

# READY TO RIDE

CSE GLOBAL LIMITED  
Annual Report 2017



In view of ensuring long term sustainable growth, CSE Global Limited identified opportunities for the future. Internally, CSE has been gearing up – raising capabilities, preparing and readying the company in the last few years. Now, CSE is well positioned to create new possibilities as the market improves.

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## CORPORATE PROFILE



// The Group has now more than 1,100 employees worldwide, and operates a network of 41 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 1,100 employees worldwide, and operates a network of 41 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.







## GATHERING MOMENTUM

The global economic climate is turning around. The seeds that we have sown are sprouting. We are pushing forward determinedly with our plans to secure long term sustainability for CSE.





# MESSAGE TO SHAREHOLDERS



Left:

**LIM BOON KHENG**

Group Managing Director

Right:

**LIM MING SEONG**

Chairman

The Group in FY2017 generated a cash outflow from operations of S\$1.6 million after funding of working capital for large greenfield projects secured in the Americas regions during the period. With that, the Group now has a net cash of S\$15.5 million at the end of FY2017.

In FY2017, the operations in the geographical regions of Asia-Pacific, the Americas and Europe/Middle East/Africa contributed 36.6%, 56.9% and 6.5% respectively to revenue.

The increase in revenue but lower profitability in 2017 was mainly attributed to higher revenues generated in Americas and Asia-Pacific regions but lower gross margins generated from the oil & gas projects.

The Oil & Gas division contributed 68% of CSE's revenue (S\$246.2 million) and 24% of CSE's EBIT (S\$4.7 million) in FY2017 compared with 84% of CSE's revenue (S\$345.0 million) and 76% of CSE's EBIT (S\$30.6 million) in FY2015. The revenue mix for the Oil & Gas division is now 50% onshore (S\$122.3 million) and 50% offshore (S\$123.9 million) in FY2017 compared with 10% onshore (S\$34.5 million) and 90% offshore (S\$310.5 million) in FY2015. The efforts to grow the onshore revenue in the USA has borne fruits, particularly in the shale oil and gas market in USA, increasing revenue from S\$34.5 million in FY2015 to S\$122.3 million in FY2017. Nevertheless, the success in the onshore market was unable to compensate for the sharp decline in the offshore revenue from the Gulf of Mexico in USA and telecommunications solutions in EMEA from S\$310.5 million in FY2015 to S\$123.9 million.

//The Group in FY2017 generated a cash outflow from operations of S\$1.6 million after funding of working capital for large greenfield projects secured in the Americas regions during the period.

## BUSINESS & FINANCIAL UPDATE

### 1.0 BUSINESS OVERVIEW

The global oil & gas industry downturn and the end of mining boom in Australia had impacted CSE business from FY2014.

In FY2017, Group revenue and operating profit after tax and non-controlling interests before exceptional items were S\$362.4 million and S\$13.3 million respectively (For FY2016, revenue and operating profit after tax and non-controlling interests were S\$317.8 million and S\$21.2 million respectively.)

The gross margin in FY2017 reduced to 26.0% compared to 31.7% for FY2016 for continuing operations of the Group, arising from increased sales generated at lower margins in oil & gas projects.

The Group received orders of S\$381.9 million in FY2017 and ended the year with an outstanding order balance of S\$175.0 million for continuing operations.

The Infrastructure and Mining & Mineral divisions contributed 32% of CSE's revenue (S\$116.2 million) and 76% of CSE's EBIT (S\$15.0 million) in FY2017 compared with 16% of CSE's revenue (S\$67.0 million) and 24% of CSE's EBIT (S\$9.9 million) in FY2015. The efforts to grow the division through a change of modus operandi for the existing solutions and services and the addition of the new radio communication business in Australia (2-way radios) has

similarly borne fruits, growing EBIT by 53% and revenue by 73% for the 3 years period from the beginning of 2015.

Going forward, CSE will continue to improve the effectiveness of its business through

- i. Revitalizing its existing solutions and services, improving delivery and new applications,
- ii. Adding new solutions and services,

- iii. Retaining and maintaining existing customer relationships,
- iv. Adding new customers, and
- v. Cost control and cash generation.

It will continue to explore acquisition opportunities to support its long term sustainable growth objectives as it believes that acquisitions while carrying risks has the advantage of execution speed over organic growth which also has associated risks.

The 2017 and 2016 contributions from these acquisitions made from 2015 till to date are as follows:

S\$' Million	Purchase Consideration	Revenue FY2017	Revenue FY2016	EBIT* FY2017	EBIT* FY2016
USA	15.6	32.4	22.9	5.1	4.3
Australia	11.4	29.2	16.0	2.1	(0.1)
Total	27.0	61.6	38.9	7.2	4.2

\*included amortization of intangibles, transaction cost and redundancy costs associated with the acquisition.

### Revenue by Geographic Region

S\$' million	FY2015	FY2016	FY2017	Change in FY17/FY15
Americas	234.7	159.7	206.2	-12%
Europe/Middle East/ Africa	48.0	41.4	23.5	-51%
Asia-Pacific	129.3	116.7	132.6	3%
Group	412.0	317.8	362.4	-12%

### EBIT by Geographic Region

S\$' million	FY2015	FY2016	FY2017	Change in FY17/FY15
Americas	22.5	7.2	6.4	-72%
Europe/Middle East/ Africa	5.0	6.5	(4.7)	n.m.
Asia-Pacific	13.0	13.8	17.9	38%
Group	40.5	27.6	19.6	-52%

### Revenue by Industries

S\$' million	FY2015	FY2016	FY2017	Change in FY17/FY15
Oil & Gas	345.0	236.8	246.2	-29%
Infrastructure	53.9	58.9	90.5	68%
Mining & Mineral	13.1	22.0	25.7	96%
Group	412.0	317.8	362.4	-12%

### EBIT by Industries

S\$' million	FY2015	FY2016	FY2017	Change in FY17/FY15
Oil & Gas	30.6	17.3	4.7	-85%
Infrastructure	8.2	8.4	15.2	85%
Mining & Mineral	1.6	1.9	(0.2)	n.m.
Group	40.5	27.6	19.6	-52%

#### 1.1 Oil & gas

In FY2015, the oil & gas business contributed 84% of CSE's revenue. The oil & gas business mainly come from offshore, Gulf of Mexico in USA (revenue was S\$234.7 million) and telecommunication solutions in EMEA (revenue was S\$48 million). CSE was able

to maintain its revenue despite the global oil & gas industry downturn (which started in 2014) because of the backlog orders it carried into 2015 and the resilient flow of small orders (maintenance, enhancement, upgrades and small greenfield projects) from the Gulf of Mexico. CSE started to see a

significant reduction in its large greenfield orders from the Gulf of Mexico at the start of 2016 and a significant reduction in its small orders from the Gulf of Mexico in 2QFY2016. It also started to see a significant reduction in its large greenfield orders for the telecommunications solutions in EMEA in 2014.

Against the bleak environment, the Company has in the last 3 years executed several measures for its oil & gas division:

i. CSE has implemented a series of headcounts and cost reductions globally while striving to retain its core competencies to ride out the downturn. CSE reduced approximately 300 headcounts in USA. It also reduced approximately 200 headcounts for telecommunications solutions division in EMEA and Asia-Pacific regions. The global headcounts for the group reached a low of approximately 1,000 in FY2017 before rebounding to 1,104 at the end of FY2017, which is still significantly lower than the 1,400 to 1,500 staff the group had before the downturn. CSE also has closed down 3 offices and scaled down 3 offices serving the telecommunications solutions division in EMEA and Asia-Pacific. CSE took the necessary actions to control costs but are mindful that it needs to retain key people to maintain its core competencies, deliver existing customer commitments and maintain customer relationships while waiting for

the industry to recover. CSE remains a committed solution and service provider to the offshore oil & gas market.

ii. CSE undertook proactive steps to pursue the onshore oil & gas business in the USA. The onshore oil & gas business has grown since then and now contributes 50% of total oil & gas business or revenue of S\$122.3 million in FY2017 from S\$34.5 million in FY2015. It has setup new offices and through 2 acquisitions built a network of 14 offices in the USA to serve the onshore oil & gas customers particularly for the Permian and Eagleford shale producing regions. The Group will continue grow its onshore oil & gas businesses through a combination of organic (new office setup) and inorganic (via acquisitions) initiatives to expand and strengthen its geographic footprint in the USA.

### 1.2 Infrastructure

The infrastructure business encompasses the supply of solutions and services to the Singapore Government, the provision of energy-related solutions and services to the

mining and infrastructure sector in Australia and a radio solution and services (Radio communication business) in Australia. Since the beginning of 2015, as part of the business diversification plan, CSE started to build a radio communications business in Australia that contributed S\$42 million revenue in FY2017, which is a significant progress from the S\$5 million revenue in FY2015. This was achieved partially organically and partially inorganically through 5 acquisitions of companies in Australia. CSE had grown 68% over 3 years in its infrastructure business revenue, from FY2015 to FY2017, revenues of S\$90.5 million in FY2017 compared to S\$53.9 million in FY2015.

### 1.3 Mining & Mineral

The mining & mineral division suffered a significant reduction in activities in 2015 with the end of mining boom in Australia. CSE repositioned the business and changed the management team through internal promotion and hiring new managers outside the organization. Business for the mining & mineral division under the new management has since recovered from a low in 2015.

## 2.0 COST CONTROL

### 2.1 Headcount

Headcount at end of each financial year ending 31<sup>st</sup> December

	FY2014	FY2015	FY2016	FY2017	Change in FY17/FY14
Americas	789	685	526	642	-19%
Europe/Middle East/ Africa	78	68	51	43	-45%
Asia-Pacific	516	477	459	419	-19%
Group	1,383	1,230	1,036	1,104	-20%

While CSE has reduced approximately 300 headcounts serving the offshore oil & gas businesses in USA and reduced approximately 200 headcounts for

telecommunications solutions division in EMEA and Asia-Pacific regions, the group headcounts reduction over the 3 years was 279 as it had increased

headcounts deployed for its onshore oil & gas business in USA and communications business in Australia organically and through the acquisitions made.

### 2.2 Administrative, selling and distribution cost (exclude other operating expenses)

S\$' million	FY2015	FY2016	FY2017	Change in FY17/FY15
Administrative costs	71.4	66.1	67.9	-5%
Selling & distribution costs	4.0	3.8	3.8	-5%
Total Administrative and Selling & Distribution costs	75.4	69.9	71.7	-5%
Less: Expenses of Acquisitions Consolidated in CSE Group	(1.6)	(7.3)	(12.2)	-
Total before acquisitions	73.8	62.6	59.5	-19%



CSE has executed several cost control initiatives including reduction of headcounts as discussed above and closing and scaling down some offices. With these measures, CSE is able to

reduce its administrative, selling and distribution costs by approximately 19% or \$14.3 million over the last 3 years before accounting for the acquisitions made. The increase in cost between

FY2016 and FY2017 is contributed by the higher expenditure in the onshore oil & gas division in USA and the infrastructure division in Singapore and Australia as the business improved.

### 3.0 CASHFLOW MANAGEMENT

S\$' million	FY2015	FY2016	FY2017
As at beginning of the period	66.9	109.7	90.8
Net operations	53.3	61.9	(1.6)
Finance and tax expense	(9.9)	(3.5)	(4.8)
Capital expenditure	(5.7)	(6.8)	(7.9)
Quoted investment	-	(7.2)	6.0
One-off settlement costs	-	-	(16.6)
Net additional investment in subsidiaries & assets	2.9	(14.4)	(8.5)
Bank Loans	11.6	(35.0)	10.4
Dividends	(14.2)	(14.2)	(14.2)
Net effect of FX on cash	4.8	0.2	(6.6)
As at end of period	109.7	90.8	46.9
Bank borrowing	55.5	20.6	31.4
<b>Net cash</b>	<b>54.2</b>	<b>70.2</b>	<b>15.5</b>

During the financial years in 2015 to 2017, CSE has done well to generate a positive cashflow from operations of S\$113.6 million. CSE expects to achieve positive cashflow from operations in 2018.

CSE believes that the markets it serves remain uncertain and would prefer to take a prudent approach to be in a net cash position and not to increase leverage. While equity is more expensive than debt,

it is more prudent to deleverage in a downturn than to increase leverage. In future, when the market condition improves, management will review its current position.

### 4.0 TRADE RECEIVABLES

#### Trade receivables past due but not impaired

S\$'000	FY2014	FY2015	FY2016	FY2017
Less than 30 days	13,614	18,263	23,544	13,160
30 to 60 days	13,311	6,208	5,210	5,887
61 to 90 days	4,313	2,937	7,515	5,308
91 to 120 days	3,939	6,149	3,820	1,921
More than 120 days	16,597	12,615	11,768	10,302
Total	51,574	46,172	51,857	36,578

#### Receivables that are impaired

S\$'000	FY2014	FY2015	FY2016	FY2017
Trade Receivables – nominal amounts	1,093	3,671	4,087	14,172
Less Allowance for impairment	(1,093)	(2,854)	(3,459)	(14,172)
Balance	0	817	628	0

CSE notes that several customers have not met their payment commitments during 2017. Management decided to make an impairment of trade receivables of S\$11.747 million in FY2017 as no

firm new commitments were offered by these customers and the trade receivables are more than 1 year overdue. Nevertheless, the management will continue to follow up with them in

2018 to recover the receivables. The trade receivables that are past due more than 120 days of S\$10.3 million are not impaired as they have commitments by the customers to pay in 1H2018.

## 5.0 DIVIDENDS

S\$' million	FY2015	FY2016	FY2017	Total
Profits after tax before exceptional items	31.2	21.2	13.3	65.7
Dividend payout	14.2	14.2	14.2*	42.6
<b>Dividend payout ratio</b>	<b>46%</b>	<b>67%</b>	<b>107%</b>	<b>65%</b>
Dividend per share	\$0.0275	\$0.0275	\$0.0275*	-

\*Include the S\$0.01 final dividend and S\$0.005 special to be approved at April 2018 AGM.

CSE does not have a fixed dividend policy as it would reduce the Company's flexibility to deploy capital in an effective manner for the benefit of the Company.

CSE has a good track record of consistently paying dividends to shareholders and strives to manage its capital prudently while having a sustainable dividend payout. CSE has paid a total of S\$42.6 million of dividend over FY2015 to FY2017 or approximately \$14.2 million of dividend per year during this time. This represents 107% (FY2017), 67% (FY2016) and 46%

(FY2015) of operating profits after tax before exceptional items. As discussed at previous AGMs, CSE is faced with the severe downturn of the global oil & gas market and the mining & minerals market which contribute the bulk of its revenue but is willing to ride through this difficult period with the shareholders by maintaining the absolute dividend at 2.75 cents per share per year (cash position permitting) which is higher than the approximately 40% dividend payout ratio before this downturn (CSE normally generates 70% of operating profit after tax as cash over a 3 to 5 years period)

CSE intends to maintain the dividend for FY2018 at 2.75 cents per share. However, CSE presently only has a net cash of S\$15.5 million as at the end of 2017 and does not intend to borrow to pay dividends. Consequently, it is only willing to commit to pay 2.25 cents per share for FY2018. CSE will review its cash position at the end of Q1 2018 and Q2 2018 and the outlook of cash generation for the full year of FY2018 to determine whether an additional 0.5 cents per share may be declared for FY2018.

## 6.0 BOARD AND MANAGEMENT

### 6.1 Board members

	FY2015	FY2016	FY2017
Member	7	7	7
Members who are still in the 2017 board	6	6	7 <sup>a</sup>

<sup>a</sup> Lee Kong Ting was appointed on 1 February 2017

### 6.2 Board Compensation

S\$	FY2015	FY2016	FY2017	Change
Fees	407,776.13	359,629.80	337,736.30	-17%
No. of non-executive directors	6	6	6	-

Board fees had reduced by 17% over the 3 years.

### 6.3 Senior Management

Faced with the global oil & gas industry downturn and the end of mining boom in Australia and the intent to diversify and grow the onshore oil & gas business in USA and the radio communication business in Australia, CSE had made

several management team changes over the 4 years period from beginning of 2014 to end of 2017. It reduced the CSE management team from 24 to 22, keeping 12 of the original 24 members, promoting 5 internally and hiring 5 from outside.

It retained the business group structure of 4 business groups (Americas, Asia, Australia and Transtel (telecommunications solutions for the oil & gas industries)) and each of the business group is headed by a group head and he is supported by a management team.

### 6.4 Management Compensation

S\$'000	CEO + Top 5 Executives	Operating PAT before exceptional items
FY2015	7,142*	31,191
FY2016	3,984	21,189
FY2017	4,045	13,329

\*The disclosure in the FY2015 annual report included a staff that has left CSE at the end of 2015 and the salary of the CEO and the top 5 existing executives for FY2015 was S\$4,992k.

// In 2017, a total of 35 CSE Global Engineering Bursaries were awarded: 10 bursaries to students in National University of Singapore, 10 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 company currently has a compensation scheme for senior management that comprises basic salary, profit sharing based on annual profits and achievement of the mid to long term business targets of the individual business units and the Group. As was mentioned in the last AGM held in April 2017, CSE has implemented a share-based long term incentive plan in lieu of an existing cash plan. The share plan will allow management further align their interest and share in the future of CSE with the shareholders without fear of any violation of the insider trading rules that may arise from open market purchases.

### 7.0 COMMUNITY SUPPORT

At CSE Australia, we recognised the benefit of giving back to those less fortunate and understand the importance of speaking about environmental and health related issues in the workplace and the community. During 2017, management and their teams across Australia and New Zealand participated in a range of campaigns and charitable events to show their support of causes that are important to them.

Key campaigns included the promotion of blood donations through the Red Cross, Bowel Cancer Awareness, Dry July and R U Ok Day along with promotion of the new Men's Shed movement across Australia and New Zealand.

Charitable donations for the year were a great success with offices supporting such charities as the Cancer Council, Children's Medical Research Institute,

Red Cross and the National Breast Cancer Foundation through events like Australia's Biggest Morning Tea, Jeans for Genes Day, Big Cake Bake and Pink Ribbon Morning Tea.

For the third year, CSE Australia supported the Salvation Army's Christmas Appeal in both Australia and New Zealand where food and toy donations were collected for those less fortunate in the community.

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, for the sixth consecutive year, was honored for their continued support to Texas Children Hospital which helps to provide the highest level of pediatric care. This year, six W-Industries employees joined the Texas Children's Hospital Houston Marathon team to run for the cause and support their fundraising efforts.

The CSE W-Industries Excellence Scholarship was established in 2017, in partnership with the Houston Tennis Association, to help fund tuition fees for outstanding High School Students.

Last, but not least, several W-Industries employees volunteered thousands of hours and dollars to help their neighbors and relatives around the city of Houston following the Hurricane Harvey disaster.

Several employees, like so many others in the Houston and surrounding communities, opened their homes and their checkbooks to assist neighbors in need, proving the humanitarian spirit is alive and well!

In 2017, a total of 35 CSE Global Engineering Bursaries were awarded: 10 bursaries to students in National University of Singapore, 10 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.

### 8.0 APPRECIATION

On behalf of the Board of Directors, we wish to thank our employees for their dedication, passion and contributions 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.

## BOARD OF DIRECTORS







**1 / LIM MING SEONG, 70**

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:

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.



**2 / LIM BOON KHENG, 51**

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 20 April 2017.

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) Pte Ltd.

## BOARD OF DIRECTORS (continued)



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### 3 / **SIN BOON ANN, 60**

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 20 April 2017.

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.



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### 4 / **LAM KWOK CHONG, 63**

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.



#### 5 / **PHILLIP LEE SOO HOON, 75**

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.



#### 6 / **TAN HIEN MENG, 69**

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.

## BOARD OF DIRECTORS (continued)



### 7 / LEE KONG TING, 70

Dr Lee was appointed as an Independent Director of the Company on 1 February 2017 and was last re-elected as Director of the Company on 20 April 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.



**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:-

<b>Name of Director</b>	<b>Audit and Risk Committee</b>	<b>Nominating Committee</b>	<b>Compensation Committee</b>
Lim Ming Seong		Chairman	Chairman
Lim Boon Kheng			Member
Lee Soo Hoon Phillip	Chairman	Member	
Sin Boon Ann	Member		
Lam Kwok Chong		Member	Member
Tan Hien Meng	Member		
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:-

<b>Name of Director</b>	<b>Present directorships in listed companies other than the Company</b>	<b>Past directorships over the preceding three years in listed companies other than the Company</b>
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
Sin Boon Ann	OUE Limited Rex International Holding Limited	OSIM International Limited Swee Hong Limited Transcorp Holdings Limited
Lam Kwok Chong	None	None
Tan Hien Meng	None	None
Lee Kong Ting	None	None

## KEY MANAGEMENT



**1 / EDDIE FOO, 46**

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.



**2 / LEONG SAY HAUR, 58**

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.



**3 / PATRICK HOLLEY, 61**

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.



4

#### 4 / **ROY ROWE, 60**

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.



5

#### 5 / **GREG HANSON, 57**

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.



6

#### 6 / **DONNIE SMITH, 45**

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.



## HARNESSING STRENGTHS

Our adaptability, commitment, prudence and resilience stand us in strong stead as CSE revitalises the existing businesses and adds new businesses and services. We are committed to building long term value for our stakeholders.







## OUR BUSINESSES

### PROCESS CONTROL



// 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, inert 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.

## OUR BUSINESSES

### COMMUNICATION & SECURITY



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

#### COMMUNICATION & SECURITY

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 microwave 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 of 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.

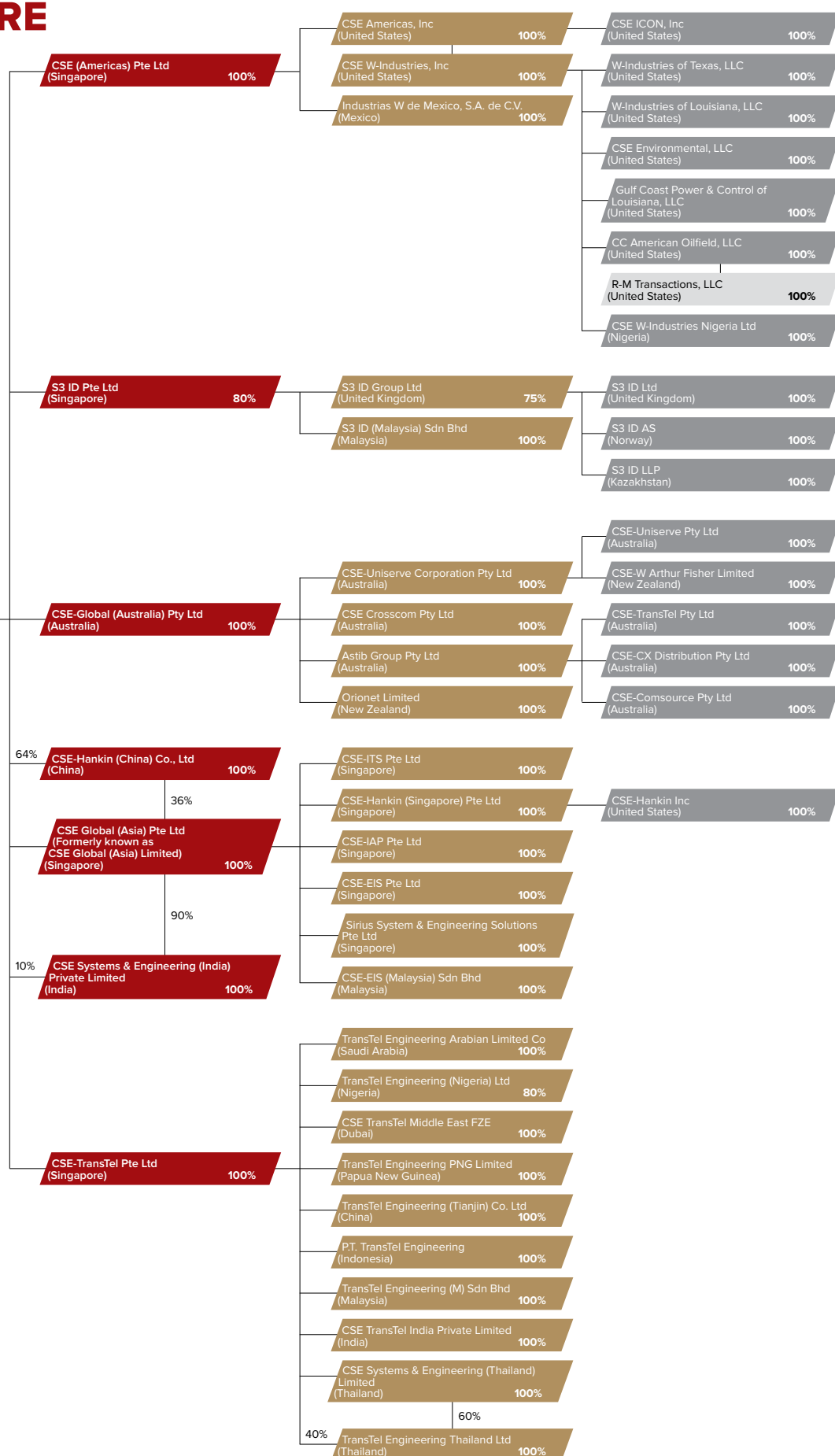
### **SCADA & TELEMETRY NETWORKS**

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.





# GROUP STRUCTURE

**CSE**


# 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)  
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  
Lam Kwok Chong  
(appointed on 1 February 2017)

## COMPENSATION COMMITTEE

Lim Ming Seong (Chairman)  
Lim Boon Kheng  
Lam Kwok Chong  
(appointed on 1 February 2017)

## COMPANY SECRETARY

Victor Lai Kuan Loong

## REGISTERED OFFICE

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

## BUSINESS OFFICE

202 Bedok South Avenue 1  
#01-21 Singapore 469332  
Tel : 65-6512 0333  
Fax: 65-6742 9179

## SHARE REGISTRAR

Boardroom Corporate & Advisory  
Services Pte Limited  
50 Raffles Place  
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 :

Phua Chun Yen Alvin  
(since financial year ended  
31 December 2015)

## PRINCIPAL BANKERS

Australia and New Zealand  
Banking Group Limited  
Bank of East Asia Ltd  
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

# 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  
 Tel: 1-713-4669 463  
 Fax: 1-713-4667 205  
 Web: www.w-industries.com

**W-Industries of Texas**  
**– Petropark (SPST Division)**  
 6602 Petropark  
 Houston, Texas 77041, USA  
 Tel: 1-337-9937 425  
 Fax: 1-337-9937 427  
 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

**Control Concepts & Technologies**  
**– Remote Field Location**  
 3093 County Road 1005  
 Pearsall, Texas 78061, USA  
 Web: www.w-industries.com

**Control Concepts & Technologies**  
**– Bosco**  
 120 Shadeland Lane  
 Maurice, Louisiana 70555, USA  
 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  
 Tel: 1-337-9937 425  
 Fax: 1-337-9937 427  
 Web: www.w-industries.com

## CSE ICON, Inc

**Texas Office:**  
 2829 Technology Forest Blvd.  
 Suite 460, The Woodlands  
 Texas 77381, USA  
 Tel: 1-281-6701 010  
 Web: www.cse-icon.com

**Louisiana Office:**  
 100 Central Street Suite 100  
 Lafayette, LA 70501, USA  
 Tel: 1-337-4192 799  
 Web: www.cse-icon.com

**Colorado Office :**  
 1125 17th Street Suite 1050  
 Denver, Colorado 80202  
 Tel: 1-303-3909 264  
 Web: www.cse-icon.com

**CC American Oilfield, LLC**  
**R-M Transactions, LLC**  
 4826 Santa Elena St.  
 Corpus Christi,  
 Texas 78405, USA  
 Tel: 1-361-8846 774  
 Fax: 1-361-8848 210  
 Web: www.aos-tx.com

4809 Santa Elena St.  
 Corpus Christi,  
 Texas 78405, USA  
 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

**Industrias W de Mexico, S.A. de C.V.**  
 Avenida del Mar No. 46  
 Col. Bibalvo, Cd. Del Carmen,  
 Campeche, Mexico, CP 24158  
 Tel: 938-1182 631  
 Fax: 938-1182 914  
 Web: www.ind-wmx.com

**CSE-Hankin Inc.**  
 One Harvard Way, Suite 6  
 Hillsborough, New Jersey 08844,  
 USA  
 Tel: 1-908-7229 595  
 Fax: 1-908-7229 514  
 Web: www.hankines.com

## 2 / EUROPE/MIDDLE EAST & AFRICA

**S3 ID Group Ltd**  
**S3 ID Ltd**  
 Bow Bridge Close, Rotherham S60 1BY  
 United Kingdom  
 Tel: 44-1709-7824 00  
 Web: www.s3-id.com

**S3 ID AS**  
 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**  
 21st Floor, Office 2104, ADCP Tower B,  
 Building 1340, Electra St., Abu Dhabi  
 United Arab Emirates 43745  
 Tel: 971-2-6797 522  
 Fax: 971-2-6797 523  
 Web: www.cse-transtel.com

**TransTel Engineering Arabian Limited Co**  
 1st Floor, Air Line Centre Building  
 King Abdul Aziz Road, Al-Khobar – 31952  
 Kingdom of Saudi Arabia  
 Tel: 966-3-8870 230  
 Fax: 966-3-8870 410  
 Web: www.cse-transtel.com

## 3 / ASIA PACIFIC

**CSE Global Limited**  
**CSE Global (Asia) Pte Ltd**  
**(Formerly known as 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  
 #01-21, Singapore 469332  
 Tel: 65-6512 0333  
 Fax: 65-6742 9179  
 Web: www.cse-global.com

**CSE-TransTel Pte Ltd**

202 Bedok South Avenue 1  
#01-21, Singapore 469332  
Tel: 65-6276 7600  
Fax: 65-6276 7800  
Web: www.cse-transtel.com

**CSE-EIS (Malaysia) Sdn Bhd****S3 ID (Malaysia) Sdn Bhd**

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Lot 10 Mercu PICORP  
Jalan Astaka U8/84, Bukit Jelutong  
40150 Shah Alam,  
Selangor Darul Ehsan, Malaysia  
Tel: 603-7846 8580  
Fax: 603-7846 9580

**P.T. TransTel Engineering**

Menara Bidakara 2, 10<sup>th</sup> Floor,  
Unit 5, Jalan Jenderal Gatot Subroto  
Kav 71-73, Pancoran  
Jakarta Selatan 12870, Indonesia  
Tel: 62-21-8370 4720  
Fax: 62-21-8370 4722  
Web: www.cse-transtel.com

**CSE Systems & Engineering  
(Thailand) Limited****TransTel Engineering (Thailand)  
Co., Ltd**

283/46 Unit No.1001-2,  
Homeplace Office Bldg., 10th Floor  
Soi Sukhumvit 55 Sukhumvit Road  
Kwaeng Klongton Nur  
Khet Wattanan  
Bangkok 10110, Thailand  
Tel: 66-2-7127 331/3  
Fax: 66-2-7127 334

**CSE Systems & Engineering  
(India) Private Limited**

No. 3, 3rd Floor, 100ft Road  
2nd Stage, 1st Phase, BTM Layout  
Bangalore - 560 076, India  
Tel: 91-80-2678 3302 / 303 / 304  
Fax: 91-80-2678 3305

**CSE TransTel India Private Limited**

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Seaport – Airport Road  
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Fax: 91-48-4661 2250  
Web: www.cse-transtel.com

**TransTel Engineering (Tianjin) Co., Ltd**

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Nankai District, Tianjin City,  
People's Republic of China 300073  
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**CSE-Hankin (China) Co., Ltd****(Formerly known as CSE Technology  
(Beijing) Co., Ltd)**

Tri-Tower Building C Room 508  
66 Zhongguancun East Road  
Haidian District, Beijing,  
People's Republic of China 100190  
Tel: 86-10-8201 4593  
Fax: 86-10-8201 4600

**CSE TransTel Pte Ltd****– South Korea Branch**

5<sup>th</sup> Floor Hyundai Insurance Building,  
240 Jungang-daero  
Dong-gu, Busan, Korea 48732  
Tel: 82-51-9970 880  
Fax: 82-51-9970 881  
Web: www.cse-transtel.com

**4 / AUSTRALASIA****TransTel Engineering PNG Limited****c/o Sinton Spence Chartered Accountants**

2<sup>nd</sup> Floor, Brian Bell Plaza  
Turumu Street, Boroko  
National Capital District  
PO Box 6861, Boroko  
Papua New Guinea  
Tel: 67-5325 7611  
Fax: 67-5325 9389  
Web: www.cse-transtel.com

**CSE-Global (Australia) Pty Ltd**

Level 3, 1050 Hays Street  
West Perth 6005  
Western Australia  
Tel: 61-8-9204 8000  
Fax: 61-8-9204 8080  
Web: www.cse-globalaus.com

**CSE-Comsource Pty Ltd****– Main Office & Warehouse**

45 King Edward Road  
Osborne Park 6017  
Western Australia  
Tel: 61-8-9204 8000  
Fax: 61-8-9204 8080  
Web: www.cse-comsource.com

**CSE-Comsource Pty Ltd****– Darwin Office**

116 Reichardt Road  
Winnellie 0821, Northern Territory  
Australia  
Tel: 61-8-8947 2400  
Fax: 61-8-8947 2411  
Web: www.cse-comsource.com

**CSE-Comsource Pty Ltd****– Gladstone Office**

1/121 Hanson Road  
Gladstone 4680, Queensland  
Australia  
Tel: 61-7-4972 8666  
Fax: 61-7-4972 8555  
Web: www.cse-comsource.com

**CSE-Transtel Pty Ltd**

45 King Edward Road  
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Western Australia  
Tel: 61-8-9204 8000  
Fax: 61-8-9204 8080  
Web: www.cse-transtel.com

**CSE-Uniserve Pty Ltd**

10 Columbia Way  
Baulkham Hills 2153  
New South Wales  
Australia  
Tel: 61-2-8853 4200  
Fax: 61-2-8853 4260  
Web: www.cse-uniserve.com.au

**CSE-Uniserve Pty Ltd****– West Australia**

45 King Edward Road  
Osborne Park 6017  
Western Australia  
Tel: 61-8-9204 8000  
Fax: 61-8-9204 8080  
Web: www.cse-uniserve.com.au

**CSE-Uniserve Pty Ltd****– Victoria**

Unit 19, Level 1, 75 Lorimer St,  
Docklands, Victoria 3008,  
Australia  
Tel: 61-3-9245 1700  
Fax: 61-3-9245 1750  
Web: www.cse-uniserve.com.au

**CSE-Uniserve Pty Ltd****– Queensland**

6/505 Lytton Road, Morningside  
Queensland 4170, Australia  
Tel: 61-7-3861 7777  
Fax: 61-7-3861 7700  
Web: www.cse-uniserve.com.au

**CSE Crosscom Pty Ltd**

3/59-63 Mark Street  
North Melbourne, Victoria 3051  
Australia  
Tel: 61-3-9322 1500  
Fax: 61-3-9328 3737  
Web: www.crosscom.com.au

39 Bishop Street, Stuart Park  
Northern Territory 0820  
Australia  
Tel: 61-8-8942 0644  
Fax: 61-8-8941 0655

**CSE Crosscom Pty Ltd****– Western Australia**

45 King Edward Road  
Osborne Park 6017  
Western Australia  
Tel: 61-8-9204 8000  
Fax: 61-8-9204 8080  
Web: www.mobilemasters.com.au

**CSE Crosscom Pty Ltd****– South Australia**

506-508 Goodwood Road  
Daw Park 6017  
South Australia  
Tel: 61-8-8273 9555  
Web: www.tetracom.com.au

**CSE- W Arthur Fisher Limited**

15 Polaris Place  
East Tamaki, Auckland  
New Zealand 2013  
Tel: 64-9-271 3810  
Fax: 64-9-265 1362  
Web: www.cse-waf.co.nz

**Orionet Limited**

15 Polaris Place  
East Tamaki, Auckland  
New Zealand 2013  
Tel: 64-9-271 3810  
Fax: 64-9-265 1362



## **CULTIVATING OPPORTUNITIES**

In spreading our risks, CSE is building a strong pipeline of opportunities for the future. We partner business associates who share the same vision as us. We constantly scan the horizon for acquisition opportunities and new avenues to grow the company.



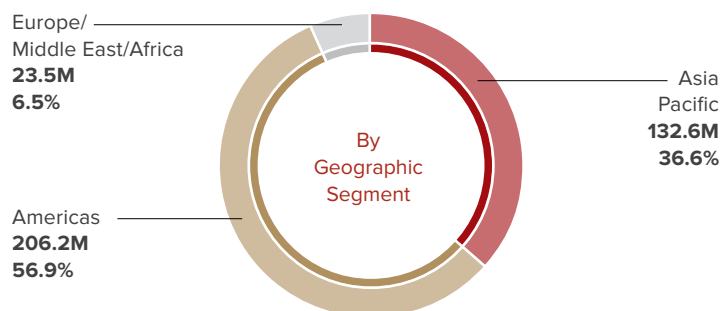


# FINANCIAL HIGHLIGHTS

## REVENUE

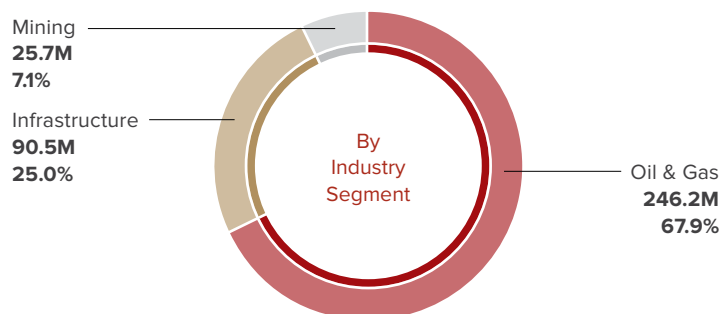
362.4<sup>M</sup> /  
14.0%

## REVENUE BREAKDOWN



## NET PROFIT

-45.1<sup>M</sup> /  
N.M.



## EARNINGS PER SHARE

-8.75¢ /  
N.M.

## DIVIDEND PER SHARE

2.75¢ /  
0.0%

## NET ASSETS VALUE PER SHARE

33.71¢ /  
-30.8%

## CASH FLOW FROM OPERATIONS

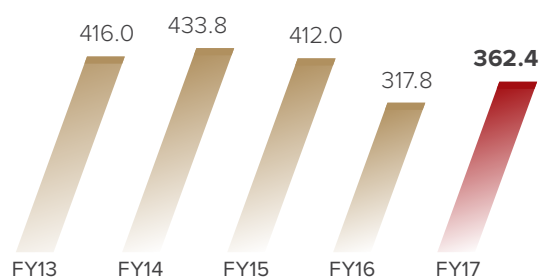
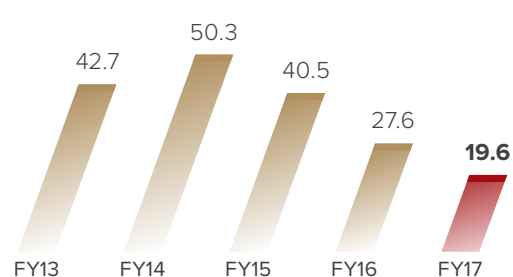
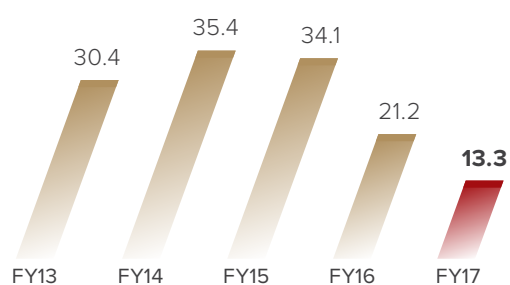
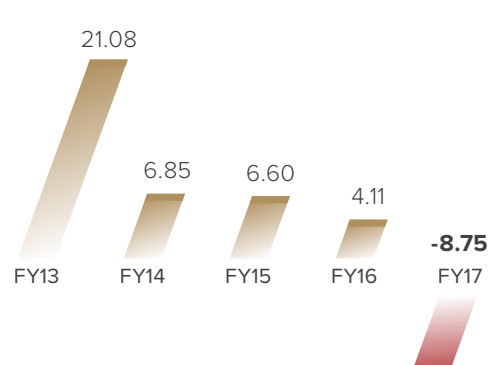
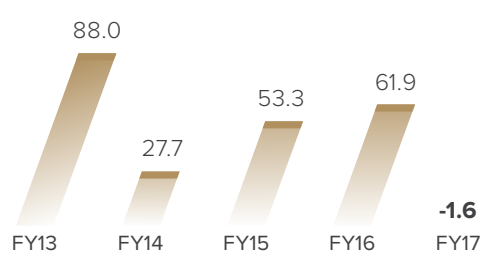
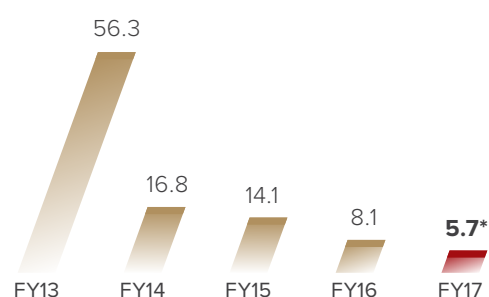
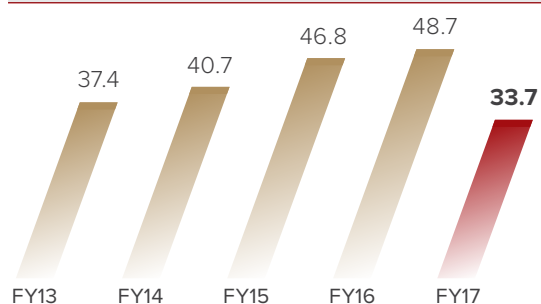
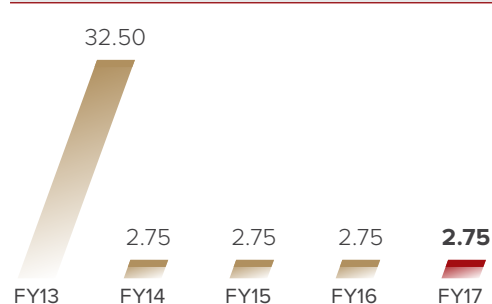
-1.6<sup>M</sup> /  
N.M.

## NET CASH

15.5<sup>M</sup> /  
-77.9%

## ORDER BOOK

175.0<sup>M</sup> /  
7.3%

**TURNOVER**  
 (S\$ Million)

**EARNINGS BEFORE INTEREST AND TAX,  
BEFORE EXCEPTIONAL ITEMS**  
 (S\$ Million)

**PROFIT AFTER TAX AND NON-CONTROLLING  
INTERESTS BEFORE EXCEPTIONAL ITEMS**  
 (S\$ Million)

**EARNINGS PER SHARE**  
 (Cents)

**CASH FLOW FROM OPERATIONS**  
 (S\$ Million)

**RETURN ON EQUITY**  
 (%)

**NET ASSETS VALUE PER SHARE**  
 (Cents)

**DIVIDEND PER SHARE**  
 (Cents)


\* FY17 Return On Equity is before exceptional items

## OPERATIONS AND FINANCIAL OVERVIEW

S\$'000	2017	2016	Change 2017 %
Revenue	362,352	317,769	14.0%
Gross Profit	94,137	100,653	-6.5%
Operating expenses	89,606	73,684	21.6%
Earnings before interest and tax (EBIT) before Exceptional Items	19,629	27,560	-28.8%
Profit after tax and non-controlling interests before Exceptional Items	13,329	21,189	-37.1%
Profit attributable to shareholders	(45,149)	21,189	N.M.
Total assets	283,920	338,622	-16.2%
Cash and cash equivalents at end of the year	46,910	90,778	-48.3%
Loans and borrowings	31,408	20,581	52.6%
Net cash	15,502	70,197	-77.9%
Shareholders' funds	173,954	251,350	-30.8%
Earnings per share (cents)	(8.75)	4.11	N.M.
Net assets value per share (cents)	33.71	48.70	-30.8%
Net cash (used in)/generated from operations	(1,634)	61,906	N.M.
Order intake	381,866	286,632	33.2%
Order book	174,955	163,079	7.3%

Note: Exceptional Items amounted to S\$58.5 million, comprising of the one-off settlement costs of S\$16.8 million, impairment of receivables of S\$11.7 million, impairment of goodwill net of non-controlling interest of S\$26.2 million, impairment of other investments of S\$0.2 million and write down of deferred tax assets of S\$3.5 million.

S\$'000	Revenue			EBIT Before Exceptional Items		
Geographic Segment	2017	2016	Variance %	2017	2016	Variance %
Asia Pacific	132,647	116,687	13.7%	17,929	13,797	29.9%
Americas	206,195	159,697	29.1%	6,361	7,234	-12.1%
Europe/Middle East Africa	23,510	41,385	-43.2%	(4,661)	6,529	N.M.
<b>Total</b>	<b>362,352</b>	<b>317,769</b>	<b>14.0%</b>	<b>19,629</b>	<b>27,560</b>	<b>-28.8%</b>

Industry Segment	2017	2016	Variance %	2017	2016	Variance %
Mining & Mineral	25,664	22,032	16.5%	(219)	1,924	N.M.
Infrastructure	90,470	58,902	53.6%	15,195	8,362	81.7%
Oil & Gas	246,218	236,835	4.0%	4,653	17,274	-73.1%
<b>Total</b>	<b>362,352</b>	<b>317,769</b>	<b>14.0%</b>	<b>19,629</b>	<b>27,560</b>	<b>-28.8%</b>

## TURNOVER

Group revenue increased by 14.0% in FY2017 to S\$362.4 million, as compared to FY2016 of S\$317.8 million. The increase in revenues arose from higher revenues generated in Americas and Asia Pacific regions, as a result of the progressive recognition of revenues from the two large greenfield projects in the Gulf of Mexico as well as from higher flow revenues in the Americas region and higher infrastructure revenues recognised from the Australia region.

In FY2017, the infrastructure segment registered a year-on-year revenue growth of 53.6%, due to higher spending in public infrastructure in Australia and Singapore, as well as from the addition of the new radio communication business in Australia (2-way radios). Mining & Mineral segment also grew by 16.5% in revenue year-on-year, arising from progressive recognition of two existing mining projects in Australia.

## EARNINGS

Despite growth in revenues, gross margins, however, were lower at 26.0% in FY2017 as compared to 31.7% in FY2016, arising from increased sales generated at lower margins in oil & gas projects.

Operating expenses were 21.6% higher at S\$89.6 million in FY2017 as compared to FY2016. The operating expenses in FY2017 included a one-off impairment of receivables amounting to S\$11.7 million. On a normalized basis, operating expenses in FY2017 would have slightly increased by 5.7% year-on-year to S\$77.9 million. This increase in operating expenses was also attributed to the inclusion of additional S\$4.9 million operating expenses from new acquisitions consolidated to the group operating expenses in FY2017.

In FY2017, CSE Group recorded profit after tax and non-controlling interests before Exceptional Items amounting to S\$13.3 million as compared to S\$21.2 million in FY2016. Including the effect of Exceptional Items, the Group reported a loss attributable to shareholders of S\$45.1 million.

## PERFORMANCE OF GEOGRAPHICAL SEGMENTS

In FY2017, the geographical regions of Asia-Pacific, Americas and Europe/Middle East/Africa contributed 36.6%, 56.9% and 6.5% to revenue.

Revenue in the Asia-Pacific region grew by 13.7% year-on-year in FY2017, which led to a 29.9% EBIT growth, mainly due to higher infrastructure revenues recognised from the Australia region.

The Americas region also saw a strong recovery in FY2017, registering a revenue growth of 29.1% to S\$206.2 million, mainly due to the progressive recognition of revenues from the two large greenfield projects in the Gulf of Mexico as well as from higher flow revenues. However, EBIT for FY2017 was 12.1% lower year-on-year as the higher revenues were secured at lower gross margins.

In FY2017, the EMEA region recorded a 43.2% year-on-year decline in revenue to S\$23.5 million, due to the lack of greenfield projects resulting in a loss before interest and tax of S\$4.7 million.

## PERFORMANCE OF INDUSTRY SEGMENTS

In FY2017, the industry segments of Oil & Gas, Infrastructure and Mining & Mineral contributed 68%, 25% and 7% to revenue.

The growth in the Infrastructure segment revenues in FY2017 was largely due to higher spending in public infrastructure in Australia and Singapore, as well as from the addition of the new radio communication business in Australia (2-way radios). In line with the growth in revenues, EBIT for the Infrastructure segment increased by 81.6% year-on-year to S\$15.2 million.

In FY2017, Mining & Mineral segment also grew by 16.5% in revenue year-on-year, arising from progressive recognition of two existing mining projects in Australia. Due to lower gross margins from these projects, the Mining & Mineral segment

registered a S\$0.2 million loss before interest and tax in FY2017, as compared with a S\$1.9 million EBIT in FY2016.

Oil & gas segment revenues were 4.0% higher in FY2017 as compared to FY2016, mainly due to the progressive recognition of revenues from the two large greenfield projects in the Gulf of Mexico as well as from higher flow revenues in the Americas region. The increased revenues were generated at lower gross margins, which contributed to the 73.1% year-on-year decline in EBIT to S\$4.7 million.

## FINANCIAL POSITION

The Group's non-current assets decreased to S\$59.8 million as at 31 December 2017 from S\$98.9 million, mainly due to the impairment of goodwill and write down of deferred tax assets.

As at 31 December 2017, the Group's shareholder funds were lower at S\$174.0 million as compared to S\$251.4 million as at 31 December 2016.

## CASH FLOW AND LIQUIDITY

In FY2017, the Group generated a cash outflow from operations of S\$1.6 million after funding of working capital for large greenfield projects secured in the Americas regions during the period. The Group ended the period with a net cash position of S\$15.5 million, after deducting for acquisition costs of S\$8.5 million, dividend payments of S\$14.2 million and the one-off settlement costs of S\$16.6 million.

## ORDERS

New orders received for FY2017 grew by 33.2% to S\$381.9 million from S\$286.6 million in FY2016, mainly from higher large greenfield projects in the Gulf of Mexico secured in March 2017 as well as higher flow orders from greenfield (new installations) and brownfield (maintenance, upgrade and enhancement of existing installations) in Americas and Australia. As at the end of FY2017, outstanding orders stood at S\$175.0 million.





## **SUSTAINABILTY & GOVERNANCE**

Giving back to society has always been a part of CSE. We participated in various initiatives to raise funds for the needy and help students to achieve their educational goals. In appreciation of our employees' contribution, we actively support our employees, looking out for their health and welfare.



# SUSTAINABILITY REPORT

## LETTER FROM CHAIRMAN

At CSE Global, we view Sustainability Reporting to be one of the top priorities for our organization and we reiterate our commitment to our community, shareholders, employees, suppliers, and customers to articulate the value of integrated thinking, demonstrating to investors and other stakeholders that our business interests could be enhanced by embracing a sustainable future.

Our organization acknowledges the value of sustainability reporting and use the materiality and sustainability reporting processes to review our business strategies and maintain our relationship with various stakeholders.

We do not exist in isolation in the modern world and we face challenges in multiple dimensions which include not just aggressive market competitions, challenging economic conditions but also other constraints such as changing global climate, environmental issues, scarcity of natural resources as well as human safety/health.

We shall persistently strive to embed in our corporate value and culture to build a business model which is sustainable, lasting and contributing positive impacts to our environment, community and stakeholders.

This report is an important milestone in our journey and signifies our vision in contributing towards sustainable future.

## OUR APPROACH TO SUSTAINABILITY

CSE is committed to building the business in an environmentally sustainable and socially responsible way. It encompasses practicing and encouraging responsible corporate citizenship both domestically and abroad, involving clients, employees, suppliers, investors, local communities, future generations and governments.

CSE has established a series of programs and departments designed to support all facets of our sustainability goal:



### GOVERNANCE, ETHICS AND COMPLIANCE

we are 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.



### EMPLOYEES

we are committed in creating a conducive working environment to promote employee engagement and enhance talent development and aim to position CSE as a preferred employer.



### PROCUREMENT

we are committed to manage our supply chain with the objectives not just in meeting the requirements of the customers, but also includes various other selection assessment and evaluation criteria which take into consideration of supply sustainability, alternative backup sources, diversity in vendors' sizes/ backgrounds, as well as their compliance to our established environmental, safety and health policies and procedures etc.



### ENVIRONMENT, HEALTH AND SAFETY PRODUCT RESPONSIBILITY

we are committed to:

- Making Health, Safety & Environment (HSE) a core priority in the planning and execution of business activities.
- Meeting or exceeding compliance of applicable standards.
- Communicating, training and supervising employees, subcontractors and vendors on HSE standards.
- Regularly measure, monitor & review HSE performance.
- Demonstrate continuous improvement by setting objectives/targets, introducing operation controls and programs.



### COMMUNITY SUPPORT

CSE has a strong and deep culture of service which translates into our community involvement initiatives.



## 1. GOVERNANCE, ETHICS AND COMPLIANCE

### 1.1 Governance

We adopt the Code of Corporate Governance established by the Monetary Authority of Singapore and Stock Exchange of Singapore. Our Corporate Governance Code is reviewed and endorsed by our Board of Directors annually.

\* More details about our corporate governance practices can be found in the Corporate Governance Report section of this annual report.

### 1.2 Ethics & Compliance

CSE has established a Code of Business Ethics & Conduct that sets the principles of business ethics for the Group and covers areas such as business conduct, protection of Company's assets, confidentiality of information, anti-bribery/corruption and conflicts of interest. All staff of the Group are expected to uphold high standards of integrity that are in compliance with the Code as well as laws and regulations of the countries in which it operates. Awareness is created by conducting briefings for all staff. All staff are also required to sign acknowledgement of their awareness of our Code of Business Ethics & Conduct and declare any existing or potential conflicts of interest to the management.

### 1.3 Risk Management

Recognising the importance of risk management in providing sustainability to our business and in preserving our shareholders' value, CSE is committed to incorporate effective risk management practices into our organizational processes to mitigate and manage each of these risks.

\* More information on how we manage our risks can be found in the Risk Management section of this annual report.

## 2. EMPLOYEES

### 2.1 Talent Management

CSE Talent Management Framework aims to attract, develop and retain talents for the purpose of grooming successors for key positions.

The framework is underpinned for 3 strategic areas of focus, i.e. Talent Acquisition, Talent Development and Talent Retention. Key talents are given developmental opportunities for overseas attachments, working business trips and short-term overseas job assignments.

### 2.2 Compensation and Benefits

CSE has a dynamic performance management system which supports high performance, innovative employees' behaviour. The performance management system is made up of the following systems:

CSE assesses the performance of our employees through an annual performance appraisal and ranking exercise. During the session, the performance targets and plans set in the previous year are reviewed against the actual achievement. The employees and their immediate supervisors jointly discuss the performance standards and level of expectations and jointly work out the targets for the following year. They identify and work through the gaps between the targeted and actual levels. The employees then work out their individual improvement plans and learning needs are identified at the end of the performance review.

CSE has various rewards and recognition systems that reinforce and reward positive behaviours and results which contribute towards achieving the organizational goals and objectives.



#### 1. Promotion Exercises

Suitable candidates for promotion are identified and recommended. Annually, staff are named in the respective Business Unit's Succession Plan and updated as and when the situation calls for it.



#### 2. Monetary and Non-monetary Recognition

Individual bonuses and merit increments form part of the monetary rewards. The quantum is closely related to individual and Company's performance.

Education sponsorship is also established to encourage the self-development of employees who desire to broaden their knowledge not only for their current position, but to further enhance and develop their individual capabilities for increased levels of responsibility and future opportunities.

Benefits and compensation are also reviewed regularly to ensure that CSE is in awareness on life threatening diseases and health risks. The aim is to encourage employees to take the necessary precautions by adopting a healthy and active lifestyle.

// Recognising the importance of risk management in providing sustainability to our business and in preserving our shareholders' value, CSE is committed to incorporate effective risk management practices into our organizational processes to mitigate and manage each of these risks.

### 2.3 Employee Engagement

The CSE Human Resources team works closely with its senior management team and employees to develop and implement improvements to the human resources plans and policies catering to the changing needs of

the employees. The human resources planning, evaluation and review process is in place to continuously make improvements through regular and systematic reviews.

Appended table provides the different platforms that the CSE Human Resources

team leverages to engage employee and obtain their feedback, anticipate the human resources needs, review and develop human resources plans and policies to ensure strategic alignment.

Level	Platform	Purpose
Senior Management	Quarterly Board Meeting	To review the overall company performance
	Monthly Management Meeting	To review human resources strategies and plans
		To determine manpower profile to support the company
Subsidiary	Monthly Operational Meeting	To identify areas for improvements in human resources matters and department developmental programmes such as employees engagement, learning development and performance management
	Employees' Performance Management	To establish employees' performance goals and targets
Employees	Employees' Communication Sessions	To solicit employees' feedback
	Recreation Club	To organize festive events together as a company

CSE aims to develop an open and communicative environment to encourage employee participation and communication. The strong internal communication network enables employees to be connected across various locations company-wide. There are multiple employee engagement platforms for the CSE

management team, together with CSE Human Resources team, to encourage employees' participation and involvement on a company-wide basis. The objective of CSE employee engagement strategy is to foster greater team dynamics through group activities for continuous improvement and innovation.

Employees' Communication sessions with the management team are conducted on a regular basis. Employees undergo health screening on biennial basis to create greater awareness on their health condition and encourage them to lead healthy lifestyles.



**Part-time  
Employment**



**Flexible  
Benefits**



**Medical  
Benefits**



**Scholarship  
Awards**



**Biennial  
Health  
Screening**



**Birthday Leave  
and Allowance**



**Festive  
Allowance**



**Recreation  
Club  
Activities**



**Health  
and Safety  
Workshop**



## 2.4 Employee Learning and Development

CSE is committed to train and develop our employees. Employees at all levels are provided with continuous learning and development opportunities to ensure that they stay competent and relevant in today's challenging and competitive business environment. The CSE Human Resources team seeks to ensure that our employees at headquarter, regional and local levels are highly trained and supported by appropriate learning and development opportunities to enhance their performance and maximize the benefits to themselves and CSE.

CSE adopts a systematic approach in mapping each subsidiary's learning needs based on the Learning Needs Analysis (LNA) carried out by CSE Global management team.

A Total Company Training Plan (TCTP) is compiled annually for facilitation of the employees' learning needs. The learning outcome and its impact on the business is monitored and reviewed for effectiveness to ensure that the employees' learning needs are aligned with CSE's business objectives and value system.

For new employees, CSE Human Resources has in place a structured orientation programme, followed by the On-The-Job training, to initiate them on the Company's Benefits, IT policies and Workplace Health and Safety regulations. The new employees' immediate supervisors will brief them on the new roles to develop their potentials.

## 2.5 Code of Business Ethics & Conduct

CSE introduced Code of Business Ethics & Conduct ("COBEC") guidelines for certification and acceptance for compliance by all employees. The objectives of COBEC are to protect the integrity of the Company's decision making process, enable our stakeholders to have confidence in the Company's business ethics and protect the reputation of our employees.

Creating COBEC makes decision making easier for all levels by reducing ambiguity and considerations of an employee's perspectives in ethical standards.

## 3. ENVIRONMENT, HEALTH AND SAFETY

### 3.1 Health, Safety, & Environmental Policy

Protection of the environment and the safety and health of our employees, customers, contractors, communities and the public is fundamental to the manner in which CSE Group conducts its business. In order to integrate successful environmental, safety and health management into our business activities and services worldwide, CSE is committed to the following:



Consideration of safety excellence in the design, construction, testing, assembly, operation and restoration of all properties and facilities;



Provide a safe and healthy working environment for all employees in an effort to reduce work related physical injury and illness;



Communicate openly regarding business activities;



Provide clear environmental, safety and health responsibilities to all employees and contractors;



Assess and address the potential risks and hazards of business activities;



Compliance with all applicable legislative and regulatory requirements;



Participation in the development of new legislation, regulations and technologies;



Review performance and communicate progress;



Prevention of pollution; and



Provide resources necessary for the implementation, control and continual improvement of environmental, safety and health performance.

### 3.2 Environmental Objectives, Targets & Performance

Environmental Objectives for each business units within CSE Group:- To reduce Power Consumption.

### 3.3 Health and Safety Objectives, Targets & Performance

CSE's respective business divisions established the HSE Objectives at beginning of each years, tracked and report the monthly HSE ACCIDENT/ INCIDENT statistics.

## 4. PRODUCT RESPONSIBILITY

### 4.1 Quality and Safety

We operate round-the-clock with a presence in the Americas, Asia Pacific, Europe, Africa and the Middle East. Our highly qualified engineers and experienced project managers work seamlessly across time zones to provide dedicated technical support and ensure timely and on-budget completion of projects.

At CSE, we take pride in our ability to deliver cost-effective quality solutions because we believe in nurturing long-term business relationships.

Many of our clients have been doing business with us for over a decade simply because they know that we understand them better than anyone else.

In short, we constantly work towards exceeding our client's expectations so that we can live up to our name, CSE - delivering Customer Satisfaction, Every time.

With a growing stable of international clients placing their confidence in us, we appreciate the importance of having a world-class quality management system across the whole organization.

In line with our global ambitions, we have adopted the ISO 9001 Quality Management System as certified by Lloyd's Register Quality Assurance (LRQA) and DNV.

#### 4.2 Solutions & Capabilities

CSE Group provides diversified solutions and capabilities in supporting the industries from various perspectives:



##### Process Controls

From offshore oil and gas platforms to onshore plant information systems, CSE designs, delivers, commissions as well as provides comprehensive maintenance to a wide array of industrial systems. We integrate industrial technology solutions for clients from a wide spectrum of process industries.

The Subsea Controls Business Unit specializes in engineering and execution of topside equipment to control and monitor subsea Production equipment, Injection wells, Subsea Processing, and IWOCs. Our scope of supply includes: Master Control Stations (MCS), Hydraulic Power Units (HPU), Topside Umbilical Termination Units (TUTU), Electric Power Units (EPU), Operator Cabins, IWOCs Systems, Umbilical Reels, Control System Simulators and Test Units. Our systems undergo detailed engineering and design

CSE also offers solutions in the design, engineering and supply of specialised furnace systems for industrial

incineration plants, industrial process plants and municipal sludge incinerations, to industrial and municipal clients.



##### Telecommunication

Our expertise in the telecommunication industry has been developed over the years working with our customers on some of the world's largest and complex projects, often in harsh, remote and challenging conditions. We provide engineering, procurement, integration, installation, commissioning and maintenance service to our customers and while we support a range of technically advanced equipment specialists, we remain committed at all times to providing our customers with products, systems and solutions tailored to their specific needs.



##### Safety & Security Tracking System

CSE providing 'world-class', cutting edge 'location awareness' solutions and is the manufacturer of the acclaimed S3ID range of products spanning everything from personnel and asset tracking, personnel on board or on site (POB/POS), mustering, access control, safety and security to travel logistics management, shift rotation planning and bed management. It has been developed from first hand experience serving the on-shore and off-shore Oil, Gas & Energy industries. Products are ATEX certified and solutions use patented technology time proven in operation worldwide with many blue chip clients.

#### 4.3 Materials Use



##### Improving the safety and security

Simply put, our mission is to improve the safety and security of personnel working in hazardous environments. To do this we have developed a range of specialist hardware and software products for the automation of Person On Board and Person on Site (POB – offshore / POS – onshore) information at site access and muster assembly points and a further range of products for the location of personnel on-site.

Additionally, whilst the primary function of this technology is to enhance safety, it can also be used for access control and security purposes as well as in managing personnel logistics and automatically recording time and attendance on-site.

In Europe, ATEX sets the minimum standards for improving health and safety for the protection of workers potentially at risk from explosive atmospheres.

99/92/EC ATEX 137 places the duty on the employer and requires mitigation of the detrimental effects of an explosion including emergency evacuation procedures and plans. As of 1<sup>st</sup> July 2006, ATEX 137 became fully mandatory and all hazardous areas must now conform to the directive.

The Dangerous Substance and Explosive Atmospheres Regulations 2002 (DSEAR) put into effect requirements from two European Directives, the Chemical Agents Directive (98/24/EC) and the Explosive Atmospheres Directive (99/92/EC) also replacing a number

of older regulations dealing with flammable substances safety. DSEAR compliance requires the preparation of emergency plans and procedures and they should also cover safety drills. Importantly the information in the plans and procedures should be made available to the emergency services to allow them to develop their own plans if necessary.

In the USA, NFPA 1600 additionally requires as a minimum an Incident Management System. In the event of a major incident there should be available a record of all persons on the plant at the time of the incident. This record can then be compared with the record of all persons accounted for after the incident.

Crucial minimum information therefore required in the event of an incident is reliable and accurate Person on Site (POS) or Person on Board (POB) data and Muster Station data so that any missing persons may be identified and rescued.

CSE S3ID Product Range enables operators to exceed minimum safety requirements and raise global HSE. Our products are ATEX certified (in accordance with ATEX directive 94/9/EC), use patented technology and are time proven in operation with a large installed base of working systems.

## 5. PROCUREMENT

### 5.1 Supplier Management

CSE shall control purchasing process to ensure purchased product conforms to requirement.

CSE evaluates and selects suppliers based on their ability to supply product in accordance with CSE's requirements, taking into consideration the customer's needs (if applicable). Criteria for selection, evaluation and re-evaluation shall be defined. The results of the evaluation and follow-up actions shall be recorded as part of the Records.

### 5.2 Supplier Diversity

CSE evaluates and selects suppliers based on wide diversified sources and span across all geographical regions and comprised of multinationals, small businesses as well as minority-owned businesses to ensure sustainability and versatility in supplies and technologies.

### 5.3 Greening the Supply Chain

#### Our Vision:



**Accident Free**



**No Harm to Environment**



**Quality Performance**

It is expected that all contractors, purchasers and other parties on CSE properties will also abide by our established environmental, safety and health policies and procedures.

### 5.4 Customers

CSE has determined and implemented effective arrangements for communications with customer relating to:



a) Product/Service Information,



b) Enquiries, Contracts or Order handling, including amendments;



c) Customer feedback, including customer complaints.

CSE puts our customers' success first. To help our customers succeed, CSE strives to effectively deal with issues as they arise. We can also institute procedures to monitor and maintain our systems in an effort to prevent these occurrences all together. Through a proactive collaborative effort, CSE believes it can minimize downtime and maximize return on its systems.



#### Our Support Philosophy

At CSE, we are committed to ensuring our customer's continued success with our products and solutions. Our philosophy is simple:

Customer success is our first priority. We see this as both a short term effort and long term goal and based on a continued partnership.

Our systems control mission critical operations, and we must offer solutions to keep these systems operating smoothly and supported with measures to minimize recovery time in case of an emergency. CSE must provide proactive strategies with preventive maintenance and customized training plans unique to each facility.

Our Commitment to Quality is demonstrated by our emphasis on continuous improvement. Our overall goal is to minimize any impact and downtime to the facility in any way possible ensuring success for our customer.

## 6. COMMUNITY SUPPORT

At CSE Australia, we recognised the benefit of giving back to those less fortunate and understand the importance of speaking about environmental and health related issues in the workplace and the community. During 2017, management and their teams across Australia and New Zealand participated in a range of campaigns and charitable events to show their support of causes that are important to them.

Key Campaigns included the promotion of blood donations through the Red Cross, Bowel Cancer Awareness, Dry July and R U Ok Day along with promotion of the new Men's Shed movement across Australia and New Zealand.

Charitable donations for the year were a great success with offices supporting such charities as the Cancer Council, Children's Medical Research Institute, Red Cross and the National Breast Cancer Foundation through events like Australia's Biggest Morning Tea, Jeans for Genes Day, Big Cake Bake and Pink Ribbon Morning Tea.

For the third year, CSE Australia supported the Salvation Army's Christmas Appeal in both Australia

and New Zealand where food and toy donations were collected for those less fortunate in the community

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, for the sixth consecutive year was honoured for their continued support to Texas Children Hospital which helps to provide the highest level of paediatric care. This year, six W-Industries employees joined the Texas Children's Hospital Houston Marathon team to run for the cause, and support their fundraising efforts.

The CSE W-Industries Excellence Scholarship was established in 2017, in partnership with the Houston Tennis Association, to help fund tuition fees for outstanding High School students.

Last, but not least, several W-Industries employees volunteered thousands of hours and dollars to help their neighbours and relatives around the city of Houston following the Hurricane Harvey disaster. Several employees, like so many others in the Houston

and surrounding communities, opened their homes and their cheque books to assist neighbours in need, proving the humanitarian spirit is alive and well!

In 2017, a total of 35 CSE Global Engineering Bursaries were awarded: 10 bursaries to students in National University of Singapore, 10 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.

## 7. SUSTAINABILITY REPORTING

### 7.1 External Reporting Standards

CSE recognizes the importance of external sustainability reporting standards to promote relevant, transparent and comparable disclosure of company performance. We use GRI (Global Reporting Initiatives) Guidelines as our reporting framework.

## PERFORMANCE HIGHLIGHTS

### FY2017

	FY2017	FY2016
<b>ENVIRONMENT</b>		
Electricity usage (kWh)	3,992,068	4,838,707
Electricity consumption intensity (kWh/S\$'000 Revenue)	11	15
Water use (Cubic metre)	5,564	5,666
<b>PEOPLE</b>		
<b>Total employees by gender</b>		
· Male	87%	85%
· Female	13%	15%
Employee turnover (%)	16.1%	17.3%
Total training investment (\$'000)	429	195
<b>Employee health and safety</b>		
· Workplace total recordable injury rate	0.9	1.5
· Workplace injury severity rate	0.0	0.0
<b>MARKET PLACE AND CUSTOMERS</b>		
Capital expenditure investment (\$'000)	8,133	7,369
<b>ECONOMIC PERFORMANCE</b>		
Revenue (\$'000)	362,352	317,769
Operating costs (\$'000) - inclusive of staff costs	89,606	73,684
Staff costs (\$'000)	46,056	46,944
Tax expense (\$'000)	9,471	6,540
Profit after tax and non-controlling interests before exceptional items (\$'000)	13,329	21,189



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# REPORT ON CORPORATE GOVERNANCE

## 1.1 CORPORATE GOVERNANCE, ETHICS AND COMPLIANCE

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 "2012 CG Code") issued by the Monetary Authority of Singapore.

This report describes the Company's corporate governance processes and practices with reference to the 2012 CG Code. The Board is pleased to inform that the Company is substantially in compliance with the 2012 CG Code and reasons for any deviation are explained below. The Board continually reviews and refines the Company's corporate governance processes and practices in light of best practices, consistent with the needs and circumstances of the Group.

### 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 was dissolved. Subsequently on 15 September 2017, the Strategy Committee was also dissolved to allow the Board to have direct oversight and supervision of the strategic planning and execution process. 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 and key executives to come together to discuss the key business growth and the growth plans going forward. In 2017, the Board had one offsite strategy meeting with key executives.

The Directors' attendance at Board and Board Committee meetings during the financial year ended 31 December 2017 is set out as follows:

	<b>Board of Director Meetings</b>	<b>Audit and Risk Committee Meeting</b>	<b>Nominating Committee Meeting</b>	<b>Compensation Committee Meeting</b>	<b>Strategy Committee Meeting</b>
No. of meetings held	5	5	1	1	—
	No. of meetings attended				
Lim Ming Seong	5	—	1	1	—
Lim Boon Kheng	5	—	—	1	—
Lam Kwok Chong	5	—	1	1	—
Lee Soo Hoon Phillip	5	5	1	—	—
Lim Boh Soon <sup>1</sup>	—	—	—	—	—
Sin Boon Ann	5	5	—	—	—
Tan Hien Ming	4	3	—	—	—
Lee Kong Ting	5	5	—	—	—

Note:

<sup>1</sup> Dr Lim Boh Soon retired as Director of the Company on 20 April 2017.

# REPORT ON CORPORATE GOVERNANCE

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:

<u>Nature of transactions</u>	<u>Quantum of transactions</u>
Capital expenditure (budgeted)	Any amount more than \$3 million
Capital expenditure (unbudgeted)	Any amount
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, the Company's governance practices and relevant statutory and regulatory compliance issues. The Company will issue a formal appointment letter, which sets out the director's duties and obligations, to each director upon appointment. Every newly appointed Director of the Company is expected to undergo an orientation programme which includes meetings 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, at the Company's expense. 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.

## 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  
 Sin Boon Ann  
 Tan Hien Meng  
 Dr Lee Kong Ting

### ***Executive Director:***

Lim Boon Kheng – Group Managing Director

The Board comprises seven Directors, one of whom is an Executive Director of the Company. The remaining six 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. All six Non-Executive Independent Directors collectively comprise more than fifty per cent (50%) of the Board of Directors.

The independence of each Director is reviewed annually by the Nominating Committee, particularly those who have served more than nine years. The following Directors would have served on the Board for more than nine years as Independent Directors by the forthcoming Annual General Meeting ("AGM") to be held on 19 April 2018:

- (a) Mr Lim Ming Seong;
- (b) Mr Lee Soo Hoon Phillip; and
- (c) Mr Sin Boon Ann

# REPORT ON CORPORATE GOVERNANCE

The Nominating Committee rigorously reviewed the independence of these Directors, as recommended by the 2012 CG Code. The Nominating Committee (with Mr Lim Ming Seong and Mr Lee Soo Hoon Phillip abstaining from reviewing his own independence), with the concurrence of the Board, is of the view that all three abovementioned Independent Directors are considered to be independent, notwithstanding that they have served more than nine years. These Directors have continuously demonstrated independence in character and judgement in the discharge of their responsibilities as Directors of the Company. The Board has also observed instances of constructive challenge and probing of Management by these Directors at Board and Board committee meetings and other occasions and has no reason to doubt their ability to exercise independent judgement in the interest of the Company. Given their combined strength of objectivity, wealth of working experience and professionalism in carrying out their duties, the Board acknowledges and recognises the benefits of the experience and stability brought by these long-serving Independent Directors.

Mr Lam Kwok Chong, Mr Tan Hien Meng and Dr Lee Kong Ting, who were appointed to the Board in 2010, 2014 and 2017 respectively, continue to be independent.

The appointment of Dr Lee Kong Ting in 2017 to replace Dr Lim Boh Soon who retired on 20 April 2017 was part of the progressive Board renewal process. The Board believes that orderly succession and renewal is achieved as a result of careful planning, where the appropriate composition of the Board is continually under review.

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, Nominating Committee and Compensation Committee.

The Independent Directors meet amongst themselves without the presence of the Management regularly after each Board meeting.

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

The current Board and Board Committees comprise Directors who as a group provide appropriate balance and diversity of skills, experience, knowledge and core competencies such as accounting or finance, business or management experience, law and regulations, 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 such as skills, experience, gender and knowledge of a company have 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.

New Directors, if any, will continue to be selected based on objective criteria set as part of the process for appointment of new Directors. All Board appointments are made based on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

The Non-Executive and Independent Directors contribute to the board process by monitoring and reviewing Management's performance. For the financial year under review, the Non-Executive and Independent Directors have constructively challenged Management's proposals and decisions and reviewed Management's performance. They have unrestricted access to Management for any information that they may require to discharge their oversight function effectively. As Non-Executive and Independent Directors constitute a majority of the Board, objectivity on Board's deliberations is assured.

No alternate directors were appointed throughout the year.



# REPORT ON CORPORATE GOVERNANCE

## 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.

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 Nominating Committee and Compensation Committee, as well as a director of CSE W-Industries, Inc, CSE Icon, Inc, CSE Global (Asia) Pte. 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.

The clear separation of roles of the Chairman and Group Managing Director provides a healthy professional relationship between the Board and Management with clarity of roles and robust deliberations on the business activities of the CSE Group.

Given that the roles of the Chairman and Group Managing Director are separate and the Chairman is independent, no lead independent director is required to be appointed.

## 4. BOARD MEMBERSHIP

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

Lim Ming Seong – Chairman  
 Lee Soo Hoon Phillip  
 Lam Kwok Chong

The Nominating Committee comprises three 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.

# REPORT ON CORPORATE GOVERNANCE

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 is regulated by a set of written terms of reference, in line with the 2012 CG Code, endorsed by the Board. 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) Reviewing board succession plans for Directors, in particular, the Chairman and for the CEO;
- (b) Evaluating the performance of the Board, its Board Committees and proposing objective performance criteria for Board's approval;
- (c) Establishing procedures for and making recommendations to the Board on all Board appointments and re-appointments (as well as alternate director, if applicable);
- (d) Determining annually if a Director is independent pursuant to the guidelines set forth in the 2012 CG Code;
- (e) Evaluating if a Director is able to and has been adequately carrying out his or her duties as a Director when the Director concerned holds multiple board representations; and
- (f) Reviewing training and professional development programmes for the Board.

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. However, each Director is required to disclose to the Board his board representation whenever there are changes to his directorship. 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 Board and the Nominating Committee are satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company for the financial year ended 31 December 2017.

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 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 AGM.

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

## **under Article 95(2)**

Mr Lim Ming Seong  
Mr Lam Kwok Chong  
Mr Tan Hien Meng

The Nominating Committee (with Mr Lim Ming Seong and Mr Lam Kwok Chong abstaining from making recommendation on their own re-elections) has recommended the re-election of as Directors of the Company at the forthcoming AGM. The Board has accepted these recommendations.

# 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.

On an annual basis, the Directors will complete a board evaluation questionnaire which results are then collated by the Company Secretary in the form of a collective report. The report will be discussed during the Nominating Committee meeting to assess and further enhance the effectiveness of the Board and/or the Board Committees. The Board Chairman, who is also the Chairman of the Nominating Committee, will act on the results of the performance evaluation and in consultation with the Nominating Committee propose, where appropriate, new members to be appointed to the Board or seek the resignation of existing members. The evaluation for the financial year ended 31 December 2017 confirmed that the Board and its Board Committees were generally functioning effectively during the year.

The Board believes that evaluation of individual Director's performance is a continuous process. For the financial year under review, the Nominating Committee took note of each individual Director's attendance at meetings of the Board, Board committees and at general meetings; participation in discussions at meetings; the individual Director's functional expertise and his or her commitment of time to the Company and took such factors into consideration in the annual process of evaluating the performance of the individual Directors.

## 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 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.

# REPORT ON CORPORATE GOVERNANCE

As a general rule, board papers are sent to Board members at least 3 working days before the board meeting to afford the Directors with sufficient time to review the board papers prior to the meetings.

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  
Lam Kwok Chong

***Executive Non-independent Director:***

Lim Boon Kheng

The Compensation Committee comprises three members, two of whom are Non-Executive Independent Directors and one Executive Director. Mr Lim Ming Seong and Mr Lam Kwok Chong 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 metrics 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 a Non-Executive Independent 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 Group 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 Director's remuneration shall be contingent upon the financial performance of the Group in order to foster the creation of long term shareholder value.

# REPORT ON CORPORATE GOVERNANCE

The Compensation Committee is guided by its terms of reference that are in line with the 2012 CG Code and its 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 quantum of the Director's fees for 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. Directors' fees recommended by the Board are subject to the approval of the shareholders at the forthcoming AGM. No Director is involved in deciding his own remuneration. The current remuneration framework for the Non-Executive Directors remains unchanged from that of the previous financial year ended 31 December 2016. The Compensation Committee has also 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. Nonetheless, the Compensation Committee understands that where necessary, the Compensation Committee may seek advice from external remuneration consultants in outlining the remuneration policy and determining the level and mix of remuneration for Executive Directors and key management personnel.

There is no existing service contract between the Company and the Executive Director. The Group Managing Director, Mr Lim Boon Kheng, does not receive any Director's fees.

## 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.

The remuneration package for the key executives consists of both fixed and variable components. The variable component in the form of profit sharing is based on annual profits and achievement of the mid to long term business targets of the individual business units and the Group in the relevant financial year.

The Company has implemented a share-based long term incentive plan known as CSE Performance Share Plan ("Share Plan") in lieu of an existing cash plan on 20 April 2017, details of which are disclosed in the Directors' Statement. The Share Plan will allow management to further align their interest and share in the future of CSE with the shareholders. The Share Plan is administered by the Compensation Committee. During the year, no performance shares were granted to Directors and employees of the Company.



# REPORT ON CORPORATE GOVERNANCE

The Company does not have any contractual provisions which allow it to reclaim incentive components of remuneration from key executives as such provisions may have a negative impact on attracting and retaining talent in the Company.

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	66	100	—
Lam Kwok Chong	45	100	—
Lee Soo Hoon Phillip	69	100	—
Lee Kong Ting	50	100	—
Sin Boon Ann	53	100	—
Tan Hien Meng	47	100	—
Lim Boh Soon <sup>1</sup>	9	100	—

Note:

<sup>1</sup> Retired as a Director at the AGM held on 20 April 2017. The Director's fee will be prorated to his date of retirement and will be subjected to shareholders' approval at the AGM scheduled on 19 April 2018.

Name	Total remuneration (\$'000)	Salary (%)	Bonus (%)	Provident fund contributions (%)	Other benefits (%)
Lim Boon Kheng	769	82	—	2	16

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	743	68	28	4
Executive B	729	67	30	3
Executive C	726	65	29	6
Executive D	543	97	—	3
Executive E	535	71	19	10

To maintain confidentiality of staff remuneration the names of the top five key executives are not stated. The Company believes that it may not be in the best interest of the Company to disclose the remuneration of key executives on an individually named basis as recommended by the 2012 CG Code, as such disclosure may affect its ability to motivate, retain and nurture employees.

There were no termination, retirement and post-employment benefits paid to any Directors and the top five key executives in the year ended 31 December 2017. In addition, the Compensation Committee was satisfied that the service contracts with the key executives do not contain termination clauses that are overly generous.

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

# REPORT ON CORPORATE GOVERNANCE

## 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.

Management provides the Directors with balanced and understandable management accounts of the Group's performance, position and prospects on a quarterly basis and as the Board may require from time to time. The Board is briefed on the Group's performance, position and prospects on a quarterly basis.

The Company also observes obligations of continuing disclosure under the SGX-ST Listing Manual. The Company has received signed undertakings from all its Directors and executive officers based on the revised form of Appendix 7.7, pursuant to Rule 720(1) of the SGX-ST Listing Manual.

## 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  
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 and Risk 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, together with the external auditors and internal auditor, 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. In addition, the Audit and Risk Committee also met with the external auditors and internal auditor, without the presence of the Company's management during the financial year under review. The Audit and Risk Committee met five times during FY2017 during which the external and internal auditors were present for four times.

The Board is satisfied that all the members of the Audit and Risk Committee have accounting, financial, business management, corporate legal expertise and work experience to discharge their responsibilities. The Chairman of the Audit and Risk Committee, 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 as well as full access to and co-operation of Management. 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.

# REPORT ON CORPORATE GOVERNANCE

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 Audit and Risk Committee is guided by its terms of reference which sets out its responsibilities. The terms of reference are in line with the 2012 CG Code. 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
- (i) meeting principal overseas subsidiaries' independent directors, the management and any others considered appropriate in their periodic visits to these subsidiaries.

The Audit and Risk Committee keeps abreast of the changes to accounting standards and issues that may have a direct impact on the financial statements by referring to the best practices and guidance in the Guidebook for Audit Committee in Singapore and the reports issued from time to time in relation to the Financial Surveillance Programme administered by the Accounting and Corporate Regulatory Authority. During the year, the Audit and Risk Committee was also briefed on the new accounting standards that might impact the Group's consolidated financial statements by the external auditors at the Audit and Risk Committee meetings.

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.

# REPORT ON CORPORATE GOVERNANCE

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:

	2017 \$'000	2016 \$'000
<b>Audit fees :</b>		
- Auditors of the Company		
- Annual audit	276	284
- Others	76	36
- Other auditors	218	188
<b>Non-audit fees :</b>		
- Auditors of the Company	—	—
- Other auditors	1	13
<b>Total Audit and non-audit fees</b>	<b>571</b>	<b>521</b>

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 Audit and Risk Committee assists the Board in overseeing the risk governance of the Group to ensure that there is a sound system of risk management and internal controls to manage risks in a way that is aligned with the Group's risk tolerance. The Company has put in place an Enterprise Risk Management framework which was established to ensure adequate and effective management of risks and facilitate the Board's assessment on the adequacy and effectiveness of the Group's risk management system. The framework sets out governing policies, processes and systems pertaining to each of the key risk areas to which the Group are exposed. The framework also facilitates the assessment by the Board in the effectiveness of the Group in managing each of the key risks.

The Audit and Risk Committee reviews the adequacy of the Company's internal controls including financial, operational, compliance and information technology controls and risk management policies and systems established by Management. The internal auditor also conducts independent reviews of the adequacy and effectiveness of the Company's material internal controls, including financial, operational and compliance controls, information technology and risk management, at least annually and reports these findings to the Audit and Risk Committee. The Audit and Risk Committee also reviews the effectiveness of the actions taken by Management on the recommendations made by the internal auditor in this respect. In addition, 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 also been reported to the Audit and Risk Committee.

During FY2017, the Board and the Audit and Risk Committee have reviewed the adequacy and effectiveness of the Group's internal controls to address the Group's financial, operational, compliance and information technology risks. In addition, the Board also received 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 for the year ended 31 December 2017 give a true and fair view of the Group's operations and finance; and
- (b) the Company's risk management and internal control systems are adequate and effective in mitigating the significant risks to a level acceptable to the Group.

# REPORT ON CORPORATE GOVERNANCE

Based on the internal controls established and maintained by the Company and reviews conducted by the internal and external auditors and regular reviews undertaken by Management, Board and Board Committees as well as the assurance from Group Managing Director and Group Chief Financial Officer, the Board of Directors, with the concurrence of the Audit and Risk Committee, is 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 system of risk management and internal controls provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of risk management and internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

## 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.

## 13. SIGNIFICANT FINANCIAL REPORTING MATTERS

The significant areas of focus by the Audit and Risk Committee in relation to the 2017 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 71 to 73

### *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 2017.
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 2017, 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.
Impairment testing on good-will and related investment in subsidiaries	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 2017, that the impairment in goodwill for three of their business units amounting to S\$28.0 million is required.



# REPORT ON CORPORATE GOVERNANCE

## 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 approves the hiring, removal and evaluation of the internal auditor.

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.

The IA function adopts a risk-based auditing approach in formulating the annual audit plan which aligns its activities to the key risks across the Group's business. The reviews performed by the internal auditor are aimed at assisting the Board in evaluating the adequacy and effectiveness of risk management, controls and governance processes.

During the year, the IA function conducted its audit reviews based on the annual audit plan which was approved by the Audit and Risk Committee. The annual audit plan also incorporates the audit of key risk areas identified under the Group Risk Management Framework. Each quarter, the IA function would submit a report to the Audit and Risk Committee on the key audit findings and actions to be taken by Management on such findings. Key findings are also highlighted at Audit and Risk Committee Meetings for discussion and follow up actions. The Audit and Risk Committee monitors the timely and proper implementation of the required corrective, preventive or improvement measures to be undertaken by Management.

## 15. EXECUTIVE COMMITTEE

The Executive Committee was dissolved on 1 February 2017.

## 16. STRATEGY COMMITTEE

On 15 September 2017, the Strategy Committee was dissolved to allow the Board to have direct oversight and supervision of the strategic planning and execution process.

# REPORT ON CORPORATE GOVERNANCE

## 17. COMMUNICATION WITH SHAREHOLDERS

The shareholders of the Company have the opportunity to participate effectively and to vote at the Company's AGM and any other general meetings. The Company has employed electronic polling since 2014. An independent scrutineer firm is also present to validate the votes at each general meeting. The results of all votes for and against each resolution is tallied and instantaneously displayed at the meeting. The voting results are announced via SGXNet following each general meeting.

Shareholders are allowed to vote in person or by proxy if they are unable to attend the Company's AGM. The Company's Constitution allows a shareholder to appoint not more than two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. The proxy need not be a Member of the Company. 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. Currently, the Company's Constitution does not allow for shareholders to vote at general meetings in absentia.

Information on general meetings will be disseminated through notices in the annual report or circulars, sent to all shareholders; announced on SGXNET; and advertised in local newspapers. The Company's website at [www.cse-global.com](http://www.cse-global.com) also provides updated information to shareholders and investors on its corporate development.

The Company ensures that all material and price sensitive information which may affect the price or value of the Company's shares is promptly disseminated to the public on a comprehensive, accurate and timely basis via SGXNet and is not selectively disclosed. On the rare occasion when such information is inadvertently disclosed to a select group, the Company will make the same disclosure publicly to all others as soon as practicable.

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

All shareholders receive the Annual Report and the notice of AGM. The notice of AGM is also released via SGXNet, published in local newspapers and uploaded on the corporate website. At the AGMs and other 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. The Company Secretary prepares minutes of general meetings, which incorporate substantial comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon their request.

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. We conduct quarterly results briefings with analysts using the quarterly results materials which are posted on SGXNET. At such briefings, Management openly communicates the Group's financial and operational performances, business growth strategies as well as developments. 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 AGM of the Company. The Company does not practice selective disclosure of information.

The Company does not have a formal dividend policy but the Board strives to provide sustainable dividend payouts.

# REPORT ON CORPORATE GOVERNANCE

## 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 and Risk 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 19, 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.

## 1.2 RISK MANAGEMENT POLICIES AND PROCESSES

Please refer to Annual Report Page No. 60 to 66 (“Risk Management”).

On behalf of the Directors,

**Lee Soo Hoon Phillip**  
Chairman, Audit and Risk Committee

**Tan Hien Meng**  
Director

Singapore  
20 March 2018

# RISK MANAGEMENT

## CSE GLOBAL Risk Management Framework

### Overview

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks.

CSE's Board is responsible for governing risks and ensuring that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and determining the nature and extent of the significant risks which the Board is willing to undertake in achieving its strategic objectives. Assisted by the Audit & Risk Committee ("ARC"), the Board provides valuable advice to management in formulating the risk management framework, policies and guidelines.

The ARC oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The ARC is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARC.

The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The management surfaces key risk issues for discussion with the ARC and the Board regularly.

The internal auditor's primary role in relation to risk management is to provide management and the board objective assurances in:

- a. The design of the risk management processes and how well they are working
- b. The effectiveness in management of key risks
- c. The reliability and appropriateness in risk assessment and the reporting of the risk and control status

The external auditor will provide objective assurance of the effectiveness of risk management and internal controls, particularly within the financial system and reporting.

### Objective

To manage risk under an overall strategy determined by the Board of Directors with the objective:

- i) to assist the Board of Directors to review and enhance the effectiveness of the Group's risk management plans, systems, processes and procedures.
- ii) to review Groupwide risk policies, guidelines and limits as well as the risk exposure and risk treatment plans.

In line with the Group's commitment to deliver sustainable value, the objective of this risk framework is to provide a comprehensive approach to identifying and managing the risks that our businesses face. This framework applies to the action of all employees of the Group and is implemented at each operating unit. Within this framework, critical and major risks of the Group and the operating units are identified and assessed to determine the appropriate type of risk treatment plans to be implemented and are monitored at the Group level as well as by each Business Unit.

A systematic and on-going process for identifying, evaluating, controlling and reporting risk comprises the following key elements:

- Identification and assessment of all risks
- Formulation of risk management strategies
- Design and implementation of risk management action plans to execute risk management strategies
- Monitoring and reporting of risk management performance and risk exposure levels
- Continuous improvement of risk management action plans and capabilities

# RISK MANAGEMENT

The Board has put in place three risk tolerance guiding principles for the Group. These principles serve to determine the nature and extent of the significant risks, which our Board is willing to undertake in achieving its strategic objectives.

These principles are:

1. Risk taken should be carefully evaluated, commensurate with rewards and in line with the Group's core strengths and strategic objectives.
2. No risk arising from a single area of operation, investment or undertaking should be so huge as to endanger the entire Group.
3. The Group does not condone safety breaches or lapses, non-compliance with laws and regulations, as well as acts such as fraud, bribery and corruption.

CSE's Enterprise Risk Management (ERM) framework provides the Group with a holistic and systematic approach to risk management. It outlines the reporting structure, monitoring mechanisms, processes and tools, as well as policies and limits, in addressing the Group's key risks.

Our ERM framework is constantly refined, ensuring relevance in a dynamic operating environment. References are made to the Singapore Code of Corporate Governance, ISO 31000, ISO 22313 and the Guidebook for Audit Committees.

As a Group, we adopt a balanced approach to risk management. As not all risks can be eliminated, we will only undertake appropriate and well-considered risks to optimise returns for the Group.

## Risk Factors

Our financial performance and operations are influenced by a vast range of risk factors. Many of these affect not just our businesses, but also other businesses in and outside the industry. These risks vary widely and many are beyond the Group's control. There may also be risks that are either presently unknown or not currently assessed as significant, which may later prove to be material. However, we aim to mitigate the exposures through appropriate risk management strategies and internal controls.

## Key Risks

The Group has the following types of key risks:

- a. Strategic risk
- b. Operational risk
- c. Compliance risk
- d. Financial risk

### 1) Strategic Risk

#### Market and Competition

The Group's strategic risks comprise market and competition risks. These include market driven forces, increased competition and changing customer demands. The Group remains vulnerable to challenges and uncertainties in the industry markets in which it serves, implications from geo-political developments on globalisation and threats of disruptive technology. The Group holds strategy meetings to review business strategies and develop action plans to mitigate against these risks.

The ARC guides the Group in formulating and reviewing risk policies and limits. These are subject to periodic reviews to ensure they continue to support business objectives and are aligned to our risk tolerance level. Taking into consideration the prevailing business climate and the Group's risk appetite, the policies aim to address risks effectively and proactively.

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 utility industries, as well as the water, drainage, sewerage and environmental 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.



# RISK MANAGEMENT

## 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.

## Acquisitions and Divestments

Being an acquisitive company, CSE faces challenges arising from integrating newly acquired businesses with our own operations and managing these businesses in markets where we have limited experience. The Group risks not being able to generate synergies from these acquisitions, and the acquisitions may become a drain on the Group's management and capital resources.

The Company recognises the risks associated with acquisitions. However, CSE views suitable acquisitions as the fastest way to achieve scale and will mitigate risks through pre-acquisition due diligence and carefully managed integration processes. CSE recognises that rapid growth will stretch the organisation, its infrastructure and processes, but is willing to bear the attendant risk so long as it is able to reasonably mitigate the key risks.

CSE has an established process for evaluating acquisition and divestment decisions. Acquisitions are monitored to ensure they are on track in meeting the Group's strategic objectives and investment returns.

The Board guides the Group to take risks in a controlled manner, preserving the entrepreneurial spirit as well as exercising financial discipline to earn the best risk-adjusted returns on invested capital. The investment portfolio is constantly monitored to ensure that performance is on track to meet the Group's strategic objectives and investment returns.

## Human Resources

CSE is committed to attracting and retaining the best talents, with the ultimate goal as a preferred employer of choice. This can be achieved by maintaining good employee relations, promoting employee engagement, enhancing talent development and fostering a conducive work environment for our employees. The Group continues to focus on strengthening and building our human capital and capabilities to support our long term and sustainable growth plans.

## 2) Operational Risk

### Project Management

As a contractor and system integrator, CSE is subject to the risks of increased project costs, disputes and unexpected implementation delays, any of which can result in an inability to meet projected completion dates. We face potential project execution risks when projects are not accurately scoped or the quality of service performance is not up to customers' specifications, resulting in over-commitments to customers, as well as inadequate resource allocation and scheduling. These can lead to cost overruns, project delays and losses. The Group has a project risk management framework in place with processes for regular risk assessment, performance monitoring and reporting of key projects. Particular attention is given to technically challenging and high-value projects, including greenfield developments, as well as those that involve new technology or operations in a new country. Projects are managed in accordance to the respective country's environmental laws and labour practices.

# RISK MANAGEMENT

## Health, Safety & Environment

Maintaining a high level of health, safety and environmental (HSE) standards is of paramount importance to the Group. As such, we are constantly raising awareness and building a HSE culture at the ground level. Key initiatives include driving a zero fatality strategy across our global operations, enhancing competency of employees performing safety-critical tasks, strengthening operational controls, as well as developing more proactive and leading metrics to monitor HSE performance. Environmental management practices in key operating sites are also closely monitored. As a Group, we continue to embrace and leverage technology to improve HSE processes and systems.

## Business & Operational Processes

Through ongoing efforts to streamline business processes, we have established a common shared services platform which allows us to achieve cost savings, improve efficiency and productivity, as well as enhance governance, compliance and control.

We adopted ISO standards and certifications to achieve standardisation of processes and best practices. In addition, procedures relating to defect management, operations, project control and supply chain management were established to improve quality of deliverables. We conduct regular reviews of policies and authority limits to ensure that they remain relevant in meeting changing business requirements.

## Business Continuity

We are committed to enhancing operational resilience through a robust Business Continuity Plan (BCP) that will equip us to respond effectively to disruptions, while continuing with critical business functions and minimising the impact on our people, operations and assets. As a Group, we have increased efforts in reviewing and testing our operational preparedness and effectiveness of these plans. Follow up actions are taken to strengthen operational resilience and key learning points are documented.

Crisis management and communication procedures have also been embedded into the Group's BCP processes. These procedures are constantly refined to allow us to respond in an orderly and coordinated way, as well as to expedite recovery. Our focus is on building capabilities to respond to crises effectively while safeguarding our people, assets and the interests of our stakeholders.

## Information Technology

The Group has in place an Information Technology (IT) security framework to address evolving IT security threats such as hacking, malware, mobile threats and loss of data.

Our IT security, governance and controls have been strengthened through the alignment of IT policies, processes and systems, and the consolidation of servers and storages.

Extensive training have been conducted on user security education to heighten awareness of IT threats. Measures and considerations have also been taken to safeguard against loss of information, data security, and prolonged service disruption of critical IT systems.

## 3) Compliance Risk

We have a defined framework and continue to work towards strengthening our policies and processes surrounding regulatory compliance, to foster a compliance-centric culture. The framework deals with the structure, people, policies and activities required for management to identify, assess, mitigate and monitor key compliance risks.

### (i) Laws, Regulations & Compliance

Given the geographical diversity of our businesses, we closely monitor developments in laws and regulations in countries where the Group operates, to ensure that our businesses and operations comply with all relevant laws and regulations. We regularly engage with local government authorities and agencies to keep abreast of changes in regulations.

Recognising that non-compliance with laws and regulations has potential significant reputational and financial impact, particular emphasis is placed on regulatory compliance in all our operations.

# RISK MANAGEMENT

## (ii) Corporate Governance – Policies And Procedures

### (a) Employee Code of Conduct

We have a strict Code of Conduct that applies to all employees, who are required to acknowledge and comply with the code. The Code of Conduct sets out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with the Company, customers and suppliers. It covers areas such as conduct in the workplace and business conduct, including anti-corruption and conflict of interests. These policies are reviewed regularly and updated to reflect changes where required.

### (b) Whistle-Blowing Policy

CSE has had a whistle-blowing policy and procedures, which provide employees with well-defined and accessible channels within the Group through which they may, in confidence, raise concerns about possible improprieties in matters of business activities, financial reporting or other matters to the Audit Committee. This arrangement facilitates independent investigation of such matters for appropriate resolution.

### (c) Training & Communications

Training is a key component within CSE's regulatory compliance framework and we continue to focus on refining our compliance training programme and curriculum for new and existing employees. Training programmes are tailored to the audience and we leverage Group-wide forums to reiterate the key messages. Our employees are also required to complete mandatory annual assessment covering key policies, as well as to acknowledge that they have read and understood our policies and declare any potential conflicts of interest.

### (d) Financial Discipline Process

A systematic approach has been in place for CSE Global Limited and its subsidiaries to ensure financial discipline across the Group. We have set up a selfcheck, review and certification process called the Self Assessment Declaration for all subsidiaries to confirm their commitment to and compliance with a prudent financial discipline framework. The framework provides for management at various levels in the countries to systematically review and ensure compliance with the requirements of new accounting standards and the treatment of transactions and ensures that acceptable accounting policies are followed. It allows early identification of areas of potential exposure that can be addressed to minimise adverse impact to the Group as well as ensure the adequacy of provisions made in the accounts.

Each subsidiary operating and finance heads are required to review, report and ensure adequate provisioning for project losses, asset impairment, significant long outstanding debtors, significant inter-company balances, contingent liabilities, fraud incidents and any transactions and/or events with material impact or potential material impact on the subsidiary's financial results. These financial impacts (if any) are reported on a quarterly basis to CSE Global Limited and accounted for in the interim accounts of the respective subsidiary.

Each subsidiary are also required to complete the review and certification of financial discipline for revenue recognition, cost recognition, recognition of assets and liabilities, consolidation and internal controls.

## 4) Financial Risk

### Fraud, Misstatement of Financial Statements & Disclosures

We continue to maintain a strong emphasis on ensuring financial statements are accurate and presented fairly in accordance with applicable financial reporting standards and framework. Where appropriate, we leverage the expertise of the external auditors in the interpretation of financial reporting standards and changes. Regular external and internal audits are conducted to provide assurance on accuracy of financial statements and adequacy of the control framework supporting the financial statements. We encourage regular training and education programmes to enhance competency of finance managers across the Group.

# RISK MANAGEMENT

## Financial Management

The Group operates internationally and is exposed to a variety of financial risks, including currency risk, interest rate risk, credit risk and liquidity risks.

As part of the Group's Enterprise Risk Management framework, Group treasury policies and financial authority limits are documented and reviewed periodically. The policies set out the parameters for management of Group liquidity, counterparty risk, foreign exchange and derivative transactions and financing.

The Group utilises various financial instruments to manage exposures to interest rate and foreign exchange risks arising from operational, financing and investment activities. Transactions such as swaps, options and contracts for difference hedge the Group against fluctuations in the market prices of the underlying instruments. The Group monitors and hedges, where appropriate, its exposure to fluctuations in interest rates and foreign exchange rates. Exposures to foreign currency risks are also hedged naturally where possible.

The financial authority limits seek to limit and mitigate operational risk by setting out the threshold of approvals required for the entry into contractual obligations and investments.

Impact assessment and stress tests are performed to gauge the Group's exposure to changing market situations, allowing for informed decision-making and implementation of prompt mitigating actions. We also regularly monitor the concentration of exposure in the countries where the Group operates.

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.

## 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 99% (2016: 98%) of the Group's sales and approximately 82% (2016: 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 end of the reporting period have similar exposures with 95% (2016: 91%) and 84% (2016: 81%) denominated in their respective functional currencies.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies of respective entities for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD, GBP, EUR 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.

## 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.

# RISK MANAGEMENT

## 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 at the end of reporting period 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.

## 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 of the Group's and Company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 6 months (2016: less than 6 months) from the balance sheet date.

## 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 9 different banks. At the end of reporting period, the Group is in a net cash position of S\$15.5 million, which consists of S\$46.9 million of gross cash and gross borrowings of S\$31.4 million. (Notes 12 & 14 of the Financial Statements) 100% (2016: 100%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

Notwithstanding the headwinds, we continued a disciplined pursuit of new opportunities and revenue streams to safeguard shareholders' interests and the Group's assets. Supported by a robust risk management system, we are able to respond effectively to shifting business demands and seize opportunities that create value for our stakeholders.

## Proactive Risk Management

We remain vigilant against emerging threats that may affect our different businesses. Through close collaboration with stakeholders, we will continue to review our risk management system to ensure that it remains adequate and effective.

	OUR RISKS
Strategic Risks	Market and competition Management of growth Acquisitions and Divestments Human Resources
Operational Risks	Project Management Health, Safety & Environment Business & Operational Processes Business Continuity Information Technology
Compliance Risks	Laws, Regulations & Compliance Corporate Governance – Policies and Procedures
Financial Risks	Fraud, Misstatement of financial statements & disclosures Financial Management <ul style="list-style-type: none"> <li>- Foreign currency</li> <li>- Credit</li> <li>- Interest rate</li> <li>- Liquidity</li> </ul>



# DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

The Directors 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 2017.

## 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 2017 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  
 Sin Boon Ann  
 Lam Kwok Chong  
 Tan Hien Meng  
 Lee Kong Ting

## Arrangements to enable Directors to acquire shares and debentures

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:

Name of Director	Held by Director			Other shareholdings in which the Director is deemed to have an interest		
	At 1.1.2017	At 31.12.2017	At 21.1.2018	At 1.1.2017	At 31.12.2017	At 21.1.2018
<b>CSE Global Limited</b>						
<i>Number of ordinary shares</i>						
Lim Boon Kheng *	3,000,500	3,000,500	3,000,500	4,172,500	4,172,500	4,172,500
Lim Ming Seong **	1,600,000	100,000	100,000	1,650,000	3,150,000	3,150,000
Phillip Lee Soo Hoon	450,000	450,000	450,000	—	—	—

\* 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, 3,000,000 shares are held by Citibank Nominees Singapore Pte Ltd for which Lim Ming Seong is deemed to have an interest.

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.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

## Share Options and Performance Share Plan

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

The Company has implemented a share-based long term incentive plan known as CSE Performance Share Plan ("Performance Share Plan") in lieu of an existing cash plan on 20 April 2017. The Performance Share Plan is administrated by the Remuneration Committee, namely Messrs Lim Ming Seong, Lam Kwok Chong and Lim Boon Kheng. Details of the Performance Share Plan are as follows:

- (a) The following persons (collectively known as the "Participants") shall be eligible to participate in the Performance Share Plan subject to the absolute discretion of the Remuneration Committee:
  - (i) all employees of the Group who are of the age of 18 years and above; and
  - (ii) Executive Directors of the Company,

who, in the opinion of the Remuneration Committee, have contributed or will contribute to the success of the Group.

Persons who are Controlling Shareholders<sup>1</sup> and their Associates<sup>2</sup> and directors and employees of associated companies shall not be eligible to participate in the Performance Share Plan.

- (b) The maximum number of ordinary shares in the capital of the Company ("Shares") that the Company may grant under the Performance Share Plan shall not exceed 5% of the total number of issued Shares (excluding Treasury Shares) of the Company on the day immediately preceding the date on which the contingent award of Shares under the Performance Share Plan ("Award") shall be granted. The Company shall purchase existing Shares for transfer to Participants in respect of the Awards. No new Shares will be issued by the Company pursuant to the Awards.

In addition, the total number of Shares that may be transferred or are transferable pursuant to the granting of the Awards on any date (which shall not exceed 5% of the total number of issued Shares, excluding Treasury Shares, of the Company on the day immediately preceding the date on which the Award shall be granted), when added to the aggregate number of Shares that are issued or are issuable in respect of such other share-based incentive schemes of the Company (if any), shall not exceed 15% of the total number of issued Shares (excluding Treasury Shares) of the Company on the day immediately preceding the date of grant of the Award.

- (c) Awards may only be vested and consequently any Shares comprised in such Awards shall only be delivered upon the Remuneration Committee being satisfied that the Participants has achieved the Performance Target(s)<sup>3</sup> and that the Vesting Period<sup>4</sup> (if any) has expired provided always that the Remuneration Committee shall have the absolute discretion to determine the extent to which the Shares under that Award shall be released on the prescribed Performance Target(s) being satisfied (whether fully or partially) or exceeded, as the case may be, at the end of the prescribed performance period. No Shares under the Award shall be released for the portion of the prescribed Performance Target(s) that is not satisfied by the Participant at the end of the prescribed performance period.
- (d) No awards have been granted to the Participants under the Performance Share Plan since the commencement of the Performance Share Plan till the end of the financial year ended 31 December 2017.

1 Controlling Shareholder refers to a person who (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding Treasury Shares in the Company (unless SGX-ST determines such person is not a controlling shareholder); or (b) in fact exercises control over the Company

2 In the case of a Company,

(a) in relation to any director, chief executive officer, Substantial Shareholder, being a person (including a corporation) who has an interest (direct or indirect) in 5% or more of the total issued Shares of the Company, or Controlling Shareholder means his immediate family, the trustees of any trust of which he or his immediately family is a beneficiary and any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;

(b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a Company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one of the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more

3 Performance Target(s) refers to the performance target(s) prescribed by the Remuneration Committee to be fulfilled by a Participant for any particular period under the Performance Share Plan.

4 In relation to an Award, Vesting Period refers to a period or periods of time before vesting occurs, the duration of which is to be determined by the Committee at the date of the grant of the Award.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

## 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

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 auditor, 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.

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.

# **DIRECTORS' STATEMENT**

For the financial year ended 31 December 2017

## **Auditor**

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

On behalf of the Board of Directors:

Lim Ming Seong  
Director

Lim Boon Kheng  
Director

Singapore  
20 March 2018

# INDEPENDENT AUDITOR'S REPORT

To the members of CSE Global Limited  
For the financial year ended 31 December 2017

## Report on the Audit of the Financial Statements

### Opinion

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 2017, 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.

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 2017 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 our 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 judgements 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 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 Notes 19 and 9 to the financial statements.



# INDEPENDENT AUDITOR'S REPORT

To the members of CSE Global Limited

For the financial year ended 31 December 2017

## Impairment testing on trade receivables

Trade receivable balances were significant to the Group as they represented 35% of the total current assets and 45% 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 magnitude of the amounts and the use of significant management judgement 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 aging 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 Notes 11 and 30 to the financial statements.

## Accounting for acquisitions

During the financial year ended 31 December 2017, the Group acquired businesses which amounted to total purchase considerations of \$8,506,000, and recognised goodwill of \$2,466,000.

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 relationships 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 relate 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 significant acquired assets and liabilities by reviewing the valuation methodologies and key assumptions used by management and their external valuation specialists.

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

## Impairment testing on goodwill and related investment in subsidiaries

As at 31 December 2017, the Group has goodwill amounting to \$17,555,000 which represented 29% of the total non-current assets. The Group allocated goodwill to cash generating units ("CGUs") identified for impairment testing as disclosed in Note 7 to the financial statements.

The Company has investments in subsidiaries amounting to \$196,018,000 as at 31 December 2017. These investments represent 97% of the Company's total non-current assets. The carrying amounts of these investments are tested for impairment whenever there are indications of impairment.

The recoverable amount of each CGU tested for impairment of goodwill and related investment with indications of impairment 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 impairment tests 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, the Group recognised impairment losses of \$27,953,000 on goodwill and the Company recognised impairment losses of \$8,477,000 on investment in a subsidiary at year end.

# INDEPENDENT AUDITOR'S REPORT

To the members of CSE Global Limited  
For the financial year ended 31 December 2017

## Impairment testing on goodwill and related investment in subsidiaries (cont'd)

As part of our audit, we obtained an understanding of management's impairment assessment process and 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 and related investment in subsidiaries. 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. We reviewed the results of the impairment assessment performed by management by comparing the carrying values of the CGU and investment in subsidiaries to their respective recoverable amounts, and assessed if the carrying amounts exceed the recoverable amounts.

Further, we assessed the adequacy of the Group's disclosures in Notes 7 and 5 to the financial statements concerning goodwill and investment in subsidiaries respectively.

## Other Information

Management is responsible for other information. The other information comprises information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

To the members of CSE Global Limited

For the financial year ended 31 December 2017

## 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 2018

# BALANCE SHEETS

As at 31 December 2017

		Group		Company	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	4	28,002	26,516	2,705	2,865
Investment in subsidiaries	5	–	–	196,018	204,495
Other investments	6	1,410	7,732	1,296	7,618
Intangible assets	7	27,610	53,104	806	967
Deferred tax assets	8	2,799	11,548	1,556	2,727
<b>Current assets</b>					
Gross amount due from customers for contract work-in-progress	9	63,343	41,873	–	–
Inventories	10	14,622	14,732	–	–
Trade and other receivables	11	96,261	88,680	431	462
Prepaid operating expenses		2,963	3,659	95	77
Amounts due from subsidiaries	5	–	–	29,516	10,133
Cash and cash equivalents	12	46,910	90,778	3,874	11,853
		224,099	239,722	33,916	22,525
<b>Current liabilities</b>					
Gross amount due to customers for contract work-in-progress	9	9,668	10,989	–	–
Trade payables and accruals	13	60,828	37,058	4,604	1,634
Finance leases	26	–	28	–	–
Loans and borrowings	14	31,408	20,581	31,408	8,889
Amounts due to subsidiaries	5	–	–	88,173	96,357
Provision for warranties	15	819	2,155	–	–
Provision for taxation		2,076	3,278	–	–
		104,799	74,089	124,185	106,880
<b>Net current assets/(liabilities)</b>		119,300	165,633	(90,269)	(84,355)
<b>Non-current liabilities</b>					
Deferred tax liabilities	8	(3,047)	(5,424)	–	–
Accruals	13	(321)	(4,261)	–	(4,000)
<b>Net assets</b>		175,753	254,848	112,112	130,317
<b>Equity attributable to owners of the Company</b>					
Share capital	16	98,542	98,542	98,542	98,542
Revenue reserve		112,291	171,632	3,694	21,899
Other reserves	17	9,844	9,844	9,876	9,876
Foreign currency translation reserve	18	(46,723)	(28,668)	–	–
		173,954	251,350	112,112	130,317
<b>Non-controlling interests</b>		1,799	3,498	–	–
<b>Total equity</b>		175,753	254,848	112,112	130,317

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 2017

		Group	
	Note	2017 \$'000	2016 \$'000
<b>Revenue</b>	19	362,352	317,769
Cost of sales		(268,215)	(217,116)
<b>Gross profit</b>		94,137	100,653
<b>Operating expenses</b>			
Administrative expenses		(67,927)	(66,072)
Selling and distribution expenses		(3,837)	(3,806)
Other expenses		(17,842)	(3,806)
<b>Operating profit</b>		4,531	26,969
Other non-operating (expenses)/income	20	(41,637)	591
Finance income	21	510	877
Finance costs	22	(829)	(700)
<b>(Loss)/profit before tax</b>	23	(37,425)	27,737
Income tax expense	24	(9,471)	(6,540)
<b>(Loss)/profit for the year</b>		(46,896)	21,197
<b>Attributable to:-</b>			
Owners of the Company		(45,149)	21,189
Non-controlling interests		(1,747)	8
		(46,896)	21,197
<b>(Loss)/earnings per share attributable to owners of the Company (cents per share)</b>			
Basic EPS	25	(8.75)	4.11
Diluted EPS	25	(8.75)	4.11

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 2017

	Group	
	2017 \$'000	2016 \$'000
<b>(Loss)/profit for the year</b>	(46,896)	21,197
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
– Foreign currency translation	(18,007)	2,031
Other comprehensive income for the year, net of tax	(18,007)	2,031
<b>Total comprehensive income for the year</b>	<b>(64,903)</b>	<b>23,228</b>
<b>Attributable to:-</b>		
Owners of the Company	(63,204)	23,914
Non-controlling interests	(1,699)	(686)
<b>Total comprehensive income for the year</b>	<b>(64,903)</b>	<b>23,228</b>

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 2017

Group	Attributable to owners of the Company						
	Share capital	Revenue reserve	Other reserves	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
	(Note 16)		(Note 17)	(Note 18)			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2017</b>							
<b>Opening balance at 1 January 2017</b>	98,542	171,632	9,844	(28,668)	251,350	3,498	254,848
Loss for the year	–	(45,149)	–	–	(45,149)	(1,747)	(46,896)
<u>Other comprehensive income</u>							
– Foreign currency translation	–	–	–	(18,055)	(18,055)	48	(18,007)
<b>Other comprehensive income for the year, net of tax</b>	–	–	–	(18,055)	(18,055)	48	(18,007)
<b>Total comprehensive income for the year</b>	–	(45,149)	–	(18,055)	(63,204)	(1,699)	(64,903)
<u>Contributions by and distributions to owners</u>							
– Dividends on ordinary shares (Note 33)	–	(14,192)	–	–	(14,192)	–	(14,192)
<b>Total transactions with owners in their capacity as owners</b>	–	(14,192)	–	–	(14,192)	–	(14,192)
<b>Closing balance at 31 December 2017</b>	98,542	112,291	9,844	(46,723)	173,954	1,799	175,753

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Group	Attributable to owners of the Company						Total equity \$'000
	Share capital (Note 16)	Revenue reserve	Other reserves (Note 17)	Foreign currency translation reserve (Note 18)	Total	Non-controlling interests	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>2016</b>							
<b>Opening balance at 1 January 2016</b>	98,542	164,635	9,844	(31,393)	241,628	4,184	245,812
Profit for the year	–	21,189	–	–	21,189	8	21,197
<u>Other comprehensive income</u>							
– Foreign currency translation	–	–	–	2,725	2,725	(694)	2,031
<b>Other comprehensive income for the year, net of tax</b>	–	–	–	2,725	2,725	(694)	2,031
<b>Total comprehensive income for the year</b>	–	21,189	–	2,725	23,914	(686)	23,228
<u>Contributions by and distributions to owners</u>							
– Dividends on ordinary shares (Note 33)	–	(14,192)	–	–	(14,192)	–	(14,192)
<b>Total transactions with owners in their capacity as owners</b>	–	(14,192)	–	–	(14,192)	–	(14,192)
<b>Closing balance at 31 December 2016</b>	98,542	171,632	9,844	(28,668)	251,350	3,498	254,848

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 2017

Company	Share capital (Note 16) \$'000	Revenue reserve \$'000	Other reserves (Note 17) \$'000	Total equity \$'000
<b>2017</b>				
<b>Opening balance at 1 January 2017</b>	98,542	21,899	9,876	130,317
Loss for the year, representing total comprehensive income for the year	–	(4,013)	–	(4,013)
<u>Contributions by and distributions to owners</u>				
Dividends on ordinary shares (Note 33)	–	(14,192)	–	(14,192)
<b>Total transactions with owners in their capacity as owners</b>	–	(14,192)	–	(14,192)
<b>Closing balance at 31 December 2017</b>	98,542	3,694	9,876	112,112
<b>2016</b>				
<b>Opening balance at 1 January 2016</b>	98,542	24,052	9,876	132,470
Profit for the year, representing total comprehensive income for the year	–	12,039	–	12,039
<u>Contributions by and distributions to owners</u>				
Dividends on ordinary shares (Note 33)	–	(14,192)	–	(14,192)
<b>Total transactions with owners in their capacity as owners</b>	–	(14,192)	–	(14,192)
<b>Closing balance at 31 December 2016</b>	98,542	21,899	9,876	130,317

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

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities :</b>		
(Loss)/profit before tax	(37,425)	27,737
<b>Adjustments for :</b>		
Depreciation of property, plant and equipment	5,497	5,193
Amortisation of intangible assets	1,842	1,902
Intangible assets written off	–	297
Impairment of goodwill	27,953	–
Impairment of other investments	190	–
Allowance for stock obsolescence made, net	1,160	915
Inventories written off	209	–
Allowance for doubtful trade receivables, net	11,161	1,157
Write-down of unbilled receivables	2,979	1,067
Gain on disposal of quoted investment	(137)	–
Loss/(gain) on disposal of property, plant and equipment	334	(473)
Property, plant and equipment written off	557	416
Changes in fair value of financial instruments	–	(276)
One-off settlement costs	16,595	–
Interest expense	829	700
Interest income	(510)	(877)
<b>Operating cash flows before changes in working capital</b>	31,234	37,758
(Increase)/decrease in trade and other receivables and prepaid operating expenses	(23,881)	18,781
(Increase)/decrease in gross amount due from customers for contract work-in-progress, net and inventories	(29,941)	15,756
Increase/(decrease) in trade payables and accruals and provision for warranties	20,954	(10,389)
<b>Cash (used in)/generated from operations</b>	(1,634)	61,906
One-off settlement costs	(16,595)	–
Interest paid	(829)	(700)
Interest received	510	877
Income tax paid	(4,498)	(3,684)
<b>Net cash flows (used in)/generated from operating activities</b>	(23,046)	58,399
<b>Cash flows from investing activities :</b>		
Purchase of property, plant and equipment	(8,133)	(7,369)
Purchase of intangible assets	(168)	(170)
Acquisition of business net of cash acquired (Note 5)	(8,506)	(14,396)
Proceeds from/(consideration paid) on quoted investment, net	5,991	(7,153)
Proceeds from disposal of property, plant and equipment	363	755
<b>Net cash flows used in investing activities</b>	(10,453)	(28,333)
<b>Cash flows from financing activities :</b>		
Proceeds from/(repayment of) short-term borrowings, net	10,419	(34,933)
Dividends paid on ordinary shares	(14,192)	(14,192)
Repayment of finance lease obligations	(28)	(80)
<b>Net cash flows used in financing activities</b>	(3,801)	(49,205)
Net decrease in cash and cash equivalents	(37,300)	(19,139)
Net effect of exchange rate changes on cash and cash equivalents	(6,568)	198
Cash and cash equivalents at 1 January	90,778	109,719
<b>Cash and cash equivalents at 31 December (Note 12)</b>	46,910	90,778

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 2017

## 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 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.

#### *Convergence with International Financial Reporting Standards*

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.

The Group has performed an assessment of the impact of adopting the new financial reporting framework. On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of (\$28,668,000) of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

Other than the effects of the matter as described above and the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new financial reporting framework will have no material impact on the financial statements in the year of initial application.

#### *Fundamental accounting concept*

As at 31 December 2017, the Company's current liabilities exceeded its current assets by \$90,269,000 (2016: \$84,355,000). 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 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 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
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
Amendments to FRS 115: <i>Classification to FRS 115 Revenue from Contracts with Customers</i>	1 January 2018
Amendments to FRS 102: <i>Classification and Measurement of Share-based Payment transactions</i>	1 January 2018
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined
Improvements to FRSs (December 2016)	
(a) Amendments to FRS 28: <i>Measuring an Associate of Joint Venture at fair value</i>	1 January 2018
INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
Amendments to FRS 109: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to FRS 28: <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
INT. FRS 123 <i>Uncertainty over Income Tax Transactions</i>	1 January 2019

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, and is effective for annual periods beginning on or after 1 January 2018. 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.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

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

Loans and receivables that are currently measured at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

The Group's held-to-maturity debt instruments assets amounting to \$1,296,000 are expected to give rise to cash flows representing solely payments of principal and interest. The Group intends to hold these currently held-to-maturity debt instruments assets to collect contractual cash flows, and accordingly will continue to be measured at amortised cost when it applies FRS 109.

#### **(b) Impairment**

FRS 109 requires the Group and the Company to record expected credit losses on all of its debt securities, loans, trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect the impact to be material to the Group's financial statements.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards issued but not yet effective (cont'd)

#### FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. 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 is effective for annual periods beginning on or after 1 January 2018.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the following practical expedients:

- (a) For completed contracts, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 January 2017, and
- (b) For completed contracts that have variable consideration, the Group plans to use the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year.
- (c) For contracts that were modified before 1 January 2017, the Group plans not to retrospectively restate the contract for those contract modifications. Instead, the Group will reflect the aggregate effect of all of the modifications that occur before 1 January 2017 when:
  - identifying the satisfied and unsatisfied performance obligations;
  - determining the transaction price; and
  - allocating the transaction price to the satisfied and unsatisfied performance obligations.
- (d) For all reporting periods presented before the date of initial application, the Group plans not to disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information and does not expect the impact upon adoption to be material to the Group's financial statements. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

#### 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 Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 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. 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 goodwill and investment in subsidiaries

As disclosed in Notes 7 and Note 5 to the financial statements, the recoverable amount of each cash generating unit tested for impairment of goodwill and related investment with indications of impairment are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. 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 Notes 7 and 5 to the financial statements.

The carrying amounts of goodwill and investment in subsidiaries as at 31 December 2017 are \$27,610,000 (2016: \$53,104,000) and \$196,018,000 (2016: \$204,495,000) respectively.

##### (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 11 to the financial statements.

##### (iii) 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 9 to the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Significant accounting judgments and estimates (cont'd)

#### (b) Key sources of estimation uncertainty (cont'd)

##### (iv) 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 2017 was \$4,029,000 (2016: \$27,652,000). The aggregate carrying value of unused tax losses for which no deferred tax assets is recognised as at 31 December 2017 was \$34,734,000 (2016: \$Nil). If the Group was able to recognise all unused tax losses, profit would increase by \$6,148,000 (2016: \$Nil).

### 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.

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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.7 Basis of consolidation and business combinations (cont'd)

#### (b) Business combinations and goodwill (cont'd)

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.

### 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 are measured at cost less accumulated depreciation and any accumulated impairment losses.

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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.10 Intangible assets (cont'd)

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.

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 4 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 15 years.

### 2.11 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.12 Financial instruments

#### (a) 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:

##### (i) 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.

##### (ii) 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.

##### (iii) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.12 Financial instruments (cont'd)

#### (b) 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 method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

##### De-recognition

A financial liability is de-recognised 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 de-recognition 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.

### 2.13 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.

### 2.14 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.14 Impairment of financial assets (cont'd)

#### (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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.17 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.

### 2.18 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.

#### *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.

### 2.19 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.20 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 2.21(e). Contingent rents are recognised as revenue in the period in which they are earned.

### 2.21 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.22 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.22 Income taxes (cont'd)

#### (c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### 2.23 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.

### 2.24 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 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.25 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.

### 2.26 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 3. Group companies

Details of subsidiaries of the Company at 31 December are:-

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Effective equity interest held by the Group	
			2017 \$'000	2016 \$'000	2017 %	2016 %
i	CSE Global (Asia) Pte Ltd (formerly known as 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
iii	CSE Systems & Engineering (India) Private Limited <sup>(1)</sup> (India)	Sales and provision of computer network systems (India)	36	36	100	100
iii	CSE-Hankin (China) Co., Ltd <sup>(2)</sup> (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 (Australia)	Distribution of electrical engineering equipment and provision of telecommunications solutions and investment holding (Australia)	46,213	46,213	100	100
			<u>204,495</u>	<u>204,495</u>		

The carrying amount of the Company's investment in subsidiaries at the balance sheet date is disclosed in Note 5 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group	
			2017 %	2016 %
<b><i>Held by CSE Global (Asia) Pte Ltd</i></b>				
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
iii	CSE-EIS (Malaysia) Sdn Bhd <sup>(3)</sup> (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	100
iii	CSE Systems & Engineering (India) Private Limited <sup>(1)</sup> (India)	Sales and provision of computer network systems (India)	100	100
iii	CSE-Hankin (China) Co., Ltd <sup>(2)</sup> (China)	Design and install high temperature thermal process and incineration systems (China)	100	100
<b><i>Held by CSE Hankin (Singapore) Pte Ltd</i></b>				
iii	CSE-Hankin Inc <sup>(4)</sup> (America)	Design and install high temperature thermal process and incineration systems (America)	100	100

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group	
			2017 %	2016 %
<b>Held by S3 ID Pte Ltd</b>				
iii	S3 ID Group Ltd <sup>(5)</sup> (United Kingdom)	Sale and provision of safety system and automation hardware product (United Kingdom)	60	60
iii	S3 ID (Malaysia) Sdn Bhd <sup>(6)</sup> (Malaysia)	Sale and provision of safety system and automation hardware product (Malaysia)	80	80
<b>Held by S3 ID Group Ltd</b>				
iii	S3 ID Ltd <sup>(5)</sup> (United Kingdom)	Sale and provision of safety system and automation hardware product (United Kingdom)	60	60
iii	S3 ID AS <sup>(7)</sup> (Norway)	Sale and provision of safety system and automation hardware product (Norway)	60	60
iv	S3 ID LLP (Kazakhstan)	Sale and provision of safety system and automation hardware product (Kazakhstan)	60	60
<b>Held by CSE (Americas) Pte Ltd</b>				
iv	CSE Americas, Inc (America)	Sale and provision of system integration services and investment holding (America)	100	100
iv	Industrias W de Mexico, SA de C.V. (Mexico)	Sale and provision of system integration services (Mexico)	100	100
<b>Held by CSE Americas, Inc</b>				
iv	CSE W-Industries, Inc (America)	Sale and provision of system integration services (America)	100	100
v	CSE ICON, Inc (America)	Sale and provision of system integration services (America)	100	100

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group	
			2017 %	2016 %
Held by CSE W-Industries, Inc				
v	W-Industries of Texas, LLC (America)	Sale and provision of system integration services (America)	100	100
v	W-Industries of Louisiana, LLC (America)	Sale and provision of system integration services (America)	100	100
iv	CSE Environmental, LLC (America)	Dormant (America)	100	100
v	CC American Oilfield, LLC (America)	Sale and provision of system integration services (America)	100	100
v	Gulf Coast Power & Control of Louisiana, LLC (America)	Sale and provision of system integration services (America)	100*	–
iv	CSE W-Industries Nigeria Ltd (Nigeria)	Sale and provision of system integration services (Nigeria)	100**	–
Held by CC American Oilfield LLC				
iv	R-M Transactions, LLC (America)	Sale and provision of system integration services (America)	100	100
Held by CSE-TransTel Pte Ltd				
iv	P.T. TransTel Engineering (Indonesia)	Provision of turnkey telecommunications solutions (Indonesia)	100	100
iv	TransTel Engineering (Nigeria) Ltd (Nigeria)	Provision of turnkey telecommunications solutions (Nigeria)	80	80
iii	TransTel Engineering (Tianjin) Co. Ltd <sup>(8)</sup> (China)	Provision of turnkey telecommunications solutions (China)	100	100
iii	TransTel Engineering Thailand Ltd <sup>(9)</sup> (Thailand)	Provision of turnkey telecommunications solutions (Thailand)	100	100
iv	TransTel Engineering Pty Ltd <sup>^^</sup> (Australia)	Provision of turnkey telecommunications solutions (Australia)	100	100
iii	TransTel Engineering (M) Sdn Bhd <sup>(3)</sup> (Malaysia)	Provision of turnkey telecommunications solutions (Malaysia)	100	100



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 3. Group companies (cont'd)

Name of Company (Country of incorporation)			Principal activities (Place of business)	Effective equity interest held by the Group	
				2017 %	2016 %
Held by CSE-TransTel Pte Ltd (cont'd)					
iv	TransTel Engineering Arabian Limited Co. (Saudi Arabia)	Provision of turnkey telecommunications solutions (Saudi Arabia)		100	100
iii	TransTel Engineering PNG Limited <sup>(10)</sup> (Papua New Guinea)	Provision of turnkey telecommunications solutions (Papua New Guinea)		100	100
iii	CSE Systems & Engineering (Thailand) Limited <sup>(9)</sup> (Thailand)	Sales and provision of computer network systems (Thailand)		100	100
iii	CSE TransTel India Private Limited <sup>(11)</sup> (India)	Sales and provision of telecommunications network systems (India)		100	100
iii	CSE TransTel Middle East FZE <sup>(12)</sup> (Dubai)	Sales and provision of telecommunications network systems (Dubai)		100	100
Held by CSE-Global (Australia) Pty Ltd					
ii	CSE-Uniserve Corporation Pty Ltd (Australia)	Distribution of electrical engineering equipment and investment holding (Australia)		100	100
ii	Astib Group Pty Ltd (Australia)	Provision of telecommunications solutions and investment holding (Australia)		100	100
ii	CSE Crosscom Pty Ltd (Australia)	Provision of telecommunications solutions (Australia)		100	100
iii	Orionet Limited <sup>(13)</sup> (New Zealand)	Provision of telecommunications solutions equipment (New Zealand)		100 <sup>*</sup>	–
Held by CSE-Uniserve Corporation Pty Ltd					
ii	CSE-Uniserve Pty Ltd (Australia)	Distribution of electrical engineering equipment (Australia)		100	100
ii	CSE-W Arthur Fisher Limited <sup>(13)</sup> (New Zealand)	Distribution of electrical engineering equipment and manufacture of process control and automation equipment (New Zealand)		100	100

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group	
			2017 %	2016 %
<b>Held by Astib Group Pty Ltd</b>				
ii	CSE-Transtel Pty Ltd (Australia)	Provision of telecommunications solutions (Australia)	100	100
ii	CSE-CX Distribution Pty Ltd (Australia)	Provision of telecommunications solutions (Australia)	100	100
ii	CSE-Comsource Pty Ltd (Australia)	Provision of telecommunications solutions (Australia)	100	100
(i)	Audited by Ernst & Young LLP, Singapore			
(ii)	Audited by member firms of EY Global in the respective countries			
(iii)	Audited by other auditors			
	(1) Audited by M.V Guruprasad, Chartered Accountants			
	(2) Audited by Beijing Zhong Yong LiQin, Certified Public Accountants			
	(3) Audited by RSM Malaysia			
	(4) Audited by Flynn, Horlacher & Parker, P.C., Certified Public Accountants			
	(5) Audited by RSM UK Audit LLP			
	(6) Audited by Leong Ho & Associates PLT			
	(7) Audited by RSM Norway			
	(8) Audited by Tianjin Zhong Hao Hai, Certified Public Accountants			
	(9) Audited by Siam Council Audit Services Limited, Certified Public Accountants			
	(10) Audited by Sinton Spence			
	(11) Audited by AFC Corporate Advisors Pvt Ltd			
	(12) Audited by HLB Hamt Chart. Acct			
	(13) Audited by JSA Audit Ltd.			
(iv)	Not required to be audited under the laws of the country of incorporation			
(v)	Not required to be audited under the laws of the country of incorporation, but audited by Ernst & Young LLP, Singapore for the purpose of consolidation of the Group.			
*	The Group acquired 100% shareholding of Gulf Coast Power & Control of Louisiana, LLC in the year ended 31 December 2017. As a result of this acquisition, Gulf Coast Power & Control of Louisiana, LLC became a wholly-owned subsidiary of CSE W-Industries, Inc.			
**	CSE W-Industries Nigeria is a newly incorporated company in the financial year ended 31 December 2017.			
^	Orionet Limited is a newly incorporated company in the financial year ended 31 December 2017.			
^^	.TransTel Engineering Pty Ltd was deregistered subsequent to year end.			

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 2017

## 4. Property, plant and equipment

Group	Assets under construction	Freehold land	Buildings	Leasehold improvements	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
<b>Cost:</b>										
At 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 businesses (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 and 1 January 2017	504	1,018	12,447	6,003	4,908	18,187	4,935	9,201	4,463	61,666
Currency realignment	(37)	(77)	(942)	(215)	(171)	(305)	(222)	(270)	(222)	(2,461)
Additions	132	-	939	526	1,222	3,922	374	471	547	8,133
Acquisition of businesses (Note 5)	-	-	-	-	86	208	2	-	248	544
Disposals	-	-	(701)	(154)	(8)	(1,801)	(354)	(787)	(375)	(4,180)
Write-off	(557)	-	-	-	-	-	-	-	-	(557)
Reclassification	-	-	-	-	(119)	863	-	(812)	68	-
At 31 December 2017	42	941	11,743	6,160	5,918	21,074	4,735	7,803	4,729	63,145

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 4. Property, plant and equipment

Group	Assets under construction	Freehold land	Buildings	Leasehold improvements	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
<b>Accumulated depreciation:</b>										
At 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 and 1 January 2017	–	–	3,882	2,564	3,577	11,067	3,336	7,904	2,820	35,150
Currency realignment	–	–	(246)	(145)	(120)	(709)	(155)	(523)	(123)	(2,021)
Charge for the year	–	–	385	542	420	2,535	627	482	506	5,497
Disposals	–	–	(701)	(119)	(6)	(1,723)	(323)	(331)	(280)	(3,483)
Reclassification	–	–	–	–	–	781	–	(781)	–	–
At 31 December 2017	–	–	3,320	2,842	3,871	11,951	3,485	6,751	2,923	35,143
<b>Net carrying value:</b>										
At 31 December 2017	42	941	8,423	3,318	2,047	9,123	1,250	1,052	1,806	28,002
At 31 December 2016	504	1,018	8,565	3,439	1,331	7,120	1,599	1,297	1,643	26,516

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 4. Property, plant and equipment (cont'd)

Company	Leasehold improvements \$'000	Plant and machinery \$'000	Office furniture and fittings \$'000	Computer equipment \$'000	Motor vehicle \$'000	Total \$'000
<b>Cost:</b>						
At 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 and 1 January 2017	2,619	21	236	136	216	3,228
Additions	270	–	–	8	–	278
At 31 December 2017	2,889	21	236	144	216	3,506
<b>Accumulated depreciation:</b>						
At 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 and 1 January 2017	140	2	28	103	90	363
Charge for the year	289	4	47	26	72	438
At 31 December 2017	429	6	75	129	162	801
<b>Net carrying value:</b>						
At 31 December 2017	2,460	15	161	15	54	2,705
At 31 December 2016	2,479	19	208	33	126	2,865

## 5. Investment in subsidiaries and amounts due from/(to) subsidiaries

	Company	
	2017 \$'000	2016 \$'000
Unquoted shares, at cost	204,495	204,495
Impairment losses	(8,477)	–
	196,018	204,495

Details of the subsidiaries are set out in Note 3.

During the current financial year, management performs impairment testing on the Company's investment in subsidiaries. Based on the assessment of the subsidiaries' historical and current performance and probability of future cash flows, the Company has made allowance for impairment against the investment in a subsidiary amounting to \$8,477,000 (2016: \$Nil) representing the write-down of the subsidiary to its recoverable amount.

As at 31 December 2017, 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 2017

## 5. Investment in subsidiaries and amounts due from/(to) subsidiary companies (cont'd)

### Acquisition of businesses in 2017

#### Acquisition of business in Australia

In January 2017, a wholly-owned subsidiary of the Group, CSE Crosscom Pty Ltd entered into a business sale agreement with Combined Communications Solutions Pty Ltd for the acquisition of assets and business for a consideration of AUD1,470,000 (approximately \$1,533,000).

The acquisition allowed the Group to continue 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:

	<b>Fair value recognised on acquisition \$'000</b>
Customer relationships	390
Property, plant and equipment	299
Inventories	258
Total assets	<u>947</u>
Accruals	(70)
Deferred tax liabilities	(96)
Total liabilities	<u>(166)</u>
Total identifiable net assets at fair value	781
Goodwill arising from acquisition	752
Cash paid on acquisition, representing net cash outflow on acquisition	<u>1,533</u>

#### Transaction costs

Transaction costs relating to the acquisition of AUD98,000 (approximately \$102,000) were recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2017.

#### 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 5. Investment in subsidiaries and amounts due from/(to) subsidiaries (cont'd)

### Acquisition of businesses in 2017 (cont'd)

#### Acquisition of business in Australia (cont'd)

##### Customer relationship arising from acquisition

Arising from the finalisation of the purchase price allocation exercise of the acquisition, customer relationship has been identified as an intangible asset arising from the acquisition. The carrying value of the intangible asset at acquisition date represents 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 acquisition had taken place since the start of the financial year.

#### Acquisition of Gulf Coast Power & Control of Louisiana, LLC

In January 2017, a wholly-owned subsidiary of the Group, CSE W-Industries, LLC acquired 100% shareholding of Gulf Coast Power & Control of Louisiana, LLC ("GCPC") for a cash consideration of USD4,817,000 (or approximately \$6,973,000).

GCPC provides customised products and solutions to the downstream oil and gas industry. The acquisition allowed the Group to have a stronger alignment of the Group's customer base with the current and potential customer base of GCPC.

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

<b>Gulf Coast Power &amp; Control of Louisiana, LLC</b>	<b>Fair value recognised on acquisition \$'000</b>
Customer relationships	3,863
Receivables	801
Property, plant and equipment	286
Inventories	711
Total assets	5,661
Other payables	(401)
Tax provision	(1)
	(402)
Total identifiable net assets at fair value	5,259
Goodwill arising from acquisition	1,714
Cash paid on acquisition, representing net cash outflow on acquisition	6,973

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 5. Investment in subsidiaries and amounts due from/(to) subsidiaries (cont'd)

### Acquisition of businesses in 2017 (cont'd)

#### Acquisition of Gulf Coast Power & Control of Louisiana, LLC (cont'd)

##### Transaction costs

Transaction costs relating to the acquisition of USD38,394 (approximately \$51,000) were recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2017.

##### Goodwill arising from acquisition

The goodwill arising from the acquisition comprises the value of strengthening the Group's customer base and the current and potential customer base of the downstream oil and gas processing industry.

##### Customer relationship arising from acquisition

Arising from the finalisation of the purchase price allocation exercise during the year, customer relationship has been identified as an intangible asset arising from the acquisition. The carrying value of the intangible asset at acquisition date represents the fair value determined by the independent valuer.

##### Impact on the acquisition on profit or loss

The acquisition took place at the beginning of the year. Since the acquisition date, GCPC has contributed USD5,500,000 (or approximately \$7,566,000) of revenue and generated profit for the year of USD500,000 (or approximately \$683,000).

### Acquisition of businesses in 2016

#### Acquisition of businesses in Australia

In 2016, the wholly-owned subsidiaries of the Group, CSE Crosscom Pty Ltd and CSE Comsource Pty Ltd, entered into business sale 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 5. Investment in subsidiaries and amounts due from/(to) subsidiaries (cont'd)

### Acquisition of businesses in 2016 (cont'd)

#### Acquisition of businesses in Australia (cont'd)

The acquisition of two business were reported based on provisional amounts in the Group financial statement for the year ended 31 December 2016 as the results of this valuation had not been received at the date the 2016 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 acquisitions as follows:

	Provisional fair values at date of acquisition \$'000	Fair value adjustments \$'000	Fair values recognised \$'000
Customer relationships	–	392	392
Sales order backlog	–	99	99
Property, plant and equipment	644	(41)	603
Inventories	207	–	207
Deferred tax assets	49	–	49
Other investment	114	–	114
Total assets	1,014		1,464
Other payables	(49)	–	(49)
Accruals	(230)	(35)	(265)
Deferred tax liabilities	–	(147)	(147)
Total liabilities	(279)		(461)
Total identifiable net assets at fair value	735	–	1,003
Translation	(53)	–	(53)
Goodwill arising from acquisition	3,629	(685)	2,944
	4,311	(417)	3,894
<b>Consideration transferred for the acquisition</b>			
Cash paid on acquisition, representing net cash out flow on acquisition	3,894	–	3,894
Contingent consideration recognised at acquisition	417	(417)	–
	4,311	(417)	3,894

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 5. Investment in subsidiaries and amounts due from/(to) subsidiaries (cont'd)

### Acquisition of businesses in 2016 (cont'd)

#### Acquisition of businesses in Australia (cont'd)

The purchase price allocation of the third business was finalised in 2016. The fair values of the identifiable assets and liabilities acquired are as follows:

	Fair value recognised on acquisition \$'000
Customer relationships	98
Property, plant and equipment	422
Inventories	282
Total assets	802
Tax provision	(31)
	(31)
 Total identifiable net assets at fair value	 771
Translation	(93)
Goodwill arising from acquisition	1,173
Cash paid on acquisition, representing net cash outflow on acquisition	1,851

#### Transaction costs

Transaction costs related to the acquisitions 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 acquisitions

The goodwill arising from the acquisitions 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.

#### Intangible assets arising from acquisitions

Arising from the purchase price allocation exercises of the acquisition of assets and businesses during the year, customer relationships and sales order backlog have been identified as an intangible asset arising from the acquisition. The carrying value of the intangible assets at acquisition date represent the fair values 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 5. Investment in subsidiaries and amounts due from/(to) subsidiaries (cont'd)

### Acquisition of businesses in 2016 (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 business sale 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 5. Investment in subsidiaries and amounts due from/(to) subsidiaries (cont'd)

### Acquisition of businesses in 2016 (cont'd)

#### Acquisition of business from CC American Oilfield L.L.C. and Roc-Mar Inc (cont'd)

##### 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 2016.

#### **Amounts due from/(to) subsidiaries**

	Company	
	2017	2016
	\$'000	\$'000
Amounts due from subsidiaries, current:-		
Trade	7,496	5,182
Non-trade	223	155
Short term loans	21,797	4,796
	<u>29,516</u>	<u>10,133</u>

Amounts due from subsidiaries denominated in foreign currencies at 31 December are as follows:

	Company	
	2017	2016
	\$'000	\$'000
United States Dollars	14,932	3,027
British Pounds Sterling	15	10
Australia Dollars	<u>12,239</u>	<u>4,625</u>

Amounts due to subsidiaries, current:-

Trade	823	921
Non-trade	575	255
Short term loans	86,775	95,181
	<u>88,173</u>	<u>96,357</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 5. Investment in subsidiaries and amounts due from/(to) subsidiaries (cont'd)

### Amounts due from/(to) subsidiaries (cont'd)

Amounts due to subsidiaries denominated in foreign currencies at 31 December are as follows:-

	Company	
	2017	2016
	\$'000	\$'000
United States Dollars	66,094	35,400

The trade and non-trade amounts due from/(to) subsidiaries are unsecured, non-interest bearing, repayable on demand and are to be settled in cash. The short term loans due from subsidiaries bear interest at 3.5% to 6.0% (USD) and 3.5% (AUD) per annum (2016: Nil (SGD), 3.0% (USD), 3.5% (AUD)). The short term loans due to subsidiaries bear interest at 1.5% (USD), 1.5% (SGD) per annum (2016: 1.5% (USD), 1.5% (SGD)).

## 6. Other investments

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Non-current:</b>				
Available-for-sale financial assets				
– Equity instruments (unquoted), at cost	304	304	190	190
– Impairment loss	(190)	–	(190)	–
	114	304	–	190
Held-to-maturity investment				
- Debt instruments (quoted)	1,296	7,428	1,296	7,428
	1,410	7,732	1,296	7,618

Held-to-maturity debt securities bear interest at 4.05% (2016: 4.05% to 4.75%) per annum and will mature in 7.93 years (2016: 8.20 years to 9.39 years).



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 7. Intangible assets

Group	Goodwill \$'000	Sales order backlog \$'000	Non- complete agreement \$'000	Licences \$'000	Intellectual property rights \$'000	Customer relationships \$'000	Others \$'000	Total \$'000
<b>Cost:</b>								
At 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 businesses	8,632	328	2,105	–	–	386	–	11,451
Adjustments*	(534)	–	–	–	–	695	–	161
Write-off	–	–	–	–	–	–	(333)	(333)
At 31 December 2016 and 1 January 2017	50,393	693	2,105	1,759	4,214	2,702	–	61,866
Currency realignment	(2,061)	(20)	(160)	–	58	(314)	–	(2,497)
Additions	–	–	–	–	168	–	–	168
Acquisition of businesses	2,466	–	–	–	–	4,253	–	6,719
Adjustments*	(685)	99	–	–	–	392	–	(194)
Write-off	–	(371)	–	(147)	–	–	–	(518)
At 31 December 2017	50,113	401	1,945	1,612	4,440	7,033	–	65,544
<b>Accumulated amortisation and impairment loss:</b>								
At 1 January 2016	4,650	349	–	630	1,215	213	32	7,089
Currency realignment	21	(44)	13	–	(217)	30	4	(193)
Amortisation for the year	–	388	198	162	413	741	–	1,902
Write-off	–	–	–	–	–	–	(36)	(36)
At 31 December 2016 and 1 January 2017	4,671	693	211	792	1,411	984	–	8,762
Currency realignment	(66)	(20)	(22)	–	24	(21)	–	(105)
Impairment loss	27,953	–	–	–	–	–	–	27,953
Amortisation for the year	–	83	201	161	484	913	–	1,842
Write-off	–	(371)	–	(147)	–	–	–	(518)
At 31 December 2017	32,558	385	390	806	1,919	1,876	–	37,934
<b>Net carrying value:</b>								
At 31 December 2017	17,555	16	1,555	806	2,521	5,157	–	27,610
At 31 December 2016	45,722	–	1,894	967	2,803	1,718	–	53,104
Remaining amortisation period (years) – 2017	NA	3	8	5	9	3 - 14	–	NA
Remaining amortisation period (years) – 2016	NA	NA	9	6	10	4 - 9	–	NA

\* Adjustments due to finalisation of purchase price allocations during the year (Note 5).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 7. 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
<b>Cost:</b>	
At 1 January 2016, 31 December 2016 and 1 January 2017	1,759
Written off	(147)
At 31 December 2017	1,612
<b>Accumulated amortisation:</b>	
At 1 January 2016	630
Amortisation for the year	162
At 31 December 2016	792
Amortisation for the year	161
Written off	(147)
At 31 December 2017	806
<b>Net carrying value:</b>	
At 31 December 2017	806
At 31 December 2016	967

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 7. Intangible assets (cont'd)

### *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. The carrying amounts of goodwill less accumulated impairment losses are allocated as follows:-

	Group	
	2017	2016
	\$'000	\$'000
CSE W-Industries, Inc.		
– W-Industries of Louisiana, LLC	–	15,609
– CC American Oilfield, LLC	3,539	3,830
– Gulf Coast Power & Control of Louisiana, LLC	1,583	–
CSE-Global (Australia) Pty Ltd		
– Uniserve Group	5,765	5,760
– W-Arthur Fisher Ltd	885	1,006
– Telecommunications business*	5,297	5,225
CSE-Global (Asia) Pte Ltd		
– CSE-EIS (Malaysia) Sdn Bhd	486	486
– CSE Hankin Inc	–	5,215
S3 ID Group Ltd	–	8,591
	<b>17,555</b>	<b>45,722</b>

\* Goodwill arising from new Australia acquisitions are allocated to this cash-generating unit for the purpose of impairment testing.

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 forecasts approved by management. Management has considered and determined the factors applied in these financial budgets which include forecasted gross margins and average growth rates. The forecasted gross margins are based on past performance and its expectation of market development. Average growth rates of -7% to 23% (2016: 5% to 24%) used are consistent with forecasts based on existing contracts and book orders. The discount rate applied are assumed at 8.50% to 9.35% (2016: 6.05%) 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:

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

Discount rates - 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 0.5% to 4% (2016: 2% to 5%), this would result in a 4% to 28% (2016: 66% to 82%) decrease to the recoverable amount of the CGU, which would still be in excess of the carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 8. Deferred tax assets/(liabilities)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is an analysis of deferred tax balances (after offset) for balance sheet presentation purpose:

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	2,799	11,548	1,556	2,727
Deferred tax liabilities	(3,047)	(5,424)	–	–
	(248)	6,124	1,556	2,727

This can be analysed as follows :-

### Deferred tax assets:

Differences in depreciation and amortisation and donations	9	686	–	–
Provisions	2,036	2,913	50	171
Due to acquisition of business	–	48	–	–
Unutilised tax losses and capital allowances	894	6,346	176	21
Revenue recognised on accrual basis	1,807	2,677	1,807	2,677
Other deferred tax assets	6	7	–	4
Gross deferred tax assets	4,752	12,677	2,033	2,873

### Deferred tax liabilities

Differences in depreciation and amortisation and donations	(4,656)	(6,180)	(477)	(146)
Provisions	(144)	(201)	–	–
Due to acquisition of business	(96)	(141)	–	–
Other deferred tax liabilities	(104)	(31)	–	–
Gross deferred tax liabilities	(5,000)	(6,553)	(477)	(146)
Net deferred tax (liabilities)/assets	(248)	6,124	1,556	2,727

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 8. Deferred tax assets/(liabilities) (cont'd)

### Recognised tax losses, capital allowance and donations

As at 31 December 2017, the Group has \$4,029,000 recognised tax losses and capital allowances (2016: \$27,652,000) and \$60,000 unutilised donations (2016: \$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. As at 31 December 2017, \$2,533,000 (2016: \$2,665,000) of the recognised tax losses will expire between 1 and 5 years.

### Unused tax losses for which no deferred tax asset is recognised

At the end of the reporting period, the Group has tax losses of approximately \$34,734,000 (2016: \$Nil) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

### Unrecognised temporary differences relating to investment in subsidiaries

At the end of the reporting period, no deferred tax liability (2016: \$Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has control over the distribution of the earnings and has determined that undistributed earnings of the subsidiaries will not be distributed in the foreseeable future.

### Tax consequences of proposed dividends

There are no income tax consequences (2016: \$Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 33).

## 9. Gross amount due from/(to) customers for contract work-in-progress

	Group	
	2017	2016
	\$'000	\$'000
Aggregate amount of costs incurred and attributable profits less recognised losses to date	614,716	525,269
Less: Progress billings	(561,041)	(494,385)
Amounts due from customers for contract work, net	53,675	30,884
Movement in provision account:		
At 1 January	–	736
Write back	–	(736)
	–	–
The provision was reversed in the prior year as the project was completed in 2016 with no additional costs incurred.		
Presented as		
Gross amount due from customers for contract work	63,343	41,873
Gross amount due to customers for contract work	(9,668)	(10,989)
	53,675	30,884
Retention sums on project contracts included in trade receivables	5,215	6,248

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 10. Inventories

	Group	
	2017	2016
	\$'000	\$'000
<b>Balance sheet:</b>		
Raw materials	4,887	6,069
Work-in-progress	1,107	2,544
Finished goods	8,071	6,007
Inventories in transit	557	112
Total inventories at lower of cost and net realisable value	14,622	14,732
<b>Income statement:</b>		
Inventories recognised as an expense in profit or loss		
– Allowance for stock obsolescence made during the year	1,160	915
– Inventories written-off	209	–

## 11. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Trade receivables	79,112	83,041	269	258
Other receivables	1,264	788	20	52
Accrued sales	15,013	3,920	–	–
Refundable deposits	519	384	142	152
Staff advances	14	147	–	–
GST receivables	339	400	–	–
Total trade and other receivables	96,261	88,680	431	462
Add :				
Amounts due from subsidiaries (Note 5)	–	–	29,516	10,133
Cash and cash equivalents (Note 12)	46,910	90,778	3,874	11,853
Less :				
GST receivables	(339)	(400)	–	–
Total financial assets - loans and receivables	142,832	179,058	33,821	22,448

Trade receivables are non-interest bearing and are generally on 30-day to 120-day terms (2016: 30-day to 120-day terms). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
United States Dollars	769	889	–	–
Euro	2,675	2,484	–	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 11. 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 \$36,578,000 (2016: \$51,857,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Trade receivables past due but not impaired:				
Less than 30 days	13,160	23,544	–	–
30 to 60 days	5,887	5,210	–	–
61 to 90 days	5,308	7,515	–	–
91 to 120 days	1,921	3,820	–	–
More than 120 days	10,302	11,768	–	–
	<u>36,578</u>	<u>51,857</u>	<u>–</u>	<u>–</u>

### Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance account used to record the impairment are as follows:

	Group		Company	
	Individually impaired		Individually impaired	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Trade receivables – nominal amounts	14,172	4,087	–	662
Less: Allowance for impairment	(14,172)	(3,459)	–	(662)
	<u>–</u>	<u>628</u>	<u>–</u>	<u>–</u>
Movement in allowance account :				
At 1 January	3,485	2,854	662	–
Currency realignment	(313)	152	(31)	–
Charge for the year	11,792	1,157	–	662
Written back	(631)	–	(631)	–
Written off	(161)	(678)	–	–
At 31 December	<u>14,172</u>	<u>3,485</u>	<u>–</u>	<u>662</u>

Trade receivables that are individually determined to be impaired at the end of the reporting period 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 2017

## 12. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Short-term deposits	2,989	4,374	–	–
Cash at banks and on hand	43,921	86,404	3,874	11,853
	46,910	90,778	3,874	11,853

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 ranging from 0% to 6.95% (2016: 0% to 7.90%) per annum.

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
United States Dollars	1,351	6,811	685	4,545
British Pounds Sterling	1,495	1,237	196	166
Australian Dollars	70	249	70	175
Euro	1,195	1,034	118	11
Singapore Dollars	707	8,294	–	–

## 13. Trade payables and accruals

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Current:</b>				
Trade payables	29,728	16,775	27	37
Accruals	25,707	17,684	4,577	1,597
Customers advances	5,393	2,599	–	–
	60,828	37,058	4,604	1,634
<b>Non-current:</b>				
Accruals	321	4,261	–	4,000
Total trade payables and accruals	61,149	41,319	4,604	5,634
Add :				
Amounts due to subsidiaries (Note 5)	–	–	88,173	96,357
Finance leases (Note 26)	–	28	–	–
Loans and borrowings (Note 14)	31,408	20,581	31,408	8,889
Less:				
Customers advances	(5,393)	(2,599)	–	–
Total financial liabilities carried at amortised cost	87,164	59,329	124,185	110,880

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 13. Trade payables and accruals (cont'd)

Trade payables and accruals are non-interest bearing and are normally settled on 60-day terms (2016: 60-day terms).

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
United States Dollars	3,382	1,625	168	—
British Pounds Sterlings	86	146	—	—
Australian Dollars	31	68	9	—
Euro	1,037	1,370	—	—
Singapore Dollars	1,061	960	—	—

## 14. Loans and borrowings

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Short term loans, unsecured				
– Singapore Dollars	13,400	—	13,400	—
– United States Dollars	10,700	6,803	10,700	6,803
– Australian Dollars	7,308	13,778	7,308	2,086
Total loans and borrowings	31,408	20,581	31,408	8,889

The unsecured short term loans of the Company and the Group bear interest at 1.61% to 2.41% (2016: 0.98% to 4.65%) per annum.

A reconciliation of liabilities arising from financing activities is as follows:

	Group			
			Non-cash changes	
			Foreign exchange movement	
	2016	Cash flows		2017
	\$'000	\$'000	\$'000	\$'000
Short term loans	20,581	10,419	408	31,408

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 15. Provision for warranties

	Group	
	2017	2016
	\$'000	\$'000
At 1 January	2,155	1,808
Currency realignment	(70)	34
(Write-back of)/provision for warranties made, net	(777)	560
Provision utilised	(489)	(247)
At 31 December	819	2,155

Provision for warranties relates to estimated costs for possible rectification work during the warranty period of the Group's projects. 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			
	2017		2016	
	No of shares		No of Shares	
	'000	\$'000	'000	\$'000
<b>Issued and fully paid ordinary shares</b>				
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) (2016: \$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 2017

## 19. Revenue

	Group	
	2017	2016
	\$'000	\$'000
Project revenue	126,956	121,932
Time and material revenue	205,339	167,793
Maintenance revenue	24,316	22,914
Equipment rental	5,741	5,130
	<u>362,352</u>	<u>317,769</u>

## 20. Other non-operating (expenses)/income

	Group	
	2017	2016
	\$'000	\$'000
Other non-operating income:		
Rental income	110	89
Miscellaneous income	374	391
Net foreign exchange gain	2,867	111
	<u>3,351</u>	<u>591</u>
Other non-operating expenses:		
One-off settlement costs*	(16,845)	—
Impairment of goodwill	(27,953)	—
Impairment of other investments	(190)	—
	<u>(44,988)</u>	<u>—</u>
Other non-operating (expenses)/income	<u>(41,637)</u>	<u>591</u>

\* In July 2017, the Group entered into a settlement agreement (with no admission of liability) with the US government to settle its potential civil liability for alleged violations of the International Emergency Economic Powers Act and Iranian Transactions and Sanctions Regulations Act, amounting to US\$12.0 million (\$\$16.8 million).

## 21. Finance income

	Group	
	2017	2016
	\$'000	\$'000
Interest income from:		
– Short-term deposits	261	221
– Held-to-maturity investment	249	656
	<u>510</u>	<u>877</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 22. Finance costs

	Group	
	2017	2016
	\$'000	\$'000
Interest expense on bank loans	829	700

## 23. (Loss)/profit before tax

The following items have been included in arriving at (loss)/profit before tax: -

	Group	
	2017	2016
	\$'000	\$'000
Audit services paid to: -		
– Auditors of the Company		
– Annual audit	276	284
– Others	76	36
– Other auditors of subsidiaries	218	188
Non-audit services paid to: -		
– Auditors of the Company	–	–
– Other auditors of subsidiaries	1	13
Depreciation of property, plant and equipment (Note 4)	5,497	5,193
Loss/(gain) on disposal of property, plant and equipment	334	(473)
Property, plant and equipment written off	557	416
Intangible assets written off	–	297
Amortisation of intangible assets (Note 7)	1,842	1,902
Allowance for stock obsolescence made (Note 10)	1,160	915
Inventories written-off	209	–
Write-down of unbilled receivables	2,979	1,067
Allowance for doubtful trade receivables, net (Note 11)	11,161	1,157
Trade receivables written off directly to profit or loss	–	107
(Write-back of)/provision for warranties made, net (Note 15)	(777)	560
Personnel and related costs comprising: -		
Salaries and bonuses	26,265	27,757
Employees' provident fund	2,544	2,684
Other personnel and related costs	17,247	16,503
Rental expenses	4,482	4,693
Directors' fees		
– Directors of the Company	338	360

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 24. Income tax expense

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

	Group	
	2017	2016
	\$'000	\$'000
<u>Current income tax</u>		
Current income taxation		
– Singapore	587	1,153
– Foreign	2,848	3,079
Over provision in respect of previous years	(14)	(776)
	3,421	3,456
<u>Deferred income tax</u>		
Origination and reversal of temporary differences		
– Singapore	1,157	1,762
– Foreign	34	(107)
Write-down of deferred tax assets	5,067	–
Effects of change in tax rate	(811)	–
Under provision in respect of previous years	70	1,015
	5,517	2,670
Income tax expense	8,938	6,126
Withholding tax	533	414
Income tax expense	9,471	6,540
Income tax expense recognised in the statement of comprehensive income	9,471	6,540

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 24. Income tax expense (cont'd)

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

	Group	
	2017	2016
	\$'000	\$'000
(Loss)/profit before tax	(37,425)	27,737
Taxation at statutory tax rate of 17% (2016:17%)	(6,362)	4,715
Adjustments :		
Expenses not deductible for tax purposes	7,897	383
Income not subject to taxation	(510)	(661)
Effect of tax deductions and reliefs	(211)	(255)
Deferred tax assets not recognised	2,210	95
Write-down of deferred tax assets	5,067	—
Effects of change in tax rate*	(811)	—
Different effective tax rates of other countries	1,293	1,612
Under provision in respect of previous year	56	239
Withholding tax	533	414
Others	309	(2)
	9,471	6,540

\* The corporate tax rate for the subsidiaries in United States of Americas has been reduced from 35% to 21% effective for tax years beginning after 31 December 2017.

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 (2016: 17%, 35% and 30%).



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 25. (Loss)/earnings per share

Basic earnings per share amounts are calculated by dividing profit from continuing operations, net of tax, attributable to owners 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 owners 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	
	2017	2016
	\$'000	\$'000
(Loss)/profit for the year attributable to owners of the Company	(45,149)	21,189
	No. of shares*	
	2017	2016
	'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 2017 and 2016.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 26. Finance leases

The Group conducted a portion of its operations with leased office equipment and motor vehicles. These leases were classified as finance leases and expired in 2017.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:-

	Group			
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	2017	2017	2016	2016
	\$'000	\$'000	\$'000	\$'000
<b>Current:</b>				
Not later than 1 year	–	–	28	28
Total minimum lease payments	–	–	28	28
Less: Amounts representing finance charges	–	–	–	–
Present value of minimum lease payments	–	–	28	28

Included in lease payables of the Group in 2016 was an amount of \$28,000 denominated in Australian dollars.

The finance leases did not contain any escalation clauses and did not provide for contingent rents. Lease terms did 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 2017

## 27. Segment information

For management purpose, the Group is organised into three operating segments based on their geographical locations, namely Asia Pacific, Americas and Europe/Middle East. The geographical segments 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.

### Geographical segment information

The following table presents revenue, adjusted profit/(loss) before interest and tax and non-current assets information regarding geographical segments for the years ended 31 December 2017 and 2016:

	Asia-Pacific*		Americas		Europe/Middle East		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	132,647	116,687	206,195	159,697	23,510	41,385	362,352	317,769
Profit/(loss) before interest and tax	17,929	13,797	(13,074)	7,234	(41,961)	6,529	(37,106)	27,560
Adjustments <sup>(1)</sup>	–	–	19,435	–	37,300	–	56,735	–
Adjusted profit/(loss) before interest and tax	17,929	13,797	6,361	7,234	(4,661)	6,529	19,629	27,560
Non-current assets	30,741	38,238	24,026	40,379	845	1,003	55,612	79,620

\* 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.

- (1) The following items are deducted from segment profit/(loss) before interest and tax to arrive at the adjusted profit/(loss) before interest and tax: -

	\$'000
Impairment of goodwill	27,953
Impairment of other investments	190
Allowance/write back for doubtful trade receivables	11,747
One-off settlement costs	16,845
	<u>56,735</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 28. Commitments

### *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 2017 amounted to \$4,482,000 (2016: \$4,693,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2017	2016
	\$'000	\$'000
Not later than 1 year	3,698	2,969
Later than 1 year but not later than 5 years	6,191	4,725
Later than 5 years	357	–
	<u>10,246</u>	<u>7,694</u>

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.

## 29. 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 companies took place at terms agreed between the parties during the financial year:

	2017	2016
	\$'000	\$'000
Management fee received	8,129	6,679
Royalties/licensing/agency fees received	30	22
Interest received	326	193
Rental income received	901	686
Sales commission received	760	694
Dividend received	700	10,000
Interest paid	(934)	(980)
Administrative and support service paid	–	(699)

#### Related companies:

These are subsidiaries of CSE Global Limited.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 29. Related party transactions (cont'd)

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

	Group	
	2017 \$'000	2016 \$'000
Short-term employee benefits	4,869	4,877
Central Provident Fund contributions	84	79
Directors fees	338	360
	<u>5,291</u>	<u>5,316</u>
Comprise amounts paid to:		
Directors of the Company	1,107	1,248
Other key management personnel	4,184	4,068
	<u>5,291</u>	<u>5,316</u>

## 30. 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.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these 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 99% (2016: 98%) of the Group's sales and approximately 82% (2016: 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 end of the reporting period have similar exposures with 95% (2016: 91%) and 84% (2016: 81%) denominated in their respective functional currencies.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies of respective entities for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD, GBP, EUR 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30. Financial risk management objectives and policies (cont'd)

### Foreign currency risk (cont'd)

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a 1% (2016: 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	
		2017 Profit before tax \$'000	2016 Profit before tax \$'000
USD/SGD	Strengthened	(120)	(7)
	Weakened	120	7
GBP/SGD	Strengthened	14	11
	Weakened	(14)	(11)
AUD/SGD	Strengthened	(73)	(136)
	Weakened	73	136
EUR/SGD	Strengthened	28	21
	Weakened	(28)	(21)
SGD/USD	Strengthened	(4)	73
	Weakened	4	(73)

### 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.

#### 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 end of the reporting period 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30. Financial risk management objectives and policies (cont'd)

### **Credit risk (cont'd)**

#### Credit risk concentration profile

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

	Group			
	2017		2016	
	\$'000	% of total	\$'000	% of total
<b>By geographical segments:</b>				
Asia-Pacific	27,129	34	35,980	43
Americas	39,250	50	22,286	27
Europe/Middle East/Africa	12,733	16	24,775	30
Total	79,112	100	83,041	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 11 and Note 6.

### **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 of the Group's and Company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 6 months (2016: less than 6 months) from the balance sheet date.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30. 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% (2016: 1%) change in the interest rates with all other variables held constant on the Group's profit before tax.

		Group	
		2017	2016
		Profit	Profit
		before tax	before tax
		\$'000	\$'000
SGD	Increase in 1% interest rate	(131)	1
	Decrease in 1% interest rate	131	(1)
USD	Increase in 1% interest rate	(35)	146
	Decrease in 1% interest rate	35	(146)
GBP	Increase in 1% interest rate	25	8
	Decrease in 1% interest rate	(25)	(8)
AUD	Increase in 1% interest rate	(74)	(20)
	Decrease in 1% interest rate	74	20

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

### 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 9 different banks. At the end of the reporting period, 100% (2016: 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30. 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 end of the reporting period based on contractual undiscounted repayment obligations.

	Group							
	2017				2016			
	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	51	203	1,398	1,652	289	1,155	8,107	9,551
Trade and other receivables	96,261	—	—	96,261	88,680	—	—	88,680
Short term deposits	2,989	—	—	2,989	4,374	—	—	4,374
Cash and bank balances	43,921	—	—	43,921	86,404	—	—	86,404
	143,222	203	1,398	144,823	179,747	1,155	8,107	189,009
Trade payables and accruals	60,828	321	—	61,149	37,058	4,261	—	41,319
Finance leases	—	—	—	—	28	—	—	28
Loans and borrowings	31,459	—	—	31,459	21,031	—	—	21,031
	92,287	321	—	92,608	58,117	4,261	—	62,378
Less: GST receivables	(339)	—	—	(339)	(400)	—	—	(400)
Add: Customer advances	5,393	—	—	5,393	2,599	—	—	2,599
Total net undiscounted financial assets/(liabilities)	55,989	(118)	1,398	57,269	123,829	(3,106)	8,107	128,830

	Company							
	2017				2016			
	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	51	203	1,398	1,652	289	1,155	8,107	9,551
Trade and other receivables	431	—	—	431	462	—	—	462
Cash and bank balances	3,874	—	—	3,874	11,853	—	—	11,853
Amounts due from subsidiaries	29,516	—	—	29,516	10,133	—	—	10,133
	33,872	203	1,398	35,473	22,737	1,155	8,107	31,999
Trade payables and accruals	4,604	—	—	4,604	1,634	4,000	—	5,634
Loans and borrowings	31,459	—	—	31,459	9,083	—	—	9,083
Amounts due to subsidiaries	88,173	—	—	88,173	96,357	—	—	96,357
	124,236	—	—	124,236	107,074	4,000	—	111,074
Total net undiscounted financial (liabilities)/assets	(90,364)	203	1,398	(88,763)	(84,337)	(2,845)	8,107	(79,075)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 31. Fair value of assets and liabilities

The fair value of a financial asset or liability is the amount at which the asset or liability 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 cash equivalents, trade and other receivables, trade payables and accruals, finance leases and loans and borrowings, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

*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 6) because the fair value cannot be measured reliably. This equity instrument represents ordinary shares in an 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 2017 are represented on the following table:

	2017			2016		
	Carrying amount \$'000	Fair value \$'000	Unrecognised profit \$'000	Carrying amount \$'000	Fair value \$'000	Unrecognised loss \$'000
<b>Group and Company</b>						
<b>Other investment</b>						
Held-to-maturity investment (Note 6)	1,296	1,338	42	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 end of the reporting period.

## 32. 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 2017 and 31 December 2016.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 33. Dividends

	Group and Company	
	2017	2016
	\$'000	\$'000
<b>Declared and paid during the financial year:</b>		
<i>Dividends on ordinary shares:</i>		
– Final exempt (one-tier) dividend for 2015: \$0.0125 per share	–	6,451
– Special exempt (one-tier) dividend for 2015: \$0.0025 per share	–	1,290
– Interim exempt (one-tier) dividend for 2016: \$0.0125 per share	–	6,451
– Final exempt (one-tier) dividend for 2016: \$0.015 per share	7,741	–
– Interim exempt (one-tier) dividend for 2017: \$0.0125 per share	6,451	–
	<u>14,192</u>	<u>14,192</u>
<b>Proposed but not recognised as a liability as at 31 December:</b>		
<i>Dividends on ordinary shares, subject to shareholders' approval at the AGM:</i>		
– Final exempt (one-tier) dividend for 2017: \$0.010 (2016 : \$0.015) per share	5,161	7,741
– Special exempt (one-tier) dividend for 2017: \$0.005 (2016: \$Nil) per share	2,580	–
	<u>7,741</u>	<u>7,741</u>

## 34. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 20 March 2018.

# STATISTICS OF SHAREHOLDINGS

As at 16 March 2018

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	15	0.34	298	0.00
100 - 1,000	171	3.93	121,690	0.02
1,001 - 10,000	2,188	50.22	12,572,061	2.44
10,001 - 1,000,000	1,955	44.87	105,182,304	20.38
1,000,001 and above	28	0.64	398,191,499	77.16
<b>TOTAL :</b>	<b>4,357</b>	<b>100.00</b>	<b>516,067,852</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS Nominees (Private) Limited	71,324,049	13.82
2	Raffles Nominees (Pte) Limited	64,733,664	12.54
3	Tan Mok Koon	57,236,150	11.09
4	HSBC (Singapore) Nominees Pte Ltd	56,789,140	11.00
5	Citibank Nominees Singapore Pte Ltd	56,221,007	10.89
6	Wing Huat Loong Pte Ltd	10,827,800	2.10
7	George Lee Pte Ltd	10,272,000	1.99
8	Wong Yon Ching	6,088,187	1.18
9	ABN Amro Clearing Bank N.V.	6,072,812	1.18
10	DBSN Services Pte. Ltd.	5,897,009	1.14
11	Teo Kit Choon	5,731,187	1.11
12	United Overseas Bank Nominees (Private) Limited	5,643,190	1.09
13	CGS-CIMB Securities (Singapore) Pte. Ltd.	5,216,184	1.01
14	Phillip Securities Pte Ltd	5,198,550	1.01
15	DB Nominees (Singapore) Pte Ltd	3,556,530	0.69
16	Cheng Heng Seng	3,386,500	0.66
17	OCBC Nominees Singapore Private Limited	3,284,900	0.64
18	Lim Boon Kheng	3,000,500	0.58
19	Maybank Kim Eng Securities Pte. Ltd.	2,619,470	0.51
20	Hong Leong Finance Nominees Pte Ltd	2,469,100	0.48
		<b>385,567,929</b>	<b>74.71</b>

# STATISTICS OF SHAREHOLDINGS

As at 16 March 2018

## 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 2018, the Company did not hold any treasury shares and subsidiary holdings.

## LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2018

(As recorded in the Register of Substantial Shareholders)

NAMES OF SUBSTANTIAL SHAREHOLDERS	DIRECT INTEREST	%	DEEMED INTEREST	%
Tan Mok Koon	57,236,150	11.09	-	-
Fidelity Puritan Trust	43,215,700	8.37	-	-
FMR Co., Inc <sup>(1)</sup>	-	-	51,799,000	10.04
Fidelity Management & Research Company <sup>(2)</sup>	-	-	51,799,000	10.04
FMR LLC <sup>(3)</sup>	-	-	51,799,000	10.04
Chartered Asset Management Pte Ltd <sup>(4)</sup>	-	-	47,469,500	9.20
Capital Growth Investments Pte Ltd <sup>(5)</sup>	-	-	47,469,500	9.20
Low Siew Kheng <sup>(6)</sup>	-	-	47,469,500	9.20
Colin Lee Yung-Shih <sup>(7)</sup>	-	-	47,469,500	9.20
CAM-GTF Limited <sup>(8)</sup>	34,831,800	6.75	-	-
Edgbaston Investment Partners LLP <sup>(9)</sup>	-	-	27,525,100	5.33

## NOTE:

- (1) FMR Co., Inc. is deemed interested in the shares in its capacity as investment advisor of various funds and accounts, including certain funds of Fidelity Puritan Trust. FMR Co., Inc. is a wholly-owned subsidiary of Fidelity Management & Research Company.
- (2) Fidelity Management & Research Company's deemed interest arising by virtue of the funds and/or accounts managed by one or more Fidelity Management & Research Company's direct and indirect subsidiaries, which are fund managers. Fidelity Management & Research Company is a wholly-owned subsidiary of FMR LLC.
- (3) FMR LLC's deemed interest arising by virtue of the funds and/or accounts managed by one or more FMR LLC's direct or indirect subsidiaries, which are fund managers.
- (4) Chartered Asset Management Pte Ltd is having a deemed interest through investment position taken in the course of ordinary business in fund management.
- (5) Capital Growth Investments Pte Ltd ("CGI") is the holding company of Chartered Asset Management Pte Ltd ("CAM"). CGI is deemed interested in the shares by virtue of holding no less than 50% interest in shares of CAM.
- (6) Low Siew Kheng is deemed interested in the shares by virtue of holding no less than 20% interest in shares of Chartered Asset Management Pte Ltd.
- (7) Capital Growth Investments Pte Ltd ("CGI") is the holding company of Chartered Asset Management Pte Ltd ("CAM"). CGI is deemed interested in the shares by virtue of holding no less than 50% interest in shares of CAM. Lee Yung-Shih Colin, through his 100% shareholding in CGI, is deemed to have an interest in the Company's shares in which CGI has an interest in.
- (8) Held through HSBC (Singapore) Nominees Pte Ltd.
- (9) Edgbaston Investment Partners LLP ("EIP LLP") is deemed to have interest in 27,525,100 shares of the Company by virtue of acting as the fully discretionary investment manager for two commingled funds: (i) the Edgbaston Asian Equity Trust and (ii) the Edgbaston Asian Equity (Jersey) Trust (together the "Clients"). In acting for its Clients, EIP LLP is given full discretionary authority over its Client's investments, and is empowered to vote all proxies on its Clients' behalf.

## PUBLIC FLOAT

As at 16 March 2018, 62.23% 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 The National University of Singapore Society (NUSS), Suntec City Guild House, 3 Temasek Boulevard, #02-401/402, Suntec Tower 5, Singapore 039983 on Thursday, 19 April 2018 at 2.30 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 2017 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final (one-tier tax exempt) dividend of 1.0 Singapore cents per ordinary share and a special (one-tier tax exempt) dividend of 0.50 Singapore cents per ordinary share for the year ended 31 December 2017 (2016: Final (one-tier tax exempt) dividend of 1.5 Singapore cents per ordinary share). **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Article 95(2) of the Constitution of the Company:
 

Mr Lim Ming Seong	<b>(Resolution 3)</b>
Mr Tan Hien Meng	<b>(Resolution 4)</b>
Mr Lam Kwok Chong	<b>(Resolution 5)</b>

*Mr Lim Ming Seong will, upon re-election as a Director of the Company, remain as Chairman of the Board, Chairman of the Nominating and Compensation Committees, and will be considered independent.*

*Mr Tan Hien Meng will, upon re-election as a Director of the Company, remain as a member of the Audit and Risk Committee, and will be considered independent.*

*Mr Lam Kwok Chong will, upon re-election as a Director of the Company, remain as a member of the Nominating and Compensation Committees, and will be considered independent.*
4. To approve the payment of Directors' fees of S\$337,736 for the year ended 31 December 2017 (2016: S\$359,629). **(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
- (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,

# NOTICE OF ANNUAL GENERAL MEETING

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 and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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)**

## 8. Proposed Renewal of the Share Purchase Mandate

That:

1. for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50 of Singapore (the "**Act**"), the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued shares not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
  - (a) on-market purchases (each an "**On-Market Share Purchase**") on the SGX-ST; and/or
  - (b) off-market purchases (each an "**Off-Market Share Purchase**") effected in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");
2. unless varied or revoked by the Shareholders in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
  - (a) the date on which the next Annual General Meeting of the Company is held; or
  - (b) the date by which the next Annual General Meeting of the Company is required by law to be held; or
  - (c) the date on which the purchase of shares by the Company pursuant to the Share Purchase Mandate is carried out to the full extend mandated;



# NOTICE OF ANNUAL GENERAL MEETING

3. in this Ordinary Resolution:

**“Prescribed Limit”** means 5% of the total number of issued shares, excluding treasury shares and subsidiary holdings as at the date of the passing of this Ordinary Resolution; and

**“Maximum Price”** in relation to a share to be purchased, means an amount (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:

- (a) in the case of an On-Market Share Purchase, 105% of the Average Closing Price (as defined below); and
- (b) in the case of an Off-Market Share Purchase, 120% of the Average Closing Price, where:

**“Average Closing Price”** means the average of the closing market prices of a share over the last 5 Market Days (**“Market Day”** being a day on which the SGX-ST is open for securities trading), on which transactions in the shares were recorded, immediately preceding the date of making the On-Market Share Purchase or, as the case may be, the date of making an announcement for an offer pursuant to the Off-Market Share Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5 Market Days; and

4. the Directors of the Company and/or each of them be and are hereby authorised to complete and do all such acts and things as they and/or he may consider necessary, desirable, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

[See Explanatory Note (iii)]

**(Resolution 9)**

By Order of the Board

Lai Kuan Loong, Victor  
Company Secretary  
Singapore, 3 April 2018

# 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 and subsidiary holdings) 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 and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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.

- (ii) The Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date 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 earliest, to purchase or acquire issued shares of the Company by way of on-market purchases or off-market purchases of up to 5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company up to but not exceeding the Maximum Price as defined in the Resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition, including the amount of financing and the financial effects of the purchase or acquisition of shares by the Company pursuant to the Share Purchase Mandate are set out in the Appendix to the Notice of Annual General Meeting dated 3 April 2018. Please refer to the Appendix for more details.

## 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.

**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.

# PROXY FORM

(Please see notes overleaf before completing this Form)

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 The National University of Singapore Society (NUSS), Suntec City Guild House, 3 Temasek Boulevard, #02-401/402, Suntec Tower 5, Singapore 039983 on Thursday, 19 April 2018 at 2.30 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 <sup>(1)</sup>	Number of Votes Against <sup>(1)</sup>
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2017		
2	Payment of a proposed final and special one-tier tax exempt dividend		
3	Re-election of Mr Lim Ming Seong as Director		
4	Re-election of Mr Tan Hien Meng as Director		
5	Re-election of Mr Lam Kwok Chong as Director		
6	Approval of Directors' fees amounting to S\$337,736		
7	Re-appointment of Ernst & Young LLP as Auditors		
8	Authority to issue new shares		
9.	Proposed renewal of the Share Purchase Mandate		

<sup>(1)</sup> 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 \_\_\_\_\_ 2018

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

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

\*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, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first named proxy shall be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named 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.
  5. 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.
  6. 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.
  7. 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 3 April 2018.





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