Directors' Report & Audited Financial Statements

CSE Global Ltd and Subsidiary Companies | 31 December 2007

Co. Reg. No.: 198703851D

Customer Satisfaction, Everytime

Contents

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 2007.

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 directors' 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 1.1.2007	At 31.12.2007	At 21.1.2008
CSE Global Limited		**Number of ordinary shares**	
Tan Mok Koon	44,800,500	67,200,750	67,200,750
Goh Boon Seong	430,000	536,000	536,000
Lee Soo Hoon Phillip	240,000	450,000	450,000
Lim Boh Soon	240,000	330,000	330,000
Lim Ming Seong	2,100,000	3,150,000	3,150,000
Sin Boon Ann	30,000	45,000	–

Report of the Directors

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

Name of Director	At 1.1.2007	At 31.12.2007
CSE Global Limited	**Share options granted on 30.10.2002 exercisable at a price of $0.2048 each in ordinary shares of $0.05 fully paid exercisable from 30.10.2004 to 30.10.2007 #**	
Goh Boon Seong	90,000	–
	Share options granted on 31.12.2003 exercisable at a price of $0.3533 each in ordinary shares exercisable from 31.12.2005 to 31.12.2008 #	
Goh Boon Seong	90,000	–
Lee Soo Hoon Phillip	90,000	–
Lim Boh Soon	90,000	–
Sin Boon Ann	90,000	90,000

The number of shares have been adjusted for bonus issue.

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

Saved as disclosed above, there were changes in the above mentioned interests between the end of the financial year and 21 January 2008.

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 or of related corporations, 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.

Report of the Directors

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")

Details of the share option schemes and the respective share options that are granted as at 31 December 2007 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 2007 are as follows :-

Date of grant	Balance as at 1.1.2007	Addition due to bonus issue	Cancelled	Exercised	Balance as at 31.12.2007	Exercise Price	Exercise Period
31 October 2002	267,000	67,500	(7,500)	(327,000)	–	$0.2048	31 October 2004 to 31 October 2007
31 December 2003	5,254,000	2,301,000	(23,000)	(3,156,500)	4,375,500	$0.3533	31 December 2005 to 31 December 2008
	5,521,000	2,368,500	(30,500)	(3,483,500)	4,375,500		

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 2007 are disclosed in the following tables:

Report of the Directors

SHARE OPTIONS (CONT'D)

The Company (cont'd)

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

Share options granted on 31.12.2003 exercisable at a price of $0.3533 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	–	90,000	90,000	–
Lee Soo Hoon Phillip	–	90,000	90,000	–
Lim Boh Soon	–	90,000	90,000	–
Sin Boon Ann	–	90,000	–	90,000

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.

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.

Report of the Directors

SHARE OPTIONS (CONT'D)

The Company (cont'd)

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

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 December 2003	4,375,500	53%	FY2003 to FY2004	31 December 2005	31 December 2008	18%

(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 2007 are as follow :-

Date of grant	Balance as at 1.1.2007	Addition due to bonus issue	Cancelled	Exercised	Balance as at 31.12.2007	Exercise Price	Exercise Period
31 October 2002	67,000	33,500	–	(100,500)	–	$0.2560	31 October 2004 to 31 October 2007
31 December 2003	142,000	71,000	–	(155,250)	57,750	$0.4320	31 December 2005 to 31 December 2008
	209,000	104,500	–	(255,750)	57,750		

Report of the Directors

SHARE OPTIONS (CONT'D)

The Company (cont'd)

(ii) ***CSE (US Subsidiaries) Incentive Stock Option Plan ("US Plan") (cont'd)***

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.

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.

Report of the Directors

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 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
18 March 2008

Statement by Directors

Pursuant to Section 201(15)

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 Group and of the Company as at 31 December 2007 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
18 March 2008

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 12 to 86, which comprise the balance sheets of the Group and the Company as at 31 December 2007, the statements of changes in equity of the Group and the Company, and the profit and loss account and statement of cash flows 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 (the "Act") 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 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 2007 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
18 March 2008

Balance Sheets

as at 31 December 2007

		Group		Company	
	Note	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Fixed assets	4	12,902	12,637	222	304
Subsidiary companies	5	–	–	174,125	158,766
Associated companies	6	7,009	15,473	–	10,299
Other investment	7	190	–	190	–
Intangible assets	8	70,457	62,948	103	132
Deferred tax assets	9	3,993	1,630	17	763
Current assets					
Projects-in-progress	10	74,128	71,810	–	–
Stocks	11	9,412	8,373	–	–
Trade and other debtors	12	82,111	76,055	4,443	3,870
Prepayments		3,399	3,418	10	19
Amounts due from subsidiary companies	5	–	–	48,233	30,150
Amounts due from associated companies	6	6	61	–	–
Short-term deposits	27	8,771	4,306	–	–
Cash and bank balances	27	50,137	62,595	2,261	14,975
		227,964	226,618	54,947	49,014
Current liabilities					
Projects-in-progress	10	13,370	8,652	–	–
Derivative financial instruments	13	–	173	–	173
Trade creditors and accruals	14	63,514	95,140	5,230	4,280
Finance leases	29	199	220	–	–
Amounts due to bankers	15	80,460	90,045	78,919	74,647
Amounts due to subsidiary companies	5	–	–	25,157	33,140
Amount due to associated companies	6	2	–	–	–
Provision for warranties	16	1,570	1,286	–	–
Provision for taxation		3,354	4,887	325	–
		162,469	200,403	109,631	112,240
Net current assets/(liabilities)		65,495	26,215	(54,684)	(63,226)
Non-current liabilities					
Deferred tax liabilities	9	(4,115)	(2,378)	–	–
Finance leases	29	(380)	(424)	–	–
Amounts due to bankers	15	(19,172)	(7,701)	(19,172)	(7,701)
		136,379	108,400	100,801	99,337
Equity attributable to equity holders of the Company					
Share capital	17	90,343	88,412	90,343	88,412
Revenue reserve		54,545	24,241	9,774	9,702
Other reserves	18	653	1,189	653	1,189
Foreign currency translation reserve	19	(9,176)	(5,455)	31	34
		136,365	108,387	100,801	99,337
Minority interest		14	13	–	–
		136,379	108,400	100,801	99,337

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

Consolidated Profit and Loss Account

for the financial year ended 31 December 2007

	Note	Group	
		2007 $'000	2006 $'000
Revenues	20	404,696	334,472
Cost of sales		(257,088)	(224,759)
Gross profit		147,608	109,713
Other operating income			
Miscellaneous income	21	444	685
Finance income	22	1,302	826
Operating expenses			
Administrative costs		(75,022)	(59,100)
Selling and distribution costs		(6,762)	(7,323)
Other operating costs		(4,462)	(810)
Finance costs	23	(5,936)	(4,310)
Share of results of associated companies, net of tax		567	185
Profit before taxation	24	57,739	39,866
Taxation	25	(15,679)	(10,743)
Profit for the financial year		42,060	29,123
Attributable to :-			
Equity holders of the Company		42,059	29,123
Minority interest		1	–
		42,060	29,123
Earnings per share (in cents)			
Basic EPS	26	8.33	5.83
Diluted EPS	26	8.25	5.77

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

Statements of Changes in Equity

for the financial year ended 31 December 2007

2006 Group	Attribute to equity holders of the Company Share capital $'000	Share premium $'000	Revenue reserve $'000	Other reserves $'000	Foreign currency translation reserve $'000	Total $'000	Minority interest $'000	Total Equity $'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)
Net profit for the financial year	–	–	29,123	–	–	29,123	–	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 employee share options (Note 17)	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 financial year ended 31 December 2007

2007 Group	Attribute to equity holders of the Company						
	Share capital $'000	Revenue reserve $'000	Other reserves $'000	Foreign currency translation reserve $'000	Total $'000	Minority interest $'000	Total Equity $'000
At 1 January 2007	88,412	24,241	1,189	(5,455)	108,387	13	108,400
Effects of exchange differences arising from :-							
- Translation of financial statements of foreign operations	–	–	–	(3,928)	(3,928)	–	(3,928)
- Hedging of net investment							
Net changes in hedging reserve	–	–	–	207	207	–	207
Net expense recognised directly in equity	–	–	–	(3,721)	(3,721)	–	(3,721)
Net profit for the financial year	–	42,059	–	–	42,059	1	42,060
Total recognised net income for the financial year	–	42,059	–	(3,721)	38,338	1	38,339
Dividends (Note 34)	–	(11,755)	–	–	(11,755)	–	(11,755)
Exercise of employee share options (Note 17)	1,400	–	–	–	1,400	–	1,400
Cancellation of employee share option	–	–	(5)	–	(5)	–	(5)
Transfer from other reserves on exercise of share options	531	–	(531)	–	–	–	–
At 31 December 2007	90,343	54,545	653	(9,176)	136,365	14	136,379

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

Statements of Changes in Equity

for the financial year ended 31 December 2007

2006 Company	Attribute to equity holders of the Company Share capital $'000	Share premium $'000	Revenue reserve $'000	Other reserves $'000	Foreign currency translation reserve $'000	Total equity $'000
At 1 January 2006 as previously stated	16,491	68,548	6,212	817	(10)	92,058
Cumulative effects of prior year adjustment	–	–	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 2006	88,412	–	9,702	1,189	34	99,337

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

Statements of Changes in Equity

for the financial year ended 31 December 2007

2007 Company	**Attribute to equity holders of the Company**				
	Share capital $'000	**Revenue reserve $'000**	**Other reserves $'000**	**Foreign currency translation reserve $'000**	**Total equity $'000**
At 1 January 2007 as previously stated	88,412	9,702	1,189	34	99,337
Net effect of exchange differences	–	–	–	(3)	(3)
Net expense recognised directly in equity	–	–	–	(3)	(3)
Profit for the financial year	–	11,827	–	–	11,827
Total recognised net income for the financial year	–	11,827	–	(3)	11,824
Transfer from other reserves on exercise of share options	531	–	(531)	–	–
Dividends (Note 34)	–	(11,755)	–	–	(11,755)
Cancellation of employee share options	–	–	(5)	–	(5)
Exercise of share options	1,400	–	–	–	1,400
At 31 December 2007	90,343	9,774	653	31	100,801

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

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2007

	2007 $'000	2006 $'000
Cash flows from operating activities :		
Profit before taxation	57,739	39,866
Adjustments for :		
Depreciation of fixed assets	2,695	2,565
Amortisation of intangible assets	755	253
Share of results of associated companies, net of tax	(567)	(185)
Impairment of investment in associated company	5,834	–
Negative goodwill arising from business combination	(3,327)	–
Interest expense	5,510	4,005
Interest income	(1,302)	(826)
Gain on disposal of fixed assets	(128)	(434)
Fixed assets written off	2	–
Fair value changes in value of derivative financial instruments	34	(275)
Writeback of share-based payment expense on cancellation of share options	(5)	–
Currency realignment	(2,569)	(1,544)
Operating income before reinvestment in working capital	64,671	43,425
(Decrease)/increase in debtors	(5,194)	30,466
Increase/(decrease) in projects-in-progress, net and stocks	1,360	(54,020)
(Decrease)/increase in creditors	(1,349)	11,193
Cash generated from operations	59,488	31,064
Interest paid	(5,510)	(4,005)
Interest received	1,302	826
Income tax paid	(15,925)	(11,097)
Net cash generated from operating activities	39,355	16,788
Cash flows from investing activities :		
Purchase of fixed assets	(3,104)	(3,095)
Acquisition of subsidiary companies, net of cash acquired	(3,411)	94
Repayment of balance purchase consideration of a subsidiary	(30,917)	–
Acquisition of other investment	(190)	–
Additions to intangible assets	(1,377)	(746)
Repayment from/(advances to) associated companies	57	(18)
Proceeds from disposal of fixed assets	260	7,547
Net cash (used in)/generated from investing activities	(38,682)	3,815
Cash flows from financing activities :		
Net proceeds from issuance of shares	1,400	2,559
Proceeds from short-term borrowing from banks	1,886	22,959
Dividends paid to shareholders	(11,755)	(8,321)
Repayment of finance lease obligations	(197)	(261)
Net cash (used in)/generated from financing activities	(8,666)	16,936
Net (decrease)/increase in cash and cash equivalents	(7,993)	37,539
Cash and cash equivalents at beginning of financial year (Note 27)	66,901	29,362
Cash and cash equivalents at end of financial year (Note 27)	58,908	66,901

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

Notes to the Financial Statements

– 31 December 2007

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 Future changes in accounting policies

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 23 :	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 108 :	Operating Segments	1 January 2009
INT FRS 111 :	Group and Treasury Share Transactions	1 March 2007
INT FRS 112 :	Service Concession Arrangements	1 January 2008

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 108 as indicated below.

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 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 2007 approximated $57,736,000 (2006 : $55,864,000). More details are given in Note 8.

(ii) Depreciation of fixed assets

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 2007 approximated $12,902,000 (2006 : $12,637,000). 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 2007 approximated $3,354,000 (2006 : $4,887,000).

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant accounting estimates and judgements (cont'd)

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

(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 warranties at 31 December 2007 approximated $1,570,000 (2006 : $1,286,000).

(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 loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the balance sheet date is disclosed in Note 12 to the financial statements.

(ii) Construction contracts

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 10) is approximately $60,469,000 (2006 : $60,758,000).

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Foreign currency

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.

The 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.

2.5 Subsidiary companies

A subsidiary company is a entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 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.

2.7 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence.

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.

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Associates (cont'd)

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.

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.

2.8 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

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Fixed assets (cont'd)

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.

2.9 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.

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Intangible assets (cont'd)

Goodwill (cont'd)

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.

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.

Cost directly attributable to the development of intellectual property on the intangible assets are capitalized as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the technology and the cost can be measured reliably.

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Intangible assets (cont'd)

Other intangible assets (cont'd)

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.

2.10 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.

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 increase 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.

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 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.

2.12 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.

2.13 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.

2.14 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.

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Impairment of financial assets (cont'd)

(a) Assets carried at amortised cost (cont'd)

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.

2.15 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.

2.16 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.

2.17 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.

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 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.

2.19 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.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 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 24 under employees' provident fund.

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Employee benefits (cont'd)

(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.

(c) Employee stock option scheme

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.

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Leases

(a) *As lessee*

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.

Operating lease payments are recognised as an expense in the income statement 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.

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23.

2.22 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.

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Revenue recognition (cont'd)

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 straight-line basis.

Interest income is recognised using the effective interest method.

2.23 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.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(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.

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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.

(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.

2.24 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.

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

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.

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(a) Fair value hedges (cont'd)

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.

(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.

Notes to the Financial Statements

– 31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 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.

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	
			2007 $'000	2006 $'000	2007 %	2006 %
ii	CSE Systems & Engineering (Thailand) Limited (1) (Thailand)	Sales and provision of computer network systems (Thailand)	958	965	100	100
iii	CSE Systems & Engineering (India) Private Limited (6) (India)	Sales and provision of computer network systems (India)	360	370	100	100
iii	Transtel Engineering (Tianjin) Co. Ltd (7) (China)	Sales and provision of computer network systems (China)	212	212	100	100

Notes to the Financial Statements

– 31 December 2007

3. GROUP COMPANIES (CONT'D)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2007 $'000	2006 $'000	2007 %	2006 %
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)	Systems integration solution and sales and provision of computer network systems (Singapore)	25,060	25,060	100	100
ii	CSE-EIS (Malaysia) Sdn Bhd (2) (Malaysia)	Sales and provision of computer network systems (Malaysia)	1,431	1,491	100	100
i	CSE-Infotech Limited (Singapore)	e-business integration, research and development and investment holding (Singapore)	12,668	12,750	100	100
v	W-Industries, Inc. (America)	Sale and provision of system integration services (America)	36,200	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)	45,646	46,137	100	100
iii	CSE Technology (Beijing) Co., Ltd (8) (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

Notes to the Financial Statements

– 31 December 2007

3. GROUP COMPANIES (CONT'D)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2007 $'000	2006 $'000	2007 %	2006 %
i	TransTel Engineering Pte Ltd (Singapore)	Provision of turnkey telecommunications solutions for the oil and gas and petrolchemical industries (Singapore)	25,158	14,858	100	100
i	CSE-IAP Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	5,000	5,105	100	100
i	CSE-EIS Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	1,500	1,580	100	100
i	RTUnet (Asia) Pte Ltd (Singapore)	Distribution and marketing of remote terminal units (Singapore)	– #	22	100	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	100
iv	Energy Storage Power Corporation (America)	Sales and marketing of air injection technology and energu storage projects (America)	10,299	– ^	100	49^
			182,322	163,187		

* 2 ordinary share of HK$1 each.
\# 2 ordinary shares of S$1 each.
^ This company was an associated company in FY2006 (Note 5).
@ This company was liquidated during the current financial year.

Notes to the Financial Statements

– 31 December 2007

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	
			2007 %	2006 %
Held by CSE-Infotech Limited				
i	CSE-ITS Pte Ltd (Singapore)	Provision of computer software applications (Singapore)	100	100
iii	CSE (Global) Belgium (12) (Belgium)	Distribution and marketing of remote terminal units and investment holding (Belgium)	100	100
Held by CSE (Global) Belgium				
iii	CSE-Semaphore (formerly Techno Trade SA) (12) (Belgium)	Distribution and marketing of remote terminal units (Belgium)	100	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
iii	CSE-Scomagg Limited (3) (United Kingdom)	Design, installation and commissioning of control and management information systems (United Kingdom)	100	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 2007

3. GROUP COMPANIES (CONT'D)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group 2007 %	2006 %
Held by TransTel Engineering Pte Ltd				
iv	P.T. TransTel Engineering (Indonesia)	Provision of turnkey telecommunications solutions for the oil & gas & petrolchemical industries (Indonesia)	100	100
iv	TransTel Engineering (Nigeria) Ltd (Nigeria)	Provision of turnkey telecommunications solutions for the oil & gas & petrolchemical industries (Nigeria)	80	80
iii	Transtel Engineering (Tianjin) Co. Ltd (7) (China)	Provision of turnkey telecommunications solutions for the oil & gas & petrolchemical industries (China)	100	100
vii	CSE-Transtel Engineering Europe Ltd (United Kingdom)	Provision of turnkey telecommunications solutions for the oil & gas & petrolchemical industries (United Kingdom)	100	100
ii	Transtel Engineering Thailand Ltd (1) (Thailand)	Provision of turnkey telecommunications solutions for the oil & gas & petrolchemical industries (Thailand)	100	100
Held by CSE-Global (Australia) Pty Ltd				
iii	CSE-Uniserve Corporation Pty Ltd (10) (Australia)	Distribution of electrical engineering equipment (Australia)	100	100
iii	CSE Semaphore Australia (formerly RTUnet Australia Pty Ltd (10) (Australia)	Distribution and marketing of remote terminal units (Australia)	100	100

Notes to the Financial Statements

– 31 December 2007

3. GROUP COMPANIES (CONT'D)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group 2007 %	2006 %
	Held by CSE-Uniserve Corporation Pty Ltd			
iii	CSE-Uniserve Pty Ltd (10) (Australia)	Distribution of electrical engineering equipment (Australia)	100	100
iii	CSE-Uniserve Engineering Pty Ltd (10)	Distribution of electrical engineering equipment (Australia)	100	100
iii	CSE-Uniserve NZ Limited (11) (New Zealand)	Distribution of electrical engineering equipment (New Zealand)	100	100
	Held by W-Industries of Louisiana, Inc			
viii	Bosco Fabrication LLC (America)	Manufacture of custom panel enclosure and custom built stainless steel cold steel fabrication (America)	100	–

Details of associated companies include :-

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost 2007 $'000	Cost 2006 $'000	Percentage of equity held by the Group 2007 %	2006 %
	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	100 #	49

\# This company was an associated company in the previous financial year (Note 5).

Notes to the Financial Statements

– 31 December 2007

3. GROUP COMPANIES (CONT'D)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2007 $'000	2006 $'000	2007 %	2006 %
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	26
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 & gas & petrolchemical industries (Qatar)	92	92	49	49
vi	TransTel Engineering (M) Sdn Bhd (Malaysia)	Provision of turnkey telecommunications solutions for the oil & gas & petrolchemical industries (Malaysia)	17	17	40	40

Notes to the Financial Statements

– 31 December 2007

3. GROUP COMPANIES (CONT'D)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2007 $'000	2006 $'000	2007 %	2006 %
	Held by TransTel Engineering Pte Ltd (cont'd)					
iv	TransTel Engineering & Co LLC (Oman)	Provision of turnkey telecommunications solutions for the oil & gas & petrolchemical industries (Oman)	318	318	49	49
iv	TransTel Engineering Kish Co Ltd (Iran)	Provision of turnkey telecommunications solutions for the oil & gas & petrolchemical industries (Iran)	– ^	– ^	49	49
			1,817	12,116		

^ 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	
			2007 %	2006 %
	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	26
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	26
iii	eBworx Technology (Beijing) Co Ltd (8) (China)	Provision of computer software applications and dealing in computer software and hardware for the financial services industry (China)	26	26

Notes to the Financial Statements

– 31 December 2007

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
(11) Audited by BDO Spicers, NZ, Certified Public Accountants
(12) Audited by Delvaux, Fronville, Servais ET Associes

(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 is dormant and not significant.

(viii) This subsidiary company did not present any audited financial statements as it was acquired on 31 August 2007.

Notes to the Financial Statements

– 31 December 2007

4. FIXED ASSETS

Group	Construction in progress $'000	Freehold land $'000	Freehold building $'000	Leasehold land $'000	Leasehold building $'000
Cost					
At 1 January 2006	1,182	896	5,088	2,134	6,516
Currency realignment	(92)	(70)	(395)	(1)	–
Additions	–	–	686	–	6
Due to acquisition of subsidiaries	–	–	–	–	–
Disposals	–	–	–	(2,125)	(6,468)
At 31 December 2006 and 1 January 2007	1,090	826	5,379	8	54
Currency realignment	(61)	(46)	(302)	–	2
Additions	–	–	91	–	–
Due to acquisition of subsidiaries	–	–	–	–	–
Disposals	–	–	–	–	–
Transfers from/ (to)	(1,029)	–	1,029	–	–
Write-off	–	–	–	–	–
At 31 December 2007	–	780	6,197	8	56
Accumulated depreciation					
At 1 January 2006	–	–	861	158	1,332
Currency realignment	–	–	(76)	(1)	–
Charge for the year	–	–	297	19	165
Disposals	–	–	–	(168)	(1,455)
At 31 December 2006 and 1 January 2007	–	–	1,082	8	42
Currency realignment	–	–	(67)	–	2
Charge for the year	–	–	200	–	4
Disposals	–	–	–	–	–
Write-off	–	–	–	–	–
At 31 December 2007	–	–	1,215	8	48
Net book value					
At 31 December 2006	1,090	826	4,297	–	12
At 31 December 2007	–	780	4,982	–	8

Notes to the Financial Statements

– 31 December 2007

Leasehold improvements $'000	Plant and machinery $'000	Tools and equipment $'000	Office furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
780	2,433	1,202	5,316	2,389	2,710	30,646
(2)	101	(76)	(151)	34	(59)	(711)
294	67	495	643	702	515	3,408
–	50	–	130	60	45	285
–	(1,200)	(18)	(127)	(64)	(442)	(10,444)
1,072	1,451	1,603	5,811	3,121	2,769	23,184
14	(67)	(61)	(61)	(32)	(24)	(638)
215	291	652	519	783	686	3,237
–	–	187	13	–	6	206
–	–	(4)	(361)	(150)	(651)	(1,166)
–	–	–	–	–	–	–
–	–	–	(27)	(7)	–	(34)
1,301	1,675	2,377	5,894	3,715	2,786	24,789
184	2,352	844	2,634	1,687	1,340	11,392
–	99	(65)	(31)	34	(38)	(78)
339	43	241	507	448	506	2,565
–	(1,200)	(16)	(93)	(58)	(342)	(3,332)
523	1,294	1,004	3,017	2,111	1,466	10,547
12	(65)	(45)	(29)	(46)	(51)	(289)
377	120	196	684	603	511	2,695
–	–	(3)	(360)	(150)	(521)	(1,034)
–	–	–	(27)	(5)	–	(32)
912	1,349	1,152	3,285	2,513	1,405	11,887
549	157	599	2,794	1,010	1,303	12,637
389	326	1,255	2,609	1,202	1,381	12,902

During the year, the Group acquired fixed assets with an aggregate fair value of $133,000 (2006 : $314,000) 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 $434,000 (2006 : $452,000).

Notes to the Financial Statements

– 31 December 2007

4. FIXED ASSETS (CONT'D)

Company	Leasehold land $'000	Leasehold building $'000	Leasehold improvements $'000	Office furniture and fittings $'000	Computer Equipment $'000	Motor vehicles $'000	Total $'000
Cost							
At 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 and 1 January 2007	–	–	201	116	312	301	930
Additions	–	–	47	2	2	–	51
Disposals	–	–	–	(16)	(7)	–	(23)
At 31 December 2007	–	–	248	102	307	301	958
Accumulated depreciation							
At 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 and 1 January 2007	–	–	162	78	300	86	626
Charge for the year	–	–	47	17	9	60	133
Disposals	–	–	–	(16)	(7)	–	(23)
At 31 December 2007	–	–	209	79	302	146	736
Net book value							
At 31 December 2006	–	–	39	38	12	215	304
At 31 December 2007	–	–	39	23	5	155	222

Notes to the Financial Statements

– 31 December 2007

5. SUBSIDIARY COMPANIES

	Company	
	2007 $'000	2006 $'000
Unquoted ordinary shares, at cost	182,322	163,187
Less : Impairment losses	(8,197)	(4,421)
Carrying amount of investments	174,125	158,766
Allowance for impairment losses		
At 1 January	4,421	4,421
Charged for the year	–	–
Transferred from impairment losses on investment in associated company #	3,776	–
	8,197	4,421

\# This relates to the transfer arising from the business combination of ESPC, the details of which are disclosed in the subsequent paragraphs. Impairment losses on the investment in associated company is further elaborated in Note 6.

Amounts due from subsidiary companies, current :-		
Trade	11,427	1,867
Non-trade	3,320	5,736
Short term loan	33,486	22,547
Amounts due from subsidiary companies, current	48,233	30,150

Amounts due from subsidiary companies denominated in foreign currencies included in the Company's amounts due from subsidiary companies are as follows :-

United States Dollars	3,807	1,451
British Sterling Pounds	12,532	–
Australia Dollars	3,137	2,845
Euro	11,249	9,966

Amounts due to subsidiary companies, current :-		
Non-trade	7,310	5,524
Short term loan	17,847	27,616
Amounts due to subsidiary companies, current	25,157	33,140

Notes to the Financial Statements

– 31 December 2007

5. SUBSIDIARY COMPANIESS (CONT'D)

Allowance for impairment losses (cont'd)

Amounts due to subsidiary companies denominated in foreign currencies included in the Company's amounts due from subsidiary companies are as follows :-

	Company	
	2007 $'000	**2006 $'000**
United States Dollars	2,521	4,263
British Sterling Pounds	213	3,510

The amounts due from/to subsidiary companies are unsecured, interest-free and are repayable on demand. The short term loan due from subsidiary companies bears interest at 5.0% to 6.8% per annum (2006: 5% to 5.3%).

Acquisitions in 2007

On 31 August 2007, the Group acquired Bosco Fabrication LLC, which is an unlisted company based in United States specialising in manufacture of custom panel enclosures and custom-built stainless steel and cold steel fabrication for the oil & gas industry.

From the date of acquisition, Bosco Fabrication LLC has contributed approximately $22,000 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 $42,379,000.

The allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities acquired in this business combination is currently being determined and has 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 $2,990,000 and is reported under intangible assets (Note 8).

Notes to the Financial Statements

– 31 December 2007

5. SUBSIDIARY COMPANIESS (CONT'D)

Acquisitions in 2007 (cont'd)

The fair values of the identifiable assets and liabilities of the subsidiary as at the date of acquisition were:

	Recognised on acquistion $'000	Carring amount before combination $'000
Property, plant and equipment	206	206
Trade receivables	426	426
	632	632
Trade payables	(115)	(115)
Net identifiable assets acquired	517	517
Goodwill arising on acquisition (Note 8)	2,990	
Total purchase consideration	3,507	

The total cost of the acquisition was approximately $3,507,000 and comprised cash settlement.

Cost of acquisition :	
Cash paid	3,507
Cash inflow on acquisition :	
Cash paid	3,507
Net cash acquired with the subsidiary	–
Net cash outflow on acquisition	3,507

Business Combination Achieved Without the Transfer of Consideration

On 31 December 2007, the Company's associated company, Energy Storage and Power Corporation ("ESPC") redeemed a total of 51,000 shares from its 3 other shareholders at approximately S$458,000 as at 31 December 2007. As the redemption was funded using ESPC's internal resources, the Company has effectively obtained control of ESPC without the transfer of any consideration.

No amount has been contributed to the net profit of ESPC as the date of acquisition is on 31 December 2007. If the combination had taken place at the beginning of the year, the profit for the Group would have been approximately $41,670,000.

Notes to the Financial Statements

– 31 December 2007

5. SUBSIDIARY COMPANIESS (CONT'D)

Acquisitions in 2007 (cont'd)

The allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities acquired in this business combination is currently being determined and has not been completed. In the meantime, the provisional negative goodwill that results from the difference between the purchase price and the adjusted carrying amount of the assets and liabilities acquired amounts to $3,327,000 and is reported under "other operating costs" in the profit and loss statement.

The fair values of the identifiable assets and liabilities of the subsidiary as at the date of acquisition were:

	Recognised on acquistion $'000	Carring amount before combination $'000
Intangibles	4,906	3,918
Deferred tax asset	1,488	1,488
Trade and other receivables	416	416
Cash and cash equivalents	96	96
	6,906	5,918
Deferred tax liability	(382)	–
Net identifiable assets acquired	6,524	5,918
Share of net identifiable assets equity accounted for	(3,197)	
Negative goodwill arising on business combination (Note 24)	(3,327)	
Total purchase consideration	–	

There is no cost of acquisition as described above.

Cash inflow on acquisition :	
Cash paid	–
Net cash acquired with the subsidiary	96
Net cash inflow on acquisition	96
Aggregate net cashflow on acquisitions :	
Net cash outflow on acquisition of BOSCO	(3,507)
Net cash inflow on acquisition of ESPC	96
Aggregate net cashflow on acquisitions	(3,411)

Notes to the Financial Statements

– 31 December 2007

5. SUBSIDIARY COMPANIESS (CONT'D)

Acquisitions in 2006

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 and CSE Scomagg Limited, an unlisted company based in United Kingdom, specialising in the design, installation and commissioning of control and management information system respectively.

The fair value of the identifiable assets and liabilities of Techno Trade SA and CSE Scomagg Limited as at the date of the acquisition were:

	Recognised on acquistion $'000	Carring amount before combination $'000
Fixed assets (Note 4)	285	298
Intangibles (Note 8)	3,608	–
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
	26,537	22,942
Trade and other payables	(2,348)	(2,497)
Long term liabilities	(125)	(125)
Deferred tax liability	(1,226)	–
Provision for taxation	(3,091)	(3,091)
	(6,790)	(5,713)
Net identifiable assets acquired	19,747	17,229
Goodwill arising on acquisitions (Note 8)	27,039	
Total purchase consideration	46,786	
Cash inflow on acquisition :		
Cash paid	(15,660)	
Net cash acquired with the subsidiaries	15,754	
Net cash inflow on acquisition	94	

Notes to the Financial Statements

– 31 December 2007

5. SUBSIDIARY COMPANIESS (CONT'D)

Acquisitions in 2006 (cont'd)

The fair value adjustments at 31 December 2006 were provisional as the Group had sought independent valuation for the intangible asset owned by Techno Trade SA. The results of the valuation had not been received at the date the 2006 accounts were approved for issue by management and some costs directly attributable to the acquisition were not available.

The valuation of the intangible asset and the invoices in respect of costs attributable to the acquisition were received by July 2007. The valuation indicated the fair value at the date of acquisition was $3,608,000, an increase of $1,574,000 as compared to the provisional value.

The 2006 comparative information has been restated to reflect this adjustment. The value of the intellectual property rights, current liabilities and deferred tax liability arising increased by approximately $1,574,000, $411,000 and $535,000 respectively. There was a corresponding reduction of fixed assets and goodwill arising on the acquisition of approximately $13,000 and $615,000 respectively.

6. ASSOCIATED COMPANIES

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Quoted shares, at cost	168	168	–	–
Unquoted shares, at cost	1,650	11,949	–	10,299
	1,818	12,117	–	10,299
Less: Impairment losses	(566)	(566)	–	–
	1,252	11,551	–	10,299
Share of net post-acquisition reserves	5,757	3,922	–	–
Carrying amount of investments	7,009	15,473	– #	10,299

The decrease is due to the transfer of the cost and impairment losses to Note 5 with the business combination of ESPC.

	Group	
	2007 $'000	2006 $'000
Market value of quoted shares at 31 December	8,846	8,576

Notes to the Financial Statements

– 31 December 2007

6. ASSOCIATED COMPANIES (CONT'D)

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

	Group	
	2007 $'000	2006 $'000
Results		
Turnover	17,597	14,970
Net profit for the year	4,172	1,001
Assets and liabilities		
Non-current assets	8,261	14,706
Current assets	25,306	24,428
Total assets	33,567	39,134
Non-current liabilities	41	45
Current liabilities	3,112	6,276
Total liabilities	3,153	6,321
Total assets and liabilities	30,414	32,813
Amounts due from associated companies :-		
Non-trade	6	61
Amounts due to associated companies :-		
Non-trade	(2)	–

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

Allowance for impairment losses

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
At 1 January	566	566	–	–
Charge for the year	5,834	–	3,776	–
Transferred on completion of acquisition #	(5,834)	–	(3,776)	–
At 31 December	566	566	–	–

Relates to impairment loss on goodwill arising from past acquisition of 49% interest in ESPC as discussed below which have been transferred to intangible assets on acquisition of the remaining 51% equity interest of ESPC (Note 5). Impairment loss at Company level has been transferred to impairment loss on investment in subsidiaries.

Notes to the Financial Statements

– 31 December 2007

6. ASSOCIATED COMPANIES (CONT'D)

Impairment in associated company

During the financial year, the Company carried out a review of the recoverable amount of its investment in the associated company, ESPC as the associated company has been making losses. An impairment loss of approximately $5.834 million representing the impairment of the goodwill in respect of the 49% interest held by the Company was recorded. As the Company has effectively obtained control of ESPC without the transfer of any consideration as at 31 December 2007 (Note 5), the Company has provisionally assessed the fair value of the identifiable assets and liabilities as at 31 December 2007 and has recognized 51% of the fair value of net identifiable assets which amounted to $3.327 million as negative goodwill. The net impact of the impairment of goodwill as well as the negative goodwill arising on the business combination amounting to $2.507 million has been recognized in "Other operating costs" line item for the financial year ended 31 December 2007. The recoverable amount of the investment in associated company was based on its value in use and the key assumptions used are a budgeted gross margin of 15% to 25% and the tax deductibility of the tax losses.

7. OTHER INVESTMENT

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Available-for-sale investment				
- Equity instruments (unquoted) at cost	190	–	190	–

8. INTANGIBLE ASSETS

Group	**Goodwill $'000**	**Licences $'000**	**Intellectual property rights $'000**	**Total $'000**
Cost				
At 1 January 2006	29,986	49	3,290	33,325
Currency realignment	(1,161)	6	–	(1,155)
Additions	–	252	494	746
Due to acquisition of subsidiaries	27,039	–	3,608	30,647
At 31 December 2006 and 1 January 2007	55,864	307	7,392	63,563
Currency realignment	(1,118)	(8)	118	(1,008)
Additions	–	–	1,377	1,377
Transferred from previous associated company #	5,834	–	–	5,834
Due to acquisition of subsidiary	2,990	–	4,906	7,896
At 31 December 2007	63,570	299	13,793	77,662

Notes to the Financial Statements

– 31 December 2007

8. INTANGIBLE ASSETS (CONT'D)

Group	Goodwill $'000	Licences $'000	Intellectual property rights $'000	Total $'000
Accumulated amortisation				
At 1 January 2006	–	49	309	358
Currency realignment	–	4	–	4
Provided during the year	–	15	238	253
At 31 December 2006 and 1 January 2007	–	68	547	615
Currency realignment	–	(3)	4	1
Transferred from previous associated company #	5,834	–	–	5,834
Provided during the year	–	29	726	755
At 31 December 2007	5,834	94	1,277	7,205
Net carrying value				
At 31 December 2007	57,736	205	12,516	70,457
At 31 December 2006	55,864	239	6,845	62,948
Remaining amortisation period (years) – 2007	NA	8	9 to 12	NA
Remaining amortisation period (years) – 2006	NA	9	10 to 13	NA

Relates to impairment loss on goodwill arising from past acquisition of 49% interest in ESPC which have been transferred to intangible assets on acquisition of the remaining 51% equity interest of ESPC (Note 5).

Intellectual property rights

Intellectual property rights mainly relate to the rights and technology relating to the Kingfisher Remote Telemetry Unit (RTU) and the technology relating to the TBOX™ brand of RTU that were acquired in business combinations and related product development costs incurred to further develop the technology. Included also in the amount are intellectual property rights relating to power augmentation and energy storage technology.

Notes to the Financial Statements

– 31 December 2007

8. INTANGIBLE ASSETS (CONT'D)

Company	Licenses $'000
Cost	
At 1 January 2007 and 31 December 2007	147
Accumulated amortisation	
At1 January 2007	15
Provided during the year	29
At 31 December 2007	44
Net carrying value	
At 31 December 2007	103
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.

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	
	2007 $'000	2006 $'000
W-Industries, Inc.	15,674	13,539
CSE-Servelec Group Limited	18,363	19,310
CSE-Global (Australia) Pty Ltd	9,907	9,482
CSE-Infotech Limited	1,282	1,282
TransTel Engineering Pte Ltd	2,406	2,406
CSE-EIS (Malaysia) Sdn Bhd	486	486
CSE (Global) Belgium	9,618	9,359
	57,736	55,864

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% - 25% (2006: 10% - 20%) used are consistent with forecasts based on existing contracts and book orders. The discount rate applied is assumed at 10.4% (2006: 10.4%) for value-in-use calculations, which approximates the industry weighted average cost of capital.

Notes to the Financial Statements

– 31 December 2007

9. DEFERRED TAX ASSETS/LIABILITIES

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Deferred tax assets	3,993	1,630	17	763
Deferred tax liabilities	(4,115)	(2,378)	–	–
	(122)	(748)	17	763
This can be analysed as follows :-				
Differences in depreciation and amortisation	(1,678)	(1,044)	(10)	(13)
Difference in valuation of intangible asset [1]	(1,505)	(1,226)	–	–
Provisions	692	756	28	–
Unutilised tax losses and capital allowances	2,633	930	–	776
Unremitted foreign sourced interest income	(99)	(218)	(1)	–
Profits recognised on percentage of completion	294	–	–	–
Development cost capitalised	(472)	–	–	–
Other deferred tax assets	13	54	–	–
	(122)	(748)	17	763

(1) Difference in the current financial year arose mainly as a result of preliminary purchase price allocation relating to the business combination of ESPC.

As at 31 December 2007, the Group has unutilised tax losses amounting to approximately $4,467,000 (2006 : $6,655,000) and capital allowance amounting to $658,000 (2006 : $1,297,000) 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 2007, no deferred income tax liability has been recognised (2006 : $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.

Notes to the Financial Statements

– 31 December 2007

10. PROJECTS-IN-PROGRESS, NET

	Group	
	2007 $'000	2006 $'000
Cost incurred and attributable profits less recognised losses	392,750	227,774
Less: Progress billings	(331,992)	(164,616)
Amounts due from customers for contract work, net	60,758	63,158
Presented as :		
Gross amount due from customers for contract work	74,128	71,810
Gross amount due to customers for contract work	(13,370)	(8,652)
	60,758	63,158

11. STOCKS

	Group	
	2007 $'000	2006 $'000
Raw materials	3,093	2,336
Stocks work-in-progress	182	1,688
Finished goods	5,947	4,155
Stocks in transit	190	194
Total stocks at lower of cost and net realisable value	9,412	8,373
Stocks are stated after deducting allowance for stock obsolescence	582	576
Allowance for stock obsolescence		
Balance at 1 January	576	1,001
Currency realignment	(22)	10
Allowance during the year	35	106
Allowance written back	(7)	(541)
	582	576

Notes to the Financial Statements

– 31 December 2007

12. TRADE AND OTHER DEBTORS

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade debtors	79,505	71,983	4,360	3,406
Other debtors	1,141	1,834	4	28
Deposits	503	436	79	80
Staff loans and advances	235	257	–	–
Tax recoverable	727	1,545	–	356
Total trade and other debtors	82,111	76,055	4,443	3,870
Add :				
Amounts due from subsidiary companies (Note 5)	–	–	48,233	30,150
Amounts due from associated companies (Note 6)	6	61	–	–
Cash and cash equivalents (Note 27)	58,908	66,901	2,261	14,975
Total loans and receivables	141,025	143,017	54,937	48,995

Trade debtors

Trade debtors are non-interest bearing and are generally on 30 to 120 days' terms. They are recognised at their original amounts which represent their fair values on initial recognition.

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

	Group	
	2007 $'000	2006 $'000
United States Dollars	48,694	40,647
British Sterling Pounds	10,114	19,411
Australia Dollars	12,559	5,919
Euro	2,882	3,253

Receivables that are past due but not impaired

The Group has trade debtors amounting to $4,494,000 (2006: $3,430,000) that are past due date at the balance sheet date but not impaired.

Notes to the Financial Statements

– 31 December 2007

12. TRADE AND OTHER DEBTORS (CONT'D)

Trade debtors (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance account used to record the impairment are as follows:

	Group Individual impaired	
	2007 $'000	**2006 $'000**
Trade receivables – nominal amounts	716	443
Less: Allowance for impairment	(716)	(443)
	–	–
Movement in allowance account :		
At 1 January	443	395
Charge for the year	349	152
Written back	(21)	(150)
Exchange differences	(55)	46
At 31 December	716	443

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

At the balance sheet date, the Company have provided allowance for impairment of $283,000 (2006: $338,000) in respect of the unsecured loan to an associated company and a subsidiary company with the nominal amount of the loan extended to be approximately $347,000 (2006: $338,000). The associated company has been suffering significant financial losses in past few years. The subsidiary company is currently under-going the deregistration process.

Notes to the Financial Statements

– 31 December 2007

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2007		2006	
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Forward currency contracts # (Note 32)	–	–	–	(34)
Forward currency contracts * (Note 32)	–	–	207	–
Total held for trading assets/ (liabilities)	–	–	207	(34)

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.

In the previous financial year, the settlement dates on open forward contracts ranged between 1 to 6 months.

14. TRADE CREDITORS AND ACCRUALS

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade creditors and accruals	63,514	95,140	5,230	4,280
Add :				
Amounts due to subsidiaries (Note 5)	–	–	25,157	33,140
Amounts due to associated company	2	–	–	–
Finance leases (Note 29)	579	644	–	–
Amounts due to bankers (Note 15)	99,632	97,746	98,091	82,348
Total financial liabilities carried at amortised cost	163,727	193,530	128,478	119,768

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

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
United States Dollars	24,768	14,687	–	–
British Sterling Pounds	13,315	41,760	–	–
Australia Dollars	9,369	7,539	–	–
Euro	1,973	2,221	–	–

Notes to the Financial Statements

– 31 December 2007

15. AMOUNTS DUE TO BANKERS

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Short term loans, unsecured				
- Singapore Dollars	24,500	34,850	24,500	31,850
- British Sterling Pounds	8,639	9,092	8,639	9,092
- United States Dollars	21,730	30,443	20,276	18,045
- Euro	16,182	15,660	16,095	15,660
- Australia Dollars	7,592	–	7,592	–
Current portion of long term loans, unsecured				
- United States Dollars	1,817	–	1,817	–
	80,460	90,045	78,919	74,647
Long term loans, unsecured				
- Singapore Dollars	5,000	–	5,000	–
- United States Dollars	14,172	7,701	14,172	7,701
	19,172	7,701	19,172	7,701
Total amounts due to bankers	99,632	97,746	98,091	82,348

The unsecured short term loans of the Company and of the Group bear interest at 3.03% - 7.90% (2006 : 4.06% - 6.87%) per annum.

The unsecured long term loans of the Company and of the Group bear interest ranging between 3.71% - 6.30% (2006 : 6.25% - 6.33%) 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.

16. PROVISION FOR WARRANTIES

	Group	
	2007 $'000	2006 $'000
Balance at 1 January	1,286	1,594
Currency realignment	(9)	12
Provision during the year	920	686
Provision written back	(524)	(630)
Provision utilised	(103)	(376)
	1,570	1,286

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 2007

17. SHARE CAPITAL

	Group and Company			
	2007		2006	
	No. of shares $'000	$'000	No. of shares $'000	$'000
At 1 January	335,101,907	88,412	329,812,907	16,491
Exercise of employee share options	3,739,250	1,400	5,289,000	2,559
	338,841,157	89,817	335,101,907	19,050
Bonus issue	167,931,445	–	–	–
Transfer from share-based payment reserve to share capital	–	531	–	814
Transfer of share premium to share capital	–	–	–	68,548
At 31 December	506,772,602	90,343	335,101,907	88,412

On 14 May 2007, there was a bonus issue of 167,931,445 shares in the capital of the Company on the basis of one (1) bonus share for every two (2) ordinary shares in the capital of the Company held by the existing shareholders of the Company.

As at 31 December 2007, there was a total issue of 3,739,250 shares in the capital of the Company arising from the exercise of options to subscribe for 3,483,500 and 255,750 ordinary shares in the capital of the Company under the CSE Global Limited Executives' Share Option Plan and the CSE (U.S. Subsidiaries) Incentive Stock Option Plan respectively.

All the shares issued under the bonus issue and share option schemes 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.

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.

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").

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17. SHARE CAPITAL (CON'T)

Details of the share option schemes and the respective share options existing as at 31 December 2007 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 2007 are as follows :-

Date of grant	Balance as at 1.1.2007	Addition due to bonus issue	Cancelled	Exercised	Balance as at 31.12.2007	Exercise Price	Exercise Period
31 October 2002 [1]	267,000	67,500	(7,500)	(327,000)	–	$0.2048	31 October 2004 to 31 October 2007
31 December 2003	5,254,000	2,301,000	(23,000)	(3,156,500)	4,375,500	$0.3533	31 December 2005 to 31 December 2008
	5,521,000	2,368,500	(30,500)	(3,483,500)	4,375,500		

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

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.

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.

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17. SHARE CAPITAL (CON'T)

(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, 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.

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

Under the Company's US Plan, the number and movement in share options as at 31 December 2007 are as follows :-

Date of grant	Balance as at 1.1.2007	Addition due to bonus issue	Cancelled	Exercised	Balance as at 31.12.2007	Exercise Price	Exercise Period
31 October 2002 [1]	67,000	33,500	–	(100,500)	–	$0.2560	31 October 2004 to 31 October 2007
31 December 2003	142,000	71,000	–	(155,250)	57,750	$0.4320	31 December 2005 to 31 December 2008
	209,000	104,500	–	(225,750)	57,750		

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

Notes to the Financial Statements

– 31 December 2007

17. SHARE CAPITAL (CON'T)

(ii) CSE (US Subsidiaries) Incentive Stock Option Plan ("US Plan") (cont'd)

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.

The weighted average share price for the shares exercised for the financial year ended 31 December 2007 and 2006 are as shown below :

	2007	2006
CSE ESOS subsequent to 9 October 2001 granted on 31 December 2003		
Weighted average share price ($)	1.3047	0.9737
US Plan granted on 31 December 2003		
Weighted average share price ($)	1.2570	0.9807

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18. OTHER RESERVES

	Group and Company	
	2007 $'000	2006 $'000
Hedging reserve	–	–
Share-based payment reserve	653	1,189
	653	1,189
(a) Hedging reserve		
At 1 January	–	(1,186)
Net fair value changes on cash flow hedges	–	1,186
At 31 December	–	–
(b) Share-based payment reserve		
At 1 January	1,189	2,003
Exercise of share options	(531)	(814
Cancellation of share options	(5)	–
At 31 December	653	1,189

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.

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19. 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	
	2007 $'000	**2006 $'000**
Rental income	206	83
Commission income	29	47
Miscellaneous income	209	555
	444	685

22. FINANCE INCOME

Interest income – short-term deposits	1,302	826

23. FINANCE COSTS

Interest expense – bank loans	5,510	4,005
Bank charges	426	305
	5,936	4,310

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24. PROFIT BEFORE TAXATION

	Group	
	2007 $'000	2006 $'000
The following items have been included in arriving at profit before taxation :-		
Non-audit services paid to : -		
Auditors of the Company	57	98
Other auditors of subsidiary companies	25	13
Impairment of investment in associated company	5,834	–
Negative goodwill arising from business combination	(3,327)	–
Depreciation of fixed assets	2,695	2,565
Gain on disposal of fixed assets	(128)	(434)
Amortisation of intangible assets	755	253
Allowance for stock obsolescence	28	–
Allowance/(write-back of allowance) for doubtful trade debts, net	265	(21)
Bad trade debts written off directly to the profit and loss	–	23
Provision for warranties, net	396	56
Personnel and related costs comprising :-		
Salaries and bonuses	42,780	35,865
Employees' provident fund	3,212	1,799
Share-based payment expense written back	(5)	–
Other personnel and related costs	4,196	3,993
Directors' fees		
- Directors of the Company	229	190
Net exchange loss	932	977
Fair value changes in value of derivative financial instruments	34	(275)

Notes to the Financial Statements

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25. TAXATION

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

	Group	
	2007 $'000	2006 $'000
Current taxation :		
- Singapore	2,736	1,713
- Foreign	11,160	7,714
Deferred taxation :		
- Singapore	(98)	(295)
- Foreign	533	430
	14,331	9,562
Withholding tax	811	1,071
Under/(over)provision for prior years' taxation – current	496	(325)
Underprovision for prior years' taxation – deferred	41	435
Taxation	15,679	10,743

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 :

Profit before taxation (excluding share of results of associated companies)	57,172	39,681
Taxation at statutory tax rate of 18.0% (2006 : 20.0%)	10,291	7,936
Adjustments :		
Expenses not deductible for tax purposes	736	1,064
Temporary differences previously not recognised, now recognised	–	7
Utilisation of tax losses and capital allowance previously not recognised	(386)	(33)
Income not subjected to taxation	(846)	(2,995)
Deferred tax assets not recognised	57	26
Unabsorbed losses transferred under Group relief	(182)	–
Different effective tax rates of other countries	4,678	3,557
Effect of change in tax rate	(22)	–
Others	5	–
	14,331	9,562
Share of profit of associated companies is net of tax amounting to	5	10

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25. TAXATION (CONT'D)

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 18% for the year of assessment 2008 onwards from 20% for year of assessment 2007. The corporate income tax rate applicable to Malaysian companies of the Group was reduced from 28% to 27% and 26% for the year of assessment 2007 and the year of assessment 2008 onwards respectively.

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	
	2007 $'000	**2006 $'000**
Profit for the year attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per share	42,059	29,123

	No. of shares	
	2007	**2006**
Weighted average number of shares for basic earnings per share computation :-		
Outstanding during the year	335,101,907	329,812,907
Bonus issue #	167,550,954	164,906,454
Issued during the year	2,448,712	5,151,936
	505,101,573	499,871,297

Number of shares outstanding during the financial year ended 31 December 2006 have been retrospectively adjusted to account for the bonus issue in financial year ended 31 December 2007 for comparative purpose.

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26. EARNINGS PER SHARE (CONT'D)

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 :-

	No. of shares	
	2007	**2006**
Weighted average number of shares outstanding during the year, used in the computation of basic earnings per share	505,101,573	499,871,297
Weighted average number of unissued ordinary shares under share options	6,123,184	8,511,555
Number of shares that would have been issued at fair value under share options	(1,604,893)	(3,701,391)
Weighted average number of ordinary shares adjusted for the effect of dilution	509,619,864	504,681,461

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Short-term deposits	8,771	4,306	–	–
Cash and bank balances	50,137	62,595	2,261	14,975
	58,908	66,901	2,261	14,975

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

	Group	
	2007 $'000	**2006 $'000**
United States Dollars	28,986	20,309
British Sterling Pounds	12,791	20,144
Australia Dollars	6,398	4,242
Euro	2,876	2,512

Included in the Company's cash and cash equivalents balance at 31 December 2007 is an amount of approximately $264,000 (2006 : $168,000) denominated in US Dollars.

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– 31 December 2007

28. 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 revenue and assets 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 2007 and 2006 :

	Asia-Pacific		**America**		**Europe/ Middle East**		**Consolidated**	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**	**2007 $'000**	**2006 $'000**	**2007 $'000**	**2006 $'000**
Segment revenue :-								
Sales to external customers	106,321	104,519	156,476	151,995	141,899	77,958	404,696	334,472
Total assets	142,639	153,403	100,346	84,625	79,530	76,712	322,515	314,740

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28. SEGMENT INFORMATION (CONT'D)

Geographical segments (cont'd)

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

	Asia-Pacific		America		Europe/ Middle East		Consolidated	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Other Segment Information :-								
Capital expenditure	1,154	1,770	6,233	1,511	3,943	2,987	11,330	6,268

29. 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	
	2007 $'000	2006 $'000
Payable within 1 year	3,807	3,024
Payable later than 1 year but not later than 5 years	8,843	8,188
Payable later than 5 years	6,534	3,297
	19,184	14,509
Rental expenses (principally for offices and equipment)	4,448	3,281

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 the 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.

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29. COMMITMENTS (CONT'D)

(b) Operating lease commitments – As lessor

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

	Group	
	2007 $'000	**2006 $'000**
Receivable within 1 year	433	121
Receivable later than 1 year but not later than 5 years	687	142
	1,120	263
Rental income (Note 21)	206	83

(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	**Present value of payments**	**Total minimum lease payments**	**Present value of payments**
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Payable within 1 year	236	199	258	220
Payable later than 1 year but not later than 5 years	419	380	470	424
	655	579	728	644
Less: Amounts representing finance charges	(76)	–	(84)	–
Present value of minimum lease payments	579	579	644	644

Notes to the Financial Statements

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29. COMMITMENTS (CONT'D)

(c) Finance lease commitments (cont'd)

Included in lease creditors of the Group is an amount of approximately $458,000 (2006 : $631,000) 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.

30. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group	
	2007 $'000	**2006 $'000**
Directors of the Group :-		
Short-term employee benefits *	7,947	5,815
Fees paid	229	190
	8,176	6,005
Key executive officers :-		
Short-term employee benefits *	5,410	3,725
* Comprising employees' provident fund contributions made to:-		
- Directors of the Group	268	181
- Key executive officers	114	130
	382	311

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivative financial instruments, comprise bankers' guarantees, performance bonds, bank loans, finance leases, and cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operations. All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors resolutions with banking mandates which define the permitted financial instruments and facilities limits, approved by the Board of Directors. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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.

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

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, U.S. Dollars (USD), British Pound (GBP), Euro Dollars (EUR), and Australia Dollars (AUD). Approximately 77% (2006: 71%) of the Group's sales are denominated in functional currencies whilst approximately 75% (2006: 71%) of costs including taxes are denominated in their respective functional currencies of the Group entities. The Group's trade debtors and trade creditors balances at the balance sheet date have similar exposures with 76% (2006: 83%) and 69% (2006: 76%) are denominated in their respective functional currencies respectively.

The Group and the Company also hold cash and cash equivalents denominated in non functional currency for working capital purposes. At the balance sheet date, such these balances (mainly USD) amount to $7,782,000 and $365,000 for the Group and the Company respectively.

The Group is exposed to currency translation risk as it consolidates revenue, expenses and profit from its foreign subsidiaries, in United Kingdom (UK), America (US), Australia, Malaysia, Belgium, Thailand, People's Republic of China, India and Indonesia, at average exchange rates for the year, which approximates the exchange rates of the dates of transactions.

The Group is also exposed to currency translation risk arising from its net investment, including United Kingdom (UK), America (US), Australia, Malaysia, Belgium, Thailand, People's Republic of China, India and Indonesia. The Group's investment in its UK, Australia and Belgium subsidiaries are hedged by a GBP, AUD & EUR denominated bank loan, which mitigates structural currency exposure arising from the subsidiary's initial net assets. The Group's net investment in the rest of the foreign subsidiaries are not hedged as currency positions in USD, Malaysia Ringgit, Thai Baht, Indonesia Rupee, India Rupee and Renminbi are considered to be long-term in nature.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of 1% change in the USD, GBP, AUD and EUR, with all other variables held constant, on the Group's profit net of tax and equity.

		Group Transactional exposure			
		2007		2006	
		S$'000 Profit after tax	S$'000 Equity	S$'000 Profit after tax	S$'000 Equity
Against SGD					
USD	Strengthened	(204)	–	(168)	–
	Weakened	204	–	168	–
GBP	Strengthened	(92)	–	(49)	–
	Weakened	92	–	49	–
AUD	Strengthened	(77)	–	–	–
	Weakened	77	–	–	–
EUR	Strengthened	(162)	–	(172)	–
	Weakened	162	–	172	–

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables. For other financial assets, the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

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.

Exposure to 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.

The Group has no significant concentration of credit risk.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the geographical segments profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade at the balance sheet date is as follows:

	Group			
	2007		2006	
	$'000	% of total	$'000	% of total
By geographical segments:				
Asia-Pacific	24,697	31	15,109	21
The Americas	29,888	38	29,820	41
Europe/Middle East/Africa	24,920	31	27,054	38
Total	79,505	100	71,983	100

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Information regarding financial assets that are either past due or impaired is disclosed in Note 12.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, interest-bearing loans given to related companies and bank deposits. The Company's loan at floating rate given to related parties from a natural hedge for its current floating rate bank loan. All the Group's and Company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 6 months (2006: less than 6 months) from the balance sheet date.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. The Group took 7.3% and 7.9% of its loans and borrowings at fixed rate of interest for financial ended 31 December 2007 and 31 December 2006.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to 1% change in the interest rates lower/higher with all other variables held constant on the Group's profit net of tax.

		Group			
		2007		2006	
		$'000 Profit after tax	$'000 Equity	$'000 Profit after tax	$'000 Equity
SGD	Increase in 1% interest rate	(242)	–	(279)	–
	Decrease in 1% interest rate	242	–	279	–
USD	Increase in 1% interest rate	(221)	–	(235)	–
	Decrease in 1% interest rate	221	–	235	–
GBP	Increase in 1% interest rate	(71)	–	(71)	–
	Decrease in 1% interest rate	71	–	71	–
EUR	Increase in 1% interest rate	(132)	–	(125)	–
	Decrease in 1% interest rate	132	–	125	–
AUD	Increase in 1% interest rate	(62)	–	(36)	–
	Decrease in 1% interest rate	62	–	36	–

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with 11 different banks. At the balance sheet date, approximately 81% (2006: 92%) of the Group's loans and borrowings (Note 15) will mature in less than one year based on the carrying amount reflected in the financial statements. Approximately 80% (2006: 91%) of the Company's loans and borrowings will mature in less than one year at the balance sheet date.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments

	Group						Company					
	2007 $'000			2006 $'000			2007 $'000			2006 $'000		
	1 year or less	1 to 5 years	Total	1 year or less	1 to 5 years	Total	1 year or less	1 to 5 years	Total	1 year or less	1 to 5 years	Total
Trade and other payable	63,514	–	63,514	95,140	–	95,140	5,230	–	5,230	4,280	–	4,280
Finance leases	236	419	655	258	470	728	–	–	–	–	–	–
Loans and borrowings	80,460	19,172	99,632	90,045	7,701	97,746	78,919	19,172	98,091	74,647	7,701	82,348
	144,210	19,591	163,801	185,443	8,171	193,614	84,149	19,172	103,321	78,927	7,701	86,628

32. 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 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 $380,000 (2006 : $424,000) approximate their fair values.

Financial instruments carried at cost

Fair value information has not been disclosed for the Group's investment in equity instrument that is carried at cost (Note 7) because the fair value cannot be measured reliably. This equity instrument represent ordinary shares in an US company that is not quoted on any market and does not have any comparable industry peer that is listed. The Group does not intend to dispose of this investment in the foreseeable future.

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32. FINANCIAL INSTRUMENTS (CONT'D)

Fair value (cont'd)

Derivative financial instruments and hedging activities

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

	Group and Company			
	2007		2006	
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Forward currency contracts	–	–	207	(34)

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

In the previous financial year, the Group and Company held forward currency contracts which are fair valued through profit and loss. The terms of these contracts are as follows:

	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

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

33. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business activities and maximise shareholders' value.

The Group manages its capital structure through an issue of new shares, adjustment of the dividend payout and returning capital to the shareholders. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

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33. CAPITAL MANAGEMENT (CONT'D)

The Group monitors capital using a gearing ratio, which is computed by dividing net loans and borrowing by equity attributable to the equity holders of the parent. The Group does not have a target gearing ratio. Net loans and borrowings is defined as amounts due to bankers less cash and cash equivalents.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2007 and 2006.

	Group	
	2007 $'000	**2006 $'000**
Amounts due to bankers (Note 15)	99,632	97,746
Less: Cash and cash equivalents (Note 27)	(58,908)	(66,901)
Net loans and borrowings	40,724	30,845
Equity attributable to the equity holders of the parent	136,365	108,387
Capital and net loans and borrowing	177,089	139,232
Gearing ratio	30%	28%

34. DIVIDENDS

	Group and Company	
	2007 $'000	**2006 $'000**
Final exempt (one-tier) dividend for 2006 of $0.035 per ordinary share	11,755	–
Final exempt (one-tier) dividend for 2005 of $0.025 per ordinary share	–	8,321
	11,755	8,321

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 2007 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.

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– 31 December 2007

35. COMPARATIVES

Comparatives in the financial statements have been changed from the previous financial year to be consistent with current year presentation of accrued billings in projects to work-in-progress in accordance with FRS 11 Construction Contracts.

	Group	
	31.12.2006 as restated $'000	**31.12.2006 as previously reported $'000**
Balance Sheet		
Projects-in-progress (current asset)	71,810	12,216
Trade and other debtors	76,055	132,773
Projects-in-progress (current liability)	8,652	5,776
Trade creditors and accruals	95,140	94,475
Provision for warranties	1,286	1,540

36. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of CSE Global Limited for the financial year ended 31 December 2007 were authorised for issue in accordance with a resolution of the Directors on 18 March 2008.

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