



RIDING ON MOMENTUM

Annual Report 2019

CSE
GLOBAL
LIMITED

At CSE Global, we are riding on momentum with our healthy orderbook and contribution from our new businesses. As we raise our capabilities by expanding our skills and technologies, we are improving our versatility in meeting the evolving needs of our customers and target industries. As we go the distance by scaling our strategic geographic presence, we are setting our sights on the long-term potential that our target markets bring.

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CORPORATE PROFILE



CSE Global Limited (CSE) is a global technologies company listed on the Singapore Stock Exchange, with an international presence spanning the Americas, Asia Pacific, Europe, Middle East and Africa regions.

CSE is a leading systems integrator, focusing on the provision and installation of a variety of control systems as well as turnkey telecommunication network and security solutions, targeting the oil & gas, infrastructure and mining industries.

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

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

The Group has now more than 1,500 employees worldwide, and operates a network of 41 offices across the globe, generating more than 85 percent of its revenues outside its home market. In line with global ambitions, the Group has adopted the ISO 9001 Quality Management System as certified by Lloyd's Register Quality Assurance (LRQA) and DNV. The CSE Group of companies has been very successful in offering cost-effective, totally integrated solutions to industries in the Oil & Gas, Infrastructure and Mining sectors. CSE has a consistent profit track and a management that is focused on operational excellence to achieve sustainable profit growth and enhance shareholder returns.





RAISING OUR CAPABILITIES

At CSE Global, we are raising our technology and innovative expertise to offer value-added and viable solutions to our customers. We also seek to extend a wider range of solutions that will address the evolving needs of the markets that we are in.

MESSAGE TO STAKEHOLDERS

Dear Stakeholders,

2019 was yet another year of growth for CSE Global Limited (“CSE” or together with its subsidiaries, the “Group”). Our efforts at growing our businesses, both organically and via strategic acquisitions continued to generate positive results. Quality of earnings improved, core performance strengthened and orderbook surged to record high.



Left:

LIM BOON KHENG
Group Managing Director

LIM MING SEONG
Chairman

FINANCIAL PERFORMANCE

In spite of uncertain market conditions and macroeconomic headwinds, CSE has achieved outstanding performance – 21.0% growth in revenue from S\$373.5 million in FY2018 to S\$451.8 million in FY2019 and 19.6% surge in net profit after tax and non-controlling interests from S\$20.1 million in FY2018 to S\$24.1 million in FY2019.

The Group’s gross profit and net profit margin for FY2019 was relatively stable at around 27% and 5% respectively compared to FY2018.

From a balance sheet standpoint, the Group continues to generate positive cash flow from operations of S\$18.0 million in FY2019. Net debt position was S\$44.5 million for FY2019, as the Group took on borrowings to finance its multiple earnings-accretive acquisitions. Net gearing remained low at 25% on an aggregate basis, with adequate headroom for working capital requirements.

In FY2019, the Group received new orders of S\$578.8 million, led by two major oil and gas greenfield project orders worth S\$103.7 million secured in October 2019, and supported by strong growth in flow orders. Accordingly, outstanding order book was S\$307.3 million for continuing operations.

The solid set of results delivered this year bears testimony to our ability to remain nimble amidst a rapidly evolving economic landscape. Going forward, we will continue to focus on strengthening our competitive advantage so as to fortify our presence in the region.

BUSINESS OVERVIEW

In FY2019, the Americas region continued its growth trajectory in FY2019, garnering a strong revenue growth of 17.1% to S\$279.4 million, mainly due to higher time and material revenues achieved as well as from the inclusion of revenues of Volta, which was acquired in late August 2019. However, EBIT for FY2019 declined by 14.0% year-on-year mainly due to

additional amortisation of intangible assets of S\$1.3 million coupled with higher professional fees of S\$2.4 million.

In the Asia-Pacific region, the Group recorded a 28.8% year-on-year surge in revenue for FY2019 due to higher recognition of revenues for the infrastructure projects in Singapore and Australia. In line with the growth in revenues, EBIT for FY2019 rose 12.1% year-on-year.

In FY2019, the EMEA region recorded a 9.2% year-on-year increase in revenue to S\$7.2 million and managed to return to profitability in FY2019 due to improvement in gross margins.

In FY2019, the Oil & Gas segment remained the largest revenue contributor with a share of 65.1% over total revenue, the Infrastructure segment registered a 25.5% share of total revenue while the Mining & Mineral segment’s revenue share more than double from 4.2% for FY2018 to 9.4% for FY2019.

The Oil & Gas division's EBIT surged 33.4% from S\$13.8 million to S\$18.4 million, in-line with a 18.7% growth in revenue from S\$247.7 million to S\$294.1 million. This was due to the Group's pursuit of onshore oil & gas business in the USA since 2015, as well as from higher revenue recognition for its offshore oil & gas projects. The revenue mix for the Oil & Gas division is now 48% onshore (S\$141.8 million) and 52% offshore (S\$152.3 million) in FY2019 compared with 10% onshore (S\$33.3 million) and 90% offshore (S\$300.0 million) in FY2015.

The Infrastructure division's revenue increased moderately by 4.7% year-on-year from S\$110.1 million in FY2018 to S\$115.3 million in FY2019 while EBIT declined 11.7% from S\$14.6 million in FY2018 to S\$12.9 million in FY2019. This was mainly due to lower gross margin for some of the projects that was recognised in Singapore and Australia. Nonetheless, the radio communications business in Australia grew 38.2% to S\$64.8 million in FY2019 and currently contributed 56.2% of the total Infrastructure revenue.

The Mining & Mineral division recorded a bumper year for FY2019 mainly due to the acquisition of RCS Telecommunications Pty Ltd ("RCS") in March 2019. Following the acquisition of RCS, a radio communications service provider in Queensland, the Group has strengthened its presence in the Mining & Mineral segment in Australia. As a result, revenue and EBIT from this segment grew to S\$42.4 million and S\$0.6 million respectively.

OUTLOOK

The Group is a process control solutions provider in the oil and gas sector. For the Oil & Gas segment, the ability of the Group to provide a diverse set of services and products cushions the Group from the exposure in oil prices. As global demand for oil and natural gas continues to grow, international oil majors will continue

to commit investments to meet that demand and we are glad to be able to capture part of the CAPEX and OPEX over the years. The Americas region will continue to be our focus to drive growth. In August 2019, the Group acquired Houston based electrical integration and solutions company, Volta, LLC ("Volta"), providing the Group with a compelling opportunity to enter a market which is in very close proximity to the Group's existing markets. By combining the Group's strength in the engineering and system integration with Volta's capability to design and fabricate large scale electrical equipment centres, CSE will have a full-stream offering for the energy industry and petrochemical customers. With an enhanced positioning in the midstream oil and gas market stemming from the synergies and cross-selling opportunities between CSE and Volta, we believe the earnings accretive acquisition will contribute positively to the Group in FY2020 and beyond.

For 2020 and beyond, we will continue our focus on building and growing our onshore oil and gas business through adding complementary solutions and services and strengthening our geographical presence. In addition, we are working closely with existing and new customers to pursue organic growth in West Texas region apart from that of Permian Basin and Eagleford. The Group had secured two new offshore oil and gas project contracts worth US\$74.7 million (approximately S\$103.7 million) in the fourth quarter of FY2019. We believe that this will boost the revenue recognition for the Oil & Gas segment over the next three years. Going forward, we will continue to explore new working opportunities in large greenfield projects, while expanding upon our existing pipeline of small greenfield projects and brownfield projects in the Gulf of Mexico.

The Group also provides communications and security solutions for infrastructure and the mineral and mining industries.

Our Infrastructure business relies heavily on Australia and Singapore's infrastructure investments. According to Infrastructure Australia in its 2019 Australian Infrastructure Audit, a new wave of investment and reform is needed to ensure Australia's infrastructure continues to support quality of life and economic productivity over the next 15 years. Growing demand and a mounting maintenance backlog are putting unprecedented pressure on the infrastructure services each and every Australian relies on, including energy, transport, communications, etc. We are looking forward to capitalise on this opportunity to provide energy solutions to railway lines, ports, airports as well as new suburbs as Australia's government strives to plug the infrastructure gaps. We intend to replicate our business model in the two-way radio communications industry in other regions, expanding beyond Australia. We also seek to strengthen the radio communications business in Australia through strategic acquisitions. And in Singapore, we seek to ride upon the government's adoption of Smart Nation Initiatives and related communications and engineering technology projects, to further solidify our positioning in that space.

For the Mining and Minerals segment, there are cyclical upgrades that have to be done eventually due to infrastructure maintenance, equipment wear and tear, and equipment obsolescence. Hence, we expect an increase of CAPEX and OPEX spending from FY2020.

Last but not least, it has been an integral part of the Group's long-term business plans to expand through acquisition of companies with specialized skills and technologies complementary to the existing businesses and strengthen its geographical coverage. We will continue to look out for value accretive and strategic acquisitions to grow our

MESSAGE TO STAKEHOLDERS

(CONTINUED)

business to ensure a diversified and sustainable income stream.

The outlook of the Group remains bright with a robust order book, stable margins and steady flow business from our existing installed base's maintenance, system enhancement and upgrades and small greenfield orders.

DIVIDENDS

CSE continues its good track record of consistently paying dividends to shareholders. The Board of Directors has recommended a final one-tier tax-exempt dividend of 1.5 Singapore cents per share. A dividend of 1.25 Singapore cents per share was paid in 3Q2020. In aggregate, the dividends represent a payout of 58.1% of the Group's FY2019 net profit. The book closure date for the final dividend is 4 May 2020 and the dividend will be paid on 12 May 2020, subject to shareholders' approval at the forthcoming AGM.

COMMUNITY SUPPORT

At CSE, we are committed to being good and responsible corporate social citizens while pursuing our business objectives. We put particular emphasis upon community engagement and giving back to the society.

At CSE Australia, we had donated and sponsored several charitable organisations throughout FY2019. The beneficiaries include Cancer Council – Dry July, Prostate Cancer Foundation, Heart Foundation, Movember Foundation, Breast cancer Foundation, Clean Up Australia, Hot Rods for the Homeless Appeal and the Lions Club District WA – “Razzamatazz” Ride for Youth, NSW Friendship Circle and Youth Focus. CSE Australia also supported the Salvation Army Christmas Appeal in both Australia and New Zealand where food and toy

donations were collected for those less fortunate in the community.

CSE Americas continued providing financial support for Texas Children's Hospital located in Houston. In addition, CSE Americas contributed financially to three scholarship foundations: (1) The W-Industries “Excellence Scholarship”, in partnership with the Houston Tennis Association; (2) the Drew M. Bingham Foundation; and (3) The Laredo Border Chapter API (a chapter of the American Petroleum Institute). CSE Americas also supported other great causes such as the Boys Scouts of America, United Way, Wounded War Heroes Foundation, and many school programs to help prepare our youth for community leadership.

In Singapore, CSE Asia made donations to Promiseland Community Services, KK Health Endowment, Singapore Association of the Visually Handicapped, Touch Community Services Limited, HCA Hospice Care, Yellow Ribbon Fund and People's Association (Community Development Council) in FY2019.

In 2019, a total of 21 CSE Global Engineering Bursaries were awarded: 10 bursaries to students in National University of Singapore, 5 bursaries to students in Nanyang Technological University, 2 bursaries to students in Singapore University of Technology and Design, 1 bursary to a student of Singapore Polytechnic and 3 bursaries to our staff at CSE.

APPRECIATION

On behalf of the Board of Directors, we would like to express our appreciation to the management team as well as our staff for their dedication and hard work towards the Group's success. To our customers, business associates as

well as our shareholders, we would also like to thank you for your continuous support in us.

The Board would also like to thank Mr Lam Kwok Chong, who is not seeking for re-election in the forthcoming AGM, for his past contributions and commitment to the Company.

As we begin the new chapter together, let us look forward to a stronger FY2020.

LIM MING SEONG

Chairman

LIM BOON KHENG

Group Managing Director

BOARD OF DIRECTORS



BOARD OF DIRECTORS

(CONTINUED)

1. LIM MING SEONG

CHAIRMAN

Non-Executive and Independent Director

Mr Lim Ming Seong was appointed as Non-Executive and Independent Director of CSE Global Limited on 17 January 1997 and has been the Board Chairmain since then. He is also the Chairman of First Resources Limited and sits on the board of Starhub Limited and several other private companies. He held various senior positions within the Singapore Technologies (ST) Group from 1986 to 2002, where he left as Group Director. Prior to joining the ST Group, Mr Lim served as the Deputy Secretary with the Ministry of Defence, Singapore.

Date of first appointment as a director

17 January 1997

Date of appointment as Chairman

17 January 1997

Date of last re-election as a director

19 April 2018

Board Committee Membership

Nominating Committee (Chairman)
Compensation Committee (Chairman)
Investment Committee (Chairman)

Academic & Professional Qualification

- Bachelor of Applied Science (Honours) in Mechanical Engineering, University of Toronto
- Diploma in Business Administration, Former University of Singapore
- Advance Management Programs conducted by INSEAD and Harvard Business School
- Fellow, Institute of Singapore Chartered Accountants
- Fellow, Singapore Institute of Directors

Present Directorship

CSE Global Limited
STT GDC Pte. Ltd.
U Mobile Sdn Bhd
First Resources Limited
Amplus Communication Pte Ltd
Whiterock^N Partners Ltd
Starhub Limited
STT Communication Ltd
Singapore Technologies Telemedia Pte Ltd
Aegis Medical Care Pte Ltd

Present Principal Commitments

Nil

Past Directorship held over the preceding five years

Singapore Technologies Kinetics Pte Ltd

Past Principal Commitment held over the preceding five years

Nil

2. DATO' DR. IR. MOHD ABDUL KARIM BIN ABDULLAH

DEPUTY CHAIRMAN

NON-EXECUTIVE

NON-INDEPENDENT DIRECTOR

Dato' Karim illustrious engineering career spanning 31 years started with Asean Bintulu Fertilizer Sdn Bhd (1988) as a Mechanical Engineer. Later he was appointed as the Coordinator for the Ammonia and Rotary 5 T/A Preparation Team (1990) and as a Rotating Equipment Area Engineer (1991). In 1993, he formed Serba Dinamik and assumed the position as the Group Managing Director/Group Chief Executive Officer and successfully listed Serba Dinamik on Bursa Malaysia Securities Berhad on 8 February 2017.

Dato' Karim gained vast experience in the maintenance and installation of rotating equipment since 1993 that includes major overhaul/inspection of 37MW MHI steam turbines and plant shutdown maintenance on various rotating equipment. His tenure as a site project manager with Malaysia LNG Sdn Bhd exposed him to construction and fabrication under the supply and construction of new civil workshop, extension of main warehouse and mechanical workshop in, installation of Jet A- 1 Bunkering Line in Shell Timur Sdn Bhd, installation of flush tank at Bintulu Depot and various other projects with the company.

He has conducted numerous training, internally and externally, primarily in power sectors and oil and gas. Focus areas of training include vibration, machinery alignment and balancing course, condition monitoring programme for rotating equipment, integrated

machinery maintenance, preventive and predictive maintenance, inspection and maintenance of pumps, and inspection and maintenance of steam turbine. He also conducted talks on the latest technologies related to Industry 4.0, Asset Integrity Management and Innovative Blockchain.

Date of first appointment as a director
2 May 2018

Date of last re-election as a director
18 April 2019

Board Committee Membership
Nominating Committee (Member)
Compensation Committee (Member)

Academic & Professional Qualification

- Bachelor in Mechanical Engineering, Universiti Teknologi Malaysia
- Honorary PhD in Industrial Engineering, Inter American University, USA
- PhD in Entrepreneurship, Golden State University, USA
- Member of the Institution of Engineers Malaysia
- Member of the Board of Engineers Malaysia
- Member of the Asean Federation of Engineering Organisation

Present Directorship

CSE Global Limited
Sarawak Consolidated Berhad
Kumpulan Powernet Berhad
Serba Dinamik Group Berhad Malaysia
Serba Dinamik International Ltd.
Serba Dinamik Sdn Bhd
Serba Dinamik IT Solutions Sdn Bhd
SD Controls Sdn Bhd

SD Advance Engineering Malaysia Sdn Bhd
Serba Dinamik (Brunei) Sdn Bhd
AR Global Engineering Sdn Bhd
Serba Dinamik RMC FZE
PT Serba Dinamik Indonesia
Serba Dinamik International Petroleum Services W.L.L.
Serba Dinamik International Limited (London)
PT Kubic Gasco
Quantum Offshore Ltd
Top Luxury Sdn Bhd
Telegistics Asia Sdn Bhd
Adat Sanjung Sdn Bhd
KAJV Sdn Bhd
Asean Taste Global Sdn Bhd (formerly known as AR Global Marketing and Services Sdn Bhd)
Blackseed Dynamic Sdn Bhd
D'Lloyd Technologies Ltd
Emirtech Glassflake Sdn Bhd
Emirtech International Limited
Emirtech Network Sdn Bhd
Emirtech Technologies Sdn Bhd
Klinik Dinamik Sdn Bhd
Ladangku Maju Sdn Bhd
Rosegate Insurance Brokers Sdn Bhd
SD Associates Consult Sdn Bhd
SD Associates Sdn Bhd
SD Associates Venture Sdn Bhd
SD Impex Sdn Bhd
SD Resource Development Sdn Bhd
Serba Engineering Sdn Bhd

Present Principal Commitments

Group Managing Director/Group CEO,
Serba Dinamik Holdings Berhad

Past Directorship held over the preceding five years

Nil

Past Principal Commitment held over the preceding five years

Nil

BOARD OF DIRECTORS

(CONTINUED)

3. LIM BOON KHENG

GROUP MANAGING DIRECTOR/
CHIEF EXECUTIVE OFFICER
EXECUTIVE DIRECTOR

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

Date of first appointment as a director

13 August 2013

Date of last re-election as a director

18 April 2019

Board Committee Membership

Investment Committee (Member)

Academic & Professional Qualification

- Bachelor of Accountancy, National University of Singapore

Present Directorship

CSE Global Limited

Present Principal Commitments

Group Managing Director/
Chief Executive Officer,
CSE Global Limited

Past Directorship held over the preceding five years

Nil

Past Principal Commitment held over the preceding five years

Nil

4. LAM KWOK CHONG

INDEPENDENT DIRECTOR

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

Date of first appointment as a director

6 May 2010

Date of last re-election as a director

19 April 2018

Board Committee Membership

Nominating Committee (Member)
Compensation Committee (Member)

Academic & Professional Qualification

- Bachelor of Business Administration, University of Singapore

Present Directorship

CSE Global Limited

Present Principal Commitments

Nil

Past Directorship held over the preceding five years

Jurong Aromatic Corporation

Past Principal Commitment held over the preceding five years

Nil

5. TAN HIEN MENG

INDEPENDENT DIRECTOR

Mr Tan Hien Meng has more than 30 years of experience in the oil & gas industry. He has held directorships in General Sekiyu KK (Japan), Esso Singapore Pte Limited, and Tuas Power Singapore. He has also held positions as President, Exxonmobil Trading Company Asia Pacific (2001 to 2003); Vice President, Standard Tankers Bahamas, a division of Exxonmobil Corporation; and Chairman, Exxonmobil Hongkong.

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

Date of first appointment as a director

1 November 2014

Date of last re-election as a director

19 April 2018

Board Committee Membership

Audit and Risk Committee (Member)

Academic & Professional Qualification

- Bachelor of Science Applied Chemistry (1st Class Honours), University of Singapore
- Member of the American Institute of Chemical Engineers

Present Directorship

CSE Global Limited

Present Principal Commitments

Nil

Past Directorship held over the preceding five years

Nil

Past Principal Commitment held over the preceding five years

Nil

6. SIN BOON ANN

INDEPENDENT DIRECTOR

Mr Sin Boon Ann joined Drew & Napier LLC in 1992. He was the Deputy Managing Director of Drew & Napier's Corporate and Finance Department and the Cohead of the Capital Markets Practice before he retired to be a consultant with the firm in March 2018. Prior to joining Drew & Napier LLC, Mr Sin taught at the Faculty of Law of National University of Singapore from 1987 to 1992. Mr Sin was a Member of Parliament for Tampines Group Representation Constituency (GRC) from 1996 to 2011.

Date of first appointment as a director
13 May 2002

Date of last re-election as a director
18 April 2019

Board Committee Membership
Audit and Risk Committee (Member)

Academic & Professional Qualification

- Bachelor of Arts and Bachelor of Laws (Honours) Degrees, National University of Singapore
- Master of Laws, University of London
- Member of the Academy of Law
- Member of Law Society of Singapore

Present Directorship

CSE Global Limited
Balkan Holdings Pte. Ltd.
Healthway Medical Corporation Limited
The Farrer Park Company Pte. Ltd.
W Capital Markets Pte. Ltd.
TIH Limited
At-Sunrice GlobalChef Academy Pte. Ltd.
Esseplere Pte. Ltd.
HRnetGroup Limited
Singapore Centre for Social Enterprise Ltd. (raiSE)
Rex International Holding Limited
SE Hub Ltd.
OUE Limited
Tampines Central Community Foundation Limited

Present Principal Commitments

Consultant, Drew & Napier LLC

Past Directorship held over the preceding five years

Datapulse Technology Limited
DrewCorp Services Pte Ltd
Drew & Napier LLC
OSIM International Pte. Ltd.
UT REIT (Pte.) Ltd.
UT TRUST (Pte.) Ltd.
Transcorp Holdings Limited
Swee Hong Limited
Courage Marine Group Limited

Past Principal Commitment held over the preceding five years

Director, Drew & Napier LLC

BOARD OF DIRECTORS

(CONTINUED)

7. TAN CHIAN KHONG INDEPENDENT DIRECTOR

Mr Tan Chian Khong has approximately 35 years of experience in the audit industry in Singapore. He joined Ernst & Young LLP (then known as Turquands Ernst & Whinney) in 1981 and was a partner for 20 years until his retirement in June 2016.

Date of first appointment as a director
19 February 2019

Date of last re-election as a director
18 April 2019

Board Committee Membership
Audit and Risk Committee (Chairman)
Nominating Committee (Member)

Academic & Professional Qualification

- Bachelor of Accountancy, National University of Singapore
- Master of Business Administration, University of South Australia
- Master of International Environmental Management, University of Adelaide
- Member of the American Institute of Certified Public Accountants
- Fellow, Institute of Singapore Chartered Accountants
- Fellow, CPA Australia

Present Directorship
CSE Global Limited
SMRT Corporation Ltd
Alliance Bank Malaysia Berhad
Hong Leong Asia Ltd
The Straits Trading Company Limited
Xinghua Port Holdings Ltd.
Casino Regulatory Authority
Methodist Welfare Services
Trailblazer Foundation Ltd

Present Principal Commitments
Nil

Past Directorship held over the preceding five years
Temenggong Artists-in-Residence Ltd
AAS@217 East Coast Road Pte Ltd
Automobile Association of Singapore
Alliance Financial Group Berhad

Past Principal Commitment held over the preceding five years
Partner, Ernst & Young LLP

8. LEE KONG TING INDEPENDENT DIRECTOR

Dr Lee Kong Ting has been very active in the Process & Control industries for more than 40 years. He served 2 global companies in his working career during this period. He first served 23 years in The Foxboro Company USA, now is a Schneider Electric Company. The last position he held was Group President/Managing Director for Asia Pacific and he was in that position for 10 years.

Subsequently, he joined Yokogawa as Group President/MD for Asia Pacific and was then promoted to President & CEO of Yokogawa Electric International in charge of Global business outside Japan. In the same period, he was a Vice President and a Board Member of Management Board of Yokogawa Electric Corporation Japan. He was Chairman/Director of all Yokogawa Regional Headquarters globally including Europe, Americas, China, Russia, Australia and Asia Pacific during the same period. The last position he held was Consultant/Advisor for the Yokogawa Corporate Headquarters, and he was with Yokogawa for almost 20 years.

Date of first appointment as a director
1 February 2017

Date of last re-election as a director
20 April 2017

Board Committee Membership
Audit and Risk Committee (Member)
Compensation Committee (Member)

Academic & Professional Qualification

- Bachelor of Science in Electrical and Electronic Engineering, National Taiwan University
- Master of Science and PhD, both in Control Engineering, University of Bradford in the United Kingdom
- Chartered Engineer and Member of the Institute of Electrical Engineers in the United Kingdom

Present Directorship
CSE Global Limited

Present Principal Commitments
Nil

Past Directorship held over the preceding five years
Nil

Past Principal Commitment held over the preceding five years
Nil

9. SYED NAZIM BIN SYED FAISAL
NON-EXECUTIVE
NON-INDEPENDENT DIRECTOR

Mr Bin Syed Faisal began his career with KPMG (Assurance division) as Audit Assistant in 2003. Later in 2009, he joined MISC Berhad as Strategic Planning Manager. Thereafter, in 2012, he joined RHB Islamic Bank Berhad as the Head of Statutory and Management Reporting. In 2013, he joined Ibdar Bank BSC(c), Kingdom of Bahrain, as Vice President Financial, Compliance and Administration. In 2015, he joined the Serba Dinamik Berhad as Chief Financial Officer and appointed as Group Chief Financial Officer in June 2016.

Date of first appointment as a director

2 May 2018

Date of last re-election as a director

18 April 2019

Board Committee Membership

Audit and Risk Committee (Member)
Investment Committee (Member)

Academic & Professional Qualification

- Bachelor of Accounting, International Islamic University Malaya, Malaysia
- Master Degree in Islamic Finance Practice, International Centre for Education in Islamic Finance, Malaysia
- Certificate in Islamic Banking and Finance Law, International Islamic University Malaysia, Malaysia
- Member of the Malaysian Institute of Accountants

Present Directorship

CSE Global Limited
Green & Smart Holdings Plc
Fahrenheit Café Sdn Bhd
NAK Ventures Sdn Bhd
BIRR Capital Limited
PT Amorsk Indonesia
RFK Technologies Sdn Bhd
Ifiber Holdings Sdn Bhd

Present Principal Commitments

Group Chief Financial Officer,
Serba Dinamik Holdings Berhad

Past Directorship held over the preceding five years

Nil

Past Principal Commitment held over the preceding five years

Nil

KEY MANAGEMENT



EDDIE FOO (AGE: 48)

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



DONNIE SMITH (AGE: 47)

Mr Smith was appointed as the Chief Executive Officer of CSE Americas Inc. in May 2018 and is concurrently the President and Chief Operating Officer of CSE W-Industries of Louisiana, a wholly owned subsidiary company of CSE Global Ltd since November 2014.

Mr Smith has over 24 years of Upstream Oil & Gas experience, including his 13 years' working experience from 2005 to 2018 as President and Operations Manager of Control Concepts & Technology, a CSE W-Industries company.

KEY MANAGEMENT

(CONTINUED)



ROY ROWE (AGE: 62)

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

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

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



LEONG SAY HAUR (AGE: 60)

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

His career experience spans 32 years with leading US technology firms and a decade with locally listed company dealing in oil & gas, telecommunications, banking, defence, security, plus consulting & integration services.

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





LEVERAGING OUR STRENGTHS

We seek to build a strong team of talents who are dynamic, customer-focused and driven to deliver results. We invest to enhance their skills and knowledge to enable our workforce to meet the challenges and needs of the industries.

OUR BUSINESS

Process Control

Many of our mission critical solutions are used in highly integrity environments

PROCESS CONTROL SYSTEM

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

SAFETY SHUTDOWN SYSTEM

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

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

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

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



FIRE & GAS DETECTION SYSTEM

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

SCADA

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

WELLHEAD CONTROL SYSTEMS

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

SUBSEA CONTROL SYSTEM

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

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



associated Subsea control panels such as the MCS and EPU.

- Fully managed Maintenance and life-of-the-field support contracts.

PROCESS SKID SYSTEM

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

ELECTRICAL DRIVE AND HIGH/MEDIUM VOLTAGE SYSTEMS

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

ELECTRICAL PROTECTION AND CONTROL SYSTEM

The protection system mainly deploys the GE Multilin range of products

which cover motor protection, feeder protection, line protection, transformer protection and generator protection. The offerings include industrial network and network security design and implementation to protect real-time process control and SCADA systems of critical infrastructure systems.

REAL-TIME INFORMATION SYSTEM

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

INTELLIGENT TRANSPORT SYSTEM (ITS)

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

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

I&E CONSTRUCTION

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

MULTIPLE HEARTH FURNACE

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

FLUID BED INCINERATOR

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

CARBON AND ENERGY RECOVERY SYSTEMS

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

ROTARY KILN INCINERATOR

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

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

OUR BUSINESS

COMMUNICATION & SECURITY

CSE has the capability to design communications network system solutions

COMMUNICATION & SECURITY

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

VSAT SATELLITE

COMMUNICATIONS NETWORKS

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

FIBRE OPTIC SYSTEMS

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

MICROWAVE RADIO SYSTEMS

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

CONVENTIONAL & TRUNKED RADIO SYSTEMS

Conventional two-way radio networks have evolved into complex digital trunked systems providing highly reliable, secure communications that can be delivered across a single site, along a corridor hundreds of kilometres long, through an underground tunnel or even linking multiple sites. These systems not only provide two-way voice communications

but are now an integral part of companies OH&S policy, providing GPS tracking, man down emergency alarm and many other features including wireless data messaging. CSE has many years of experience in this area having designed, constructed and commissioned both analogue and digital trunked radio systems (TETRA and APC025) that now support many thousands of terminals.

PUBLIC ADDRESS & GENERAL ALARM SYSTEMS (PAGA)

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



CCTV, ACCESS CONTROL & FIDS SYSTEMS

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

TELEPHONE NETWORKS

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



LAN/WAN NETWORKS

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

IP-BASED NETWORKS

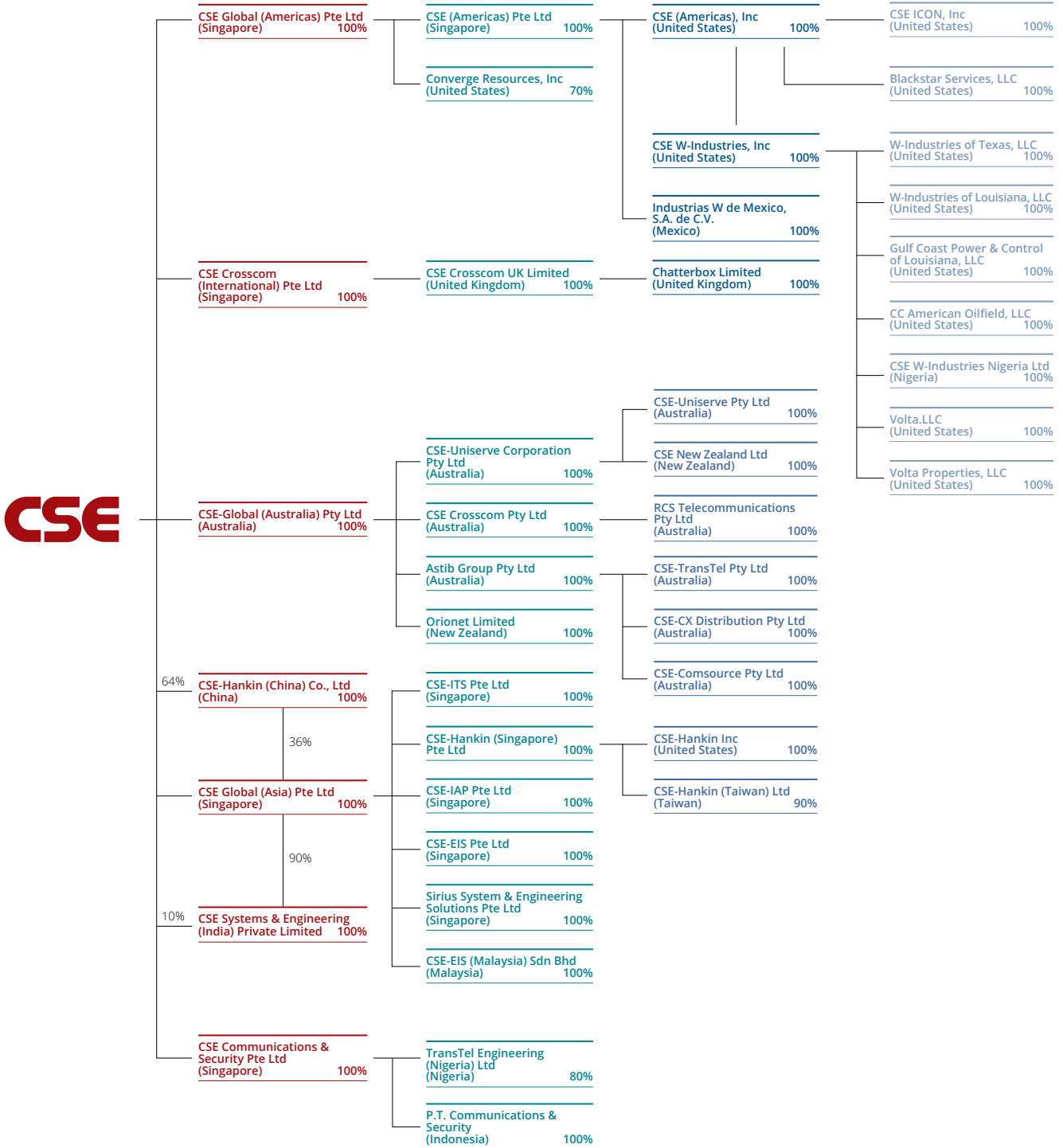
IP (Internet Protocol) is the dominant standard used by almost all equipment vendors as the default communications

protocol. CSE provides IP network designs for clients enabling IP devices to communicate with other devices while protecting them from unauthorised access. The network design can incorporate automatic failover switching, remote monitoring and traffic reporting.

SCADA & TELEMETRY NETWORKS

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

GROUP STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive

Lim Boon Kheng (Group Managing Director)

Non-Executive

Lim Ming Seong (Chairman, Independent)

Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah
(Deputy Chairman, Non-Independent)

Lam Kwok Chong (Independent)

Sin Boon Ann (Independent)

Tan Hien Meng (Independent)

Dr Lee Kong Ting (Independent)

Syed Nazim Bin Syed Faisal (Non-Independent)

Tan Chian Khong (Independent)

AUDIT AND RISK COMMITTEE

Tan Chian Khong (Chairman)

Sin Boon Ann

Tan Hien Meng

Dr Lee Kong Ting

Syed Nazim Bin Syed Faisal

NOMINATING COMMITTEE

Lim Ming Seong (Chairman)

Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah

Tan Chian Khong

Lam Kwok Chong

COMPENSATION COMMITTEE

Lim Ming Seong (Chairman)

Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah

Lam Kwok Chong

Dr Lee Kong Ting

INVESTMENT COMMITTEE

Lim Ming Seong (Chairman)

Lim Boon Kheng

Syed Nazim Bin Syed Faisal

COMPANY SECRETARY

Tan Lay Hong

REGISTERED OFFICE

50 Raffles Place

Singapore Land Tower #32-01

Singapore 048623

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Fax: 65-6536 1360

BUSINESS OFFICE

202 Bedok South Avenue 1

#01-21 Singapore 469332

Tel: 65-6512 0333

Fax: 65-6742 9179

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Boardroom Corporate & Advisory
Services Pte Limited

50 Raffles Place

Singapore Land Tower #32-01

Singapore 048623

Tel: 65-6536 5355

Fax: 65-6536 1360

AUDITORS

Ernst & Young LLP

One Raffles Quay

North Tower, Level 18

Singapore 048583

Audit Partner-in-charge

Phua Chun Yen Alvin

(since financial year ended 31 December 2015)

PRINCIPAL BANKERS

Bank of East Asia Ltd

BNP Paribas Corporate and Investment Banking

Citibank Singapore Limited

CTBC Bank Co., Ltd

DBS Bank Limited

Oversea-Chinese Banking Corporation Limited

Sumitomo Mitsui Banking Corporation

Taipei Fubon Commercial Bank

The Hongkong and Shanghai Banking

Corporation Limited

United Overseas Bank Limited

GLOBAL PRESENCE

1. UNITED STATES

CSE W-Industries, Inc
W-Industries of Texas, LLC
CSE Americas, Inc
 11500 Charles Street
 Houston, Texas 77041, USA
 Tel: 1-713-466-9463
 Fax: 1-713-466-7205
 Web: www.w-industries.com

W-Industries of Texas
– Petropark
 6602 Petropark
 Houston, Texas 77041, USA
 Tel: 1-337-993-7425
 Fax: 1-337-993-7427
 Web: www.w-industries.com

Control Concepts & Technologies – Pecos
 2315 Tolivar Street
 Pecos, Texas 78405, USA
 Tel: 1-432-447-0045
 Fax: 1-713-466-7205
 Web: www.w-industries.com

Control Concepts & Technologies – Pearsall
 3093 County Road 1005
 Pearsall, Texas 78061, USA
 Tel: 1-830-326-6252
 Web: www.w-industries.com

Control Concepts & Technologies – Bosco
 120 Shadeland Lane
 Maurice, Louisiana 70555, USA
 Tel: 1-337-839-1790
 Fax: 1-337-839-1793
 Web: www.w-industries.com

W-Industries of Louisiana, LLC – AUTOMATION
 7620 Johnston Street
 Lafayette, Louisiana 70555, USA
 Tel: 1-337-233-4537
 Web: www.w-industries.com

W-Industries of Louisiana, LLC
 7616 Johnston Street
 Lafayette, Louisiana 70555, USA
 Tel: 1-337-993-7425
 Fax: 1-337-993-7427
 Web: www.w-industries.com

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Texas Office:
 2829 Technology Forest Blvd.
 Suite 460, The Woodlands,
 Texas 77381, USA
 Tel: 1-281-670-1010
 Web: www.cse-icon.com

Louisiana Office:
 100 Central Street Suite 100
 Lafayette, LA 70501, USA
 Tel: 1-337-231-4192
 Web: www.cse-icon.com

Colorado Office:
 1125 17th Street Suite 1050
 Denver, Colorado 80202
 Tel: 1-303-390-9264
 Web: www.cse-icon.com

CC American Oilfield, LLC
R-M Transactions, LLC
 4826 Santa Elena St.
 Corpus Christi
 Texas 78405, USA
 Tel: 1-361-884-6774
 Fax: 1-361-884-8210
 Web: www.aos-tx.com

CC American Oilfield, LLC
 4809 Santa Elena St.
 Corpus Christi
 Texas 78405, USA
 Web: www.aos-tx.com

Gulf Coast Power & Control of Louisiana, LLC
 109 N. Cities Service Highway
 Sulphur, LA 70663, USA
 Tel: 1-337-625-8333
 Fax: 1-337-625-6444

Industrias W de Mexico, S.A. de. C.V.
 Avenida del Mar No. 46
 Col. Bibalvo, Cd. Del Carmen,
 Campeche, Mexico, CP 24158
 Tel: 938-118-2631
 Fax: 938-118-2914
 Web: www.industriaswmexico.com

CSE-Hankin Inc.
 One Harvard Way, Suite 6
 Hillsborough, New Jersey 08844, USA
 Tel: 1-908-722-9595
 Fax: 1-908-722-9514
 Web: www.hankines.com

Volta LLC.
 1616 Gears Rd.
 Houston, TX 77067, USA
 Tel: 832-369-2430
 Fax: 832-415-0356
 Web: www.volta-us.com

2. EUROPE/MIDDLE EAST & AFRICA

Chatterbox Limited
 1 Guards Avenue,
 The Village, Caterham-on-the-Hill,
 Surrey CR3 5XL
 Tel: +44 (0)-20-7183-4391

Regional Office:
 Kent Innovation Centre
 Thanet Reach Business Park
 Millennium Way, Broadstairs
 Kent CT10 2QQ
 Web: www.cse-chatterbox.com/

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

3. ASIA PACIFIC

CSE Global Limited
CSE Global (Asia) Pte Ltd
CSE-IAP Pte Ltd
CSE-EIS Pte Ltd
CSE-ITS Pte Ltd
CSE-Hankin (Singapore) Pte Ltd
CSE Communications & Security Pte Ltd
 202 Bedok South Avenue 1
 #01-21, Singapore 469332
 Tel: 65-6512 0333
 Fax: 65-6742 9179
 Web: www.cse-global.com

CSE-EIS (Malaysia) Sdn Bhd
 Suite 3.02, 3rd Floor, Lot 10,
 Wisma Bka, Jalan Astaka U8/84
 Bukit Jelutong. Business & Technology
 Centre. 40150 Shah Alam,
 Selangor Darul Ehsan, Malaysia
 Tel: 603-7846-8580
 Fax: 603-7846-9580

PT Communications & Security
 Menara Topas 12th Floor
 Jalan M.H. Thamrin Kav 9
 Kelurahan Gondangdia
 Kecamatan Menteng
 Jakarta Pusat 10350, Indonesia
 Tel: 62-21-21-2123-1711
 Fax: 62-21-21-2123-1705
 Web: www.cse-comsec.com

CSE Systems & Engineering (India) Private Limited
 No. 3, 3rd Floor, 100ft Road
 2nd Stage, 1st Phase, BTM Layout
 Bangalore – 560 076, India
 Tel: 91-80-2678-3302 / 303 / 304
 Fax: 91-80-2678-3305

CSE-Hankin (China) Co., Ltd
 Room 406, Gaode Building
 No 10 Huayuan East Road, Haidian
 District, Beijing P.R.C 100190, China
 Tel: 86-10-8201-4593/4594
 Fax: 86-10-8201-4600

CSE-Hankin (Taiwan) Ltd.

9F.-1, No.132, Sec. 2, Nanjing E. Rd.,
Zhongshan Dist. Taipei City 10489, Taiwan
(R.O.C.)
Tel: (886) 2 25080660
Fax: (886) 2 25175509

4. AUSTRALASIA**CSE-Global (Australia) Pty Ltd**

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

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

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

**CSE-Comsorce Pty Ltd
CSE Crosscom Pty Ltd
Comm8**

434 Stuart Highway
Winnellie 0821,
Northern Territory, Australia
Tel: 61-8-8947 2400
Fax: 61-8-8947 2411
Web: www.cse-comsorce.com

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

1/121 Hanson Road, Gladstone 4680,
Queensland, Australia
Tel: 61-8-4972-8666
Fax: 61-8-4972-8555
Web: www.cse-comsorce.com

CSE-Uniserve Pty Ltd

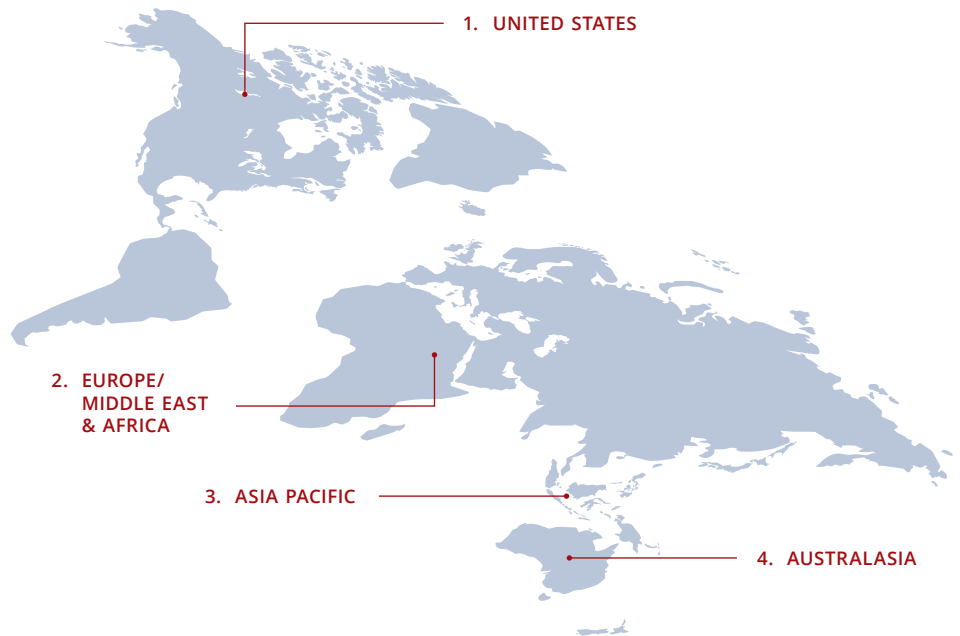
10 Columbia Way, Baulkham Hills
New South Wales 2153, Australia
Tel: 61-2-8853-4200
Fax: 61-2-8853-4260
Web: www.cse-uniserve.com.au

CSE-Uniserve Pty Ltd – Victoria

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

CSE-Uniserve Pty Ltd – Queensland

6/505 Lytton Road, Morningside
Queensland 4170, Australia
Tel: 61-7-3861-7777
Fax: 61-7-3861-7700

**CSE Crosscom Pty Ltd**

664 Lorimer Street
Port Melbourne VIC 3207
Australia
Tel: 61-03-9322-1500
Fax: 61-03-9328-3737
Web: www.crosscom.com.au

**CSE Crosscom Pty Ltd
– South Australia**

10 Wurriga Street, Regency Park
South Australia 5010
Tel: 61-8-8273-9555
Web: www.tetracom.com.au

RCS Telecommunications Pty Ltd

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Street+C60, Brisbane QLD 4000,
Australia
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Email: sales@rcst.com.au

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Dalby QLD 4405
Tel: (07)-4669-9300
Email: sales@rcst.com.au

Mackay Branch:

11 Transport Avenue
Paget QLD 4740
Tel: (07)-4898-0600
Email: sales@rcst.com.au

Moranbah Branch:

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Moranbah QLD 4744
Tel: (07)-4846-4700
Email: sales@rcst.com.au

Mount Isa Branch:

39 Barkly Highway
Miles End, Mount Isa QLD 4825
Tel: (07)-4744-9200
Email: sales@rcst.com.au
Web: www.rcst.com.au

**CSE New Zealand Limited
CSE-Genesis**

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

**CSE New Zealand Limited
– Christchurch**

3/69 Coleridge Street, Christchurch
New Zealand 8023
Tel: 64-3-3667-692
Fax: 64-3-3795-895
Web: www.cse-waf.co.nz



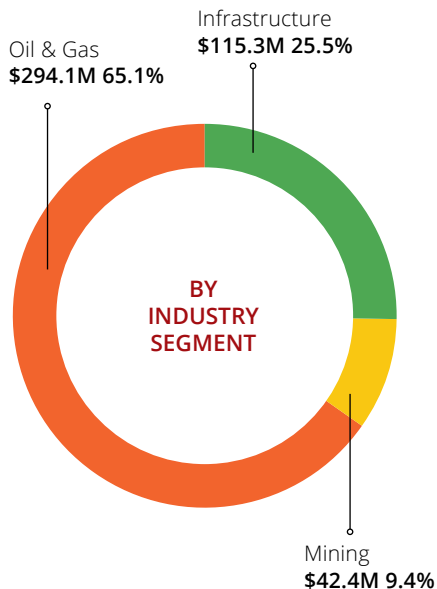
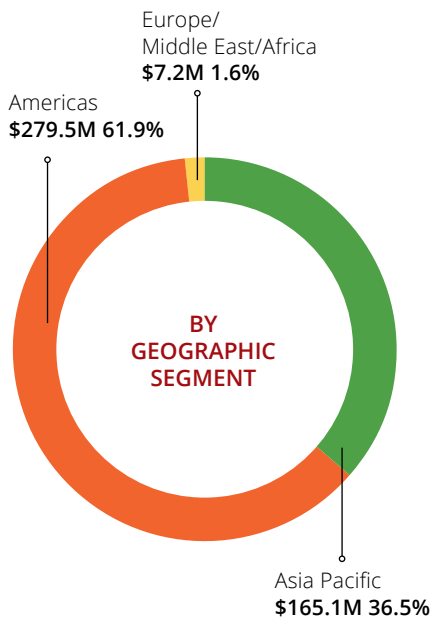
The image features a vertical split background. The left side shows a vibrant city skyline at dusk, with numerous skyscrapers illuminated against a dark, cloudy sky. The right side is a lighter, more ethereal view of a city, possibly the same one, with a prominent white building in the foreground. A large, solid red diagonal shape cuts across the right side of the image, serving as a background for the text.

GOING THE DISTANCE

Our scale of presence in the Americas, Asia Pacific, Europe, Middle East and Africa regions enhances our collective expertise and gives us the strategic advantage and ground knowledge in these markets.

FINANCIAL HIGHLIGHTS

REVENUE BREAKDOWN



REVENUE

\$451.8^M

21.0%

EARNINGS PER SHARE

4.73[¢]

20.7%

DIVIDEND PER SHARE

2.75[¢]

0.0%

ORDER INTAKE

\$578.8^M

52.1%

NET PROFIT

\$24.1^M

19.6%

CASH FLOW FROM OPERATIONS

\$18.0^M

-68.1%

RETURN ON EQUITY

13.6%

1.9pp

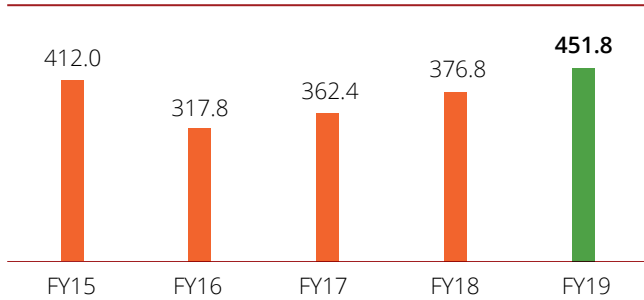
ORDER BOOK

\$307.3^M

70.5%

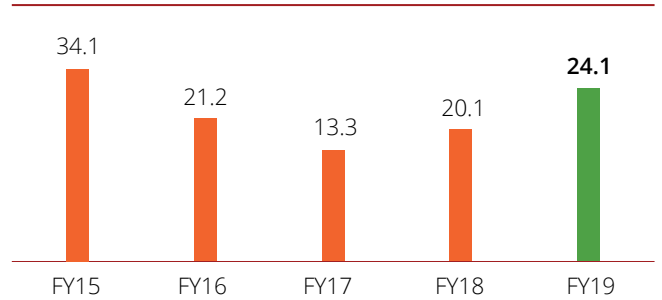
▲ TURNOVER

(S\$' Million)



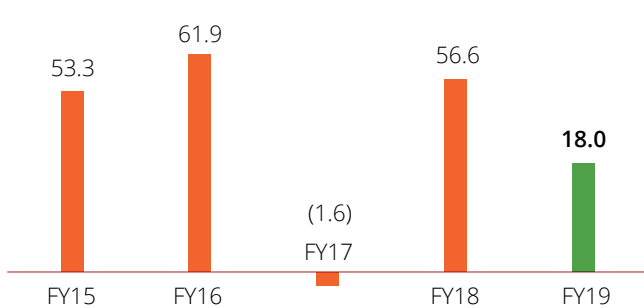
PROFIT ATTRIBUTABLE TO SHAREHOLDERS BEFORE EXCEPTIONAL ITEMS

(S\$' Million)



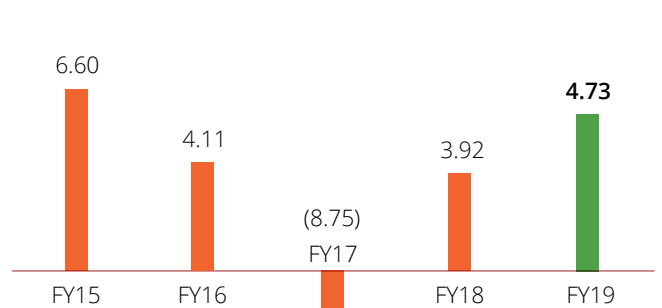
CASH FROM OPERATIONS

(S\$' 000)



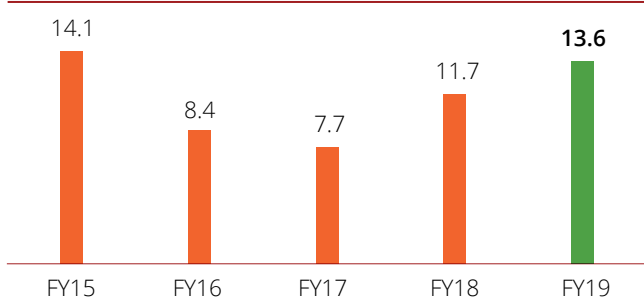
EARNINGS PER SHARE

(Cents)



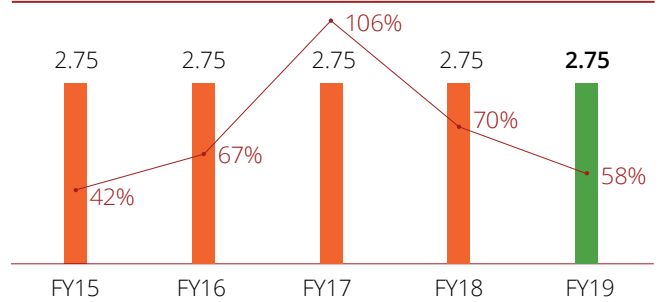
▲ RETURN ON EQUITY

(%)



DIVIDEND PER SHARE

(Cents)

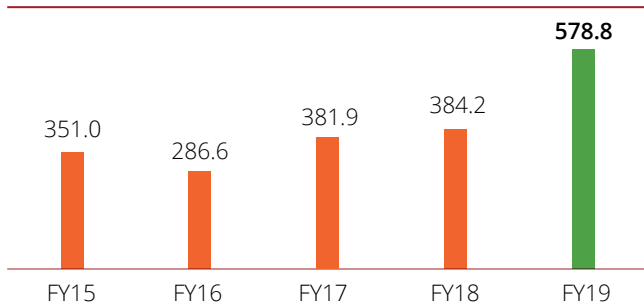


● Dividend

— Dividend payout ratio

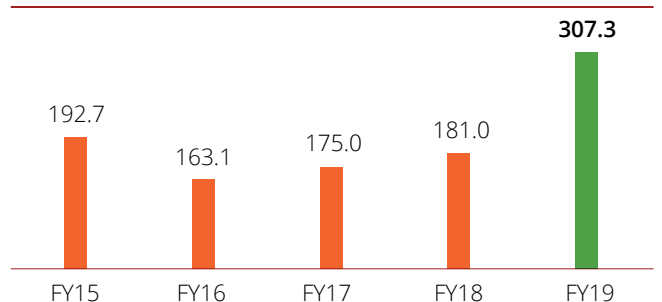
▲ ORDER INTAKE

(S\$' Million)



▲ ORDER BOOK

(S\$' Million)



▲ Turnover, Order Intake, Order Book and Return on Equity from FY15 to FY18 include discontinued operation

*FY18 Return On Equity is before exceptional items

OPERATIONS AND FINANCIAL OVERVIEW

S\$'000	2019	2018	Change 2019 %
Revenue from continuing operations	451,756	373,488	21.0%
Gross Profit from continuing operations	123,711	103,635	19.4%
Operating expenses from continuing operations	93,593	76,641	22.1%
Earnings before interest and tax (EBIT) from continuing operations	31,835	28,440	11.9%
Net profit attributable to equity owners of the Company	24,054	20,105	19.6%
Total assets	396,330	269,082	47.3%
Cash and bank balances	58,638	74,051	-20.8%
Loans and borrowings	103,140	36,125	185.5%
Net cash	(44,502)	37,926	N.M.
Shareholders' funds	176,337	171,236	3.0%
Earnings per share (cents)	4.73	3.92	20.7%
Net assets value per share (cents)	34.72	33.65	3.2%
Net cash generated from operations	18,027	56,586	-68.1%
Order intake from continuing operations	578,848	380,586	52.1%
Order book from continuing operations	307,305	180,211	70.5%

Geographic Segment	Revenue			EBIT		
	2019 S\$'000	2018 S\$'000	Variance %	2019 S\$'000	2018 S\$'000	Variance %
Asia Pacific	165,120	128,203	28.8%	16,416	14,646	12.1%
Americas	279,438	238,693	17.1%	14,708	17,111	-14.0%
Europe/Middle East Africa	7,198	6,592	9.2%	711	(3,317)	N.M.
Total	451,756	373,488	21.0%	31,835	28,440	11.9%

Industry Segment	Revenue			EBIT		
	2019 S\$'000	2018 S\$'000	Variance %	2019 S\$'000	2018 S\$'000	Variance %
Oil & Gas	294,065	247,739	18.7%	18,356	13,759	33.4%
Infrastructure	115,292	110,072	4.7%	12,881	14,586	-11.7%
Mining & Mineral	42,399	15,677	170.5%	598	95	N.M.
Total	451,756	373,488	21.0%	31,835	28,440	11.9%

TURNOVER

Group revenues in FY2019 grew by 21.0% to S\$451.8 million as compared to FY2018 of S\$373.5 million, driven by higher oil and gas revenues in the Americas region and infrastructure revenues in the Asia-Pacific region.

EARNINGS

In line with the 21.0% growth in revenues and a stable gross margin of 27.4%, gross profit in FY2019 rose by 19.4% to S\$123.7 million.

Operating profit was 11.6% higher in FY2019 at S\$30.1 million as compared to FY2018 of S\$27.0 million, led by higher gross profit which was partially offsetted by higher personnel costs of S\$10.5 million due to increased headcounts, additional amortisation of intangible assets of S\$1.8 million and higher professional fees of S\$2.7 million.

Net profit attributable to equity owners of the Company rose by 19.6% to S\$24.1 million in FY2019 from S\$20.1 million in FY2018.

PERFORMANCE OF GEOGRAPHICAL SEGMENTS

In FY2019, the geographical regions of Asia-Pacific, the Americas and Europe/Middle East/Africa contributed 36.5%, 61.9% and 1.6% to revenue.

The Asia Pacific region recorded a 28.8% year-on-year growth in FY2019 revenues due to higher recognition of revenues for projects in the infrastructure and mining sectors in Singapore and Australia. In line with the growth in revenues, EBIT saw a 12.1% increase year-on-year.

The Americas region registered a revenue growth of 17.1% year-on-year in FY2019, mainly due to higher time and material revenues achieved as well as revenues from inclusion of Volta, which was acquired in late August 2019. However, EBIT declined by 14.0% year-on-year to S\$14.7 million due to additional amortisation of intangible assets of S\$1.3 million coupled and higher professional fees of S\$2.4 million.

The EMEA region recorded a 9.2% growth in revenue and managed to return to profitability in FY2019 from improvement in gross margins.

PERFORMANCE OF INDUSTRY SEGMENTS

In FY2019, the Oil & Gas segment remained the largest revenue contributor with a share of 65.1% over total revenue, the Infrastructure segment registered a 25.5% share of total revenue while the Mining & Mineral segment's revenue share more than doubled from 4.2% for FY2018 to 9.4% for FY2019.

The Oil & Gas division's EBIT surged 33.4% from S\$13.8 million to S\$18.4 million, in-line with a 18.7% growth in revenue from S\$247.7 million to S\$294.1 million. This was due to the Group's pursuit of onshore oil & gas business in the USA since 2015, as well as from higher revenue recognition for its offshore oil & gas projects. The revenue mix for the Oil & Gas division is now 48% onshore (S\$141.8 million) and 52% offshore (S\$152.3 million) in FY2019 compared with 10% onshore (S\$33.3 million) and 90% offshore (S\$300.0 million) in FY2015.

The Infrastructure division's revenue increased moderately by 4.7% year-on-year from S\$110.1 million in FY2018 to S\$115.3 million in FY2019 while EBIT declined 11.7% from S\$14.6 million in FY2018 to S\$12.9 million in FY2019. This was mainly due to lower gross margin for the some of the projects that was recognised in Singapore and Australia. Nonetheless, the radio communications business in Australia grew 38.2% to S\$64.8 million in FY2019 and currently contributed 56.2% of the total Infrastructure revenue.

The Mining & Mineral division recorded a bumper year for FY2019 mainly due to the acquisition of RCS Telecommunications Pty Ltd ("RCS") in March 2019. Following the acquisition of RCS, a radio communications service provider in Queensland, the Group has strengthened its presence in the Mining & Mineral segment in Australia. As a result, revenue and EBIT from this segment grew to S\$42.4 million and S\$0.6 million respectively.

CASH FLOW AND LIQUIDITY

For FY2019, the Group continues to generate positive cash flow from operations of S\$18.0 million. Net debt position was S\$44.5 million for FY2019, as the Group took on borrowings to finance its multiple earnings-accretive acquisitions. Net gearing remained low at 25% on an aggregate basis, with adequate headroom for working capital requirements.

ORDERS

For FY2019, new orders received surged by 52.1% year-on-year to S\$578.8 million as compared to S\$380.6 million in FY2018. The strong growth was attributed to higher orders received in the Oil & Gas and Mining & Mineral segments. As at end of FY2019, order book stood at S\$307.3 million, 70.5% higher than FY18 of S\$180.2 million.

S\$'000	FY2019	FY2018	Variance %
Oil & Gas	432,137	214,003	101.9%
Infrastructure	98,379	151,713	-35.2%
Mining & Mineral	48,332	14,870	225.0%
Total	578,848	380,586	52.1%

The Oil & Gas segment registered a 101.9% growth in new orders for FY2019 to S\$432.1 million, led by two major oil and gas greenfield project orders worth S\$103.7 million secured in October 2019, and supported by strong growth in flow orders.

The Infrastructure segment reported a 35.2% decline in new orders for FY2019 to S\$98.4 million, mainly attributed to the absence of a large government project which was secured in the fourth quarter of 2018.

New orders for Mining & Mineral segment grew by 225.0% to S\$48.3 million, due to contribution from newly acquired subsidiary, RCS Telecommunications.





SET ON SUSTAINABILITY

Our sights are set on sustainability. We proactively consider our business practices and their impact on our stakeholders, including our customers, our people and the communities in which we operate. We are also committed to deliver sustained value to our shareholders into the long term.

SUSTAINABILITY REPORT

Message From The Chairman

It gives me great pleasure to present our Sustainability Report for the financial year ended 31 December 2019 (“FY2019”).

In our report, we highlight the progress and achievements of our organisation over the previous 12 months, with particular focus on our commitment to working alongside our valued stakeholders to build a sustainable business based on our resilience, adaptability and innovation.

It is our belief that building a sustainable business is vital to our continued success and that we must be fully accountable for our impact on the environment, our customers, our people and our community as well as its financial performance.

The delivery of sustainable results is a critical aspect of our ability to remain strong and financially stable. Acknowledging this helps to put into focus our commitment to principles laid out in our Corporate Sustainability Policy. Our responsibility to society is to ensure that sustainable practices are incorporated into every link of our value chain. We must meet the needs not only of our customers, employees and the community we operate in, but also those of our environment and our future generations.

This report provides detail about how we have met our responsibilities with our key stakeholders during the FY2019 and beyond.

About The Report

This sustainability report articulates our commitment to sustainability and transparency.

The report is designed to provide a transparent and balanced view of CSE Global Limited (the “Company”) and its subsidiaries (the “Group”), to reflect the interests of our key stakeholders, and to address those interests pragmatically. This report aims to include comprehensive and accessible information on the company’s strategy towards sustainability, key issues as well as data according to recognized standards.

2.1 Report Scope

The report covers the performance of our consolidated entities in financial year 2019 (“FY2019”) from 1 January 2019 to 31 December 2019. The content of this report will focus on the sustainability performance, activities and initiatives that are under our direct control, including our Singapore and international offices and operations, our local supply chain as well as any overseas activities directly associated with us. Material issues and topics described in this report have been selected according to their level of significance within the company boundaries, the sustainability context and the expectations of stakeholders which are reflective of our core business in a consistent manner for comparability of our performance

indicators across time. In this respect, this report covers our core businesses in our material operational boundaries globally.

This sustainability report focuses on the Group’s sustainability strategies and practices whilst highlighting the economic, environmental, and social and governance aspects of our activities and developments. The report aims to provide an overview of our approach, priorities and targets, as well as a performance review for our key sustainability areas.

“This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards Core option. We have chosen the GRI Standards reporting guidelines for its robust guidance which offers an international reference for the disclosure of governance approach and of the environmental, social and economic performance and impacts of organizations. This report also takes into consideration the primary components of the report content as set out by the Singapore Exchange’s (SGX’s) “Comply or Explain” requirements for sustainability reporting. Our data are reported in good faith and to the best of our knowledge. We will continue to improve our data collection processes.

We did not seek external assurance for this report.

2.3 Report Structure

This Sustainability Report is structured to reflect the interests of our key stakeholders. We have identified five key stakeholder groups, namely, the

environment and future generations, employees, customers, suppliers and communities. For each stakeholder group, we lay out our management approaches that govern how our material issues are identified as well as how the issues are prioritized and managed. Further, we will present our initiatives relating to sustainability in the areas of environmental, social and economic issues relevant to our aspects and boundaries. Finally, we will provide the information of our key performance indicators, performance targets and outcomes.

The information regarding the basis for report boundaries and our materiality assessment is provided in section 4.

Altogether, this report provides the basis for our responses and disclosures to the GRI-Standards ‘In-Accordance’ - Core requirements. Relevant sections in the report are referenced in the GRI Content Index provided in section 7.

2.4 Report Contact and Feedback

We welcome and value your feedback on the content of this report and encourage you to contact us through the following channels:

In writing to:

Investor Relations
CSE GLOBAL LIMITED
202 Bedok South Avenue 1
#01-21 Singapore 469332

Via our IR contact at
<http://cseglobal.listedcompany.com/>

This report is also provided in PDF format which is available for download on the following page of our website:
<http://cseglobal.listedcompany.com/sr.html>

SUSTAINABILITY REPORT

Corporate Profile

We believe it is our responsibility to manage the Group successfully on a sustainable long-term basis.

3.1 Vision and Mission

We are committed to deliver greater value and returns to our shareholders, business partners and employees.

Our employees operate according to a set of core values that guide all aspects of our business. We recognise that cooperation, communication and trust are essential for us to collaborate to compete, and that care and concern through respect, patience, empathy and consideration are essential, both between each other and among the communities in which we operate.

3.2 Governance

Our Board of Directors (the Board) oversees all corporate governance and operational matters relating to our business. For corporate sustainability, the Board is supported by the Corporate Sustainability Committee (CSC) which is chaired by our Group Managing Director (Group MD) and Group Chief Financial Officer (Group CFO). CSC provides leadership and approval over corporate sustainability matters such

as Corporate Social Responsibility (CSR) plan, community investment and environmental initiatives. Supported by CSC, our Corporate Sustainability Champion (the Champion) is our Subject Matter Expert (SME) in the area of corporate sustainability, and pro-actively raises awareness through education and training across the organization. Through the Corporate Sustainability Work Group (CSWG), our Champion engages businesses and functions in collectively executing the CSR plan, identifying and managing the Environment, Social and Governance (ESG) Factors as well as engaging sustainability stakeholders. Businesses and functions provide back-to-back assurance over the quality of information for sustainability reporting.

3.3 Ethics and Compliance

Being a listed company in the Singapore Exchange (SGX), we are managed to the highest standards of corporate

governance as required in the listing rules. We strictly conform to local and international best practices. Our corporate governance framework covers ethics and compliance through a Code of Conduct as well as action guidelines which are to be adhered by the officers and employees across all major entities of the organization. Every new employee in these major entities is introduced to our Code of Conduct and our policies on ethics and compliances which includes areas such as anti-corruption. Communication channels, such as Whistle-Blower and Board escalation process, are in place to enable all employees and individuals engaged in business activities to report complaints of unethical behaviour. We have dedicated officers who maintains a register of incidences regarding ethics and compliance issues and escalates to the management where appropriate.



Integrating Sustainability Into Our Business

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 over 1,500 employees worldwide.

The CSE Group of companies has been very successful in offering cost effective, totally integrated solutions to industries in Oil & Gas, Infrastructure, Mining & Mineral Sectors.

The Group now operates a network of 41 offices across the globe, generating more than 85 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.

We believe corporate social responsibility is a key driver towards long-term sustainability. Such responsibility is pragmatically integrated into our business practices as one of the core values in our corporate culture. Embedding such responsibility into our management processes across the value chain allows us to establish credibility among our

stakeholders. Through our action today, we play a part in influencing the environment for our future generations. Through integrating the notion of sustainability in our business, we ensure that our business strategy and operations are in line with a long-term vision towards a conducive and sustainability future.

4.1 Sustainability Management Framework

In FY2017, we took the initiative to establish our sustainability reporting framework. We performed an analysis on our business and operation models as the basis for our stakeholder mapping and materiality assessment. Through our analysis, we identified five key stakeholder groups within our sustainability context and their respective material issues are to be shown in this report.

4.2 Key Stakeholders and Material Issues

We have a regular review, assessment and feedback process in relation to Environmental, Social and Governance (ESG) topics. Key to this is our regular Risk Assessment and Control Self-Assessment

exercise which entails the identification, assessment and documentation of material risks and corresponding internal controls. Such material risks include fraud and corruption, environmental, health and safety, and human capital risks which are ESG-relevant. We are continuously improving the adequacy and effectiveness of our Risk Assessment and Control Self-Assessment processes in response to changing business and operation environment.

Through regular stakeholder engagement, we identify and review material issues that are most relevant and significant to us and our stakeholders. For external stakeholders, priority is given to issues important to society and applicable to us. Then, we prioritize our sustainability efforts and report issues that are most material to its business and stakeholders. Considering that specific stakeholders and material issues are specific in countries and locations, we are reporting the stakeholder engagement and material issues for our Singapore operations in this report.

Stakeholders	Material Issues	Significance
Future Generation	<ul style="list-style-type: none"> • Environmental education of our employees and customers • Reduction of carbon emissions • Energy consumption 	<p>Our sustainability agenda for the environment and future generation is embedded into the day-to-day business activities among our staff. We continue to strive to improve from a holistic perspective through the company culture and practices. Within the big picture of sustainability, we take steps to focus on key goals such as curbing global warming and conserving resources. Such areas are crucial to a sustainability economic ecosystem for our customers which are keys to our business sustainability.</p>
Employee	<ul style="list-style-type: none"> • Employee well-being through workplace health & safety and work life balance • Regular training of employees on critical skillsets to sustain competitiveness • Competitive compensation scheme to retain talents • Non-discrimination, diversity and equality • Senior management engagement with employees 	<p>An ethical and professional working environment is crucial in cultivating a corporate culture which motivates and empowers our employees to meet their full potential both professionally and personally.</p>
Customer	<ul style="list-style-type: none"> • Safety of our customers in our services delivery • Customer data privacy • Customer satisfaction and customer-centric approach 	<p>The quality and safety of our services and products to our customers are the core focuses of our commitments. Through our quality and safety commitments to our customer, we will, in turn, be contributing to their own successful sustainable development.</p>
Supplier	<ul style="list-style-type: none"> • Environmental, labour and human rights impact in the supply chain 	<p>To effectively and meaningfully implement our sustainability agenda, it is important that our suppliers and partners share our values in their business practices in the areas such as the environment, human rights, labour practices and corporate ethics. Such alignment of values is a crucial part of building mutually beneficial relations with supplier and channel partners to enhance both their own competitiveness and that of ours.</p>
Community	<ul style="list-style-type: none"> • Impact on communities and local economies, and future generation education • Economic value generated and distributed to local community 	<p>In our vision in moving our business to high-value-added business areas, abilities to identify and attract people with knowledge and talent are crucial to sustainability of our businesses. Within a broad range of our community engagements, we focus on the education of today's youth and providing financial and practical support to targeted local and communities, through donation, sponsorship, fundraising and voluntary activities.</p>
Common to All Stakeholder Groups	<ul style="list-style-type: none"> • Compliance with prevailing laws and regulations • Good corporate governance & ethics, transparency and non-financial reporting • Ethical business practices such as anti-corruption • Grievance mechanisms 	<p>Legal compliance and ethical practices are the core foundation of our business. Such culture is established and sustained through strong corporate governance, transparent reporting and open communications with all our stakeholder groups.</p>

4.3 Alignment with International Initiatives


4.3.1 Sustainable Development Goals (SDGs)

Established in 1945 under the Charter of the United Nations (UN), the General Assembly occupies a central position as the chief deliberative, policymaking and representative organ of the United Nations. Comprising all 193 Members of the United Nations, it provides a unique forum for multilateral discussion of the full spectrum of international issues covered by the Charter. It also plays a significant role in the process of standard-setting and the codification of international law.

On 25 September 2015, the UN General Assembly adopted the 17 Sustainable Development Goals (SDGs) to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years. Although the SDGs are primarily aimed at governments, they represent an important opportunity for businesses to also act for a more sustainable world. We will use SDGs as one of the guiding principles for our sustainability initiatives.

We acknowledge that our participation in reaching the SDGs has room for improvement. As we advance on our sustainability journey, we will continue to assess our alignment with the SDGs and, whenever possible, redirect our internal priorities and sustainability strategy to more effectively and comprehensively address the goals.

SDGs Logo Source: <http://www.un.org/sustainabledevelopment/news/communications-material>

SDG Goal	Relevant Targets to Our Businesses <i>(Source: http://sustainabledevelopment.un.org)</i>	Our Participation
 <p>13 CLIMATE ACTION</p>	<p>13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</p>	<p>We have our own internal processes and environmental policies to reduce electricity and fuel consumption. Our approach to mitigating climate change includes staff training and implementing energy-efficient measures. We monitor and report our GHG emissions and set reduction targets.</p>
 <p>15 LIFE ON LAND</p>	<p>15.1: By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.</p>	<p>All the paper used in our offices are either Forest Stewardship Council (FSC) certified or made from KHAN-NA. We actively promote the use of such papers across our organisation. Through that, the Company supports efforts in mitigating global warming and the creation of positive rural community engagement, job opportunity, and better livelihood for the farmers and members of the community.</p>

The following SDG goals are relevant to our business, operations and value chain. They are addressed in our various policies at group level. Such goals are also embedded in various initiatives carried out across the organization.



03 GOOD HEALTH AND WELL-BEING



04 QUALITY EDUCATION



05 GENDER EQUALITY



08 DECENT WORK AND ECONOMIC GROWTH



09 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



15 LIFE ON LAND



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS

We do not believe these goals are relevant to our business or industry. They are not within our boundaries and scope of influence; therefore, we are currently unable to make noticeable contributions to such goals.



01 NO POVERTY



02 ZERO HUNGER



06 CLEAN WATER AND SANITATION



07 AFFORDABLE AND CLEAN ENERGY



14 LIFE BELOW WATER

4.3.2 United Nations Global Compact (UNGC)

The United Nations (UN) Global Compact is a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UN Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human rights, labour, the environment and anti-corruption.

Here are the references of our report to the 10 principles of the UN Global Compact.

Principle	Report Section	
Human Rights		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	5.2.2.1, 5.2.6
Principle 2	Make sure that they are not complicit in human rights abuses.	5.2.2.1, 5.2.6
Labour		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	5.2.2.1, 5.2.6
Principle 4	Elimination of all forms of forced and compulsory labour.	5.2.2.1, 5.2.4.1
Principle 5	Effective abolition of child labour.	5.2.1, 5.2.2.1
Principle 6	Elimination of discrimination in respect of employment and occupation.	5.2.2.1, 5.2.6
Environment		
Principle 7	Businesses should support a precautionary approach to environmental challenges.	5.1.1
Principle 8	Undertake initiatives to promote greater environmental responsibility.	5.1.2, 5.1.3
Principle 9	Encourage the development and diffusion of environmentally friendly technologies.	5.1.2, 5.1.3
Anti-Corruption		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	3.3

4.4 Awards and Achievements

Year	Description
2001	ISO9001
2006	OHSAS 18001
2007	ISO14001
2014	Bizsafe

SUSTAINABILITY REPORT

Stakeholder Engagement

We believe that good Corporate Social Responsibility (CSR) practice goes hand-in-hand with good corporate management practice.

We also recognize that it is vital that our management approaches are adaptable to the dynamics of business and operation environment in such a way that we can continuously assess our impacts, develop sustainability objectives and respond in a proper manner to meet our stakeholders' expectations. Our CSR framework is based on our approach to sustainability and includes policies and measurement mechanisms to monitor the impacts made by our businesses and operations.

Key to the success of our sustainability programme is regular and up-to-date communication about our CSR policies and activities to all our stakeholders, and the provision of appropriate feedback mechanisms so that we can monitor and evaluate how we are doing and explore new possibilities stimulated by stakeholder responses. We see our sustainability reports as being a critical component of this continuous cycle of communication and evaluation. The overall sustainability context of the stakeholder engagements is managed through our CSR plan for our sustainability governance oversight.

Stakeholder	Management Approach	Initiatives	Outcome	Boundaries
Future Generation	Environmental policy, Waste Management, ISO 14001 certification	Internal Awareness and Education	Energy Efficient Lighting (e.g. LED), Digital Filing and Document to Reduce Paper Consumption.	Group Operations
Employee	Code of Conduct, Fair Employment Practices, Training and Career Development, Flexible Work Policy, Pension Scheme, WHS Framework, OSHAS Certification, BizSafe	Staff Communication Sessions, Staff Feedback Process, Staff Exit Interviews	Work Life Balance Programmes, Training Programmes, Employee Benefits, Re-engagement	Group Operations
Customer	Customer Relationship Management Policies, Policies on Quality Assurance, Data Security for Customer Information, Privacy policy, ISO9001	Customer Feedback Process, Competitive Benchmarking survey, Customer Data Protection Awareness and Education Program	Customer Complaints and Compliments Statistics / Trending	Group Operations
Supplier	Supplier Selection and Regular Review Process	Feedback and Communication with Suppliers through Supplier Performance Review	Incident Register, Supplier Engagement	Group Operations
Community	Selection of Community Initiatives in Alignment with Organization Goals	CSR Programme, Awards and Accolades	Increase Visibility of Company's CSR Efforts, Internship Programmes (Support Young Talents who are Disciplined, Creative, and Innovative), Education Scholarships, Awards and Accolades Programmes	Group Operations

5.1 Protecting Our Environment for the Future Generations

5.1.1 Our Approach

We are committed to maintaining and building on the same stringent environmental policies and standards as our parent company and key regional affiliates. We continually seek new and innovative ways to reduce the environmental impact of our products and services while maintaining the highest levels of quality. We recognise our responsibility to protect the environment for the health and wellbeing of future generations.

5.1.2 Reduction of Carbon Footprint

We recognize that the effective management and monitoring of its carbon footprint can reduce operating costs, raise brand profile, create a competitive edge and increase stakeholder value. Our carbon footprint is measured in terms of Greenhouse Gas (GHG) emission. However, GHG emission is an absolute measure of how much carbon dioxide equivalent (CO₂e) is emitted. Our GHG emission is predominantly indirect (Scope 2) emission. We have started the process of tracking direct (Scope 1) emission with effect from FY2018 for some of the group entities and will be extending the process to cover rest of entities progressively in forthcoming periods with the aim to track, report and manage direct emission in the future years. We do not include the GHG emissions generated by our suppliers (Scope 3).

Considering the changes and dynamics of business and operations, we established our GHG emission efficiency index for consistent tracking of carbon footprint over time. To this end, we have set a target for GHG emission efficiency improvement of 10% from our 2018 level by 2030. Our target for GHG emission improvement is 0.8% per year. Although various business lines and operations account for different percentage of GHG emissions across the organization, they all support this target and have aligned our environmental objectives accordingly.

In FY2019, our GHG emission efficiency index stands at 4.0, which is 2% improvement from last year. We are on track towards our target by 2030.

5.1.3 Reduction of Paper Consumption

All our employees are urged to minimize paper wastage at work by adhering to our Internal Paper Usage Reduction Guidelines. For example, encouragement of double-sided printing and blank sides of unneeded single-sided copies are used for printing drafts. Paper re-use and recycling habits are also cultivated through various initiatives.

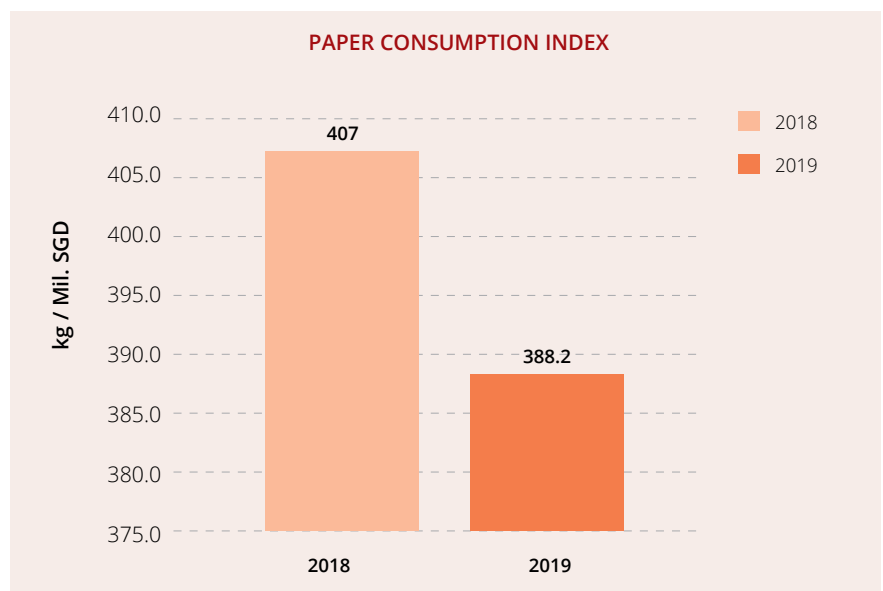
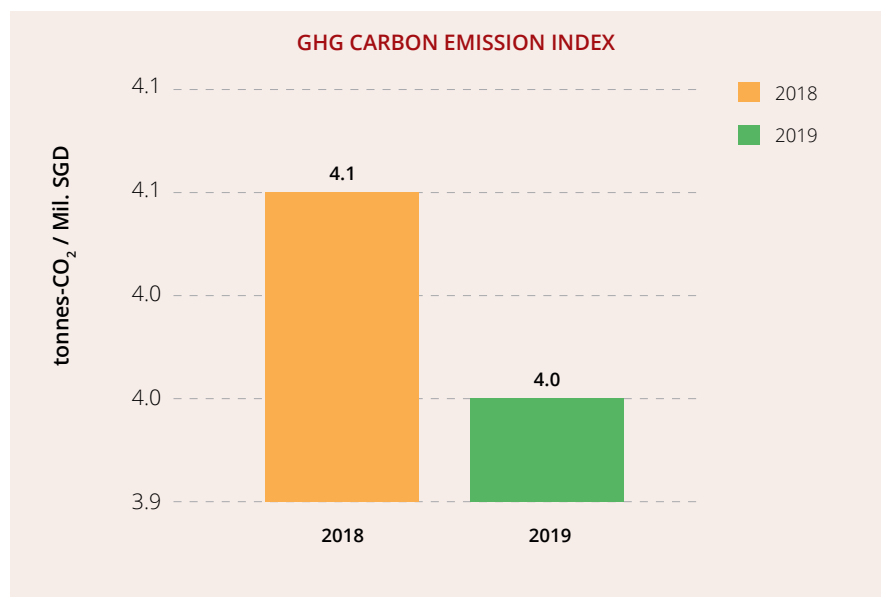
Further, we encourage all employees to adopt digital documents instead of paper documents with an aim to further reduce paper consumption.

Considering the changes and dynamics of business and operations, we established our paper consumption index for consistent tracking of paper consumption

over time. To this end, we have set a target for a paper consumption improvement of 10% from our 2018 level by 2030. Our target for paper consumption improvement is 0.8% per year. Although various business lines and operations account for different percentage of paper consumption across the organization, they all support this target and have aligned our environmental objectives accordingly.

In FY2019, we consumed total of 175,360 kg of paper, 100% of which are either Forest Stewardship Council (FSC) certified or made from KHAN-NA.

Our paper consumption index standards at 388.17 which of 4.6% improvement as compared to FY2018 and we are on track towards our 2030 targets.



5.2 Caring for Our Employees

5.2.1 Our Approach

Our people are our most valuable resource and investing in their professional and personal well-being is vital to our business sustainability. Our goal is to establish work ethics among our employees, which are in line with our core values and code of conduct. They are the foundation upon which we build all our business initiatives and conduct our day-to-day activities.

We recognise that a motivated workforce will convey a positive and powerful message to all our key stakeholders, such as our customers, suppliers and the members of the community. By attracting, nurturing, empowering and rewarding our employees, we create an environment conducive for innovation and inspiration flourish to further boost our competitiveness. Such commitment to our employees promotes a corporate culture of passion, quality, excellence and trust within the organization which reflect in our ability to create values to our stakeholders.

Our Human Resource (HR) management principles and policies have been developed and established based on fair employment practices with the goal of attracting, supporting and maintaining a motivated workforce. Our HR policies cover key areas such as remuneration, benefits, health and safety, career development and training. Such policies are communicated to all employees through our comprehensive Employee

Handbook which is regularly reviewed by our management and we constantly seek feedback from our staff to ensure that our decisions are aligned as much as possible with their needs.

Our business operates in an environment which comprises diverse races, cultures and geographic locations. With this in mind, our HR policies are implemented across the organization within the principles with pragmatism, taking into consideration of the prevailing laws and regulations as well as local culture, norms and racial sensitivity.

5.2.2 Employment Practices

Our employment practices focus on maximizing the strength of our employees by providing equal opportunities based on merits, and help our employees to develop strength through our comprehensive training and development programme. We regularly review the performance and development of our employees to effectively match their strength to their job specifications. Our performance based reward scheme provides guidance and motivation to our employee to perform to their potentials in alignment with the objectives of the company.

5.2.2.1 The Tripartite Guidelines on Fair Employment Practices

We proactively pursue and adopt best practices in HR management. Our HR practices for Singapore office are guided by the Singapore Tripartite Alliance for Fair and Progressive

Employment Practices. The Singapore Tripartite Alliance comprises the Ministry of Manpower, Singapore National Employers Federation and National Trades Union Congress. The Tripartite Alliance has formulated guidelines on fair employment practice for adoption by Singapore employers, embracing the recruitment, training, treatment and reward of employees.

5.2.2.2 Communications

As our Company grows, effective communications across the organization are crucial to ensure continuous alignment of objectives of the employees and the organizational objectives. We achieve this through our various communication sessions customized based on target employees. Communication sessions for our managers are held on a regular basis. Agendas covered at these sessions are customized in appropriate to the target functional scope of the managers.

5.2.2.3 Employee Feedback

We value our employee's expertise in their areas of responsibilities. Therefore, their feedbacks are important in the improvement of overall management and operation of the organization. Through various established processes of employee engagement, such as employee objective setting, performance review as well as exit interview in the case of resignations, we gather such valuable feedbacks for the continuous improvement of our organization.



In addition, there are other feedback channels for areas specific to business and function, such as health and safety issues and compliance issues. Such feedbacks are managed by the leaders and managers of their specific business and function domain. We have also established reporting and escalation channel should the feedback requirements the attention of higher management.

5.2.2.4 Career Development and Training

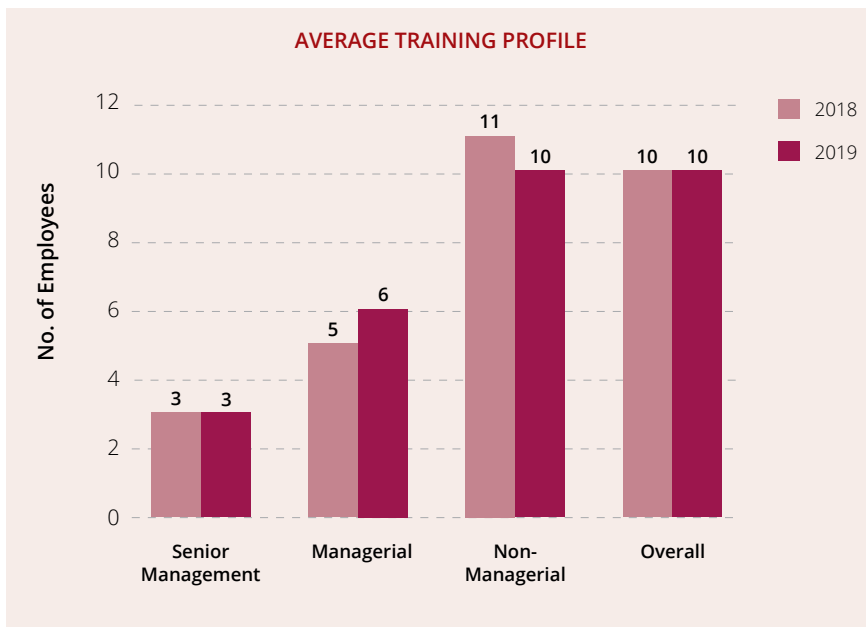
We recognise that consistent and ongoing education is critical to maintaining a competitive, skilled, productive and motivated workforce. Employee career development and

performance management established based on merits and contributing skill sets towards the organization objectives through objective settings and regular performance reviews. We continue to review and improve our career development and performance review process in light of the changing business and operation environment. Our training programme covers a variety of areas catering for employees with difference job scopes and skills set requirements. Our core training curriculum and contends are developed guided by well-established industry and international standards such as ISO-9001, ISO-14001, OHSAS 18001 and BizSafe. In addition, specific training curriculums are developed based on the specific

requirements of the specific businesses and functions. Training topics range from soft skills development in areas such as communications and leadership, to technical programmes covering project management and office productivity tools.

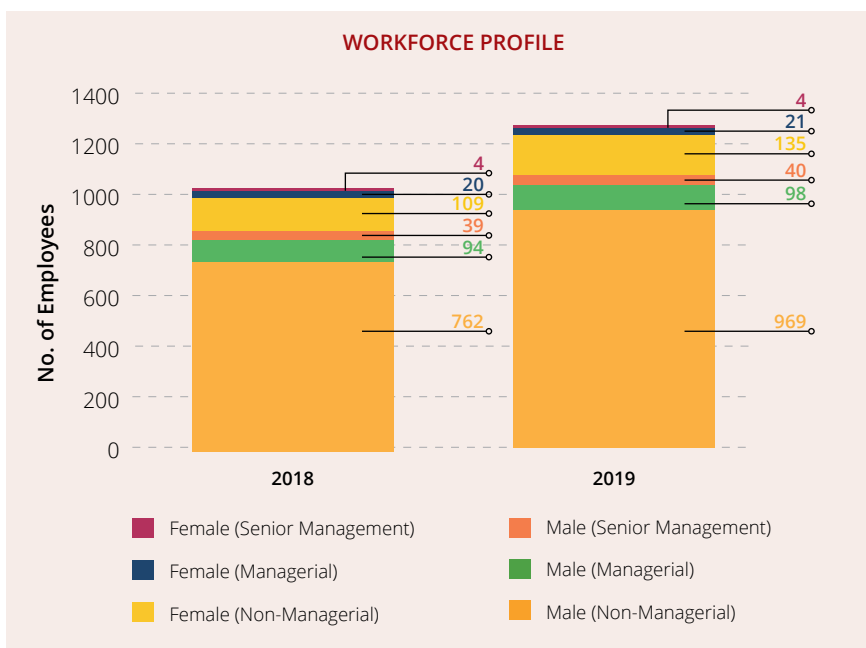
We recognized that the training requirements vary depending on the levels of management responsibilities. In light of changing business requirements and opportunities in variety of training methodologies, we continue to revise our training curriculum and programme to align with organization objectives and to strive for effectiveness and efficiency in our training approach.

In FY2019, employees each received an average of 10 hours training. We recognized that the training requirements vary depending on the levels of management responsibilities. Each senior manager registers an average of 3.0 hours training while managerial and non-managerial staffs receive an average of 6 hours and 10 hours of training respectively. In light of changing business requirements and opportunities in variety of training methodologies, we continue to revise our training curriculum and programme to align with organization objectives and to strive for effectiveness and efficiency in our training approach.



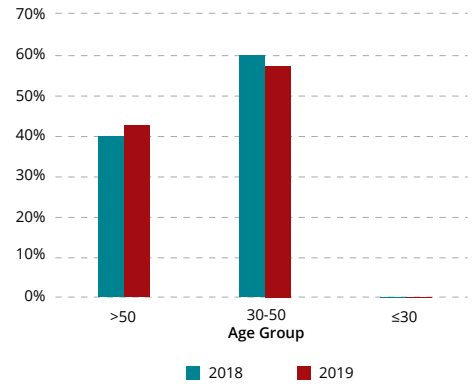
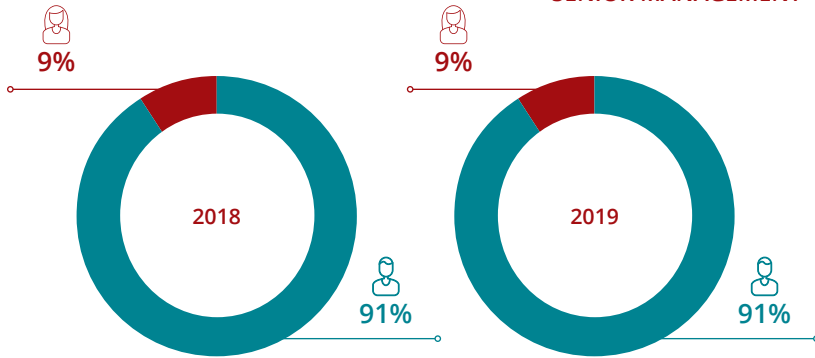
5.2.3 Workforce Diversity

Our business thrives on diversity. As such, we leverage on a host of strengths and skills that can only come from a diverse workforce embracing employees from various ethnic groups, religion, age and gender.

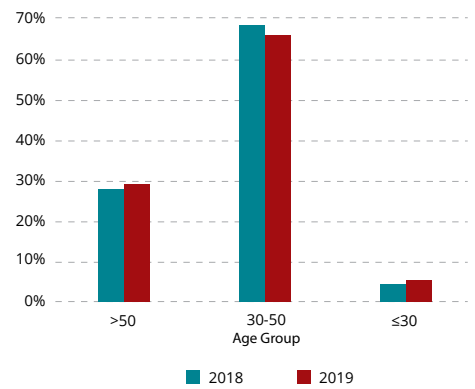
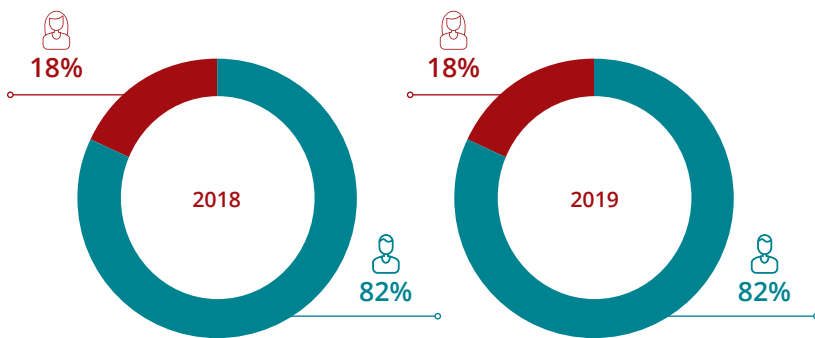


In FY2019, 160 of our employees were female, comprising 13% of our workforce, while 1,107 (87%) employees were male. In terms of management function, 21 females (18%) held managerial positions compared to 98 males (82%), while 135 females (12%) and 969 males (88%) held non-managerial positions. From age profile perspective, there were 282 employees below 30 years old. The number of employees between 30 and 50 years old was 712 as compared to 273 employees above 50 years old.

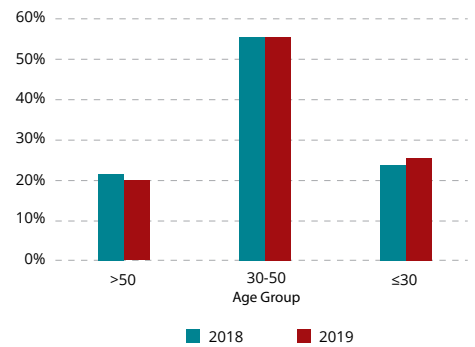
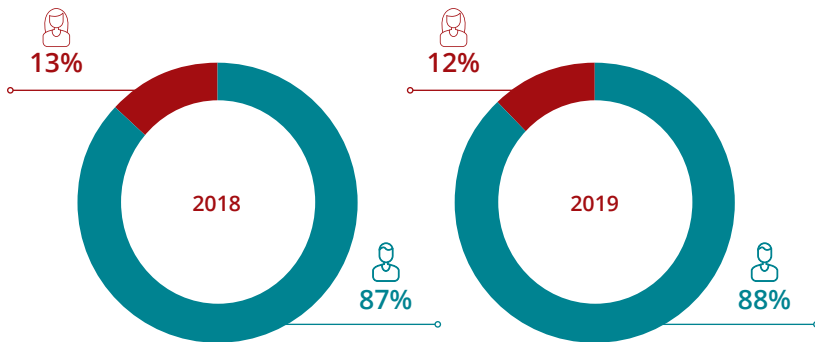
SENIOR MANAGEMENT



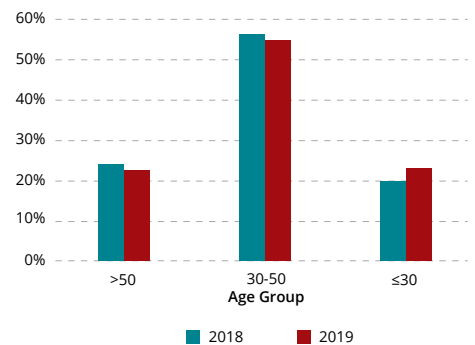
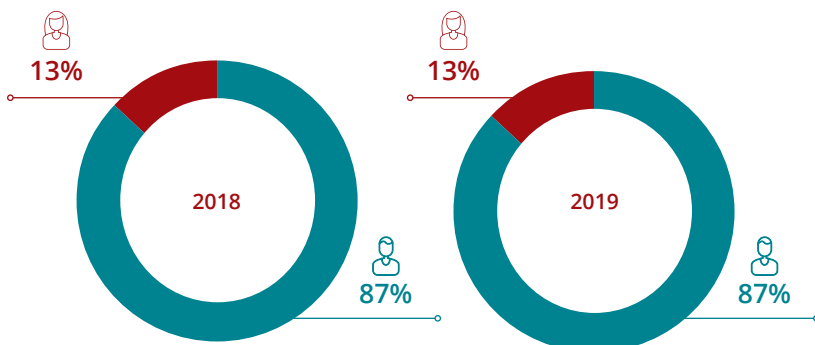
MANAGERIAL STAFF



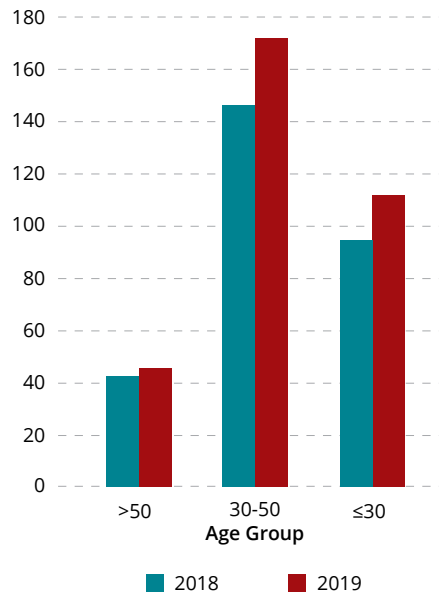
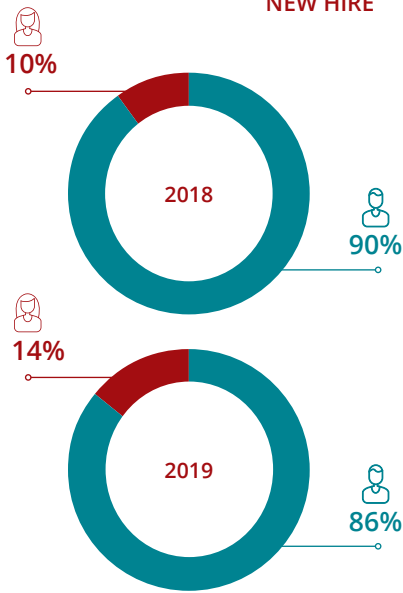
NON-MANAGERIAL STAFF



OVERALL



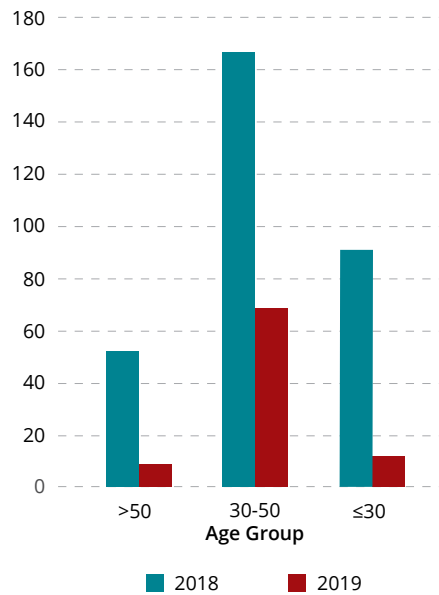
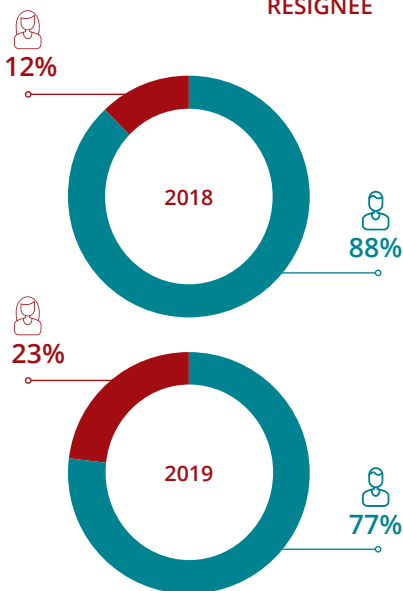
NEW HIRE



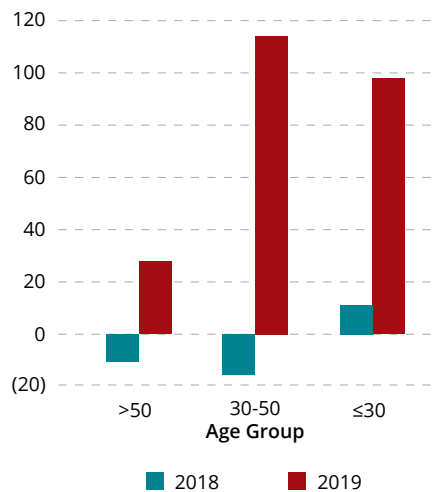
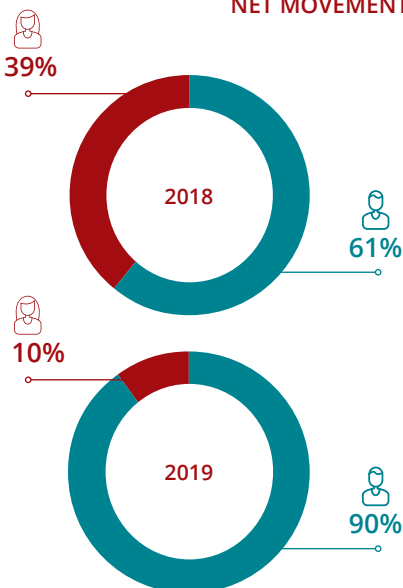
In FY2019, we hired a total of 326 new employees, while 87 resigned during the same period. As a result, we have a net increase of 239 in our workforce. Out of the new hires, 34% of the new hires were below the age of 30; 53% were between 30 and 50 years old while 13% were above 50 years old. The gender ratio of new hires was 281 males to 45 females. For the resignees, 14% were below the age of 30; 66% were between 30 and 50 years old while 21% were above 50 years old.

The gender ratio of resignees was 67 males to 20 females.

RESIGNEE



NET MOVEMENT



In addition to the human resources we managed under our payroll internally, we also engage external contracted companies as our outsourced vendors which provide outsourced personnel who might work within our premises. Although we supervise these people, they are employed by contracted companies and are not included in our head count. We do not employ other types of un-contracted workers.

We expect that all the contracted companies we work with will share our core principles of HR management practices. In our vendor selection process, we take into consideration of their HR management practices as one of the key selection and performance criteria. We regularly review the performance of our vendors based on these criteria as a key basis to determine whether to continue to engage the vendors with their services.

5.2.4 Employee Benefits

All employees are covered by the respective local statutory manpower legislation, which provides basic employment terms and working conditions including contract requirements, remuneration, hours of work, overtime, rest days and annual leave entitlement.

In addition to the statutory benefits outlined in the legislation, we provide beyond-compliance-level benefits to our fulltime employees. Examples of these benefits include paternity leave and compassionate leave in Singapore.

5.2.4.1 Work-Life Balance

While developing the talents of our employees and providing equal opportunities for them to excel are the key drivers for our company, we also recognize that well-being and contentment of our employees pivotal to the success and sustainability of our business and performance. Our employees are our most valuable asset, and we appreciate that their overall well-beings need to be well looked after in order for them to sustain their performance and realize their full potential.

To support our employees to strike a work-life balance, we aim to create an environment that allows our employees to achieve harmony in their personal and professional life. We achieve this through the adoption of a flexible approach to work arrangements and offering programmes to support health and wellness.

We understand that workplace could be at times stressful due to the competitiveness of our workforce and our business. To support our employees in their effort of pursuing excellence, we have various programmes and initiatives to balance their work with fun, and to development an environment and culture of mutual support.

5.2.4.1 Retirement and Healthcare

Our company has presence in various geographic locations where there are various local laws and regulations on pension and healthcare for employees.

Our HR management practices comply with such laws and regulations. In Singapore, we participate in the Central Provident Fund (CPF) personal savings scheme, which helps employees fund their retirement, home ownership, healthcare and education. Under this scheme, monthly deductions from employees' gross salaries are paid into their CPF savings accounts. We, the company, make employer contributions to these accounts, according to rates stipulated in the CPF Act. For more information on the CPF scheme and contribution rates, please go to www.cpf.gov.sg.

5.2.5 Safety and Health in the Workplace

We are committed to Workplace Safety and Health (WSH) and take every precaution to prevent occupational injuries among employees. We believe that optimum work conditions not only make our employees safer, but also boost morale. As an essential requirement we are in compliance with the Ministry of Manpower's Workplace Safety & Health Act. In addition, we have attained certification for OHSAS-18001 and BizSafe. These well recognized standards provide us with the frameworks to manage risks associated with safety and health in our workplace.

5.2.6 Individual Rights

Respecting and protecting basic human rights is fundamental to all our operations and deeply ingrained in our Code of Conduct, which applies to all employees. Labour rights, the prohibition





of discrimination and harassment, protection of privacy, prohibition of forced and child labour, and workplace health and safety are all strictly observed within the work environment and discrimination and harassment of any kind is not tolerated at our company.

We also respect our employees' rights to freedom of association as well as their membership of trade unions and other professional bodies.

In FY2019, no incidents of forced labour, child labour or young workers were identified across the organisation, and no human rights-related grievances have been reported.

5.3 Focusing on Our Customers' Needs

5.3.1 Our Approach

Customer service, quality products and the highest level of product safety have always been our priorities, with customer satisfaction being the goal of all our corporate activities. Customer retention begins with trust, and we place the utmost importance on training our employees in customer service excellence as well as in continuously

striving to improve the quality and safety of our products and services.

Open and frequent communication and responsive feedback are ingrained into our daily activities with customer interaction. In addition to striving for excellence in product service and support, we attach enormous importance to data privacy. We have process and controls in place over confidential and sensitive data related to our customers such as contracts.

Since 2001, we have been certified under the ISO 9001 standard for quality management systems. The certification has helped us increase the control of our internal processes and the quality of our services.

5.3.2 Customer Feedback and Satisfaction

We listen to our customers and take their opinions very seriously. We consolidate customer feedback through a range of communication channels including our website, regular customer survey, and our customer service personnel. Through our customer feedback system, we capture our customers' comments

for analysis and action. Customer compliments are also tracked so that we can monitor where we are getting things right and cascade positive feedback to our employees, to their superiors and to our management team.

5.3.3 Service Quality and Safety

Reliability and quality of our products are of paramount importance to us. Health and safety of our customers is always our priority. To ensure product safety to our customers, we have in place a set of key quality assurance processes and standards, such as ISO 9001, OHSAS-18001, BizSafe, to ensure compliance with regulations and international standards. Ultimately, we aim to totally eliminate product safety incidents so as to foster a 'Safety First' culture through employee training and quality control.

We have established a comprehensive Quality Policy with specific Quality Objectives. Such Quality Policy and Objectives underpin our product quality management approach and processes.

Our quality management approach identifies our stakeholders, key

aspects of the product quality and the impacts on our stakeholders. Our quality management processes take an end-to-end quality view from the areas of planning, support down to operation, performance evaluation and improvement. At each key aspects of the end-to-end quality management processes, we have leadership in place to spear head the quality improvement processes. We have mapped out the sequence and interaction of business processes to ensure seamless collectively management of inter-dependencies of the quality management processes among the leaderships.

5.3.4 Data Safety and Privacy

Ensuring safety and privacy of our customers' data is of great priority to us. We have processes and controls in place for handling and communicating sensitive and confidential information of our customers such as contracts, customer orders and service delivery orders. Our information security policies ensure our customers' data are managed in accordance to the level of confidentiality. We strictly observe all local laws and internal regulations applicable to personal information protection.

5.4 Partnering Our Suppliers

5.4.1 Our Approach

As a part of our ambition to realize sustainability throughout our value chain, we extend the application of responsible business practices to our local partners and suppliers. We recognise that we are only at the beginning of our journey to integrate sustainable business practice throughout our supply chain, and we commit in our pragmatic approach to continuous improvement. We aim to identify new opportunities for collaboration with our suppliers, gradually increase transparency and continue to build shared capacity to minimise our indirect environmental and social impacts.

5.4.2 Supplier Selection

Our key suppliers are carefully selected through our supplier selection process. When selecting our key suppliers, we examine criteria such as financial health, quality of products and services, as well as competitiveness of pricing. In addition, we also take into consideration of the overall sustainability policies adopted by our suppliers. Our final decision on

supplier selection is based on the overall assessment which takes a balanced view across all selection criteria.

5.4.3 Supplier Review

We regularly review the performance of our key suppliers to determine whether to extend our partnership with them. During the key supplier review process, we engage with our key suppliers to communicate our expectations and mutual feedbacks. Such review process ensures alignment of our key suppliers' services and products to our business requirements and sustainability objectives through pragmatic and continuous improvement in our partnership with our key suppliers.

5.5 Supporting Our Community

5.5.1 Our Approach

We have been providing support to the communities. The key motivation driving all our community engagement initiatives is to enable and empower young people. By supporting young people today and helping to educate them about the world they are to inherit, our goal is to benefit not only the current generation, but also the next.

We also recognize that meeting the needs of today's youth goes beyond their own education, security and well-being, extending to that of their families, homes and neighbourhoods as well. To this end, our engagement programmes also encompass financial and practical support in carefully selected communities, through donations.

Our community initiatives are selected according to how closely they are aligned with our own community engagement goals of "enabling and empowering young people" and the tangible impact on the beneficiary. Separately, we also engage on other community initiatives on an ad hoc basis. All our business units and some of our channel partners are involved in our community engagement programmes.

5.5.2 Our Community Initiatives

At CSE, we are committed to being good and responsible corporate social citizens while pursuing our business objectives. We put particular emphasis upon community engagement and giving back to the society.

At CSE Australia, we had donated and sponsored several charitable organisations throughout FY2019. The beneficiaries include the Cancer Council – Dry July, Prostate Cancer Foundation, Heart Foundation, Movember Foundation, Breast cancer Foundation, Clean Up Australia, Hot Rods for the Homeless Appeal and the Lions Club District WA – "Razzamatazz" Ride for Youth, NSW Friendship Circle and Youth Focus. CSE Australia also supported the Salvation Army Christmas Appeal in both Australia and New Zealand where food and toy donations were collected for those less fortunate in the community.

CSE Americas continued providing financial support for Texas Children's Hospital located in Houston. In addition, CSE Americas contributed financially to three scholarship foundations: (1) The W-Industries "Excellence Scholarship", in partnership with the Houston Tennis Association; (2) the Drew M. Bingham Foundation; and (3) The Laredo Border Chapter API (a chapter of the American Petroleum Institute). CSE Americas also supported other great causes such as the Boys Scouts of America, United Way, Wounded War Heroes Foundation, and many school programs to help prepare our youth for community leadership.

In Singapore, CSE Asia made donations to Promiseland Community Services, KK Health Endowment, Singapore Association of the Visually Handicapped, Touch Community Services Limited, HCA Hospice Care, Yellow Ribbon Fund and People's Association (Community Development Council) in FY2019.

In 2019, a total of 21 CSE Global Engineering Bursaries were awarded: 10 bursaries to students in National University of Singapore, 5 bursaries to students in Nanyang Technological University, 2 bursaries to students in Singapore University of Technology and Design, 1 bursary to a student of Singapore Polytechnic and 3 bursaries to our staff at CSE.

SUSTAINABILITY REPORT

Performance Table

6.1 Energy Usage and CO₂ Emissions

GHG emissions are measured in tonnes (t-CO₂); the underlying measures for direct and indirect CO₂ emissions calculation are electricity consumption in kilowatt Hours (kWh) and fuel consumed. The electricity and fuel we purchase are both from non-renewable sources.

Our business and function grow over time; the GHG emissions and electricity consumption vary. To ensure consistency and comparability of the GHG emission and electricity consumption measures over time, we create a GHG emission index and electricity consumption index for our performance monitoring. The index adjusts the GHG emissions and electricity consumption for the size of our activities. We normalize the amount GHG emissions and electricity consumption by the amount of our revenues which we use as a proxy of the size of our activities. The GHG emission index is measured in t-CO₂ per SGD million and the electricity consumption index is measured in kWh per SGD million.

	FY2018	FY2019
GHG Emission Index (kg-CO ₂ / SGD million)	4.07	3.99
Electricity Consumption Index (kWh / SGD million)	9,653	8,890

FY2019 Performance

In FY2019, GHG Emission Index stands at 3.99 which is 2% decrease as compared to last year while Electricity Consumption Index stands at 8,890, which is representing 8% improvement from last year.

We will continue to thrive to sustain our performance towards our 2030 goals.

6.2 Paper Consumption

We capture the data for paper consumption by how many reams of paper used where one ream is equivalent to 500 sheets of paper. To ensure consistency and comparability across various paper sizes, such as A3 and A4 papers, we measure the paper consumption by the weight of paper used which is adjusted for the various sizes and quality of papers.

Our business and function grow over time and the paper consumption patterns vary. We devise a paper consumption index for our performance monitoring. The index adjusts the paper consumption for the size of our activities. We normalize the amount of weights of paper consumed by the amount of our revenues which we use as a proxy of the size of our activities. The paper consumption index is measured in kilograms per million SGD.

	FY2018	FY2019
Weight of Paper Consumption (kg) [% of paper with FSC certification]	151,052 [100%]	175,360 [100%]
Paper Consumption Index (kg / SGD million)	407	388

FY2019 Performance

In FY2019, Paper Consumption Index stands at 388 which is 4.6% decrease as compared to last year.

We will continue to thrive to sustain our performance towards our 2030 goals.

6.3 Employment Profile

	FY2018	FY2019
Male : Female ratio in non-managerial positions	762 : 109 (Total = 871)	969 : 135 (Total = 1,104)
Male : Female ratio in managerial positions	94 : 20 (Total = 114)	98 : 21 (Total = 119)

FY2019 Performance

In FY2019, our Male : Female ratio in non-managerial positions stands at 969 : 135 and in managerial positions at 98 : 21.

We will monitor our employment profile every year. We will continue to thrive to sustain our performance towards our 2030 goals.

6.4 Employees Engagement and Training

	FY2018	FY2019
Average Training Hours per Employee	10	10

FY2019 Performance

In FY2019, Average Training Hours per Employee stands at 10 Hours which remains the same as compared to last year.

We will continue to thrive to [sustain our performance / further improvements towards our 2030 goals.]

6.5 Customer Feedback

	FY2018	FY2019
Customer Satisfaction Index	76%	76%

FY2019 Performance

In FY2019, Customer Satisfaction Index stands at 76% which remains the same as compared to last year

We will continue to thrive to sustain our performance towards our 2030 goals.

SUSTAINABILITY REPORT

GRI Content Index

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards Core option. We did not seek external assurance for this report.

N.B.: AR = Annual Report, SR = Sustainability Report (i.e. this report)

GRI Reference	Disclosure	Response	
General Standard Disclosure			
Organization Profile	102-1	Name of the organization	SR Section 3
	102-2	Activities, brands, products, and services	AR Page 16
	102-3	Location of headquarters	AR Page 21
	102-4	Location of operations	AR Page 21
	102-5	Ownership and legal form	AR Page 134
	102-6	Markets served	AR Page 22
	102-7	Scale of the organization	AR Page 20
	102-8	Information on employees and other workers	SR Section 5.2.3
	102-9	Supply chain	SR Section 5.4, 5.4.1, 5.4.2, 5.4.3
	102-10	Significant changes to the organization and its supply chain	No significant changes
	102-11	Precautionary Principle or approach	SR Section 3.2, 3.3, 4, 4.1, 5, 5.1.1, 5.2.1, 5.3.1, 5.4.1, 5.5.1
	102-12	External initiatives	SR Section 4.4
	102-13	Membership of associations	SR Section 4.4
Strategy	102-14	Statement from senior decision-maker	SR Section 1
Ethics and Integrity	102-16	Values, principles, standards, and norms of behaviour	AR Page 34 (Report on Corporate Governance), SR Section 3.1, 3.3
Governance	102-18	Governance structure	AR Page 34 (Report on Corporate Governance), SR Section 5.4, 5.4.1, 5.4.2, 5.4.3
Stakeholder Engagement	102-40	List of stakeholder groups	SR Section 5, 5.1, 5.2, 5.3, 5.4, 5.5
	102-41	Collective bargaining agreements	NIL
	102-42	Identifying and selecting stakeholders	SR Section 5
	102-43	Approach to stakeholder engagement	SR Section 5
	102-44	Key topics and concerns raised	SR Section 4.2, 5
Reporting Practice	102-45	Entities included in the consolidated financial statements	AR Page 92
	102-46	Defining report content and topic boundaries	SR Section 2.1, 2.2, 2.3
	102-47	List of material topics	SR Section 4.2
	102-48	Restatements of information	No Significant Changes
	102-49	Changes in reporting	No Significant Changes

GRI Reference	Disclosure	Response	
General Standard Disclosure			
Reporting Practice	102-50	Reporting period	SR Section 2.1
	102-51	Date of most recent report	SR Section 2.1
	102-52	Reporting cycle	SR Section 2.1
	102-53	Contact point for questions regarding the report	SR Section 2.4
	102-54	Claims of reporting in accordance with the GRI Standards	SR Section 2.2
	102-55	GRI content index	SR Section 7
	102-56	External assurance	SR Section 2.2
Economic			
Economic	201-1	Direct economic value generated and distributed	AR Page 28
	201-2	Financial implications and other risks and opportunities due to climate change	Not Applicable
	201-3	Defined benefit plan obligations and other retirement plans	SR Section 5.2.4.2
	201-4	Financial assistance received from government	An US entity has qualified to receive financial assistance from the Louisiana Dept. of Revenue, to offset the training costs of its employees. The State offers this program to businesses who are committed in furthering the education and development of their employees.
Anti-corruption	205-1	Operations assessed for risks related to corruption	SR Section 4.2
	205-2	Communication and training about anti-corruption policies and procedures	SR Section 3.3
	205-3	Confirmed incidents of corruption and actions taken	No incidents of corruption and actions taken during the reporting period
Anti-competitive Behaviour	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	No legal actions for anti-competitive behaviour, anti-trust, and monopoly practices for the reporting period
Environment			
Energy	302-1	Energy consumption within the organization	SR Section 5.1.2
	302-4	Reduction of energy consumption	SR Section 5.1.2, 6.1
Emissions	305-1	Direct (Scope 1) GHG emissions	SR Section 5.1.2, 6.1
	305-2	Energy indirect (Scope 2) GHG emissions	SR Section 5.1.2, 6.1
	305-3	Other indirect (Scope 3) GHG emissions	SR Section 5.1.2, 6.1
	305-5	Reduction of GHG emissions	SR Section 5.1.2, 6.1
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	No non-compliance with environmental laws and regulations for the reporting period
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	SR Section 5.4.3

GRI Reference	Disclosure	Response	
Social			
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SR Section 5.2.4
	401-3	Parental leave	SR Section 5.2.1, 5.2.2.1, 5.2.4
Labour/ Management Relations	402-1	Minimum notice periods regarding operational changes	SR Section 5.2.2
Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committees	SR Section 5.2.5
Training and Education	404-1	Average hours of training per year per employee	SR Section 5.2.2.4
	404-2	Programs for upgrading employee skills and transition assistance programs	SR Section 5.2.2.4
	404-3	Percentage of employees receiving regular performance and career development reviews	SR Section 5.2.2.1, 5.2.2.4
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	SR Section 5.2.3
Non- discrimination	406-1	Incidents of discrimination and corrective actions taken	No incidents of discrimination and corrective actions taken during the reporting period
Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples	No incidents of violations involving rights of indigenous peoples during the reporting period
	412-2	Employee training on human rights policies or procedures	SR Section 5.2.2.1, 5.2.6
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	SR Section 5.4.1, 5.4.2, 5.4.3
Public Policy	415-1	Political contributions	No political contributions being made by the group during reporting period
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	SR Section 5.3.1, 5.3.3
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents of non-compliance concerning the health and safety impacts of products and services during the reporting period
	417-2	Incidents of non-compliance concerning product and service information and labelling	No incidents of non-compliance concerning product and service information and labelling during the reporting period
	417-3	Incidents of non-compliance concerning marketing communications	No incidents of non-compliance marketing communications during the reporting period
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No substantiated complaints concerning breaches of customers privacy and losses of customer data during the reporting period
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	No non-compliance with laws and regulations in the social and economic area during the reporting period

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REPORT ON CORPORATE GOVERNANCE

1.1 Corporate Governance, Ethics and Compliance

The Board of Directors is committed to maintaining a high standard of corporate governance within the Group. Good corporate governance establishes and maintains a legal and ethical environment in the Group, which strives to preserve the interests of all stakeholders and to promote investors' confidence in the Group.

This report sets out the Company's corporate governance practices for the financial year ended 31 December 2019, with specific reference to the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore (the "MAS") on 6 August 2018 (the "2018 CG Code"). Save for the provisions on the disclosures of remuneration of the key management personnel on named basis, the Company has complied with the principles and provisions of the 2018 CG Code.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1

The Board plays an important role to oversee the Group's business affairs and to provide entrepreneurial leadership to the Company.

Board Approval

This includes the approval of the Group's strategic plans, key business initiatives, financial objectives, major investments and funding decisions, the review of the Group's financial performance, the evaluation of the performance of the management and the Group, the establishment of a prudent and effective controls framework, the values and standards of the Company and the fulfilment of obligations to the shareholders.

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

Nature of transactions

Capital expenditure (budgeted)
Capital expenditure (unbudgeted)
Mergers, acquisitions and divestments

Quantum of transactions

Any amount more than S\$3 million
Any amount
Any amount more than S\$10 million

The Directors ensure the decisions made by them are objectively in the interest of the Company. The Board has also examined the relationships or circumstances under which the Directors are involved and has confirmed that no such relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgment. The Board has put in place requirements that all Directors should disclose to the Board as and when any such relationship or circumstance arises. In the event of conflict of interest arising in respect of a matter under consideration by the Board, the Director concerned shall comply with disclosure obligations and shall recuse himself from participating in the Board's deliberation and decision on the matter.

Board and Board Committees

The Board is supported by four board committees namely: (1) Audit and Risk Committee ("ARC"); (2) Nominating Committee ("NC"); (3) Compensation Committee ("CC"); and (4) Investment Committee ("IC"). The duties, authorities and accountabilities of each committee are set out in their respective written terms of reference. While these Board Committees have the authority to examine particular issues in their respective areas, the Board Committees report to the Board with their decisions and recommendations as the ultimate responsibility on all matters lies with the entire Board. Further information on the roles and responsibilities of the Audit and Risk Committee, Nominating Committee, Compensation Committee and Investment Committee are provided in the Principles throughout this Corporate Governance Report.

REPORT ON CORPORATE GOVERNANCE

Investment Committee ("IC")

The IC was constituted on 1 May 2019 to assist the Board with its oversight responsibilities of reviewing and evaluating major investments and strategic initiatives from time to time. The IC has its terms of reference which sets out the duties and responsibilities of the IC.

The members of the IC comprise Mr Lim Ming Seong as Chairman and Mr Lim Boon Kheng and Mr Syed Nazim Bin Syed Faisal as members.

During the year under review, the IC met once to review the acquisition/investment proposals put forth by Management before these proposals were submitted to the Board for approval.

The Board meets regularly with at least four Board meetings each financial year, as warranted by particular circumstances, as deemed appropriate by the Board. The Company has provided for telephonic and videoconference meetings in its Constitution. Annually, the Company will have an offsite planning meeting for the Directors and key executives to come together to discuss the key business growth and the growth plans going forward. In 2019, the Board had one offsite strategy meeting with key executives.

The Directors' attendance at Board, Board Committee and General meetings during the financial year ended 31 December 2019 is set out as follows:

	Board Meetings	Audit and Risk Committee Meeting	Nominating Committee Meeting	Compensation Committee Meeting	Investment Committee Meeting	General Meeting
No. of meetings held	5	4	1	2	1	2
	No. of meetings attended					
Lim Ming Seong	5	–	1	2	1	2
Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah	4	–	– ⁽¹⁾	1 ⁽¹⁾	–	2
Lim Boon Kheng	5	4 ⁽⁶⁾	–	1 ⁽²⁾	1	2
Lam Kwok Chong	5	–	1	2	–	2
Sin Boon Ann	5	4	–	–	–	2
Tan Hien Meng	5	4	–	–	–	2
Lee Kong Ting	5	4	–	1 ⁽³⁾	–	2
Syed Nazim Bin Syed Faisal	4	3 ⁽⁴⁾	–	–	1	2
Tan Chian Khong	5	4	–	–	–	2
Phillip Lee Soo Hoon ⁽⁵⁾	1	1	1	–	–	2

Note:

- ¹ Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah was appointed as a member of the Nominating and Compensation Committees on 1 May 2019.
- ² Mr Lim Boon Kheng has stepped down as a member of Compensation Committee on 19 April 2019.
- ³ Dr Lee Kong Ting was appointed as a member of the Compensation Committee on 19 April 2019.
- ⁴ Mr Syed Nazim Bin Syed Faisal was appointed as a member of the Audit and Risk Committee on 1 May 2019.
- ⁵ Mr Phillip Lee Soon Hoon retired as a Director at the AGM held on 18 April 2019.
- ⁶ Attendance by invitation

Induction, Training and Development

The Company has in place general induction-training programmes to ensure that every newly appointed Director of the Company is familiar with the Group's structure, the Group's business and its operations, the Company's governance practices and relevant statutory and regulatory compliance issues. Every newly appointed Director of the Company is expected to undergo an induction programme which includes meetings with the Chairman, Managing Director and Group Chief Financial Officer as part of the training in the affairs of the business.

REPORT ON CORPORATE GOVERNANCE

For new Directors who do not have prior experience as a director of a public listed company in Singapore, they will also attend the mandatory training courses organised by the Singapore Institute of Directors or other training institutions in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties. Mr Tan Chian Khong who was appointed during the financial year has prior experience as director of listed company in Singapore and has undergone the induction program organised by the Company.

The Company will issue a formal appointment letter, which sets out the director's duties and obligations, to each director upon appointment. Such letter has been issued to the newly appointed director, Mr Tan Chian Khong who was appointed on 19 February 2019.

On an ongoing basis, Directors were also briefed on any changes to regulations, policies and accounting standards that affect the Group or Directors' disclosure obligations during Board meetings. The Directors may also attend other appropriate courses and seminars at the Company's expense. These include programmes conducted by the Singapore Institute of Directors.

During the financial year:

- (a) The external auditor, Ernst & Young LLP regularly briefed the Audit and Risk Committee on changes in accounting standards that affects the Group;
- (b) The Chief Executive Officer regularly updates the Board on the business activities and strategies of the Group during Board meetings. Such update would also include any significant developments, issues or risks affecting the Group;
- (c) The Board was updated on the revision to the changes to the Code of Corporate Governance and more recently on the changes to the Quarterly Reporting Framework and Enhancements to the Continuous Disclosure.
- (d) The Board and Senior Management also met during the offsite meeting to have a more in-depth discussion on the strategic issues and directives of the Group.

Access to Information

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

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

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

Directors have separate and independent access to the senior management, company secretary and external advisers (where necessary) at the Company's expenses. The role of the Company Secretary is clearly defined and includes the responsibility for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary or her nominee attends all Board meetings and Audit and Risk Committee meetings. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and the Audit and Risk Committee and between senior management and Non-Executive Directors, as well as facilitating orientation and assisting with professional development as required. The appointment or the removal of the Company Secretary is subject to the Board's approval.

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.

REPORT ON CORPORATE GOVERNANCE

Board Composition and Guidance

Principle 2

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
Lam Kwok Chong
Sin Boon Ann
Tan Hien Meng
Dr Lee Kong Ting
Tan Chian Khong

Non-Executive Non-Independent Directors:

Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah – Deputy Chairman
Syed Nazim Bin Syed Faisal

Executive Director:

Lim Boon Kheng – Group Managing Director/ Chief Executive Officer

The Board presently comprises nine Directors of whom six are Non-Executive Independent Directors and two are Non-Executive Non-Independent Directors. Accordingly, non-executive directors make up a majority of the Board. There is no alternate director appointed during the year.

Independence

The Board, through the NC, assessed the independence of each Board member taking into consideration of Provision 2.1 of the 2018 CG Code and SGX-ST Listing Rule 210 (5)(d)(i) and (ii). For Directors who had served more than nine years as at 31 December 2019 namely Mr Lim Ming Seong, Mr Sin Boon Ann and Mr Lam Kwok Chong, the NC has reviewed their independence rigorously. The three Directors have continuously demonstrated independence in character and judgement in the discharge of their responsibilities as Directors of the Company. The Board has also observed instances of constructive challenge and probing of Management by these Directors at Board and Board committee meetings and other occasions and has no reason to doubt their ability to exercise independent judgement in the interest of the Company. Given their combined strength of objectivity, wealth of working experience and professionalism in carrying out their duties, the Board acknowledges and recognises the benefits of the experience and stability brought by these long-serving Independent Directors.

Mr Tan Hien Meng, Dr Lee Kong Ting and Mr Tan Chian Khong, who were appointed to the Board in 2014, 2017 and 2019 respectively, continue to be independent.

Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah and Mr Syed Nazim Bin Syed Faisal are candidates nominated by Serba Dinamik International Ltd. ("SDIL"), a 25.20% shareholder of the Company. Therefore, the Board has deemed them as Non-Executive Non-Independent Directors.

As the Chief Executive Officer of the Company, Mr Lim Boon Kheng is considered non-independent by virtue of his employment with CSE Global Limited.

Each member of the NC and the Board recused himself from the NC's and the Board's deliberations respectively on his own independence.

Board Diversity

The Board has put in place a Board Diversity Policy which sets out the approach to diversity of the Board. The Board Diversity Policy would be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit, in the context of gender, industry and business experience, skills and independence which the Board as a whole requires to be effective.

REPORT ON CORPORATE GOVERNANCE

The Board will continue to review its composition periodically, taking into account the need for progressive renewal of the Board and ensure that objectives as set out in the Board Diversity Policy are met.

The Board has examined its size to determine the impact of the number upon effectiveness and is of the view that the current size meets the criteria in the Board Diversity Policy and the current Board possesses the necessary competencies, expertise and knowledge to lead the Group, after taking into account the scope and nature of the operations of the Group and the objectives set out in the Board Diversity Policy.

Board Guidance

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

The responsibilities of the Non-Executive Directors include:

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

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

Meeting of Directors without Management

The Independent Directors would meet without the presence of the Management and Executive Directors at each Board meeting. The Chairman of the Board who is also Non-Executive Director would feedback to the CEO on any concerns or feedbacks raised by Non-Executive Directors during such meeting.

Chairman and Chief Executive Officer

Principle 3

The Company has a separate Chairman and Chief Executive Officer 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 Chief Executive Officer are not related to each other. During the financial year, the Board has set out in writing the division of responsibilities between the Chairman and CEO.

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

- (a) leading the Board in a strategic effective and decisive way;
- (b) Setting the agenda and ensuring (with the assistance of the Company Secretary) that adequate time is available to discuss all agenda items, in particular, strategic issues;
- (c) promoting a culture of openness and debate within the Board;
- (d) ensuring (with the assistance of Management and Company Secretary) that the directors receive complete, adequate and timely information;
- (e) ensuring effective communication with the shareholders and other stakeholders;
- (f) encouraging constructive relationships within the Board and between the Board and Management;

REPORT ON CORPORATE GOVERNANCE

- (g) ensuring Non-Executive Directors contribute effectively and that their contribution are taken into account by the Board; and
- (i) promoting high standards of corporate governance.

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, Compensation Committee and Investment Committee, as well as a director of CSE W-Industries, Inc, CSE Icon, Inc, CSE Global (Asia) Pte. Ltd., CSE (Americas) Pte. Ltd. and CSE Global (Americas) Pte. Ltd., all of which are wholly-owned subsidiary companies of the Company.

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

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

Given that the roles of the Chairman and Chief Executive Officer are separate and the Chairman is independent, no lead independent director is required to be appointed.

Board Membership

Principle 4

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

Lim Ming Seong – Chairman
Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah
Lam Kwok Chong
Tan Chian Khong

The NC comprises four members, three of whom are Non-Executive Independent Directors including the NC Chairman of the Company.

During FY2019, the NC held one meeting.

The NC is regulated by a set of written terms of reference and has been updated to be in line with the 2018 CG Code. The primary function of the NC is to provide assistance to the Board in reviewing the composition of the Board and Board committees annually, taking into account the performance and contribution of each individual director. Board composition is also evaluated to ensure that diversity of skills, core competencies, knowledge, professional experience, educational background, gender, age and length of service as prescribed under the Board Diversity Policy is maintained within the Board and Board committees.

The responsibilities of the NC include:-

- (a) Reviewing succession plans for Directors, in particular, the Chairman, the CEO and key management personnel;
- (b) Evaluating the performance of the Board, its Board Committees and Individual Director and proposing objective performance criteria for Board's approval;
- (c) Determining annually if a Director is independent pursuant to the guidelines set forth in the 2018 CG Code and SGX-ST Listing Rules;
- (d) Evaluating if a Director is able to and has been adequately carrying out his or her duties as a Director when the Director concerned holds multiple board representations; and
- (e) Reviewing training and professional development programmes for the Board.

REPORT ON CORPORATE GOVERNANCE

Continuous Board Renewal and Succession Planning for the Board

The Board has started the progressive renewal of the Board in FY2019 to replace the Directors who had served beyond nine years and the board diversity has been considered in this renewal. During the financial year, Mr Tan Chian Khong, with accounting and audit background, was appointed on 19 February 2019 to replace Mr Philip Lee Soon Hoon who retired as a Director at the Annual General Meeting held on 18 April 2019.

When considering the new appointment, the Board, through NC, has considered core competencies such as accounting, business acumen, familiarity with regulatory requirements and knowledge of risk management, audit and internal controls. The Board believes that orderly succession and renewal is achieved as a result of careful planning, where the appropriate composition of the Board is continually under review.

The Company's Constitution provides for all Directors, including the CEO of the Company to retire by rotation at least once every three years. The Directors, who are eligible for re-election, may submit themselves for re-election at the AGM.

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

under Article 95(2)

Dr Lee Kong Ting (last re-elected on 20 April 2017)
Mr Tan Hien Meng (last re-elected on 19 April 2018)
Mr Lam Kwok Chong (last re-elected on 19 April 2018)

The NC has recommended the re-election of Dr Lee Kong Ting and Mr Tan Hien Meng as Directors of the Company at the forthcoming AGM. Mr Lam Kwok Chong who has served the Board for more than 9 years and who is due to retire by rotation pursuant to Article 95(2) of the Company's Constitution, will not be offering himself for re-election at the forthcoming AGM. Consequent to Mr Lam Kwok Chong's retirement at the forthcoming AGM, he will also cease to be a member of Nominating and Compensation Committees.

Shareholders are provided with relevant information on the candidates for re-election on pages 172 of this Annual Report.

Nomination and Selection of Directors

The NC 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 NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. In doing so, the NC will have regard to the results of the annual appraisal of the Board's performance. The NC 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.

When reviewing a nomination for a proposed Board appointment, the NC will look at the following criteria:

- (a) a determination of the candidate's independence;
- (b) the qualifications and expertise required or expected of a new Board member taking into account the current Board size, structure, composition, diversity of skill competencies and gender, and progressive renewal of the Board;
- (c) whether the candidate would be able to commit time to his appointment having regard to his other Board appointments and principal commitments; and
- (d) prescribed factors under the Board Diversity Policy.

Review of Directors' Independence

The NC conducts an annual review of each director's independence and takes into consideration the relevant provisions in the 2018 CG Code and SGX-ST Listing Rules. The NC has ascertained that, save for Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah, Mr Syed Nazim Bin Syed Faisal and Mr Lim Boon Kheng, all Directors are considered independent according to the criteria. Directors must also immediately report any changes in their external appointments which may affect their independence.

REPORT ON CORPORATE GOVERNANCE

Directors' Time Commitment

The NC has adopted internal guidelines to address the conflict of competing time commitments that are faced by the Directors when the Directors have multiple board representations. With due respect to individual autonomy of each Director, no maximum number of listed company board representations a Director may hold is prescribed. However, each Director is required to disclose to the Board his board representation whenever there are changes to his directorship. If a Director is on the Board of other companies, the NC will consider whether adequate time and attention have been devoted to the Company. In the event that there are sufficient grounds for concern, the Chairman of the Board shall discuss, and if necessary, warn the Director of the issues and in any continuance, the consequences flowing from the situation. Despite some of the Directors having other board representations, the Board and the NC are satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company for the financial year ended 31 December 2019.

Director's listed company board directorships and principal commitments which may be found in the "Board of Directors" section in the Annual Report.

Key Information on Directors

The profile of the Directors and key information are set out under "Board of Directors" section in this Annual Report. The Notice of AGM sets out the Directors proposed for re-election or re-appointment at the AGM.

Board Performance

Principle 5

Board Evaluation

The NC undertakes a process to assess the effectiveness of the Board and its Board Committees. Directors are requested to complete a Board and Board Committees Evaluation Questionnaires to assess the overall effectiveness of the Board and the Board Committees. During the financial year, the NC has extracted salient recommendations from the 2018 CG Code and incorporated these recommendations into the Board and Board Committees Evaluation Questionnaires. On an annual basis, the Directors will complete a Board and Board Committees Evaluation Questionnaires of which results are then collated by the Company Secretary in the form of a collective report. The reports will be discussed during the NC meeting to assess and further enhance the effectiveness of the Board and/or the Board Committees. The Board Chairman, who is also the Chairman of the NC, will act on the results of the performance evaluation and in consultation with the NC propose, where appropriate, new members to be appointed to the Board or seek the resignation of existing members. The evaluation for the financial year ended 31 December 2019 confirmed that the Board and its Board Committees were generally functioning effectively during the year.

Board Performance Criteria

In evaluating the performance of the Directors, the NC 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 NC 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 NC and the Board shall justify its decision for the change.

As the NC 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 NC 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.

REPORT ON CORPORATE GOVERNANCE

Individual Director Evaluation

Individual Director self-assessment is also conducted to provide performance feedback which can help individuals to evaluate their own skills and performance as directors and motivate them to more effective contributors. The Board is cognizant that individual director evaluations are an important complement to the evaluation of a board's overall performance and the results of the Individual Director self-assessment are also compiled by the Company Secretary and discussed by the NC.

The assessment of CEO's performance is undertaken by the Board and the results are reviewed by the NC and Board. Feedback is also provided to the CEO by the NC Chairman and the NC will also report the same to the Board.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6

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

Non-Executive Independent Directors:

Lim Ming Seong – Chairman
Dr Lee Kong Ting
Lam Kwok Chong

Non-Executive Non-independent Director:

Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah

The CC comprises four members, three of whom are Independent Directors and one Non-Executive Non-Independent Director. Mr Lim Ming Seong, Mr Lam Kwok Chong and Dr Lee Kong Ting 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 CC, Mr Lim Ming Seong, is an Independent Director, who is knowledgeable in the field of executive compensation. In addition, the CC has access to the relevant expert advice within the Company.

During FY2019, the CC held two meetings.

The CC is guided by its terms of reference that was revised during the year to be in line with the 2018 CG Code and its responsibilities of the Compensation Committee include: -

- (a) recommending to the Board the fee framework for Non-Executive Directors;
- (b) recommending to the Board the framework of remuneration for CEO, and key management personnel (who are not Directors);
- (c) determining and setting specific remuneration packages (such as annual increments, variable bonuses, long-term incentive awards and other incentive awards or benefits in kind) for each of CEO and key management personnel in accordance with the approved remuneration framework and ensuring that an appropriate proportion of their remuneration is structured so as to link rewards to corporate and individual performance;
- (d) approving the total bonus pool for distribution to staff of all grades at each year end;

REPORT ON CORPORATE GOVERNANCE

- (e) administering share plan that may be established from time to time for the Directors and KMP.
- (f) reviewing the remuneration packages of employees who are related to any Director, substantial shareholder or the CEO;
- (g) reviewing the Company's obligations to ensure that contracts of service of CEO and key management personnel contain fair and reasonable termination clauses.

Level and Mix of Remuneration Disclosure of Remuneration

Principles 7 and 8

In setting remuneration packages, the CC 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 CC will take into account the Group's relative performance and the key management of the Group when setting the remuneration packages.

Non-Executive Director Remuneration

The quantum of the Director's fees for Non-Executive Directors is determined based on the level of contribution by the respective Non-Executive Directors, taking into account factors such as effort and time spent, and responsibilities of the Non-Executive Directors. Directors' fees recommended by the Board are subject to the approval of the shareholders at the forthcoming AGM. No Director is involved in deciding his own remuneration. The Director's fees are paid wholly in cash.

The fees for Non-Executive Directors comprised a basic retainer fee, additional retainer fees for appointment to Board Committees, attendance fees for Directors for Board and Board Committee meetings held in Singapore and overseas. During the financial year, the Company has engaged a third party professional firm to conduct a benchmarking exercise on the Non-Executive Directors' remuneration. Arising from this benchmarking exercise, the retainer fee component has been increased to be in line with the industry that the Group operates in. The revised fee structure for FY2019 is set out as follows:

Board and Committees	Retainer per annum	Attendance Fee Per Physical Meeting	Attendance Fee Per Teleconference Meeting
a. Main Board			
- Chairman	S\$35,000	S\$2,000	S\$500
- Deputy Chairman	S\$30,000	S\$2,000	S\$500
- Member	S\$25,000	S\$2,000	S\$500
b. Audit & Risk Committee			
- Chairman	S\$25,000	S\$2,000	S\$500
- Member	S\$12,000	S\$2,000	S\$500
c. Other Committees			
- Chairman	S\$12,000	S\$1,000	S\$500
- Member	S\$6,000	S\$1,000	S\$500
d. Annual Planning Meeting		US\$1,000 per day	

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The following table shows the Directors' remuneration for the year ended 31 December 2019:

Name	Total remuneration (\$'000)
Lim Ming Seong	86
Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah	50
Tan Chian Khong	72
Lam Kwok Chong	51
Lee Kong Ting	63
Sin Boon Ann	56
Tan Hien Meng	54
Syed Nazim Bin Syed Faisal	58
Philip Lee Soon Hoon ¹	5

Note:

¹ Mr Philip Lee Soon Hoon retired as a Director at the AGM held on 18 April 2019 and his fees is prorated to his date of retirement.

Executive Director Remuneration

The CEO, being the Executive Director, does not receive Directors' fees. The compensation of the CEO 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 CEO with those of the shareholders such that the CEO'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 CEO's performance. There is no existing service contract between the Company and the Executive Director.

The following table shows the remuneration of the Executive Director (who is also the CEO) for the year ended 31 December 2019:

Name	Total remuneration (\$'000)	Salary (%)	Bonus (%)	Other Benefits & Provident Fund (%)	Award of shares (%)
Lim Boon Kheng	2,284	29	20	6	45

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 personnel of the Group, and the CEO has the responsibility and discretion to determine remuneration packages of all other employees who are non-key management of the Group.

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

The Company has implemented a share-based long term incentive plan known as CSE Performance Share Plan ("Share Plan") in lieu of an existing cash plan on 20 April 2017, details of which are disclosed in the Directors' Statement. The Share Plan will allow management to further align their interest and share in the future of the Company with the shareholders. The Share Plan is administered by the CC. On 26 February 2020, a total of 3,197,070 performance shares ("Performance Shares") were awarded to the Executive Director and key management personnel of the Company (the "Participants") for their performance in FY2019. The Performance Shares were awarded to reward the Participants based on the performance criteria as determined by the CC who is administering the Share Plan. The awards consist of the grant of fully paid shares. The share awards are not subject to a vesting period, but are subject to a selling moratorium 1 to 3 years from the date of award against any disposal or sale and/or other dealings in the shares. The Performance Shares were released to the Participants via the release of Treasury shares.

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

Remuneration of Top Five Key Management Personnel

The following table shows the remuneration of our top five key management personnel (who are not Directors or the CEO of the Company) for the year ended 31 December 2019:

Name	Total remuneration (\$'000)	Salary (%)	Bonus (%)	Other Benefits & Provident Fund (%)	Award of shares (%)
Executive A	1,236	44	53	3	–
Executive B	1,183	38	21	5	36
Executive C	958	45	20	5	30
Executive D	581	91	8	1	–
Executive E	455	77	19	4	–

The total remuneration of the top five key management personnel (who are not Directors or the CEO of the Company) for the year ended 31 December 2019 amounted to \$4,412,935.

To maintain confidentiality of staff remuneration the names of the top five key executives are not stated. The Company believes that it may not be in the best interest of the Company to disclose the remuneration of key executives on an individually named basis as recommended by the 2018 CG Code, as such disclosure may affect its ability to motivate, retain and nurture employees. Other than this, the Company has complied with the rest of the disclosure requirements under Provision 8.1 of the 2018 CG Code.

There were no termination, retirement and post-employment benefits paid to any Directors and the top five key executives in the year ended 31 December 2019. In addition, the Compensation Committee was satisfied that the service contracts with the key executives do not contain termination clauses that are overly generous.

Remuneration of employees who are immediate family members of a Director or the CEO

There are currently no employees whose remuneration exceeds \$100,000 per year who are immediate family members of a Director or the Managing Director.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9

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

The ARC reviews the adequacy of the Company's internal controls including financial, operational, compliance and information technology controls and risk management policies and systems established by Management. The internal auditor also conducts independent reviews of the adequacy and effectiveness of the Company's material internal controls, including financial, operational and compliance controls, information technology and risk management, at least annually and reports these findings to the ARC. The ARC also reviews the effectiveness of the actions taken by Management on the recommendations made by the internal auditor in this respect. In addition, the external auditors have also performed a review of the internal financial systems and operating controls for the financial statements attestation purpose. Such reviews have also been reported to the ARC.

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Further details on the CSE Global Risk Management Framework can be found on pages 74 to 80 of this Annual Report.

The Board has received assurance from the CEO and CFO that, as at 31 December 2019, the financial records have been properly maintained, and the financial statements give a true and fair view of the Group's operations and finances.

The Board has also received assurance from the CEO and key management personnel that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2019 to address the risks that the Group considers relevant and material to its operations.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors and reviews performed by Management, as well as the said assurances set out above, the Board, with the concurrence of the ARC, is of the view that the Company's system of risk management and internal controls (including financial, operational, compliance and information technology controls) were adequate and effective as at 31 December 2019 to risks which the Company considers relevant and material to the Group's operations.

The system of risk management and internal controls provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of risk management and internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

Audit and Risk Committee ("ARC")

Principle 10

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

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

Independent Directors:

Tan Chian Khong – Chairman
Dr Lee Kong Ting
Sin Boon Ann
Tan Hien Meng

Non-Executive Non Independent Director:

Syed Nazim Bin Syed Faisal

The ARC comprises five members, the majority of whom including Chairman, are independent. The members of the ARC are appropriately qualified to discharge their responsibilities and have relevant accounting and related financial management experience and expertise.. None of the ARC members were previous partners or directors of the Company's external auditor, Ernst & Young LLP, within the last two years or hold any financial interest in the external auditor.

The ARC, together with the external auditors and internal auditor, meets regularly with at least four ARC meetings within each financial year, and also as warranted by particular circumstances, as deemed appropriate by the ARC. In addition, the ARC also met with the external auditors and internal auditor, without the presence of the Company's management during the financial year under review. The ARC met four times during FY2019 during which the external and internal auditors were present for four times.

The Board is satisfied that all the members of the ARC have accounting, financial, business management, corporate legal expertise and work experience to discharge their responsibilities. The Chairman of the ARC, Mr Tan Chian Khong, has accounting or related financial management expertise or experience. Mr Tan Chian Khong is a veteran with more than 35 years of experience in providing audit and business advisory services to clients in a wide range of industries.

REPORT ON CORPORATE GOVERNANCE

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

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

The ARC is guided by its terms of reference which sets out its responsibilities. The terms of reference are updated in 2019 to be in line with the 2018 CG Code. The responsibilities of the ARC include:

- (a) recommending to the Board the appointment, re-appointment or discharge of the external auditors, and approving the remuneration and terms of engagement of the external auditors and in this connection, considering the independence and objectivity of the external auditors annually;
- (b) keeping under review the scope and results of the audit and its cost effectiveness, keeping the nature and extent of non-audit services supplied by the external auditors under review yearly where the external auditors also supply a substantial volume of such services to the company, with the objective of balancing the maintenance of objectivity and value for money;
- (c) considering and reviewing with the external auditors and the internal auditor, at least annually, the adequacy, effectiveness and efficiency of the management processes, internal financial controls, operational and compliance controls, risk management policies and any significant findings and recommendations of the external auditors and the internal auditor, together with the management's responses thereto;
- (d) meeting with the external auditors, the internal auditor, the management and any others considered appropriate in separate executive sessions to discuss any matters the ARC believes should be discussed privately and establishing a practice to meet with the external auditors without the presence of the management of the Company at least annually;
- (e) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance;
- (f) reviewing the effectiveness of the company's internal audit function that is independent of the activities that it audits, appropriate standing within the Company and adequately resourced;
- (g) reviewing and taking actions on the arrangements by which staff of the company and external parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- (h) reviewing the interested person transactions falling within the scope of the Listing Manual; and
- (i) meeting principal overseas subsidiaries' independent directors, the management and any others considered appropriate in their periodic visits to these subsidiaries.

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

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

REPORT ON CORPORATE GOVERNANCE

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

	2019 \$'000	2018 \$'000
Audit fees :		
- Auditors of the Company		
- Annual audit	357	297
- Others	40	40
- Other auditors	216	197
Non-audit fees :		
- Auditors of the Company	169	83
- Other auditors	211	5
Total Audit and non-audit fees	993	622

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

Whistle-Blowing Policy

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

Bribery and Corruption Prevention Policy

The Company adopts a strong stance against bribery and corruption. In addition to clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, all employees of the Group are required to make a declaration on an annual basis where they pledge to uphold the Company's core values and not to engage in any corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity in their work and business dealings. The Company's stance against bribery and corruption is also reiterated by Management during its regular staff communications sessions.

Key Audit Matters

The key audit matters in relation to the 2019 financial statements are outlined below. Reviews include discussions with management and the external auditor, Ernst & Young LLP, and, where appropriate, the significant financial reporting matters have been addressed under the Key Audit Matters in the Independent Auditors' Report on pages 87 to 89.

REPORT ON CORPORATE GOVERNANCE

Audit and Risk Committee (“ARC”) Commentaries

Significant matters	How the ARC reviewed these matters and what decisions were made
Project revenue recognition and valuation on contract assets	The ARC discussed with management and the external auditor in relation to the project revenue recognition and valuation of contract assets. The ARC was satisfied with the appropriateness of the project revenues recognised in the consolidated financial statements of the Group for the financial year ended 2019.
Assessment on expected credit loss of trade receivables and contract assets	The ARC discussed with management and the external auditor on the basis used to determine the level of expected credit loss on trade receivables and contract assets, and was satisfied that as of 31 December 2019, the level of expected credit loss for the Group was adequate and in compliance with the current accounting standards.
Impairment assessment on goodwill	The ARC considered the approach and methodology applied in performing the annual goodwill assessment. It reviewed the key assumptions used in the discounted cash flow model such as discount rate and growth projections. The ARC was satisfied with the appropriateness of the analysis performed by management that no impairment in goodwill is required as at 31 December 2019.
Accounting for acquisitions	The ARC discussed with management and the external auditor on the accounting treatment for acquisitions with respect to the allocation of purchase consideration to identified acquired assets and liabilities, and the measurement of their fair value at acquisition date. The ARC was satisfied with the appropriateness of the accounting treatment for acquisitions in the consolidated financial statements of the Group for the financial year ended 2019.

Internal Audit

The Company has established an in-house internal audit function (“IA”) that is independent of the activities that it audits. The internal auditor’s primary line of reporting is directly to the Chairman of the ARC. However, the internal auditor also reports administratively to the Managing Director of the Company. The ARC approves the hiring, removal and evaluation of the internal auditor.

The ARC 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 ARC is satisfied that the IA function is adequately resourced and has the appropriate standing within the Company.

The ARC has reviewed the adequacy of the IA function at least annually, and is satisfied that the IA function is adequate and has maintained its independence from the activities that they audit.

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

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

REPORT ON CORPORATE GOVERNANCE

External Auditor

The Board is responsible for the initial appointment of external auditor. Shareholders then approve the appointment at the Company's AGM. The external auditor holds office until its removal or resignation. The ARC assesses the external auditor based on factors such as the performance and quality of its audit and the independence of the auditor, and recommends its appointment to the Board. Pursuant to the requirements of the SGX-ST Listing Rules, an audit partner may only be in charge of not more than of five consecutive annual audits and may then return after two years. Ernst & Young has met this requirement, and the current Ernst & Young audit partner for the Company took over from the previous audit partner with effect from the financial year ended 31 December 2015. The Company has complied with SGX-ST Listing Rules 712 and 715 in relation to the appointment of its auditor.

In order to maintain the independence of the external auditor, the Company has developed policies regarding the types of non-audit services that the external auditor can provide to the Group and the related approval processes. The ARC has also reviewed the non-audit services provided by the external auditor during the financial year and the fees paid for such services. The ARC is satisfied that the independence of the external auditor has not been impaired by the provision of those services. The external auditor has also provided confirmation of its independence to the ARC.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder rights and conduct of general meeting

Principle 11

Engagement with shareholders

Principle 12

Engagement with Stakeholders

Principle 13

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

Shareholders are allowed to vote in person or by proxy if they are unable to attend the Company's AGM. The Company's Constitution allows a shareholder to appoint not more than two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. The proxy need not be a Member of the Company. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold SGX shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at each general meeting of shareholders. Currently, the Company's Constitution does not allow for shareholders to vote at general meetings in absentia.

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

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

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

REPORT ON CORPORATE GOVERNANCE

All shareholders receive the Annual Report and the notice of AGM. The notice of AGM is also released via SGXNet, published in local newspapers and uploaded on the corporate website. At each general meeting, each distinct issue is proposed as a separate resolution. At the general meetings, shareholders are given the opportunity to air their views and direct questions to the Board on any matter relating to the Group's business and operations or the resolutions tabled at the meeting. At each AGM, the CEO delivers a presentation to update shareholders on the Group's performance over the past year. Directors and senior management are present at general meetings to address shareholders' queries. The external auditors are also present at the AGMs of the Company to address queries about the conduct of audit and the preparation and content of the Auditors' Report. The Company Secretary prepares minutes of general meetings, which incorporate substantial comments or queries from shareholders and responses from the Board and Management. These minutes are made available to shareholders on the Company's website.

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

The Company does not have a formal dividend policy but the Board strives to provide sustainable dividend payouts. For the financial year ended 31 December 2019, the Board has proposed a final dividend of 1.5 Singapore cents per share, which brings the full-year ordinary dividend to 2.75 Singapore cents per share, translating to an annual dividend payout ratio of 58%.

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.

Interested Person Transactions

The Company has in place procedures to ensure that all transactions with interested persons are reported in a timely manner to the ARC for its review.

A general mandate for Interested Person Transactions has been obtained from shareholders at an Extraordinary General Meeting convened on 18 April 2019.

For the financial year ended 31 December 2019, there was no Interested Person Transactions conducted under the shareholders' mandate.

Material Contracts

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

RISK MANAGEMENT

CSE GLOBAL Risk Management Framework

Overview

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

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

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

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

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

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

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

Objective

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

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

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

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

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

RISK MANAGEMENT

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

These principles are:

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

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

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

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

Risk Factors

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

Key Risks

The Group has the following types of key risks:

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

1) Strategic Risk

Market and Competition

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

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

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

RISK MANAGEMENT

Management of growth

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

Acquisitions and Divestments

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

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

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

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

Human Resources

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

2) Operational Risk

Project Management

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

RISK MANAGEMENT

Health, Safety & Environment

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

Business & Operational Processes

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

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

Business Continuity

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

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

Information Technology

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

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

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

3) Compliance Risk

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

(i) Laws, Regulations & Compliance

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

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

RISK MANAGEMENT

(ii) Corporate Governance - Policies And Procedures

(a) Employee Code of Conduct

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

(b) Whistle-Blowing Policy

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

(c) Training & Communications

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

(d) Financial Discipline Process

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

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

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

4) Financial Risk

Fraud, Misstatement of Financial Statements & Disclosures

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

RISK MANAGEMENT

Financial Management

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

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

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

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

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

The Group's principal financial instruments comprise bank loans and cash and bank balances. The main purpose of these financial instruments is to finance the Group's operations. All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors resolutions and banking mandates which define the permitted financial instruments and facilities limits, approved by the Board of Directors. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables, trade payables and lease liabilities, which arise directly from its operations.

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Singapore Dollar (SGD), United States Dollar (USD), British Pound (GBP), Euro (EUR), and Australia Dollar (AUD). Approximately 99% (2018: 99%) of the Group's sales and approximately 82% (2018: 84%) of costs including taxes are denominated in the respective functional currencies of the Group entities.

The Group's trade receivables and trade payables balances at the end of the reporting period have similar exposures with 96% (2018: 98%) and 73% (2018: 89%) denominated in their respective functional currencies.

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

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

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables and contract assets. For other financial assets (including other investment and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

In respect of credit risk arising from the inability of customers of the Group to make payments when their receivables fall due, it is the Group's policy to provide credit terms to creditworthy and reputable customers. These receivables are monitored on an ongoing basis to ensure that issues arising from non-collectibility are minimised.

RISK MANAGEMENT

Exposure to credit risk

The Group's maximum exposure to credit risk, in the event that the counter-parties to the transactions with the Group fails to perform their obligations at the end of reporting period in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet, and is generally limited to the amounts, if any, by which the counter-parties' obligations exceed the obligations of the Group.

The Group has no significant concentration of credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, interest-bearing loans given to related companies and bank deposits. The Company's loans at floating rate given to related parties form a natural hedge for its current floating rate bank loan. All of the Group's and Company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 6 months (2018: less than 6 months) from the balance sheet date.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with 10 different banks. At the end of the reporting period, the Group is in a net debt position of S\$44.5 million, which consists of S\$58.6 million of gross cash and gross borrowings of S\$103.1 million (Notes 12 & 14 of the Financial Statements). 70% (2018: 100%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

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

Proactive Risk Management

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

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of CSE Global Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Lim Ming Seong
Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah
Lim Boon Kheng
Tan Chian Khong
Sin Boon Ann
Lam Kwok Chong
Tan Hien Meng
Lee Kong Ting
Syed Nazim Bin Syed Faisal

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

Name of Director	Held by Director			Other shareholdings in which the Director is deemed to have an interest		
	At 1.1.2019 or date of appointment	At 31.12.2019	At 21.1.2020	At 1.1.2019 or date of appointment	At 31.12.2019	At 21.1.2020
<i>Ordinary shares of the Company</i>						
Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah *	–	–	–	132,166,250	130,126,350	128,166,250
Lim Boon Kheng **	3,000,500	4,800,500	4,800,500	4,172,500	4,172,500	4,172,500
Lim Ming Seong ***	100,000	100,000	100,000	3,150,000	3,150,000	3,150,000
Tan Chian Khong ****	–	–	–	50,000	50,000	50,000

* Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah ("Dato' Karim") is deemed to be interested in (i) 2,000,000 shares held by RHB Securities Singapore Pte Ltd; (ii) 2,000,000 shares held by CGS-CIMB Securities (Singapore) Pte Ltd; and (iii) 128,166,250 shares held by Serba Dinamik International Ltd. ("SDIL"). Dato' Karim had disposed the entire shareholding held by RHB Securities Singapore Pte Ltd and CGS-CIMB Securities (Singapore) Pte Ltd on 15 November 2019, 20 November 2019, 2 January 2020 and 3 January 2020.

SDIL is a wholly-owned subsidiary of Serba Dinamik Holdings Berhad ("SDHB"). SDHB is therefore deemed to be interested in the 128,166,250 shares held by SDIL. Accordingly, as Dato' Karim is entitled to control not less than 20% of the issued ordinary shares in SDHB, Dato' Karim is deemed to have an interest in the 128,166,250 shares in which SDHB has an interest, pursuant to Section 4 of the Securities and Future Act.

** Lim Boon Kheng is deemed to be interested in (i) 4,078,000 shares held by Citibank Nominees Singapore Pte. Ltd.; and (ii) 94,500 shares held by United Overseas Bank Nominees (Private) Limited.

*** Lim Ming Seong is deemed to be interested in (i) 150,000 shares held by his spouse; and (ii) 3,000,000 shares held by Citibank Nominees Singapore Pte. Ltd.

**** Tan Chian Khong is deemed to be interested in 50,000 shares held by DBS Nominees Pte. Ltd.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Share options and Performance Share Plan

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

The Company has implemented a share-based long term incentive plan known as CSE Performance Share Plan ("Performance Share Plan") in lieu of an existing cash plan on 20 April 2017. The duration of the Performance Share Plan is 10 years commencing 20 April 2017. The Performance Share Plan is administrated by the Compensation Committee, namely Messrs Lim Ming Seong, Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah, Lam Kwok Chong and Lee Kong Ting. Details of the Performance Share Plan are as follows:

- (a) All employees of the Group who are of the age of 18 years and above and Executive Directors of the Company, who, in the opinion of the Compensation Committee, have contributed or will contribute to the success of the Group (collectively known as the "Participants"), shall be eligible to participate in the Performance Share Plan subject to the absolute discretion of the Compensation Committee.

Persons who are Controlling Shareholders¹ and their Associates² and directors and employees of associated companies shall not be eligible to participate in the Performance Share Plan.

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

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

- (c) Awards may only be vested and consequently any Shares comprised in such Awards shall only be delivered upon the Compensation Committee being satisfied that the Participants has achieved the Performance Target(s)³ and that the Vesting Period⁴ (if any) has expired provided always that the Compensation Committee shall have the absolute discretion to determine the extent to which the Shares under that Award shall be released on the prescribed Performance Target(s) being satisfied (whether fully or partially) or exceeded, as the case may be, at the end of the prescribed performance period. No Shares under the Award shall be released for the portion of the prescribed Performance Target(s) that is not satisfied by the Participant at the end of the prescribed performance period.

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

2 In the case of a Company,

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

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

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

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Share options and Performance Share Plan

- (d) During the financial year, awards comprising an aggregate of 3.06 million shares have been awarded under Performance Share Plan. The awards in respect of an aggregate 3.06 million shares were also vested on the date of grant. The awards were satisfied by the delivery of existing shares purchased from the market to the participants as permitted under the Performance Share Plan.
- (e) Performance shares awarded, vested and outstanding at the end of the financial year were as follows:

	Shares awarded During Financial year	Aggregate shares awarded since commencement of CSE Performance Share Plan to 31.12.2019	Aggregate shares vested since commencement of CSE Performance Share Plan to 31.12.2019	Aggregate share award outstanding as at 31.12.2019
Participant who received more than 5% of the total grant available				
Director				
Lim Boon Kheng ⁽¹⁾	1,800,000	1,800,000	1,800,000	-
Participant (other than Director) who received more than 5% of the total grant available				
Other participants ⁽¹⁾	1,260,000	1,260,000	1,260,000	-

- (1) The shares awarded were subjected to a moratorium period of 1 to 2 years from the date of grant against any disposal or sale and/or other dealings in the Shares.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Audit and Risk Committee ("ARC")

The ARC was established on 22 January 1999.

The ARC comprises five members, majority of whom including Chairman of the ARC, are independent of the management of the Company.

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

Non-Executive/Independent Directors:

Tan Chian Khong (Chairman of ARC)
Sin Boon Ann
Tan Hien Meng
Lee Kong Ting

Non-Executive/Non-Independent Director:

Syed Nazim Bin Syed Faisal

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

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

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

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

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

Auditor

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

On behalf of the Board of Directors:

Lim Ming Seong
Director

Lim Boon Kheng
Director

Singapore

20 March 2020

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CSE Global Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

Revenue recognition on project contracts

The Group recognised project revenue of \$175,971,000 for the financial year ended 31 December 2019 and the carrying amounts of contract assets and contract liabilities arising from these projects amounted to \$45,781,000 and \$22,619,000 respectively. The Group recognised revenue from project contracts using the input method that reflects the overtime transfer of control to its customers, which is measured by reference to the Group's progress towards completing the performance obligation on the contract. The measure of progress is determined by reference to the contracts costs incurred to date as a percentage of the total estimated costs for each contract.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

Revenue recognition on project contracts (cont'd)

The determination of total budgeted costs, progress towards completion, variation orders and claims and remaining costs to completion for each contract requires significant management judgement and estimation, and may have an impact on the amounts of project revenue, contract assets and contract liabilities recognised during the year. We therefore identified this to be key audit matter.

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

Further, we assessed the adequacy of the Group's disclosures on project revenue in Note 19 to the financial statements.

Impairment assessment of trade receivables and contract assets

Trade receivables and contract assets balances amounted to \$106,075,000 and \$45,781,000 respectively as of 31 December 2019 and were significant to the Group as they represented 38% of the Group's total assets. The Group uses a provision matrix to calculate the expected credit losses (ECLs) for trade receivables and contract assets. The provision matrix is based on historical observed default rates, existing marketing conditions, adjusted for forward looking information at each reporting period. The determination of ECL requires the use of management judgement and estimates, and is sensitive to changes in circumstances and economic conditions. Given the magnitude of the amounts and the use of significant management judgement in assessing the ECLs, we have identified impairment on trade receivables and contract assets to be a key audit matter.

As part of the audit, we obtained an understanding of the Group's processes and controls relating to the impairment assessment of trade receivables and contract assets. We requested confirmation replies and evidence of post year end receipts for key trade receivables. We tested management's assumptions used to determine the ECLs on the trade receivables and contract assets, by considering the Group's historical credit loss experience, ageing analysis of outstanding receivables, customer profile and local jurisdiction risks and comparison to forward-looking macroeconomic information affecting the recoverability of trade receivables and contract assets.

Further, we assessed the adequacy of the Group's disclosures on trade receivables and contract assets, and the related credit risk and liquidity risk in Notes 11 and 9 to the financial statements.

Impairment testing on goodwill

As at 31 December 2019, the Group has goodwill amounting to \$40,088,000 which represented 30% of the total non-current assets. The Group allocated goodwill to cash generating units ("CGUs") identified for impairment testing as disclosed in Note 7 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

Impairment testing on goodwill (cont'd)

The recoverable amount of each CGU was determined using the value-in-use ("VIU") calculations, which was based on assumptions in respect of future market and economic conditions such as economic growth, expected inflation rates, demographic developments, expected market share, future revenue and budgeted gross margins. The audit procedures over management's impairment tests were significant to our audit because the assessment process was complex and involved significant management judgment on the various assumptions used in the underlying cash flow forecasts.

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

Further, we assessed the adequacy of the Group's disclosures in Note 7 to the financial statements concerning goodwill.

Accounting for acquisitions

During the financial year ended 31 December 2019, the Group acquired businesses which amounted to total purchase considerations of \$48,836,000 and recognised goodwill of \$23,890,000.

For significant acquisitions, management has engaged external valuation specialists to assist them with the allocation of purchase consideration to identified acquired assets and liabilities, and the measurement of their fair value at acquisition date. Due to the significant management judgment and estimates involved in the identification of intangible assets such as customer relationships, order backlog and their respective fair values, we identified accounting for acquisitions to be a key audit matter. Information on the acquisitions are disclosed in Note 5 of the financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

20 March 2020

BALANCE SHEETS

As at 31 December 2019

	Note	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current assets					
Property, plant and equipment	4	58,240	28,198	2,029	2,299
Right-to-use assets	27	13,837	–	3,492	–
Investment in subsidiaries	5	–	–	125,104	196,018
Investment in associate		103	106	–	–
Other investments	6	1,284	1,290	1,284	1,290
Intangible assets	7	58,854	25,955	484	645
Deferred tax assets	8	2,564	3,073	907	1,138
		134,882	58,622	133,300	201,390
Current assets					
Contract assets	9	45,781	34,327	–	–
Inventories	10	21,658	16,490	–	–
Trade and other receivables	11	127,932	81,844	3,765	772
Prepaid operating expenses		7,439	3,748	369	85
Amounts due from subsidiaries	5	–	–	145,080	22,174
Cash and bank balances	12	58,638	74,051	2,102	9,389
		261,448	210,460	151,316	32,420
Current liabilities					
Contract liabilities	9	22,619	11,935	–	–
Trade payables and accruals	13	71,497	44,510	4,266	4,352
Lease liabilities	27	4,288	–	486	–
Finance leases		–	8	–	–
Loans and borrowings	14	72,774	36,125	72,774	36,125
Amounts due to subsidiaries	5	–	–	21,399	78,853
Provision for warranties	15	657	467	–	–
Provision for taxation		4,458	2,880	612	761
		176,293	95,925	99,537	120,091
Net current assets/(liabilities)		85,155	114,535	51,779	(87,671)
Non-current liabilities					
Deferred tax liabilities	8	360	481	–	–
Lease liabilities	27	10,734	–	3,552	–
Finance leases		–	19	–	–
Loans and borrowings	14	30,366	–	30,366	–
Accruals	13	2,372	326	–	–
Net assets		176,205	172,331	151,161	113,719
Equity attributable to owners of the Company					
Share capital	16(a)	98,542	98,542	98,542	98,542
Treasury shares	16(b)	(4,039)	(3,327)	(4,039)	(3,327)
Share-based payment reserve	16(c)	1,742	1,393	1,742	1,393
Revenue reserve		91,478	82,216	45,066	7,235
Other reserves	17	9,818	9,844	9,850	9,876
Foreign currency translation reserve	18	(21,204)	(17,432)	–	–
		176,337	171,236	151,161	113,719
Non-controlling interests		(132)	1,095	–	–
Total equity		176,205	172,331	151,161	113,719

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

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

		Group	
	Note	2019 \$'000	2018 \$'000
Revenue	19	451,756	373,488
Cost of sales		(328,045)	(269,853)
Gross profit		123,711	103,635
Operating expenses			
Administrative expenses		(85,785)	(68,711)
Selling and distribution expenses		(4,513)	(4,113)
Other expenses		(3,295)	(3,817)
Operating profit		30,118	26,994
Other non-operating income	20	1,717	1,446
Finance income	21	300	278
Finance costs	22	(2,140)	(835)
Profit before tax	23	29,995	27,883
Income tax expense	25	(6,106)	(6,657)
Profit for the year from continuing operations net of tax		23,889	21,226
Discontinued operation			
Loss from discontinued operation, net of tax	24	(230)	(1,785)
Profit for the year		23,659	19,441
Attributable to:-			
Owners of the Company		24,054	20,105
Non-controlling interests		(395)	(664)
		23,659	19,441
Earnings per share attributable to owners of the Company (cents per share)			
Basic EPS	26	4.73	3.92
Diluted EPS	26	4.66	3.89

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	Group 2019 \$'000	2018 \$'000
Profit for the year		23,659	19,441
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
– Foreign currency translation		(3,605)	583
Other comprehensive income for the year, net of tax		(3,605)	583
Total comprehensive income for the year		<u>20,054</u>	<u>20,024</u>
Attributable to:-			
Owners of the Company		20,347	20,728
Non-controlling interests		(293)	(704)
Total comprehensive income for the year		<u>20,054</u>	<u>20,024</u>

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Group	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share-based payment reserve	Revenue reserve	Other reserves	Foreign currency translation reserve				
	(Note 16)	(Note 16)	(Note 16)	reserve	(Note 17)	(Note 18)				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2019										
Opening balance at 1 January 2019	98,542	(3,327)	1,393	82,216	9,844	(17,432)	171,236	1,095	172,331	
Effect of adopting SFRS(I) 16	-	-	-	(824)	-	-	(824)	(20)	(844)	
At 1 January 2019 (restated)	98,542	(3,327)	1,393	81,392	9,844	(17,432)	170,412	1,075	171,487	
Profit/(loss) for the year	-	-	-	24,054	-	-	24,054	(395)	23,659	
<u>Other comprehensive income</u>										
- Foreign currency translation	-	-	-	-	-	(3,707)	(3,707)	102	(3,605)	
Other comprehensive income for the year, net of tax	-	-	-	-	-	(3,707)	(3,707)	102	(3,605)	
Total comprehensive income for the year	-	-	-	24,054	-	(3,707)	20,347	(293)	20,054	
<u>Contributions by and distributions to owners</u>										
- Dividends on ordinary shares (Note 33)	-	-	-	(13,968)	-	-	(13,968)	-	(13,968)	
- Purchase of treasury shares (Note 16)	-	(2,131)	-	-	-	-	(2,131)	-	(2,131)	
- Re-issuance of treasury shares (Note 16)	-	1,419	(1,393)	-	(26)	-	-	-	-	
- Equity-settled compensation to employees (Note 16)	-	-	1,742	-	-	-	1,742	-	1,742	
<u>Changes in ownership interests in a subsidiary</u>										
- Disposal of a subsidiary	-	-	-	-	-	(65)	(65)	(914)	(979)	
Total transactions with owners in their capacity as owners	-	(712)	349	(13,968)	(26)	(65)	(14,422)	(914)	(15,336)	
Closing balance at 31 December 2019	98,542	(4,039)	1,742	91,478	9,818	(21,204)	176,337	(132)	176,205	

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Group	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share-based payment reserve	Revenue reserve	Other reserves	Foreign currency translation reserve				
	(Note 16)	(Note 16)	(Note 16)	reserve	(Note 17)	(Note 18)				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2018										
Opening balance at 1 January 2018 (FRS framework)	98,542	-	-	112,291	9,844	(46,723)	173,954	1,799	175,753	
Cumulative effect of adopting of SFRS(I)	-	-	-	(36,026)	-	28,668	(7,358)	-	(7,358)	
Opening balance at 1 January 2018 (SFRS(I) framework)	98,542	-	-	76,265	9,844	(18,055)	166,596	1,799	168,395	
Profit/(loss) for the year	-	-	-	20,105	-	-	20,105	(664)	19,441	
<u>Other comprehensive income</u>										
- Foreign currency translation	-	-	-	-	-	623	623	(40)	583	
Other comprehensive income for the year, net of tax	-	-	-	-	-	623	623	(40)	583	
Total comprehensive income for the year	-	-	-	20,105	-	623	20,728	(704)	20,024	
<u>Contributions by and distributions to owners</u>										
- Dividends on ordinary shares (Note 33)	-	-	-	(14,154)	-	-	(14,154)	-	(14,154)	
- Purchase of treasury shares (Note 16)	-	(3,327)	-	-	-	-	(3,327)	-	(3,327)	
- Equity-settled compensation to employees (Note 16)	-	-	1,393	-	-	-	1,393	-	1,393	
Total transactions with owners in their capacity as owners	-	(3,327)	1,393	(14,154)	-	-	(16,088)	-	(16,088)	
Closing balance at 31 December 2018	98,542	(3,327)	1,393	82,216	9,844	(17,432)	171,236	1,095	172,331	

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Company	Share capital (Note 16) \$'000	Treasury shares (Note 16) \$'000	Share-based payment reserve (Note 16) \$'000	Revenue reserve \$'000	Other reserves (Note 17) \$'000	Total equity \$'000
2019						
Opening balance at 1 January 2019	98,542	(3,327)	1,393	7,235	9,876	113,719
Effect of adopting SFRS(I) 16	-	-	-	(440)	-	(440)
At 1 January 2019	98,542	(3,327)	1,393	6,795	9,876	113,279
Profit for the year, representing total comprehensive income for the year	-	-	-	52,239	-	52,239
<u>Contributions by and distributions to owners</u>						
Dividends on ordinary shares (Note 33)	-	-	-	(13,968)	-	(13,968)
Purchase of treasury shares (Note 16)	-	(2,131)	-	-	-	(2,131)
Re-issuance of treasury shares (Note 16)	-	1,419	(1,393)	-	(26)	-
Equity settled compensation to employees (Note 16)	-	-	1,742	-	-	1,742
Total transactions with owners in their capacity as owners	-	(712)	349	(13,968)	(26)	(14,357)
Closing balance at 31 December 2019	98,542	(4,039)	1,742	45,066	9,850	151,161
2018						
Opening balance at 1 January 2018	98,542	-	-	3,694	9,876	112,112
Profit for the year, representing total comprehensive income for the year	-	-	-	17,695	-	17,695
<u>Contributions by and distributions to owners</u>						
Dividends on ordinary shares (Note 33)	-	-	-	(14,154)	-	(14,154)
Purchase of treasury shares (Note 16)	-	(3,327)	-	-	-	(3,327)
Equity settled compensation to employees (Note 16)	-	-	1,393	-	-	1,393
Total transactions with owners in their capacity as owners	-	(3,327)	1,393	(14,154)	-	(16,088)
Closing balance at 31 December 2018	98,542	(3,327)	1,393	7,235	9,876	113,719

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

	2019	2018
	\$'000	\$'000
Cash flows from operating activities :		
Profit before tax from continuing operations	29,995	27,883
Loss before tax from discontinued operation	(230)	(1,804)
Profit before tax, total	<u>29,765</u>	<u>26,079</u>
Adjustments for :		
Depreciation of property, plant and equipment	6,597	6,094
Depreciation of right-to-use assets	3,732	–
Amortisation of intangible assets	3,284	1,753
Allowance for stock obsolescence made, net	414	267
(Write-back of allowance)/allowance for expected credit loss on trade receivables, net	(36)	1,966
Write-down of contract assets	–	434
Gain on disposal of subsidiary	(695)	–
Gain on disposal of property, plant and equipment	(284)	(288)
Property, plant and equipment written off	–	1
Interest expense	2,178	835
Interest income	(300)	(278)
Operating cash flows before changes in working capital	<u>44,655</u>	<u>36,863</u>
(Increase)/ decrease in trade and other receivables and prepaid operating expenses	(31,164)	7,123
(Increase)/ decrease in contract assets, net and inventories	(3,742)	21,496
Increase/ (decrease) in trade payables and accruals	<u>8,278</u>	<u>(8,896)</u>
Cash generated from operations	<u>18,027</u>	<u>56,586</u>
Interest paid	(1,830)	(835)
Interest received	300	278
Income tax paid	<u>(4,664)</u>	<u>(8,542)</u>
Net cash flows generated from operating activities	<u>11,833</u>	<u>47,487</u>
Cash flows from investing activities :		
Purchase of property, plant and equipment	(10,463)	(6,552)
Purchase of intangible assets	(2,941)	(95)
Restricted cash arising from acquisition of subsidiaries	(7,987)	–
Acquisition of businesses and assets, net of cash	(65,258)	(1,239)
Proceeds from sale of a subsidiary	3,586	–
Proceeds from disposal of property, plant and equipment	<u>861</u>	<u>434</u>
Net cash flows used in investing activities	<u>(82,202)</u>	<u>(7,452)</u>

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

	2019	2018
	\$'000	\$'000
Cash flows from financing activities :		
Purchase of treasury shares	(2,131)	(3,327)
Proceeds from borrowings, net	67,016	4,711
Payment of principal portion of lease liabilities	(3,097)	-
Dividends paid on ordinary shares	(13,968)	(14,154)
	<hr/>	<hr/>
Net cash flows generated from/(used in) financing activities	47,820	(12,770)
	<hr/>	<hr/>
Net (decrease)/ increase in cash and cash equivalents	(22,549)	27,265
Net effect of exchange rate changes on cash and cash equivalents	(851)	(124)
Cash and cash equivalents at 1 January	74,051	46,910
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	50,651	74,051
Restricted cash arising from acquisition of subsidiaries	7,987	-
Cash and bank balances at 31 December	<u>58,638</u>	<u>74,051</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. Corporate information

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

The registered office of the Company is located at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623 and its principal place of business is 202 Bedok South Avenue 1, #01-21, Singapore 469332.

The principal activities of the Company are those relating to provision of total integrated industrial automation, information technology and intelligent transport solutions and investment holding. The principal activities of the subsidiary companies are disclosed in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I”).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

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

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2019. Except for the adoption of SFRS(I) 16 *Leases* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases-Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application. The Group also elected to use a recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.2 Changes in accounting policies and disclosures (cont'd)

SFRS(I) 16 Leases (cont'd)

The effect of initial adoption of SFRS(I) 16 as at 1 January 2019 is as follows:

	Group \$'000	Company \$'000
Right-to-use assets	13,547	4,059
Lease liabilities	(14,418)	(4,499)
Finance lease	27	-
Net assets	(844)	(440)
Revenue reserve	(844)	(440)
Total equity	(844)	(440)

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases. The accounting policy is set out in Note 2.19.

The Group has assessed the deferred tax impact arising from the adoption of SFRS(I) 16 as immaterial and thus, has not recognised any adoption adjustment on deferred tax liabilities as at 1 January 2019.

Leases previously accounted for as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-to-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-to-use assets and lease liabilities for those leases previously classified as operating leases. The right-to-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application;

Based on the above, as at 1 January 2019:

- right-to-use assets of S\$13,547,000 and S\$4,059,000 were recognised and presented separately in the balance sheets of the Group and Company respectively.
- lease liabilities of S\$14,418,000 and S\$4,499,000 were recognised and presented separately in the balance sheets of the Group and Company respectively. This includes the lease liabilities previously recognised under finance lease of \$27,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.2 Changes in accounting policies and disclosures (cont'd)

SFRS(I) 16 Leases (cont'd)

Leases previously accounted for as operating leases (cont'd)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group \$'000	Company \$'000
Operating lease commitments as at 1 January 2019	15,921	5,034
Weighted average incremental borrowing rate as at 1 January 2019	3.67%	3.25%
Discounted operating lease commitments as at 1 January 2019	14,391	4,499
Add: Commitments relating to leases previously classified as finance leases	27	–
Lease liabilities as at 1 January 2019	<u>14,418</u>	<u>4,499</u>

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
SFRS(I) 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to SFRS(I) 10 and SFRS(I) 1 – 28 <i>Sale or Contribution of Assets between an investor and its Associate or Joint Venture</i>	To be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2.4 Significant accounting judgments and estimates

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

(a) Judgments made in applying accounting policies

Except as those disclosed in this report, management is of the opinion that there is no significant judgment made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.4 Significant accounting judgments and estimates (cont'd)

(a) Judgments made in applying accounting policies (cont'd)

Project revenue

For the financial year ended 31 December 2019, the Group recognised project revenue of \$175,971,000 (2018: \$108,833,000) and the carrying amounts of contract assets and contract liabilities arising from these projects as at 31 December 2019 amounted to \$45,781,000 and \$22,619,000 (2018: \$34,327,000 and \$11,935,000) respectively. The Group recognised revenue from project contracts using the input method that reflect the overtime transfer of control to its customers, which is measured by reference to the Group's progress towards completing the performance obligation on the contract. The measure of progress is determined by reference to the contract costs incurred to date as a percentage of the total estimated costs for each contract. The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 9 to the consolidated financial statements.

Accounting of acquisitions

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. The fair values of customer relationships and order backlog are determined by independent, professionally qualified valuers by reference to present value of expected net cash flows from the assets. This involved significant management estimation and judgement on the various assumptions used in the cash flow forecasts. Any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities of the acquired entity will impact the carrying amount of these assets and liabilities.

(b) Key sources of estimation uncertainty

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

Impairment assessment of trade receivables and contract assets

The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables and contract assets. The provision matrix is based on historical observed default rates, existing market conditions, adjusted for forward looking information at each reporting period. The determination of ECL require the use of management judgment and estimates and are sensitive to changes in circumstances and economic conditions.

This information about the ECLs on the Group's trade and other receivables and contract assets is disclosed in Note 11 and Note 9 respectively.

The carrying amount of trade receivables and contract assets as at 31 December 2019 are \$106,075,000 and \$45,781,000 (2018: \$64,891,000 and \$34,327,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.4 Significant accounting judgments and estimates (cont'd)

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

Impairment of goodwill

As disclosed in Note 7 to the financial statements, the recoverable amounts of the cash generating units which goodwill have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 7 to the financial statements.

The carrying amount of the intangible assets as at 31 December 2019 is \$58,854,000 (2018: \$25,955,000).

Leases - Estimating the incremental borrowing rate

For certain leases, the Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.5 Foreign currency

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

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.5 Foreign currency (cont'd)

(b) Consolidated financial statements

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

2.6 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

2.7 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2.8 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.8 Basis of consolidation and business combinations (cont'd)

(b) Business combinations and goodwill

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

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

Non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination. However, if the initial allocation of goodwill acquired in a business combination cannot be completed before the end of annual period in which the business combination is effected, that initial allocation shall be completed before the end of the first annual period beginning after acquisition date.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.9 Transactions with non-controlling interests

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.10 Property, plant and equipment

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

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

Buildings	–	5 to 39 years
Leasehold improvements	–	2 to 20 years
Plant and machinery	–	4 to 5 years
Tools and equipment	–	5 years
Office furniture and fittings	–	5 years
Computer equipment	–	2 to 5 years
Motor vehicles	–	3 to 8 years

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

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

2.11 Intangible assets

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

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

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.11 Intangible assets (cont'd)

Sales order backlog

Significant confirmed orders and pipeline projects which are acquired in a business combination and amortised over 2 to 4 years.

Non-compete agreement

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

Licences and intellectual property rights

Costs relating to licences and intellectual property rights, which are acquired, are capitalised and amortised on a straight-line basis over their useful lives of 5 to 15 years.

Customer relationships

Customer relationships acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is fair value at the acquisition date. Subsequent to initial recognition, customer relationships acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Customer relationships are amortised over their useful lives of 3 to 15 years.

R&D asset

Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use.

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the entity becomes party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement category, applicable to the Group, for classification of debt instruments is

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.13 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.14 Cash and bank balances

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Included in cash and bank balances are funds held in escrow which are not freely remissible for use by the Group.

2.15 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 365 days past due as based on the Group's historical repayment trends, it is not uncommon for debtors to take more than 90 days to make payment. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.16 Inventories

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

- (i) Spare parts: purchase costs on a first-in first-out basis.
- (ii) Trading goods: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

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

2.17 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

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

2.18 Employee benefits

(a) Defined contribution plans

As required by law, the Group's companies in Singapore, Malaysia, India, Australia and New Zealand make contributions to their respective countries' state pension schemes, being the Central Provident Fund ("CPF") in Singapore, the Employees Provident Fund ("EPF") in Malaysia and India, the Superannuation in Australia and the KiwiSaver in New Zealand. These state pension schemes are defined contribution plans that serve as the national retirement benefits plan for the employees of the Group working in those countries.

As required by law, the Group's companies in the United Kingdom operate a defined contribution pension scheme. Assets of the scheme are held separately from those of the companies in the United Kingdom in an independently administered fund.

The contributions that are made towards the above-mentioned contribution pension schemes are recognised as compensation expenses in the same period as the employment that gives rise to the contributions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.18 Employee benefits (cont'd)

(b) Employee leave entitlement

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

(c) Employee share based payment plan

Employees of the Group receive remuneration in the form of shares as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the shares at the date on which the shares are granted which takes into account non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share-based payment reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the Group's best estimate of the number of shares that will ultimately be issued. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in share based compensation expense.

2.19 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-to-use assets representing the right to use the underlying assets.

Right-to-use assets

The Group recognises right-to-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-to-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-to-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-to-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	-	1 to 10 years
Tools and equipment	-	2 to 6 years
Office furniture and fittings	-	3 to 5 years
Computer equipment	-	2 to 5 years
Motor vehicles	-	2 to 4 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-to-use assets are also subject to impairment. Refer to Note 2.12.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.19 Leases (cont'd)

(a) As lessee (cont'd)

Lease liabilities (cont'd)

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. The accounting policy for rental income is set out in Note 2.20(e). Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.20 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue is the amount allocated to the satisfied performance obligation.

(a) Project revenue

The Group principally operates fixed price contracts. Revenue is recognised when control over the products has been transferred to the customer over time, by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method).

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

For products whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.20 Revenue recognition (cont'd)

(a) Project revenue (cont'd)

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

(b) Time and material revenue

Revenue from sale of goods and services is recognised upon the satisfaction of performance obligations when materials are delivered and services are rendered to customers.

(c) Maintenance revenue

Maintenance revenue is recognised on a straight-line basis over the specified contract period. Maintenance revenue received in advance is deferred as unearned income and recognised as income over the life of the maintenance contracts.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Rental income

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

2.21 Income taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.21 Income taxes (cont'd)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

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

(c) Sales tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.22 Share capital and share issuance expenses

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

2.23 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.24 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

2.25 Segment reporting

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

2.26 Government grants

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

2.27 Discontinued operations

A component of the Group is classified as a 'discontinued operation' when it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. Group companies

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

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Effective equity interest held by the Group	
			2019 \$'000	2018 \$'000	2019 %	2018 %
i	CSE Global (Asia) Pte Ltd (Singapore)	E-business integration, research and development and investment holding (Singapore)	27,264	27,264	100	100
*	S3 ID Pte Ltd (Singapore)	Sale and provision of safe secure solution and investment holding (Singapore)	-	13,600	-	80
i	CSE Global (Americas) Pte Ltd ** (Singapore)	Investment holding (Singapore)	39,556	- "	100	100
i	CSE (Americas) Pte Ltd ** (Singapore)	Sale and provision of system integration services and investment holding (Singapore)	-	39,556	100	100
iii	CSE Systems & Engineering (India) Private Limited ⁽¹⁾ (India)	Sales and provision of computer network systems (India)	36	36	100	100
iii	CSE-Hankin (China) Co., Ltd ⁽²⁾ (China)	Design and install high temperature thermal process and incineration systems (China)	2,524	2,524	100	100
i	CSE Communications & Security Pte Ltd (f.k.a. CSE-TransTel Pte Ltd) (Singapore) ***	Provision of turnkey telecommunications solutions and security systems (Singapore)	75,302	75,302	100	100
ii	CSE-Global (Australia) Pty Ltd (Australia)	Distribution of electrical engineering equipment and provision of telecommunications solutions and investment holding (Australia)	46,213	46,213	100	100
i	CSE-Crosscom (International) Pte Ltd ^ (Singapore)	Provision of telecommunications solutions and investment holding (Singapore)	- "	-	100	-
			190,895	204,495		

" Denotes amounts less than \$1,000

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group	
			2019 %	2018 %
<i>Held by CSE Global (Asia) Pte Ltd</i>				
i	CSE-ITS Pte Ltd (Singapore)	Provision of infrastructure engineering services (Singapore)	100	100
i	CSE-IAP Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	100	100
i	CSE-EIS Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	100	100
iii	CSE-EIS (Malaysia) Sdn Bhd ⁽³⁾ (Malaysia)	Sales and provision of computer systems (Malaysia)	100	100
i	CSE Hankin (Singapore) Pte Ltd (Singapore)	Provision of process plant and environmental engineering services (Singapore)	100	100
i	Sirius System & Engineering Solutions Pte Ltd (Singapore)	Provision of data telecommunications solutions and marine survey certification (Singapore)	100	100
iii	CSE Systems & Engineering (India) Private Limited ⁽¹⁾ (India)	Sales and provision of computer network systems (India)	100	100
iii	CSE-Hankin (China) Co., Ltd ⁽²⁾ (China)	Design and install high temperature thermal process and incineration systems (China)	100	100
<i>Held by CSE Hankin (Singapore) Pte Ltd</i>				
v	CSE-Hankin Inc (America)	Design and install high temperature thermal process and incineration systems (America)	100	100
iii	CSE-Hankin (Taiwan) Ltd [^] (Taiwan)	Design and install high temperature thermal process and incineration systems (Taiwan)	90	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. Group companies (cont'd)

Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group	
		2019 %	2018 %
<i>Held by S3 ID Pte Ltd</i>			
* S3 ID Group Ltd (United Kingdom)	Sale and provision of safety system and automation hardware product (United Kingdom)	–	60
* S3 ID (Malaysia) Sdn Bhd (Malaysia)	Sale and provision of safety system and automation hardware product (Malaysia)	–	80
<i>Held by S3 ID Group Ltd</i>			
* S3 ID Ltd (United Kingdom)	Sale and provision of safety system and automation hardware product (United Kingdom)	–	60
* S3 ID AS (Norway)	Sale and provision of safety system and automation hardware product (Norway)	–	60
* S3 ID LLP (Kazakhstan)	Sale and provision of safety system and automation hardware product (Kazakhstan)	–	60
<i>Held by CSE Global (Americas) Pte Ltd</i>			
i CSE (Americas) Pte Ltd ** (Singapore)	Sale and provision of system integration services and investment holding (Singapore)	100	100
iv Converge Resources Inc ^ (America)	Sale and provision of contracting resources and permanent placement for niche technical resources (America)	70	–
<i>Held by CSE (Americas) Pte Ltd</i>			
v CSE Americas, Inc (America)	Sale and provision of system integration services and investment holding (America)	100	100
iv Industrias W de Mexico, SA de C.V. (Mexico)	Sale and provision of system integration services (Mexico)	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group	
			2019 %	2018 %
<i>Held by CSE Americas, Inc</i>				
iv	CSE W-Industries, Inc (America)	Sale and provision of system integration services (America)	100	100
v	CSE ICON, Inc (America)	Sale and provision of system integration services (America)	100	100
v	Blackstar Services, LLC ^^ (America)	Design and development of water treatment and disposal technology (America)	100	-
<i>Held by CSE W-Industries, Inc</i>				
v	W-Industries of Texas, LLC (America)	Sale and provision of system integration services (America)	100	100
v	W-Industries of Louisiana, LLC (America)	Sale and provision of system integration services (America)	100	100
iv	CSE Environmental, LLC (America)	Dormant (America)	100	100
v	CC American Oilfield, LLC (America)	Sale and provision of system integration services (America)	100	100
v	Gulf Coast Power & Control of Louisiana, LLC (America)	Sale and provision of system integration services (America)	100	100
iv	CSE W-Industries Nigeria Ltd (Nigeria)	Sale and provision of system integration services (Nigeria)	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group	
			2019 %	2018 %
<i>Held by CSE W-Industries, Inc (cont'd)</i>				
v	Volta, LLC ^{^^^} (America)	Sale and provision of electrical control system (America)	100	–
v	Volta Properties, LLC ^{^^^} (Americas)	Lease of office and warehouse space (America)	100	–
<i>Held by CC American Oilfield LLC</i>				
iv	R-M Transactions, LLC (America)	Sale and provision of system integration services (America)	100	100
<i>Held by Volta LLC</i>				
iv	Volta Services, LLC ^{^^^} (America)	Dormant (America)	100	–
iv	Volta Technologies, LLC ^{^^^} (America)	Dormant (America)	100	–
<i>Held by CSE Communications & Security Pte Ltd</i>				
iv	P.T. TransTel Engineering (Indonesia)	Provision of turnkey telecommunications solutions (Indonesia)	100	100
iv	TransTel Engineering (Nigeria) Ltd (Nigeria)	Provision of turnkey telecommunications solutions (Nigeria)	80	80
iii	TransTel Engineering (Tianjin) Co. Ltd ⁽⁵⁾ (China)	Provision of turnkey telecommunications solutions (China)	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group	
			2019 %	2018 %
<i>Held by CSE Communications & Security Pte Ltd (cont'd)</i>				
iii	TransTel Engineering Thailand Ltd ⁽⁶⁾ (Thailand)	Provision of turnkey telecommunications solutions (Thailand)	100	100
iii	CSE Communications & Security Sdn Bhd (f.k.a. TransTel Engineering (M) Sdn Bhd ⁽³⁾) (Malaysia)	Provision of turnkey telecommunications solutions (Malaysia)	100	100
iv	TransTel Engineering Arabian Limited Co. (Saudi Arabia)	Provision of turnkey telecommunications solutions (Saudi Arabia)	100	100
iii	TransTel Engineering PNG Limited ⁽⁷⁾ (Papua New Guinea)	Provision of turnkey telecommunications solutions (Papua New Guinea)	100	100
iii	CSE TransTel India Private Limited ⁽⁸⁾ (India)	Sales and provision of telecommunications network systems (India)	100	100
iv	CSE TransTel Middle East FZE (Dubai)	Sales and provision of telecommunications network systems (Dubai)	100	100
<i>Held by CSE-Global (Australia) Pty Ltd</i>				
ii	CSE-Uniserve Corporation Pty Ltd (Australia)	Distribution of electrical engineering equipment and investment holding (Australia)	100	100
ii	Astib Group Pty Ltd (Australia)	Provision of telecommunications solutions and investment holding (Australia)	100	100
ii	CSE Crosscom Pty Ltd (Australia)	Provision of telecommunications solutions (Australia)	100	100
iii	Orionet Limited ⁽⁴⁾ (New Zealand)	Provision of telecommunications solutions equipment (New Zealand)	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group	
			2019 %	2018 %
<i>Held by CSE-Uniserve Corporation Pty Ltd</i>				
ii	CSE-Uniserve Pty Ltd (Australia)	Distribution of electrical engineering equipment (Australia)	100	100
iii	CSE New Zealand Ltd (formerly known as CSE-W Arthur Fisher Limited) ⁽⁴⁾ (New Zealand)	Distribution of electrical engineering equipment and manufacture of process control and automation equipment (New Zealand)	100	100
<i>Held by CSE-New Zealand Ltd</i>				
ii	Genesis Communications Ltd ⁽⁴⁾ (New Zealand)	Distribution of electrical engineering equipment and manufacture of process control and automation equipment (New Zealand)	100	100
<i>Held by Astib Group Pty Ltd</i>				
ii	CSE-Transtel Pty Ltd (Australia)	Provision of telecommunications solutions (Australia)	100	100
ii	CSE-CX Distribution Pty Ltd (Australia)	Dormant (Australia)	100	100
ii	CSE-Comsource Pty Ltd (Australia)	Provision of telecommunications solutions (Australia)	100	100
<i>Held by Crosscom Pty Ltd</i>				
ii	Bus Communications Pty Ltd (Australia)	Provision of telecommunications solutions (Australia)	100	100
ii	RCS Telecommunications Pty Ltd [#] (Australia)	Provision of telecommunications solutions (Australia)	100	–
<i>Held by CSE-Crosscom (International) Pte Ltd</i>				
iii	CSE Crosscom UK Limited ^{^ (9)} (United Kingdom)	Provision of telecommunications solutions and investment holding (United Kingdom)	100	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. Group companies (cont'd)

Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group	
		2019 %	2018 %
Held by CSE Crosscom UK Limited			
iii Chatterbox Limited ^{(9)##} (United Kingdom)	Provision of telecommunications solutions (United Kingdom)	100	–
(i) Audited by Ernst & Young LLP, Singapore			
(ii) Audited by member firms of EY Global in the respective countries			
(iii) Audited by other auditors			
(1) Audited by M.V Guruprasad, Chartered Accountants			
(2) Audited by Beijing Zhong Yong LiQin, Certified Public Accountants			
(3) Audited by RSM Malaysia			
(4) Audited by JSA Audit Ltd.			
(5) Audited by Tianjin Zhong Hao Hai, Certified Public Accountants			
(6) Audited by Siam Council Audit Services Limited, Certified Public Accountants			
(7) Audited by Sinton Spence			
(8) Audited by AFC Corporate Advisors Pvt Ltd			
(9) Audited by Macintyre Hudson LLP			
(iv) Not required to be audited under the laws of the country of incorporation			
(v) Not required to be audited under the laws of the country of incorporation, but audited by Ernst & Young LLP, Singapore for the purpose of consolidation of the Group.			
* In August 2019, the group disposed its entire 80% interest in S3 ID Pte Ltd and its subsidiaries.			
** CSE Global (Americas) Pte Ltd was newly incorporated on 28 December 2018 with a paid-up capital of \$2. During the year, the Company transferred its entire 100% shareholding in CSE (Americas) Pte Ltd to CSE Global (Americas) Pte Ltd.			
*** During the year, CSE-TransTel Pte Ltd changed its name to CSE Communications & Security Pte Ltd.			
^ CSE-Crosscom (International) Pte Ltd, CSE-Hankin (Taiwan) Ltd, Converge Resources Inc and CSE Crosscom UK Limited are newly incorporated companies in the financial year ended 31 December 2019.			
^^ In January 2019, the group has acquired 100% equity interest in Blackstar Services LLC.			
^^^ In August 2019, the group has acquired 100% equity interest in Volta LLC (Note 5) and its subsidiaries, Volta Services LLC and Volta Technologies LLC, and Volta Properties LLC.			
# In March 2019, the group has acquired 100% equity interest in RCS Telecommunications Pty Ltd (Note 5).			
## In July 2019, the group has acquired 100% equity interest in Chatterbox Ltd (Note 5).			

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. Property, plant and equipment

Group	Assets under construction		Freehold land		Buildings		Leasehold improvements		Plant and machinery		Tools and equipment		Office furniture and fittings		Computer equipment		Motor vehicles		Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cost:																			
At 1 January 2018	42	941	11,743	6,160	5,918	21,074	4,735	7,803	4,729	63,145									
Currency realignment	1	20	275	24	(170)	(1,227)	(50)	28	(16)	(1,115)									
Additions	864	-	1,023	45	1,435	1,472	439	285	989	6,552									
Acquisition of businesses (Note 5)	-	-	-	-	114	84	1	5	34	238									
Disposals	-	-	-	-	(12)	(480)	(67)	(77)	(266)	(902)									
Write-off	-	-	-	(137)	-	(360)	(111)	(124)	(78)	(810)									
Reclassification	(56)	-	-	(3)	-	-	56	3	-	-									
At 31 December 2018 and 1 January 2019	851	961	13,041	6,089	7,285	20,563	5,003	7,923	5,392	67,108									
Currency realignment	(12)	(73)	(162)	(638)	(172)	(413)	(96)	(110)	(79)	(1,755)									
Additions*	1,218	2,190	327	20,905	1,733	2,646	292	2,296	2,455	34,062									
Acquisition of businesses (Note 5)	39	-	-	188	3,401	102	196	89	960	4,975									
Disposals	-	-	-	(4)	(19)	(608)	-	(91)	(788)	(1,510)									
Disposal of a subsidiary	-	-	-	-	-	-	(247)	(39)	-	(286)									
Write-off	-	-	-	-	-	-	(10)	(8)	-	(18)									
Reclassification	(1,409)	-	-	-	1,409	-	-	-	-	-									
At 31 December 2019	687	3,078	13,206	26,540	13,637	22,290	5,138	10,060	7,940	102,576									

* Included in additions is \$23,599,000 of property, plant and equipment arising from the acquisition of Volta Properties, LLC. The additions are recognised in the "Acquisition of businesses and assets, net of cash" in the cash flow statement for the year ended 31 December 2019.

*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Group	Assets under construction		Freehold land		Buildings		Leasehold improvements		Plant and machinery		Tools and equipment		Office furniture and fittings		Computer equipment		Motor vehicles		Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Accumulated depreciation:																			
At 1 January 2018	-	-	3,320	2,842	3,871	11,951	3,485	6,751	2,923	35,143									
Currency realignment	-	-	74	17	(126)	(719)	(42)	34	-**	(762)									
Charge for the year	-	-	461	544	699	2,718	559	472	641	6,094									
Disposals	-	-	-	-	(3)	(372)	(67)	(72)	(242)	(756)									
Write-off	-	-	-	(136)	-	(360)	(111)	(124)	(78)	(809)									
At 31 December 2018 and 1 January 2019	-	-	3,855	3,267	4,441	13,218	3,824	7,061	3,244	38,910									
Currency realignment	-	-	26	24	168	(188)	(5)	(62)	88	51									
Charge for the year	-	-	352	693	1,435	2,433	387	375	922	6,597									
Disposals	-	-	-	(4)	(17)	(399)	-	(84)	(429)	(933)									
Disposal of a subsidiary	-	-	-	-	-	-	(242)	(29)	-	(271)									
Write-off	-	-	-	-	-	-	(10)	(8)	-	(18)									
At 31 December 2019	-	-	4,233	3,980	6,027	15,064	3,954	7,253	3,825	44,336									
Net carrying value:																			
At 31 December 2019	687	3,078	8,973	22,560	7,610	7,226	1,184	2,807	4,115	58,240									
At 31 December 2018	851	961	9,186	2,822	2,844	7,345	1,179	862	2,148	28,198									

** Denotes amounts less than \$1,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Company	Leasehold improvements \$'000	Machinery \$'000	Office furniture and fittings \$'000	Computer equipment \$'000	Motor vehicle \$'000	Total \$'000
Cost:						
At 1 January 2018	2,889	21	236	144	216	3,506
Additions	-	-	-	2	-	2
At 31 December 2018 and 1 January 2019	2,889	21	236	146	216	3,508
Additions	-	-	-	121	-	121
At 31 December 2019	2,889	21	236	267	216	3,629
Accumulated depreciation:						
At 1 January 2018	429	6	75	129	162	801
Charge for the year	289	4	46	15	54	408
At 31 December 2018 and 1 January 2019	718	10	121	144	216	1,209
Charge for the year	289	5	46	51	-	391
At 31 December 2019	1,007	15	167	195	216	1,600
Net carrying value:						
At 31 December 2019	1,882	6	69	72	-	2,029
At 31 December 2018	2,171	11	115	2	-	2,299

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

	Company	
	2019	2018
	\$'000	\$'000
Unquoted shares, at cost	190,895	204,495
Impairment losses	(65,791)	(8,477)
	<u>125,104</u>	<u>196,018</u>

Details of the subsidiaries are set out in Note 3.

	Company	
	2019	2018
	\$'000	\$'000
Impairment losses		
As at 1 January	8,477	8,477
Impairment losses on investment in subsidiaries	65,791	-
Disposal of a subsidiary	(8,477)	-
As at 31 December	<u>65,791</u>	<u>8,477</u>

During the year, the management carried out a review on the impairment of investment in subsidiaries. As a result of the review, an impairment loss of \$63,704,000 and \$2,087,000 was recognised to write down the carrying value of CSE Communications & Security Pte Ltd and CSE-Hankin (China) Co., Ltd to their recoverable amounts respectively, based on the fair value of net assets held by the subsidiaries.

As at 31 December 2019, the Group does not have any subsidiaries that have non-controlling interests (NCI) that are material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Acquisition of businesses in 2019

Acquisition of business in Australia

In March 2019, a wholly-owned subsidiary of the Group, CSE Crosscom Pty Ltd entered into a business sale agreement for the acquisition of assets and business of RCS Telecommunications Pty Ltd for a cash consideration of AUD14,054,000 (approximately \$13,508,000) in Australia.

The acquisition allowed the Group to continue to expand its business in the provision of telecommunications products and services in Australia.

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

	Fair value recognised on acquisition \$'000
Property, plant and equipment	1,733
Customer relationships	803
Leased assets	1,249
Cash and bank balances	2,478
Trade receivables	3,493
Other receivables	100
Inventories	2,927
	<hr/>
Total assets	12,783
	<hr/>
Trade payables	(2,034)
Tax payables	(222)
Other payables	(680)
Leased liabilities	(1,335)
Deferred tax liabilities	(386)
	<hr/>
Total liabilities	(4,657)
	<hr/>
Total identifiable net assets at fair value	8,126
Goodwill arising from acquisition	5,382
	<hr/>
Cash paid on acquisition	13,508
Less: cash and bank balances	(2,478)
Less: contingent consideration recognised at acquisition	(4,037)
	<hr/>
Net cash outflow on acquisition	6,993
	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Acquisition of businesses in 2019 (cont'd)

Acquisition of business in Australia (cont'd)

Transaction costs

Transaction costs relating to the acquisition of AUD\$47,000 (approximately \$45,000) were recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2019.

Goodwill arising from acquisition

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

Customer relationship arising from acquisition

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

Impact on the acquisition on profit or loss

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

Contingent consideration arrangement

As part of the purchase agreement with the previous owner of RCS Telecommunications, a contingent consideration has been agreed. Additional cash payments shall be payable to the previous owners upon meeting respective profit targets for a period of 12 months and 24 months after the acquisition date.

As at the acquisition date, the fair value of the contingent consideration was estimated at \$4,037,000. There is no change in the fair value as at year end and this amount has been recognised as a deferred cash settlement at year end.

Acquisition of business in United Kingdom

In July 2019, a wholly-owned subsidiary of the Group, CSE Crosscom UK Limited entered into a business sale agreement for the acquisition of assets and business of Chatterbox Ltd for a cash consideration of GBP 552,000 (approximately \$949,000) in the United Kingdom.

The acquisition allowed the Group to continue to expand its business in the provision of two-way radio communication products and services in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Acquisition of businesses in 2019 (cont'd)

Acquisition of business in United Kingdom (cont'd)

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

	Fair value recognised on acquisition \$'000
Property, plant and equipment	1,019
Customer relationships	85
Trade and other receivables	473
Inventories	168
	<hr/>
Total assets	1,745
	<hr/>
Trade and other payables	(760)
Loans and borrowings	(529)
Deferred tax liabilities	(16)
Bank overdraft	(45)
	<hr/>
Total liabilities	(1,350)
	<hr/>
Total identifiable net assets at fair value	395
Goodwill arising from acquisition	554
	<hr/>
Cash paid on acquisition	949
Less: bank overdraft	45
Less: deferred cash settlement	(977)
	<hr/>
Net cash outflow on acquisition	17
	<hr/>

Transaction costs

Transaction costs relating to the acquisition of GBP 31,000 (approximately \$54,000) were recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2019.

Goodwill arising from acquisition

The goodwill arising from the acquisition of Chatterbox Ltd comprises the value of strengthening the Group's market position in the telecommunications to the oil & gas, infrastructure and mining industries. None of the goodwill recognised is not expected to be deductible for tax purposes.

Customer relationship arising from acquisition

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Acquisition of businesses in 2019 (cont'd)

Acquisition of business in United Kingdom (cont'd)

Impact on the acquisition on profit or loss

Since the acquisition date, Chatterbox Ltd has contributed GBP 806,000 (or approximately \$1,377,000) of revenue and generated profit for the year of GBP 112,000 (or approximately \$133,000).

If the business combination had taken place at the beginning of the year, revenue contributed would have been GBP 1,612,000 (or approximately \$2,754,000).

Contingent consideration arrangement

As part of the purchase agreement with the previous owner of Chatterbox Limited, a contingent consideration has been agreed. Additional cash payments shall be payable to the previous owners upon meeting profit targets for a period of 48 months after the acquisition date.

As at the acquisition date, the fair value of the contingent consideration was estimated at \$nil. As of 31 December 2019, there is uncertainty as to whether the previous owners will remain in employment 48 months after the acquisition date. As such, no adjustments to the fair value of contingent consideration has been made.

Acquisition of business in United States

In August 2019, a wholly-owned subsidiary of the Group, CSE W-Industries Inc entered into a business sale agreement for the acquisition of assets and business of Volta LLC for a cash consideration of USD 24,766,000 (approximately \$34,379,000) in the United States.

The acquisition allowed the Group to continue to expand its business in the provision of electrical control system and system integration services in the United States.

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

	Fair value recognised on acquisition \$'000
Property, plant and equipment	2,223
Customer relationships	6,375
Order backlog	1,918
Cash and bank balances	153
Trade and other receivables	17,319
Contract assets	7,187
Inventories	266
Total assets	<u>35,441</u>
Trade and other payables	(12,172)
Contract liabilities	(6,844)
Total liabilities	<u>(19,016)</u>
Total identifiable net assets at fair value	16,425
Goodwill arising from acquisition	<u>17,954</u>
Cash paid on acquisition	34,379
Less: cash and bank balances	(153)
Less: deferred cash settlement	<u>(2,973)</u>
Net cash outflow on acquisition	<u>31,253</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Acquisition of businesses in 2019 (cont'd)

Acquisition of business in United States (cont'd)

Transaction costs

Transaction costs relating to the acquisition of USD 405,000 (approximately \$555,000) were recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2019.

Goodwill arising from acquisition

The goodwill arising from the acquisition of Volta LLC comprises the value of strengthening the Group's market position in energy and petrochemical industries. None of the goodwill recognised is expected to be deductible for tax purposes.

Intangibles arising from acquisition

Arising from the finalisation of the purchase price allocation exercise of the acquisition, customer relationship and order backlog have been identified as intangible assets arising from the acquisition. The carrying value of the intangible assets at acquisition date represents the fair value determined by the independent valuer.

Impact on the acquisition on profit or loss

Since the acquisition date, Volta LLC has contributed USD 22,775,000 (or approximately \$30,737,000) of revenue and generated profit for the year of USD 3,099,000 (or approximately \$4,182,000).

If the business combination had taken place at the beginning of the year, revenue contributed would have been USD 79,705,000 (or approximately \$107,570,000).

As the accounting policies and practices adopted by Volta, LLC prior to acquisition is different from the Group, it is impracticable to determine the contribution of Volta, LLC would have made to the Group's profit or loss assuming that the acquisition had taken place since the start of the financial year.

Acquisition of businesses in 2018

Acquisition of business in Australia

In September 2018, a wholly-owned subsidiary of the Group, CSE Crosscom Pty Ltd entered into a business sale agreement for the acquisition of assets and business of Bus Communications for a consideration of AUD200,000 (approximately \$200,000).

The acquisition allowed the Group to continue to expand its business in the provision of two way radio communication products and services in Australia.

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

	Fair value recognised on acquisition \$'000
Customer relationships	200
Total identifiable net assets at fair value	200
Goodwill arising from acquisition	-
Cash paid on acquisition, representing net cash outflow on acquisition	200

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Acquisition of businesses in 2018 (cont'd)

Acquisition of business in Australia (cont'd)

Goodwill arising from acquisition

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

Customer relationship arising from acquisition

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

Impact on the acquisition on profit or loss

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

Amounts due from/(to) subsidiaries

	Company	
	2019	2018
	\$'000	\$'000
Amounts due from subsidiaries, current:-		
Trade	4,631	6,006
Non-trade	112,117	1,650
Short term loans	28,332	14,518
	145,080	22,174

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

	Company	
	2019	2018
	\$'000	\$'000
United States Dollars	10,756	4,322
British Pounds Sterling	1,431	-
Australia Dollars	16,154	15,666
Amounts due to subsidiaries, current:-		
Trade	4,174	828
Non-trade	628	613
Short term loans	16,597	77,412
	21,399	78,853

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

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

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

	Company	
	2019	2018
	\$'000	\$'000
United States Dollars	567	58,976

The trade and non-trade amounts due from/(to) subsidiaries are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

The short term loans due from subsidiaries bear interest at 3.5% to 3.6% (SGD), 3.4% to 6.0% (USD), 5.0% (GBP) and 2.5% to 3.8% (AUD) per annum (2018: 3.3% to 4.1% (USD) and 3.4% to 3.8% (AUD)).

The short term loans due to subsidiaries bear interest at 1.8% (SGD) per annum (2018: 1.5% (USD), 1.8% (SGD)).

6. Other investments

	Group and Company	
	2019	2018
	\$'000	\$'000
Non-current:		
At fair value through profit or loss		
- Equity securities (unquoted)	-	-
At amortised cost		
- Debt securities	1,284	1,290
	<u>1,284</u>	<u>1,290</u>

Debt securities measured at amortised cost bear interest at 4.05% (2018: 4.05%) per annum and will mature in 5.93 years (2018: 6.93 years).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. Intangible assets

Group	Goodwill \$'000	Sales order backlog \$'000	Non- compete agreement \$'000	Licences \$'000	Intellectual property rights \$'000	R&D assets \$'000	Customer relation- ships \$'000	Total \$'000
Cost:								
At 1 January 2018	50,113	401	1,945	1,612	4,440	–	7,033	65,544
Currency realignment	(676)	(1)	42	–	(170)	–	(183)	(988)
Additions	–	–	–	–	95	–	–	95
Acquisition of businesses	325	–	–	–	–	–	546	871
At 31 December 2018 and 1 January 2019	49,762	400	1,987	1,612	4,365	–	7,396	65,522
Currency realignment	(528)	(57)	(25)	–**	317	(190)	(328)	(811)
Additions*	–	–	–	190	–	6,147	–	6,337
Acquisition of businesses (Note 5)	23,890	1,918	–	–	–	–	7,263	33,071
Disposal of a subsidiary (Note 24)	(8,984)	–	–	–	(4,651)	–	–	(13,635)
At 31 December 2019	64,140	2,261	1,962	1,802	31	5,957	14,331	90,484
Accumulated amortisation and impairment loss:								
At 1 January 2018	32,558	385	390	806	1,919	–	1,876	37,934
Currency realignment	100	3	8	–	(93)	–	(138)	(120)
Amortisation for the year	–	8	196	161	493	–	895	1,753
At 31 December 2018 and 1 January 2019	32,658	396	594	967	2,319	–	2,633	39,567
Currency realignment	378	(23)	(8)	(1)	181	–	(60)	467
Amortisation for the year	–	1,291	199	193	234	–	1,367	3,284
Disposal of a subsidiary (Note 24)	(8,984)	–	–	–	(2,704)	–	–	(11,688)
At 31 December 2019	24,052	1,664	785	1,159	30	–	3,940	31,630

* Included in additions is \$3,396,000 of R&D assets arising from the acquisition of Blackstar Services, LLC recognised in the "Acquisition of businesses and assets, net of cash" line item in the Group's cash flow statement for year ended 31 December 2019.

** Denotes amounts less than \$1,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. Intangible assets (cont'd)

Group	Goodwill \$'000	Sales order backlog \$'000	Non- compe- te agree- ment \$'000	Licences \$'000	Intellectual property rights \$'000	R&D assets \$'000	Customer relation- ships \$'000	Total \$'000
Net carrying value:								
At 31 December 2019	40,088	597	1,177	643	1	5,957	10,391	58,854
At 31 December 2018	17,104	4	1,393	645	2,046	–	4,763	25,955
Remaining amortisation period (years):								
At 31 December 2019	NA	1	6	3.5 - 4	1	–	1 - 12	NA
At 31 December 2018	NA	2	7	4	8	–	2 - 13	NA

Licences

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

Intellectual property rights

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

Research & Development assets ("R&D assets")

R&D assets relate to the acquisition and development of a prototype for a water treatment system.

Company	Licences \$'000
Cost:	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,612
Accumulated amortisation:	
At 1 January 2018	806
Amortisation for the year	161
At 31 December 2018 and 1 January 2019	967
Amortisation for the year	161
At 31 December 2019	1,128
Net carrying value:	
At 31 December 2019	484
At 31 December 2018	645

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. Intangible assets (cont'd)

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to the Group's cash-generating units (CGU) identified according to each individual business unit for impairment testing. The carrying amounts of goodwill less accumulated impairment losses are allocated as follows:-

	Group	
	2019	2018
	\$'000	\$'000
CSE W-Industries, Inc.		
– CC American Oilfield, LLC	3,571	3,616
– Gulf Coast Power & Control of Louisiana, LLC	1,598	1,618
– Volta, LLC	17,454	–
CSE-Global (Australia) Pty Ltd		
– Uniserve Group	5,207	5,324
– CSE New Zealand Ltd	1,152	1,169
– Telecommunications business	4,784	4,891
– RCS Telecommunications	5,282	–
CSE-Global (Asia) Pte Ltd		
– CSE-EIS (Malaysia) Sdn Bhd	486	486
CSE Crosscom UK group		
– Chatterbox Ltd	554	–
	40,088	17,104

The recoverable amounts of the CGUs are determined based on value-in-use calculations. The value-in-use calculations use 5-year cash flow projections based on financial forecasts approved by management. Management has considered and determined the factors applied in these financial budgets which include forecasted gross margins and average growth rates. The forecasted gross margins are based on past performance and its expectation of market development. Average growth rates of 1% to 15% (2018: 8% to 15%) used are consistent with forecasts based on existing contracts and book orders. The discount rate applied are assumed at 8% to 8.05% (2018: 9.2% to 10.2%) for value-in-use calculations, which approximates the Group weighted average cost of capital.

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

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

Discount rates - Discount rate used reflecting management's estimate of the risks and the expected returns after tax from the CGUs.

Sensitivity to changes in assumptions

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

If the management's estimated discount rate applied to the cash flow projections had been increased by 1% to 3% (2018: 0.8% to 3.3%), this would result in a 13% to 33% (2018: 3% to 15%) decrease to the recoverable amount of the CGU, which would still be in excess of the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8. Deferred tax assets/(liabilities)

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deferred tax assets	2,564	3,073	907	1,138
Deferred tax liabilities	(360)	(481)	-	-
	<u>2,204</u>	<u>2,592</u>	<u>907</u>	<u>1,138</u>

This can be analysed as follows :-

Deferred tax assets:

Differences in depreciation and amortisation and donations	-	8	-	-
Provisions	3,185	2,569	509	272
Unutilised tax losses and capital allowances	527	672	-	-
Revenue recognised on accrual basis	1,176	1,246	1,176	1,246
Gross deferred tax assets	<u>4,888</u>	<u>4,495</u>	<u>1,685</u>	<u>1,518</u>

Deferred tax liabilities:

Differences in depreciation and amortisation and donations	(2,063)	(1,648)	(778)	(380)
Provisions	(154)	(138)	-	-
Fair value adjustments on acquisition of businesses	(402)	-	-	-
Other deferred tax liabilities	(65)	(117)	-	-
Gross deferred tax liabilities	<u>(2,684)</u>	<u>(1,903)</u>	<u>(778)</u>	<u>(380)</u>
Net deferred tax assets	<u>2,204</u>	<u>2,592</u>	<u>907</u>	<u>1,138</u>

Recognised tax losses, capital allowance and donations

As at 31 December 2019, the Group has \$2,110,000 (2018: \$2,690,000) recognised tax losses and capital allowances and no unutilised donations (2018: \$60,000) available for offset against future taxable profits of the companies in which the losses and donations arose. Donations are further eligible for a 250% enhanced deduction. The use of the tax losses and donations are subject to the agreement of the tax authorities and compliance with tax regulations of the respective countries in which the subsidiary companies operate. As at 31 December 2019, \$2,110,000 (2018: \$2,577,000) of the recognised tax losses will expire between 1 and 5 years.

Unused tax losses for which no deferred tax asset is recognised

At the end of the reporting period, the Group has tax losses of approximately \$41,595,000 (2018: \$48,366,000) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Unrecognised temporary differences relating to investment in subsidiaries

At the end of the reporting period, no deferred tax liability (2018: \$Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has control over the distribution of the earnings and has determined that undistributed earnings of the subsidiaries will not be distributed in the foreseeable future.

Tax consequences of proposed dividends

There are no income tax consequences (2018: \$Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 33).

9. Contract assets and contract liabilities

Information about contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group		
	2019	31 Dec 2018	1 Jan 2018
	\$'000	\$'000	\$'000
Contract assets	45,781	34,327	63,343
Contract liabilities	(22,619)	(11,935)	(15,061)
	<u>23,162</u>	<u>22,392</u>	<u>48,282</u>

The Group has not recognised any impairment losses on receivables arising from contracts with customers for the year ended 31 December 2019 (2018: \$434,000).

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for project revenue. Contract assets are transferred to receivables when the rights become unconditional. Contract assets at the beginning of each of the financial years were substantially billed during the financial year.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for project revenue.

Contract liabilities are recognised as revenue as the Group performs under the contract. Contract liabilities at the beginning of each financial years were substantially recognised as revenue during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. Inventories

	Group	
	2019 \$'000	2018 \$'000
Balance sheet:		
Spare parts	6,216	6,917
Trading goods	14,510	9,289
Inventories in transit	932	284
Total inventories at lower of cost and net realisable value	<u>21,658</u>	<u>16,490</u>
Income statement:		
Inventories recognised as an expense in profit or loss		
Inventories recognised as an expenses in cost of sales	228,078	226,709
Allowance for stock obsolescence made during the year, net	414	267

11. Trade and other receivables

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade receivables	106,075	64,891	3,607	609
Other receivables	1,379	1,723	16	21
Accrued sales	19,165	14,477	-	-
Refundable deposits	372	392	142	142
Staff advances	68	44	-	-
GST receivables	873	317	-	-
Total trade and other receivables	127,932	81,844	3,765	772
Add :				
Amounts due from subsidiaries (Note 5)	-	-	145,080	22,174
Cash and bank balances (Note 12)	58,638	74,051	2,102	9,389
Less :				
GST receivables	(873)	(317)	-	-
Total financial assets carried at amortised cost	<u>185,697</u>	<u>155,578</u>	<u>150,947</u>	<u>32,335</u>

The opening balance of trade receivables as at 1 January 2018 is \$79,112,000.

Trade receivables arise from contracts with customers and are non-interest bearing and are generally on 30-day to 120-day terms (2018: 30-day to 120-day terms). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

	Group	
	2019 \$'000	2018 \$'000
United States Dollars	<u>1,830</u>	<u>1,700</u>

None of the Company's trade and other receivables are denominated in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. Trade and other receivables (cont'd)

Staff advances

Staff advances are unsecured and non-interest bearing.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables and contract assets computed based on lifetime ECL are as follows:

	Group			
	Trade receivables		Contract assets	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Movement in allowance accounts				
At 1 January	1,670	19,770	–	1,760
(Write-back of allowance) / charge for the year, net	(36)	1,966	–	434
Written off	(300)	(20,474)	–	(2,194)
Currency realignment	(6)	408	–	–
At 31 December	<u>1,328</u>	<u>1,670</u>	<u>–</u>	<u>–</u>

There is no expected credit loss made on the Company's trade receivables on 1 January 2019 and 31 December 2019.

12. Cash and bank balances

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Short-term deposits	3,392	4,819	–	–
Cash at banks and on hand	47,259	69,232	2,102	9,389
Restricted cash from acquisition of subsidiaries	7,987	–	–	–
	<u>58,638</u>	<u>74,051</u>	<u>2,102</u>	<u>9,389</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 6 months and one year (2018: 6 months and one year) depending on the immediate cash requirements of the Group, and earn interest ranging from 1.45% to 7.30% (2018: 2% to 6.85%) per annum.

The fixed deposits qualify as cash equivalents because there is effectively no penalty for early withdrawal as the interest earned is substantially consistent with what the Group would have earned on a similar deposit type for a similar term of less than three months.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. Cash and bank balances (cont'd)

Cash and short-term deposits denominated in foreign currencies other than functional currencies of respective entities at 31 December are as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
United States Dollars	1,864	3,498	666	2,798
British Pounds Sterling	473	1,519	37	209
Australian Dollars	71	345	71	343
Euro	428	482	111	116
Singapore Dollars	2,742	103	–	–

Included in cash and bank balances are funds held in escrow amounting to \$7,987,000 (2018: NIL) which are not freely remissible for use by the Group.

13. Trade payables and accruals

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current:				
Trade payables	42,218	18,096	234	90
Accruals	29,279	26,414	4,032	4,262
	71,497	44,510	4,266	4,352
Non-current:				
Accruals	2,372	326	–	–
Total trade payables and accruals	73,869	44,836	4,266	4,352
Add :				
Amounts due to subsidiaries (Note 5)	–	–	21,399	78,853
Lease liabilities (Note 27)	15,022	–	4,038	–
Finance lease	–	27	–	–
Loans and borrowings (Note 14)	103,140	36,125	103,140	36,125
Total financial liabilities carried at amortised cost	192,031	80,988	132,843	119,330

Trade payables and accruals are non-interest bearing and are normally settled on 60-day terms (2018: 60-day terms).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. Trade payables and accruals (cont'd)

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
United States Dollars	4,330	3,888	218	371
British Pounds Sterlings	25	29	-	-
Australian Dollars	7	34	7	23
Euro	271	505	-	-
Singapore Dollars	5,688	322	-	-

14. Loans and borrowings

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Short term loans, unsecured				
- Singapore Dollars	16,700	13,300	16,700	13,300
- United States Dollars	41,365	13,666	41,365	13,666
- Australian Dollars	14,709	9,159	14,709	9,159
	72,774	36,125	72,774	36,125
Long term loan, unsecured				
- United States Dollars	30,366	-	30,366	-
Total loans and borrowings	103,140	36,125	103,140	36,125

The unsecured loans of the Company and the Group bear interest at 1.54% to 3.42% (2018: 2.65% to 3.07%) per annum.

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

	Group and Company			
	2018 \$'000	Cash flows \$'000	Non-cash changes Foreign exchange movement \$'000	2019 \$'000
Short term loans	36,125	36,368	281	72,774
Long term loans	-	30,648	(282)	30,366
	36,125	67,016	(1)	103,140

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Loans and borrowings (cont'd)

	Group and Company			2018 \$'000
	2017 \$'000	Cash flows \$'000	Non-cash changes Foreign exchange movement \$'000	
Short term loans	31,408	4,711	6	36,125

15. Provision for warranties

	Group	
	2019 \$'000	2018 \$'000
At 1 January	467	819
Currency realignment	(8)	3
Disposal of subsidiary	(107)	-
Provision/ (write-back) for warranties made, net	310	(222)
Provision utilised	(5)	(133)
At 31 December	657	467

Provision for warranties relates to estimated costs for possible rectification work during the warranty period of the Group's projects. The provision for such costs is based on estimates made from historical data associated with similar projects. Upon the expiry of the warranty period, the Group would proceed to write back any unused portion of the warranty provision.

16. Share capital and treasury shares

(a) Share Capital

	Group and Company			
	2019		2018	
	No of shares '000	No of Shares \$'000	No of Shares '000	No of Shares \$'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	516,068	98,542	516,068	98,542

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. Share capital and treasury shares (cont'd)

(b) Treasury shares

	Group and Company			
	2019		2018	
	No of shares '000	\$'000	No of shares '000	\$'000
At 1 January	(7,178)	(3,327)	-	-
Acquired during the financial year	(4,000)	(2,131)	(7,178)	(3,327)
Re-issuance of treasury shares	3,060	1,419	-	-
At 31 December	(8,118)	(4,039)	(7,178)	(3,327)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

The Company acquired 4,000,000 (2018: 7,177,500) shares in the Company through purchase on the Singapore Exchange at a range of \$0.52 to \$0.54 per share during the financial year. The total amount paid to acquire the shares was \$2,131,000 (2018: \$3,327,000) and this was presented as a component within shareholders' equity.

The Company re-issued 3,060,000 (2018: Nil) treasury shares pursuant to its Performance Shares Plan during the financial year at a weighted average price of \$0.46 (2018: \$Nil) each. The total fair value of the shares was \$1,419,000 (2018: \$Nil).

(c) Share-based payment reserve

Share-based payment reserve represents the equity-settled compensation under the CSE Performance Share Plan. The reserve is made up of the cumulative value of services received from employees that has vested during the year.

17. Other reserves

Other reserves comprised the differences in share prices resulting from the re-issuance of treasury shares (\$26,000) and premium paid on acquisition of non-controlling interests from the purchase of Transtel Arabia Limited Co and Transtel Engineering (M) Sdn Bhd of approximately \$9,876,000 and (\$32,000) (2018: \$9,876,000 and (\$32,000) respectively).

18. Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. Revenue

(a) Disaggregation of revenue

Segments	Contract revenue		Time and material revenue		Maintenance revenue		Equipment rental		Total revenue	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Primary geographical										
Asia-Pacific	41,238	12,822	89,932	83,003	20,632	18,847	13,318	13,531	165,120	128,203
Americas	130,090	89,993	145,434	145,687	3,914	3,013	-	-	279,438	238,693
Europe/Middle East	4,643	6,018	1,317	-	538	574	700	-	7,198	6,592
	<u>175,971</u>	<u>108,833</u>	<u>236,683</u>	<u>228,690</u>	<u>25,084</u>	<u>22,434</u>	<u>14,018</u>	<u>13,531</u>	<u>451,756</u>	<u>373,488</u>
Timing of transfer of goods or services										
At a point in time	-	-	236,683	228,690	-	-	-	-	236,683	228,690
Over time	<u>175,971</u>	<u>108,833</u>	<u>-</u>	<u>-</u>	<u>25,084</u>	<u>22,434</u>	<u>14,018</u>	<u>13,531</u>	<u>215,073</u>	<u>144,798</u>
	<u>175,971</u>	<u>108,833</u>	<u>236,683</u>	<u>228,690</u>	<u>25,084</u>	<u>22,434</u>	<u>14,018</u>	<u>13,531</u>	<u>451,756</u>	<u>373,488</u>

(b) Recognition of project revenue over time

For the project revenue where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the projects. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the projects.

The determination of total budgeted costs, progress towards completion, variation orders and claims and remaining costs to completion for each contract requires significant management judgement and estimation. Management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its other similar projects, analysed by different geographical areas for the past years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. Other non-operating income

	Group	
	2019	2018
	\$'000	\$'000
Miscellaneous income	774	235
Foreign exchange gain, net	943	1,211
	1,717	1,446

21. Finance income

	Group	
	2019	2018
	\$'000	\$'000
Interest income from:		
– Short-term deposits	249	237
– Held-to-maturity investment	51	41
	300	278

22. Finance costs

	Group	
	2019	2018
	\$'000	\$'000
Interest expense on bank loans	1,792	835
Accretion of interest on lease liabilities	348	–
	2,140	835

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. Profit before tax from continuing operations

The following items have been included in arriving at profit before tax from continuing operations: -

	Group	
	2019	2018
	\$'000	\$'000
Audit services paid to: -		
- Auditor of the Company		
- Annual audit	357	297
- Others	40	40
- Other auditors of subsidiaries	216	170
Non-audit services paid to: -		
- Auditor of the Company	169	83
- Other auditors of subsidiaries	211	5
Depreciation of property, plant and equipment (Note 4)	6,577	6,026
Gain on disposal of property, plant and equipment	(284)	(288)
Depreciation of right to use assets	3,732	-
Property, plant and equipment written off	-	1
Amortisation of intangible assets (Note 7)	3,049	1,260
Allowance for stock obsolescence made, net (Note 10)	414	267
Write-down of contract assets	-	434
(Writeback of allowance)/ allowance for expected credit loss on trade receivables (Note 11)	(36)	1,966
Provision for/ (write-back of) warranties made, net (Note 15)	310	(222)
Rental expenses	1,846	2,609
Personnel and related costs comprising: -		
Salaries and bonuses	31,774	25,331
Share based compensation *	1,742	1,393
Employees' provident fund	2,613	2,342
Other personnel and related costs	23,813	18,139
Directors' fees		
- Directors of the Company	493	355

* Under the performance share plan, the Group awards the performance shares by taking into account the profitability of the year. Accordingly, \$1.74 million was accrued under share payment reserve upon achieving the full year target.

In February 2020, a total of 3,197,070 performance shares ("Performance Shares") were awarded to the Executive Director and key management personnel of the Company (the "Participants") for their performance in FY2019.

Part of the Performance Shares awarded are subject to a moratorium period of 1 to 3 years from the date of award against any disposal or sale and/or other dealings in the shares.

The Performance Shares were released to the Participants via the release of Treasury shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. Discontinued operation

In August 2019, the Group entered into a sale agreement to dispose its 80% interest in its subsidiary, S3 ID Pte. Ltd ("S3 ID") and its subsidiaries (collectively, the "S3 ID Group") to its minority shareholder, at its carrying value. The disposal consideration was fully settled in cash. The disposal was completed on 30 August 2019, on which date control of S3 ID was passed to the acquirer.

As at 31 December 2019, the results S3 ID Group are presented separately on profit or loss as "Loss from discontinued operation, net of tax".

Balance sheet disclosures

The value of assets and liabilities of S3 ID Group at the date of disposal were:

	2019 \$'000
Right-to-use assets	822
Property, plant and equipment	15
Intangible assets	1,947
Contract assets	275
Inventories	108
Trade and other receivables	2,192
Prepaid operating expenses	210
Tax receivables	36
Cash and bank balances	254
Total assets	<u>5,859</u>
Lease liabilities	(871)
Contract liabilities	(196)
Trade payables and accruals	(550)
Provision for warranties	(107)
Deferred tax liabilities	(141)
Total carrying value of net assets	<u>3,994</u>
Non-controlling interest measured based on proportionate share of net identifiable assets	<u>(914)</u>
Net assets	<u>3,080</u>
Cash consideration	3,840
Cash and bank balances of the subsidiary	(254)
Net cash inflow on disposal of a subsidiary	<u><u>3,586</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. Discontinued operation (cont'd)

Gain on disposal:

	2019
	\$'000
Cash received	3,840
Net assets derecognised	(3,080)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	(65)
Gain on disposal	<u>695</u>

Income statement disclosures

The results of S3 ID Group for the years ended 31 December are as follows:

	Group	
	2019	2018
	\$'000	\$'000
Revenue	1,549	3,299
Expenses	(2,532)	(5,168)
Loss from operations	(983)	(1,869)
Interest expense	(12)	-
Other non-operating items	70	65
Gain on disposal	695	-
Loss before tax from discontinued operation	(230)	(1,804)
Tax credit	-	19
Loss from discontinued operation, net of tax	<u>(230)</u>	<u>(1,785)</u>
Attributable to:-		
Owners of the Company	118	(1,139)
Non-controlling interests	(348)	(646)
	<u>(230)</u>	<u>(1,785)</u>

Earnings/(loss) per share disclosures

Earnings/(loss) per share from discontinued operation attributable to owners of the Company (cents per share)

Basic EPS	<u>0.02</u>	<u>(0.22)</u>
Diluted EPS	<u>0.02</u>	<u>(0.22)</u>

The basic and diluted loss per share from discontinued operation are calculated by dividing the profit/(loss) from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These losses and share data are presented in the tables in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. Discontinued operation (cont'd)

Cash flow statement disclosures

The cash flows attributable to S3 ID Group are as follows:

	Group	
	2019	2018
	\$'000	\$'000
Operating	(1,073)	(1,408)
Investing	3,586	(95)
Net cash inflow/(outflow)	<u>2,513</u>	<u>(1,503)</u>

25. Income tax expense

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

	Group	
	2019	2018
	\$'000	\$'000
<u>Current income tax</u>		
Current income taxation		
– Singapore	2,225	1,225
– Foreign	4,868	6,377
(Over)/under provision in respect of previous years	(94)	180
	<u>6,999</u>	<u>7,782</u>
<u>Deferred income tax</u>		
Origination and reversal of temporary differences		
– Singapore	316	889
– Foreign	(1,419)	(3,437)
Write-down of deferred tax assets	144	–
(Over)/under provision in respect of previous years	(49)	70
	<u>(1,008)</u>	<u>(2,478)</u>
Income tax expense	5,991	5,304
Withholding tax	115	1,353
Income tax expense attributable to continuing operations	6,106	6,657
Income tax credit attributable to discontinued operation (Note 24)	–	(19)
Income tax expense recognised in the statement of comprehensive income	<u>6,106</u>	<u>6,638</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

25. Income tax expense (cont'd)

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

	Group	
	2019	2018
	\$'000	\$'000
Profit before tax from continuing operations	29,995	27,883
Loss before tax from discontinued operation (Note 24)	(230)	(1,804)
Profit before tax	<u>29,765</u>	<u>26,079</u>
Taxation at statutory tax rate of 17% (2018:17%)	5,060	4,433
Adjustments :		
Different effective tax rates of other countries	1,406	1,812
Expenses not deductible for tax purposes	761	764
Benefits from previously unrecognised tax losses	(1,255)	(1,492)
Income not subject to taxation	(298)	(761)
Effect of tax deductions and reliefs	(278)	(617)
Deferred tax assets not recognised	439	701
Write-down of deferred tax assets	144	-
(Over)/ under provision in respect of previous year	(143)	250
Withholding tax	115	1,353
Others	111	195
	<u>6,106</u>	<u>6,638</u>

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction. The statutory tax rate applicable to the companies incorporated in Singapore, United States of America and Australia were 17%, 21% and 30% respectively for year of assessment 2019 (2018: 17%, 25% and 30%).

26. Earnings per share

Basic earnings per share amounts are calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2019	2018
	\$'000	\$'000
Profit for the year attributable to owners of the Company	24,054	20,105
(Profit)/loss from discontinued operation, net of tax, attributable to owners of the Company	(118)	1,139
Profit from continuing operations, net of tax, attributable to owners of the Company	<u>23,936</u>	<u>21,244</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26. Earnings per share (cont'd)

	No. of shares*	
	2019 '000	2018 '000
Weighted average number of shares for basic earnings per share computation:-		
Outstanding during the year	508,890	516,068
Weighted effect of changes in treasury share	(755)	(3,229)
	<u>508,135</u>	<u>512,839</u>

Diluted earnings per share

The weighted average number of ordinary shares adjusted for the effect of all dilutive potential ordinary shares is determined as follows:-

	No. of shares*	
	2019 '000	2018 '000
Weighted average number of shares outstanding during the year, used in the computation of diluted earnings per share	<u>516,068</u>	<u>516,068</u>

* Rounded to the nearest thousand.

27. Leases - As a lessee

The Group has entered into leases for buildings, tools & equipment, office furniture & fittings, computer equipment and motor vehicles. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension options, which are further discussed below.

The Group also has certain leases with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below the carrying amounts of right-to-use assets are recognised and the movements during the financial year:

Group	Buildings	Tools and equipment	Office furniture and fittings	Computer equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2019 (restated)	12,864	-	110	138	435	13,547
Currency realignment	(192)	2	(1)	(1)	(5)	(197)
Additions	3,100	296	61	68	267	3,792
Acquisition of businesses (Note 5)	1,249	-	-	-	-	1,249
Disposal of a subsidiary	(822)	-	-	-	-	(822)
Depreciation expenses	(3,295)	(111)	(40)	(73)	(213)	(3,732)
Reclassification	(3)	-	-	-	3	-
At 31 December 2019	<u>12,901</u>	<u>187</u>	<u>130</u>	<u>132</u>	<u>487</u>	<u>13,837</u>
Lease term (years)	1 - 10	2 - 6	3 - 5	2 - 5	2 - 4	NA

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. Leases – As a lessee (cont'd)

Company	Buildings \$'000	Office furniture and fittings \$'000	Total \$'000
At 1 January 2019 (restated)	3,952	107	4,059
Depreciation expenses	(533)	(34)	(567)
At 31 December 2019	3,419	73	3,492
Lease term (years)	10	5	NA

Set out below are the carrying amounts of lease liabilities and the movements during the financial year:

	Group 2019 \$'000	Company 2019 \$'000
At 1 January 2019 (restated)	14,418	4,499
Currency realignment	(903)	–
Additions	3,792	–
Acquisition of businesses (Note 5)	1,335	–
Disposal of a subsidiary	(871)	–
Accretion of interest	348	121
Payments	(3,097)	(582)
At 31 December 2019	15,022	4,038
	Group 2019 \$'000	Company 2019 \$'000
Current	4,288	486
Non-current	10,734	3,552
	15,022	4,038

Effective interest rates

The weighted average effective interest rate of the leases is 3.68% and 3.25% per annum at the balance sheet date for the Group and Company respectively.

The following are the amounts recognised in profit or loss:

	Group 2019 \$'000	Company 2019 \$'000
Depreciation expense of right-of-use assets	3,732	567
Interest expense on lease liabilities	348	111
Expense relating to short-term leases (included in cost of sales and administrative expense)	1,731	35
Total amount recognised in profit or loss attributable to continuing operations	5,811	713

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. Leases – As a lessee (cont'd)

The Group had total cash outflows for leases of \$4,942,000 in 2019.

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (see Note 2.4).

28. Segment information

For management purpose, the Group is organised into three operating segments based on their geographical locations, namely Asia Pacific, Americas and Europe/Middle East. The geographical segments are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

Geographical segment information

The following table presents revenue, and adjusted profit/(loss) before interest and tax information regarding geographical segments for the years ended 31 December 2019 and 2018:

	Asia-Pacific*		Americas		Europe/Middle East		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	165,120	128,203	279,438	238,693	7,198	6,592	451,756	373,488
Profit/(loss) before interest and tax	16,416	14,646	14,708	17,111	711	(3,317)	31,835	28,440

The following table presents non-current assets information regarding geographical segments at 31 December 2019 and 2018:

	Asia-Pacific*		Americas		Europe/Middle East		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets	33,163	27,697	82,187	24,377	1,744	2,079	117,094	54,153

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. Related party transactions

(a) *Related party transactions*

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

	Group	
	2019	2018
	\$'000	\$'000
Management fee received	6,949	7,565
Royalties/licensing/agency fees received	41	33
Interest received	764	525
Rental income received	653	646
Sales commission received	1,110	898
Dividend received	121,367	18,070
Interest paid	(920)	(1,183)

Related companies:

These are subsidiaries of CSE Global Limited.

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

	Group	
	2019	2018
	\$'000	\$'000
Short-term employee benefits	4,898	5,938
Share based compensation	1,742	1,393
Central Provident Fund contributions	56	80
Directors fees	493	355
	<u>7,189</u>	<u>7,766</u>
Comprise amounts paid to:		
Directors of the Company	2,776	2,103
Other key management personnel	4,413	5,663
	<u>7,189</u>	<u>7,766</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

30. Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans, cash and bank balances. The main purpose of these financial instruments is to finance the Group's operations. All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors resolutions and banking mandates which define the permitted financial instruments and facilities limits, approved by the Board of Directors. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables, trade payables and lease liabilities which arise directly from its operations.

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

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Singapore Dollar (SGD), United States Dollar (USD), British Pound (GBP), Euro (EUR), and Australia Dollar (AUD). Approximately 99% (2018: 99%) of the Group's sales and approximately 82% (2018: 84%) of costs including taxes are denominated in the respective functional currencies of the Group entities. The Group's trade receivables and trade payables balances at the end of the reporting period have similar exposures with 96% (2018: 98%) and 73% (2018: 89%) denominated in their respective functional currencies.

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

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

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a 1% (2018: 1%) change in the USD, GBP, AUD, EUR and SGD remain exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2019 Profit before tax \$'000	2018 Profit before tax \$'000
USD/SGD	Strengthened	(744)	150
	Weakened	744	(150)
GBP/SGD	Strengthened	5	15
	Weakened	(5)	(15)
AUD/SGD	Strengthened	(146)	95
	Weakened	146	(95)
EUR/SGD	Strengthened	2	(229)
	Weakened	(2)	229
SGD/USD	Strengthened	(20)	(2)
	Weakened	20	2

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and contract assets. For other financial assets (including other investment and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

In respect of credit risk arising from the inability of customers of the Group to make payments when their receivables fall due, it is the Group's policy to provide credit terms to creditworthy and reputable customers. These receivables are monitored on an ongoing basis to ensure that issues arising from non-collectability are minimised.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 365 days when they fall due, which are derived based on the Group's historical information.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

(a) Debt securities at amortised cost

The Group uses three categories of internal credit risk ratings for debt instruments and loans which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are determined through incorporating both qualitative and quantitative information that builds on information specific to the counterparty and other external information that could affect the counterparty's behaviour.

The Group compute expected credit loss for this group of financial assets using the probability of default approach. In calculating the expected credit loss rates, the Group considers implied probability of default and historical loss rates for each category of counterparty, and adjusts for forward looking macroeconomic data.

The Group uses the 12-month expected credit loss ("ECL") model to recognise the ECL provision for trade receivables and contract assets, and uses the lifetime ECL model to recognise ECL provision for loans and interest and/or principal repayments that are 365 days past due.

There are no significant changes to estimation techniques or assumptions made during the reporting period.

As at 31 December 2019, the loss allowance provision for debt securities at amortised cost is nil. The gross carrying amount of debt securities at amortised cost, without taking into account of any collaterals held or other credit enhancements which represents the maximum exposure to loss, is \$1,284,000 (2018: \$1,290,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Credit risk (cont'd)

(b) Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables, and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2019 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Information regarding loss allowance movement of trade receivables and contract assets are disclosed in Note 11 and Note 9.

During the financial year, the Group wrote-off \$300,000 of trade receivables as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group		Group	
	2019 \$'000	% of total	2018 \$'000	% of total
By geographical segments:				
Asia-Pacific	28,788	27	25,620	39
Americas	76,057	72	38,001	59
Europe/Middle East/Africa	1,230	1	1,270	2
Total	106,075	100	64,891	100

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy receivables with good payment record with the Group. Cash and bank balances and debt securities are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11 and Note 6.

The Group has no significant concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, interest-bearing loans given to related companies and bank deposits. The Company's loans at floating rate given to related parties form a natural hedge for its current floating rate bank loan. All of the Group's and Company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 6 months (2018: less than 6 months) from the balance sheet date.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a 1% (2018: 1%) change in the interest rates with all other variables held constant on the Group's profit before tax.

		Group	
		2019	2018
		Profit	Profit
		before tax	before tax
		\$'000	\$'000
SGD	Increase in 1% interest rate	(165)	(132)
	Decrease in 1% interest rate	165	132
USD	Increase in 1% interest rate	(704)	(76)
	Decrease in 1% interest rate	704	76
GBP	Increase in 1% interest rate	4	26
	Decrease in 1% interest rate	(4)	(26)
AUD	Increase in 1% interest rate	(147)	(71)
	Decrease in 1% interest rate	147	71

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

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with 10 different banks. At the end of the reporting period, 70% (2018: 100%) of the Group's loans and borrowings (Note 14) will mature in less than one year based on the carrying amount reflected in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Liquidity risk (cont'd)

The tables below summarise the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	2019				2018			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Debt securities	51	203	1,297	1,551	51	203	1,348	1,602
Trade and other receivables	127,932	-	-	127,932	81,844	-	-	81,844
Cash and bank balances	58,638	-	-	58,638	74,051	-	-	74,051
	186,621	203	1,297	188,121	155,946	203	1,348	157,497
Trade payables and accruals	71,497	-	-	71,497	44,510	-	-	44,510
Lease liabilities	4,605	9,313	2,294	16,212	-	-	-	-
Finance lease	-	-	-	-	8	19	-	27
Loans and borrowings	73,824	32,992	-	106,816	36,247	-	-	36,247
	149,926	42,305	2,294	194,525	80,765	19	-	80,784
Less: GST receivables	(873)	-	-	(873)	(317)	-	-	(317)
Total net undiscounted financial assets/(liabilities)	35,822	(42,102)	(997)	(7,277)	74,864	184	1,348	76,396

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Liquidity risk (cont'd)

Company	2019				2018			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Debt securities	51	203	1,297	1,551	51	203	1,348	1,602
Trade and other receivables	3,765	-	-	3,765	772	-	-	772
Cash and bank balances	2,102	-	-	2,102	9,389	-	-	9,389
Amounts due from subsidiaries	145,080	-	-	145,080	22,174	-	-	22,174
	150,998	203	1,297	152,498	32,386	203	1,348	33,937
Trade payables and accruals	4,266	-	-	4,266	4,352	-	-	4,352
Lease liabilities	593	2,817	1,041	4,451	-	-	-	-
Loans and borrowings	73,824	32,992	-	106,816	36,247	-	-	36,247
Amounts due to subsidiaries	21,399	-	-	21,399	78,853	-	-	78,853
	100,082	35,809	1,041	136,932	119,452	-	-	119,452
Total net undiscounted financial assets/(liabilities)	50,916	(35,606)	256	15,566	(87,066)	203	1,348	(85,515)

31. Fair value of assets and liabilities

The fair value of a financial asset or liability is the amount at which the asset or liability could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and bank balances, trade and other receivables, trade payables and accruals, lease liabilities and loans and borrowings, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. Fair value of assets and liabilities (cont'd)

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

The fair values of financial assets and liabilities which are not carried at fair values in the balance sheet as at 31 December 2019 are represented on the following table:

Group and Company	2019			2018		
	Carrying amount \$'000	Fair value \$'000	Unrecognised gain \$'000	Carrying amount \$'000	Fair value \$'000	Unrecognised loss \$'000
Other investment						
Debt securities (Note 6)	1,284	1,322	38	1,290	1,288	(2)

The fair value of debt securities is determined by reference to their last quoted asking prices at the end of the reporting period.

32. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value. The Group monitors its monthly cash flows and also manages its capital structure and makes adjustments to it, in light of changes in economic condition. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made in objectives, policies and processes during the years ended 31 December 2019 and 31 December 2018.

33. Dividends

	Group and Company	
	2019 \$'000	2018 \$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
– Final exempt (one-tier) dividend for 2018: \$0.015 per share	7,619	–
– Interim exempt (one-tier) dividend for 2019: \$0.0125 per share	6,349	–
– Final exempt (one-tier) dividend for 2017: \$0.015 per share	–	7,741
– Interim exempt (one-tier) dividend for 2018: \$0.0125 per share	–	6,413
	<u>13,968</u>	<u>14,154</u>
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
– Final exempt (one-tier) dividend for 2019: \$0.015 (2018: \$0.015) per share	<u>7,619</u>	<u>7,633</u>
	<u>7,619</u>	<u>7,633</u>

34. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 20 March 2020.

STATISTICS OF SHAREHOLDINGS

As at 06 March 2020

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	14	0.32	251	0.00
100 - 1,000	194	4.36	134,830	0.03
1,001 - 10,000	2,267	51.00	13,152,547	2.58
10,001 - 1,000,000	1,937	43.58	103,959,461	20.44
1,000,001 AND ABOVE	33	0.74	391,369,320	76.95
TOTAL	4,445	100.00	508,616,409	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SERBA DINAMIK INTERNATIONAL LTD	128,166,250	25.20
2	RAFFLES NOMINEES (PTE.) LIMITED	63,084,868	12.40
3	DBS NOMINEES (PRIVATE) LIMITED	46,511,047	9.14
4	CITIBANK NOMINEES SINGAPORE PTE LTD	35,068,685	6.89
5	BPSS NOMINEES SINGAPORE (PTE.) LTD.	18,482,880	3.63
6	IFAST FINANCIAL PTE. LTD.	11,427,000	2.25
7	WING HUAT LOONG PTE LTD	10,827,800	2.13
8	HSBC (SINGAPORE) NOMINEES PTE LTD	8,319,434	1.64
9	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	6,828,901	1.34
10	WONG YON CHING	6,088,187	1.20
11	TEO KIT CHOON	5,731,187	1.13
12	PHILLIP SECURITIES PTE LTD	5,418,833	1.07
13	LIM BOON KHENG	5,270,658	1.04
14	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,046,800	0.80
15	CHENG HENG SENG	3,656,500	0.72
16	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,168,200	0.62
17	DBSN SERVICES PTE. LTD	3,099,103	0.61
18	OCBC SECURITIES PRIVATE LIMITED	2,788,570	0.55
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,582,000	0.51
20	IWAN RUSLI @ LIE TJIN VAN	2,500,000	0.49
	TOTAL	373,066,903	73.36

STATISTICS OF SHAREHOLDINGS

As at 06 March 2020

CSE GLOBAL LIMITED

Class of Shares	:	Ordinary share
Number of Issued Shares (excluding treasury shares)	:	508,616,409
Number/Percentage of Treasury Shares against total number of Issued Shares (excluding treasury shares)	:	7,451,443 (1.47%)
Voting rights	:	One vote per share

As at 6 March 2020, the Company did not hold any subsidiary holdings.

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 6 MARCH 2020

(As recorded in the Register of Substantial Shareholders)

NAMES OF SUBSTANTIAL SHAREHOLDERS	DIRECT INTEREST	%	DEEMED INTEREST	%
Serba Dinamik International Ltd.	128,166,250	25.20	-	-
Serba Dinamik Holdings Berhad ⁽¹⁾	-	-	128,166,250	25.20
Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah ⁽¹⁾⁽²⁾	-	-	128,166,250	25.20
Fidelity Puritan Trust	42,383,700	8.33	-	-
Fidelity Management & Research Company LLC ⁽³⁾	-	-	50,984,200	10.02
FMR LLC ⁽⁴⁾	-	-	50,984,200	10.02

Note:

- (1) Serba Dinamik International Ltd. ("SDIL") is a wholly-owned subsidiary of Serba Dinamik Holdings Berhad ("SDHB"). SDHB is therefore deemed to be interested in the 128,166,250 ordinary shares in the capital of CSE Global Limited ("CSE Shares") held by SDIL.
- (2) As Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah ("Dato' Karim") is entitled to control not less than 20% of the issued ordinary shares in SDHB, Dato' Karim is deemed to have an interest in the CSE Shares in which SDHB has an interest, pursuant to Section 4 of the Securities and Futures Act.
- (3) Fidelity Management & Research Company LLC is deemed to have interests in the securities of CSE Global Limited because such securities are held by funds and/or accounts managed by Fidelity Management & Research Company LLC as well as one or more of its direct and indirect subsidiaries, which are fund managers. Fidelity Management & Research Company LLC is a wholly-owned subsidiary of FMR LLC.
- (4) FMR LLC is deemed to have interest in the securities of CSE Global Limited because such securities are held by funds and/or accounts managed by one or more FMR LLC's direct and indirect subsidiaries, which are fund managers.

PUBLIC FLOAT

As at 6 March 2020, 61.76% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CSE Global Limited ("the Company") will be held at Suntec Singapore Convention & Exhibition Centre, Room No. 303 & 304 (Level 3), 1 Raffles Boulevard, Singapore 039593 on Thursday, 16 April 2020 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2019 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final (one-tier tax exempt) dividend of 1.5 Singapore cents per ordinary share for the year ended 31 December 2019 (2018: A final dividend (one-tier tax exempt) of 1.5 Singapore cents per ordinary share). **(Resolution 2)**
- 3(a). To re-elect the following Directors of the Company retiring pursuant to Article 95(2) of the Constitution of the Company:

Dr Lee Kong Ting	(Resolution 3)
Mr Tan Hien Meng	(Resolution 4)
[See Explanatory Note (i)]	
- 3(b). To note the retirement of Mr Lam Kwok Chong as Director pursuant to Article 95(2) of the Constitution of the Company at the conclusion of this Annual General Meeting.
[See Explanatory Note (ii)]
4. To approve the payment of Directors' fees of S\$492,810 for the year ended 31 December 2019 (2018: S\$355,091).
[See Explanatory Note (iii)] **(Resolution 5)**
5. To re-appoint Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. Authority to issue shares

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

- (a)
 - (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

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

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from the exercise of share options or vesting of share awards, provided the options and awards were granted in compliance with the Listing Manual; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares,
 provided such adjustments in sub-paragraphs (2)(a) and (b) above are made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iv)]

(Resolution 7)

8. Proposed renewal of the IPT Mandate

That:

- (a) approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and its associated companies (collectively, the "**Group**") or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as described in the Appendix to this Notice of AGM dated 24 March 2020 (the "**Appendix**") with any Interested Persons as described in Section 3 of Annexure A to the Appendix provided that such transactions are made on normal commercial terms and in accordance with the guidelines and review procedures for such Interested Person Transactions as set out in Section 6 of Annexure A to the Appendix (the "**IPT Mandate**");
- (b) the approval given for the IPT Mandate shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the Annual General Meeting of the Company is required by law to be held, whichever is the earlier; and
- (c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including but not limited to making such arrangements, entering into all such transactions, arrangements and agreements and executing all such documents as may be required or as they (or he) may from time to time consider necessary, desirable or expedient, or in the interests of the Company), to give effect to the IPT Mandate and/or this Resolution as they (or he) may deem fit (including without limitation to the foregoing, to affix the Common Seal of the Company to any such documents, if required).
[See Explanatory Note (v)]

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

9. Proposed renewal of Share Purchase Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Prescribed Limit (defined below), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (defined below), whether by way of:
- (i) on-market purchases transacted on the SGX-ST through the SGX-ST trading system or, as the case may be, any other securities exchange on which the Shares may, for the time being, be listed and quoted (“On-Market Share Purchase”); and/or
 - (ii) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as defined in Section 76C of the Companies Act, which scheme(s) shall satisfy all conditions prescribed by the Companies Act and the Listing Manual (“**Off-Market Share Purchases**”);

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and Listing Manual as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (“**Share Purchase Mandate**”);

- (b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this resolution relating to the Share Purchase Mandate and expiring on:
- (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held, whichever is earlier;
 - (ii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by Shareholders in a general meeting; or
 - (iii) the date on which the Share Purchase is carried out to the full extent mandated, whichever is the earliest;
- (c) in this resolution relating to the Share Purchase Mandate:

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last five (5) Market Days on which transactions in the Shares were recorded, immediately preceding the day on which the purchase or acquisition of Shares was made or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs during the relevant five (5) Market Days and the day on which the purchases are made;

“**day of the making of the offer**” means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

“**Market Day**” means a day on which the SGX-ST is open for trading in securities;

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

- (i) in the case of an On-Market Share Purchase, 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Share Purchase pursuant to an equal access scheme, 120% of the Average Closing Price;

NOTICE OF ANNUAL GENERAL MEETING

“Prescribed Limit” means that number of Shares representing not more than five per cent. (5%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the resolution passed in relation to the Share Purchase Mandate, unless the Company has, at any time during the Relevant Period, reduced its share capital in accordance with the applicable provisions of the Companies Act, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered after such capital reduction (excluding any treasury shares and subsidiary holdings as may be held by the Company from time to time);

“Relevant Period” means the period commencing from the date of the resolution passed in relation to the Share Purchase Mandate and expiring on the date on which the next Annual General Meeting of the Company is or is required by law to be held, whichever is earlier;

- (d) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Purchase Mandate shall, at the discretion of the Directors of the Company; either be cancelled or held in treasury and dealt with in accordance with the Companies Act; and
- (e) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation, executing such documents as may be required and to approve any amendments, alterations or modifications to any documents) as they may consider desirable, expedient or necessary to give effect to the transactions contemplated authorised by this resolution relating to the Share Purchase Mandate. [See Explanatory Note (vi)]

(Resolution 9)

By Order of the Board

Tan Lay Hong
Company Secretary
Singapore, 24 March 2020

Explanatory Notes:

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

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

For further information on the Directors submitted for re-election, please refer to the Board of Directors, Corporate Governance and Additional Information sections in the Annual Report 2019.

- (ii) Mr Lam Kwok Chong, upon his retirement as a Director of the Company, ceases to be a member of the Compensation Committee and Nominating Committee.
- (iii) The Ordinary Resolution 5 in item 4 is to facilitate the payment of Directors' Fees to Non-Executive Directors for the financial year ended 31 December 2019. The amount is computed based on the revised Director's fees framework as disclosed on page 65 and 66 in the Corporate Governance Report.

NOTICE OF ANNUAL GENERAL MEETING

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

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from (a) the conversion or exercise of any convertible securities; (b) share options or vesting of share awards, provided the options and awards were granted in compliance with the Listing Manual; and (c) any subsequent bonus issue, consolidation or subdivision of shares, provided such adjustments in sub-paragraphs (a) and (b) above are made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Ordinary Resolution.

- (v) The Ordinary Resolution 8 proposed in item 8 above, if passed, will authorise the Interested Person Transactions as described in the Appendix dated 24 March 2020 and will empower the Directors of the Company to do all acts necessary to give effect to the IPT Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
- (vi) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors, from the date of this Annual General Meeting until the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier, unless such authority is varied or revoked by the Company in general meeting, to purchase or acquire Shares up to the Prescribed Limit, at prices up to but not exceeding the Maximum Price, as at the date of the passing of this Ordinary Resolution. The source of funds to be used for the purchase or acquisition of Shares including the amount of financing and its impact on the Company's financial position are set out in Sections 3.6 and 3.7 of the Appendix dated 24 March 2020.

Notes:

1. (a) A Member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").
 - (b) A Member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Member.
- "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.
2. A proxy need not be a Member of the Company.
 3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

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

ADDITIONAL INFORMATION ON RE-APPOINTMENT OF DIRECTORS

(Information required pursuant to Rule 720(6) of the Listing Manual)

Additional Information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Directors seeking for re-election

The following additional information on Dr Lee Kong Ting and Mr Tan Hien Meng, all of whom are seeking re-election as Directors at this Annual General Meeting, is to be read in conjunction with their respective biographies on pages 7 to 13.

	Dr Lee Kong Ting	Tan Hien Meng
Date of Appointment	1 February 2017	1 November 2014
Date of last re-appointment (if applicable)	20 April 2017	19 April 2018
Age	72	72
Country of principal residence	Singapore	Singapore
The Board's comments on this re-appointment	Dr Lee Kong Ting brings with him more than 30 years of professional and leadership experience in the oil and gas industry. The Board has considered the NC's recommendation and assessment of Dr Lee Kong Ting's qualifications and his vast experience in the oil and gas industry and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.	Mr Tan Hien Meng is a prominent veteran with more than 30 years of professional and leadership experience in the oil and gas industry. The Board has considered the NC's recommendation and assessment of Mr Tan Hien Meng's qualifications and vast experience in the oil and gas industry and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director/Member of Audit and Risk Committee and Compensation Committee	Independent Director/Member of Audit and Risk Committee
Professional qualifications	Please refer to the Directors' respective biographies on pages 7 to 13.	
Working experience and occupation(s) during the past 10 years	Please refer to the Directors' respective biographies on pages 7 to 13.	
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7 under Rule 720(1) has been submitted to the listed issuer – Yes / No	Yes	Yes
Other Principal Commitments* Including Directorships	Please refer to the Directors' respective biographies on pages 7 to 13.	
Responses to questions (a) to (k) under Appendix 7.4.1 of the SGX Listing Manual	Negative Confirmation for both Dr Lee Kong Ting and Mr Tan Hien Meng	

CSE GLOBAL LIMITED

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

IMPORTANT:

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____ NRIC/Passport No. or
 _____ Company Registration No. _____
 of _____

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Convention & Exhibition Centre, Room No. 303 & 304 (Level 3), 1 Raffles Boulevard, Singapore 039593 on Thursday, 16 April 2020 at 2.30 p.m. and at any adjournment thereof. I/ We direct my/our proxy/proxies to abstain, vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	Number of Votes FOR ⁽¹⁾	Number of Votes AGAINST ⁽¹⁾	Abstain(1)
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2019			
2	Payment of a proposed final one-tier tax exempt dividend			
3	Re-election of Dr Lee Kong Ting as Director			
4	Re-election of Mr Tan Hien Meng as Director			
5	Approval of Directors' fees amounting to S\$492,810			
6	Re-appointment of Ernst & Young LLP as Auditors			
7	Authority to issue new shares			
8	Proposed renewal of the IPT Mandate			
9	Proposed renewal of the Share Purchase Mandate			

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

Dated this _____ day of _____ 2020

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

*Delete where inapplicable

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

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first named proxy shall be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 (the "Registered Office") not less than 48 hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument at the Registered Office not less than 48 hours before the time appointed for the Meeting.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 24 March 2020.



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