



CSE GLOBAL LIMITED
(Co. Reg. No. 198703851D)

First Quarter Financial Statement and Dividend Announcement for the period ended 31 March 2017

Key Financial Performance

S\$'000	1Q 2017	1Q 2016	Change
Revenue	74,532	84,222	-11.5%
Gross margin (%)	29.2%	28.6%	2.0%
Earnings before interest and tax	4,117	6,401	-35.7%
Profit after tax and non-controlling interest	3,001	5,507	-45.5%
Net cash generated from operating activities	1,283	19,668	-93.5%
New orders received	117,876	74,946	57.3%
Outstanding orders	204,234	179,632	13.7%

Review of Performance

Profit after tax and non-controlling interest for 1Q17 declined by 45.5% year-on-year to S\$3.0 million, on the back of a 11.5% decrease in revenue to S\$74.5 million.

The lower revenues in 1Q17 were mainly attributed to lower revenues achieved in the Americas and Europe/Middle East/Africa (EMEA) regions, mainly a result of delays in orders, particularly in the oil and gas sector. Gross margins remained stable at 29.2% in 1Q17. In line with the lower revenues, gross profit was 9.7% lower at S\$21.7 million.

Operating expenses were 1.2% higher at S\$18.0 million in 1Q17 as compared to 1Q16, mainly due to lower labour cost recovery to projects as a result of lower revenues achieved in 1Q17.

Consequently, profit after tax and non-controlling interest decreased by 45.5% year-on-year to S\$3.0 million.

The basic earnings per ordinary share as at 31 March 2017 was 0.58 cents (as at 31 March 2016: 1.07 cents).

In 1Q17, the Group secured two major deepwater offshore oil and gas projects in the Gulf of Mexico valued at approximately S\$42 million, bringing the total order intake for the quarter to S\$117.9 million, registering a growth of 57.3% year-on-year. The Group ended the quarter with an outstanding order book of S\$204.2 million.

The Group generated an operating cash inflow of S\$1.3 million in 1Q17. During the quarter, the Group acquired the businesses and assets of Combined Communications and Gulf Coast Power & Control for a combined consideration of S\$8.2 million. The Group ended the quarter with a net cash position of S\$55.8 million, as compared to S\$70.2 million as at 31 December 2016.



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Performance of Geographical Segments

S\$'000	1Q 2017	1Q 2016	Change
Revenue			
Asia-Pacific	28,504	24,876	14.6%
The Americas	37,219	47,388	-21.5%
Europe/Middle East/Africa	8,809	11,958	-26.3%
Group	74,532	84,222	-11.5%
Earnings before interest and tax (EBIT)			
Asia-Pacific	3,817	3,422	11.5%
The Americas	-31	2,936	-101.1%
Europe/Middle East/Africa	331	43	669.8%
Group	4,117	6,401	-35.7%

In 1Q17, the geographical regions of Asia-Pacific, The Americas and Europe/Middle East/Africa contributed 38.3%, 49.9% and 11.8% to revenue respectively, and 92.7%, -0.7% and 8.0% to EBIT respectively.

The Asia Pacific region registered a 14.6% growth in revenue and a 11.5% increase in EBIT, due to higher revenues recognized in the Australia telecommunication businesses in 1Q17 as compared to 1Q16.

The Americas region saw a 21.5% decline in revenue and a loss for 1Q17, mainly attributed to lower revenues recognized as a result of delays in the award of project orders and lower margins achieved in the Americas regions due to competition.

Europe/Middle East/Africa region recorded a 26.3% decrease in revenue but a higher EBIT in 1Q17 due to increased revenues of higher margin projects recognised in 1Q17 as compared to 1Q16.

Liquidity and Capital Resources

The Group generated an operating cash inflow of S\$1.3 million in 1Q17. After accounting for acquisition costs of S\$8.2 million, the Group ended the quarter with a net cash of S\$55.8 million.

As at 31 March 2017, the Group's shareholder funds decreased to S\$248.1 million from S\$251.4 million as at 31 December 2016, mainly a result of unfavourable foreign currency translation differences due to a lower exchange rate for foreign currencies translated to SGD at end of 31 March 2017.



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Outstanding Orders

S\$'000	1Q2017	4Q2016	1Q2016
Asia-Pacific	96,435	88,968	89,572
The Americas	78,721	30,877	32,311
Europe/Middle East/Africa	29,078	43,234	57,749
Total	204,234	163,079	179,632

In 1Q17, the Group secured two major deepwater offshore oil and gas projects in the Gulf of Mexico valued at approximately S\$42 million, bringing the total order intake for the quarter to S\$117.9 million, registering a growth of 57.3% year-on-year. The Group ended the quarter with an outstanding order book of S\$204.2 million.

Outlook

Conditions in the industry sectors which the Group operates remain challenging. Despite the improved oil and gas and commodity prices, our customers remain highly focused on cost control and cash flow generation. Though the Group has secured some orders in 1Q17, the Group expects that the oil and gas industry will not see significant recovery for the rest of the year.

Notwithstanding its weakness, the Group believes there are still opportunities available in the oil and gas sector. Additionally, CSE is confident that it is in a strong position to leverage on its core engineering capabilities to win orders in the infrastructure sector in FY2017.

Looking ahead, CSE expects its performance to continue to be lacklustre in the next quarter. However, it expects to improve on its performance in 2H2017. For FY2017, CSE will continue to be profitable with a net cash position at the end of the year. CSE will focus on integrating and consolidating the new acquisitions, and will continue to explore acquisition opportunities to support its long term sustainable growth objectives.



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PART 1 – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR ANNOUNCEMENTS

1. The following statements in the form presented in the issuer's most recently audited annual financial statement:-

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

S\$'000	Group		Change%
	1Q 2017	1Q 2016	
Revenue	74,532	84,222	-11.5%
Cost of sales	(52,795)	(60,152)	-12.2%
Gross profit	21,737	24,070	-9.7%
Other operating income (Note 1)	371	116	219.8%
Other operating expenses			
Administrative costs	(16,519)	(17,153)	-3.7%
Selling and distribution costs	(975)	(918)	6.2%
Other operating costs (Note 2)	(497)	286	N.M
Total operating expenses	(17,991)	(17,785)	1.2%
Operating profit	4,117	6,401	-35.7%
Finance costs (Note 3)	(61)	(203)	-70.0%
Profit before taxation	4,056	6,198	-34.6%
Taxation (Note 4)	(966)	(944)	2.3%
Profit after taxation	3,090	5,254	-41.2%
Attributable to :			
Equity owners of the Company	3,001	5,507	-45.5%
Non-controlling interests	89	(253)	N.M
	3,090	5,254	-41.2%
Earnings per ordinary share (cents)			
- basic	0.58	1.07	-45.8%
- diluted	0.58	1.07	-45.8%



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Consolidated statement of comprehensive income for the first quarter ended 31 March 2017

S\$'000	Group		Change %
	1Q 2017	1Q 2016	
Profit after taxation	3,090	5,254	-41.2%
Other comprehensive income :			
Foreign currency translation	(6,322)	(8,795)	-28.1%
Other comprehensive loss for the period, net of tax	(6,322)	(8,795)	
Total comprehensive income for the period	<u>(3,232)</u>	<u>(3,541)</u>	-8.7%
Total comprehensive income attributable to :			
Owners of the Company	(3,235)	(3,022)	6.8%
Non-controlling interests	3	(519)	N.M
	<u>(3,232)</u>	<u>(3,541)</u>	-8.7%

N.M. – Not meaningful



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1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:-

S\$'000	Group		Change %
	1Q 2017	1Q 2016	
Profit before taxation is arrived at after charging the following:			
(A) Interest on borrowings (Note 3)	199	262	-24.0%
(B) Interest income (Note 3)	(138)	(59)	133.9%
(C) Depreciation and amortisation	1,619	1,422	13.9%
(D) Allowance for doubtful debts and bad debts	3	19	-84.2%
(E) Loss/(gain) on disposal of property, plant and equipment	3	(544)	N.M

Note 1

S\$'000	Group		Change %
	1Q 2017	1Q 2016	
Rental income	1	46	-97.8%
Miscellaneous income	104	134	-22.4%
Net exchange gain/(loss)	266	(64)	N.M
Other operating income	371	116	219.8%

Note 2

S\$'000	Group		Change %
	1Q 2017	1Q 2016	
Allowance for doubtful debts and bad debts	3	19	-84.2%
Miscellaneous expenses	-	8	-100.0%
Amortisation of intangible assets	337	186	81.2%
Loss/(gain) on disposal of plant and equipment	3	(544)	N.M
Allowance for stock obsolescence	113	10	1,030.0%
Bank charges	41	35	17.1%
	497	(286)	N.M

Note 3

S\$'000	Group		Change %
	1Q 2017	1Q 2016	
Interest on borrowings	199	262	-24.0%
Interest income	(138)	(59)	133.9%
Finance costs	61	203	70.0%

The decrease in finance costs was mainly due to lower loan drawdown and higher interest income derived from quoted investment compared with 1Q16.

Note 4

The Group operates in several tax jurisdictions with different tax rates. Thus, depending on where the revenue and profits are earned, the effective tax rate will differ.



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1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

S\$'000	Group		Company	
	31-03-17	31-12-16	31-03-17	31-12-16
NON-CURRENT ASSETS				
Property, plant and equipment (Note 5)	28,811	26,516	3,030	2,865
Investment in subsidiaries	–	–	204,495	204,495
Quoted investment	9,441	7,428	9,441	7,428
Other investment	307	304	190	190
Intangible assets (Note 5)	59,149	53,104	927	967
Deferred tax assets	10,634	11,548	2,633	2,727
CURRENT ASSETS				
Gross amount due from customers for contract work-in-progress (Note 6)	50,688	41,873	–	–
Inventories (Note 6)	16,815	14,732	–	–
Trade and other receivables (Note 6)	91,217	88,680	2,164	462
Prepaid operating expenses	2,737	3,659	150	77
Amount due from subsidiary companies	–	–	10,416	10,133
Short-term deposits	1,591	4,374	–	–
Cash and bank balances	74,227	86,404	8,707	11,853
	237,275	239,722	21,437	22,525
CURRENT LIABILITIES				
Gross amount due to customers for contract work-in-progress (Note 6)	8,342	10,989	–	–
Trade payables and accruals #	51,644	37,058	3,154	1,634
Finance leases	15	28	–	–
Loans and borrowings	20,051	20,581	4,600	8,889
Amount due to subsidiary companies	–	–	99,707	96,357
Provision for warranties	1,255	2,155	–	–
Provision for taxation	2,809	3,278	–	–
	84,116	74,089	107,461	106,880
Net current assets/(liabilities)	153,159	165,633	(86,024)	(84,355)
NON-CURRENT LIABILITIES				
Deferred tax liabilities	(5,598)	(5,424)	–	–
Accruals	(4,287)	(4,261)	(4,000)	(4,000)
	251,616	254,848	130,692	130,317
Equity attributable to owners of the Company				
Share capital	98,542	98,542	98,542	98,542
Revenue reserve	174,633	171,632	22,274	21,899
Other reserve	9,844	9,844	9,876	9,876
Foreign currency translation reserve	(34,904)	(28,668)	–	–
Total Shareholders' Fund	248,115	251,350	130,692	130,317
Non-controlling interests	3,501	3,498	–	–
Total Equity	251,616	254,848	130,692	130,317
Group net cash	55,767	70,197		
Group net gearing (%)	–	–		

Trade payables and accruals included S\$1.3m of CSE Global Education Award Fund.



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Note 5

The increase in fixed assets and intangible assets derived from the assets and business acquisition of Combined Communications and Gulf Coast Power & Control in 1Q17.

Note 6

The Group recognises revenue using the percentage of completion method and bills its customers based on contractually agreed milestones. There was no material change in the payment pattern of its customers or its payment pattern to its suppliers.

1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

Amount repayable in one year or less, or on demand

As at 31 Mar 2017		As at 31 Dec 2016	
Secured	Unsecured	Secured	Unsecured
NIL	S\$20,051,000	NIL	S\$20,581,000

Amount repayable after one year

As at 31 Mar 2017		As at 31 Dec 2016	
Secured	Unsecured	Secured	Unsecured
NIL	NIL	NIL	NIL

Details of any collateral

Not applicable.



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1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

S\$'000	GROUP	
	1.1.2017 to 31.3.2017	1.1.2016 to 31.3.2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES :-</u>		
Profit before taxation	4,056	6,198
Adjustments for :-		
Depreciation for property, plant and equipment	1,282	1,236
Amortisation of intangible assets	337	186
Written off intangible assets	–	297
Loss/(gains) on disposal of property, plant and equipment	3	(544)
Allowance for doubtful trade receivables	3	19
Allowance for inventories obsolescence made, net	113	10
Interest expense	199	262
Interest income	(138)	(59)
Operating profit before reinvestment in working capital	5,855	7,605
(Increase)/decrease in trade and other receivables and prepaid operating expenses	(4,023)	9,391
(Increase)/decrease in gross amount due from customers for contract work-in-progress, net and inventories	(12,878)	8,275
Increase/(decrease) in payables and accruals and provision for warranties	12,693	(5,229)
Cash generated from operations	1,647	20,042
Interest paid	(199)	(262)
Interest received	138	59
Income tax paid	(303)	(171)
Net cash generated from operating activities	1,283	19,668
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash consideration paid, net of cash assets & business acquired	(8,181)	(10,367)
Consideration paid on quoted investment, net	(2,059)	–
Purchase of property, plant and equipment	(3,490)	(2,859)
Purchase of intangible assets	(127)	(869)
Proceeds from sale of property, plant and equipment	139	713
Net cash used in investing activities	(13,718)	(13,382)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of short term loans from bankers	(530)	(36,563)
Repayment of finance leasing obligations	(13)	–
Net cash used in financing activities	(543)	(36,563)
Net effect of exchange rate changes on cash and cash equivalents	(1,982)	(3,174)
Net decrease in cash and cash equivalents	(12,978)	(30,277)
Cash and cash equivalents at beginning of the financial year	90,778	109,719
Cash and cash equivalents at end of the financial period	75,818	76,268



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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group S\$'000	Attributable to equity owners of the Company						
	Share capital	Revenue reserve	Other reserve	Foreign currency translation reserve	Total	Non-controlling interests	Total Equity
At 1 January 2016	98,542	164,635	9,844	(31,393)	241,628	4,184	245,812
Total comprehensive income for the period	–	5,507	–	(8,529)	(3,022)	(519)	(3,541)
At 31 March 2016	98,542	170,142	9,844	(39,922)	238,606	3,665	242,271
At 1 January 2017	98,542	171,632	9,844	(28,668)	251,350	3,498	254,848
Total comprehensive income for the period	–	3,001	–	(6,236)	(3,235)	3	(3,232)
At 31 March 2017	98,542	174,633	9,844	(34,904)	248,115	3,501	251,616

Company S\$'000	Share capital	Revenue reserve	Other reserve	Total Equity
At 1 January 2016	98,542	24,052	9,876	132,470
Total comprehensive income for the period	–	624	–	624
At 31 March 2016	98,542	24,676	9,876	133,094
At 1 January 2017	98,542	21,899	9,876	130,317
Total comprehensive income for the period	–	375	–	375
At 31 March 2017	98,542	22,274	9,876	130,692



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1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares and subsidiary holdings, if any, against the total number of issue shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no other changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous financial period reported on.

The Company does not have any outstanding convertibles and does not have any treasury shares and subsidiary holdings.

1(d)(iii) To show the total number of issued shares, excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

Number of shares as at 31 March 2017	: 516,067,852
Number of shares as at 31 December 2016	: 516,067,852

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There is no sale, transfer, disposal, cancellation and/or use of treasury shares for the current financial period.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited nor reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as compared with the audited financial statements as at 31 December 2016.



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5. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

	1Q 2017	1Q 2016
Earnings per ordinary share of the group after deducting any provision for preference dividends:-		
(a) Based on weighted average number of ordinary shares in issue; and	0.58	1.07
(b) On a fully diluted basis (detailing any adjustments made to the earnings).	0.58	1.07

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

Weighted average number of shares outstanding during the period	516,067,852	516,067,852
Weighted average number of shares issued during the period		
Adjusted weighted average number of shares	<u>516,067,852</u>	<u>516,067,852</u>

For the computation of diluted earnings per share, the weighted average number of shares adjusted for the effect of all dilutive potential ordinary shares is determined as follows :-

Weighted average number of shares outstanding during the period, used in computation of basic earnings per share	–	–
Adjusted weighted average number of shares	<u>516,067,852</u>	<u>516,067,852</u>

* Weighted average number of ordinary shares issued during the year, the earnings per ordinary share of the Group has been computed based on adjusted issued share capital in accordance with FRS33 Earnings Per Share.

6. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year :-

	31 March 2017		31 December 2016	
	Group	Company	Group	Company
Net asset value per ordinary share based on existing issued share capital (in cents)	48.08	25.32	48.70	25.25

7. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There is no variance between the previous prospect statement and the actual results.



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8. Dividend

(a) Current financial period reported on

No interim ordinary dividend has been declared or recommended during the current financial period or the previous corresponding financial period.

(b) Corresponding Period of the Immediately Preceding Financial Year

Not applicable

9. Date dividend is payable

Not applicable.

10. Book closure date

Not applicable.

11. If no dividend has been declared/recommended, a statement to that effect

Not applicable.



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PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

12. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable.

13. In review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable.

14. A breakdown of sales as follows:-

Not applicable.

15. A breakdown of the total annual dividend (in dollar value) for the issuer’s latest full year and its previous full year.

Not applicable.

16. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

The Company does not have a general mandate for interested person transactions.

17. Confirmation by the Board

We, Lim Ming Seong and Lim Boon Kheng, being two directors of CSE Global Limited (the “Company”), do hereby confirm on behalf of the directors that the Company has procured the undertakings under Appendix 7.7 of the SGX-ST Listing Manual from the directors and executive officers and to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the first quarter ended 31 March 2017 financial statements to be false or misleading in any material aspect.

On behalf of the Board of Directors

Name: Lim Ming Seong
Designation: Chairman

Name: Lim Boon Kheng
Designation: Group Managing Director

By order of the Board

Lynn Wan Tiew Leng
Company Secretary
11 May 2017