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Annual Report 2011

CSE Global
Technological Excellence Through Innovation

Reg No: 198703851D
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CSE Global Limited (CSE) is an international technology group listed on the Singapore Stock Exchange. Over the last decade, CSE has transformed itself to be a truly global organisation with our 1700 employees worldwide. The CSE Group of companies has been very successful in offering cost effective, totally integrated solutions to industries in the Automation, Telecommunications, Healthcare and Environmental sectors.

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 and since then CSE has adopted a global approach for sustained growth.

In January 2000, the Group acquired United States based W-Industries and purchased British systems integrator, Servelec (now known as CSE Global UK), in April that same year.

During 2002, CSE purchased an American engineering systems integrator, Control Concepts & Technology Corporation based in Louisiana.

In 2003, the Group acquired Transtel Engineering Pte Ltd (now known as CSE-Transtel Pte Ltd), a telecommunications network design & engineering company based in Singapore. CSE also acquired ttc s.r.o. (now part of CSE Controls), a Slovakian company who specialise in oil and gas pipeline management systems.

In 2004, CSE acquired Uniserve Corporation, an electrical engineering solutions company for the power and water utilities, and mining industries in Australia.

In 2006, the Group acquired Techno TradeSA (now known as CSE Semaphore (Belgium) SA), a Belgium-based company that develops and sells telemetry and telecontrol solutions for various industries, including oil and gas, irrigation, utilities, railways, building automation, and Scomagg Limited (now part of CSE Controls), a Scottish-based company that provides system integration services for customers in the oil, gas and power sectors.

In 2008, the Group acquired W Arthur Fisher (WAF), a New Zealand based company that provides control and electrical engineering services, and Hankin Acquisition Corp, a US based company that designs and installs high temperature thermal process and incineration systems for the industrial and environmental markets.

At the start of 2010, CSE acquired Systems Integration & Automation Limited (SIA), a UK based company which provides safety, protection and control systems to the oil and gas, power and nuclear industries. SIA now forms part of CSE-Controls Limited, based in the UK.

CSE’s latest acquisition is the Astib Group, one of Australia’s leading communications providers. The Astib Group, provides a range of systems Integration services for the development and delivery of sophisticated communications.

The Group now operates a network of 38 offices in 20 countries, generating more than 94 percent of its revenues outside its home market. In line with its global ambitions, the Group has adopted the ISO 9001 Quality Management System as certified by Lloyd’s Register Quality Assurance (LRQA) and DNV.
CSE continued to focus its growth efforts on organic growth opportunities in its existing markets, while making acquisitions to close the product, services or geographical gaps in its business portfolio.

### Operational and Financial Highlights

<table>
<thead>
<tr>
<th>2011</th>
<th>2010</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>($0,000)</td>
<td>($0,000)</td>
<td>(%)</td>
</tr>
<tr>
<td>Revenue</td>
<td>457,191</td>
<td>448,088</td>
</tr>
<tr>
<td>Profit from continuing operations before taxation</td>
<td>39,790</td>
<td>68,492</td>
</tr>
<tr>
<td>Profit from continuing operations after taxation</td>
<td>27,687</td>
<td>52,369</td>
</tr>
<tr>
<td>Non Controlling Parties</td>
<td>27</td>
<td>(108)</td>
</tr>
<tr>
<td>Profit attributable to shareholders</td>
<td>27,660</td>
<td>52,477</td>
</tr>
<tr>
<td>Earning per share (cents)</td>
<td>5.36</td>
<td>10.47</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>24,985</td>
<td>15,039</td>
</tr>
<tr>
<td>Associated Companies</td>
<td>9,246</td>
<td>7,806</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>103,430</td>
<td>76,232</td>
</tr>
<tr>
<td>Deferred Tax Assets</td>
<td>14,997</td>
<td>7,282</td>
</tr>
<tr>
<td>Current Assets</td>
<td>279,000</td>
<td>259,698</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>(222,335)</td>
<td>(140,685)</td>
</tr>
<tr>
<td>Net Current Assets</td>
<td>56,665</td>
<td>119,013</td>
</tr>
<tr>
<td>Non Current Liabilities</td>
<td>(5,406)</td>
<td>(30,410)</td>
</tr>
<tr>
<td>Shareholders’ Funds</td>
<td>204,107</td>
<td>195,152</td>
</tr>
<tr>
<td>Non Controlling Parties</td>
<td>(27)</td>
<td>–</td>
</tr>
<tr>
<td>Net Assets per share (cents)</td>
<td>39.55</td>
<td>38.19</td>
</tr>
<tr>
<td>Operating Profit before working capital changes</td>
<td>42,613</td>
<td>69,637</td>
</tr>
<tr>
<td>Net Cash (used)/generated from operations</td>
<td>(6,853)</td>
<td>57,985</td>
</tr>
<tr>
<td>Net Cash used in investing activities</td>
<td>(41,628)</td>
<td>(21,941)</td>
</tr>
<tr>
<td>Net Cash generated/(used) in financing activities</td>
<td>44,273</td>
<td>(30,338)</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of the year</td>
<td>53,524</td>
<td>58,373</td>
</tr>
</tbody>
</table>

N.M. : Not Meaningful
Group Structure

- **W-Industries, LLC** (United States) 100%
- **CSE-Hankin Inc** (United States) 100%
- **CSE Environmental Systems Inc** (United States) 100%
- **CSE Systems & Engineering (America) Inc** (United States) 100%
- **CSE Global (UK) Limited** (United Kingdom) 100%
- **W-Industries - Louisiana** (United States) 100%
- **CSE-Servelec Limited** (formerly known as CSE-Servelec 2009 Limited) (United Kingdom) 100%
- **CSE-Servelec (Thailand) Limited** (United Kingdom) 100%
- **CSE-Controls Limited** (formerly known as Systems Integration & Automation Limited) (United Kingdom) 100%
- **CSE-Uniserve Corporation Pty Ltd** (Australia) 100%
- **CSE-Uniserve Pty Ltd** (Australia) 100%
- **CSE - W-Arthur Fisher Limited** (New Zealand) 100%
- **CSE Semaphore Australia Pty Ltd** (Australia) 100%
- **CSE Semaphore Inc** (Singapore) 100%
- **CSE Global (Australia) Pty Ltd** (Australia) 100%
- **CSE Global (India) Pvt Limited** (India) 100%
- **CSE Global (Asia) Limited** (Singapore) 100%
- **CSE-TransTel Pte Ltd** (Singapore) 100%
- **CSE Technology (Beijing) Co Limited** (China) 100%
- **W-Industries - Louisiana** (United States) 100%
- **CSE-Servelec Limited** (formerly known as CSE-Servelec 2009 Limited) (United Kingdom) 100%
- **CSE-Servelec (Thailand) Limited** (United Kingdom) 100%
- **CSE-Controls Limited** (formerly known as Systems Integration & Automation Limited) (United Kingdom) 100%
- **CSE-Uniserve Corporation Pty Ltd** (Australia) 100%
- **CSE-Uniserve Pty Ltd** (Australia) 100%
- **CSE - W-Arthur Fisher Limited** (New Zealand) 100%
- **CSE Semaphore Australia Pty Ltd** (Australia) 100%
- **CSE Semaphore Inc** (Singapore) 100%
- **CSE Global (Australia) Pty Ltd** (Australia) 100%
- **CSE Global (India) Pvt Limited** (India) 100%
- **CSE Global (Asia) Limited** (Singapore) 100%
- **CSE-TransTel Pte Ltd** (Singapore) 100%
- **CSE Technology (Beijing) Co Limited** (China) 100%
- **CSE-Uniserve Pty Ltd** (Australia) 100%
- **CSE - W-Arthur Fisher Limited** (New Zealand) 100%
- **CSE Semaphore Australia Pty Ltd** (Australia) 100%
- **CSE Semaphore Inc** (Singapore) 100%

**Key Note:**
- **CSE-TransTel Engineering Europe** (United Kingdom) 100%
- **TransTel Engineering Arabain Limited Co** (Saudi Arabia) 100%
- **TransTel Engineering Kish Co Ltd** (Iran) 49%
- **TransTel Engineering Nigeria Ltd** (Nigeria) 80%
- **TransTel Engineering Pty Ltd** (Australia) 100%
- **TransTel Engineering PNG Ltd** (Papua New Guinea) 100%
- **TransTel Engineering (Tianjin) Limited Co** (China) 100%
- **PT TransTel Engineering** (Indonesia) 100%
- **TransTel Engineering (M) Sdn Bhd** (Malaysia) 80%
- **CSE Systems & Engineering (Thailand) Limited** (Thailand) 100%
- **CSE-TransTel Engineering (Tianjin) Limited Co** (China) 100%
- **PT TransTel Engineering** (Indonesia) 100%
- **TransTel Engineering (M) Sdn Bhd** (Malaysia) 80%
- **CSE Systems & Engineering (Thailand) Limited** (Thailand) 100%
- **TransTel Engineering (Tianjin) Limited Co** (China) 100%
Commitment to growth

Our broad international platform puts us in a strong position to tap a wide array of possibilities and brings us even closer to our clients.
Key Capabilities

Automation

Processing and delivering plant/system critical data ensuring optimum efficiency.
CSE’s SCADA system integrates a real time wide range of industries through the world. CSE has supplied SCADA (Supervisory SYSTEM SCADA/TELEMETRY/PIPELINE CONTROL alarming and process shutdown.

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

SCADA/TELEMETRY/PIPELINE CONTROL SYSTEM

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 system to provide totally managed asset based solutions and automated predictive based decisions. Application of SCADA includes pipeline control system to maintain correct pressure along the pipeline for the smooth flow of the fluid via the pumping station control.

WELLHEAD CONTROL SYSTEM

CSE provide 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

The Master Control System (MCS) is CSE’s PLC-based control system, which is installed on production facilities, to monitor and control subsea wellheads. The system includes visualisation, data management, and interface to facility topsides control system.

PROCESS SKID SYSTEM

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

ELECTRICAL DRIVE AND HIGH/MEDIUM VOLTAGE SYSTEM

CSE’s power conversion business incorporates various electrical control equipment including low/medium voltage variable speed drives and solid state soft starters, slip energy recovery drive 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 & network security design, and implementation to protect real-time process control and SCADA systems of critical infrastructure systems.

SAFETY SHUTDOWN SYSTEM

CSE has been providing safely critical solutions for over 20 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
- Fire and Gas Detection System
- 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.

TRAFFIC MANAGEMENT & CONTROL SYSTEM

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

- Electronic Road Pricing System
- Urban Traffic Control System
- Electronic Toll Collection System
- Motorway and Tunnel Management System
- Communication Backbone System
- Electronic Information Display System
- Over-height Vehicle Detection 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. Pre-commissioning, calibration services and commissioning services are also included.
Environmental

Designing and installing specialised furnace systems for a cleaner environment.
METEOROLOGICAL SYSTEMS
CSE has extensive experience in management information systems, relational databases, communications and telemetry thus providing a comprehensive service to major environmental organisations.

Our real-time information systems are able to efficiently monitor and process data centrally in a flexible and manageable way, providing an accurate, valuable long-term meteorological information source.

MULTIPLE HEARTH FURNACE
CSE 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 wasters to a sterile, insert ash. Typically the ash is approximately 5% of the volume of feed, significantly extending the life of existing landfill and reducing the cost of their operation.

CARBON AND ENERGY RECOVERY SYSTEMS
Combined state-of-art carbonization, 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 horizontally refractory lined steel chamber which rotates on a slight incline and is capable of incinerating a wide variety of hazardous and non-hazardous 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.
Key Capabilities

Healthcare

Improving the quality of the nation’s healthcare.
HOSPITAL INFORMATION SYSTEM
Oceano provides integrated clinical and patient administration functionality across mixed secondary care specialities, supporting both emergency and elective care in an acute hospital.

EMERGENCY CARE
Oceano’s emergency care module helps you manage the emergency department and provides operational support to those responsible for the delivery of care.

 ELECTRONIC PRESCRIBING & CLINICAL DECISION SUPPORT
The Prescribing Information and Communication System - PICS – is a rules-based clinical decision support system developed in the health service for the health service. From its inception, PICS has been subject to continuous multi-professional clinical feedback and development. The result of this is an excellent track record of stability, safety and usability. In addition to a highly regarded electronic prescribing and medication administration capability if incorporates various patient management facilities including laboratory/radiology ordering and results reporting.

PICS has been developed at University Hospitals Birmingham NHS Foundation Trust and provides key benefits in the quality and safety of patients’ care. Available at the bedside there is a wide range of modules within one application which allows all healthcare professionals to move easily between job functions with clinical information needed in decision making being readily accessible.

COMMUNITY & MENTAL HEALTH CARE RECORD SYSTEM
RIO provides an organisation with broad range support for clinical and administrative functions through a single electronic set of case notes enabling health and social care professionals to share relevant information in near real-time. Configured locally to support care organisations that provide clinical services within the patient’s home, community or in hospitals, means RIO is able to support not only active caseloads but also complex data sets that support the epidemiological requirements of a local health economy in supporting its public health systems.

In the UK, RIO is implemented across 73 organisations that provide multidisciplinary care reaching from local community nursing through to high secure mental health hospitals. It is estimated that over 90,000 NHS clinicians use the system daily. RIO’s case note functionality enables clinicians to manage referrals, consultations, record observations, provide treatment, request tests, prescribe and monitor care electronically. RIO is a web based system that can be accessed securely from anywhere there is access to the internet but where there is no signal, RIO also has offline solutions that can hold the record in a secure store, which can later be synchronised with an organisation’s main RIO database.

Currently RIO’s smartphone App is available for the BlackBerry and its store and forward software is available on any standard Windows PC, Laptop, Slate or Netbook device.

Public health in the UK covers a broad range of specialist requirements associated with children, adults of working age and the elderly. Disease management covers childhood diseases, cancer and special services i.e. psychological therapies, sexual health and substance misuse. RIO’s screening and surveillance capabilities are used in all these areas. For example, RIO is deployed in over 30 organisations across London, serving a population exceeding 11 million, the software provide services to monitor pre-school health, vaccinations and immunisations and school health services for all children from birth to aged eighteen across the capital.

Through provision of a holistic electronic case management system CSE Healthcare Systems is enabling healthcare providers to enable effective joined-up care services for children through to the elderly whilst reducing costs through efficiencies and the innovative use of information technology.
Telecommunications
Premier telecommunications network system integrator for the oil, gas & energy markets.
CONSTRUCTION COMMUNICATIONS
CSE designs, installs and maintains two way radio communications for both permanent and temporary locations. CSE offer 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 “mad down” alert systems.

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

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

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

CONVENTIONAL & TRUNKED RADIO SYSTEMS
Conventional two way radio networks have evolved into complex digital trunked systems providing highly reliable, secure communications that can be delivered across a single site, along a corridor hundreds of kilometres long, through an underground tunnel or even linking multiple sites. These systems not only provide two way voice communications but are now an integral part of companies OH&S policy, providing GPS tracking, man down emergency alarm and many other features including wireless data messaging. CSE has many years of experience in this area; we have designed, constructed and commissioned both analogue and digital trunked radio systems (TETRA and APCO25) 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 designs the systems to individual client requirements; 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 to the highest intrinsically safe 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 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 enabled devices to communicate with the devices they need to while protecting them from unauthorised access. The network 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.
2011 has been a disappointment for the company as we experienced reduced profitability and a lower revenue growth than anticipated. However, the changes to our business mean that we shall come back as a stronger business ready to move forward with the next chapter of our growth story. We are a people business and, during this difficult year, our employees have shown tremendous commitment, flexibility and resourcefulness. Traits that will help CSE be successful in the future and all our staff deserves our praise and thanks.

In 2011 revenue increased by 2% as compared to 2010 to S$457.2m, but profitability fell 47.3% to S$27.7m as a result of negative S$6.9m as a result of a requirement to fund the growth of our operations in America and fund our telecommunications business, should enable CSE to make 2012 a year of recovery.

Cash collection during the year was S$454.6m as we enter 2012. This backlog creating a new record backlog of S$150m as we enter 2012. This backlog of negative margins on a number of our operations, together with a recovery in our operations, Europe, Middle East and Africa, which respectively contributed 35%, 30% and 35% of our revenue and 44%, 74% and -18% of our profit after tax. The issue we continue to face is the effect of currency translation back to the Singapore Dollar for reporting purposes, as during 2011 we saw a 7.54% appreciation against the US Dollar and a 3.87% appreciation against the GB Pound. The two currencies in which we generate the most of our revenue and profit, giving the effect of having to “run to stand still”.

Automation remains our largest business at 68% of revenue delivering Safety Systems, Production Control, Pipeline Control and other general control solutions to a wide range of industries, but predominately the Oil and Gas industries around the globe which represents 65% of our global revenues. Automation has grown strongly in 2011, especially in the second half of the year as we experienced resurgence in the off-shore Gulf of Mexico and the development of the on-shore shale gas market in the USA. With the price of oil staying above US$100 per barrel we anticipate that in 2012 there will continued demand for our services. Our Telecommunications business (22% of revenue, but loss making in 2011) has established its position as an international supplier of Integrated Communication and Security Solutions, competing with the major suppliers in the world. By far our largest market has been the Middle East and we have continued that success in the later part of 2011 with significant orders from the region providing a backlog in excess of S$150m as we enter 2012.

Healthcare (9% of revenue) continues to provide our highest gross margins as we own the IPR for Rio, our Clinical Information Systems for the Mental Health Hospitals and Community Hospitals in the UK and Oceano our latest software development for Clinical Information Systems in General.
“We will continually review the structure and direction of CSE to provide the security, strength and stability to grow our businesses and to maximise shareholder value.”

Hospitals which has already gone live in two Accident and Emergency departments in 2011. Currently we only operate in the UK market, but our plans are to take the Healthcare business to the global market once we have established strong reference sites in the UK. The dependence on the UK does mean that we have to work with the UK National Programme, but its potential demise will create opportunity for us to expand our delivery for Mental Health Trusts in the northern regions of England and seek to deliver Oceano into Acute Trusts.

Environmental (1% of revenues) has experienced a difficult 2011 as expected orders for new systems, particularly from China have been delayed. We control IPR in this business and it has potential in the future.

In January 2011 we acquired the Perth; Australia based Astib Group of companies and created CSE Global Australia as part of our on-going investment in this growing market. We have also employed a CEO to head up our Australian and New Zealand companies. So in addition to CSE Uniserve and CSE WAF we have three new operational companies in Australia:

- CSE Transtel
  - Australia
  - Telecommunications
  - Systems Integration

- CSE Comsource
  - Radio Infrastructure
  - Rental

- CSE CX
  - Tetra Radio
  - Distribution

Since 1999 CSE has acquired a number of businesses around the globe, commencing with W-Industries, Houston, USA up to our most recent acquisition, Astib, Perth Australia. Whilst all our businesses operate under the CSE banner we believe that there is benefit in creating a truly global brand “CSE”. To achieve this during 2012 we shall look to bring our individual business units together and form “one CSE”.

CSE is continuing to distribute part of our Profit after Tax to our shareholders in the form of a dividend payment. In line with this, the Board of Directors has recommended a total and final dividend for 2011 of two cents per share payable on 31 May 2012, subject to approval at the Annual General Meeting.

In 2011, in line with CSE’s aspiration to be a truly global company, the board was strengthened by the addition of Mr Richard Last as a Non-Executive Director.

The strategic intent of CSE is to continue to focus on growth. In 2012 the primary focus will be on organic growth from our existing business units in markets which have opportunity, especially Australia, whilst we strengthen our Balance Sheet so that we can resume a programme of strategic acquisitions to close our product, services or geographic gaps in our Automation and Healthcare businesses. We will continually review the structure and direction of CSE to provide the security, strength and stability to grow our businesses and to maximise shareholder value.

During 2011, CSE donated to several charitable organisations of which collectively cater to the broad needs across the various age groups in the different geographical regions where we operate.

On behalf of the board, we would like to take this opportunity to thank our employees for contributing to the best of their ability. We would also like to express our appreciation to our Customers and Suppliers for their continued trust in us and to our Shareholders for their unstinting support.

Finally, we offer our sincere gratitude to Mr Tan Mok Koon, our Deputy Chairman, who on 1 February 2012 commenced his long planned and well-earned sabbatical. Since listing the Group in 1999, Mok Koon’s stewardship has seen CSE develop into the global company it is today. Mok Koon will remain as a Non-Executive Director of CSE.
Board of Directors

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

Mr. Lim was appointed as the Chairman and non-Executive Director of the Company on 17 January 1997. Mr. Lim was last re-elected as a Director of the Company on 19 April 2010.
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. Mr. Lim also participated in the Advanced Management Programs conducted by INSEAD and the Harvard Business School.
Mr. Lim is currently the Chairman of First Resources Ltd. He held various senior management 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.

Mr. Lee was appointed as an Independent Director of the Company on 22 January 1998. Mr. Lee was last re-elected as a Director of the Company on 29 April 2009.
Mr. Lee is a Chartered Accountant of the Institute of Chartered Accountants in England and Wales. He is also a member of the Institute of Certified Public Accountants, Singapore, the Malaysian Institute of Certified Public Accountants, and the Malaysian Institute of Accountants and a member of the Singapore Institute of Directors.
Mr. Lee is currently serving as the Managing Director of Phillip Lee Mgt Consultants Pte Ltd. 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, reorganizations, valuations and liquidations.

Mr. Sin was appointed as an Independent Director of the Company on 22 January 1998. Mr. Sin was last re-elected as a Director of the Company on 29 April 2009.
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 & Finance Department in Drew & Napier LLC, a legal practice which he joined in 1992. Mr. Sin is principally engaged in corporate finance, banking, joint ventures, investments and acquisitions. Prior to joining Drew & Napier LLC, Mr. Sin taught at the Faculty of Law of National University of Singapore from 1987 to 1992. He is currently also a Member of Parliament for Tampines Group Representation Constituency (GRC) and a member of Singapore Totalisator Board.

Mr. Lam was appointed as an Independent Director of the Company on 6 May 2010. Mr. Lam was last re-elected as Director of the Company on 20 April 2011.
Mr. Lam graduated from the University of Singapore with a Bachelor of Business Administration.
Mr. Lam currently provides management services to businesses based in Singapore and the region. Between 2004 and 2009, Mr. Lam was the Managing Director of Keppel Telecommunications & Transportation Ltd. 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 Ltd and Chief Financial Officer of Keppel Insurance Pte Ltd.

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 29 April 2009.
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 & Finance Department in Drew & Napier LLC, a legal practice which he joined in 1992. Mr. Sin is principally engaged in corporate finance, banking, joint ventures, investments and acquisitions. Prior to joining Drew & Napier LLC, Mr. Sin taught at the Faculty of Law of National University of Singapore from 1987 to 1992. He is currently also a Member of Parliament for Tampines Group Representation Constituency (GRC) and a member of Singapore Totalisator Board.

Mr. Lee was appointed as an Independent Director of the Company on 22 January 1998. Mr. Lee was last re-elected as a Director of the Company on 29 April 2009.
Mr. Lee is a Chartered Accountant of the Institute of Chartered Accountants in England and Wales. He is also a member of the Institute of Certified Public Accountants, Singapore, the Malaysian Institute of Certified Public Accountants, and the Malaysian Institute of Accountants and a member of the Singapore Institute of Directors.
Mr. Lee is currently serving as the Managing Director of Phillip Lee Mgt Consultants Pte Ltd. 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, reorganizations, valuations and liquidations.
Mr. Tan was appointed as the Managing Director and Executive Director of the Company on 7 January 1997. Mr. Tan was last re-elected as a Director of the company on 20 April 2011 and re-designated to Non-Executive Deputy Chairman effective from 1 February 2012. Mr. Tan graduated from the National University of Singapore with a Bachelor of Engineering (Honours) in Chemical Engineering. Mr. Tan joined the Company in 1986 as an engineer and was promoted to General Manager in 1992. Mr. Tan was subsequently appointed as Managing Director of the Company, following the successful conclusion of a management buyout of the Company in 1997. Prior to joining the Singapore Technologies Group, Mr. Tan worked as an engineer cumulatively for about 4 years at Honeywell (S) Pte Ltd and Esso Singapore Pte Ltd.

Dr. Lim was appointed as an Independent Director of the Company on 22 January 1998. Dr Lim was last re-elected as a Director of the Company on 20 April 2011. Dr. Lim graduated from the University of Strathclyde (formerly known as the Royal College of Science and Technology) in the United Kingdom with a Bachelor of Science (1st Class Hon) in Mechanical Engineering and subsequently a PhD in Mechanical Engineering. He is a member of the Singapore Institute of Directors, Singapore Computer Society, Singapore Institute of Management, Chartered Institute of Management (UK) in Singapore and an associate member of the Royal Aeronautical Society in the United Kingdom. He also served as a member of the Committee of Singapore’s Competitiveness in the Finance and Venture Capital for the Government of Singapore. Dr. Lim has been in the venture and development capital industry in Asia for more than 23 years. He is the current CEO of Kuwait Finance House (Singapore) Pte Ltd. Prior to that, he was CEO of Vietcombank Fund Management Company, Partner at UBS Capital Asia Pacific (S) Limited and a key-founding member of Rothschild Ventures Asia Pte Ltd. He has held various senior management positions in major Singapore corporations, such as the Natsteel Group and the Singapore Technologies Group.

Mr. Last was appointed as an Independent Director of the Company on 9 May 2011. Mr. Last is Chairman of Arcontech Group, a provider of IT solutions for the financial services sector which is listed on AIM and the British Smaller Technology Companies VCT 2 PLC, a fully listed Venture Capital Trust. In addition Richard also sits on the Boards of Corero PLC, an AIM listed IT solutions provider and Lighthouse Group PLC, an AIM listed financial services group as well as a number of private businesses. Richard is a Fellow of the Institute of Chartered Accountants in England and Wales ( FCA )

Mr. Last was appointed as an Independent Director of the Company on 22 January 1998. Dr Lim was last re-elected as a Director of the Company on 20 April 2011. Dr. Lim graduated from the University of Strathclyde (formerly known as the Royal College of Science and Technology) in the United Kingdom with a Bachelor of Science (1st Class Hon) in Mechanical Engineering and subsequently a PhD in Mechanical Engineering. He is a member of the Singapore Institute of Directors, Singapore Computer Society, Singapore Institute of Management, Chartered Institute of Management (UK) in Singapore and an associate member of the Royal Aeronautical Society in the United Kingdom. He also served as a member of the Committee of Singapore’s Competitiveness in the Finance and Venture Capital for the Government of Singapore. Dr. Lim has been in the venture and development capital industry in Asia for more than 23 years. He is the current CEO of Kuwait Finance House (Singapore) Pte Ltd. Prior to that, he was CEO of Vietcombank Fund Management Company, Partner at UBS Capital Asia Pacific (S) Limited and a key-founding member of Rothschild Ventures Asia Pte Ltd. He has held various senior management positions in major Singapore corporations, such as the Natsteel Group and the Singapore Technologies Group.
Directors’ Profile

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

The Board meets regularly with at least 4 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 videoconference 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:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Audit Committee</th>
<th>Nominating Committee</th>
<th>Compensation Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lim Ming Seong</td>
<td></td>
<td>Chairman</td>
<td></td>
</tr>
<tr>
<td>Tan Mok Koon</td>
<td></td>
<td></td>
<td>Member</td>
</tr>
<tr>
<td>Alan Russell Stubbs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(appointed on 4 January 2011)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lee Soo Hoon Phillips</td>
<td></td>
<td>Chairman</td>
<td>Member</td>
</tr>
<tr>
<td>Lim Boh Soon</td>
<td></td>
<td></td>
<td>Member</td>
</tr>
<tr>
<td>Sin Boon Ann</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lam Kwok Chong</td>
<td></td>
<td></td>
<td>Member</td>
</tr>
<tr>
<td>Richard Last</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(appointed on 9 May 2011)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Present Directorships in Listed Companies Other than the Company</th>
<th>Past Directorships Over the Preceding Three Years in Listed Companies Other than the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lim Ming Seong</td>
<td>Starhub Limited, First Resources Ltd</td>
<td>PST Management Ltd</td>
</tr>
<tr>
<td>Tan Mok Koon</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Alan Russell Stubbs</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Lim Boh Soon</td>
<td>Auric Pacific Group Limited, Across Asia Limited, Smarlag Solutions Berhad</td>
<td>Auric Pacific Group Limited, Japan Land Ltd</td>
</tr>
<tr>
<td>Lam Kwok Chong</td>
<td>euNetworks Group Ltd</td>
<td>Keppel Telecommunications &amp; Transportation Ltd, SYOA Public Co Ltd (Thailand)</td>
</tr>
<tr>
<td>Richard Last</td>
<td>Arcontech Group PLC, Lighthouse Group PLC, British Smaller Technology Companies VCT2 PLC, APD Communications Ltd, Coreco PLC, The Coombes Estate Ltd</td>
<td>Arcontech Group PLC, Lighthouse Group PLC, British Smaller Technology Companies VCT2 PLC, APD Communications Ltd, Coreco PLC, The Coombes Estate Ltd</td>
</tr>
</tbody>
</table>
Key Management

Mr. Lim is the Managing Director of CSE Global (Asia) Ltd and the Group Chief Financial Officer of the Company. Mr. Lim holds a Bachelor of Accountancy from the National University of Singapore. He joined the Company as the Group Financial Controller in 1999.

Mr. Lynn is the President and Chief Executive Officer of W-Industries, Inc., a wholly owned subsidiary company of the Company. Mr. Lynn holds a Bachelor of Science/Electrical Engineering from the University of Southwest Louisiana. He joined W-Industries, Inc. as an Engineering Manager in 1989.

Mr. Rowe was appointed as the Chief Executive Officer of CSE Global’s Australian and New Zealand operations in February 2011. Mr. Rowe has over 30 years experience working in the mining, processing, oil and gas and major construction industries. Mr. Rowe’s experience has been gained working on major projects and managing major engineering and construction organisations throughout Australia and he spent seven years working and residing in the South East Asia region.

Mr. Chou is CEO and President of CSE-Hankin Inc., a wholly owned subsidiary company of the Company. Mr. Chou has a BA degree in Sociology from Tunghai University and a BS degree in Electrical Engineering from California Polytech University. He is also a registered professional Control System Engineer in California. Mr. Chou joined CSE-Hankin Inc. since 1996.

Mr. Ketelhut is the Managing Director of CSE Semaphore, a wholly owned subsidiary company of the Company. Mr. Ketelhut graduated Magna Cum Laude from Brown University with a Bachelor of Science degree in Mechanical Engineering. Mr. Ketelhut also attended the University of Chicago where he received a Masters degree in Business Administration. He joined the Board of Directors of CSE-Servelec and the CSE Global Advisory Board in 2005. His role expanded to Managing Director of CSE-Semaphore in 2006.
Global Presence

UNITED STATES
W-Industries, LLC.
CSE Systems & Engineering (America) Inc.
11500 Charles Street
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Tel: 1-713-4669 463
Fax: 1-713-4667 205
Web: www.w-industries.com

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7620 Johnston Street
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Maurice, Louisiana 70555, USA
Tel: 1-337-2336 452
Fax: 1-337-2336 452
Web: www.w-industries.com

W-Industries, Inc. – Mexico
E. Zapata No. 7
Col. Fco. I. Madero
Cd. del Carmen Camp., C.P. 24190
Mexico
Tel: 938-3825 407
Fax: 938-3841 796
Web: www.w-industries.com

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Fax: 44-1909-5590 31
Web: www.cse-controls.com

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Tel: 44-1246-4375 00
Web: www.cse-healthcare.com

CSE-Servelec Limited
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Web: www.cse-servelec.com

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Fax: 421-37-7410 021
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Fax: 32-2-3874 275
Web: www.cse-semaphore.com

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F - 69500 Bron
France
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Fax: 33-472-1461 39
Web: www.cse-semaphore.com

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United Arab Emirates
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Fax: 971-2-6320 432
Web: www.cse-transtel.com

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United Arab Emirates
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Fax: 971-2-6797 523
Web: www.cse-transtel.com

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Kingdom of Saudi Arabia
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Fax: 966-3-8870 410
Web: www.cse-transtel.com

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United Arab Emirates
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Fax: 971-2-6797 523
Web: www.cse-transtel.com

TransTel Engineering Pte Ltd
Branch in Iran
Branch in Iran
Unit 2-15th Floor
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Africa Blvd
Tehran
IRAN
Tel: 98-21-878-8874
Fax: 98-21-878-8302
Web: www.cse-transtel.com

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Air Line Centre Building
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Kingdom of Saudi Arabia
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Fax: 966-3-8870 410
Web: www.cse-transtel.com
Global Presence

ASIA PACIFIC

CSE Global Ltd
CSE Global (Asia) Limited
CSE-IAP Pte Ltd
CSE-EIS Pte Ltd
CSE-ITS Pte Ltd
CSE-Hankin (Singapore) Pte Ltd
CSE Semaphore Singapore Pte Ltd
2 Ubi View
5th Floor
Singapore 408556
Tel : 65-6512 0333
Fax : 65-6742 9179
Web:www.cse-global.com

CSE-TransTel Pte Ltd
(Formerly known as TransTel Engineering Pte Ltd)
1 Jalan Kilang
#06-00, #05-00, #07-00, #03-01
Dynasty Industrial Building
Singapore 159402
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Fax : 65-6276 7800
Web:www.cse-transtel.com

CSE-EIS (Malaysia) Sdn. Bhd.
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Business & Technology Centre
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Selangor Darul Ehsan, Malaysia
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Fax : 603-7846 9580
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CSE Semaphore Singapore Pte Ltd
CSE Systems & Engineering (Thailand) Limited
Transtel Engineering (Thailand) Co., Ltd.
283/46 Unit No.1001-2,
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Kwaeng Klongton Nkr,
Khet Wattanarong
Bangkok 10110, Thailand
Tel : 66-2-7127 331/3
Fax : 66-2-7127 334

CSE Systems & Engineering (India) Pvt Ltd
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India
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Fax: 91-80-2678 3305

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Beijing 100083, China
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Fax: 86-10-8201 4600

PO Box 981, Waigani
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Papua New Guinea
Tel: 675-3520 356 / 3230 667
Fax : 675-3250 386
Web:www.cse-transtel.com

CSE-Global (Australia) Pty Ltd
Astlib Group Pty Ltd
CSE-TransTel Pty Ltd
(Formerly known as Memo Communications Company Pty Ltd)
CSE-CX Distribution Pty Ltd
(Formerly known as CX Distribution Pty Ltd)
CSE-Comsource Pty Ltd
(Formerly known as Comsource International Pty Ltd)
Astlib House, 2 Sleat Road
Applecross 6153
Western Australia
Tel: 61-8-9204 8000
Fax: 61-8-9204 8080
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Khet Wattanarong
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Fax: 86-10-8201 4600

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Komplek Bidakara, Pancoran
Jl. Gatot Subroto Kav. 71-73
Jakarta 12870
Indonesia
Tel : 62-21-5790 5515
Fax: 62-21-5791 5522
Web:www.cse-transtel.com

Global Presence

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Winnellie 0821
Northern Territory
Australia
Fax: 61-8-8947 2411

CSE-TransTel Pty Ltd
10 Columbia Way,
Baulkham Hills,
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Australia
Tel: 61-2-8853 4200
Fax: 61-2-8853 4260
Web: www.cse-uniserve.com.au

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2 Sleat Road
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Fax: 61-9-9381 9821
Web: www.cse-uniserve.com.au

CSE-Uniserve Pty Ltd - Victoria
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Victoria 3008, Australia
Tel: 61-3-9245 1700
Fax: 61-3-9245 1750
Web: www.cse-uniserve.com.au

CSE-Uniserve Pty Ltd - Queensland
Unit 2, 56 Lavarack Ave Eagle Farm,
Queensland 4009
Australia
Tel: 61-7-3861 7777
Fax: 61-7-3861 7700
Web: www.cse-uniserve.com.au

CSE-Uniserve Pty Ltd - New Zealand
Auckland Head Office :
Unit F, 55 Druses Road
Manukau City
Tel: 64-9-2623 290
Fax: 64-9-2623 292
Web: www.cse-uniserve.com.au

Christchurch Office :
3/69 Coleridge Street
Christchurch
New Zealand 8023
Tel : 64-3-3667 692

CSE Uniserve

CSE Global

Global UK

CSE Global (Asia Pacific)
Report on Corporate Governance

The Board of Directors is committed to maintaining a high standard of corporate governance within the Group. Good corporate governance establishes and maintains a legal and ethical environment in the Group, which strives to preserve the interests of all stakeholders and to promote investors’ confidence in the Group. The Company has adopted practices based on the Code of Corporate Governance 2005 (the “Code”) issued by the Corporate Governance Committee.

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

1. The Board’s Conduct of its Affairs

The Board plays an important role to oversee the Group’s business affairs and to provide entrepreneurial leadership to the Company. This includes the approval of the Group’s strategic plans, key business initiatives, financial objectives, major investments and funding decisions, the review of the Group’s financial performance, the evaluation of the performance of the management and the Group, the establishment of a prudent and effective controls framework, the values and standards of the Company and the fulfilment of obligations to the shareholders. These functions are carried out directly by the Board or through committees of the Board, which had been set up to support its work.

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

The Board meets regularly with at least 4 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 videoconference 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:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Board of Director Meeting</th>
<th>Audit Committee Meetings</th>
<th>Nominating Committee Meetings</th>
<th>Compensation Committee Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of meetings held</td>
<td>Number of meetings held</td>
<td>Number of meetings attended</td>
<td>Number of meetings attended</td>
</tr>
<tr>
<td>Lim Ming Seong</td>
<td>5</td>
<td>5</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Tan Mok Koon</td>
<td>5</td>
<td>5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Alan Russell Stubbs (Appointed on 4 January 2011)</td>
<td>5</td>
<td>5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lee Soo Hoon Philip</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Lim Boon Soon</td>
<td>5</td>
<td>5</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Sim Boon Ann</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Lam Kwok Chong</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Richard Last (Appointed on 9 May 2011)</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>Nature of Transactions</th>
<th>Quantum of transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditure</td>
<td>Any amount more than $500,000.00</td>
</tr>
<tr>
<td>Mergers, acquisitions and divestments</td>
<td>Any amount</td>
</tr>
</tbody>
</table>

The Company has in place general orientation-training programmes to ensure that every newly appointed Director of the Company is familiar with the Group’s structure, the Group’s business and its operations and the Company’s governance practices. Every newly appointed Director of the Company is expected to undergo an orientation programme which includes meeting with the Chairman, Managing Director and Group Chief Financial Officer as part of the training in the affairs of the business. The Company relies on the Directors to undergo further relevant training, if necessary to update themselves on the relevant new laws, regulations and changing commercial risks, from time to time.

The Company will issue a formal appointment letter, which sets out the director’s duties and obligations, to each director upon appointment.

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
- Lim Boh Soon
- Sin Boon Ann
- Lam Kwok Chong
- Richard Last (Appointed on 9 May 2011)

**Non-executive / Non-Independent Director:**
- Tan Mok Koon – Deputy Chairman (Re-designated from Executive Deputy Chairman to Non-Executive Deputy Chairman on 1 February 2012)

**Executive Director:**
- Alan Russell Stubbs – Group Chief Executive Officer (Appointed on 4 January 2011)

The Board currently comprises 8 Directors, one of whom is an Executive Director of the Company. The remaining 7 Directors are Non-executive Directors of the Company who are also independent of the management of the Company except for Mr. Tan Mok Koon. All of the Non-executive Directors (other than Mr. Tan Mok Koon) are therefore considered to be independent by the Board as they have no relationships with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors’ independent business judgment.

The 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 Committee, Nominating Committee and/or Compensation Committee.

The Board has examined its size to determine the impact of the number upon effectiveness and is of the view that the current Board size of 8 Directors is appropriate and facilitates effective decision-making, after taking into account the scope and nature of the operations of the Group.
In addition, the current Board comprises Directors who as a group provide core competencies, such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge that are necessary and critical to meet the Company’s objectives. Key information regarding the Directors of the Company in respect of academic and professional qualifications are set out in the Annual Report under Directors’ Profile.

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 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 and set its agenda;
(b) ensuring that the directors receive accurate, timely and clear information;
(c) ensuring effective communication with shareholders;
(d) encouraging constructive relations between the Board and Management;
(e) facilitating the effective contribution of Non-executive Directors in particular;
(f) encouraging constructive relations between Executive Director and Non-executive Directors;
(g) promoting high standards of corporate governance; and
(h) 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 W-Industries, LLC and CSE-Global (UK) Limited, both of which are wholly owned subsidiary companies of the Company.

4. Board Membership

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

Non-executive Independent Directors:

Lim Ming Seong - Chairman
Lee Soo Hoon Phillip
Lim Boh Soon

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.

The Nominating Committee holds at least 1 Nominating Committee meeting each financial year, and also as warranted by particular circumstances, as deemed appropriate by the Nominating Committee.

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

The responsibilities of the Nominating Committee include:-

i. taking into account the scope and nature of the operations of the Group to determine the appropriate size of the Board;
ii. re-nominating Directors, having regard to each Director’s contribution and performance, including, if applicable, as an independent Director;
iii. ensuring that the Board comprises Directors who as a group provide competencies such as accounting or finance, business or management experience, industry knowledge and strategic planning experience;
iv. determining annually if a director is independent, bearing in mind the circumstances set forth in Guideline 2.1 of the Code and any other salient factors; and
v. evaluating the Board’s performance as a whole as well as each Director’s contribution.

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

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

The Nominating Committee has assessed the independence of the Non-executive Directors and is satisfied that there are no relationships which would deem any of the Non-executive Directors, other than Mr. Tan Mok Koon, not to be independent.

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. If a Director is on the Board of other companies, the Nominating Committee will consider whether adequate time and attention have been devoted to the Company. In the event that there are sufficient grounds for concern, the Chairman of the Board shall discuss, and if necessary, warn the Director of the issues and in any continuance, the consequences flowing from the situation. Despite some of the Directors having other board representations, the Nominating Committee is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company.

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

The names of the Directors who are retiring pursuant to the Company’s Articles of Association of the Company are as follows:

Retiring under Article 95(2)
Mr. Lim Ming Seong (last re-elected 19 April 2010)
Mr. Lee Soo Hoon Phillip (last re-elected 29 April 2009)
Mr. Sin Boon Ann (last re-elected 29 April 2009)

Retiring under Article 77
Mr. Richard Last (appointed on 9 May 2011)

The Nominating Committee has recommended the re-election of Mr. Lim Ming Seong, Mr. Lee Soo Hoon Phillip, Mr. Sin Boon Ann and Mr. Richard Last at the forthcoming AGM.

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

5. Board Performance

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

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

6. Access to Information

The management of the Company has an on-going obligation to supply the Board with complete, adequate information in a timely manner. In addition, the Board has separate and independent access to the Company’s management in respect of obtaining those 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. Monthly management reports from the principal subsidiaries are circulated to the Audit Committee.

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

The Directors also have separate and independent access to the Company Secretary. In addition, the role of the Company Secretary is also clearly defined and includes the responsibility for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary’s responsibilities include ensuring good information flows within the Board and the Audit 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 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
Lim Boh Soon

Non-executive Directors-Non-Independent Director:
Tan Mok Koon

The Board established the Compensation Committee, whose functions are equivalent to a Remuneration Committee.

The Compensation Committee comprises three members, all of whom are Non-executive Directors. Two of the Non-executive Directors, Mr. Lim Ming Seong and Dr. Lim Boh Soon are independent of the management of the Company and are considered to be independent by the Board as they have no relationships with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors’ independent business judgment.
The Chairman of the Compensation Committee, Mr. Lim Ming Seong, is an independent Non-executive Director, who is knowledgeable in the field of executive compensation. In addition, the Compensation Committee has access to the relevant expert advice within the Company.

No individual Director of the Company fixes his own remuneration.

The Compensation Committee holds at least 1 meeting each financial year, and also as warranted by particular circumstances, as deemed appropriate by the Compensation Committee.

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

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

The responsibilities of the Compensation Committee include: -

(i) recommending to the Board the framework of remuneration for the Executive Directors and the key management of the Group;
(ii) 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 performance of individual Directors and the key management of the Group when setting the remuneration packages.

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

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

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

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

9. Disclosure on remuneration

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

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

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Total Remuneration ($’000)</th>
<th>Fees (%)</th>
<th>Salary (%)</th>
<th>Bonus (%)</th>
<th>Provident Fund Contributions ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For total remuneration of more than $250,000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tan Mok Koon#</td>
<td>769</td>
<td>-</td>
<td>72</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>Alan Russell Stubbs (appointed on 4 January 2011)</td>
<td>1,215</td>
<td>-</td>
<td>41</td>
<td>*50</td>
<td>7</td>
</tr>
<tr>
<td><strong>For total remuneration of less than or equal to $250,000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lim Ming Seong</td>
<td>65</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lee Soo Hoon Phillip</td>
<td>66</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lim Boh Soon</td>
<td>44</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sin Boon Ann</td>
<td>50</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>Lam Kwok Chong</td>
<td>50</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Richard Last (appointed on 9 May 2011)</td>
<td>34</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

No share options were granted to the directors in 2011.

# Mr. Tan Mok Koon was re-designated to Non-Executive Director with effective from 1 February 2012

*Mr. Alan Russell Stubbs’ bonus arose from his position as Managing Director of CSE-Global (UK) Limited

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:

<table>
<thead>
<tr>
<th>Name</th>
<th>Total Remuneration ($’000)</th>
<th>Fees (%)</th>
<th>Salary (%)</th>
<th>Bonus (%)</th>
<th>Provident Fund Contributions ($)</th>
<th>Other Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For total remuneration of more than $250,000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive A</td>
<td>1,433</td>
<td>-</td>
<td>33</td>
<td>67</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Executive B</td>
<td>772</td>
<td>-</td>
<td>47</td>
<td>53</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Executive C</td>
<td>645</td>
<td>-</td>
<td>40</td>
<td>47</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Executive D</td>
<td>523</td>
<td>-</td>
<td>70</td>
<td>26</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Executive E</td>
<td>514</td>
<td>-</td>
<td>70</td>
<td>26</td>
<td>-</td>
<td>4</td>
</tr>
</tbody>
</table>

No share options were granted to the key executive officers in 2011.

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

There are currently no employees whose remuneration exceeds $150,000 per year who are immediate family members of a Director or the Managing Director.
10. Accountability

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

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

11. Audit Committee

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

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

Non-executive-Independent Directors:

Lee Soo Hoon Phillip - Chairman
Sin Boon Ann
Lam Kwok Chong
Richard Last (Appointed on 9 May 2011)

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

The Audit Committee meets regularly with at least 4 Audit Committee meetings within each financial year, and also as warranted by particular circumstances, as deemed appropriate by the Audit Committee.

The Board is satisfied that all the members of the Audit Committee are appropriately qualified to discharge their responsibilities. Three members of the Audit Committee, being Lee Soo Hoon Phillip, Lam Kwok Chong and Richard Last, have accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment.

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

The primary function of the Audit 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 internal control systems regarding finance, accounting, legal and regulatory compliance, contractual obligations and ethics established by the Board and the management of the Company.

The responsibilities of the Audit Committee include:

i. 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;

ii. 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;

iii. 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;
iv. 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 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;

v. 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;

vi. reviewing the effectiveness of the company’s internal audit function that is independent of the activities that it audits;

vii. reviewing and taking actions on the arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters; and

viii. Meeting principal overseas subsidiaries’ independent directors, the management and any others considered appropriate in their periodic visits to these subsidiaries.

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

In particular, the Audit 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 disclosed in the following:

<table>
<thead>
<tr>
<th></th>
<th>2011 $’000</th>
<th>2010 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit fees:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Auditors of the Company</td>
<td>493</td>
<td>501</td>
</tr>
<tr>
<td>- Other Auditors</td>
<td>252</td>
<td>129</td>
</tr>
<tr>
<td><strong>Non-Audit Fees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Auditors of the Company</td>
<td>29</td>
<td>4</td>
</tr>
<tr>
<td>- Other Auditors</td>
<td>55</td>
<td>61</td>
</tr>
<tr>
<td><strong>Total Audit and non-audit fees</strong></td>
<td><strong>829</strong></td>
<td><strong>695</strong></td>
</tr>
</tbody>
</table>

The number of Committee meetings held during the financial year and the attendance of the individual members of the Audit 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

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

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

Pursuant to the requirement as stipulated under Rule 1207(10), the Board of Directors and the Audit Committee have reviewed the adequacy of the Group’s internal controls that address the Group’s financial, operational and compliance risks. Based on the review conducted, the Board of Directors and the Audit Committee are of the opinion that, in the absence of any evidence to the contrary, the system of internal controls in place are adequate in meeting the current scope of the Group’s business operations.

13. 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 Committee. However, the internal auditor also reports administratively to the Managing Director of the Company.
The Audit 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 Committee is satisfied that the internal audit function is adequately resourced and has the appropriate standing within the Company.

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

14. Communication with Shareholders

The shareholders of the Company have the opportunity to participate effectively and to vote at the Company’s Annual General Meeting. They are allowed to vote in person or by proxy if they are unable to attend the Company’s Annual General Meeting.

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

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

15. 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.

16. Interested Person Transactions

Pursuant to the requirements as stipulated under Rule 1207(17) and Rule 907 of the SGX-ST Listing Manual, there were no interested person transactions during the financial year.

17. Material Contracts

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

on behalf of the Directors,

Lee Soo Hoon Phillip  Lam Kwok Chong
Chairman, Audit Committee  Director

Singapore  22 March 2012
Pursuant to the requirements as stipulated under Rule 1207(4)(d) of Chapter 12 of the SGX-ST Listing Manual as issued by the Singapore Exchange Securities Trading Limited, the operating and financial risk management policies and processes of the Group are set out in the following.

**OPERATING RISK**

**Management of growth**

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

**Risks Associated with Future Acquisitions**

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

**Competition**

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

**FINANCIAL RISK**

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

The financial risk management objectives and policies of the Group are set out in the Notes to the Financial Statements in Note 30 under risk management.
Statistics of Shareholding

as at 12 March 2012

DISTRIBUTION OF SHAREHOLDINGS

<table>
<thead>
<tr>
<th>SIZE OF SHAREHOLDINGS</th>
<th>NO. OF SHAREHOLDERS</th>
<th>%</th>
<th>NO. OF SHARES</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 999</td>
<td>83</td>
<td>2.84</td>
<td>38,113</td>
<td>0.01</td>
</tr>
<tr>
<td>1,000 - 10,000</td>
<td>1,977</td>
<td>67.66</td>
<td>9,634,222</td>
<td>1.87</td>
</tr>
<tr>
<td>10,001 - 1,000,000</td>
<td>844</td>
<td>28.88</td>
<td>40,996,290</td>
<td>7.94</td>
</tr>
<tr>
<td>1,000,001 and above</td>
<td>18</td>
<td>0.62</td>
<td>465,399,227</td>
<td>90.18</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,922</td>
<td>100.00</td>
<td>516,067,852</td>
<td>100.00</td>
</tr>
</tbody>
</table>

TWENTY LARGEST SHAREHOLDERS

<table>
<thead>
<tr>
<th>NO.</th>
<th>NAME</th>
<th>NO. OF SHARES</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>HSBC (Singapore) Nominees Pte Ltd</td>
<td>108,525,417</td>
<td>21.03</td>
</tr>
<tr>
<td>2.</td>
<td>Citibank Nominees Singapore Pte Ltd</td>
<td>97,609,029</td>
<td>18.91</td>
</tr>
<tr>
<td>3.</td>
<td>Raffles Nominees (Pte) Ltd</td>
<td>68,303,894</td>
<td>13.24</td>
</tr>
<tr>
<td>4.</td>
<td>DBSN Services Pte Ltd</td>
<td>42,014,618</td>
<td>8.14</td>
</tr>
<tr>
<td>5.</td>
<td>Tan Mok Koon</td>
<td>38,700,750</td>
<td>7.50</td>
</tr>
<tr>
<td>6.</td>
<td>DBS Nominees Pte Ltd</td>
<td>38,377,684</td>
<td>7.44</td>
</tr>
<tr>
<td>7.</td>
<td>United Overseas Bank Nominees Pte Ltd</td>
<td>13,622,250</td>
<td>2.64</td>
</tr>
<tr>
<td>8.</td>
<td>George Lee Pte Ltd</td>
<td>10,272,000</td>
<td>1.99</td>
</tr>
<tr>
<td>9.</td>
<td>BNP Paribas Securities Services</td>
<td>10,185,000</td>
<td>1.97</td>
</tr>
<tr>
<td>10.</td>
<td>Mayban Nominees (S) Pte Ltd</td>
<td>9,000,000</td>
<td>1.74</td>
</tr>
<tr>
<td>11.</td>
<td>Phillip Securities Pte Ltd</td>
<td>6,261,891</td>
<td>1.21</td>
</tr>
<tr>
<td>12.</td>
<td>Wong Yon Ching</td>
<td>6,003,187</td>
<td>1.16</td>
</tr>
<tr>
<td>13.</td>
<td>Teo Kit Choon</td>
<td>5,555,187</td>
<td>1.08</td>
</tr>
<tr>
<td>14.</td>
<td>Tiong Kuok Thai</td>
<td>3,146,687</td>
<td>0.61</td>
</tr>
<tr>
<td>15.</td>
<td>Lim Ming Seong</td>
<td>3,100,000</td>
<td>0.60</td>
</tr>
<tr>
<td>16.</td>
<td>Derby Russ Ng</td>
<td>2,348,000</td>
<td>0.45</td>
</tr>
<tr>
<td>17.</td>
<td>Maybank Kim Eng Securities Pte Ltd</td>
<td>1,222,633</td>
<td>0.24</td>
</tr>
<tr>
<td>18.</td>
<td>OCBC Nominees Singapore Pte Ltd</td>
<td>1,151,000</td>
<td>0.22</td>
</tr>
<tr>
<td>19.</td>
<td>UOB Kay Hian Pte Ltd</td>
<td>940,000</td>
<td>0.18</td>
</tr>
<tr>
<td>20.</td>
<td>DBS Vickers Securities (S) Pte Ltd</td>
<td>914,000</td>
<td>0.18</td>
</tr>
</tbody>
</table>

467,253,227  90.53
Statistics of Shareholding

as at 12 March 2012

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

As at 12 March 2012, the Company did not hold any treasury shares.

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 12 MARCH 2012
(As recorded in the Register of Substantial Shareholders)

<table>
<thead>
<tr>
<th>Names of Substantial Shareholders</th>
<th>Direct interest</th>
<th>%</th>
<th>Deemed interest</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tan Mok Koon (1)</td>
<td>38,700,750</td>
<td>7.50</td>
<td>28,500,000</td>
<td>5.52</td>
</tr>
<tr>
<td>Chartered Asset Management Pte Ltd (2)</td>
<td>–</td>
<td>–</td>
<td>69,618,000</td>
<td>13.49</td>
</tr>
<tr>
<td>Capital Growth Investments Pte Ltd (3)</td>
<td>–</td>
<td>–</td>
<td>69,618,000</td>
<td>13.49</td>
</tr>
<tr>
<td>Colin Lee Yung-Shih (4)</td>
<td>–</td>
<td>–</td>
<td>69,618,000</td>
<td>13.49</td>
</tr>
<tr>
<td>Low Siew Kheng (5)</td>
<td>–</td>
<td>–</td>
<td>69,618,000</td>
<td>13.49</td>
</tr>
<tr>
<td>CAM-GTF Limited (6)</td>
<td>–</td>
<td>–</td>
<td>43,743,000</td>
<td>8.48</td>
</tr>
<tr>
<td>FMR LLC and FIL Ltd (7)</td>
<td>–</td>
<td>–</td>
<td>67,909,000</td>
<td>13.16</td>
</tr>
</tbody>
</table>

Note:

(1) Tan Mok Koon is deemed to have an interest in the 28,500,000 shares held by Citibank Nominees Singapore Pte Ltd and Mayban Nominees (Singapore) Pte Ltd.

(2) Chartered Asset Management Pte Ltd is deemed to have an interest in the 69,618,000 shares held by HSBC (Singapore) Nominees Pte Ltd, CIMB–GK Securities Pte Ltd and DBS Nominees Pte Ltd.

(3) By virtue of Section 7 of the Companies Act, Cap. 50 (the “Act”), Capital Growth Investments Pte Ltd, which is the holding company of Chartered Asset Management Pte Ltd – an investment manager to certain portfolios that have an interest in the shares of the Company and is therefore deemed to be interested in the shares of the Company – is deemed to have an interest in the Company’s shares in which Chartered Asset Management Pte Ltd has an interest in.

(4) By virtue of Section 7 of the Act, Colin Lee Yung–Shih, through his 100% shareholding in Capital Growth Investments Pte Ltd, is deemed to have an interest in the Company’s shares in which Capital Growth Investments Pte Ltd has an interest in.

(5) By virtue of Section 7 of the Act, Low Siew Kheng through her not less than 20% shareholding in Chartered Asset Management Pte Ltd – an investment manager to certain portfolios that have an interest in the shares of the Company and is therefore deemed to be interested in the shares of the Company – is deemed to have an interest in the Company’s shares in which Chartered Asset Management Pte Ltd has an interest in.

(6) CAM–GTF Limited is deemed to have an interest in 43,743,000 shares held by HSBC (Singapore) Nominees Pte Ltd.
(7) FMR LLC on behalf of the managed accounts of its direct and indirect subsidiaries and FIL Ltd on behalf of the managed accounts of its direct and indirect subsidiaries.

PUBLIC FLOAT

As at 12 March 2012, 57.33% 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.
BOARD OF DIRECTORS

Executive
Alan Russell Stubbs (Group Chief Executive Officer)
- appointed on 4 January 2011

Non-Executive
Lim Ming Seong (Chairman-Independent)
Tan Mok Koon (Deputy Chairman – Non-Independent)
Phillip Lee Soo Hoon (Independent)
Dr. Lim Boh Soon (Independent)
Sin Boon Ann (Independent)
Lam Kwok Chong (Independent)
Richard Last (Independent)
- appointed on 9 May 2011

AUDIT COMMITTEE
Phillip Lee Soo Hoon (Chairman)
Sin Boon Ann
Lam Kwok Chong
Richard Last

NOMINATING COMMITTEE
Lim Ming Seong (Chairman)
Phillip Lee Soo Hoon
Dr. Lim Boh Soon

COMPENSATION COMMITTEE
Lim Ming Seong (Chairman)
Dr. Lim Boh Soon
Tan Mok Koon

COMPANY SECRETARIES
Tan San-Ju
Tan Cher Liang

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

BUSINESS OFFICE
No. 2 Ubi View
Singapore 408556
Tel: 65-6512 0333
Fax: 65-6742 9179

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte Ltd
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:
Ng Boon Heng
(since financial year ended 31 December 2011)

BANKERS
Arab Bank PLC
Australia And New Zealand Banking Group Ltd
Bank of China Ltd
Bank of East Asia Ltd
Citibank Singapore Ltd
DBS Bank Ltd
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Ltd
RHB Bank Berhad
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
The Hong Kong and Shanghai Banking Corporation Ltd
United Overseas Bank Ltd