



Securities Investors Association (Singapore)

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Meeting details:

Date: 18 April 2019

Time: 2.30 p.m.

Venue: Suntec Singapore Convention & Exhibition Centre, Room No. 303 & 304 (Level 3), 1 Raffles Boulevard, Singapore 039593

Company Description

CSE Global Limited, an investment holding company, provides integrated industrial automation, information technology, and intelligent transport solutions in the Asia Pacific, the Americas, Europe, and the Middle East. The company offers automation solutions, including process control, safety shutdown, fire and gas detection, supervisory control and data acquisition (SCADA), wellhead and subsea control, process skid, electrical drive and high/medium voltage, electrical protection and control, real-time information, and intelligent transport systems, as well as I&E construction and safe secure solutions. It also provides environmental solutions comprising multiple hearth furnaces, fluid bed incinerators, carbon and energy recovery systems, and rotary kiln incinerators. In addition, the company offers telecommunication solutions, including construction communications, fiber optic, microwave radio, conventional and trunked radio, and public address and general alarm systems; VSAT satellite communications, telephone, local and wide area, Internet protocol based, and SCADA and telemetry networks; and CCTV, access control, and FIDS systems. Further, it provides computer network systems; e-business integration, research and development, and system integration services; safety system and automation hardware products; infrastructure engineering services; data telecommunications and marine survey certification services; and plant and environmental engineering services. Additionally, the company distributes electrical engineering equipment; and designs and installs high temperature thermal process and incineration systems. It serves customers in the oil and gas, petrochemical, utilities, public infrastructure, environmental, and healthcare industries. The company was founded in 1985 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=544)

1. In the Message to shareholders, the company has said that it anticipates an increase in activities in the markets that it serves, and a more stable pricing environment going forward (page 5 of the annual report).

Would the board/management provide shareholders with better clarity on the following matters? Specifically:

- (i) Onshore oil & gas:** The company expects a stronger 2019 and will be focusing on building and growing the onshore oil and gas operations in the Americas “through adding complementary solutions and services and strengthening our geographical presence” (page 5). **Can the board/management provide shareholders with better visibility of the solutions and services offered by the group for its onshore oil & gas segment? What is the group’s market share and who are the competitors?**
- (ii) Mining:** Revenue derived from mining & mineral sector declined by over a third, to just \$15.7 million. This was 4% of the group’s total revenue. **What are management’s plans for the segment?**
- (iii) Recurring income:** **How much of the group’s revenue is recurring in nature?**

2. At the company’s annual general meeting scheduled to be held on 18 April 2019, five directors, including Mr Sin Boon Ann, would be retiring pursuant to Articles 77 and 95(2) of the constitution of the company.

Mr Sin Boon Ann is retiring under Article 95(2) and would be seeking his re-election.

As seen from the director’s profile (page 8), Mr Sin was appointed as a non-executive and independent director of the company on 13 May 2002. Accordingly, Mr Sin would have served on the board for over 16 years.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

The company has made progress with its board renewal and has appointed Dr Lee Kong Ting as an independent director on 1 February 2017. The other long tenured directors are Mr Lim Ming Seong and Mr Lee Soo Hoon Phillip. Mr Lee will be retiring after the conclusion of the AGM.

- (i) Would the nominating committee (NC) elaborate in greater detail the search and nomination process for directors, especially independent directors?**
- (ii) Has the NC reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (iii) Has the NC evaluated if the use of an independent search company for directors may enable the board to cast its net wider and further improve the quality and diversity of the candidate pool?**
- (iv) Following the appointments of Dr Lee, what are the company's other near term plans to refresh the membership of the board to comply with the new 2018 Code in good time?**
- (v) In particular, Mr Sin is a consultant with Drew & Napier LLC and Mr Sin holds six directorships on listed companies. Would Mr Sin help shareholders understand how he is able to devote sufficient time, energy and attention to the matters of the company?**

3. On 1 April 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 20 February 2019) and the audited financial statements for FY2018 after the finalisation of audit.

The audit adjustments and changes due to the adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") included :

- Reclassification of trade payables and accruals (\$6.95 million) to contract liabilities (due to the adoption of SFRS (I))
- Reclassification of contract assets (\$2.94 million) to trade and other receivables
- Net assets and total equity increased by \$7.4 million
- Audit adjustment of proceeds from sale of property, plant and equity (\$287,000)
- Audit adjustment to weighted average number of shares outstanding during the period, used in computation of basic earnings per share (7,177,500)

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)") 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.

- (i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the Act and SFRS(I)?**

- (ii) Has the audit and risk committee evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**

- (iii) Would the members of the audit and risk committee (ARC) help shareholders understand their personal recent and relevant accounting or related financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities? In the Report on Corporate Governance, the Board has stated that it is satisfied that all the members of the ARC have accounting, financial, business management, corporate legal expertise and work experience to discharge their responsibilities.**

- (iv) Can the ARC update shareholders on the improvement made/to be made to the group's financial reporting systems and processes?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=CSE%20Global%20Ltd&cid=6478,4531>

The company's response could be found here: -----