,795,000	1.14
13.	Raffles Nominees Pte Ltd	3,335,000	1.00
14.	Phillip Securities Pte Ltd	3,284,594	0.99
15.	Citibank Nominees Singapore Pte Ltd	2,828,000	0.85
16.	DBS Vickers Securities (S) Pte Ltd	2,801,000	0.84
17.	Alan Stewart Gilby	2,726,980	0.82
18.	Low Sek Fun	2,553,000	0.77
19.	The Asia Life Assurance Society Ltd - Par Fund	2,460,000	0.74
20.	UOB Kay Hian Pte Ltd	1,658,000	0.50
Total:		274,711,949	82.73

STATISTICS OF SHAREHOLDINGS

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Class of Shares : Ordinary Shares
 Voting Rights : One vote per share

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2006

(As shown in the Register of Substantial Shareholders)

Names of Substantial Shareholders	No. of shares in which substantial shareholders have a direct interest	%	No. of shares in which substantial shareholders are deemed to have an interest	%
Republic Technologies Pte Ltd	88,719,000	26.72	-	-
Tan Mok Koon	34,342,500	10.34	-	-
Chartered Asset Management Pte Ltd	-	-	27,674,000 (1)	8.33
CAM-GTF Limited	-	-	20,032,000 (2)	6.03
Temasek Holdings (Private) Limited	-	-	88,719,000 (3)	26.72
Temasek Capital (Private) Limited	-	-	88,719,000 (3)	26.72
Seletar Investments Pte Ltd	-	-	88,719,000 (3)	26.72
FMR Corporation and Fidelity International Limited	-	-	26,789,000 (4)	8.07

- Note:
- (1) Chartered Asset Management Pte Ltd is deemed to have an interest in the 27,674,000 shares held through HSBC (Singapore) Nominees Pte Ltd, Citibank Nominees Singapore Pte Ltd, G.K. Goh Stockbrokers Pte Ltd and DBS Nominees Pte Ltd.
 - (2) CAM-GTF Limited is deemed to have an interest in 20,032,000 shares held by HSBC (Singapore) Nominees Pte Ltd.
 - (3) Temasek Holdings (Private) Limited, Temasek Capital (Private) Limited and Seletar Investments Pte Ltd are deemed to have an interest in 88,719,000 shares held by Republic Technologies Pte Ltd.
 - (4) FMR Corporation and Fidelity International Limited are deemed to have an interest in 26,789,000 shares held by Hang Seng Bk Ltd Retirements, Fidelity South East Asia Fund, FID FDS – Southeast Asia Pool, FID FDS – Singapore Pool, Jockey Club Charity Trust – EQ, Hoko Jockey Club SP WKG CAP EQ, Jockey Club Contingency – Equity, HKBank Intl Trst: 006090419436, FID Low Priced Stock Fund and FID Southeast Asia Fund.

38.12% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.



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