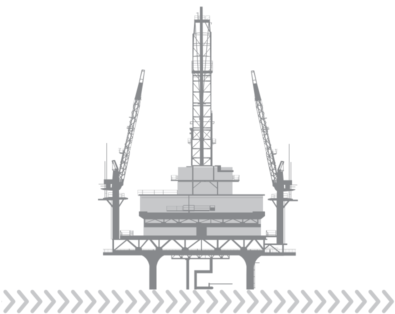
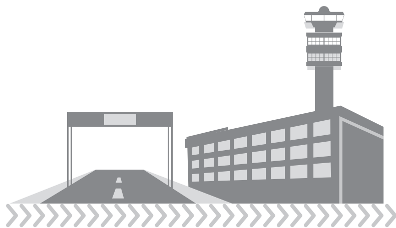
FORGING AHEAD

CSE GLOBAL LIMITED
ANNUAL REPORT 2016





In challenging operating environments, the tough gets going. CSE Global forges ahead with her strategic vision in mind. Through talents, synergy and capabilities, CSE Global is building for the future. Being future ready is everything. CSE Global is confident of her edge.

Contents

CORPORATE PROFILE

The Group has now more than 1,000 employees worldwide, and operates a network of 39 offices across the globe, generating more than 90 percent of its revenues outside its home market.

CSE Global Limited (CSE) is a global technologies company listed on the Singapore Stock Exchange, with an international presence spanning the Americas, Asia Pacific, Europe, Middle East and Africa regions. CSE is a leading systems integrator, focusing on the provision and installation of a variety of control systems as well as turnkey telecommunication network and security solutions, targeting the oil & gas, infrastructure and mining industries.

CSE commenced operations in 1985 as the engineering projects division of Chartered Electronics Industries, the electronics arm of Singapore Technologies (ST). As part of the ST Group's corporate strategy of encouraging a higher level of management participation and ownership in selective companies, a management buy-out was successfully concluded in January 1997.

In February 1999, CSE became a public listed company and its shares are traded on the main board of the Singapore Exchange. Since then CSE has adopted a global approach for sustained growth.

The Group has now more than 1,000 employees worldwide, and operates a network of 39 offices across the globe, generating more than 90 percent of its revenues outside its home market. In line with global ambitions, the Group has adopted the ISO 9001 Quality Management System as certified by Lloyd's Register Quality Assurance (LRQA) and DNV. The CSE Group of companies has been very successful in offering cost-effective, totally integrated solutions to industries in the Oil & Gas, Infrastructure and Mining sectors. CSE has a consistent profit track and a management that is focused on operational excellence to achieve sustainable profit growth and enhance shareholder returns.

INVESTING IN TALENTS

People are the most prized assets.
CSE Global invests in people continuously.

MESSAGE TO SHAREHOLDERS

2016 was a difficult and challenging year. We had a reduction in the number of project opportunities. Our customers reduced their capital expenditure in line with the decline in business in the oil and gas industries. Our focus on meeting the needs of our existing customers and on operational effectiveness and efficiencies have borne fruits and cushioned us against a larger decline in revenue and profits. Our profit for 2016 was S$21.2 million, 37.8% lower than recorded in the previous year. Operating expenses were 5.7% lower at S$73.7 million in FY2016 as compared to FY2015. Excluding the effect of exceptional expenses and operating expenses from new acquisitions, operating expenses in FY2016 have decreased by 15.1% (S$11.1 million) year-on-year. We also recorded an order intake of S$286.6 million in 2016, a 18.3% drop over 2015. We have increased our net cash position to S$70.2 million at the end of 2016 on a strong operating cash inflow of S$58.4 million.

LIM BOON KHENG, Group Managing Director

LIM MING SEONG, Chairman

Going forward, CSE will continue to support its existing customers and take the pockets of opportunities that exist in its current markets. With an order book and a net cash position at the end 2016, CSE is resilient and well positioned to face and overcome the challenges ahead. We remain committed to build our global presence with our solution/service capabilities to grow our business for the future.

FINANCIAL PERFORMANCE

In FY2016, the Group recorded S$21.2 million full year profit after tax and non-controlling interests. Revenue and operating profit after tax and non-controlling interest for our continuing operations were S$317.8 million and S$21.2 million respectively [For FY2015 it was S$412.0 million and S$31.2 million respectively.]

The gross margin in FY2016 improved to 31.7% compared to 28.7% for FY2015 for continuing operations of the Group, due to better margins achieved arising from increased sales of higher margin infrastructure projects and completion of some projects.

The Group received orders of S$286.6 million in FY2016 and ended the year with an outstanding order balance of S$163.1 million for continuing operations.

The Group in FY2016 generated net cash from operating activities of S$58.4 million. With that, the Group now has a net cash of S$70.2 million at the end of FY2016.

BUSINESS OVERVIEW

In FY2016, the operations in the geographical regions of Asia-Pacific, the Americas and Europe/Middle East/Africa contributed 36.7%, 50.3% and 13.0% respectively to revenue and 50.1%, 26.2% and 23.7% respectively to earnings before interest and tax respectively. The combined Mining and Minerals segment and Infrastructure segment contributed revenue of S$80.9 million (a growth of 20.8%) and an earnings before interest, tax and exceptional expenses of S$11.8 million (a growth of 20.4%). These two segments now represent 25.5% of revenue and 40.5% of earnings before interest, tax and exceptional expenses.

The decline in revenue and profitability in 2016 was mainly attributed to approximately S$100 million reduction in oil and gas revenues in the Americas region, as a result of the lack of deepwater offshore oil and gas project opportunities particularly in the Gulf of Mexico.

Since the start of 2016, the Group continued to build its presence and know-how through 6 acquisitions totaling approximately S$23.0 million:

1. CC American Oilfield, which is principally engaged in the business of manufacturing and repairing pressure vessels for wellhead oil and gas production in Corpus Christie, Texas, USA.
2. Mobile Masters, specialising in delivering two-way radio communication systems and infrastructures in Western Australia.
3. Tetracom, which specialises in delivering two-way radio communication systems and infrastructures in South Australia.
4. Ezi Communications, which is engaged in the provision of two-way radio communication systems in Queensland, Australia.
5. Gulf Coast Power & Control of Louisiana, which is engaged in the provision of equipment and services for the midstream and downstream oil and gas industry, mainly in the Lake Charles city on the Gulf Coast of USA.
6. Combined Communication Solutions, which is engaged in the provision of two-way radio communication systems in Darwin, Australia.

The Group has strengthened its presence in USA and Australia the last two years: from 5 to 11 offices in USA and from 6 to 12 offices in Australia respectively.

CSE will continue to operate and enhance its businesses in Asia-Pacific, Middle East, Africa, Europe, Mexico and the United States. CSE will organically grow its engineering integration services business, providing solution/service to customers in oil and gas (74.5%), mining and minerals (6.9%) and infrastructure (utilities and transportation) (18.6%) industries. CSE, with a team of 1,036 staff, operates a network of 39 offices in 17 countries.

With a net cash position of S$70.2 million at end of FY2016, the Group will be able to continue its current strategy of geographical expansion and addition of complementary capabilities through acquisitions.

OUTLOOK

Conditions in the sectors in which the Group operates remains challenging. The Group anticipates that the challenging operating conditions will continue to put pressure on its profitability going forward. The Group implemented cost control measures in FY2016 and will continue to be vigilant in managing cost and working capital.

The Group expects an improved performance for its Mining and Infrastructure segments for FY2017 compared to FY2016. Notwithstanding the anticipated extended global downturn in the oil/gas segment, the Group will continue to diversify into the midstream and downstream business as well as expand into new shale formations in the USA to sustain its revenue base.

Overall, businesses of our major subsidiaries should remain resilient. The Group is on track to deliver its medium growth projectory through a combination of organic growth via meeting its existing customer needs together with a focused plan to make acquisitions to complement and complete the product, services and geographic gaps in our current business portfolio.

SHARING WITH SHAREHOLDERS

As part of sharing with our shareholders, the Board of Directors shall be recommending a final dividend for FY2016 of S$0.015 per share respectively payable on 19 May 2017, subject to shareholders' approval at the AGM on 20 April 2017. Including the interim dividend of S$0.0125 paid in September 2016, total dividend for FY2016 is S$0.0275 [S$0.0275 in FY2015].

COMMUNITY SUPPORT

During FY2016, CSE Australia donated to several charitable organisations along with staff volunteering their time at the not-for-profit organisation Scitech in honour of our annual sponsorship commitment. Scitech's mission is to increase awareness, interest, capability and participation by all Western Australians in science, technology, engineering and mathematics.

Management and employees of CSE Australia made various donations to a diverse spectrum of individuals and community charities. Donations made to the Western Australia Bush Fire Relief, Red Nose Day, The Shopfront Blanket Collection Drive, the Biggest Morning Tea in support for the Cancer Council, Australia Red Cross' Big Cake Bake and Jeans for Jeans Day. The year also brought about sponsorship opportunities namely Vinnies CSE Sleep Out, Lions Club District WA -'Razzamatazz' concert for special needs children and Rocky Bay for disability services.

CSE Asia also contributed to Promisedland Community Services, KK Health Endowment, Singapore Association of the Visually Handicapped, Touch Community Services Limited, Thye Hua Kwan Moral Society and HCA Hospice.

CSE W-Industries, our US subsidiary, held their annual Charity Tennis Tournament with all proceeds going to Texas Children Hospital.

In 2016, a total of 27 CSE Global Engineering Bursaries were awarded: 10 bursaries to students in National University of Singapore, 2 bursaries to students in Nanyang Technological University, 2 bursaries to students in Singapore University of Technology and Design and 13 bursaries to students of Singapore Polytechnic.

The Group together with Mr Tan Mok Koon, one of its founders, has created CSE Global Education Award Fund of S$1.3 million to support CSE Global employees pursuing a part-time tertiary (polytechnic or university) education or their children who are pursuing a full-time tertiary education. 10 financial awards of S$5,000 each will be given out annually.

APPRECIATION

On behalf of the Board of Directors, we wish to thank our employees for their dedication, passion and contribution towards the Group's success. Our appreciation also goes to our customers, business associates as well as our shareholders for their continuing support in the past year.

The board would also like to thank Dr Lim Boh Soon, who is not seeking for re-election in the forthcoming AGM, for his past contributions and commitment to the Company.

BOARD OF DIRECTORS

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

01. LIM MING SEONG, 69

Mr Lim was appointed as the Chairman and Non-Executive Director of the Company on 17 January 1997. He was last re-elected as a Director of the Company on 20 April 2016.

Mr Lim holds a Bachelor of Applied Science (Honours) with a major in Mechanical Engineering from the University of Toronto and a Diploma in Business Administration from the former University of Singapore. He has also participated in the Advanced Management Programmes conducted by INSEAD and the Harvard Business School.

Mr Lim is currently the Chairman of First Resources Limited and he also sits on the board of StarHub Limited and several other private companies. He held various senior positions within the Singapore Technologies (ST) Group from 1986 to 2002, where he left as Group Director. Prior to joining the ST Group, Mr Lim served as the Deputy Secretary with the Ministry of Defence, Singapore.

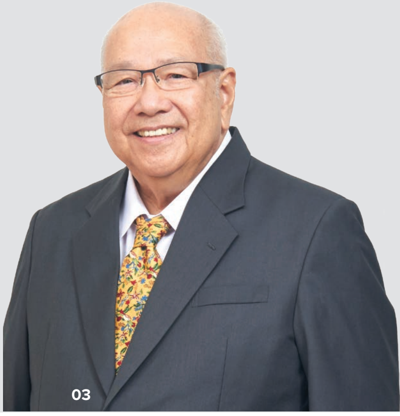
02. LIM BOON KHENG, 50

Mr Lim is the Group Managing Director/Chief Executive Officer of CSE Global Limited, was appointed as an Executive Director on 13 August 2013 and was last re-elected as Director of the Company on 16 April 2014.

Mr Lim holds a Bachelor of Accountancy from the National University of Singapore.

Mr Lim joins CSE in 1999 as the Group Financial Controller. Prior to that, Mr Lim began his career in 1990 as an accountant with ULC Systems (FE) Pte Ltd. He then joined Singapore Technologies Pte Ltd in 1991 as an accountant and was promoted to various positions in the organisation. He is concurrently the Managing Director of CSE Global (Asia) Limited.

BOARD OF DIRECTORS



03. LEE SOO HOON PHILLIP, 74

Mr Lee was appointed as an Independent Director of the Company on 22 January 1999. Mr Lee was last re-elected as a Director of the Company on 20 April 2016.

Mr Lee is a Fellow of the Institute of Chartered Accountants in England and Wales and the Chartered Accountants of Singapore, a member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants and the Singapore Institute of Directors.

Mr Lee is currently serving as the Managing Director of Phillip Lee Management Consultants Pte Limited.

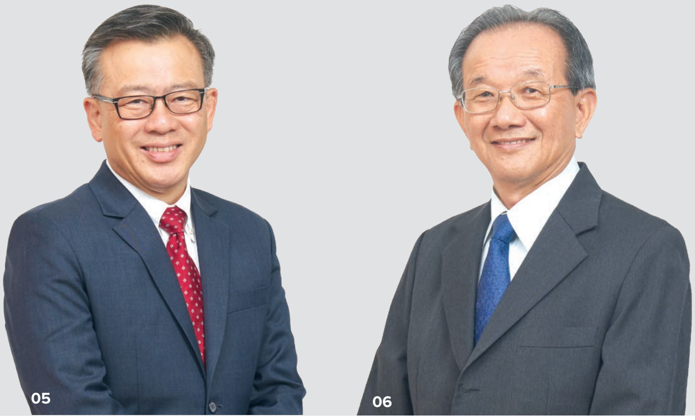
Prior to the above-mentioned, he was with the international public accounting firm, Ernst & Young Singapore, for 29 years, of which the last 19 years he was a partner of the firm. Mr Lee has vast experience in areas of audit, investigations, reorganisations, valuations and liquidations.

04. LIM BOH SOON, 61

Dr Lim was appointed as an Independent Director of the Company on 22 January 1999. Dr Lim was last re-elected as a Director of the Company on 16 April 2015.

Dr Lim graduated from the University of Strathclyde (formally known as the Royal College of Science and Technology) in the United Kingdom with a Bachelor of Science (1st Class Honours) in Mechanical Engineering and subsequently a PhD in Mechanical Engineering. He is a Fellow Member of the Singapore Institute of Directors, Senior Member of Singapore Computer Society and Member of Singapore Institute of Management and Chartered Institute of Management (UK) in Singapore and an Associated Member of the Royal Aeronautical Society in the United Kingdom. He also served as a member of the Committee of Singapore's Competitiveness in the Finance and Venture Capital for the Government of Singapore.

Dr Lim has been in the venture capital and private equity fund management industry in Asia for more than 23 years. He was the first non-Muslim CEO of Kuwait Finance House (Singapore) Pte Limited. Prior to that, he was first foreign CEO of Vietcombank Fund Management Company, a Partner co-heading UBS Capital Asia Pacific (S) Limited and a key founding member of Rothschild Ventures Asia Pte Limited. He has held various senior management position in major Singapore corporations, such as the Natsteel Group and the Singapore Technologies Group.



05. SIN BOON ANN, 59

Mr Sin was appointed as an Independent Director of the Company on 13 May 2002. Mr Sin was last re-elected as a Director of the Company on 16 April 2014.

Mr Sin received his Bachelor of Arts and Bachelor of Laws (Honours) degrees from the National University of Singapore and his Master of Laws from the University of London.

Mr Sin is currently the Deputy Managing Director of Corporate and Finance Department in Drew & Napier LLC, a legal practice which he joined in 1992. Mr Sin is principally engaged in corporate and corporate finance practice. Prior to joining Drew & Napier LLC, Mr Sin taught at the Faculty of Law of National University of Singapore from 1987 to 1992. Mr Sin was formerly a Member of Parliament for Tampines Group Representation Constituency (GRC) and a member of Singapore Totalisator Board.

06. LEE KONG TING, 69

Dr Lee was appointed as an Independent Director of the Company on 1 February 2017.

Dr Lee graduated from the National Taiwan University with a Bachelor of Science in Electrical and Electronic Engineering, and subsequently from the University of Bradford in the United Kingdom with a Master of Science and a PhD, both in Control Engineering. He was a Chartered Engineer and Member of the Institute of Electrical Engineers in the U.K.

Dr Lee has been very active in the Process & Control industries for more than 40 years. He served 2 global companies in his working career during this period. He first served 23 years in The Foxboro Company USA, now is a Schneider Electric Company. The last position he held was Group President/Managing Director for Asia Pacific and he was in that position for 10 years. Subsequently, he joined Yokogawa as Group President/MD for Asia Pacific and was then promoted to President & CEO of Yokogawa Electric International in charge of Global business outside Japan. In the same period, he was a Vice President and a Board Member of Management Board of Yokogawa Electric Corporation Japan. He was Chairman/Director of all Yokogawa Regional Headquarters globally including Europe, Americas, China, Russia, Australia and Asia Pacific during the same period. The last position he held was Consultant/Advisor for the Yokogawa Corporate Headquarters, and he was with Yokogawa for almost 20 years.

BOARD OF DIRECTORS

07. LAM KWOK CHONG, 62

Mr Lam was appointed as an Independent Director of the Company on 6 May 2010 and was last re-elected as Director of the Company on 20 April 2016.

Mr Lam graduated from the University of Singapore with a Bachelor of Business Administration and currently provides management services to business based in Singapore and the surrounding regions. Between 2004 and 2009, he was the Managing Director of Keppel Telecommunications and Transportation Limited. Prior to that, Mr Lam held various senior management positions within the Keppel Group, including General Manager of Special Projects in Keppel Corporation, Managing Director of Keppel Securities Pte Limited and Chief Financial Officer of Keppel Insurance Pte Limited.

08. TAN HIEN MENG, 68

Mr Tan was appointed as an Independent Director of the Company on 1 November 2014 and was last re-elected as Director of the Company on 16 April 2015.

Mr Tan graduated from the University of Singapore with a Bachelor of Science Applied Chemistry (1st Class Honours) and is a member of the American Institute of Chemical Engineers. Mr Tan has held directorships in General Sekiyu KK (Japan), Esso Singapore Pte Limited, and Tuas Power Singapore. He has held positions as President, Exxonmobil Trading Company Asia Pacific (2001 to 2003); Vice President, Standard Tankers Bahamas, a division of Exxonmobil Corporation; and Chairman, Exxonmobil Hongkong.

Mr Tan was a member of the National University of Singapore Biomolecular and Chemical Engineering Faculty Advisory Committee; Trading sub-committee of the Economic Restructuring Committee Singapore. He was Chairman of Siglap South Community Centre Management Committee and was awarded the public service medal (PBM) in 1999.

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

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

Name of Director	Audit and Risk Committee	Nominating Committee	Compensation Committee	Strategy Committee
Lim Ming Seong		Chairman	Chairman	Member
Lim Boon Kheng			Member	
Lee Soo Hoon Phillip	Chairman	Member		
Lim Boh Soon		Member	Member	
Sin Boon Ann	Member			
Lam Kwok Chong		Member	Member	Member
Tan Hien Meng	Member			Chairman
Lee Kong Ting (appointed on 1 February 2017)	Member			

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

Name of Director	Present directorships in listed companies other than the Company	Past directorships over the preceding three years in listed companies other than the Company
Lim Ming Seong	StarHub Limited First Resources Limited	None
Lim Boon Kheng	None	None
Lee Soo Hoon Phillip	IPC Corporation Limited G K Goh Holdings Limited Estate & Trust Agencies (1927) Limited LMIRT Management Limited Kluang Rubber Company (Malaya) Berhad Sungei Bagan Rubber Company (Malaya) Berhad Kuchai Development Berhad	Transcorp Holdings Limited Heatec Jietong Holdings Limited
Lim Boh Soon	Across Asia Limited Jumbo Group Limited	Auric Pacific Group Limited SMTrack Berhad
Sin Boon Ann	Overseas Union Enterprise Limited Rex International Holding Limited	OSIM International Limited MFS Technology Limited Courage Marine Group Limited Swee Hong Limited Transcorp Holdings Limited
Lam Kwok Chong	None	None
Tan Hien Meng	None	None
Lee Kong Ting	None	None

KEY MANAGEMENT

01. EDDIE FOO, 45

Mr Eddie Foo is the Group Chief Financial Officer of the Company. Mr Foo is responsible for the Group's overall financial strategy and management, corporate finance and treasury management, tax and investor relations. Mr Foo has several years of financial management, corporate finance and merger and acquisitions experience in listed and multinational companies. Prior to joining CSE Global, Mr Foo was the Group CFO of ECS Holdings Limited, a public listed company on SGX. Mr Foo holds a Bachelor degree in Accountancy from the Nanyang Technological University and is both an Australian registered Certified Public Accountant and a Chartered Accountant registered with the Institute of Chartered Accountants of Singapore.

02. LEONG SAY HAUR, 57

Mr Leong is the Chief Operating Officer of the Company, with overall strategic and business operational responsibility for CSE-ITS, CSE-IAP, CSE-EIS and CSE Transtel. Mr Leong joined CSE Transtel as Managing Director in July 2013.

His career experience spans 22 years with leading US technology firms and a decade with locally listed company dealing in oil & gas, telecommunications, banking, defence, security, plus consulting & integration services.

Mr Leong was also a board member (2005-2011) and Deputy Chairman (2009-2011) of IPOS (intellectual Property of Singapore). He holds a Bachelor of Arts (Economic & Finance) from University of Western Ontario, Canada.

03. PATRICK HOLLEY, 60

Patrick Holley was appointed as the President and CEO of CSE Americas, Inc. in March 2015, responsible for CSE's operations in the Americas region. Prior to joining CSE, Mr Holley was President of Centrifugal Compression Systems, a division of Cameron International. Mr Holley's previous position was President of Cameron's Measurement Systems division. Mr Holley has worked in the oil and gas industry since 1978 and he was with the Cameron group of companies since 1989, holding leadership positions in operations, project management, procurement and engineering. Before joining Cameron, he was with the Hydril Company, a provider of land and subsea drilling systems. He holds an MBA from Rice University and a BSME from Cal Poly Pomona.

04. ROY ROWE, 59

Mr Rowe was appointed as the Chief Executive Officer of the CSE Global Australian and New Zealand operations in 2011.

Roy has over 30 years experience working in the mining, oil and gas, construction and infrastructure industries delivering products, engineering, project management and integration solutions.

Roy's experience includes delivering major construction projects and managing international engineering and construction organisations throughout Australia and the Asia region.

KEY MANAGEMENT

05. GREG HANSON, 56

Mr Hanson was appointed as the President and Chief Operating Officer of CSE W-Industries of Texas, a wholly owned subsidiary company of CSE Global Ltd in November 2014.

Mr Hanson has over 37 years of Upstream Oil & Gas experience working 20+ years for ARCO Oil & Gas both domestically and international and the last 17 years at CSE W-Industries as the VP of Engineered systems and President/COO of the Texas Operations.

06. DONNIE SMITH, 44

Mr Smith was appointed as the President and Chief Operating Officer of CSE W-Industries of Louisiana, a wholly owned subsidiary company of CSE Global Ltd in November 2014.

Mr Smith has over 22 years of Upstream Oil & Gas experience, working the last 13+ years as President and Operations manager of Control Concepts & Technology, a CSE W-Industries company.

GROUP STRUCTURE

CSE

- **CSE (Americas) Pte Ltd** (Singapore) 100%
  - CSE Americas, Inc (United States) 100%
    - CSE ICON, Inc (United States) 100%
  - CSE W-Industries, Inc (United States) 100%
    - W-Industries of Texas, LLC (United States) 100%
    - W-Industries of Louisiana, LLC (United States) 100%
    - CSE Environmental, LLC (United States) 100%
    - Gulf Coast Power & Control of Louisiana, LLC (United States) 100%
    - CC American Oilfield, LLC (United States) 100%
      - R-M Transactions, LLC (United States) 100%
  - W-Industries of Mexico, S.A. de C.V. (Mexico) 100%
- **S3 ID Pte Ltd** (Singapore) 80%
  - S3 ID Group Ltd (United Kingdom) 75%
    - S3 ID Ltd (United Kingdom) 100%
    - S3 ID AS (Norway) 100%
    - S3 ID LLP (Kazakhstan) 100%
  - S3 ID (Malaysia) Sdn Bhd (Malaysia) 100%
- **CSE-Global (Australia) Pty Ltd** (Australia) 100%
  - CSE-Uniserve Corporation Pty Ltd (Australia) 100%
    - CSE-Uniserve Pty Ltd (Australia) 100%
    - CSE-W Arthur Fisher Limited (New Zealand) 100%
  - CSE Crosscom Pty Ltd (Australia) 100%
    - CSE-TransTel Pty Ltd (Australia) 100%
    - CSE-CX Distribution Pty Ltd (Australia) 100%
    - CSE-Comsource Pty Ltd (Australia) 100%
  - Astib Group Pty Ltd (Australia) 100%
- 64% **CSE-Hankin China Co Ltd** (Formerly known as CSE Technology (Beijing) Co., Ltd) (China) 100% — 36% held by CSE Global (Asia) Limited
- **CSE Global (Asia) Limited** (Singapore) 100%
  - CSE-ITS Pte Ltd (Singapore) 100%
  - CSE-Hankin (Singapore) Pte Ltd (Singapore) 100%
    - CSE-Hankin Inc (United States) 100%
  - CSE-IAP Pte Ltd (Singapore) 100%
  - CSE-EIS Pte Ltd (Singapore) 100%
  - Sirius System & Engineering Solutions Pte Ltd (Singapore) 100%
  - CSE-EIS (Malaysia) Sdn Bhd (Malaysia) 100%
  - 90% **CSE Systems & Engineering (India) Private Limited** (India) 100% — 10% held by CSE
- **CSE-TransTel Pte Ltd** (Singapore) 100%
  - TransTel Engineering Arabian Limited Co (Saudi Arabia) 100%
  - TransTel Engineering (Nigeria) Ltd (Nigeria) 80%
  - CSE TransTel Middle East FZE (Dubai) 100%
  - TransTel Engineering Pty Ltd (Australia) 100%
  - TransTel Engineering PNG Limited (Papua New Guinea) 100%
  - TransTel Engineering (Tianjin) Co. Ltd (China) 100%
  - P.T. TransTel Engineering (Indonesia) 100%
  - TransTel Engineering (M) Sdn Bhd (Malaysia) 100%
  - CSE TransTel India Private Limited (India) 100%
  - CSE Systems & Engineering (Thailand) Limited (Thailand) 100%
    - 60% TransTel Engineering Thailand Ltd (Thailand) 100%
  - 40% TransTel Engineering Thailand Ltd (Thailand)

ENHANCING RELATIONSHIPS

Our capabilities are designed to resonate with one another. As no man is an island, neither is any operational capability.

OPERATIONS AND FINANCIAL OVERVIEW

	2016 S$'000	2015 S$'000	change 2016 %
Revenue from continuing operations	317,769	411,954	-22.9%
Gross Profit from continuing operations	100,653	118,162	-14.8%
Operating expenses from continuing operations	73,684	78,171	-5.7%
Earnings before interest and tax (EBIT) from continuing operations	27,560	40,502	-32.0%
Profit attributable to shareholders	21,189	34,066	-37.8%
Total assets	338,622	374,310	-9.5%
Cash and cash equivalents at end of the year	90,778	109,719	-17.3%
Loans and borrowings	20,581	55,514	-62.9%
Net cash	70,197	54,205	29.5%
Shareholders' funds	251,350	241,628	4.0%
Earning per share (cents)	4.11	6.60	-37.7%
Net assets value per share (cents)	48.70	46.82	4.0%
Net cash generated from operating activities	58,399	43,436	34.4%
Net cash used in investing activities	(28,333)	(2,857)	891.7%
Net cash used in financing activities	(49,205)	(2,594)	1796.9%
Order intake from continuing operations	286,632	350,960	-18.3%
Order book from continuing operations	163,079	192,738	-15.4%

	Revenue			EBIT		
Continuing Operations By Geographic Segment	**2016 S$'000**	**2015 S$'000**	**Variance %**	**2016 S$'000**	**2015 S$'000**	**Variance %**
Asia Pacific	116,687	129,302	-9.8%	13,797	12,985	6.3%
The Americas	159,697	234,666	-31.9%	7,234	22,480	-67.8%
Europe/Middle East Africa	41,385	47,986	-13.8%	6,529	5,037	29.6%
Total	**317,769**	**411,954**	**-22.9%**	**27,560**	**40,502**	**-32.0%**

Continuing Operations By Industry Segment	**2016 S$'000**	**2015 S$'000**	**Variance %**	**2016 S$'000**	**2015 S$'000**	**Variance %**
Mining & Mineral	22,032	13,062	68.7%	1,924	1,634	17.8%
Infrastructure	58,902	53,936	9.2%	8,362	8,245	1.4%
Oil & Gas	236,835	344,956	-31.3%	17,274	30,623	-43.6%
Total	**317,769**	**411,954**	**-22.9%**	**27,560**	**40,502**	**-32.0%**

TURNOVER

Group revenue from continuing operations decreased by 22.9% in FY2016 to S$317.8 million, as compared to FY2015 of S$412.0 million. The lower revenues in FY2016 were noted across all geographic regions, mainly the result of the lack of large greenfield projects in the sustained and challenging oil and gas industry.

In FY2016, the infrastructure and mining sectors registered year-on-year growths of 9.2% and 68.7% respectively, largely due to increased spending in public infrastructure, especially in the transportation sector, and from new mining projects in Australia.

EARNINGS

Gross margins, however, were higher due to better margins achieved arising from increased sales of higher margin infrastructure projects and completion of some projects.

Operating expenses were 5.7% lower at S$73.7 million in FY2016 as compared to FY2015. The operating expenses in FY2016 included transaction expenses relating to new acquisitions of S$0.7 million, expenses of newly acquired businesses of S$5.4 million, higher amortisation expenses on intangibles assets arising from purchase price allocation for new acquisitions of S$0.8 million and restructuring costs of S$0.1 million, offsetted by lower provisions on doubtful debts of S$0.4 million. On a normalised basis, operating expenses in FY2016 would have decreased by 15.1% year-on-year.

In FY2016, CSE Group recorded profit after tax and non-controlling interests from continuing operations of S$21.2 million as compared to S$31.2 million in FY2015.

PERFORMANCE OF GEOGRAPHICAL SEGMENTS

In FY2016, the geographical regions of Asia-Pacific, The Americas and Europe/Middle East/Africa contributed 36.7%, 50.3% and 13.0% to revenue and 50.1%, 26.2% and 23.7% to EBIT respectively.

Revenue in the Asia-Pacific region were lower by 9.8% compared with FY2015, but with a EBIT growth of 6.3% as compared with FY2015, mainly due to higher profitability from completion of some projects in FY2016 as compared to FY2015.

The Americas region reported a decline of 31.9% in revenue and 67.8% in EBIT for FY2016 as compared with FY2015, mainly due to lower revenues from greenfield and brownfield projects in Americas region.

The EMEA region recorded a 13.8% year-on-year decrease in revenue but a 29.6% year-on-year increase in EBIT for FY2016 compared with FY2015. The increase in EBIT is mainly due to higher profitability derived from projects in the Middle East region in FY2016.

PERFORMANCE OF INDUSTRY SEGMENTS

On an industry segment basis, revenues for Mining & Mineral and Infrastructure segments in FY2016 grew by 68.7% and 9.2% year-on-year respectively.

In the Mining & Minerals segment, the Group secured two mining projects in Australia in the middle of the year, which contributed to the growth in revenue and EBIT for FY2016.

The growth in the Infrastructure segment revenues was largely due to higher spending in public infrastructure, especially in the transportation sector in Australia. EBIT for the Infrastructure segment increased by 1.4% year-on-year to S$8.4 million. The EBIT for Infrastructure segment included additional acquisition transaction expenses of S$0.4 million, higher amortisation expenses on intangibles assets arising from purchase price allocation for new acquisitions of S$0.4 million, provision of doubtful debts of S$0.7 million in 2016. Excluding these exceptional costs, the Infrastructure segment EBIT in FY2016 would have registered a 20.7% growth over FY2015.

Oil & gas segment revenues were 31.3% lower in FY2016 as compared to FY2015, due to the sustained difficult operating environment in the oil and gas sector, which contributed to the 43.6% year-on-year decline in EBIT, primarily due to the lack of large greenfield project opportunities in 2016.

FINANCIAL POSITION

The Group's non-current assets increased to S$98.9 million as at 31 December 2016 from S$82.1 million, mainly due to the acquisition of assets from Mobile Master, Tetracom, Ezicom and newly acquired subsidiary CC American during the year.

As at 31 December 2016, the Group's shareholder funds were higher at S$251.4 million as compared to S$241.6 million as at 31 December 2015.

CASH FLOW AND LIQUIDITY

The Group generated a strong cash inflow from operating activities of S$58.4 million in FY2016, due to better working capital management. With that, the Group improved its net cash position from S$54.2 million as at the end of FY2015 to S$70.2 million as at the end of FY2016, after deducting for acquisition costs of S$14.4 million, quoted investments of S$7.2 million and dividend payments of S$14.2 million.

ORDERS

During the year, the Group continues to receive orders from greenfield (new installations) projects and brownfield (maintenance, upgrade and enhancement of existing installations) projects, amounting to S$286.6 million (FY2015: S$351.0 million). The lack of large greenfield orders remains. As at the end of FY2016, outstanding orders stood at S$163.1 million.

PROCESS CONTROLS

Processing and delivering plant/system critical data ensuring optimum efficiency.

PROCESS CONTROL SYSTEM

CSE provides process control solutions that utilise supervisory control and data acquisition systems (SCADA), distributed control systems (DCS), programmable logic controllers (PLCs), motors, drives and plant transducers. Many of our mission critical solutions are used in highly integrity environments such as oil & gas, power and nuclear installations, with client processes being wholly dependent on the control system.

SAFETY SHUTDOWN SYSTEM

CSE has been providing safety critical solutions for nearly 30 years. During this time our expertise has been applied to oil, gas and power facilities where we have supplied the following systems:

- Emergency Shutdown Systems
- Process Shutdown Systems
- Integrated Control & Safety Systems

CSE has supplied many different types of safety critical systems utilising a range of technologies from relays and solid state (hardwired systems) through to redundant PLC, DCS and TMR system architecture (software based systems). Over time these systems have evolved with advances in both the technology and the methods of implementation and validation.

Our safety critical systems are implemented to ensure protection of plant and personnel in potentially hazardous environments.

FIRE & GAS DETECTION SYSTEM

Fire and Gas Detection systems are of paramount importance to project plant, production and personnel. CSE specialises in the provision and implementation of high integrity fire and gas detection systems to significantly reduce the risk of incidents. CSE offers a range of solutions to monitor combustible gas, toxic gas, smoke and fire through the production facility, and provide control action for suppression, alarming and process shutdown.

SCADA

Recognised as one of the market leaders, CSE has supplied SCADA (Supervisory Control & Data Acquisition) systems to a wide range of industries through the world. CSE's SCADA system integrates a real time database with business systems to provide totally managed asset-based solutions and automated predictive based decisions.

WELLHEAD CONTROL SYSTEMS

CSE provides hydraulic and/or pneumatic solutions to control dry wellhead valves and flowlines, in single or multi-headed wellhead systems. The wellhead control panel logic is often interfaced to and/or controlled by the facility safety system.

SUBSEA CONTROL SYSTEM

CSE has been providing Subsea Control systems since 1995 and is known as one of the premier suppliers of Subsea control systems around the world, especially in the Western hemisphere. Our products and services are installed on production facilities as well as on drilling rigs and include:

- Engineering FEED and Interface Management service provided to Subsea Equipment Vendors and Operators.
- Master Control Station (MCS): PLC-based control system that monitors and controls the entire subsea field and interfaces it with the facility Control and Safety system and Historian.
- Hydraulic Power Unit (HPU): HPU skid is responsible for providing reliable and clean hydraulic fluid at high pressures to the subsea controllers/actuators.
- Topsides Umbilical Termination Assembly (TUTA): Interfaces the subsea umbilical with all topsides controls, utilities, and Chemical Injection lines.
- Intervention and Workover Control System (IWOCS): This typically includes HPU and Operator cabin designed to be deployed in harsh hazardous area on the drilling rigs along with all the associated Subsea control panels such as the MCS and EPU.
- Fully managed Maintenance and life-of-the-field support contracts.

PROCESS SKID SYSTEM

CSE's chemical injection system, which consists of the skid assembly housing pumps, reservoirs, measurement and control devices and distribution circuitry, is used to disperse a wide array of treatment chemical into the production flow lines. Chemical injection is most often applied to subsea wellheads on offshore facilities.

ELECTRICAL DRIVE AND HIGH/MEDIUM VOLTAGE SYSTEMS

CSE's power conversion business incorporates various types of electrical control equipment including low/ medium voltage variable speed drives and solid state soft starters, slip energy recovery drives and liquid resistance starters, all centred around the starting, running and electronic speed control of low, medium and high electric motors.

ELECTRICAL PROTECTION AND CONTROL SYSTEM

The protection system mainly deploys the GE Multilin range of products which cover motor protection, feeder protection, line protection, transformer protection and generator protection. The offerings include industrial network and network security design and implementation to protect real-time process control and SCADA systems of critical infrastructure systems.

REAL-TIME INFORMATION SYSTEM

CSE provides a range of Real-time Information Systems (RtIS) solutions and services that are used by customers worldwide in the monitoring, analysis, automation and optimisation of their production processes. These RtIS solutions deliver timely and accurate plant information to the desktops of personnel in various disciplines, such as operations, process, engineering, maintenance and quality, thereby ensuring that informed business decisions are made in real time.

INTELLIGENT TRANSPORT SYSTEM (ITS)

Intelligent Transport System (ITS) is an application of advanced technologies such as electronics, communication, control and information technology for the benefit for more effective transportation. CSE has built up and established its competency and capability to provide intelligent transportation solutions such as:

- Electronic Road Pricing System (Congestion Charging)
- Electronic Toll Collection System
- Motorway and Tunnel Management System
- Urban Traffic Control System
- Communication Backbone System
- Electronic Information Display System

I&E CONSTRUCTION

I&E Construction is performed in offshore fabrication yards and offshore sites. It consists of installing the facility electrical power distribution cabling, control system cabling, fire & gas detection system and cabling, lighting system communication network and cabling, and instrumentation tubing systems. Commissioning, calibration services and commissioning services are also included.

SAFE SECURE SOLUTIONS

CSE provides manufacture of computer programmable safety systems for electronic mustering, principally for the oil & gas sector. The company has developed a range of specialist hardware and software products for the automation of Person On Board and Person On Site (POB:Off-shore/POS:On-shore) information at site access and muster assembly points and for location of personnel.

MULTIPLE HEARTH FURNACE

CSE's Multiple Hearth Furnace is a fully developed product which has established market recognition and product acceptance in municipal and industrial markets. The multi hearth is extremely flexible making it highly advantageous for use in several thermal processing areas, including wastewater treatment, carbon regeneration, carbon activation, drying, roasting, calcining and reduction.

FLUID BED INCINERATOR

The fluid bed incinerator provides an environmentally sound method of reducing wastewater sludge, hazardous wastes and liquid wastes to a sterile, insert ash. Typically the ash is approximately 5% of the volume of feed, significantly extending the life of existing landfill and reducing the cost of their operation.

CARBON AND ENERGY RECOVERY SYSTEMS

CSE combines state-of-the-art carbonisation, activation, waste heat recovery and power generation technologies to provide a sustainable solution for production of wood lump charcoal, activated carbon and electricity.

ROTARY KILN INCINERATOR

The rotary kiln incinerator is a horizontal refractory-lined steel chamber which rotates on a slight incline and is capable of incinerating a wide variety of hazardous and nonhazardous waste materials.

The rotary kiln can accept a wide variety of wastes such as containerised solids, bulk solids, drums, contaminated soils, spent catalysts, in addition to sludges and liquids.

COMMUNICATION & SECURITY

Premier communications network system integrator for the oil, gas and energy markets.

CONSTRUCTION COMMUNICATIONS

CSE designs, installs and maintains two-way radio communications for both permanent and temporary locations. CSE offers turnkey packaged solutions or will provide rental and managed systems. CSE's two-way radio systems offer the latest in personnel safety management and personnel tracking, location and "man down" alert systems.

VSAT SATELLITE COMMUNICATIONS NETWORKS

VSAT satellite systems are typically used in remote areas where conventional telecommunications are not accessible, or to backup other communications to form high reliability networks. The systems can be scaled to provide complete corporate facilities or only emergency fallback. CSE can provide VSAT systems for voice, data, remote monitoring and video conferencing. We can also provide the bandwidth or space segment required for a complete turnkey solution.

FIBRE OPTIC SYSTEMS

Fibre optic networks offer the highest throughput of all commonly used forms of communications. The networks are also more secure and reliable than copper or wireless networks. CSE has the capability to design, construct and commission fibre optic networks for hazardous and industrial applications.

MICROWAVE RADIO SYSTEMS

Microwave radio systems can provide point-to-point or point-to-multipoint communications. CSE provides complete system engineering for micro wave systems. Our services include, site surveys, path analysis, spectrum planning, equipment recommendations and construction. Our system design can also incorporate solar and emergency diesel power as well as structural analysis and construction of towers.

CONVENTIONAL & TRUNKED RADIO SYSTEMS

Conventional two-way radio networks have evolved into complex digital trunked systems providing highly reliable, secure communications that can be delivered across a single site, along a corridor hundreds of kilometres long, through an underground tunnel or even linking multiple sites. These systems not only provide two-way voice communications but are now an integral part of companies OH&S policy, providing GPS tracking, man down emergency alarm and many other features including wireless data messaging. CSE has many years of experience in this area having designed, constructed and commissioned both analogue and digital trunked radio systems (TETRA and APC025) that now support many thousands of terminals.

PUBLIC ADDRESS & GENERAL ALARM SYSTEMS (PAGA)

These are essential safety systems which alert personnel within a plant in the event of an emergency. CSE builds and engineers the systems to individual client requirements as this may require integrating the PAGA system with many different legacy plant systems. As part of the design work, CSE can also perform sound analysis and coverage studies to ensure audible, clear sound coverage is achieved in all areas where personnel need to be alerted.

CCTV, ACCESS CONTROL & FIDS SYSTEMS

CSE can provide high-quality CCTV systems designed for remote monitoring of plant and equipment as well as providing surveillance for security applications. Our systems are designed to comply with the highest intrinsic safety standards for operating in hazardous areas and are used extensively by the oil and gas industry.

TELEPHONE NETWORKS

Plant-wide telephone networks connected to, or integrated with, large corporate telephony networks are essential infrastructure for almost all industrial plants. As part of our overall solutions, CSE can work with clients to design telephony systems for greenfield sites incorporating the latest IP technology or integrate legacy TDM or circuit switched technology into new networks.

LAN/WAN NETWORKS

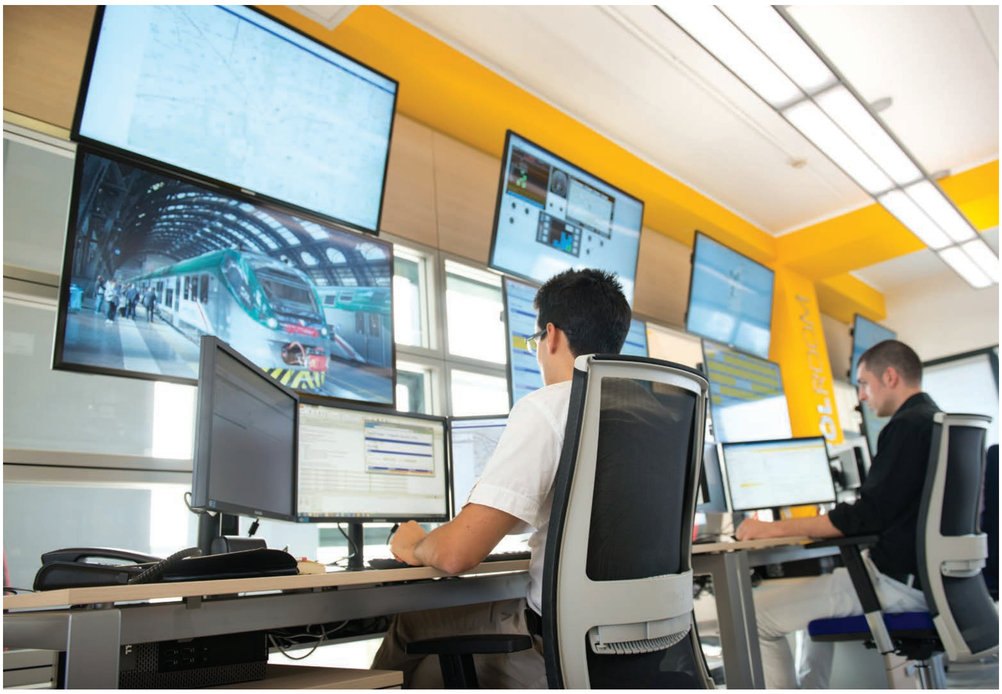
Local and wide area networks are the key to underlying infrastructure required to support plant-wide data communications. They enable computers and other devices to communicate with servers, company intranets and the internet. CSE provides design and construction services for LAN and WAN networks using fibre, copper, wireless or combinations or these mediums. CSE works with clients to ensure the design is engineered to meet their reliability requirements, this may include multiple levels of redundancy, fire resistant materials, etc.

IP-BASED NETWORKS

IP (Internet Protocol) is the dominant standard used by almost all equipment vendors as the default communications protocol. CSE provides IP network designs for clients enabling IP devices to communicate with other devices while protecting them from unauthorised access. The network design can incorporate automatic failover switching, remote monitoring and traffic reporting.

SCADA & TELEMETRY NETWORKS

CSE understands the special requirements for SCADA and Telemetry networks. While these networks are rapidly moving to a common IP protocol they still require a higher level of engineering than corporate data networks. CSE has a sound record in the design and construction of high reliability SCADA/ Telemetry networks, including the integration of legacy serial systems with IP-based systems.



POSITIONING FOR GROWTH

There has never been a better time
to build for the future.

GLOBAL PRESENCE

1. UNITED STATES

CSE W-Industries, Inc
W-Industries of Texas, LLC
CSE Environmental, LLC
CSE Americas, Inc
11500 Charles Street,
Houston, Texas 77041, USA
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Fax: 1-713-4667 205
Web: www.w-industries.com

Control Concepts & Technologies Field Office
2315 Tolivar Street
Pecos, Texas 78405, USA
Tel: 1-713-4669 463
Fax: 1-713-4667 205
Web: www.w-industries.com

W-Industries of Louisiana, LLC
7620 Johnston Street,
Lafayette, Louisiana 70555, USA
Tel: 1-337-2334 537
Fax: 1-337-2336 452
Web: www.w-industries.com

7616 Johnston Street,
Lafayette, Louisiana 70555, USA
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Fax: 1-337-9937 427
Web: www.w-industries.com

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R-M Transactions, LLC
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Web: www.aos-tx.com

Gulf Coast Power & Control of Louisiana, LLC
109 N. Cities Service Highway
Sulphur, LA 70663, USA
Tel: 1-337-6258 333
Fax: 1-337-6256 444

W-Industries of Mexico, S.A. de. C.V.
Avenida del Mar No. 46,
Col. Bibalvo, Cd. Del Carmen,
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Fax: 938-1182 914
Web: www.ind-wmx.com

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One Harvard Way, Suite 6,
Hillsborough, New Jersey
08844, USA
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Fax: 1-908-7229 514
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2. EUROPE/MIDDLE EAST & AFRICA

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Bow Bridge Close, Rotherham
S60 1BY, United Kingdom
Tel: 44-1709-7824 00
Web: www.s3-id.com

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P.O. Box 130, 4065 Stavanger
Norway
Tel: 47-5180 1190

TransTel Engineering (Nigeria) Ltd
No. 9 Rumuogba Estate Road
Port Harcourt Rivers State
Nigeria
Tel: 234-84-4863 31 / 4639 36
Fax: 234-84-4855 53
Web: www.cse-transtel.com

TransTel Engineering Pte Ltd – Abu Dhabi
P.O. Box 43745, Office 401,
Makeen Tower, Tourist Club Area,
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United Arab Emirates
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Fax: 971-2-6797 523
Web: www.cse-transtel.com

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Building, King Abdul Aziz Road,
Al-Khobar – 31952
Kingdom of Saudi Arabia
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Fax: 966-3-8870 410
Web: www.cse-transtel.com

3. ASIA PACIFIC

CSE Global Limited
CSE Global (Asia) Limited
CSE-IAP Pte Ltd
CSE-EIS Pte Ltd
CSE-ITS Pte Ltd
CSE-Hankin (Singapore) Pte Ltd
CSE (Americas) Pte Ltd
S3 ID Pte Ltd
Sirius System & Engineering Solutions Pte Ltd
202 Bedok South Avenue 1
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Fax: 65-6742 9179
Web: www.cse-global.com

CSE-TransTel Pte Ltd
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#01-21, Singapore 469332
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Fax: 65-6276 7800
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Bukit Jelutong
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Selangor Darul Ehsan, Malaysia
Tel: 603-7846 8580
Fax: 603-7846 9580

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Indonesia
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Fax: 62-21-8370 4722
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Bangkok 10110, Thailand
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Fax: 91-80-2678 3305

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Fax: 61-7-3861 7700
Web: www.cse-uniserve.com.au

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Tel: 61-3-9322 1500
Fax: 61-3-9328 3737
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Fax: 61-8-8941 0655

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Fax: 61-8-9204 8080
Web: www.mobilemasters.com.au

CSE Crosscom Pty Ltd – South Australia
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Daw Park 6017
South Australia
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Web: www.tetracom.com.au

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New Zealand 2013
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Fax: 64-9-265 1362
Web: www.cse-waf.co.nz

FINANCIAL HIGHLIGHTS

REVENUE

317.8m

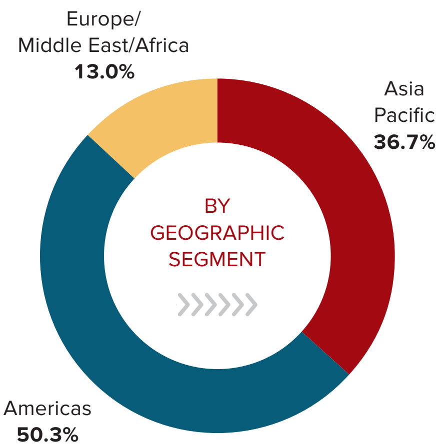
-22.9%

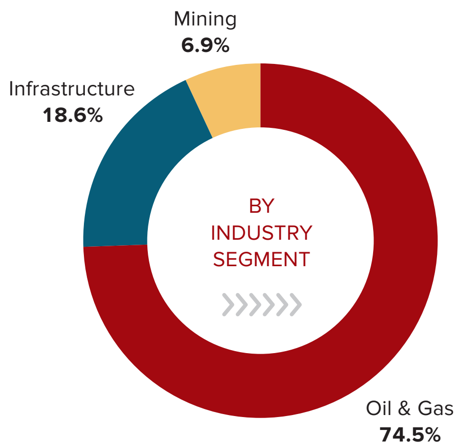
NET PROFIT

21.2m

-37.8%

REVENUE BREAKDOWN





EARNINGS PER SHARE

4.11¢

-37.7%

DIVIDEND PER SHARE

2.75¢

RETURN ON EQUITY

8.4%

-40.4%

OPERATING CASH FLOW

58.4m

34.4%

NET CASH

70.2m

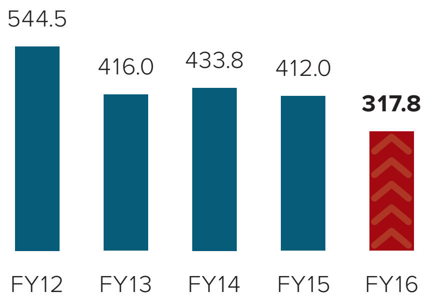
29.5%

ORDER BOOK

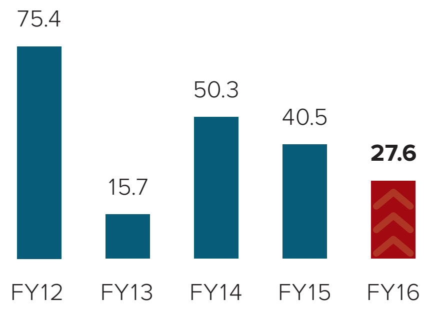
163.1m

-15.4%

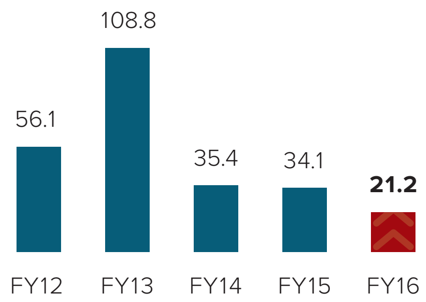
TURNOVER
(S$'MILLION)



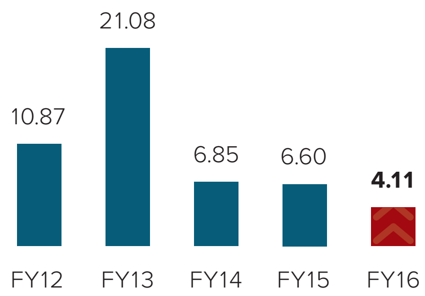
EARNING BEFORE INTEREST AND TAX
(S$'MILLION)



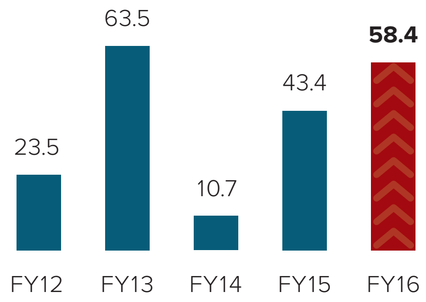
PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(S$'MILLION)



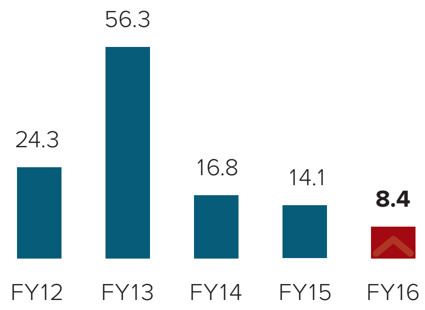
EPS
(CENTS)



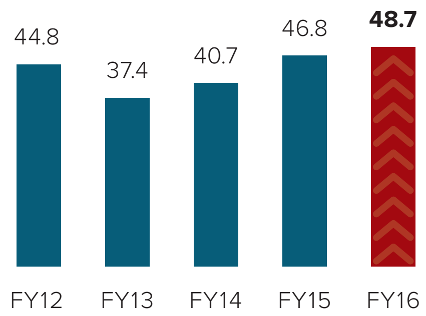
OPERATING CASH FLOW
(S$'MILLION)



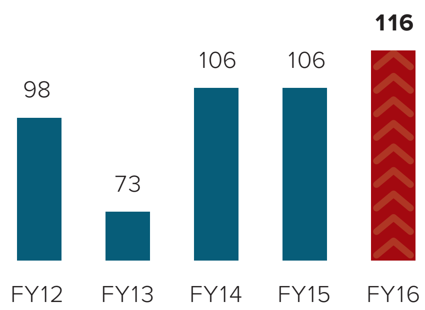
RETURN ON EQUITY
(%)



NET ASSETS VALUE/SHARE
(CENTS)



CASH CONVERSION CYCLE
(DAYS)



CORPORATE INFORMATION

BOARD OF DIRECTORS
EXECUTIVE
Lim Boon Kheng
(Group Managing Director)

NON-EXECUTIVE
Lim Ming Seong
(Chairman, Independent)
Lam Kwok Chong
(Independent)
Lee Soo Hoon Phillip
(Independent)
Dr Lim Boh Soon
(Independent)
Sin Boon Ann (Independent)
Tan Hien Meng (Independent)
Dr Lee Kong Ting
(Independent –
appointed on 1 February 2017)

AUDIT AND RISK COMMITTEE
Lee Soo Hoon Phillip
(Chairman)
Sin Boon Ann
Tan Hien Meng
Dr Lee Kong Ting
(appointed on 1 February 2017)

NOMINATING COMMITTEE
Lim Ming Seong (Chairman)
Lee Soo Hoon Phillip
Dr Lim Boh Soon
Lam Kwok Chong
(appointed on 1 February 2017)

COMPENSATION COMMITTEE
Lim Ming Seong (Chairman)
Lim Boon Kheng
Dr Lim Boh Soon
Lam Kwok Chong
(appointed on 1 February 2017)

STRATEGY COMMITTEE
Tan Hien Meng (Chairman)
Lam Kwok Chong
Lim Ming Seong

COMPANY SECRETARY
Lynn Wan Tiew Leng

REGISTERED OFFICE
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623
Tel : 65-6536 5355
Fax: 65-6536 1360

BUSINESS OFFICE
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Tel : 65-6512 0333
Fax: 65-6742 9179

SHARE REGISTRAR
Boardroom Corporate
& Advisory Services
Pte Limited
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Singapore Land Tower #32-01
Singapore 048623
Tel : 65-6536 5355
Fax: 65-6536 1360

AUDITORS
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

AUDIT PARTNER-IN-CHARGE :
Alvin Phua Chun Yen
(since financial year ended
31 December 2015)

PRINCIPAL BANKERS
Australia and New Zealand Banking Group Limited
Bank of China Limited
BNP Paribas
Citibank Singapore Limited
DBS Bank Limited
Oversea-Chinese Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
The Hong Kong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

Contents

REPORT ON CORPORATE GOVERNANCE

The Board of Directors is committed to maintaining a high standard of corporate governance within the Group. Good corporate governance establishes and maintains a legal and ethical environment in the Group, which strives to preserve the interests of all stakeholders and to promote investors' confidence in the Group. The Company has adopted practices based on the Code of Corporate Governance 2012 (the "Code") issued by the Monetary Authority of Singapore.

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

1. THE BOARD'S CONDUCT OF ITS AFFAIRS

The Board plays an important role to oversee the Group's business affairs and to provide entrepreneurial leadership to the Company. This includes the approval of the Group's strategic plans, key business initiatives, financial objectives, major investments and funding decisions, the review of the Group's financial performance, the evaluation of the performance of the management and the Group, the establishment of a prudent and effective controls framework, the values and standards of the Company and the fulfilment of obligations to the shareholders. The Board is supported by five board committees namely: (1) Audit and Risk Committee; (2) Nominating Committee; (3) Compensation Committee; (4) Executive Committee; and (5) Strategy Committee. On 1 February 2017, the Executive Committee has been dissolved. While these Board Committees have the authority to examine particular issues in their respective areas, the Board Committees report to the Board with their decisions and recommendations as the ultimate responsibility on all matters lies with the entire Board.

The Directors ensure the decisions made by them are objectively in the interest of the Company.

The Board meets regularly with at least four Board meetings each financial year, as warranted by particular circumstances, as deemed appropriate by the Board. The Company has provided for telephonic and videoconference meetings in its Constitution. Annually, the Company will have an offsite planning meeting for the Directors to come together to discuss the key business growth and the growth plans going forward.

The details of the number of Board meetings held during the financial year, as well as the attendance of every Board member at those meetings and meetings of the specialised Committees established by the Board, are set out in the following table:

Name of Director	Board of Director Meetings		Audit and Risk Committee Meetings		Nominating Committee Meetings		Compensation Committee Meetings		Executive Committee Meetings		Strategy Committee Meetings	
	Number of meetings		Number of Meetings		Number of Meetings		Number of Meetings		Number of Meetings		Number of Meetings	
	held	attended	held	attended	held	attended	held	attended	held	attended	held	attended
Lim Ming Seong	4	4	–	–	1	1	1	1	4	4	2	2
Lim Boon Kheng	4	4	–	–	–	–	–	–	4	4	–	–
Lam Kwok Chong	4	4	4	4	–	–	–	–	–	–	2	2
Lee Soo Hoon Phillip	4	4	4	4	1	1	–	–	–	–	–	–
Lim Boh Soon	4	4	–	–	1	1	1	1	4	4	–	–
Sin Boon Ann	4	4	4	4	–	–	–	–	–	–	–	–
Tan Hien Meng	4	4	4	4	–	–	–	–	–	–	2	2

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

Nature of transactions	Quantum of transactions
Capital expenditure	Any amount more than $3 million
Mergers, acquisitions and divestments	Any amount

The Company has in place general orientation-training programmes to ensure that every newly appointed Director of the Company is familiar with the Group's structure, the Group's business and its operations and the Company's governance practices. Every newly appointed Director of the Company is expected to undergo an orientation programme which includes meeting with the Chairman, Managing Director and Group Chief Financial Officer as part of the training in the affairs of the business. The Company relies on the Directors to undergo further relevant training, if necessary to update themselves on the relevant new laws, regulations and changing commercial risks, from time to time. On an on-going basis, the Directors are briefed by the Company Secretary, external auditors and external professionals on updates or changes to relevant regulations, policies and governance requirements, accounting standards and industry regulations.

REPORT ON CORPORATE GOVERNANCE

The Company will issue a formal appointment letter, which sets out the director's duties and obligations, to each director upon appointment. Such letter has been issued to the newly appointed director, Dr Lee Kong Ting, upon his appointment on 1 February 2017. The Company has also arranged an orientation program for Dr Lee to familiarize him with the Group's business activities, strategies and plan.

2. BOARD COMPOSITION AND BALANCE

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

Non-executive Independent Directors:

Lim Ming Seong – Chairman
Lee Soo Hoon Phillip
Lam Kwok Chong
Dr Lim Boh Soon
Sin Boon Ann
Tan Hien Meng
Dr Lee Kong Ting (appointed on 1 February 2017)

Executive Director:

Lim Boon Kheng – Group Managing Director

On 1 February 2017, Dr Lee Kong Ting was appointed to the Board of Directors. With this appointment, the Board currently comprises eight Directors, one of whom is an Executive Director of the Company. The remaining seven Directors are Non-executive Directors of the Company who are also independent of the management of the Company. All of the Non-executive Directors are therefore considered to be independent within the meaning prescribed in the Code by the Board as they have no relationships with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment. By this composition, the Company has complied with the required independence, as set out in the Code.

The appointment of Dr Lee Kong Ting is also part of the Board renewal process to replace Dr Lim Boh Soon, who is due for retirement by rotation at the forthcoming AGM. Dr Lim Boh Soon has indicated that he is not seeking for re-election at the forthcoming AGM. Dr Lee Kong Ting is a veteran with more than 30 years of professional and leadership experience in the oil and gas industry. His joining of the Board will strengthen the Board's capability and bring to it valuable insights of the industry-specific knowledge.

The responsibilities of the Non-executive Directors include:

(a) assisting the Board to develop proposals on strategy, constructively challenging it when necessary; and
(b) reviewing and monitoring the performance of the management in meeting the goals and objectives committed.

Besides the above, the Non-executive Directors' responsibilities include other duties as required in their capacity as members of the Audit and Risk Committee, Executive Committee, Strategy Committee, Nominating Committee and Compensation Committee.

The Non-Executive and Independent Directors meet amongst themselves without the presence of the Management regularly.

The Board has examined its size to determine the impact of the number upon effectiveness and is of the view that the size of six to eight Directors is appropriate and facilitates effective decision-making, after taking into account the scope and nature of the operations of the Group.

In addition, the current Board and Board Committees comprise Directors who as a group provide core competencies, such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge that are necessary and critical to meet the Company's objectives. Board diversity considerations have also been taken into account in recommending appointments. Key information regarding the Directors of the Company in respect of academic and professional qualifications is set out in the Annual Report under Directors' Profile.

As a significant majority of the Board consists of Non-Executive and Independent Directors, objectivity on issues deliberated is assured and Management is able to benefit from external perspectives on issues brought before the Board.

3. CHAIRMAN

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

REPORT ON CORPORATE GOVERNANCE

The Chairman, Mr Lim Ming Seong, is a Non-executive Director who is independent of the management of the Company and his responsibilities pertaining to the Board includes but are not limited to:

(a) leading the Board to ensure its effectiveness on all aspects of its role;

(b) setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) promoting a culture of openness and debate at the Board;

(d) ensuring that the directors receive accurate, timely and clear information;

(e) ensuring effective communication with shareholders;

(f) encouraging constructive relations between the Board and Management;

(g) facilitating the effective contribution of Non-executive Directors in particular;

(h) encouraging constructive relations between Executive Director and Non-executive Directors;

(i) promoting high standards of corporate governance; and

(j) reviewing the results of the Board's performance evaluation and taking appropriate actions in consultation with the Nominating Committee.

The Chairman's responsibilities pertaining to the Board also includes those other duties as required in his capacity as a member of the Executive Committee, Strategy Committee, Nominating Committee and Compensation Committee, as well as a director of CSE W-Industries, Inc, CSE Icon, Inc, CSE Global (Asia) Ltd and CSE (Americas) Pte Ltd, all of which are wholly-owned subsidiary companies of the Company.

The Group Managing Director, Mr Lim Boon Kheng, has full executive responsibilities over business direction and operational decisions concerning the CSE Group. He works closely with the Board to implement the policies set by the Board.

4. BOARD MEMBERSHIP

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

Non-executive Independent Directors

Lim Ming Seong – Chairman
Lee Soo Hoon Phillip
Dr Lim Boh Soon
Lam Kwok Chong (appointed on 1 February 2017)

The Nominating Committee comprises four members, all of whom are Non-executive Directors and are independent of the management of the Company. All of the Non-executive Directors are considered to be independent by the Board as they have no relationships with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment.

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

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

The responsibilities of the Nominating Committee include:-

(a) taking into account the scope and nature of the operations of the Group to determine the appropriate size of the Board;

(b) re-nominating Directors, having regard to each Director's contribution and performance, including, if applicable, as an independent Director;

(c) ensuring that the Board comprises Directors who as a group provide competencies such as accounting or finance, business or management experience, industry knowledge and strategic planning experience;

REPORT ON CORPORATE GOVERNANCE

(d) reviewing of training and professional development programs for the Board;

(e) making plans for succession;

(f) recommending internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards

(g) determining annually if a director is independent, bearing in mind the circumstances set forth in Guideline 2.3 of the Code and any other salient factors; and

(h) evaluating the performance of the Board and individual Board Committee as a whole as well as each Director's contribution.

The Articles of the Company's Constitution provides for all Directors of the Company to retire by rotation at least once every three years. The Directors, who are eligible for re-election, may submit themselves for re-election at the Annual General Meeting ("AGM").

During the year, the Nominating Committee met and approved the re-nomination of Directors. No member of the Nominating Committee participated in deliberations or decisions on recommendations for his own re-nomination to the Board.

In determining the independence of a Non-executive Director, the Nominating Committee, with the Directors concerned abstaining from the review, takes into consideration, among others, Guideline 2.3 of the Code, in which, the Nominating Committee may consider a Director independent if he has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere with his exercise of independent business judgment. The Nominating Committee noted that none of the independent directors had any interested party transactions with the Group or the substantial shareholders that might affect their independence.

Although Mr Lim Ming Seong, Dr Lim Boh Soon, Mr Lee Soo Hoon Phillip and Mr Sin Boon Ann have served on the Board for more than nine years, the Board concurred with the Nominating Committee's view that they are independent in character and judgement and there were no circumstances which would likely affect or appear to affect their judgement. The Board has also observed their participations and deliberations at Board meetings and other occasions and has no reasons to doubt their ability to exercise independent judgment in the interest of the Company. The Board acknowledges their combined strength of characters, objectivity and wealth of useful and relevant experience bring themselves to continue effectively as Independent Directors. The Board also acknowledges and recognizes the benefits of the experience and stability brought by these long-serving Independent Directors.

The Nominating Committee has adopted internal guidelines to address the conflict of competing time commitments that are faced by the Directors when the Directors have multiple board representations. With due respect to individual autonomy of each Director, no maximum number of listed company board representations a Director may hold is prescribed. If a Director is on the Board of other companies, the Nominating Committee will consider whether adequate time and attention have been devoted to the Company. In the event that there are sufficient grounds for concern, the Chairman of the Board shall discuss, and if necessary, warn the Director of the issues and in any continuance, the consequences flowing from the situation. Despite some of the Directors having other board representations, the Nominating Committee is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company.

The Nominating Committee is responsible for identifying and recommending to the Board new Board members, after considering the necessary and desirable competencies. Accordingly, in selecting potential new directors, the Nominating Committee will seek to identify the competencies required to enable the Board to fulfil its responsibilities. In doing so, the Nominating Committee will have regard to the results of the annual appraisal of the Board's performance. The Nominating Committee may engage consultants to undertake research on, or assess candidates for new positions on the Board, or to engage such other independent experts as it considers necessary to carry out its duties and responsibilities. Recommendations for new Board members are put to the Board for its consideration.

The Directors who are retiring at the forthcoming AGM are as follows:

under Article 95(2)
Mr Lim Boon Kheng (last re-elected 16 April 2014)
Mr Sin Boon Ann (last re-elected 16 April 2014)
Dr Lim Boh Soon (last re-elected 16 April 2015)

under Article 77
Dr Lee Kong Ting (appointed on 1 February 2017)

The Nominating Committee has recommended the re-election of Mr Lim Boon Kheng, Mr Sin Boon Ann, and Dr Lee Kong Ting as Directors of the Company at the forthcoming AGM.

Dr Lim Boh Soon has given notice of his intention not to seek for re-election at the forthcoming AGM.

REPORT ON CORPORATE GOVERNANCE

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

5. BOARD PERFORMANCE

The Nominating Committee has evaluated the Board taken as a whole. In evaluating the performance of the Directors, the Nominating Committee took into account, amongst other factors, the Directors' qualification by knowledge and experience to fulfil their duties, attendance and participation at Board meetings and Committee meetings (where applicable), quality of interventions or differences of opinion expressed and any other special contributions. The Nominating Committee also considered whether the Directors have reasonable understanding of the Company's business and the industry, and the Directors' working relationship with the other members of the Board. These performance criteria shall not change from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the Nominating Committee and the Board shall justify its decision for the change.

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

6. ACCESS TO INFORMATION

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

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

The Directors also have separate and independent access to the Company Secretary. In addition, the role of the Company Secretary is also clearly defined and includes the responsibility for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and the Audit and Risk Committee and between senior management and Non-executive Directors, as well as facilitating orientation and assisting with professional development as required. The Company Secretary attends all Board meetings and Audit and Risk Committee meetings. The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

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

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Non-executive Independent Directors:

Lim Ming Seong – Chairman
Dr Lim Boh Soon
Lam Kwok Chong (appointed on 1 February 2017)

Executive Non-independent Director:

Lim Boon Kheng

REPORT ON CORPORATE GOVERNANCE

The Compensation Committee comprises four members, three of whom are Non-executive Directors and one Executive Director. Mr Lim Ming Seong, Mr Lam Kwok Chong and Dr Lim Boh Soon are independent of the management of the Company and are considered to be independent by the Board as they have no relationships with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment. Whilst Mr Lim Boon Kheng, the Executive Director, provides input from the perspective of operating metric and people management, he does not take part in formulation or review involving his own remuneration package.

The Chairman of the Compensation Committee, Mr Lim Ming Seong, is an independent Non-executive Director, who is knowledgeable in the field of executive compensation. In addition, the Compensation Committee has access to the relevant expert advice within the Company.

No individual Director of the Company fixes his own remuneration.

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

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

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

The responsibilities of the Compensation Committee include: -

(a) recommending to the Board the framework of remuneration for the Executive Directors and the key management of the Group;

(b) determining and setting the specific remuneration packages for each of the Executive Directors and the key management of the Group;

8. LEVEL AND MIX OF REMUNERATION

In setting remuneration packages, the Compensation Committee will take into consideration the pay and employment conditions within the industry the Group operates in as well as companies within the same business segment as there are no exactly comparable companies. In addition, the Compensation Committee will take into account the Group's relative performance and the key management of the Group when setting the remuneration packages.

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

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

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

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

9. DISCLOSURE ON REMUNERATION

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

REPORT ON CORPORATE GOVERNANCE

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

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

Name	Total remuneration ($'000)	Fees (%)	Others (%)
Lim Ming Seong	92	100	–
Lam Kwok Chong	52	100	–
Lee Soo Hoon Phillip	60	100	–
Lim Boh Soon	48	100	–
Sin Boon Ann	41	100	–
Tan Hien Meng	67	100	–

Name	Total remuneration ($'000)	Salary (%)	Bonus (%)	Provident fund contributions (%)	Other benefits (%)
Lim Boon Kheng	889	67	17	2	14

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

Name	Total remuneration ($'000)	Salary (%)	Bonus (%)	Other benefits (%)
Executive A	748	49	42	9
Executive B	697	70	29	1
Executive C	624	89	11	–
Executive D	524	92	–	8
Executive E	502	96	–	4

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

There are currently no employees whose remuneration exceeds $50,000 per year who are immediate family members of a Director or the Managing Director.

10. ACCOUNTABILITY

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

Financial results for the first three quarters are released to shareholders no later than 45 days from the end of the quarter. Annual financial results are released within 60 days from the financial year-end.

Other price sensitive information is also disseminated to shareholders through announcements via SGXNET, press releases and the Company's website. The Company's Annual Report is accessible on the Company's website.

The management of the Company provides the Managing Director with balanced and understandable management accounts of the Group's performance, position and prospects on a monthly basis. The Board is briefed on the Group's performance, position and prospects on a quarterly basis.

REPORT ON CORPORATE GOVERNANCE

11. AUDIT AND RISK COMMITTEE

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

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

Non-executive Independent Directors:

Lee Soo Hoon Phillip – Chairman
Dr Lee Kong Ting (appointed on 1 February 2017)
Sin Boon Ann
Tan Hien Meng

The Audit and Risk Committee comprises four members, all of whom are Non-executive Directors and are independent of the management of the Company. All of the Non-executive Directors are considered to be independent by the Board, as they have no relationships with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment. None of the Audit Committee members were previous partners or directors of the Company's external auditor, Ernst & Young LLP, within the last twelve months or hold any financial interest in the external auditor.

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

The Board is satisfied that all the members of the Audit and Risk Committee are appropriately qualified to discharge their responsibilities. One member of the Audit and Risk Committee, being Mr Lee Soo Hoon Phillip, has accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment.

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

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

The responsibilities of the Audit and Risk Committee include:

(a) recommending to the Board the appointment, re-appointment or discharge of the external auditors, and approving the remuneration and terms of engagement of the external auditors and in this connection, considering the independence and objectivity of the external auditors annually;

(b) keeping under review the scope and results of the audit and its cost effectiveness, keeping the nature and extent of non-audit services supplied by the external auditors under review yearly where the external auditors also supply a substantial volume of such services to the company, with the objective of balancing the maintenance of objectivity and value for money;

(c) considering and reviewing with the external auditors and the internal auditor, at least annually, the adequacy, effectiveness and efficiency of the management processes, internal financial controls, operational and compliance controls, risk management policies and any significant findings and recommendations of the external auditors and the internal auditor, together with the management's responses thereto;

(d) meeting with the external auditors, the internal auditor, the management and any others considered appropriate in separate executive sessions to discuss any matters the Audit and Risk Committee believes should be discussed privately and establishing a practice to meet with the external auditors without the presence of the management of the Company at least annually;

(e) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance;

(f) reviewing the effectiveness of the company's internal audit function that is independent of the activities that it audits, appropriate standing within the Company and adequately resourced;

(g) reviewing and taking actions on the arrangements by which staff of the company and external parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

(h) reviewing the interested person transactions falling within the scope of the Listing Manual; and

REPORT ON CORPORATE GOVERNANCE

(i) meeting principal overseas subsidiaries' independent directors, the management and any others considered appropriate in their periodic visits to these subsidiaries.

In appointing the auditing firms for the Company, subsidiaries and significant associated companies, the Group has complied with Listing Rules 712, 715, 716 and 717.

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

	2016 **$'000**	**2015** **$'000**
Audit fees :		
-Auditors of the Company	320	355
-Other auditors	188	191
Non-audit fees :		
-Auditors of the Company	–	3
-Other auditors	13	48
Total Audit and non-audit fees	**521**	**597**

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

12. INTERNAL CONTROLS AND RISK MANAGEMENT

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

In addition, the Audit and Risk Committee has reviewed the adequacy of the Company's internal controls including financial, operational and compliance controls, information technology and risk management in the Company. The Board is satisfied that there are adequate and effective internal controls in the Company.

Pursuant to the requirement as stipulated under Rule 1207(10), the Board of Directors and the Audit and Risk Committee have reviewed the adequacy of the Group's internal controls to address the Group's financial, operational compliance and information technology risks. Based on the internal controls established and maintained by the Company and reviews conducted by the internal and external auditors, the Board of Directors, with the concurrence of the Audit and Risk Committee, are of the opinion that the system of internal controls and risk management are adequate and effective to address the Group's financial, operational, compliance and information technology risks of the current scope of the Group's business operations.

The Board also receives quarterly written assurances from the Group Managing Director and the Group Chief Financial Officer on the state of the Group's financial records, risk management and internal control systems, confirming that:-

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finance; and

(b) the Company's risk management and internal control systems are adequate and effective.

Whistle-Blowing Policy

The Group has in place a Whistle-Blowing Policy. This Policy provides an independent feedback channel through which matters of concern about possible improprieties in matters of financial reporting or other matters may be raised by employees and external parties in confidence and in good faith, without fear of reprisal. Details of this policy have been disseminated and made available to all employees of the Company. All matters which are raised are then independently investigated and appropriate actions taken. The Audit and Risk Committee ensures that independent investigations and any appropriate follow-up actions are carried out.

REPORT ON CORPORATE GOVERNANCE

13. SIGNIFICANT FINANCIAL REPORTING MATTERS

The significant areas of focus by the Audit and Risk Committee in relation to the 2016 financial statements are outlined below. Reviews include discussions with management and the external auditor, Ernst & Young LLP, and, where appropriate, the significant financial reporting matters have been addressed under the Key Audit Matters in the Independent Auditors' Report on pages 47 to 49.

Audit and Risk Committee ("ARC") Commentaries

SIGNIFICANT MATTERS	HOW THE ARC REVIEWED THESE MATTERS AND WHAT DECISIONS WERE MADE
Project revenue recognition and valuation on work-in progress	The ARC discussed the issues with management and the external auditor in relation to the recognition of revenue and the valuation of work-in-progress. The ARC was satisfied with the appropriateness of the revenue and work-in-progress recognised in the consolidated financial statements of the Group for the financial year ended 2016.
Impairment testing on trade receivables	The ARC had received updates from management and the external auditor on the basis used to determine the level of allowance for doubtful debts, and was satisfied that as of 31 December 2016, the level of allowance for doubtful debts for the Group was adequate and in compliance with the current auditing standards.
Accounting for acquisitions	The ARC has reviewed the reports from the external auditor and the external valuation specialists. The ARC concurred with management that the methodologies to the valuation models are consistently applied.
Goodwill Impairment	The ARC considered the approach and methodology applied in performing the annual goodwill impairment assessment. It reviewed the key assumptions used in the discounted cash flow model such as discount rate and growth projections. The ARC was satisfied with the appropriateness of the analysis performed by management and have concurred that as of 31 December 2016, no impairment in goodwill is required.
Deferred tax assets	The ARC considered the appropriateness of the accounting treatment in relation to the recognition of deferred tax assets, which took into consideration forecast of future profitability in determining recoverability of the deferred tax assets through taxable income in future years.

14. INTERNAL AUDIT

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

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

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

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

15. EXECUTIVE COMMITTEE

The Executive Committee was dissolved on 1 February 2017.

16. STRATEGY COMMITTEE

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

Non-executive Independent Directors:

Tan Hien Meng – Chairman
Lam Kwok Chong
Lim Ming Seong

REPORT ON CORPORATE GOVERNANCE

The Strategy Committee was formed on 11 February 2015. Its primary function is to provide assistance to the Board in the strategic direction of the Group by fostering in-depth discussions and consideration of the Group's long-term vision and strategy with senior management.

17. COMMUNICATION WITH SHAREHOLDERS

The shareholders of the Company have the opportunity to participate effectively and to vote at the Company's Annual General Meeting. The Company has employed electronic polling since the AGM in 2014. Shareholders are allowed to vote in person or by proxy if they are unable to attend the Company's Annual General Meeting. The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold SGX shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at each general meeting of shareholders.

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

At general meetings, shareholders are given the opportunity to air their views and direct questions to the Board on any matter relating to the Group's business and operations. Directors and senior management are present at general meetings to address shareholders' queries. The external auditors are also present at the AGMs of the Company to address queries about the conduct of audit and the preparation and content of the Auditors' Report.

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

18. SECURITIES TRANSACTIONS

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

The Company has advised its Directors and all key executives not to deal in the Company's shares during the period commencing two weeks prior to the announcement of the Company's financial results for the first three quarters of the financial year, one month prior to the announcement of full-year results and ending on the date of the announcement of the results. The Company has also reminded its Directors and officers not to deal in the Company's securities on short-term considerations.

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

19. INTERESTED PERSON TRANSACTIONS

Pursuant to the requirements as stipulated under Rule 1207(17) and Rule 907 of the SGX-ST Listing Manual, the Group has not obtained any general mandates from shareholders for interested person transaction during the financial year. The Company has in place procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee for its review.

During the financial year under review, there were no interested person transactions entered into by the Group.

20. MATERIAL CONTRACTS

Pursuant to the requirements as stipulated under Rule 1207(8) of the SGX-ST Listing Manual, except for the interested person transactions disclosed under item 17, there were no material contracts of the Company or its subsidiary companies involving the interests of any Directors of the Company, the Managing Director of the Company or any controlling shareholders of the Company or their associates, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

On behalf of the Directors,

Lee Soo Hoon Phillip
Chairman, Audit and Risk Committee

Tan Hien Meng
Director

Singapore
20 March 2017

RISK MANAGEMENT POLICIES AND PROCESSES

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

OPERATING RISK

Management of growth

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

Risks associated with future acquisitions

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

Competition

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

FINANCIAL RISK

The internal auditor will review a monthly confirmation of the outstanding position with all banks that the Group transacts with. The bank is required to confirm any resolution relating to banking facilities and/or the way the Group operates its banking transactions with the company secretary or an independent director.

The financial risk management objectives and policies of the Group are set out in the Notes to the Financial Statements in Note 31 under risk management.

DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of CSE Global Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and

(b) 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.

DIRECTORS

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

Lim Ming Seong
Lim Boon Kheng
Phillip Lee Soo Hoon
Lim Boh Soon
Sin Boon Ann
Lam Kwok Chong
Tan Hien Meng
Lee Kong Ting (appointed on 1 February 2017)

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 objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors, 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, Chapter 50, an interest in the shares and share options of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

	Held by Director			Other shareholdings in which the Director is deemed to have an interest		
Name of Director	**At 1.1.2016**	**At 31.12.2016**	**At 21.1.2017**	**At 1.1.2016**	**At 31.12.2016**	**At 21.1.2017**
CSE GLOBAL LIMITED						
Number of ordinary shares						
Lim Boon Kheng *	500	3,000,500	3,000,500	7,094,500	4,172,500	4,172,500
Lim Ming Seong **	3,100,000	1,600,000	1,600,000	150,000	1,650,000	1,650,000
Phillip Lee Soo Hoon	450,000	450,000	450,000	–	–	–
Lim Boh Soon	330,000	330,000	330,000	–	–	–

* 4,172,500 shares are held by Citibank Nominees Singapore Pte Ltd and United Overseas Bank Nominees Pte Ltd for which Lim Boon Kheng is deemed to have an interest.

** 150,000 shares are held by the spouse of Lim Ming Seong, 1,500,000 shares are held by Citibank Nominees Singapore Pte Ltd for which Lim Ming Seong is deemed to have an interest.

DIRECTORS' STATEMENT

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

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 of the financial year, or date of appointment if later, or at the end of the financial year.

SHARE OPTIONS

There is currently no share option scheme on unissued shares of the Company.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee was established on 22 January 1999.

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

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

NON-EXECUTIVE/INDEPENDENT DIRECTORS:

Phillip Lee Soo Hoon (Chairman)
Sin Boon Ann
Tan Hien Meng
Lee Kong Ting (appointed on 1 February 2017)

The Audit and Risk Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:-

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- Met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the Board of Directors the external auditors to be nominated, approved the compensation of the external auditors, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

DIRECTORS' STATEMENT

AUDIT AND RISK COMMITTEE (CONT'D)

The AC convened four meetings during the financial year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance in the Annual Report of the Company.

AUDITORS

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

On behalf of the Board of Directors:

Lim Ming Seong
Director

Lim Boon Kheng
Director

Singapore
20 March 2017

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CSE GLOBAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

We have audited the financial statements of CSE Global Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

OPINION

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

PROJECT REVENUE RECOGNITION AND VALUATION ON WORK-IN-PROGRESS

The Group accounts for project revenue using the percentage of completion ("POC") method, whereby the stage of completion is measured by reference to the contracts costs incurred to date as a percentage of the total estimated costs for each contract. Project revenue recognition and the valuation of work-in-progress are significant to the financial statements based on the quantitative materiality. Moreover, the POC method involved the use of significant judgments in estimating the total budgeted costs, the progress towards completion, variation orders and claims and remaining costs to completion for each contract. We therefore identified project revenue recognition and valuation on work-in-progress to be key audit matter.

As part of the audit, we obtained an understanding of the Group's costing and budgeting processes, and the controls put in place to estimate project revenues and profit margins. In evaluating the reasonableness of management's budgeting process, we compared the budgeted costs to actual costs incurred to date, and assessed reasonableness on the remaining costs to be incurred to complete the projects. For significant projects, we reviewed the terms and conditions of the contracts, and the cost incurred. For potential disputes or variation claims, we tested their existence and valuation via inspection of correspondence with customers and contractors. We also inquired with the Group finance and operational management regarding the project status, budgeted costs to complete, probability of foreseeable losses or liquidated damages and where applicable, assessed the estimates of costs to complete and reasonableness of the provision for foreseeable losses, if any.

Information regarding the Group's project revenue and work-in-progress are disclosed in Note 19 and 10 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CSE GLOBAL LIMITED

IMPAIRMENT TESTING ON TRADE RECEIVABLES

Trade receivable balances were significant to the Group as they represented 35% of the total current assets and 33% of the total equity. As collectability of receivables is a key element of the Group's working capital management, it is monitored on an ongoing basis by management. Given the challenging economic climate in the oil and gas industry, and the use of significant management judgment in assessing the outstanding trade receivables for impairment, we identified impairment on trade receivables to be a key audit matter.

As part of the audit, we obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables. We also considered the ageing profile of outstanding receivables to identify collection risks. We performed procedures that include obtaining confirmation replies and evidence of post year end receipts for key trade receivables. We tested management's assumptions used to evaluate the trade receivables for impairment and to estimate the amount of impairment loss, notably through ageing analysis of outstanding receivables, assessment of significant overdue individual trade receivables and specific customer profile and local jurisdiction risks.

Further, we assessed the adequacy of the Group's disclosures on trade receivables and the related credit risk and liquidity risk in Note 12 and 31 to the financial statements.

ACCOUNTING FOR ACQUISITIONS

During the financial year ended 31 December 2016, the Group acquired assets and businesses for a total purchase consideration of $14,396,000, and recognised goodwill of $8,632,000. Management has engaged external valuation specialists to assist them with the allocation of purchase consideration to identified acquired assets and liabilities, and the measurement of their fair value at acquisition date. Due to the significant management judgment and estimates involved in the identification of intangible assets such as customer relationship, order backlog, non-compete agreement, and their respective fair values, we identified accounting for acquisitions to be a key audit matter. Information on the acquisitions are disclosed in Note 5 of the financial statements.

As part of our audit, we obtained the purchase agreements and reviewed the key terms to gain an understanding of the transactions. We tested the payment of the purchase price to the vendors. An important element of our audit relates to the identification of the acquired assets and liabilities, and ascertaining their fair values based on the valuation models used by management's external valuation specialists. We assessed the competence, objectivity, and the relevant experience of these valuation specialists. We tested the identification of the acquired assets and liabilities based on our understanding of the business of the acquired companies and the explanations and plans of the management/board that supported these acquisitions. We involved our internal valuation specialists in assessing the fair values of the acquired assets and liabilities by reviewing the valuation methodologies and key assumptions used by management and their external valuation specialists.

Further, we assessed the appropriateness of the related disclosures in Note 5 to the financial statements regarding these acquisitions.

As disclosed in Note 5 to the financial statements, the acquisition accounting of two of the four newly acquired businesses are provisional and will be finalised in the following year. Provisional goodwill arising from the acquisitions and the relating carrying amounts of the assets and liabilities will be adjusted accordingly on a retrospective basis when the valuation is finalised.

IMPAIRMENT TESTING ON GOODWILL

As at 31 December 2016, the Group recognised goodwill of $45,722,000 which represented 46% of the total non-current assets and 18% of total equity. The Group allocated goodwill to cash generating units ("CGUs") identified for impairment testing as disclosed in Note 8 to the financial statements. The recoverable amount of each CGU was determined using the value-in-use ("VIU") calculations, which was based on assumptions in respect of future market and economic conditions such as economic growth, expected inflation rates, demographic developments, expected market share, future revenue and budgeted gross margins. The audit procedures over management's annual impairment test were significant to our audit because the assessment process was complex and involved significant management judgment on the various assumptions used in the underlying cash flow forecasts. Based on the impairment testing, management assessed that no impairment was required during the year.

As part of our audit, we reviewed the robustness of management's budgeting process by comparing the actual financials versus previously forecasted financials. We assessed and tested the key assumptions used in the impairment assessment such as long term growth rates and discount rate, and performed sensitivity analysis on changes in these key assumptions to changes in the recoverable amount of each CGU. We also assessed whether assumptions have been determined and applied consistently across the Group. Our internal valuation specialists assisted us in testing the reasonableness of the discount rate used in the VIU calculation.

Further, we assessed the adequacy of the Group's disclosures in Note 8 to the financial statements concerning goodwill.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CSE GLOBAL LIMITED

VALUATION OF DEFERRED TAX ASSETS

As at 31 December 2016, the Group has recognised deferred tax assets of $11,548,000 which represented 12% of the total non-current assets and 5% of total equity. Deferred tax assets were recognised for unused tax losses and capital allowances to the extent that it was probable that taxable profit would be available against which the unused tax losses and capital allowances could be utilised. The valuation of the deferred tax assets was significant to our audit because it involved significant management judgment based on assumptions affected by the likely timing and level of future taxable profits. We therefore identified valuation of deferred tax assets to be a key audit matter.

In assessing the recoverability of deferred tax assets, we compared the consistency of management's profit forecasts with those included in the business plans approved by Board of Directors, tested management's assumptions to determine the probability that deferred tax assets will be recovered through taxable income in future years and corroborated these assumptions with supporting evidence. We also assessed the historical accuracy of management's assumptions and estimation process.

In addition, we assessed the adequacy of the Group's disclosures on deferred tax assets in Note 9 to the financial statements.

OTHER INFORMATION

Management is responsible for other information. The other information comprises information included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CSE GLOBAL LIMITED

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Alvin Phua Chun Yen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
20 March 2017

BALANCE SHEETS

As at 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current assets					
Property, plant and equipment	4	26,516	23,412	2,865	230
Investment in subsidiaries	5	–	–	204,495	204,495
Other investment	7	7,732	190	7,618	190
Intangible assets	8	53,104	44,869	967	1,129
Deferred tax assets	9	11,548	13,666	2,727	3,208
Current assets					
Gross amount due from customers for contract work-in-progress	10	41,873	60,409	–	–
Inventories	11	14,732	11,821	–	–
Trade and other receivables	12	88,680	107,181	462	1,260
Prepaid operating expenses		3,659	3,043	77	15
Amounts due from subsidiary companies	5	–	–	10,133	30,661
Cash and cash equivalents	26	90,778	109,719	11,853	27,380
		239,722	292,173	22,525	59,316
Current liabilities					
Gross amount due to customers for contract work-in-progress	10	10,989	12,586	–	–
Trade payables and accruals	13	37,058	50,676	1,634	6,254
Finance leases	27	28	78	–	–
Loans and borrowings	14	20,581	55,514	8,889	50,189
Amounts due to subsidiary companies	5	–	–	96,357	79,655
Provision for warranties	15	2,155	1,808	–	–
Provision for taxation		3,278	2,858	–	–
		74,089	123,520	106,880	136,098
Net current assets/(liabilities)		165,633	168,653	(84,355)	(76,782)
Non-current liabilities					
Deferred tax liabilities	9	(5,424)	(4,950)	–	–
Finance leases	27	–	(28)	–	–
Accruals	13	(4,261)	–	(4,000)	–
Net assets		254,848	245,812	130,317	132,470
Equity attributable to owners of the Company					
Share capital	16	98,542	98,542	98,542	98,542
Revenue reserve		171,632	164,635	21,899	24,052
Other reserves	17	9,844	9,844	9,876	9,876
Foreign currency translation reserve	18	(28,668)	(31,393)	–	–
		251,350	241,628	130,317	132,470
Non-controlling interests		3,498	4,184	–	–
Total equity		254,848	245,812	130,317	132,470

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

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000
Continuing operations			
Revenue	19	317,769	411,954
Cost of sales		(217,116)	(293,792)
Gross profit		100,653	118,162
Other operating income			
Miscellaneous income	20	591	511
Operating expenses			
Administrative expenses		(66,072)	(71,370)
Selling and distribution expenses		(3,806)	(3,994)
Other expenses		(3,806)	(2,807)
Operating profit		27,560	40,502
Finance income	21	877	258
Finance costs	22	(700)	(1,121)
Profit before tax from continuing operations	23	27,737	39,639
Income tax expense	24	(6,540)	(8,741)
Profit from continuing operations, net of tax		21,197	30,898
Discontinued operation			
Profit from discontinued operation, net of tax		–	3,406
Profit for the year		21,197	34,304
Attributable to:-			
Owners of the Company			
Profit from continuing operations, net of tax		21,189	31,191
Profit from discontinued operation, net of tax	6	–	2,875
Profit for the year attributable to owners of the Company		21,189	34,066
Non-controlling interests			
Profit/(loss) from continuing operations, net of tax		8	(293)
Profit from discontinued operations, net of tax		–	531
		8	238
Earnings per share from continuing operations attributable to owners of the Company (in cents)			
Basic EPS	25	4.11	6.04
Diluted EPS	25	4.11	6.04
Earnings per share (in cents)			
Basic EPS	25	4.11	6.60
Diluted EPS	25	4.11	6.60

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Group	
	2016 **$'000**	**2015** **$'000**
Profit for the year	21,197	34,304
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
– Foreign currency translation	2,031	11,277
Other comprehensive income for the year, net of tax	2,031	11,277
Total comprehensive income for the year	23,228	45,581
Attributable to:-		
Owners of the Company	23,914	45,592
Non-controlling interests	(686)	(11)
Total comprehensive income for the year	23,228	45,581
Attributable to:-		
Owners of the Company		
Total comprehensive income from continuing operations, net of tax	23,914	42,717
Total comprehensive income from discontinued operation, net of tax	–	2,875
Total comprehensive income for the year attributable to owners of the Company	23,914	45,592

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 2016

	Attributable to owners of the Company						
Group	Share capital (Note 16)	Revenue reserve	Other reserves (Note 17)	Foreign currency translation reserve (Note 18)	Total	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016							
At 1 January 2016	98,542	164,635	9,844	(31,393)	241,628	4,184	245,812
Profit net of tax	–	21,189	–	–	21,189	8	21,197
Other comprehensive income							
– Foreign currency translation	–	–	–	2,725	2,725	(694)	2,031
Total comprehensive income for the year	–	21,189	–	2,725	23,914	(686)	23,228
Contributions by and distributions to owners							
– Dividends on ordinary shares (Note 34)	–	(14,192)	–	–	(14,192)	–	(14,192)
Total contributions by and distributions to owners	–	(14,192)	–	–	(14,192)	–	(14,192)
At 31 December 2016	98,542	171,632	9,844	(28,668)	251,350	3,498	254,848

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Attributable to owners of the Company						
Group	Share capital (Note 16) $'000	Revenue reserve $'000	Other reserves (Note 17) $'000	Foreign currency translation reserve (Note 18) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
2015							
At 1 January 2015	98,542	144,761	9,805	(42,919)	210,189	7,417	217,606
Profit net of tax	–	34,066	–	–	34,066	238	34,304
Other comprehensive income							
– Foreign currency translation	–	–	–	11,526	11,526	(249)	11,277
			–				
Total comprehensive income for the year	–	34,066	–	11,526	45,592	(11)	45,581
Contributions by and distributions to owners							
– Dividends on ordinary shares (Note 34)	–	(14,192)	–	–	(14,192)	–	(14,192)
Total contributions by and distributions to owners	–	(14,192)	–	–	(14,192)	–	(14,192)
Change in ownership interests in subsidiaries							
Disposal of subsidiary	–	–	–	–	–	(3,183)	(3,183)
Acquisition of non-controlling interest without a change in control	–	–	39	–	39	(39)	–
Total change in ownership interests in subsidiaries	–	–	39	–	39	(3,222)	(3,183)
At 31 December 2015	98,542	164,635	9,844	(31,393)	241,628	4,184	245,812

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Company	**Share capital (Note 16)**	**Revenue reserve**	**Other reserves (Note 17)**	**Total equity**
	$'000	**$'000**	**$'000**	**$'000**
2016				
At 1 January 2016	98,542	24,052	9,876	132,470
Total comprehensive income for the year	–	12,039	–	12,039
Contribution by and distribution to owners				
Dividends on ordinary shares (Note 34)	–	(14,192)	–	(14,192)
At 31 December 2016	98,542	21,899	9,876	130,317
2015				
At 1 January 2015	98,542	28,230	9,876	136,648
Total comprehensive income for the year	–	10,014	–	10,014
Contribution by and distribution to owners				
Dividends on ordinary shares (Note 34)	–	(14,192)	–	(14,192)
At 31 December 2015	98,542	24,052	9,876	132,470

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2016

	2016 $'000	2015 $'000
Cash flows from operating activities :		
Profit before tax from continuing operations	27,737	39,639
Profit before tax from discontinued operation	–	3,663
Profit before tax, total	27,737	43,302
Adjustments for :		
Depreciation of property, plant and equipment attributable to continuing operations	5,193	4,332
Depreciation of property, plant and equipment attributable to discontinued operation	–	65
Amortisation of intangible assets	1,902	1,062
Intangible assets written off	297	–
Allowance for inventories obsolescence made, net	915	128
Allowance for doubtful trade receivables	1,157	1,824
Gain on disposal of subsidiary (Note 6)	–	(1,843)
Gain on disposal of property, plant and equipment	(473)	(438)
Property, plant and equipment written off	416	15
Changes in fair value of financial instruments	(276)	–
Interest expense	700	1,121
Interest income	(877)	(258)
Operating cash flows before changes in working capital	36,691	49,310
Decrease in trade and other receivables and prepaid operating expenses	18,781	738
Decrease in gross amount due from customers for contract work-in-progress, net and inventories	16,823	15,641
Decrease in payables and accruals and provision for warranties	(10,389)	(12,362)
Cash generated from operations	61,906	53,327
Interest paid	(700)	(1,121)
Interest received	877	258
Income tax paid	(3,684)	(9,028)
Net cash generated from operating activities	58,399	43,436
Cash flows from investing activities :		
Purchase of property, plant and equipment	(7,369)	(5,487)
Purchase of intangible assets	(170)	(966)
Acquisition of business and assets, net of cash acquired (Note 5)	(14,396)	(4,053)
Consideration paid on quoted investment, net	(7,153)	–
Fourth tranche payment for the subsidiary acquired	–	(560)
Disposal of subsidiary (Note 6)	–	7,493
Proceeds from disposal of property, plant and equipment	755	716
Net cash used in investing activities	(28,333)	(2,857)
Cash flows from financing activities :		
(Repayment of)/Proceed from short-term borrowings	(34,933)	12,664
Repayment of long-term borrowings	–	(864)
Dividends paid on ordinary shares	(14,192)	(14,192)
Repayment of finance lease obligations	(80)	(202)
Net cash used in financing activities	(49,205)	(2,594)
Net (decrease)/increase in cash and cash equivalents	(19,139)	37,985
Net effect of exchange rate changes on cash and cash equivalents	198	4,843
Cash and cash equivalents at beginning of financial year (Note 26)	109,719	66,891
Cash and cash equivalents at end of financial year (Note 26)	90,778	109,719

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. CORPORATE INFORMATION

CSE Global Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office of the Company is located at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623 and its principal place of business is No. 2 Ubi View, Level 5, Singapore 408556.

On 21 May 2016, the Company changed its principal place of business to 202 Bedok South Avenue 1, #01-21, Singapore 469332.

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 disclosed in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. SUMMARY OF 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 as disclosed in the accounting policies below.

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

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

Fundamental accounting concept

As at 31 December 2016, the Company's current liabilities exceeded its current assets by $84,355,000 (2015: $76,782,000). In the opinion of the Directors, the Company is able to continue as a going concern despite its net current liabilities position as the Company is able to deploy the available funds within the Group for the Company to pay its debts as and when they fall due. Accordingly, the Directors are of the view that the going concern assumption is appropriate for the preparation of the financial statements of the Company.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not adopted the following standards and interpretations that have been issued but are not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 110 and FRS 20 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
Improvements to FRSs (December 2016)	
(a) Amendments to FRS 101 *First-Time Adoption of Financial Reporting Standard*	1 January 2018
(b) Amendments to FRS 112 *Disclosure of Interest in Other Entities*	1 January 2017
(c) Amendments to FRS 28 *Investments in Associates and Joint Venture*	1 January 2018
FRS 116 *Leases*	1 January 2019
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

Except for FRS 109, FRS 115 and FRS 116, the Directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in account policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

(a) ***Classification and measurement***

The Group expects to have a mixed business model. The Group intends to hold its currently held-to-maturity debt instruments assets to collect contractual cash flows, and accordingly measured at amortised cost when it applies FRS 109. For its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group will applies FRS 109. The Group does not expect any significant impact to arise from these changes.

(b) ***Impairment***

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Company expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees - leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Company is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Company expects the adoption of the new standard will result in an increase in total assets and total liabilities, EBITDA and gearing ratio.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) ***Judgments made in applying accounting policies***

The Company has not made an accounting judgment which has significant effect on the amounts recognised in the financial statements.

(b) ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) ***Impairment of intangible assets***

As disclosed in Note 8 to the financial statements, the recoverable amounts of the cash generating units which goodwill has been allocated to is determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 8 to the financial statements.

The carrying amount of the intangible assets as at 31 December 2016 is $53,104,000 (2015: $44,869,000).

(ii) ***Impairment of loans and receivables***

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

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 receivables at the balance sheet date is disclosed in Note 12 to the financial statements.

(iii) ***Deferred tax assets***

Deferred tax assets are recognised for unutilised tax losses and capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The aggregate carrying value of recognised tax losses and capital allowances as at 31 December 2016 was $27,652,000 (2015: $40,453,000).

(iv) ***Construction contracts***

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project engineers. Significant judgment is also involved in the recoverability of the gross amount due from customers and the adequacy of foreseeable losses, if any. The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 10 to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 FOREIGN CURRENCY

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) ***Transactions and balances***

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 rate of exchange ruling at the end of the reporting period. 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 measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) ***Consolidated financial statements***

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 SUBSIDIARIES

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.7 BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS

(a) ***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are 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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS (CONT'D)

(a) ***Basis of consolidation (cont'd)***

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
– De-recognises the carrying amount of any non-controlling interest;
– De-recognises the cumulative translation differences recorded in equity;
– Recognises the fair value of the consideration received;
– Recognises the fair value of any investment retained;
– Recognises any surplus or deficit in profit or loss;
– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) ***Business combinations and goodwill***

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

2.8 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

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 8 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.10 INTANGIBLE ASSETS

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated 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 are reviewed at least once per year at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 INTANGIBLE ASSETS (CONT'D)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Sales order backlog

Significant confirmed orders and pipeline projects which are acquired in a business combination and amortised on a straight-line basis over 3 months to 3 years.

Non-compete agreement

Non-compete agreement acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is fair value at the acquisition date. The useful life of the non-compete agreements is 10 years as that is the duration imposed on the former owner of the business acquired to generate cash flows for the Group. The non-compete agreement are amortised on a straight-line basis over their useful lives of 10 years.

Licences and intellectual property rights

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

Customer relationships

Customer relationships acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is fair value at the acquisition date. Subsequent to initial recognition, customer relationships acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Customer relationships are amortised on a straight-line basis over their useful lives of 6 to 10 years.

2.11 FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) ***Loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(b) ***Available-for-sale financial assets***

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 FINANCIAL ASSETS (CONT'D)

Subsequent measurement (cont'd)

(c) ***Held-to-maturity investments***

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 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 indication exists, or when an annual impairment testing for an asset 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 of disposal 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. Where the carrying amount of an asset or cash-generating unit 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 profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.14 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 IMPAIRMENT OF FINANCIAL ASSETS (CONT'D)

(a) ***Financial assets carried at amortised cost (cont'd)***

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has 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 financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at 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 discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) ***Available-for-sale financial assets***

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

2.15 CONSTRUCTION CONTRACTS

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

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

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

(i) Raw materials: purchase costs on a first-in first-out basis.

(ii) Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

2.18 BORROWING COSTS

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that 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 incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 PROVISIONS

General

Provisions are recognised when the Group has a present obligation (legal or constructive), 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 the amount of the obligation can be estimated reliably.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 PROVISIONS (CONT'D)

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Provisions for foreseeable loss

Provisions for foreseeable loss are made when it is probable that total contract costs will exceed total contract revenue.

2.20 EMPLOYEE BENEFITS

(a) ***Defined contribution plans***

As required by law, the Group's companies in Singapore, Malaysia, India, Australia and New Zealand make contributions to their respective countries' state pension schemes, being the Central Provident Fund ("CPF") in Singapore, the Employees Provident Fund ("EPF") in Malaysia and India, the Superannuation in Australia and the KiwiSaver in New Zealand. 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.

(b) ***Employee leave entitlement***

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

2.21 LEASES

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) ***As lessee***

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. 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 to profit or loss. 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 and 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 profit or loss 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 2.22(e). Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) ***Contract revenue***

Accounting policy for recognising contract revenue is stated in Note 2.15.

(b) ***Time and material revenue***

Revenue from the time and material are recognised upon the transfer of significant risk and rewards of ownership of the material to the customer or time has been incurred, usually on delivery and acceptance of the material sold or acknowledgement on time incurred. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of material.

(c) ***Maintenance revenue***

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.

(d) ***Interest income***

Interest income is recognised using the effective interest method.

(e) ***Rental income***

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.23 INCOME TAXES

(a) ***Current income tax***

Current income 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 at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period 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 liability arises from the initial recognition of goodwill or 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 taxable 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 and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 INCOME TAXES (CONT'D)

(b) ***Deferred tax (cont'd)***

Deferred tax assets are recognised for all deductible temporary differences, 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 except:

- Where the deferred tax asset relating to the deductible temporary difference 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 CONTINGENCIES

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.25 SEGMENT REPORTING

For management purposes, the Group is organised into operating segments based on their geographical locations which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 28, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.27 SHARE CAPITAL AND SHARE ISSUANCE EXPENSES

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.28 DISCONTINUED OPERATIONS

A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held-for-sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

In the profit or loss of the current reporting period, and of the comparative period, all income and expenses from discontinued operation are reported separately from income and expenses from continuing activities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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 2016 $100	Cost 2015 $100	Effective equity interest held by the Group 2016 %	Effective equity interest held by the Group 2015 %
ii	CSE Systems & Engineering (India) Private Limited [3] (India)	Sales and provision of computer network systems (India)	36	36	100	100
i	CSE Global (Asia) Limited (Singapore)	E-business integration, research and development and investment holding (Singapore)	27,264	27,264	100	100
i	S3 ID Pte Ltd (Singapore)	Sale and provision of safe secure solution and investment holding (Singapore)	13,600	13,600	80	80
i	CSE (Americas) Pte Ltd (Singapore)	Sale and provision of system integration services and investment holding (Singapore)	39,556	39,556	100	100
ii	CSE-Hankin China Co Ltd (Formerly known as CSE Technology (Beijing) Co., Ltd) [5] (China)	Design and install high temperature thermal process and incineration systems (China)	2,524	2,524	100	100
i	CSE-TransTel Pte Ltd (Singapore)	Provision of turnkey telecommunications solutions (Singapore)	75,302	75,302	100	100
ii	CSE-Global (Australia) Pty Ltd [6] (Australia)	Distribution of electrical engineering equipment and provision of telecommunications solutions and investment holding (Australia)	46,213	46,213	100	100
			204,495	204,495		

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. GROUP COMPANIES (CONT'D)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group 2016 %	2015 %
	Held by CSE Global (Asia) Limited			
i	CSE-ITS Pte Ltd (Singapore)	Provision of infrastructure engineering services (Singapore)	100	100
i	CSE-IAP Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	100	100
i	CSE-EIS Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	100	100
ii	CSE-EIS (Malaysia) Sdn Bhd (9) (Malaysia)	Sales and provision of computer systems (Malaysia)	100	100
i	CSE Hankin (Singapore) Pte Ltd (Singapore)	Provision of process plant and environmental engineering services (Singapore)	100	100
i	Sirius System & Engineering Solutions Pte Ltd (Singapore)	Provision of data telecommunications solutions and marine survey certification (Singapore)	100*	–
ii	CSE Systems & Engineering (India) Private Limited (3) (India)	Sales and provision of computer network systems (India)	100	100
ii	CSE-Hankin China Co Ltd (Formerly known as CSE Technology (Beijing) Co., Ltd) (5) (China)	Design and install high temperature thermal process and incineration systems (China)	100	100
	Held by CSE Hankin (Singapore) Pte Ltd			
ii	CSE-Hankin Inc (2) (America)	Design and install high temperature thermal process and incineration systems (America)	100	100
	Held by S3 ID Pte Ltd			
ii	S3 ID Group Ltd (10) (United Kingdom)	Sale and provision of safety system and automation hardware product (United Kingdom)	60	60
ii	S3 ID (Malaysia) Sdn Bhd (13) (Malaysia)	Sale and provision of safety system and automation hardware product (Malaysia)	80	80

* Sirius System & Engineering Solutions Pte Ltd is a newly incorporated company in the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. GROUP COMPANIES (CONT'D)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group	
			2016	**2015**
			%	**%**
	Held by S3 ID Group Ltd			
ii	S3 ID Ltd (10) (United Kingdom)	Sale and provision of safety system and automation hardware product (United Kingdom)	60	60
ii	S3 ID AS (11) (Norway)	Sale and provision of safety system and automation hardware product (Norway)	60	60
iii	S3 ID LLP (Kazakhstan)	Sale and provision of safety system and automation hardware product (Kazakhstan)	60	60
	Held by CSE (Americas) Pte Ltd			
iii	CSE Americas, Inc (America)	Sale and provision of system integration services and investment holding (America)	100	100
iii	W-Industries of Mexico, SA de CV (Mexico)	Sale and provision of system integration services (Mexico)	100	100
	Held by CSE Americas, Inc			
iii	CSE W-Industries, Inc (America)	Sale and provision of system integration services (America)	100	100
iv	CSE ICON, Inc (America)	Sale and provision of system integration services (America)	100	100
	Held by CSE W-Industries, Inc			
iv	W-Industries of Texas, LLC (America)	Sale and provision of system integration services (America)	100	100
iv	W-Industries of Louisiana, LLC (America)	Sale and provision of system integration services (America)	100	100
iii	CSE Environmental, LLC (America)	Dormant (America)	100	100
iv	CC American Oilfield, LLC (America)	Sale and provision of system integration services (America)	100**	–
	Held by CC American Oilfield, LLC			
iv	R-M Transactions, LLC (America)	Sale and provision of system integration services (America)	100*	–

** CC American Oilfield, LLC and R-M Transactions, LLC are newly incorporated companies in the financial year ended 31 December 2016 and completed their acquisition of business from CC American Oilfield L.L.C. and Roc-Mar Inc on 15 January 2016 (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. GROUP COMPANIES (CONT'D)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group 2016 %	2015 %
	Held by CSE-TransTel Pte Ltd			
iii	P.T. TransTel Engineering (Indonesia)	Provision of turnkey telecommunications solutions (Indonesia)	100	100
iii	TransTel Engineering (Nigeria) Ltd (Nigeria)	Provision of turnkey telecommunications solutions (Nigeria)	80	80
ii	TransTel Engineering (Tianjin) Co. Ltd (4) (China)	Provision of turnkey telecommunications solutions (China)	100	100
ii	TransTel Engineering Thailand Ltd (8) (Thailand)	Provision of turnkey telecommunications solutions (Thailand)	100	100
iii	TransTel Engineering Pty Ltd (Australia)	Provision of turnkey telecommunications solutions (Australia)	100	100
ii	TransTel Engineering (M) Sdn Bhd (9) (Malaysia)	Provision of turnkey telecommunications solutions (Malaysia)	100	100
iii	TransTel Engineering Arabian Limited Co. (Saudi Arabia)	Provision of turnkey telecommunications solutions (Saudi Arabia)	100	100
ii	TransTel Engineering PNG Limited(1) (Papua New Guinea)	Provision of turnkey telecommunications solutions (Papua New Guinea)	100	100
ii	CSE Systems & Engineering (Thailand) Limited (8) (Thailand)	Sales and provision of computer network systems (Thailand)	100	100
ii	CSE TransTel India Private Limited (7) (India)	Sales and provision of telecommunications network systems (India)	100	100
ii	CSE TransTel Middle East FZE (14) (Dubai)	Sales and provision of telecommunications network systems (Dubai)	100	100
	Held by CSE-Global (Australia) Pty Ltd			
ii	CSE-Uniserve Corporation Pty Ltd (6) (Australia)	Distribution of electrical engineering equipment and investment holding (Australia)	100	100
ii	Astib Group Pty Ltd (6) (Australia)	Provision of telecommunications solutions and investment holding (Australia)	100	100
ii	CSE Crosscom Pty Ltd (6) (Australia)	Provision of telecommunications solutions (Australia)	100	100***

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. GROUP COMPANIES (CONT'D)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group 2016 %	2015 %
	Held by CSE-Uniserve Corporation Pty Ltd			
ii	CSE-Uniserve Pty Ltd (6) (Australia)	Distribution of electrical engineering equipment (Australia)	100	100
ii	CSE-W Arthur Fisher Limited (12) (New Zealand)	Distribution of electrical engineering equipment and manufacture of process control and automation equipment (New Zealand)	100	100
	Held by Astib Group Pty Ltd			
ii	CSE-TransTel Pty Ltd (6) (Australia)	Provision of telecommunications solutions (Australia)	100	100
ii	CSE-CX Distribution Pty Ltd (6) (Australia)	Provision of telecommunications solutions (Australia)	100	100
ii	CSE-Comsource Pty Ltd (6) (Australia)	Provision of telecommunications solutions (Australia)	100	100

*** CSE Crosscom Pty Ltd, a newly incorporated company in the financial year ended 31 December 2015 and CSE Crosscom Pty Ltd completed its acquisition of business from Crosscom Pty Ltd on 30 June 2015 (Note 5).

(i) Audited by Ernst & Young LLP, Singapore

(ii) Audited by other auditors

(1) Audited by Sinton Spence
(2) Audited by Flynn, Horlacher & Parker, P.C., Certified Public Accountants
(3) Audited by M.V Guruprasad, Chartered Accountants
(4) Audited by Tianjin Zhong Hao Hai, Certified Public Accountants
(5) Audited by Beijing Zhong Yong LiQin, Certified Public Accountants
(6) Audited by Foster Raffan, Certified Public Accountants
(7) Audited by AFC Corporate Advisors Pvt Ltd
(8) Audited by Siam Council Audit Services Limited, Certified Public Accountants
(9) Audited by RSM Malaysia
(10) Audited by RSM UK Audit LLP
(11) Audited by RSM Norway
(12) Audited by JSA Audit Ltd.
(13) Audited by Leong Ho & Associates PLT
(14) Audited by HLB Hamt Chart. Acct

(iii) Not required to be audited under the laws of the country of incorporation

(iv) Not required to be audited under the laws of the country of incorporation, but audited by Ernst & Young LLP, Singapore for the purpose of consolidation of the Group.

As required by Rule 716 of the Listing Manual of the Singapore Securities Trading Limited, the Audit and Risk Committee and the Board of Directors of the Company have satisfied themselves that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

4. PROPERTY, PLANT AND EQUIPMENT

Group	Assets under construction	Freehold land	Buildings	Leasehold improve-ments	Plant and machinery	Tools and equipment	Office furniture and fittings	Computer equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:										
At 1 January 2015	630	925	10,418	3,508	3,711	16,410	3,920	7,961	3,777	51,260
Currency realignment	45	67	726	150	22	(516)	82	346	135	1,057
Additions	648	–	673	54	202	1,601	748	685	950	5,561
Acquisition of assets (Note 5)	–	–	–	8	328	397	18	102	72	925
Disposal of subsidiary (Note 6)	–	–	(678)	(46)	(41)	(218)	(10)	(53)	(324)	(1,370)
Disposals	–	–	–	–	(22)	(1,147)	(28)	(65)	(573)	(1,835)
Write-off	–	–	–	(16)	–	–	(3)	(225)	(42)	(286)
Reclassification	(763)	–	43	–	–	684	11	25	–	–
At 31 December 2015 and 1 January 2016	560	992	11,182	3,658	4,200	17,211	4,738	8,776	3,995	55,312
Currency realignment	14	26	290	52	118	483	15	128	41	1,167
Additions	1,218	–	240	3,046	118	1,309	542	628	268	7,369
Acquisition of assets (Note 5)	–	–	–	–	617	279	35	7	370	1,308
Disposals	–	–	–	–	(145)	(1,452)	(219)	(38)	(211)	(2,065)
Write-off	–	–	–	(898)	–	(10)	(185)	(332)	–	(1,425)
Reclassification	(1,288)	–	735	145	–	367	9	32	–	–
At 31 December 2016	504	1,018	12,447	6,003	4,908	18,187	4,935	9,201	4,463	61,666

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Assets under construction	Freehold land	Buildings	Leasehold improve-ments	Plant and machinery	Tools and equipment	Office furniture and fittings	Computer equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation:										
At 1 January 2015	–	–	2,864	2,428	2,761	9,181	2,779	6,494	2,304	28,811
Currency realignment	–	–	283	133	69	(149)	95	341	129	901
Charge for the year										
– Continuing operations	–	–	261	204	365	1,919	341	756	486	4,332
– Discontinued operation	–	–	33	2	1	10	–	3	16	65
Disposals of subsidiary (Note 6)	–	–	(80)	(46)	(41)	(33)	(3)	(50)	(128)	(381)
Disposals	–	–	–	–	(20)	(1,013)	(22)	(62)	(440)	(1,557)
Write-off	–	–	–	(1)	–	–	(3)	(225)	(42)	(271)
At 31 December 2015 and 1 January 2016	–	–	3,361	2,720	3,135	9,915	3,187	7,257	2,325	31,900
Currency realignment	–	–	107	55	104	331	44	181	27	849
Charge for the year	–	–	414	415	482	2,157	384	732	609	5,193
Disposals	–	–	–	–	(144)	(1,336)	(134)	(28)	(141)	(1,783)
Write-off	–	–	–	(626)	–	–	(145)	(238)	–	(1,009)
At 31 December 2016	–	–	3,882	2,564	3,577	11,067	3,336	7,904	2,820	35,150
Net carrying value:										
At 31 December 2016	504	1,018	8,565	3,439	1,331	7,120	1,599	1,297	1,643	26,516
At 31 December 2015	560	992	7,821	938	1,065	7,296	1,551	1,519	1,670	23,412

The Group did not acquire property, plant and equipment by means of finance leases during the financial year. In 2015, the Group acquired property, plant and equipment with an aggregate cost of $74,000 by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to $7,369,000 (2015: $5,487,000). The carrying amount of property, plant and equipment held under finance leases at the end of the financial year was $28,000 (2015: $41,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold improvements	Plant and machinery	Office furniture and fittings	Computer equipment	Motor vehicle	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost:						
At 1 January 2015	468	–	70	259	–	797
Additions	12	–	9	–	216	237
Write-off	(16)	–	–	–	–	(16)
At 31 December 2015 and 1 January 2016	464	–	79	259	216	1,018
Additions	2,619	21	230	46	–	2,916
Write-off	(464)	–	(73)	(169)	–	(706)
At 31 December 2016	2,619	21	236	136	216	3,228
Accumulated depreciation:						
At 1 January 2015	434	–	66	245	–	745
Charge for the year	10	–	3	13	18	44
Write-off	(1)	–	–	–	–	(1)
At 31 December 2015 and 1 January 2016	443	–	69	258	18	788
Charge for the year	144	2	25	13	72	256
Write-off	(447)	–	(66)	(168)	–	(681)
At 31 December 2016	140	2	28	103	90	363
Net carrying value:						
At 31 December 2016	2,479	19	208	33	126	2,865
At 31 December 2015	21	–	10	1	198	230

5. INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

	Company	
	2016	2015
	$'000	$'000
Unquoted shares, at cost	204,495	204,495

Details of the subsidiary companies are set out in Note 3.

As at 31 December 2016, the Group does not have any subsidiaries that have non-controlling interests (NCI) that are material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

5. INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES (CONT'D)

Acquisition of business in 2016

Acquisition of business in Australia

In 2016, the wholly-owned subsidiaries of the Group, CSE Crosscom Pty Ltd and CSE Comsource Pty Ltd, entered into asset purchase agreements with three entities for the acquisition of assets and businesses for a combined purchase consideration of AUD5,671,000 (approximately $5,745,000).

The acquisitions allowed the Group to have an established platform from which to expand its business in the provision of two way radio communication products and services in Australia.

The fair values of the identifiable assets and liabilities acquired are as follows:

	Fair value recognised on acquisition* Total $'000
Customer relationships	98
Property, plant and equipment	1,066
Inventories	489
Deferred tax assets	49
Other investment	114
Total assets	1,816
Other payables	(49)
Accruals	(230)
Deferred tax liabilities	(31)
Total liabilities	(310)
Total identifiable net assets at fair value	1,506
Translation	(146)
Goodwill arising from acquisition	4,802
	6,162

Consideration effectively transferred for the acquisition

Cash paid on acquisition, representing net cash out flow on acquisition	5,745
Contingent consideration recognised at acquisition date**	417
	6,162

* The purchase price allocations of two of the three newly acquired businesses were provisional.
** Contingent consideration pertains to the terms agreed with the former owner of one of the businesses upon meeting certain performance criteria set out in the asset purchase agreement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

5. INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES (CONT'D)

Acquisition of business in Australia (cont'd)

Transaction costs

Transaction costs related to the acquisition of AUD430,193 (approximately $449,000) have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2016.

Goodwill arising from acquisition

The goodwill arising from the acquisition comprises the value of strengthening the Group's market position in the telecommunications to the oil and gas, infrastructure and mining industries. None of the goodwill recognised is expected to be deductible for tax purposes.

Customer relationship arising from acquisition

Arising from the purchase price allocation exercise of the acquisition of assets and business from one of the newly acquired businesses during the year, customer relationship has been identified as an intangible asset arising from the acquisition. The carrying value of the intangible assets represent the fair value determined by the independent valuer.

Impact on the acquisition on profit or loss

The newly acquired businesses have been integrated with the existing business and did not maintain separate accounting records. It is impracticable to determine the contribution of the newly acquired businesses would have made to the Group's profit or loss assuming that the acquisitions had taken place since the start of the financial year.

Provisional accounting of the acquisition of assets and businesses

The purchase price allocation of the acquisition of assets and businesses from the other two newly acquired businesses in the financial year ended 31 December 2016 were provisional as the Group had sought an independent valuation for the acquisitions. The results of this valuation had not been finalised at the date the 2016 financial statements were authorised for issue.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

5. INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES (CONT'D)

Acquisition of business from CC American Oilfield L.L.C. and Roc-Mar Inc

On 15 January 2016, the wholly-owned subsidiaries of the Group, CC American Oilfield LLC and R-M Transactions LLC entered into the asset purchase agreements with CC American Oilfield L.L.C. and Roc-Mar Inc (collectively "CCAG") for the acquisition of assets and business of CCAG (the "CCAG Acquisition") for a cash consideration of USD6,050,000 (or approximately $8,651,500). The CCAG Acquisition has an effective date of 31 December 2015.

The CCAG Acquisition allowed the Group to have a stronger alignment of the Group's customer base and the current and potential customer base of CCAG. The addition of an ASME certified vessel manufacturer to the Group will create opportunities in new markets, especially midstream processing.

The fair values of the identifiable assets and liabilities acquired are as follows:

CC American Group	Fair value recognised on acquisition $'000
Customer relationships	288
Non-complete agreement	2,105
Sales order backlog	328
Property, plant and equipment	242
Inventories	1,964
Total identifiable net assets at fair value	4,927
Translation	(106)
Goodwill arising from acquisition	3,830
Cash paid on acquisition, representing net cash outflow on acquisition	8,651

Transaction costs

Transaction costs related to the acquisition of USD141,817 (approximately $196,000) were recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2016.

Goodwill arising from acquisition

The goodwill arising from the acquisition comprises the value of strengthening the Group's geographical coverage and opportunities created in the new market with an addition of an ASME certified vessel manufacturer. None of the goodwill recognised is expected to be deductible for tax purposes.

Intangible assets arising from acquisition

Arising from the finalisation of the purchase price allocation exercise during the year, customer relationship, non-compete agreement and sales order backlog were identified as intangible assets arising from the acquisition. The carrying value of the intangible assets represents the fair value determined by the independent valuer.

Impact on the acquisition on profit or loss

From the acquisition effective date of 31 December 2015, CCAG has contributed USD16,442,000 (approximately $22,850,000) of revenue and USD2,069,873 (approximately $2,869,000) to the Group's profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

5. INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES (CONT'D)

Acquisition of business in 2015

Acquisition of business from Crosscom Pty Ltd

On 19 June 2015, a wholly-owned subsidiary of the Group, CSE Crosscom Pty Ltd entered into an asset purchase agreement with Crosscom Pty Ltd ("Crosscom") for the acquisition of assets and business of Crosscom (the "Crosscom Acquisition") for a cash consideration of AUD5,000,000 (or approximately $5,066,000). The transaction was completed on 30 June 2015.

The Crosscom Acquisition allowed the Group to invest in a company with an established platform from which to expand its business in the provision of two way radio communication products and services in Australia.

The acquisition of assets and business of Crosscom Pty Ltd was reported based on provisional amounts in the Group financial statement for the year ended 31 December 2015 as the Group had sought an independent valuer to determine the fair values of the identifiable assets and liabilities of CSE Crosscom at the acquisition date. The results of this valuation had not been received at the date the 2015 financial statements were authorised for issue. The allocation of purchase price to the identifiable assets and liabilities was completed in the current financial year. The Group made certain adjustments in connection with the acquisition of CSE Crosscom as follows:

	Provisional fair values at date of acquisition $'000	Fair value adjustments $'000	Fair values recognised $'000
Customer relationships	1,575	695	2,270
Property, plant and equipment	925		925
Inventories	1,180		1,180
Cash and cash equivalent	1,013		1,013
	4,693		5,388
Deferred tax liabilities	(556)	(110)	(666)
Total identifiable net assets at fair value	4,137		4,722
Translation	–	(51)	(51)
Goodwill arising from acquisition	929	(534)	395
Cash paid	5,066		5,066
Less: Cash and cash equivalent received upon acquisition	(1,013)		(1,013)
Net cash outflow on acquisition	4,053		4,053

Goodwill arising from acquisition

The goodwill arising from the acquisition comprises the value of strengthening of the Group's market position in the automation, telecommunications and security solutions to the oil and gas, infrastructure and mining industries. None of the goodwill recognised is expected to be deductible for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

5. INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES (CONT'D)

Acquisition of business from Crosscom Pty Ltd (cont'd)

Customer relationships arising from acquisition

Customer relationships have been identified as an intangible asset arising from this acquisition. The Group engaged an independent valuer to determine the fair value of the customer relationships.

Goodwill arising from the acquisition, the carrying amount of the customer relationships, deferred tax liability and amortisation of the customer relationships have been adjusted accordingly in the current financial year on finalisation of the value in 2016.

Amounts due from/(to) subsidiary companies

	Company	
	2016	**2015**
	$'000	**$'000**
Amounts due from subsidiary companies, current:-		
Trade	5,182	9,542
Non-trade	155	1,054
Short term loans	4,796	20,065
Amounts due from subsidiary companies, current	10,133	30,661

Amounts due from subsidiary companies denominated in foreign currencies at December are as follows:

United States Dollars	3,027	26,865
British Pounds Sterling	10	39
Australia Dollars	4,625	630

Amounts due to subsidiary companies, current:-		
Trade	921	1,742
Non-trade	255	317
Short term loans	95,181	77,596
Amounts due to subsidiary companies, current	96,357	79,655

Amounts due to subsidiary companies denominated in foreign currencies at December are as follows:-

	Company	
	2016	**2015**
	$'000	**$'000**
United States Dollars	35,400	56,422

The trade and non-trade amounts due from/(to) subsidiary companies are unsecured, non-interest bearing, repayable on demand and are to be settled in cash. The short term loans due from subsidiary companies bear interest at 3.0% (USD), 3.5% (AUD) per annum (2015: 3.0% - 6.0% (USD), Nil (AUD)). The short term loans due to subsidiary companies bear interest at 1.5% (USD), 1.5% (SGD) per annum (2015: 1.5% (USD), 0.38% (SGD)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6. DISCONTINUED OPERATION

On 12 June 2015, the Group completed the disposal of its entire shareholding interest of 66% in Power Diesel Engineering Pte Ltd ("Power Diesel") for a cash consideration of $15,470,380 to IMR Power Pte Ltd.

The disposal would enable the Group to focus on its process controls and communication and security businesses.

Following the completion of disposal of equity interest of 66% in Power Diesel, the Group recorded a gain on disposal of subsidiary of $1,843,000. The effects of the disposal of Power Diesel on the financial results of the Group for the financial period up to the date of disposal are as follows:

The summarised financial information of the discontinued operation is as follows:

	2015
	$'000
Result	
Revenue	7,701
Cost of sales	(5,435)
Gross profit	2,266
Expenses	(446)
Profit before tax	1,820
Taxation	(257)
Non-controlling interest	(531)
Gain on disposal of subsidiary	1,843
Profit from discontinued operation, net of tax	2,875

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6. DISCONTINUED OPERATION (CONT'D)

The effect of the disposal of Power Diesel on the financial position of the Group as at the date of disposal are as follows:

	2015 $'000
Assets	
Property, plant and equipment	989
Gross amount due from customers for contract work-in-progress	1,706
Trade and other receivables	5,020
Prepaid operating expenses	28
Cash and bank balances	3,413
Intangible asset	2,884
Assets of the subsidiary	14,040
Liabilities	
Trade payables and accruals	403
Finance lease	151
Provision for tax	646
Deferred tax liabilities	51
Gross amount due to customers for contract work-in-progress	516
Liabilities of the subsidiary	1,767
Net assets directly associated to the subsidiary	12,273
Investment at cost	5,787
Share of post-acquisition reserves as at 1 January 2015	2,244
Share of post-acquisition reserves for the period ended 31 May 2015	1,032
Carrying amount of investment	9,063
Cash and bank balances as at date of disposal	(3,413)
Gain on disposal of subsidiary	1,843
Total cash consideration received net of cash disposed	7,493

7. OTHER INVESTMENT

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-current:				
Available-for-sale financial assets				
– Equity instruments (unquoted), at cost	304	190	190	190
Held-to-maturity investment				
– Debt instruments (quoted)	7,428	–	7,428	–
	7,732	190	7,618	190

Held-to-maturity debt securities bear interest at rates ranging from 4.05% to 4.75% (2015: Nil) per annum and will mature in 8.20 years to 9.39 years (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8. INTANGIBLE ASSETS

Group	Goodwill	Sales order backlog	Non-compete agreement	Licences	Intellectual property rights	Customer relationship	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:								
At 1 January 2015	43,894	425	–	1,759	4,068	–	–	50,146
Currency realignment	1,231	8	–	–	87	–	–	1,326
Additions	–	–	–	–	642	–	324	966
Acquisition of assets	929	–	–	–	–	1,575	–	2,504
Disposal of subsidiary	(2,884)	–	–	–	–	–	–	(2,884)
Adjustment for contingent settlement	(100)	–	–	–	–	–	–	(100)
At 31 December 2015 and 1 January 2016	43,070	433	–	1,759	4,797	1,575	324	51,958
Currency realignment	(775)	(68)	–	–	(753)	46	9	(1,541)
Additions	–	–	–	–	170	–	–	170
Acquisition of assets	8,632	328	2,105	–	–	386	–	11,451
Adjustments*	(534)	–	–	–	–	695	–	161
Write-off	–	–	–	–	–	–	(333)	(333)
At 31 December 2016	50,393	693	2,105	1,759	4,214	2,702	–	61,866
Accumulated amortisation and impairment loss:								
At 1 January 2015	4,594	200	–	469	685	–	–	5,948
Currency realignment	56	6	–	–	17	–	–	79
Provided during the year	–	143	–	161	513	213	32	1,062
At 31 December 2015 and 1 January 2016	4,650	349	–	630	1,215	213	32	7,089
Currency realignment	21	(44)	13	–	(217)	30	4	(193)
Provided during the year	–	388	198	162	413	741	–	1,902
Write-off	–	–	–	–	–	–	(36)	(36)
At 31 December 2016	4,671	693	211	792	1,411	984	–	8,762
Net carrying value:								
At 31 December 2016	45,722	–	1,894	967	2,803	1,718	–	53,104
At 31 December 2015	38,420	84	–	1,129	3,582	1,362	292	44,869
Remaining amortisation period (years) – 2016	NA	NA	9	6	10	4 - 9	–	NA
Remaining amortisation period (years) – 2015	NA	1	–	7	11	5	9	NA

* Adjustments due to finalisation of purchase price allocation of Crosscom Acquisition. (Note 5)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8. INTANGIBLE ASSETS (CONT'D)

Licences

The licences are related to industrial design rights for automatic chemical resistance starters for electric motors.

Intellectual property rights

Intellectual property rights relate to the patented and unpatented technologies of tracking system and lock device.

Company	**Licences**
	$'000
Cost:	
At 1 January 2015, 31 December 2015 and 31 December 2016	1,759
Accumulated amortisation:	
At 1 January 2015	469
Provided during the year	161
At 31 December 2015	630
Provided during the year	162
At 31 December 2016	792
Net carrying value:	
At 31 December 2016	967
At 31 December 2015	1,129

Amortisation of intangibles assets other than goodwill are included in the "Other expenses" line item in profit or loss.

Impairment testing of goodwill

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

	Group	
	2016	**2015**
	$'000	**$'000**
CSE W-Industries, Inc.		
– W-Industries of Louisiana, LLC	15,609	15,215
– CC American Oilfield LLC	3,830	–
CSE-Global (Australia) Pty Ltd		
– Uniserve Group	5,760	5,596
– W-Arthur Fisher Ltd	1,006	920
– Telecommunications business*	5,225	929
CSE-Global (Asia) Pte Ltd		
– CSE-EIS (Malaysia) Sdn Bhd	486	486
– CSE Hankin Inc	5,215	5,085
S3 ID Group Ltd	8,591	10,189
	45,722	38,420

* Goodwill arising from new acquisitions and Crosscom Pty Ltd is allocated to cash-generating unit for the purpose of impairment testing.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8. INTANGIBLE ASSETS (CONT'D)

Impairment testing of goodwill (cont'd)

The recoverable amounts of the CGUs are determined based on value-in-use calculations. The value-in-use calculations use 5-year cash flow projections based on financial budgets has approved by management. Management has 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 5% – 24% (2015: 5% – 15%) used are consistent with forecasts based on existing contracts and book orders. The discount rate applied is assumed at 6.05% (2015: 10.2%) for value-in-use calculations, which approximates the Group weighted average cost of capital.

The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are based on average values achieved in the year preceding the start of the budget period. These have been forecasted to remain constant over the budget period.

Discount rate – Discount rate used reflecting management's estimate of the risks and the expected returns from the CGUs.

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

If the management's estimated discount rate applied to the cash flow projections had been increased by 2% – 5% (2015: 1% – 4%), this would result in a 66% – 82% (2015: 24% – 40%) decrease to the recoverable amount of the CGU, which would still be in excess of the carrying amount.

9. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Deferred tax assets	11,548	13,666	2,727	3,208
Deferred tax liabilities	(5,424)	(4,950)	–	–
	6,124	8,716	2,727	3,208

This can be analysed as follows :-

	Group 2016	Group 2015	Company 2016	Company 2015
Deferred tax assets:				
Differences in depreciation and amortisation and donations	686	439	–	–
Provisions	2,913	1,938	171	61
Due to acquisition of business	48	–	–	–
Unutilised tax losses and capital allowances	6,346	8,291	21	–
Revenue recognised on accrual basis	2,677	3,156	2,677	3,156
Other deferred tax assets	7	19	4	16
Gross deferred tax assets	12,677	13,843	2,873	3,233
Deferred tax liabilities				
Differences in depreciation and amortisation and donations	(6,180)	(4,449)	(146)	(25)
Provisions	(201)	–	–	–
Due to acquisition of business	(141)	(556)	–	–
Other deferred tax liabilities	(31)	(122)	–	–
Gross deferred tax liabilities	(6,553)	(5,127)	(146)	(25)
Net deferred tax assets	6,124	8,716	2,727	3,208

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Recognised tax losses, capital allowance and donations

As at 31 December 2016, the Group has $27,652,000 recognised tax losses and capital allowances (2015: $40,453,000) and $60,000 unutilised donations (2015: $60,000) available for offset against future taxable profits of the companies in which the losses and donations arose. Donations are further eligible for a 250% enhanced deduction. The use of the tax losses and donations are subject to the agreement of the tax authorities and compliance with tax regulations of the respective countries in which the subsidiary companies operate..

Unrecognised temporary differences relating to investments in subsidiaries

At 31 December 2016, no deferred income tax liability has been recognised (2015: $Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has control over the remittance and has determined that unremitted earnings will not be remitted in the foreseeable future.

Tax consequences of proposed dividends

There are no income tax consequences (2015: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 34).

10. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group	
	2016	**2015**
	$'000	**$'000**
Aggregate amount of costs incurred and attributable profits less recognised losses to date	525,269	679,677
Less: Progress billings	(494,385)	(631,118)
Less: Provision for foreseeable losses	–	(736)
Amounts due from customers for contract work, net	30,884	47,823
Movement in provision account:		
At 1 January	736	686
Currency realignment	–	50
Write back	(736)	–
	–	736

The provision is reversed as the project was completed during the financial year with no additional costs incurred. In 2015, the provision made represents management's estimate for additional costs to be incurred to complete project for its telecommunication division in the Middle East.

Presented as :		
Gross amount due from customers for contract work	41,873	60,409
Gross amount due to customers for contract work	(10,989)	(12,586)
	30,884	47,823
Advances received included in gross amount due to customers for contract work	1,128	3,737
Retention sums on project contracts included in trade receivables	6,248	6,755

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. INVENTORIES

	Group	
	2016	2015
	$'000	$'000
Balance sheet:		
Raw materials	6,069	5,754
Work-in-progress	2,544	895
Finished goods	6,007	5,172
Inventories in transit	112	–
Total inventories at lower of cost and net realisable value	14,732	11,821
Income statement:		
Allowance made during the year, representing inventories expense recognised in cost of sales	915	128

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade receivables	83,041	99,617	258	1,132
Other receivables	1,127	3,512	52	12
Accrued sales	3,920	3,541	–	–
Refundable deposits	384	351	152	116
Staff advances	147	129	–	–
Interest receivables	61	31	–	–
Total trade and other receivables	88,680	107,181	462	1,260
Add :				
Amounts due from subsidiary companies (Note 5)	–	–	10,133	30,661
Cash and cash equivalents (Note 26)	90,778	109,719	11,853	27,380
Less :				
Accrued sales	(3,920)	(3,541)	–	–
Total loans and receivables	175,538	213,359	22,448	59,301

Trade receivables 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.

Trade and other receivables denominated in foreign currencies other than functional currencies for respective entities at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
United States Dollars	889	2,920	–	645
British Pounds Sterling	–	5	–	–
Euro	2,484	1,168	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

12. TRADE AND OTHER RECEIVABLES (CONT'D)

Staff advances

Staff advances are unsecured and non-interest bearing.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $51,857,000 (2015: $46,172,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their ageing at the balance sheet date is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables past due but not impaired:				
Less than 30 days	23,544	18,263	–	–
30 to 60 days	5,210	6,208	–	–
61 to 90 days	7,515	2,937	–	–
91 to 120 days	3,820	6,149	–	–
More than 120 days	11,768	12,615	–	645
	51,857	46,172	–	645

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		Company	
	Individually impaired		**Individually impaired**	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables – nominal amounts	4,087	3,671	662	–
Less: Allowance for impairment	(3,459)	(2,854)	(662)	–
	628	817	–	–
Movement in allowance account :				
At 1 January	2,854	1,093	–	–
Currency realignment	152	40	–	–
Charge for the year	1,157	1,824	662	–
Written off	(678)	(103)	–	–
At 31 December	3,485	2,854	662	–

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

13. TRADE PAYABLES AND ACCRUALS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current:				
Trade payables	16,775	19,296	37	34
Accruals	17,684	29,172	1,597	6,220
Customers advances	2,599	2,208	–	–
	37,058	50,676	1,634	6,254
Non-current:				
Accruals	4,261	–	4,000	–
Total trade payables and accruals	41,319	50,676	5,634	6,254
Add :				
Amounts due to subsidiary companies (Note 5)	–	–	96,357	79,655
Finance leases (Note 27)	28	106	–	–
Loans and borrowings (Note 14)	20,581	55,514	8,889	50,189
Less:				
Customers advances	(2,599)	(2,208)	–	–
Total financial liabilities carried at amortised cost	59,329	104,088	110,880	136,098

Trade payables and accruals are non-interest bearing and are normally settled on 60-day terms.

Trade payables and accruals denominated in foreign currencies other than functional currencies for respective entities at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
United States Dollars	1,625	2,814	–	–
British Pounds Sterlings	146	255	–	–
Australian Dollars	68	11	–	–
Euro	1,370	889	–	–
Singapore Dollars	960	517	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

14. LOANS AND BORROWINGS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Short term loans, unsecured				
– Singapore Dollars	–	50,189		50,189
– United States Dollars	6,803	–	6,803	–
– Australian Dollars	13,778	5,325	2,086	–
Total loans and borrowings	20,581	55,514	8,889	50,189

The unsecured short term loans of the Company and the Group bear interest at 0.98% - 4.65% (2015: 0.98% - 4.35%) per annum.

15. PROVISION FOR WARRANTIES

	Group	
	2016	2015
	$'000	$'000
At 1 January	1,808	1,506
Currency realignment	34	35
Provision made during the year, net	560	556
Provision utilised	(247)	(289)
At 31 December	2,155	1,808

Provision for warranties relates to estimated costs for possible rectification work during the warranty period of the gross amount due from/(to) customers for contract work-in-progress. The provision for such costs is based on estimates made from historical data associated with similar projects. Upon the expiry of the warranty period, the Group would proceed to write back any unused portion of the warranty provision.

16. SHARE CAPITAL

	Group and Company			
	2016		2015	
	No of shares		No of Shares	
	'000	$'000	'000	$'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	516,068	98,542	516,068	98,542

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

17. OTHER RESERVES

Other reserves comprised the surplus from the sale of the treasury shares and premium paid on acquisition of non-controlling interests from the purchase of TransTel Arabia Limited Co and TransTel Engineering (M) Sdn Bhd of approximately $9,876,000 and ($32,000) (2015: $9,876,000 and ($32,000)) respectively.

18. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19. REVENUE FROM CONTINUING OPERATIONS

	Group	
	2016	2015
	$'000	$'000
Project revenue	121,932	197,230
Time and material revenue	167,793	182,829
Maintenance revenue	22,914	27,219
Equipment rental	5,130	4,676
	317,769	411,954

20. MISCELLANEOUS INCOME FROM CONTINUING OPERATIONS

	Group	
	2016	2015
	$'000	$'000
Rental income	89	201
Miscellaneous income	391	265
Net foreign exchange gain	111	45
	591	511

21. FINANCE INCOME FROM CONTINUING OPERATIONS

	Group	
	2016	2015
	$'000	$'000
Interest income from:		
– Short-term deposits	221	258
– Held-to-maturity investment	656	–
	877	258

22. FINANCE COSTS FROM CONTINUING OPERATIONS

	Group	
	2016	2015
	$'000	$'000
Interest expense	700	1,121

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

23. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

	Group	
	2016	**2015**
	$'000	**$'000**
The following items have been included in arriving at profit before tax from continuing operations :-		
Audit services paid to: -		
Auditors of the Company	320	355
Other auditors of subsidiary companies	188	191
Non-audit services paid to: -		
Auditors of the Company	–	3
Other auditors of subsidiary companies	13	48
Depreciation of property, plant and equipment (Note 4)	5,193	4,332
Gain on disposal of property, plant and equipment	(473)	(438)
Property, plant and equipment written off	416	15
Intangible assets written off	297	–
Amortisation of intangible assets (Note 8)	1,902	1,062
Allowance for inventories obsolescence made, net (Note 11)	915	128
Allowance for doubtful trade receivables (Note 12)	1,157	1,824
Trade receivables written off/(back) directly to profit or loss	107	(113)
Provision for warranties made, net (Note 15)	560	556
Personnel and related costs comprising :-		
Salaries and bonuses	27,757	26,624
Employees' provident fund	2,684	2,607
Other personnel and related costs	16,503	20,015
Rental expenses	4,693	4,245
Directors' fees		
– Directors of the Company	360	408

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

24. INCOME TAX EXPENSE

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

	Group	
	2016	**2015**
	$'000	**$'000**
Current taxation – continuing operations :		
– Singapore	1,153	1,559
– Foreign	3,079	7,570
Deferred taxation – continuing operations :		
– Singapore	1,762	393
– Foreign	(107)	(528)
Income tax expense attributable to continuing operations	5,887	8,994
Withholding tax	414	583
Over provision for prior years' taxation – current	(776)	(50)
Under/(over) provision for prior years' taxation – deferred	1,015	(786)
Income tax expense attributable to continuing operations	6,540	8,741
Income tax expense attributable to discontinued operation	–	257
Income tax expense recognised in the statement of comprehensive income	6,540	8,998

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

	Group	
	2016	**2015**
	$'000	**$'000**
Profit before tax from continuing operations	27,737	39,639
Profit before tax from discontinued operation (excluding share of results of associated companies)	–	3,663
Accounting profit before tax	27,737	43,302
Taxation at statutory tax rate of 17% (2015:17%)	4,715	7,361
Adjustments :		
Expenses not deductible for tax purposes	383	778
Income not subject to taxation	(661)	(2,801)
Effect of tax deductions and reliefs	(255)	(378)
Deferred tax assets not recognised	95	70
Different effective tax rates of other countries	1,612	4,139
Under/(over) provision in respect of previous year	239	(837)
Withholding tax	414	583
Others	(2)	83
	6,540	8,998

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction. The statutory tax rate applicable to the companies incorporated in Singapore, United States of America and Australia were 17%, 35% and 30% respectively for year of assessment 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

25. EARNINGS PER SHARE

Continuing operations

Basic earnings per share amounts are calculated by dividing profit from continuing operations, net of tax, 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 from continuing operations amounts are calculated by dividing profit from continuing operations, net of tax, 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 share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2016	**2015**
	$'000	**$'000**
Profit for the year attributable to owners of the Company	21,189	34,066
Less: Profit from discontinued operation, net of tax, attributable to owners of the Company	–	(2,875)
Profit from continuing operation, net of tax, attributable to owners of the Company used in computation of basic and diluted earnings per share *	21,189	31,191

	No. of shares	
	2016	**2015**
	'000	**'000**
Weighted average number of shares for basic earnings per share computation :- *		
Outstanding during the year	516,068	516,068

* Rounded to the nearest thousand.

Diluted earnings per share

The basic ordinary fully diluted earnings per share are the same as the Group did not have any dilutive potential ordinary shares outstanding as at 31 December 2016 and 2015.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Short-term deposits	4,374	3,494	–	–
Cash and bank balances	86,404	106,225	11,853	27,380
	90,778	109,719	11,853	27,380

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one week to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates ranging from 0 – 7.90% (2015: 0 – 8.75%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. CASH AND CASH EQUIVALENTS (CONT'D)

Cash and cash equivalents denominated in foreign currencies other than functional currencies for respective entities at 31 December are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollars	6,811	23,298	4,545	21,072
British Pounds Sterling	1,237	3,187	166	1,972
Australian Dollars	249	548	175	530
Euro	1,034	2,796	11	2,158
Singapore Dollars	8,294	149	–	–

27. FINANCE LEASE

The Group conducts a portion of its operations with leased office equipment and motor vehicles. These leases are classified as finance leases and expire next year.

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**
	2016	**2016**	**2015**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Current:				
Payable within 1 year	28	28	82	78
Non-current:				
Payable later than 1 year but not later than 5 years	–	–	28	28
Total finance leases	28	28	110	106
Less: Amounts representing finance charges	–	–	(4)	–
Present value of minimum lease payments	28	28	106	106

Included in lease payables of the Group is an amount of approximately $28,000 (2015: $106,000) 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 lease agreements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. SEGMENT INFORMATION

For management purposes, the Group is organised as one business unit with a single reportable operating segment. The Group is in the business of systems integration solution and the provision of computer network systems. The provision of these services provides 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 operating segment.

Geographical information

The turnover by geographical segments is based on the location of customers regardless of where the goods are produced.

The following table presents revenue and non-current assets information regarding geographical segments for the year ended 31 December 2016 and 2015:

	Asia-Pacific*		America		Europe/ Middle East		Consolidated	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Sales to external customers	116,687	129,302	159,697	234,666	41,385	47,986	317,769	411,954
Earnings before interest and tax	13,797	12,985	7,234	22,480	6,529	5,037	27,560	40,502
Non-current assets	38,238	34,111	40,379	33,056	1,003	1,114	79,620	68,281

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

Non-current assets information presented above consists of intangible assets and fixed assets as presented in the consolidated balance sheet.

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 leases on premises and equipment with initial or remaining terms of one year or more.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2016 amounted to $4,693,000 (2015: $4,245,000).

	Group	
	2016 $'000	2015 $'000
Payable within 1 year	2,969	3,521
Payable later than 1 year but not later than 5 years	4,725	6,730
	7,694	10,251

The Group leases a number of office premises under operating leases. These leases typically run for an initial tenure of between one to five 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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 buildings :-

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Receivable within 1 year	–	74
	–	74

30. RELATED PARTY TRANSACTIONS

(a) ***Related party transactions***

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:

	2016	**2015**
	$'000	**$'000**
Management fee received	6,679	8,617
Royalties/licensing/agency fees received	22	21
Interest received	193	988
Rental income received	686	364
Sales commission received	694	833
Dividend received	10,000	11,000
Waiver of payable	–	1,087
Interest paid	(980)	(822)
Administrative and support service paid	(699)	(1,108)

Related parties:

These are subsidiaries of CSE Global Ltd.

(b) ***Compensation of directors and key management personnel***

	Group	
	2016	**2015**
	$'000	**$'000**
Short-term employee benefits	4,877	8,148
Central Provident Fund contributions	79	87
Directors fees	360	408
	5,316	8,643
Comprise amounts paid to:		
Directors of the Company	1,248	1,444
Other key management personnel	4,068	7,199
	5,316	8,643

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, finance leases, 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 and 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.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

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 Singapore Dollar (SGD), United States Dollar (USD), British Pound (GBP), Euro (EUR), and Australia Dollar (AUD). Approximately 98% (2015: 98%) of the Group's sales and approximately 78% (2015: 78%) of costs including taxes are denominated in the respective functional currencies of the Group entities. The Group's trade receivables and trade payables balances at the balance sheet date have similar exposures with 91% (2015: 91%) and 81% (2015: 88%) denominated in their respective functional currencies.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for respective entities for working capital purposes. At the balance sheet date, such foreign currency balances are mainly in USD and SGD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investments in foreign subsidiaries are not hedged as the currency positions in the respective countries are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax and equity to a 1% (2015: 1%) change in the USD, GBP, AUD, EUR and SGD remain exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group			
		2016	**2015**	**2016**	**2015**
		Profit before tax	**Profit before tax**	**Equity**	**Equity**
		$'000	**$'000**	**$'000**	**$'000**
USD/SGD	Strengthened	(6)	200	2,769	2,618
	Weakened	6	(200)	(2,769)	(2,618)
GBP/SGD	Strengthened	9	25	156	183
	Weakened	(9)	(25)	(156)	(183)
AUD/SGD	Strengthened	(116)	(41)	468	435
	Weakened	116	41	(468)	(435)
EUR/SGD	Strengthened	18	26	–	–
	Weakened	(18)	(26)	–	–
SGD/USD	Strengthened	63	(3)	–	–
	Weakened	(63)	3	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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 (including other investment and cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

In respect 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 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.

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 fails to perform their obligations as of the 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.

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			
	2016		2015	
	$'000	% of total	$'000	% of total
By geographical segments:				
Asia-Pacific	35,980	43	16,943	17
The Americas	22,286	27	47,840	48
Europe/Middle East/Africa	24,775	30	34,834	35
Total	83,041	100	99,617	100

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 and Note 7.

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 loans at floating rate given to related parties form 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 (2015: less than 6 months) from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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 a 1% (2015: 1%) change in the interest rates with all other variables held constant on the Group's profit net of tax.

		Group	
		2016	**2015**
		Profit after tax	**Profit after tax**
		$'000	**$'000**
SGD	Increase in 1% interest rate	1	(415)
	Decrease in 1% interest rate	(1)	415
USD	Increase in 1% interest rate	146	289
	Decrease in 1% interest rate	(146)	(289)
GBP	Increase in 1% interest rate	8	4
	Decrease in 1% interest rate	(8)	(4)
AUD	Increase in 1% interest rate	(20)	(10)
	Decrease in 1% interest rate	20	10

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

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 14 different banks. At the balance sheet date, 100% (2015: 100%) of the Group's loans and borrowings (Note 14) will mature in less than one year based on the carrying amount reflected in the financial statements. The Group and the Company have mitigated liquidity risk by restructuring their debt structure through the syndicated loan (Note 14), improving the Group's ability to meet its obligation to its banks from its operating cash flow.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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 assets and liabilities at the balance sheet date based on contractual undiscounted payments.

	Group							
	2016				2015			
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Held-to-maturity investment	289	1,155	8,107	9,551	–	–	–	–
Trade and other receivables	88,680	–	–	88,680	107,181	–	–	107,181
Short term deposits	4,374	–	–	4,374	3,494	–	–	3,494
Cash and bank balances	86,404	–	–	86,404	106,225	–	–	106,225
	179,747	1,155	8,107	189,009	216,900	–	–	216,900
Trade payables and accruals	37,058	4,261	–	41,319	50,676	–	–	50,676
Finance leases	28	–	–	28	82	28	–	110
Loans and borrowings	21,031	–	–	21,031	55,664	–	–	55,664
	58,117	4,261	–	62,378	106,422	28	–	106,450
Less: Accrued sales	(3,920)	–	–	(3,920)	(3,541)	–	–	(3,541)
Add: Customer advances	2,599	–	–	2,599	2,208	–	–	2,208
Total net undiscounted financial assets/(liabilities)	120,309	(3,106)	8,107	125,310	109,145	(28)	–	109,117

	Company							
	2016				2015			
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Held-to-maturity investment	289	1,155	8,107	9,551	–	–	–	–
Trade and other receivables	462	–		462	1,260	–	–	1,260
Cash and bank balances	11,853	–		11,853	27,380	–	–	27,380
Amounts due from subsidiary companies	10,133	–		10,133	30,661	–	–	30,661
	22,737	1,155	8,107	31,999	59,301	–	–	59,301
Trade payables and accruals	1,634	4,000	–	5,634	6,254	–	–	6,254
Loans and borrowings	9,083	–	–	9,083	50,304	–	–	50,304
Amounts due to subsidiary companies	96,357	–	–	96,357	79,655	–	–	79,655
	107,074	4,000	–	111,074	136,213	–	–	136,213
Total net undiscounted financial/(liabilities)	(84,337)	(2,845)	8,107	(79,075)	(76,912)	–	–	(76,912)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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, trade and other receivables, trade payables and accruals, current finance lease 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.

There is no non-current portions of the finance leases in the current financial year. In 2015, management has determined that the carrying amounts of the non-current portions of the finance leases amounting to $28,000 approximate their fair values.

Financial instruments carried at cost

Fair value information has not been disclosed for the Group's investment in the equity instrument that is carried at cost (Note 7) because the fair value cannot be measured reliably. This equity instrument represents ordinary shares in an United States of America and Australia 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.

Financial instruments not measured at fair value, for which fair value is disclosed.

The fair values of financial assets and liabilities which are not carried at fair values in the balance sheet as at 31 December 2016 are represented on the following table:

	2016			2015		
	Carrying amount	Fair value	Unrecognised loss	Carrying amount	Fair value	Unrecognised loss
	$'000	$'000	$'000	$'000	$'000	$'000
Group and Company						
Other investment						
Held-to-maturity investment (Note 7)	7,428	7,402	26	–	–	–

The fair value of held-to-maturity investments are determined by reference to their last quoted asking prices at the balance sheet date.

33. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value. The Group monitors its monthly cash flows and also manages its capital structure and makes adjustments to it, in light of changes in economic condition. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made in objectives, policies and processes during the years ended 31 December 2016 and 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34. DIVIDENDS

	Group and Company	
	2016	2015
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
– Final exempt (one-tier) dividend for 2014: $0.015 per share	–	7,741
– Interim exempt (one-tier) dividend for 2015: $0.0125 per share	–	6,451
– Final exempt (one-tier) dividend for 2015: $0.0125 per share	6,451	–
– Special exempt (one-tier) dividend for 2015: $0.0025	1,290	–
– Interim exempt (one-tier) dividend for 2016: $0.0125 per share	6,451	–
	14,192	14,192
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
– Final exempt (one-tier) dividend for 2016: $0.015 (2015: $0.0125) per share	7,741	6,451
– Special exempt (one-tier) dividend for 2016: $Nil (2015: $0.0025) per share	–	1,290
	7,741	7,741

35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the end of financial year, in pursuant to the sales and purchase agreement, the Group acquired 100% of Gulf Coast Power & Control of Louisiana, L.L.C. with the aggregate consideration of USD4.85 million (approximately $7.02 million). An additional consideration of USD500,000 (approximately $0.72 million) will be payable upon achievement of the EBITDA (known as "earnings before interest, tax, depreciation and amortisation") targets of USD1.2 million per annum set for 2017 and 2018 respectively.

Subsequent to the end of financial year, a wholly-owned subsidiary of the Group, CSE Crosscom Pty Ltd entered into an asset purchase agreement with Combined Communication Solutions Pty Ltd ("Combined Communication") for the acquisition of the assets and business of Combined Communication for a cash consideration of AUD1.47 million (or approximately $1.59 million). The transaction was completed on 1 March 2017.

36. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 20 March 2017.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2017

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	15	0.39	298	0.00
100 - 1,000	162	4.15	116,790	0.02
1,001 - 10,000	2,159	55.35	12,146,207	2.35
10,001 - 1,000,000	1,543	39.55	76,980,999	14.92
1,000,001 and above	22	0.56	426,823,558	82.71
Total:	**3,901**	**100.00**	**516,067,852**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	Citibank Nominees Singapore Pte Ltd	93,377,897	18.09
2.	HSBC (Singapore) Nominees Pte Ltd	91,318,840	17.70
3.	DBS Nominees (Private) Limited	81,676,234	15.83
4.	Raffles Nominees (Pte) Limited	67,118,361	13.01
5.	Tan Mok Koon	28,417,250	5.51
6.	George Lee Pte Ltd	10,272,000	1.99
7.	Wong Yon Ching	6,088,187	1.18
8.	Teo Kit Choon	5,731,187	1.11
9.	DBSN Services Pte. Ltd.	5,532,112	1.07
10.	CIMB Securities (Singapore) Pte. Ltd.	4,984,020	0.97
11.	Phillip Securities Pte Ltd	4,553,750	0.88
12.	United Overseas Bank Nominees (Private) Limited	4,085,590	0.79
13.	DB Nominees (Singapore) Pte Ltd	3,766,530	0.73
14.	Wing Huat Loong Pte Ltd	3,419,700	0.66
15.	Lim Boon Kheng	3,000,500	0.58
16.	Tiong Kuok Thai	2,850,000	0.55
17.	Cheng Heng Seng	2,586,500	0.50
18.	OCBC Nominees Singapore Private Limited	2,139,100	0.41
19.	Hong Leong Finance Nominees Pte Ltd	2,014,500	0.39
20.	Lim Ming Seong	1,600,000	0.31
		424,532,258	**82.26**

STATISTICS OF SHAREHOLDINGS

As at 16 March 2017

CSE GLOBAL LIMITED

Class of equity securities	:	Ordinary share
No. of equity securities	:	516,067,852
Voting rights	:	One vote per share

As at 16 March 2017, the Company did not hold any treasury shares.

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2017
(As recorded in the Register of Substantial Shareholders)

NAMES OF SUBSTANTIAL SHAREHOLDERS	DIRECT INTEREST	%	DEEMED INTEREST	%
Tan Mok Koon [1]	28,417,250	5.51	33,500,000	6.49
Chartered Asset Management Pte Ltd [2]	–	–	56,517,800	10.95
Capital Growth Investments Pte Ltd [3]	–	–	56,517,800	10.95
Low Siew Kheng [4]	–	–	56,517,800	10.95
Colin Lee Yung-Shih [5]	–	–	56,517,800	10.95
CAM-GTF Limited [6]	43,743,000	8.48	–	–
FMR LLC [7]	–	–	51,799,000	10.04

NOTE:

(1) 33,500,000 shares owned are held through Citibank Nominees Singapore Pte Ltd.

(2) Chartered Asset Management Pte Ltd, an investment manager is deemed to have an interest in 56,517,800 shares of the Company by virtue of certain investment portfolios taken in its ordinary course of business in fund management.

(3) Capital Growth Investments Pte Ltd ("CGI") is the holding company of Chartered Asset Management Pte Ltd ("CAM"). CGI's deemed interest arising by virtue of its no less than 50% shareholding in CAM.

(4) Low Siew Kheng's deemed interest arising by virtue of her not less than 20% shareholding in CAM.

(5) Colin Lee Yung-Shih's deemed interest arising by virtue of his 100% shareholding in CGI, the holding company of CAM.

(6) 43,743,000 shares owned are held through HSBC (Singapore) Nominees Pte Ltd.

(7) FMR LLC's deemed interest arising by virtue of the managed accounts for and on behalf of its direct and indirect subsidiaries.

PUBLIC FLOAT

As at 16 March 2017, 64.84% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CSE Global Limited ("the Company") will be held at Suntec Singapore International Convention & Exhibition Centre, Room No. 303 & 304 (Level 3), 1 Raffles Boulevard, Singapore 039593 on Thursday, 20 April 2017 at 2.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final (one-tier tax exempt) dividend of 1.5 Singapore cents per ordinary share for the year ended 31 December 2016 (2015: A final and a special (one-tier tax exempt) dividend totalling of 1.5 Singapore cents per ordinary share). **(Resolution 2)**

3(a). To re-elect the following Directors of the Company retiring pursuant to Articles 77 and 95 of the Constitution of the Company:

Dr Lee Kong Ting	[Retiring under Article 77]	**(Resolution 3)**
Mr Lim Boon Kheng	[Retiring under Article 95]	**(Resolution 4)**
Mr Sin Boon Ann	[Retiring under Article 95]	**(Resolution 5)**

Dr Lee Kong Ting will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, and will be considered independent.

Mr Lim Boon Kheng will, upon re-election as a Director of the Company, remain as a member of the Compensation Committee.

Mr Sin Boon Ann will, upon re-election as Director of the Company, remain as a member of the Audit Committee, and will be considered independent.

3(b). To note the retirement of Dr Lim Boh Soon pursuant to Article 95 of the Constitution of the Company. Dr Lim has indicated that he does not wish to seek re-election at this Annual General Meeting.

4. To approve the payment of Directors' fees of S$359,629 for the year ended 31 December 2016 (2015: S$407,776). **(Resolution 6)**

5. To re-appoint Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)] **(Resolution 8)**

By Order of the Board

Lynn Wan Tiew Leng
Company Secretary
Singapore, 4 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. (a) A Member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").

   (b) A Member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a Member of the Company.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

CSE GLOBAL LIMITED
(Company Registration No. 198703851D)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy CSE Global Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY.**
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ____

of ____

being a member/members of CSE Global Limited (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Suntec Singapore International Convention & Exhibition Centre, Room No. 303 & 304 (Level 3), 1 Raffles Boulevard, Singapore 039593 on Thursday, 20 April 2017 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	**Resolutions relating to:**	**Number of Votes For [(1)]**	**Number of Votes Against [(1)]**
1.	Directors' Statement and Audited Financial Statements for the year ended 31 December 2016		
2.	Payment of a proposed final one-tier tax exempt dividend		
3.	Re-election of Dr Lee Kong Ting as Director		
4.	Re-election of Mr Lim Boon Kheng as Director		
5.	Re-election of Mr Sin Boon Ann as Director		
6.	Approval of Directors' fees amounting to S$359,629		
7.	Re-appointment of Ernst & Young LLP as Auditors		
8.	Authority to issue new shares		

[(1)] If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ___________ day of _________ 2017

Total Number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where applicable

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 4 April 2017.

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