



CSE GLOBAL LIMITED

(Co. Reg. No. 198703851D)

First Quarter Financial Statement and Dividend Announcement for the period ended 31 March 2016

Key Financial Performance

S\$'000	1Q 2016	1Q 2015	Change
Revenue	84,222	100,833	-16.5%
Gross margin from continuing operations (%)	28.6%	28.5%	0.3%
Profit after tax and non-controlling interest from continuing operations	5,507	6,963	-20.9%
Basic earnings per ordinary share (in cents)	1.07	1.47	-27.2%
Net asset value per ordinary share (in cents)	46.24	44.21	4.6%
Net cash generated from/(used in) operating activities	19,668	(1,364)	N.M
New orders received from continuing operations	74,946	98,362	-23.8%
Outstanding orders from continuing operations	179,632	252,541	-28.9%

Review of Performance

Profit after tax and non-controlling interest from continuing operations for 1Q16 declined by 20.9% year-on-year to S\$5.5 million, on the back of a 16.5% decrease in revenue to S\$84.2 million. The new acquisitions contributed S\$8.5 million and S\$0.9 million to Group revenue and profit after tax respectively.

The lower revenues in 1Q16 were mainly due to lower revenues achieved in the Asia-Pacific and the Americas regions. Gross margins remained relatively stable at 28.6%, however, in line with the lower revenues, gross profit was 16.2% lower at S\$24.1 million.

Operating expenses were 6.4% lower at S\$17.8 million in 1Q16 as compared to 1Q15. Included in operating expenses in 1Q16 were transaction expenses relating to new acquisitions of S\$0.6 million, and expenses of newly acquired businesses of S\$1.2 million. On a normalised basis, operating expenses in 1Q16 would have decreased by 15.8% year-on-year.

Profit after tax and non-controlling interest from continuing operations decreased by 20.9% year-on-year to S\$5.5 million. Excluding the transaction expenses relating to new acquisitions, profit after tax and non-controlling interest from continuing operations would have been S\$6.1 million in 1Q16, a 11.9% decrease year-on-year.

The basic earnings per ordinary share as at 31 March 2016 was 1.07 cents (as at 31 March 2015: 1.47 cents).

During the quarter, the Group continues to receive orders from greenfield (new installations) projects and brownfield (maintenance, upgrade and enhancement of existing installations) projects, a total of S\$74.9 million of new orders received, decrease of 23.8% year-on-year. Outstanding orders decreased by 28.9% to S\$179.6 million as at end of 1Q16 from S\$252.5 million as at end of 1Q15.

The Group generated a strong operating cash inflow of S\$19.7 million in 1Q16, due to achievement of project delivery milestones for several projects, which led to higher billings and collections. During the quarter, the Group also acquired the businesses and assets of CC America and Mobile Masters for a combined consideration of S\$10.4 million. The Group ended the quarter with a net cash of S\$57.3 million, higher than S\$54.2 million as at 31 December 2015.



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Performance of Geographical Segments

S\$'000	1Q 2016	1Q 2015	Change
Revenue			
Asia-Pacific	24,876	33,324	-25.4%
The Americas	47,388	58,825	-19.4%
Europe/Middle East/Africa	11,958	8,684	37.7%
Group	84,222	100,833	-16.5%
Earnings before interest and tax (EBIT)			
Asia-Pacific	3,422	4,325	-20.9%
The Americas	2,936	5,060	-42.0%
Europe/Middle East/Africa	43	648	-93.4%
Group	6,401	10,033	-36.2%

In 1Q16, the geographical regions of Asia-Pacific, The Americas and Europe/Middle East/Africa contributed 29.6%, 56.2% and 14.2% to revenue respectively, and 53.4%, 45.9% and 0.7% to EBIT respectively.

The Asia Pacific region recorded 25.4% and 20.9% lower revenue and EBIT respectively in 1Q16 as compared with 1Q15, mainly the result of deferral in projects in the Australia region and coupled with the unfavourable exchange impact on earnings due to the weakening of AUD against SGD of 6.8% (1.0019 in 1Q16 vs 1.0748 in 1Q15).

The Americas region recorded a decrease of 19.4% in revenue and a 42.0% decline in EBIT for 1Q16, mainly attributed to lower revenues from large greenfield and brownfield projects and with lower margins achieved in the Americas regions.

Europe/Middle East/Africa region recorded a higher revenue but a lower EBIT in 1Q16 due to a change in sales mix to higher sales of lower margin revenues recognised in 1Q16 as compared to 1Q15.

Liquidity and Capital Resources

The Group generated a strong operating cash inflow of S\$19.7 million in 1Q16, due to achievement of project delivery milestones for several projects, which led to higher billings and collections. During the quarter, the Group also acquired the businesses and assets of CC America and Mobile Masters for a combined consideration of S\$10.4 million. The Group ended the quarter with a net cash of S\$57.3 million, higher than S\$54.2 million as at 31 December 2015.

As at 31 March 2016, the Group's shareholder funds decreased to S\$238.6 million from S\$241.6 million as at 31 December 2015, mainly a result of unfavourable foreign currency translation differences due to a lower exchange rate for foreign currencies translated to SGD at end of 31 March 2016.



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Outstanding Orders

S\$'000	1Q2016	4Q2015	1Q2015
Asia-Pacific	89.6	87.5	109.4
The Americas	32.3	42.8	82.1
Europe/Middle East/Africa	57.7	62.4	61.0
Total	179.6	192.7	252.5

During the quarter, the Group continues to receive orders from greenfield (new installations) projects and brownfield (maintenance, upgrade and enhancement of existing installations) projects, a total of S\$74.9 million of new orders received, a decrease of 23.8% year-on-year. Outstanding orders decreased by 28.9% to S\$179.6 million as at end of 1Q16 from S\$252.5 million as at end of 1Q15.

Outlook

Conditions in the industry sectors which the Group operates remain challenging. Low oil and gas and commodity prices continue to influence investment decisions and customers remain highly focused on cost control. The Group will continue to support and service its existing installed base or customers as well as execute its outstanding order book of S\$179.6 million at the end of 1Q16. The Group has implemented cost control measures which has resulted in a 16% year on year reduction in the Group's overhead base and will continue to be vigilant in managing cost and working capital.

As there are opportunities available in the oil and gas sector, the Group will continue to secure more greenfield and brownfield orders. Additionally, CSE is confident that it is in a strong position to leverage its core engineering capabilities to win orders in the non-oil and gas sector, specifically in the infrastructure sector in FY2016.

For FY2016, CSE will be in a net cash position and deliver a positive operating cashflow and profits. CSE will continue to explore acquisition opportunities to support its long term sustainable growth objectives.



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

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

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

SS'000	1Q 2016	Group 1Q 2015	Change%
Revenue	84,222	100,833	-16.5%
Cost of sales	(60,152)	(72,093)	-16.6%
Gross profit	24,070	28,740	-16.2%
Other operating income (Note 1)	116	301	-61.5%
Other operating expenses			
Administrative costs	(17,153)	(16,792)	2.1%
Selling and distribution costs	(918)	(1,060)	-13.4%
Other operating costs (Note 2)	286	(1,156)	N.M
Total operating expenses	(17,785)	(19,008)	-6.4%
Operating profit	6,401	10,033	-36.2%
Finance costs (Note 3)	(203)	(16)	N.M
Profit before taxation from continuing operations	6,198	10,017	-38.1%
Taxation (Note 4)	(944)	(2,991)	-68.4%
Profit after taxation from continuing operations	5,254	7,026	-25.2%
Profit after taxation from discontinued operations (Note 5)	–	961	N.M
Profit after taxation	5,254	7,987	-34.2%
Attributable to :			
Equity owners of the Company	5,507	7,597	-27.5%
Non-controlling interests	(253)	390	N.M
	5,254	7,987	-34.2%
Earnings per ordinary share (cents)			
- basic	1.07	1.47	-27.2%
- diluted	1.07	1.47	-27.2%



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Consolidated statement of comprehensive income for the first quarter ended 31 March 2016

S\$'000	1Q 2016	Group 1Q 2015	Change %
Profit after taxation	5,254	7,987	-34.2%
Other comprehensive income :			
Foreign currency translation	(8,795)	10,346	N.M
Other comprehensive loss for the period, net of tax	<u>(8,795)</u>	<u>10,346</u>	
Total comprehensive income for the period	<u>(3,541)</u>	<u>18,333</u>	N.M
Total comprehensive income attributable to :			
Owners of the Company	(3,022)	17,943	N.M
Non-controlling interests	(519)	390	N.M
	<u>(3,541)</u>	<u>18,333</u>	N.M

N.M. – Not meaningful



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

S\$'000	Group		Change %
	1Q 2016	1Q 2015	
Profit before taxation is arrived at after charging the following:			
(A) Interest on borrowings (Note 4)	262	192	36.5%
(B) Interest income (Note 4)	(59)	(176)	-66.5%
(C) Depreciation and amortisation	1,422	1,208	17.7%
(D) Allowance for doubtful debts and bad debts	19	927	-98.0%

Note 1

S\$'000	Group		Change %
	1Q 2016	1Q 2015	
Rental income	46	48	-4.2%
Miscellaneous income	134	107	25.2%
Net exchange (loss)/gain	(64)	146	N.M
Other operating income	116	301	-61.5%

Note 2

S\$'000	Group		Change %
	1Q 2016	1Q 2015	
Allowance for doubtful debts and bad debts	19	927	-98.0%
Miscellaneous expenses	8	8	-
Amortisation of intangible assets	186	199	-6.5%
Gain on disposal of plant and equipment	(544)	(20)	N.M
Allowance for stock obsolescence	10	12	-16.7%
Bank charges	35	30	16.7%
	(286)	1,156	N.M

Note 3

S\$'000	Group		Change %
	1Q 2016	1Q 2015	
Interest on borrowings	262	192	36.5%
Interest income	(59)	(176)	-66.5%
Finance costs	203	16	N.M

The increase in finance costs was mainly due to higher interest rate when compared to 1Q15.

Note 4

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

Note 5

The Group disposed its 66% owned subsidiary, Power Diesel Engineering Pte Ltd in June 2015 with a gain of S\$1.8 million.



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

S\$'000	Group		Company	
	31-03-16	31-12-15	31-03-16	31-12-15
NON-CURRENT ASSETS				
Property, plant and equipment (Note 6)	25,295	23,412	1,698	230
Investment in subsidiaries	–	–	204,495	204,495
Other investment	190	190	190	190
Intangible assets (Note 6)	50,521	44,869	1,088	1,129
Deferred tax assets	12,612	13,666	3,139	3,208
CURRENT ASSETS				
Gross amount due from customers for contract work-in-progress (Note 7)	45,434	60,409	–	–
Inventories (Note 7)	12,705	11,821	–	–
Trade and other receivables (Note 7)	96,109	107,181	2,349	1,260
Prepaid operating expenses	3,338	3,043	90	15
Amount due from subsidiary companies	–	–	17,663	30,661
Short-term deposits	1,351	3,494	–	–
Cash and bank balances	74,917	106,225	14,679	27,380
	233,854	292,173	34,781	59,316
CURRENT LIABILITIES				
Gross amount due to customers for contract work-in-progress (Note 7)	7,726	12,586	–	–
Trade payables and accruals	45,087	50,676	5,787	6,254
Finance leases	69	78	–	–
Loans and borrowings	18,951	55,514	11,700	50,189
Amount due to subsidiary companies	–	–	94,795	79,655
Provision for warranties	1,220	1,808	–	–
Provision for taxation	2,158	2,858	15	–
	75,211	123,520	112,297	136,098
Net current assets/(liabilities)	158,643	168,653	(77,516)	(76,782)
NON-CURRENT LIABILITIES				
Deferred tax liabilities	(4,962)	(4,950)	–	–
Finance leases	(28)	(28)	–	–
	242,271	245,812	133,094	132,470
Equity attributable to owners of the Company				
Share capital	98,542	98,542	98,542	98,542
Revenue reserve	170,142	164,635	24,676	24,052
Other reserve	9,844	9,844	9,876	9,876
Foreign currency translation reserve	(39,922)	(31,393)	–	–
Total Shareholders' Fund	238,606	241,628	133,094	136,470
Non-controlling interests	3,665	4,184	–	–
Total Equity	242,271	245,812	133,094	136,470
Group net cash	57,317	54,205		
Group net gearing (%)	–	–		



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Note 6

The increase in fixed assets and intangible assets derived from the assets and business acquisition of CC America and Mobile Masters in 1Q16.

Note 7

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

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

Amount repayable in one year or less, or on demand

As at 31 Mar 2016		As at 31 Dec 2015	
Secured	Unsecured	Secured	Unsecured
NIL	S\$18,951,000	NIL	S\$55,514,000

Amount repayable after one year

As at 31 Mar 2016		As at 31 Dec 2015	
Secured	Unsecured	Secured	Unsecured
NIL	NIL	NIL	NIL

Details of any collateral

Not applicable.



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

S\$'000	GROUP	
	1.1.2016 to 31.3.2016	1.1.2015 to 31.3.2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES :-</u>		
Profit before taxation from continuing operations	6,198	10,017
Profit before tax from discontinued operation	–	1,104
Profit before tax, total	6,198	11,121
Adjustments for :-		
Depreciation for property, plant and equipment attributable to continuing operations	1,236	1,009
Depreciation for property, plant and equipment attributable to discontinued operation	–	39
Amortisation of intangible assets	186	199
Written off intangible assets	297	–
Gains on disposal of property, plant and equipment	(544)	(20)
Interest expense	262	192
Interest income	(59)	(176)
Operating profit before reinvestment in working capital	7,576	12,364
Decrease in trade and other receivables and prepaid operating expenses	9,410	6,710
Decrease/(increase) in gross amount due from customers for contract work-in-progress, net and inventories	8,285	(10,687)
Decrease in payables and accruals and provision for warranties	(5,229)	(6,989)
Cash generated from operations	20,042	1,398
Interest paid	(262)	(192)
Interest received	59	176
Income tax paid	(171)	(2,746)
Net cash generated from/(used in) operating activities	19,668	(1,364)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Fourth tranche payment for the subsidiary acquired	–	(560)
Cash consideration paid, net of cash assets & business acquired	(10,367)	–
Purchase of property, plant and equipment	(2,859)	(1,168)
Purchase of intangible assets	(869)	–
Proceeds from sale of property, plant and equipment	713	404
Net cash used in investing activities	(13,382)	(1,324)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
(Repayment)/proceeds from short term loans from bankers	(36,563)	549
Net cash (used in)/generated from financing activities	(36,563)	549
Net effect of exchange rate changes on cash and cash equivalents	(3,174)	2,291
Net decrease in cash and cash equivalents	(30,277)	(2,139)
Cash and cash equivalents at beginning of the financial year	109,719	66,891
Cash and cash equivalents at end of the financial period	76,268	67,043



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

Group S\$'000	Attributable to equity owners of the Company						
	Share capital	Revenue reserve	Other reserve	Foreign currency translation reserve	Total	Non- controlling interests	Total Equity
At 1 January 2015	98,542	144,761	9,805	(42,919)	210,189	7,417	217,606
Total comprehensive income for the period	–	7,597	–	10,346	17,943	390	18,333
At 31 March 2015	98,542	152,358	9,805	(32,573)	228,132	7,807	235,939
At 1 January 2016	98,542	164,635	9,844	(31,393)	241,628	4,184	245,812
Total comprehensive income for the period	–	5,507	–	(8,529)	(3,022)	(519)	(3,541)
At 31 March 2016	98,542	170,142	9,844	(39,922)	238,606	3,665	242,271

Company S\$'000	Share capital	Revenue reserve	Other reserve	Total Equity
At 1 January 2015	98,542	28,230	9,876	136,648
Total comprehensive income for the period	–	(207)	–	(207)
At 31 March 2015	98,542	28,023	9,876	136,441
At 1 January 2016	98,542	24,052	9,876	132,470
Total comprehensive income for the period	–	624	–	624
At 31 March 2016	98,542	24,676	9,876	133,094



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

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

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

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

Number of shares as at 31 March 2016	: 516,067,852
Number of shares as at 31 December 2015	: 516,067,852

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

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

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as compared with the audited financial statements as at 31 December 2015.



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

	1Q 2016	1Q 2015
Earnings per ordinary share of the group after deducting any provision for preference dividends:-		
(a) Based on weighted average number of ordinary shares in issue; and	1.07	1.47
(b) On a fully diluted basis (detailing any adjustments made to the earnings).	1.07	1.47

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

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

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

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

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

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

	31 March 2016		31 December 2015	
	Group	Company	Group	Company
Net asset value per ordinary share based on existing issued share capital (in cents)	46.24	25.79	46.82	26.48

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

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



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8. Dividend

(a) Current financial period reported on

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

(b) Corresponding Period of the Immediately Preceding Financial Year

Not applicable

9. Date dividend is payable

Not applicable.

10. Book closure date

Not applicable.

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

Not applicable.



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

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

Not applicable.

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

Not applicable.

14. A breakdown of sales as follows:-

Not applicable.

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

Not applicable.

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

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

17. Confirmation by the Board

We, Lim Ming Seong and Lim Boon Kheng, being two directors of CSE Global Limited (the “Company”), do hereby confirm on behalf of the directors that the Company has procured the undertakings under Appendix 7.7 of the SGX-ST Listing Manual from the directors and executive officers and to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the First quarter ended 31 March 2016 financial statements to be false or misleading in any material aspect.

On behalf of the Board of Directors

Name: Lim Ming Seong
Designation: Chairman

Name: Lim Boon Kheng
Designation: Group Managing Director

By order of the Board

Lynn Wan Tiew Leng
Company Secretary
10 May 2016