

MOVING **AHEAD...**

CSE GLOBAL LIMITED ANNUAL REPORT 2018



With a new investor on board, CSE Global is increasing its momentum, creating possible routes of growth. Pushing ahead, CSE Global is geared up to further its expansion, capture new markets and innovate.

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CORPORATE PROFILE

The Group has now more than 1,100 employees worldwide, and operates a network of 36 offices across the globe, generating more than 90 percent of its revenues outside its home market.



CSE Global Limited (CSE) is a global technologies company listed on the Singapore Stock Exchange, with an international presence spanning the Americas, Asia Pacific, Europe, Middle East and Africa regions. CSE is a leading systems integrator, focusing on the provision and installation of a variety of control systems as well as turnkey telecommunication network and security solutions, targeting the oil & gas, infrastructure and mining industries.

CSE commenced operations in 1985 as the engineering projects division of Chartered Electronics Industries, the electronics arm of

Singapore Technologies (ST). As part of the ST Group's corporate strategy of encouraging a higher level of management participation and ownership in selective companies, a management buy-out was successfully concluded in January 1997.

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

The Group has now more than 1,100 employees worldwide, and operates a network of 36 offices across the globe,

generating more than 90 percent of its revenues outside its home market. In line with global ambitions, the Group has adopted the ISO 9001 Quality Management System as certified by Lloyd's Register Quality Assurance (LRQA) and DNV. The CSE Group of companies has been very successful in offering cost-effective, totally integrated solutions to industries in the Oil & Gas, Infrastructure and Mining sectors. CSE has a consistent profit track and a management that is focused on operational excellence to achieve sustainable profit growth and enhance shareholder returns.





...WITH SYNERGISTIC PARTNERSHIP

CSE remains on track for success. With a strategic partner on board boosting the capabilities of CSE, we are pursuing opportunities to further enhance our strengths. There is ample reason for optimism.

MESSAGE TO STAKEHOLDERS



Left:
LIM BOON KHENG
Group Managing Director

Right:
LIM MING SEONG
Chairman

DEAR STAKEHOLDERS,

2018 was a year of growth for CSE Global Limited (“CSE” or together with its subsidiaries, the “Group”) as our strategies and initiatives implemented over the last few years yielded positive results. We saw notable improvements in our profitability and cashflow generation, as well as our order book as we seized opportunities in the onshore oil & gas industry in the US region and made inroads into Singapore government sectors. On behalf of the Board, we would like to thank all stakeholders for the continued support in 2018.

FINANCIAL PERFORMANCE

What we achieved in 2018 was against the backdrop of another year of uncertainties and challenges as interest rate hikes, ongoing trade war

and economic slowdown influenced investment decisions of our customers.

Faced with a lack of large greenfield projects, the Group continued its focus on winning small greenfield projects and brownfield projects. With this strategy, the Group’s operating profit after tax and non-controlling interests jumped 50.8% year-on-year to S\$20.1 million, on the back of a 4% growth in revenue from S\$362.4 million in FY2017 to S\$376.8 million in FY2018.

Gross margin in FY2018 improved 1.9 percentage points to 27.9% compared to 26.0% for FY2017 mainly due to improving margin mix from the Americas region.

The Group received orders of S\$384.2 million in FY2018 and ended the year with an outstanding order balance of S\$181.0 million for continuing operations.

We were pleased to note that the Group generated a strong cash inflow from operations of S\$56.6 million in FY2018, through better working capital management of projects. With that, the Group ended the period with a net cash position of S\$37.9 million, after deducting share buyback expenses of S\$3.3 million and dividend payments of S\$14.2 million.

BUSINESS OVERVIEW

In FY2018, the revenue share from the Americas – where our Oil & Gas business is centred on – grew to 63.3% of total group revenues from 57% in 2017. The Americas region registered a strong recovery in FY2018, garnering a revenue growth of 15.8% to S\$238.7 million from both fixed bid and time and material contracts. In line with the growth in revenues and higher gross margin achieved, EBIT for FY2018 jumped by 168.9% year-on-year.

In the Asia-Pacific region, revenue was relatively stable, dipping by 2.7% year-on-year in FY2018, due to delays in some infrastructure project orders. EBIT in FY2018 decreased by 21.1% as compared to FY2017, mainly attributed to lower margin contribution in line with decrease in revenues generated, as well as from higher exchange gain recognised in FY2017.

In FY2018, the EMEA region recorded a 61.9% year-on-year decline in revenue to S\$9.0 million, due to the lack of greenfield projects, and impairment expenses resulting in a loss before interest and tax of S\$4.6 million.

In FY2018, we continued to see growth in the Infrastructure industry segment, which registered a 29.2% share of total revenue, up from 25% in FY2017, while

the Oil & Gas segment remains relatively flat with a share of 66.6% and the Mining & Mineral segment at a lower revenue share of 4.2%.

The Oil & Gas division's EBIT surged 152.3% from S\$4.8 million to S\$12.0 million despite a mere 2.0% growth in revenue from S\$246.2 million to S\$251.0 million. This was due to the Group's pursuit of onshore oil & gas business in the USA since 2015. The revenue mix for the Oil & Gas division is now 46% onshore (S\$116.1 million) and 54% offshore (S\$134.9 million) in FY2018 compared with 10% onshore (S\$34.5 million) and 90% offshore (S\$310.5 million) in FY2015.

The Infrastructure division's revenue increased 21.7% year-on-year from S\$90.5 million in FY2017 to S\$110.1 million in FY2018 while EBIT declined 3.7% from S\$15.1 million in FY2017 to S\$14.6 million in FY2018. The radio communications business in Australia grew 5.9% to S\$46.9 million in FY2018 and currently contributed 42.6% of the total Infrastructure revenue.

The continued lack of activities in the Mining & Minerals sector led to a 38.9% decline in revenue and EBIT in FY2018 to S\$15.7 million and S\$0.1 million respectively.

OUTLOOK

Overall, the Group anticipates an increase in activities in the markets that we serve, and a more stable pricing environment going forward. We will focus on three main markets, namely the Americas, Australia and Singapore. The Group will continue to drive revenue growth across markets and business segments while reining in costs across the board.

Consequently, the financial performance for FY2019 is expected to improve, in-line with positive momentum gathered from the prior year.

For the Oil & Gas segment, the activity levels for onshore and offshore in the Americas remains healthy. Competing bids for work are likely to be stable despite fierce competition. For 2019 and beyond, we will focus on building and growing our onshore oil and gas business in the Americas through adding complementary solutions and services and strengthening our geographical presence. We will continue to focus on building a steady pipeline of small greenfield projects and brownfield projects while working on opportunities in large greenfield projects.

On the Infrastructure business, the radio communication business in Australia and New Zealand registered stable growth in FY2018. In FY2019, we expect the radio communications business to continue to grow and expand into other geographies within and outside of Australia and New Zealand.

In 2018, the Group secured S\$150.5 million of new infrastructure project contracts including a large government project in Singapore. We expect the government project to contribute positively to the Group starting from 2H2019 and across several years. With Singapore's adoption of smart city solutions to push for productivity, efficiency and security, the Group is poised to capitalise on this trend to secure more contract wins from the Singapore government with its differentiated solutions in FY2019.

Last but not least, the Group will continue to expand its footprint in the Americas and Australia through acquisitions and new setups in its bid to secure a sustainable income stream. With a net cash position of S\$37.9 million at the end of FY2018, the Group will be able to continue its current strategy of geographical expansion and addition of complementary capabilities through acquisitions.

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. This represents a dividend payout of 70.4% of the Group's FY2018 net profit, after taking into account the interim dividend of 1.25 Singapore cents per share given in 3Q2018. The book closure date for the final dividend is 6 May 2019 and the dividend will be paid on 17 May 2019, subject to shareholders' approval at the forthcoming AGM.

COMMUNITY SUPPORT

Besides creating value for our stakeholders, we firmly believe in supporting and serving the communities in which we operate.

At CSE Australia, we recognised the benefit of giving back to those less fortunate and we voiced our support on environmental and health related issues in the workplace and the community. In addition, CSE Australia had donated and sponsored several charitable organisations throughout FY2018. Fundraising events and donations at CSE Australia and New Zealand offices were conducted throughout the year with all contributions donated to the Royal

MESSAGE TO STAKEHOLDERS

(continued)

Society for the Prevention of Cruelty to Animals (RSPCA), Pink Ribbon Morning Tea for breast cancer, the Lions Club District WA – “Razzamatazz” Ride for Youth, Surf Life Saving Awards, Oxfam Trail Walk, NSW Friendship Circle and Youth Focus. For the fourth year, CSE Australia 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 contributed about US\$14,000 to the American Heart Association (AHA) – the nation’s oldest and largest voluntary organization dedicated to fighting heart disease and stroke through funding life-changing research and educating consumers on healthy living.

CSE Americas continued their support for Texas Children’s Hospital for the seventh consecutive year. Texas Children’s Hospital is a not-for-profit organization whose mission is to create a healthier future for children and women throughout the global community by leading in patient care, education and research. In 2018, CSE Americas participated in the organization’s annual tennis charity event, contributing over US\$1,600 in funds.

In addition, CSE Americas contributed over US\$2,400 to three scholarship foundations: (1) The W-Industries “Excellence Scholarship”, in partnership with the Houston Tennis Association, in providing scholarships to outstanding student athletes exhibiting excellence in academic achievement, community service, and personal character; (2) the

Drew M. Bingham Foundation, which raises funds towards endowment to Texas A&M Corpus Christi Scholarship Fund, and provides scholarships to students demonstrating financial need; and (3) The Laredo Border Chapter API (a chapter of the American Petroleum Institute), which raises funds for scholarships and to promote education, well-being and success in today’s youth.

CSE Americas had also contributed to another great organization, St. Jude Children’s Research Hospital, whose mission is to find cures for childhood cancer and other life-threatening diseases. Other charitable donations that CSE Americas had supported for the year were the American Cancer Society, the American Diabetes Association, the Houston Chapter API 2018 Tennis Tournament, the 4-H Club, including numerous donations to local blood banks, fire departments and schools.

In Singapore, CSE Asia contributed S\$60,000 to Promiseland Community Services, KK Health Endowment, Singapore Association of the Visually Handicapped, Touch Community Services Limited, Thye Hua Kwan Moral Society and HCA Hospice.

In 2018, a total of 32 CSE Global Engineering and Education 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, 13 bursaries to students of Singapore Polytechnic and 2 bursaries to our staff at CSE.

APPRECIATION

We would like to take this opportunity to extend a warm welcome to Dato’ Dr. Ir. Mohd Abdul Karim Bin Abdullah who joined the Board as Non-Executive Non-Independent Director and Deputy Chairman of CSE, Mr Syed Nazim Bin Syed Faisal as Non-Executive Non-Independent Director, and Mr Tan Chian Khong as Non-Executive Independent Director.

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

On behalf of the Board of Directors, we wish to thank our employees for their dedication, passion and contributions towards the Group’s success. Our appreciation also goes to our customers, business associates as well as our shareholders. We look forward to your support in 2019 and beyond.

BOARD OF DIRECTORS

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



LIM MING SEONG, 71

Mr Lim was appointed as the Chairman, Non-Executive and Independent Director of the Company on 17 January 1997. He was last re-elected as a Director of the Company on 19 April 2018.

Mr Lim holds a Bachelor of Applied Science (Honours) with a major in Mechanical Engineering from the University of Toronto and a Diploma in Business Administration from the former University of Singapore. He has also participated in the Advanced Management Programmes conducted by INSEAD and the Harvard Business School.

Mr Lim is currently the Chairman of First Resources Limited and he also sits on the board of Starhub Limited and several other private companies. He held various senior positions within the Singapore Technologies (ST) Group from 1986 to 2002, where he left as Group Director. Prior to joining the ST Group, Mr Lim served as the Deputy Secretary with the Ministry of Defence, Singapore.



DATO' DR. IR. MOHD ABDUL KARIM BIN ABDULLAH, 53

Dato' Karim was appointed as Deputy Chairman, Non-Executive and Non-Independent Director of the Company on 2 May 2018.

Dato' Karim holds a Bachelor in Mechanical Engineering from Universiti Teknologi Malaysia. He obtained an Honorary PhD in Industrial Engineering from Inter American University, USA in 2009 and a PhD in Entrepreneurship from Golden State University, USA in 2012. He is a member of the Institution of Engineers Malaysia since 1994, a registered member of the Board of Engineers Malaysia since 1996 and a member of the Asean Federation of Engineering Organisation since 2002.

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.

BOARD OF DIRECTORS

(continued)



LIM BOON KHENG, 52

Mr Lim is the Group Managing Director/ Chief Executive Officer of CSE Global Limited, was appointed as an Executive Director on 13 August 2013 and was last re-elected as Director of the Company on 20 April 2017.

Mr Lim holds a Bachelor of Accountancy from the National University of Singapore.

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



SIN BOON ANN, 61

Mr Sin was appointed as a Non-Executive and Independent Director of the Company on 13 May 2002.

Mr Sin was last re-elected as a Director of the Company on 20 April 2017.

Mr Sin received his Bachelor of Arts and Bachelor of Laws (Honours) degrees from the National University of Singapore and his Master of Laws from the University of London.

Mr Sin joined Drew & Napier LLC in 1992. He was the Deputy Managing Director of Drew & Napier's Corporate and Finance Department and the Co-head 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.



LAM KWOK CHONG, 64

Mr Lam was appointed as a Non-Executive and Independent Director of the Company on 6 May 2010 and was last re-elected as Director of the Company on 19 April 2018.

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



PHILLIP LEE SOO HOON, 76

Mr Lee was appointed as a Non-Executive and Independent Director of the Company on 22 January 1999. Mr Lee was last re-elected as a Director of the Company on 20 April 2016.

Mr Lee is a Fellow of the Institute of Chartered Accountants in England and Wales and the Chartered Accountants of Singapore, a member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants and the Singapore Institute of Directors.

Mr Lee is currently serving as the Managing Director of Phillip Lee Management Consultants Pte Limited.

Prior to the above-mentioned, he was with the international public accounting firm, Ernst & Young Singapore, for 29 years, of which the last 19 years he was a partner of the firm. Mr Lee has vast experience in areas of audit, investigations, reorganisations, valuations and liquidations.



TAN HIEN MENG, 70

Mr Tan was appointed as a Non-Executive and Independent Director of the Company on 1 November 2014 and was last re-elected as Director of the Company on 19 April 2018.

Mr Tan graduated from the University of Singapore with a Bachelor of Science Applied Chemistry (1st Class Honours) and is a member of the American Institute of Chemical Engineers. Mr Tan has held directorships in General Sekiyu KK (Japan), Esso Singapore Pte Limited, and Tuas Power Singapore. He has held positions as President, Exxonmobil Trading Company Asia Pacific (2001 to 2003); Vice President, Standard Tankers Bahamas, a division of Exxonmobil Corporation; and Chairman, Exxonmobil Hongkong.

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



TAN CHIAN KHONG, 62

Mr Tan was appointed as a Non-Executive and Independent Director of the Company on 19 February 2019.

Mr Tan holds a Bachelor of Accountancy from the National University of Singapore, a Master of Business Administration from the University of South Australia and a Master of International Environmental Management from the University of Adelaide. He is a member of the American Institute of Certified Public Accountants, and a Fellow of both the Institute of Singapore Chartered Accountants, and CPA Australia.

Mr Tan 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.

Mr Tan serves as a board member of the Casino Regulatory Authority, and on the Rules Change Panel of the Energy Market Company Pte Ltd. He also serves as an independent non-executive director of Alliance Bank Malaysia Berhad, Hong Leong Asia Ltd, Straits Trading Company Limited, and Xinghua Port Holdings Ltd. Mr Tan contributes to the non-profit sector by volunteering as the honorary executive director of Trailblazer Foundation Ltd, and a board member of Methodist Welfare Services.

BOARD OF DIRECTORS

(continued)



LEE KONG TING, 71

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

Dr Lee graduated from the National Taiwan University with a Bachelor of Science in Electrical and Electronic Engineering, and subsequently from the University of Bradford in the United Kingdom with a Master of Science and a PhD, both in Control Engineering. He was a Chartered Engineer and Member of the Institute of Electrical Engineers in the U.K.

Dr Lee has been very active in the Process & Control industries for more than 40 years. He served 2 global companies in his working career during this period. He first served 23 years in The Foxboro Company USA, now is a Schneider Electric Company. The last position he held was Group President/Managing Director for Asia Pacific and he was in that position for 10 years. Subsequently, he joined Yokogawa as Group President/MD for Asia Pacific and was then promoted to President & CEO of Yokogawa Electric International in charge of Global business outside Japan. In the same period, he was a Vice President and a Board Member of Management Board of Yokogawa Electric Corporation Japan. He was Chairman/Director of all Yokogawa Regional Headquarters globally including Europe, Americas, China, Russia, Australia and Asia Pacific during the same period. The last position he held was Consultant/Advisor for the Yokogawa Corporate Headquarters, and he was with Yokogawa for almost 20 years.



SYED NAZIM BIN SYED FAISAL, 38

Mr Bin Syed Faisal was appointed as a Non-Executive and Non-Independent Director of the Company on 2 May 2018.

Mr Bin Syed Faisal obtained his Bachelor of Accounting in 2004 from the International Islamic University Malaya, Malaysia. He later obtained a Master Degree in Islamic Finance Practice in 2014 from the International Centre for Education in Islamic Finance, Malaysia. He also obtained a Certificate in Islamic Banking and Finance Law in 2013 from the International Islamic University Malaysia, Malaysia. He is a member of the Malaysian Institute of Accountants since 2007.

He 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.

Currently, he sits on the board of several private limited companies in Malaysia.

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

The Board meets regularly with at least four Board meetings each financial year, and also as warranted by particular circumstances, as deemed appropriate by the Board. The Company has provided for telephonic and video-conference meetings in its Articles of Association. The details of the number of Board meetings held during the financial year, as well as the attendance of every Board member at those meetings and meetings of the specialised Committees established by the Board, are set out in the following table:-

Name of Director	Audit and Risk Committee	Nominating Committee	Compensation Committee
Lim Ming Seong		Chairman	Chairman
Lim Boon Kheng			Member
Lee Soo Hoon Phillip	Chairman	Member	
Sin Boon Ann	Member		
Lam Kwok Chong		Member	Member
Tan Hien Meng	Member		
Lee Kong Ting	Member		
Tan Chian Khong (appointed on 19 February 2019)	Member		

The key information regarding the Directors of the Company, as at the date of this report in respect of directorships and chairmanships both present and those held over the preceding three years in listed companies other than the Company is set out as follows:-

Name of Director	Present directorships in listed companies other than the Company	Past directorships over the preceding three years in listed companies other than the Company
Lim Ming Seong	Starhub Limited First Resources Limited	None
Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah (appointed on 2 May 2018)	Serba Dinamik Holdings Berhad Green & Smart Holdings PLC	None
Lim Boon Kheng	None	None
Lee Soo Hoon Phillip	G K Goh Holdings Limited Estate & Trust Agencies (1927) Limited LMIRT Management Limited Kluang Rubber Company (Malaya) Berhad Sungei Bagan Rubber Company (Malaya) Berhad Kuchai Development Berhad	IPC Corporation Limited
Sin Boon Ann	OUE Limited Rex International Holding Limited Datapulse Technology Limited TIH Limited HRnet Group Limited	Transcorp Holdings Limited Swee Hong Limited Courage Marine Group Limited MFS Technology Ltd
Lam Kwok Chong	None	None
Tan Hien Meng	None	None
Lee Kong Ting	None	None
Syed Nazim Bin Syed Faisal ²	Green & Smart Holdings PLC	None
Tan Chian Khong ³	Alliance Bank Malaysia Berhad Xinghua Port Holdings Ltd The Straits Trading Company Limited Hong Leong Asia Ltd	None

¹ Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah was appointed as Deputy Chairman and Non-Executive, Non-Independent Director on 2 May 2018.

² Syed Nazim Bin Syed Faisal was appointed as Non-Executive, Non-Independent Director on 2 May 2018.

³ Tan Chian Khong was appointed as Non-Executive Independent Director and a member of the Audit and Risk Committee on 19 February 2019.

KEY MANAGEMENT



EDDIE FOO, 47

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.



LEONG SAY HAUR, 59

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

His career experience spans 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.



DONNIE SMITH, 46

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 22 years of Upstream Oil & Gas experience, working the last 13+ years as President and Operations manager of Control Concepts & Technology, a CSE W-Industries company.



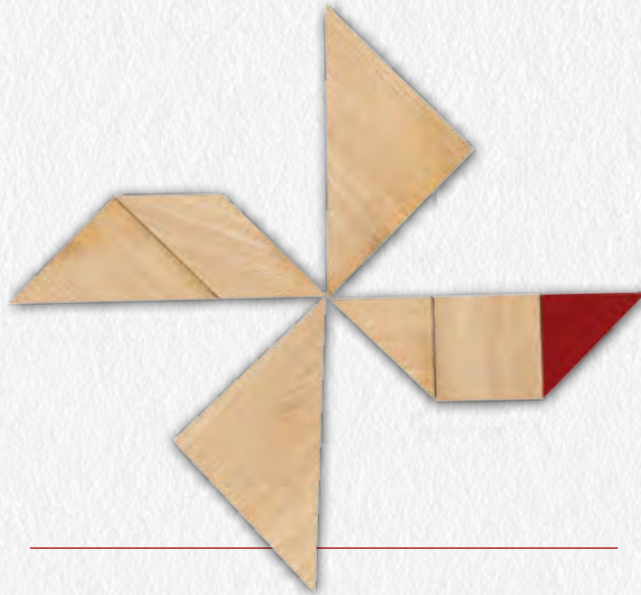
ROY ROWE, 61

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.





...THROUGH CAPITALISING MOMENTUM

We believe our innovation, technology leadership and reliable solutions are as strong as they have ever been. We have a high degree of confidence in our ability to deliver results in the future and will work to capitalise on all opportunities to capture upside to our plan.

OUR BUSINESSES

PROCESS CONTROL

Processing and delivering plant/system critical data ensuring optimum efficiency



PROCESS CONTROL SYSTEM

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

SAFETY SHUTDOWN SYSTEM

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

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

CSE has supplied many different types of safety critical systems utilising a range of technologies from relays and solid state (hardwired systems) through to redundant PLC, DCS and TMR system

architecture (software based systems). Over time, these systems have evolved with advances in both the technology and the methods of implementation and validation.

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

FIRE & GAS DETECTION SYSTEM

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

SCADA

Recognised as one of the market leaders, CSE has supplied SCADA (Supervisory Control & Data Acquisition) systems to

a wide range of industries through the world. CSE's SCADA system integrates a real time database with business systems to provide totally managed asset-based solutions and automated predictive based decisions.

WELLHEAD CONTROL SYSTEMS

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

SUBSEA CONTROL SYSTEM

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

- Engineering FEED and Interface Management service provided to Subsea Equipment Vendors and Operators

- Master Control Station (MCS): PLC-based control system that monitors and controls the entire subsea field and interfaces it with the facility Control and Safety system and Historian.
- Hydraulic Power Unit (HPU): HPU skid is responsible for providing reliable and clean hydraulic fluid at high pressures to the subsea controllers/actuators.
- Topsides Umbilical Termination Assembly (TUTA): Interfaces the subsea umbilical with all topsides controls, utilities, and Chemical Injection lines.
- Intervention and Workover Control System (IWOCS): This typically includes HPU and Operator cabin designed to be deployed in harsh hazardous area on the drilling rigs along with all the associated Subsea control panels such as the MCS and EPU.
- Fully managed Maintenance and life-of-the-field support contracts.

PROCESS SKID SYSTEM

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

ELECTRICAL DRIVE AND HIGH/MEDIUM VOLTAGE SYSTEMS

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

ELECTRICAL PROTECTION AND CONTROL SYSTEM

The protection system mainly deploys the GE Multilin range of products which cover motor protection, feeder protection, line protection, transformer protection and generator protection.

The offerings include industrial network and network security design and implementation to protect real-time process control and SCADA systems of critical infrastructure systems.

REAL-TIME INFORMATION SYSTEM

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

INTELLIGENT TRANSPORT SYSTEM (ITS)

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

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

I&E CONSTRUCTION

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

SAFE SECURE SOLUTIONS

CSE provides manufacture of computer programmable safety systems for electronic mustering, principally for the oil & gas sector. The company has developed a range of specialist hardware and software products for the automation of Person On Board and Person On Site (POB:Off-shore/POS: On-shore) information at site access and muster assembly points and for location of personnel.

MULTIPLE HEARTH FURNACE

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

FLUID BED INCINERATOR

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

CARBON AND ENERGY RECOVERY SYSTEMS

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

ROTARY KILN INCINERATOR

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

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

OUR BUSINESSES

COMMUNICATION & SECURITY

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



COMMUNICATION & SECURITY

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

VSAT SATELLITE COMMUNICATIONS NETWORKS

VSAT satellite systems are typically used in remote areas where conventional

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

FIBRE OPTIC SYSTEMS

Fibre optic networks offer the highest throughput of all commonly used forms

of communications. The networks are also more secure and reliable than copper or wireless networks. CSE has the capability to design, construct and commission fibre optic networks for hazardous and industrial applications.

MICROWAVE RADIO SYSTEMS

Microwave radio systems can provide point-to-point or point-to-multipoint communications. CSE provides complete system engineering for microwave systems. Our services include, site surveys, path analysis, spectrum planning, equipment recommendations

and construction. Our system design can also incorporate solar and emergency diesel power as well as structural analysis and construction of towers.

CONVENTIONAL & TRUNKED RADIO SYSTEMS

Conventional two-way radio networks have evolved into complex digital trunked systems providing highly reliable, secure communications that can be delivered across a single site, along a corridor hundreds of kilometres long, through an underground tunnel or even linking multiple sites. These systems not only provide two-way voice communications but are now an integral part of companies OH&S policy, providing GPS tracking, man down emergency alarm and many other features including wireless data messaging. CSE has many years of experience in this area having designed, constructed and commissioned both analogue and digital trunked radio systems (TETRA and APC025) that now support many thousands of terminals.

PUBLIC ADDRESS & GENERAL ALARM SYSTEMS (PAGA)

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

CCTV, ACCESS CONTROL & FIDS SYSTEMS

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

TELEPHONE NETWORKS

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

LAN/WAN NETWORKS

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

IP-BASED NETWORKS

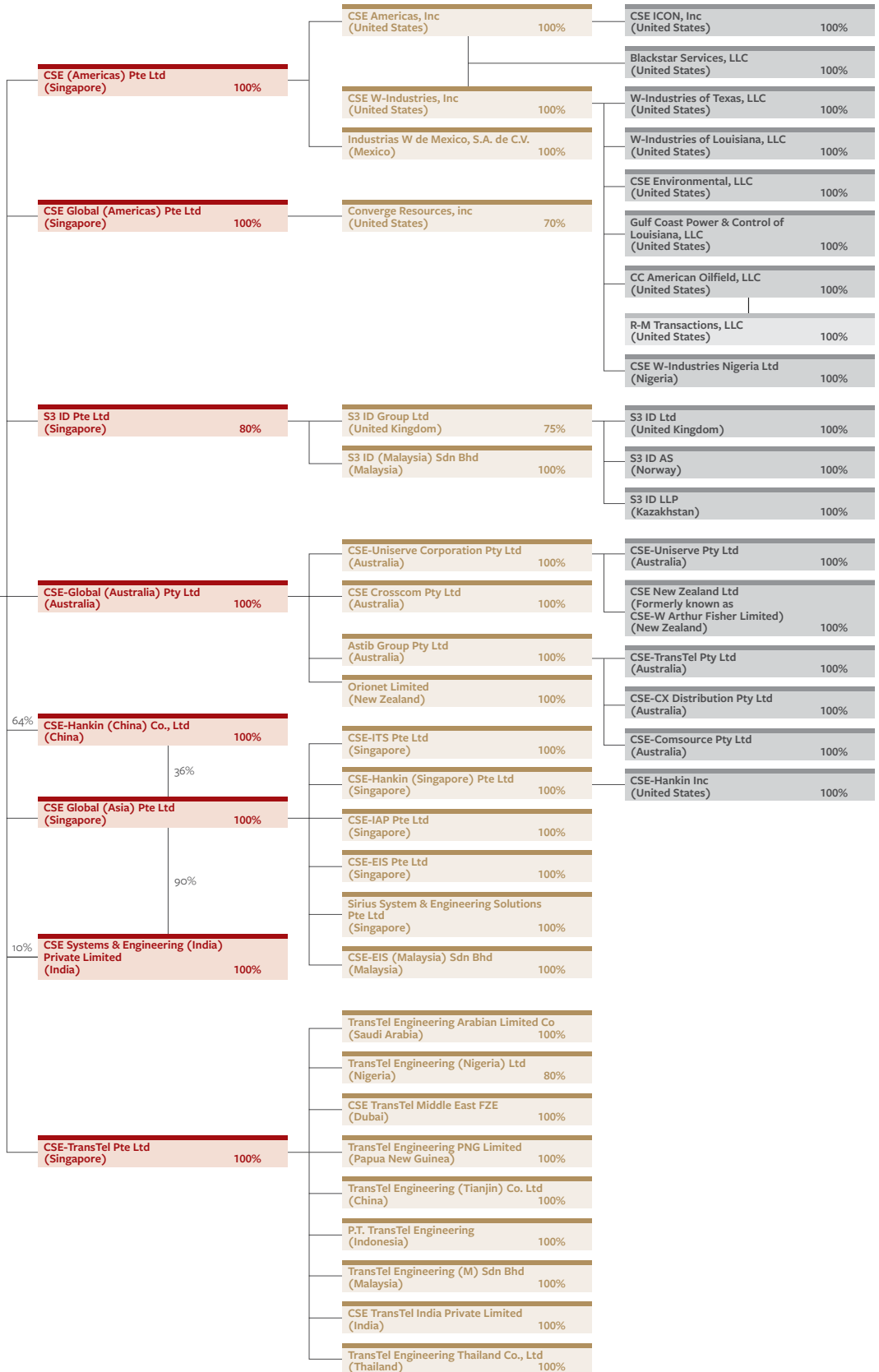
IP (Internet Protocol) is the dominant standard used by almost all equipment vendors as the default communications protocol. CSE provides IP network designs for clients enabling IP devices to communicate with other devices while protecting them from unauthorised access. The network design can incorporate automatic failover switching, remote monitoring and traffic reporting.

SCADA & TELEMETRY NETWORKS

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



GROUP STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive

Lim Boon Kheng
(Group Managing Director)

Non-Executive, Independent

Lim Ming Seong (Chairman)
Lam Kwok Chong
Lee Soo Hoon Phillip
Sin Boon Ann
Tan Hien Meng
Dr Lee Kong Ting
Tan Chian Khong
(appointed on 19 February 2019)

Non-Executive, Non-Independent

Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah
(Deputy Chairman – appointed on
2 May 2018)
Syed Nazim Bin Syed Faisal
(appointed on 2 May 2018)

AUDIT AND RISK COMMITTEE

Lee Soo Hoon Phillip (Chairman)
Sin Boon Ann
Tan Hien Meng
Dr Lee Kong Ting
Tan Chian Khong
(appointed on 19 February 2019)

NOMINATING COMMITTEE

Lim Ming Seong (Chairman)
Lee Soo Hoon Phillip
Lam Kwok Chong

COMPENSATION COMMITTEE

Lim Ming Seong (Chairman)
Lim Boon Kheng
Lam Kwok Chong

COMPANY SECRETARY

Victor Lai Kuan Loong

REGISTERED OFFICE

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

BUSINESS OFFICE

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

SHARE REGISTRAR

Boardroom Corporate & Advisory
Services Pte Limited
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623
Tel: 65-6536 5355
Fax: 65-6536 1360

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Audit Partner-in-charge :

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

PRINCIPAL BANKERS

Bank of East Asia Ltd
BNP Paribas
CIMB Bank Berhad
Citibank Singapore Limited
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 Environmental, LLC
CSE Americas, Inc
 11500 Charles Street
 Houston, Texas 77041, USA
 Tel: 1-713-4669 463
 Fax: 1-713-4667 205
 Web: www.w-industries.com

W-Industries of Texas
– Petropark (SPST Division)
 6602 Petropark
 Houston, Texas 77041, USA
 Tel: 1-337-9937 425
 Fax: 1-337-9937 427
 Web: www.w-industries.com

Control Concepts & Technologies Field Office
 2315 Tolivar Street
 Pecos, Texas 78405, USA
 Tel: 1-713-4669 463
 Fax: 1-713-4667 205
 Web: www.w-industries.com

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

Control Concepts & Technologies
– Bosco
 120 Shadeland Lane
 Maurice, Louisiana 70555, USA
 Web: www.w-industries.com

W-Industries of Louisiana, LLC
 7620 Johnston Street
 Lafayette, Louisiana 70555, USA
 Tel: 1-337-2334 537
 Fax: 1-337-2336 452
 Web: www.w-industries.com

7616 Johnston Street
 Lafayette, Louisiana 70555, USA
 Tel: 1-337-9937 425
 Fax: 1-337-9937 427
 Web: www.w-industries.com

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 2829 Technology Forest Blvd. Suite 460,
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 Tel: 1-281-6701 010
 Web: www.cse-icon.com

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

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

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

4809 Santa Elena St.
 Corpus Christi
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 Web: www.aos-tx.com

Gulf Coast Power & Control of Louisiana, LLC
 109 N. Cities Service Highway
 Sulphur, LA 70663, USA
 Tel: 1-337-6258 333
 Fax: 1-337-6256 444

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

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

2. EUROPE/MIDDLE EAST & AFRICA

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

S3 ID AS
 P.O. Box 130, 4065 Stavanger
 Norway
 Tel: 47-5180 1190

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

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 Global (Americas) Pte Ltd
CSE (Americas) Pte Ltd
S3 ID Pte Ltd
Sirius System & Engineering Solutions Pte Ltd
 202 Bedok South Avenue 1
 #01-21, Singapore 469332
 Tel: 65-6512 0333
 Fax: 65-6742 9179
 Web: www.cse-global.com

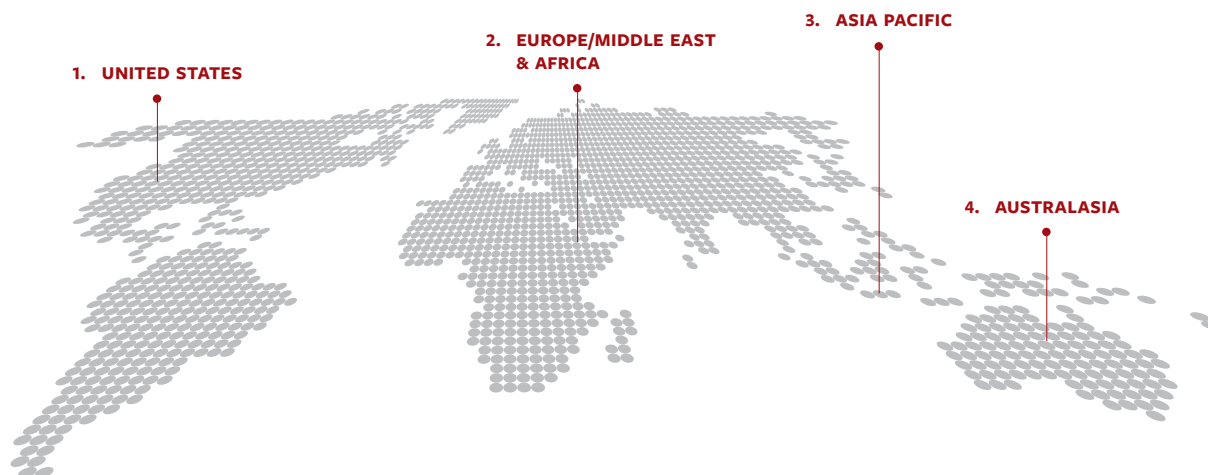
CSE-TransTel Pte Ltd
 202 Bedok South Avenue 1
 #01-21, Singapore 469332
 Tel: 65-6276 7600
 Fax: 65-6276 7800
 Web: www.cse-transtel.com

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S3 ID (Malaysia) Sdn Bhd
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 Jalan Astaka U8/84, Bukit Jelutong
 40150 Shah Alam,
 Selangor Darul Ehsan, Malaysia
 Tel: 603-7846 8580
 Fax: 603-7846 9580

P.T. TransTel Engineering
 Menara Topas, 12th Floor,
 Jalan M.H. Thamrin Kav 9
 Kelurahan Gondangdia
 Kecamatan Menteng
 Jakarta Pusat 10350, Indonesia
 Tel: 62-21-2123 1711
 Fax: 62-21-2123 1705
 Web: www.cse-transtel.com

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

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



TransTel Engineering (Tianjin) Co., Ltd

#2-1-2504 Chuan Shui Yuan,
Jiu Lian Shan Road
Hexi District 300221
Tianjin City, China
Tel: 86-22-2746 7878
Web: www.cse-transtel.com

CSE-Hankin (China) Co., Ltd

Gaode Building Room 406
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Haidian District, Beijing, People's Republic
of China 100190
Tel: 86-10-8201 4593
Fax: 86-10-8201 4600

4. AUSTRALASIA

TransTel Engineering PNG Limited c/o Sinton Spence Chartered Accountants

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

CSE-Global (Australia) Pty Ltd

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Fax: 61-8-9204 8080
Web: www.cse-australia.com

CSE-Comsource Pty Ltd – Main Office & Warehouse

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Western Australia
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Fax: 61-8-9204 8080
Web: www.cse-comsource.com

CSE-Comsource Pty Ltd – Darwin Office

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Northern Territory Australia
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Fax: 61-8-8947 2411
Web: www.cse-comsource.com

CSE-Comsource Pty Ltd – Gladstone Office

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Fax: 61-7-4972 8555
Web: www.cse-comsource.com

CSE-Transtel Pty Ltd

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Osborne Park 6017
Western Australia
Tel: 61-8-9204 8000
Fax: 61-8-9204 8080
Web: www.cse-transtel.com

CSE-Uniserve Pty Ltd

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

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Osborne Park 6017
Western Australia
Tel: 61-8-9204 8000
Fax: 61-8-9204 8080
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CSE-Uniserve Pty Ltd – Victoria

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

CSE-Uniserve Pty Ltd – Queensland

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

CSE Crosscom Pty Ltd

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

CSE Crosscom Pty Ltd – Western Australia

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

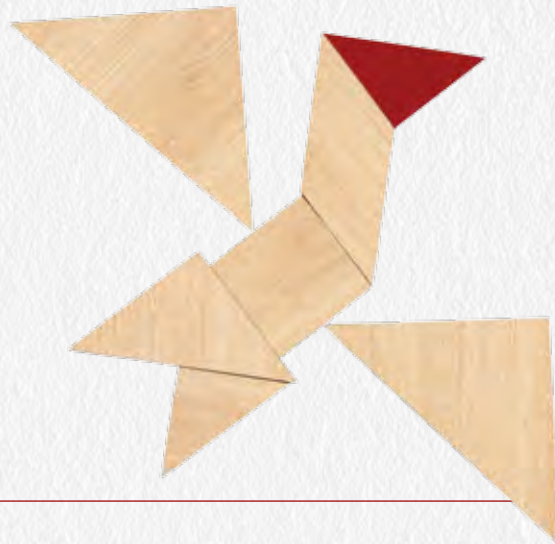
CSE Crosscom Pty Ltd – South Australia

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

CSE-W Arthur Fisher Limited Orionet Limited

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



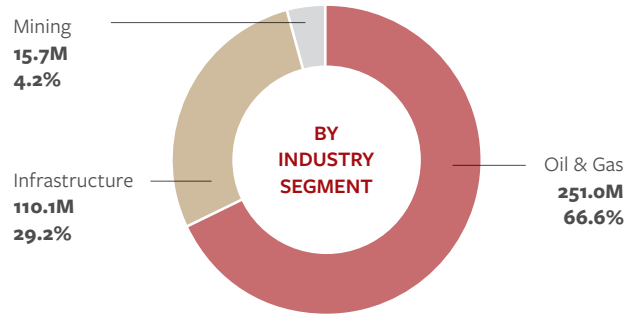
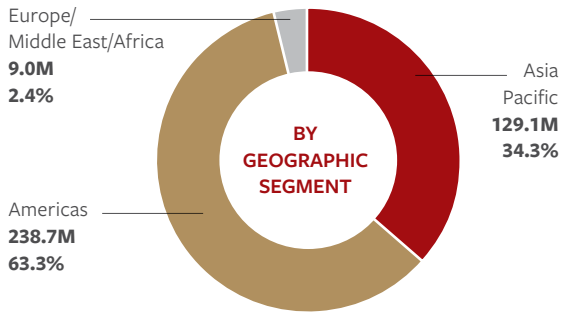


...BY ADVANCING POSSIBILITIES

To progress, we keep our fingers on the pulse of the market and our eyes on the horizon. We remain mindful of market conditions. Through our emphasis on excellence, we continue building on a diversified clientele for stable returns.

FINANCIAL HIGHLIGHTS

REVENUE BREAKDOWN



REVENUE

376.8^M

4.0%

NET PROFIT

20.1^M

N.M.

EARNINGS PER SHARE

3.92¢

N.M.

CASH FLOW FROM OPERATIONS

56.6^M

N.M.

DIVIDEND PER SHARE

2.75¢

0.0%

NET ASSETS VALUE PER SHARE

33.65¢

-0.2%

NET CASH

37.9^M

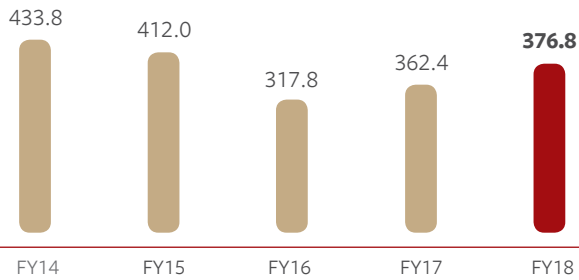
144.7%

ORDER BOOK

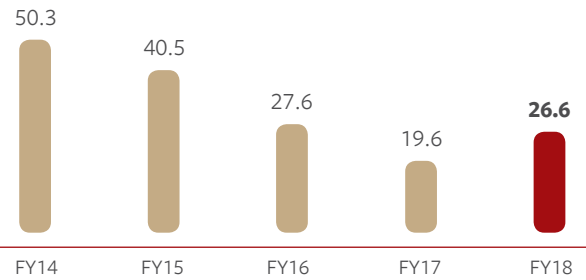
181.0^M

3.5%

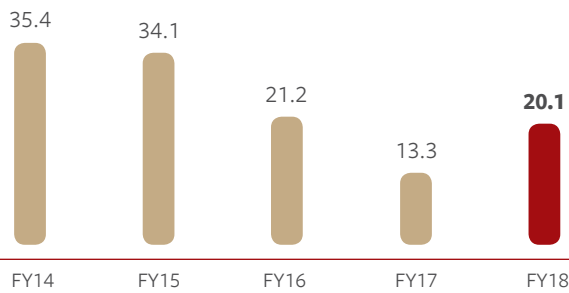
TURNOVER
(S\$ Million)



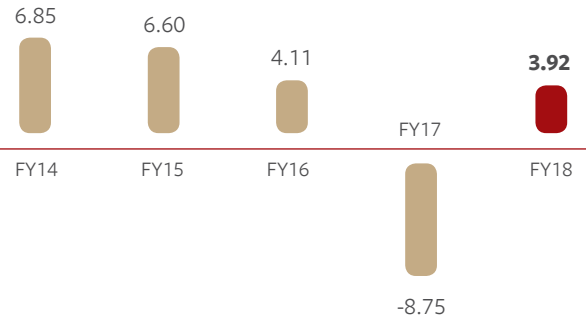
**EARNINGS BEFORE INTEREST AND TAX,
BEFORE EXCEPTIONAL ITEMS**
(S\$ Million)



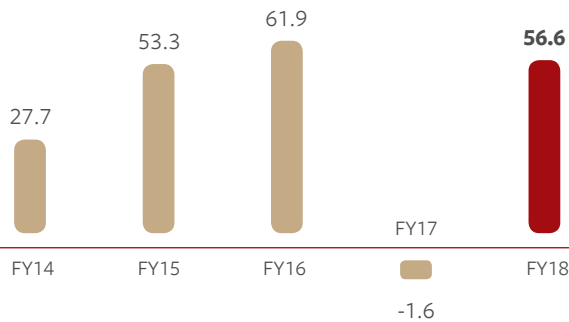
**PROFIT AFTER TAX AND NON-CONTROLLING INTERESTS
BEFORE EXCEPTIONAL ITEMS**
(S\$ Million)



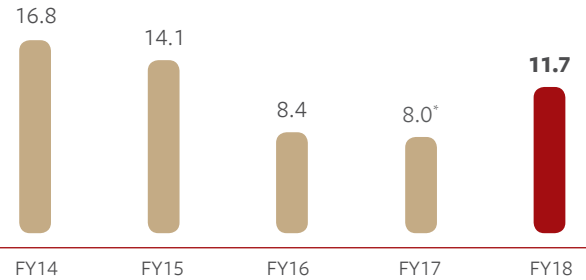
EARNINGS PER SHARE
(Cents)



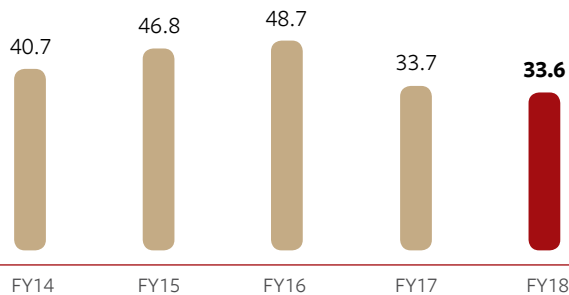
CASH FLOW FROM OPERATIONS
(S\$ Million)



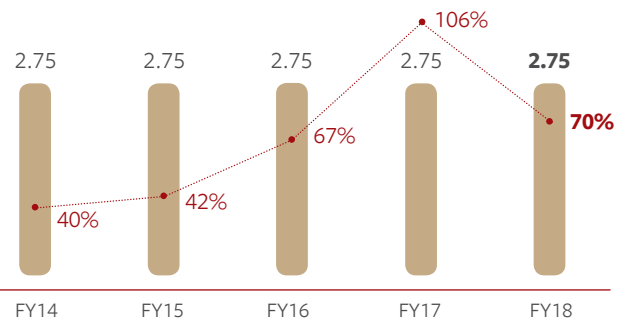
RETURN ON EQUITY
(%)



NET ASSETS VALUE PER SHARE
(Cents)



DIVIDEND PER SHARE
(Cents)



■ Dividend ■ Dividend payout ratio

*FY17 Return On Equity is before exceptional items

OPERATIONS AND FINANCIAL OVERVIEW

	2018 S\$'000	2017 S\$'000	Change 2018 %
Revenue	376,787	362,352	4.0%
Gross Profit	105,161	94,137	11.7%
Operating expenses	(80,033)	(89,606)	-10.7%
Earnings before interest and tax (EBIT)	26,636	19,629*	35.7%
Profit attributable to shareholders	20,105	(45,149)	N.M.
Total assets	269,082	283,920	-5.2%
Cash and cash equivalents at end of the year	74,051	46,910	57.9%
Loans and borrowings	36,125	31,408	15.0%
Net cash	37,926	15,502	144.7%
Shareholders' funds	171,236	173,954	-1.6%
Earnings per share – basic (cents)	3.92	(8.75)	N.M.
Net assets value per share (cents)	33.65	33.71	-0.2%
Net cash generated from/(used in) operations	56,586	(1,634)	N.M.
Order intake	384,226	381,866	0.6%
Order book	181,030	174,955	3.5%

	Revenue			EBIT		
	2018 S\$'000	2017 S\$'000	Change 2018 %	2018 S\$'000	2017 S\$'000	Change 2018 %
Asia Pacific	129,118	132,647	-2.7%	14,152	17,929	-21.1%
Americas	238,709	206,195	15.8%	17,107	6,361	168.9%
Europe/Middle East/Africa	8,960	23,510	-61.9%	(4,623)	(4,661)	0.8%
Total	376,787	362,352	4.0%	26,636	19,629*	35.7%

	Revenue			EBIT		
	2018 S\$'000	2017 S\$'000	Change 2018 %	2018 S\$'000	2017 S\$'000	Change 2018 %
Oil & Gas	251,038	246,218	2.0%	11,982	4,750	152.3%
Infrastructure	110,072	90,470	21.7%	14,561	15,114	-3.7%
Mining & Mineral	15,677	25,664	-38.9%	93	(235)	N.M.
Total	376,787	362,352	4.0%	26,636	19,629*	35.7%

*Before exceptional items incurred in 2017

TURNOVER

Group revenue increased by 4.0% in FY2018 to S\$376.8 million, as compared to FY2017 of S\$362.4 million, mainly due to strong growth in revenues generated from the Americas region offset by lower revenues in EMEA and Asia Pacific regions.

EARNINGS

Gross margins, however, improved to 27.9% in FY2018 as compared to 26.0% in FY2017 mainly due to the improving margin mix from the Americas region. Operating expenses were 10.7% lower at S\$80.0 million in FY2018 as compared to FY2017 of S\$89.6 million, mainly due to a one-off impairment of receivables amounting to S\$11.7 million provided in FY2017. In FY2018, CSE Group recorded profit after tax and non-controlling interests of S\$20.1 million as compared to S\$13.3 million in FY2017.

PERFORMANCE OF GEOGRAPHICAL SEGMENTS

In FY2018, the geographical regions of Asia-Pacific, the Americas and Europe/Middle East/Africa contributed 34.3%, 63.3% and 2.4% to revenue respectively. In FY2017, the geographical regions of Asia-Pacific, the Americas and Europe/Middle East/Africa contributed 36.6%, 56.9% and 6.5% to revenue.

Revenue in the Asia-Pacific region decreased slightly by 2.7% year-on-year in FY2018, due to delays in some infrastructure project orders. EBIT in FY2018 decreased by 21.1% as compared to FY2017, mainly attributed to lower margin contribution in line with decrease in revenues generated, as well as from higher exchange gain recognised in FY2017 (FY2018: S\$1.0 million vs FY2017: S\$2.4 million).

The Americas region registered a strong recovery in FY2018, garnering a revenue growth of 15.8% to S\$238.7 million from both fixed bid and time and material contracts. In line with the growth in revenues and higher gross margin achieved, EBIT for FY2018 jumped by 168.9% year-on-year.

In FY2018, the EMEA region recorded a 61.9% year-on-year decline in revenue to S\$9.0 million, due to the lack of greenfield projects, and impairment expenses resulting in a loss before interest and tax of S\$4.6 million.

PERFORMANCE OF INDUSTRY SEGMENTS

On an industry segment basis, revenues for Oil & Gas and Infrastructure segments in FY2018 grew by 2.0% and 21.7% year-on-year respectively while Mining & Minerals segment reported a decline of 38.9%.

In the Oil and Gas segment, revenues grew moderately by 2.0% in FY2018 to S\$251.0 million, mainly due to lower large greenfield oil and gas project revenues recognised in FY2018 of S\$18.1 million as compared to FY2017. Excluding the effect of the large greenfield project revenues, oil and gas flow revenues in FY2018 would have increased by 11.4% year-on-year. The improvement in the sales mix to higher proportion of flow oil and gas revenues helped to improve the overall gross margin and that translated to higher EBIT recorded in FY2018 for the Oil and Gas segment.

In the Infrastructure segment, revenue grew by 21.7% to S\$110.1 million in FY2018 from S\$90.5 million. The growth in the Infrastructure segment revenues was largely due to increased flow orders

both in Australia and Singapore. EBIT in FY2018 decreased by 3.7% as compared to FY2017, mainly attributed to lower gross margins achieved, as well as from higher exchange gain recognised in FY2017.

In the Mining & Minerals sector, revenue declined by 38.9% in FY2018, mainly due to the lack of large green field project in Australia which was recognised in FY2017. EBIT, however, improved to S\$0.1 million in FY2018 compared to a loss of S\$0.2 million in FY2017, mainly attributed to higher gross margins achieved for the projects in 2018.

CASH FLOW AND LIQUIDITY

In FY2018, the Group generated a strong cash inflow from operations of S\$56.6 million, through better working capital management of projects which led to the reduction in contract assets and trade receivables. With that, the Group ended the period with a net cash position of S\$37.9 million, after deducting share buyback of S\$3.3 million and dividend payments of S\$14.2 million.

ORDERS

New orders received for FY2018 grew to S\$384.2 million from S\$381.9 million in FY2017, mainly from higher order wins for infrastructure projects including a large government project secured in 4Q 2018 in the Asia Pacific region as well as higher flow orders from greenfield (new installations) and brownfield (maintenance, upgrade and enhancement of existing installations) in the Americas region.

As at end of FY2018, outstanding orders increased to S\$181.0 million from S\$175.0 million as at end of FY2017.





...WHILE EMBRACING SUSTAINABILITY

We are mindful of the role we play in contributing to the harmonious and sustainable development of society and the earth through all business activities that we carry out in each country and region. At CSE, we identify sustainability issues based on the importance for our business and the expectations of our stakeholders in order to be a trusted company.

SUSTAINABILITY REPORT

Our Sustainability Report will be available at <http://cseglobal.listedcompany.com/sr.html>

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REPORT ON CORPORATE GOVERNANCE

1.1 CORPORATE GOVERNANCE, ETHICS AND COMPLIANCE

The Board of Directors is committed to maintaining a high standard of corporate governance within the Group. Good corporate governance establishes and maintains a legal and ethical environment in the Group, which strives to preserve the interests of all stakeholders and to promote investors' confidence in the Group. The Company has adopted practices based on the Code of Corporate Governance 2012 (the "2012 CG Code") issued by the Monetary Authority of Singapore (the "MAS").

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

The Company is aware that MAS had on 6 August 2018 issued a revised Code of Corporate Governance (the "2018 CG Code"). The 2018 CG Code will take effect for annual reports covering financial years commencing 1 January 2019 and the Board will work towards the implementation of the 2018 CG Code.

1. THE BOARD'S CONDUCT OF ITS AFFAIRS

The Board plays an important role to oversee the Group's business affairs and to provide entrepreneurial leadership to the Company. This includes the approval of the Group's strategic plans, key business initiatives, financial objectives, major investments and funding decisions, the review of the Group's financial performance, the evaluation of the performance of the management and the Group, the establishment of a prudent and effective controls framework, the values and standards of the Company and the fulfilment of obligations to the shareholders. The Board is supported by three board committees namely: (1) Audit and Risk Committee; (2) Nominating Committee; and (3) Compensation Committee. While these Board Committees have the authority to examine particular issues in their respective areas, the Board Committees report to the Board with their decisions and recommendations as the ultimate responsibility on all matters lies with the entire Board.

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

The Board meets regularly with at least four Board meetings each financial year, as warranted by particular circumstances, as deemed appropriate by the Board. The Company has provided for telephonic and videoconference meetings in its Constitution. Annually, the Company will have an offsite planning meeting for the Directors and key executives to come together to discuss the key business growth and the growth plans going forward. In 2018, the Board had one offsite strategy meeting with key executives.

REPORT ON CORPORATE GOVERNANCE

The Directors' attendance at Board and Board Committee meetings during the financial year ended 31 December 2018 is set out as follows:

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

Note:

1 Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah was appointed as Deputy Chairman and Non-Executive, Non-Independent Director on 2 May 2018.

2 Syed Nazim Bin Syed Faisal was appointed as Non-Executive, Non-Independent Director on 2 May 2018.

3 Tan Chian Khong was appointed as Non-Executive Independent Director and a member of the Audit and Risk Committee on 19 February 2019.

4 Attendance by invitation

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 Company has in place general orientation-training programmes to ensure that every newly appointed Director of the Company is familiar with the Group's structure, the Group's business and its operations, the Company's governance practices and relevant statutory and regulatory compliance issues. Every newly appointed Director of the Company is expected to undergo an orientation programme which includes meetings with the Chairman, Managing Director and Group Chief Financial Officer as part of the training in the affairs of the business. The Company 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 directors, Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah, Mr Syed Nazim Bin Syed Faisal and Mr Tan Chian Khong, upon their respective appointments. The Company has arranged an orientation program for both Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah and Mr Syed Nazim Bin Syed Faisal and will be arranging the orientation program for Mr Tan Chian Khong who was appointed on 19 February 2019.

The Company relies on the Directors to undergo further relevant training, if necessary to update themselves on the relevant new laws, regulations and changing commercial risks, from time to time, at the Company's expense. On an on-going basis, the Directors are briefed by the Company Secretary, external auditors and external professionals on updates or changes to relevant regulations, policies and governance requirements, accounting standards and industry regulations. During FY2018, the Directors were briefed on the new Corporate Governance 2018 as well as changes to the accounting standards.

REPORT ON CORPORATE GOVERNANCE

2. BOARD COMPOSITION AND BALANCE

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

Non-Executive Independent Directors:

Lim Ming Seong – Chairman
Lee Soo Hoon Phillip
Lam Kwok Chong
Sin Boon Ann
Tan Hien Meng
Dr Lee Kong Ting
Tan Chian Khong³

Non-Executive Non-Independent Directors:

Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah¹ – Deputy Chairman
Syed Nazim Bin Syed Faisal²

Executive Director:

Lim Boon Kheng – Group Managing Director

The Board presently comprises ten Directors of whom seven are Non-Executive Independent Directors. The Non-Executive Independent Directors are considered to be independent within the meaning prescribed under Guideline 2.3 of the 2012 CG Code as well as SGX-ST Listing Rules 210(5)(d)(i) and (ii). All seven Non-Executive Independent Directors collectively comprise more than fifty per cent (50%) of the Board of Directors.

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 25.23% shareholder of the Company. Therefore, the Board has deemed them as Non-Executive Non-Independent Directors.

The independence of each Director is reviewed annually by the Nominating Committee, particularly those who have served more than nine years from the date of their first appointment. The following Directors have served on the Board for more than nine years as Independent Directors by the forthcoming Annual General Meeting ("AGM") to be held on 18 April 2019:

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

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

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

REPORT ON CORPORATE GOVERNANCE

As part of the Board renewal process progressively, Mr Tan Chian Khong has been appointed as Non-Executive Independent Director and a member of Audit and Risk Committee on 19 February 2019 to replace Mr Lee Soo Hoon Phillip who will be retiring at the forthcoming AGM. Mr Tan Chian Khong will be re-designated as the Chairman of the Audit and Risk Committee following the retirement of Mr Lee Soo Hoon Phillip. The Board believes that orderly succession and renewal is achieved as a result of careful planning, where the appropriate composition of the Board is continually under review.

The responsibilities of the Non-Executive Directors include:

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

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

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

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

The current Board and Board Committees comprise Directors who as a group provide appropriate balance and diversity of skills, experience, knowledge and core competencies such as accounting or finance, business or management experience, law and regulations, industry knowledge, strategic planning experience and customer-based experience and knowledge that are necessary and critical to meet the Company's objectives. Board diversity considerations such as skills, experience, gender and knowledge of a company have been taken into account in recommending appointments. Key information regarding the Directors of the Company in respect of academic and professional qualifications is set out in the Annual Report under Directors' Profile.

New Directors, if any, will continue to be selected based on objective criteria set as part of the process for appointment of new Directors. All Board appointments (including re-appointments of directors who are due to retire by rotation) are made or recommended based on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

The Non-Executive, Independent and Non-Independent 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.

No alternate directors were appointed throughout the year.

REPORT ON CORPORATE GOVERNANCE

3. CHAIRMAN

The Company has a separate Chairman and Managing Director to ensure that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. In addition, the Chairman and the Managing Director are not related to each other.

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

- (a) leading the Board to ensure its effectiveness on all aspects of its role;
- (b) Setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) promoting a culture of openness and debate at the Board;
- (d) ensuring that the directors receive accurate, timely and clear information;
- (e) ensuring effective communication with shareholders;
- (f) encouraging constructive relations between the Board and Management;
- (g) facilitating the effective contribution of Non-Executive Directors in particular;
- (h) encouraging constructive relations between Executive Director and Non-Executive Directors;
- (i) promoting high standards of corporate governance; and
- (j) reviewing the results of the Board's performance evaluation and taking appropriate actions in consultation with the Nominating Committee.

The Chairman's responsibilities pertaining to the Board also includes those other duties as required in his capacity as a member of the Nominating Committee and Compensation Committee, as well as a director of CSE W-Industries, Inc, CSE Icon, Inc, CSE Global (Asia) Pte. Ltd., CSE (Americas) Pte. Ltd. and CSE Global (Americas) Pte. Ltd., all of which are wholly-owned subsidiary companies of the Company.

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

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

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

4. BOARD MEMBERSHIP

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

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

The Nominating Committee comprises three members, all of whom are Non-Executive Directors and are independent of the management of the Company.

The Nominating Committee holds at least one Nominating Committee meeting each financial year and also as warranted by particular circumstances, as deemed appropriate by the Nominating Committee. During FY2018, the Nominating Committee had two meetings.

REPORT ON CORPORATE GOVERNANCE

The Nominating Committee is regulated by a set of written terms of reference, in line with the 2012 CG Code, endorsed by the Board. The primary function of the Nominating Committee is to provide assistance to the Board in selecting suitable Directors and making recommendations on all appointments and re-elections of Directors to the Board.

The responsibilities of the Nominating Committee include:-

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

The Nominating Committee has adopted internal guidelines to address the conflict of competing time commitments that are faced by the Directors when the Directors have multiple board representations. With due respect to individual autonomy of each Director, no maximum number of listed company board representations a Director may hold is prescribed. However, each Director is required to disclose to the Board his board representation whenever there are changes to his directorship. If a Director is on the Board of other companies, the Nominating Committee will consider whether adequate time and attention have been devoted to the Company. In the event that there are sufficient grounds for concern, the Chairman of the Board shall discuss, and if necessary, warn the Director of the issues and in any continuance, the consequences flowing from the situation. Despite some of the Directors having other board representations, the Board and the Nominating Committee are satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company for the financial year ended 31 December 2018.

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

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

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

under Article 95(2)

Mr Lim Boon Kheng (last re-elected on 20 April 2017)
Mr Lee Soo Hoon Phillip (last re-elected on 20 April 2016)
Mr Sin Boon Ann (last re-elected on 20 April 2017)

under Article 77

Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah (appointed on 2 May 2018)
Mr Syed Nazim Bin Syed Faisal (appointed on 2 May 2018)
Mr Tan Chian Khong (appointed on 19 February 2019)

REPORT ON CORPORATE GOVERNANCE

The Nominating Committee has recommended the re-election of Mr Lim Boon Kheng, Mr Sin Boon Ann, Dato' Dr Ir. Mohd Abdul Karim Bin Abdullah, Mr Syed Nazim Bin Syed Faisal and Mr Tan Chian Khong as Directors of the Company at the forthcoming AGM. Mr Lee Soo Hoon Phillip 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 Lee Soo Hoon Phillip's retirement at the forthcoming AGM, he will also cease to be Chairman of Audit and Risk Committee and a member of Nominating Committee. Mr Tan Chian Khong will thereafter, be re-designated as Chairman of the Audit and Risk Committee and appointed as a member of the Nominating Committee. The Board has accepted these recommendations.

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

5. BOARD PERFORMANCE

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

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

On an annual basis, the Directors will complete a board evaluation questionnaire which results are then collated by the Company Secretary in the form of a collective report. The report will be discussed during the Nominating Committee meeting to assess and further enhance the effectiveness of the Board and/or the Board Committees. The Board Chairman, who is also the Chairman of the Nominating Committee, will act on the results of the performance evaluation and in consultation with the Nominating Committee propose, where appropriate, new members to be appointed to the Board or seek the resignation of existing members. The evaluation for the financial year ended 31 December 2018 confirmed that the Board and its Board Committees were generally functioning effectively during the year.

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

Role of the Company Secretary

The Company Secretary attends all Board meetings and is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including compliance with the Company's Constitution, the Companies Act, the Securities and Future Act and the SGX-ST Listing Rules. He assists the Board in implementing and strengthening corporate governance policies and processes. The Company Secretary is the primary point of contact between the Company and Singapore Exchange Securities Trading Limited ("SGX"). The Company Secretary has experience with company secretarial practices. The appointment and removal of the Company Secretary is subject to the approval of the Board.

REPORT ON CORPORATE GOVERNANCE

6. ACCESS TO INFORMATION

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

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

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

The Directors also have separate and independent access to the Company Secretary. In addition, the role of the Company Secretary is also clearly defined and includes the responsibility for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and the Audit and Risk Committee and between senior management and Non-Executive Directors, as well as facilitating orientation and assisting with professional development as required. The Company Secretary attends all Board meetings and Audit and Risk Committee meetings.

In addition to the above, the Board has procedures for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Non-Executive Independent Directors:

Lim Ming Seong – Chairman
Lam Kwok Chong

Executive Non-Independent Director:

Lim Boon Kheng

The Compensation Committee comprises three members, two of whom are Non-Executive Independent Directors and one Executive Director. Mr Lim Ming Seong and Mr Lam Kwok Chong are independent of the management of the Company and are considered to be independent by the Board as they have no relationships with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment. Whilst Mr Lim Boon Kheng, the Executive Director, provides input from the perspective of operating metrics and people management, he does not take part in formulation or review involving his own remuneration package.

The Chairman of the Compensation Committee, Mr Lim Ming Seong, is a Non-Executive Independent Director, who is knowledgeable in the field of executive compensation. In addition, the Compensation Committee has access to the relevant expert advice within the Company.

No individual Director of the Company fixes his own remuneration.

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

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

REPORT ON CORPORATE GOVERNANCE

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

The Compensation Committee is guided by its terms of reference that are in line with the 2012 CG Code and its responsibilities of the Compensation Committee include:-

- (a) recommending to the Board the framework of remuneration for the Executive Directors and the key management of the Group;
- (b) determining and setting the specific remuneration packages for each of the Executive Directors and the key management of the Group;

8. LEVEL AND MIX OF REMUNERATION

In setting remuneration packages, the Compensation Committee will take into consideration the pay and employment conditions within the industry the Group operates in as well as companies within the same business segment as there are no exactly comparable companies. In addition, the Compensation Committee will take into account the Group's relative performance and the key management of the Group when setting the remuneration packages.

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

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

The 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. The framework for determining Non-Executive Directors' fees for the financial year ended 31 December 2018 remains unchanged from that of the previous financial year ended 31 December 2017 and is set out below:

Board and Committees	Retainer per annum	Attendance Fee Per Physical Meeting	Attendance Fee Per Teleconference Meeting
a. Main Board			
– Chairman	S\$30,000	S\$2,000	S\$500
– Member	S\$20,000	S\$2,000	S\$500
b. Audit & Risk Committee			
– Chairman	S\$20,000	S\$2,000	S\$500
– Member	S\$10,000	S\$2,000	S\$500
c. Other Committee			
– Chairman	S\$10,000	S\$1,000	S\$500
– Member	S\$5,000	S\$1,000	S\$500
d. Annual Planning Meeting		US\$1,000 per day	

REPORT ON CORPORATE GOVERNANCE

The Compensation Committee has assessed and is satisfied that the Non-Executive Directors are not over-compensated to the extent that their independence is compromised and is of the opinion that it is not necessary to consult experts on the remuneration of Non-Executive Directors. Nonetheless, the Compensation Committee understands that where necessary, the Compensation Committee may seek advice from external remuneration consultants in outlining the remuneration policy and determining the level and mix of remuneration for Executive Directors and key management personnel.

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

9. DISCLOSURE ON REMUNERATION

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

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

The Company has implemented a share-based long term incentive plan known as CSE Performance Share Plan ("Share Plan") in lieu of an existing cash plan on 20 April 2017, details of which are disclosed in the Directors' Statement. The Share Plan will allow management to further align their interest and share in the future of the Company with the shareholders. The Share Plan is administered by the Compensation Committee. On 20 February 2019, a total of 3,060,000 performance shares ("Performance Shares") were awarded to the Executive Director and key management personnel of the Company (the "Participants") for their performance in FY2018. The Performance Shares were awarded to reward the Participants based on the performance criteria as determined by the Compensation Committee who is administering the Share Plan. Part of the Performance Shares awarded are subject to a moratorium period of 1 to 2 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.

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

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

Name	Total remuneration (\$'000)	Fees (%)	Others (%)
Lim Ming Seong	63	100	-
Dato ¹ Dr Ir. Mohd Abdul Karim Bin Abdullah ¹	17	100	-
Lam Kwok Chong	43	100	-
Lee Soo Hoon Phillip	65	100	-
Lee Kong Ting	49	100	-
Sin Boon Ann	49	100	-
Tan Hien Meng	49	100	-
Syed Nazim Bin Syed Faisal ¹	22	100	-

Note:

¹Appointed as Non-Executive, Non-Independent Director on 2 May 2018. The Director's fee will be prorated to his date of appointment and will be subjected to shareholders' approval at the forthcoming AGM scheduled on 18 April 2019.

REPORT ON CORPORATE GOVERNANCE

Name	Total remuneration (\$'000)	Salary (%)	Bonus (%)	Other Benefits & Provident Fund (%)	Award of shares (%)
Lim Boon Kheng	2,148	30	23	6	40

The disclosure of details in respect of remuneration of the top 5 key executive officers of the Group who are not Directors of the Company is set out in the following table:

Name	Total remuneration (\$'000)	Salary (%)	Bonus (%)	Other Benefits & Provident Fund (%)	Award of shares (%)
Executive A	1,216	35	40	5	20
Executive B	1,115	47	49	4	-
Executive C	1,024	40	20	5	35
Executive D	987	54	43	3	-
Executive E	539	98	-	2	-

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

There were no termination, retirement and post-employment benefits paid to any Directors and the top five key executives in the year ended 31 December 2018. In addition, the Compensation Committee was satisfied that the service contracts with the key executives do not contain termination clauses that are overly generous.

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

10 ACCOUNTABILITY

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

Financial results for the first three quarters are released to shareholders no later than 45 days from the end of the quarter. Annual financial results are released within 60 days from the financial year-end.

Other price sensitive information is also disseminated to shareholders through announcements via SGXNet, press releases and the Company's website. The Company's Annual Report is accessible on the Company's website.

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

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

REPORT ON CORPORATE GOVERNANCE

11. AUDIT AND RISK COMMITTEE (“ARC”)

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:

Non-Executive Independent Directors:

Lee Soo Hoon Phillip – Chairman
Dr Lee Kong Ting
Sin Boon Ann
Tan Hien Meng
Tan Chian Khong (appointed on 19 February 2019)

The ARC comprises five members, all of whom are Non-Executive Directors and are independent of the management of the Company. All of the Non-Executive Directors are considered to be independent by the Board, as they have no relationships with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors’ independent business judgment. None of the ARC members were previous partners or directors of the Company’s external auditor, Ernst & Young LLP, within the last twelve months or hold any financial interest in the external auditor.

The 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 FY2018 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 Lee Soo Hoon Phillip, has accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment. Mr Tan Chian Khong would be re-designated as the Chairman of the ARC following Mr Lee Soon Hoon Phillip’s retirement. 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 and is therefore qualified to be the Chairman of the ARC.

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 in line with the 2012 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;

REPORT ON CORPORATE GOVERNANCE

- (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.

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:

	2018 \$'000	2017 \$'000
Audit fees:		
– Auditors of the Company		
– Annual audit	297	276
– Others	40	76
– Other auditors	197	218
Non-audit fees:		
– Auditors of the Company	83	–
– Other auditors	5	1
Total Audit and non-audit fees	622	571

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.

12. INTERNAL CONTROLS AND RISK MANAGEMENT

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.

REPORT ON CORPORATE GOVERNANCE

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.

During FY2018, the Board and the ARC have reviewed the adequacy and effectiveness of the Group's internal controls to address the Group's financial, operational, compliance and information technology risks. In addition, the Board also received written assurances from the Group Managing Director and the Group Chief Financial Officer on the state of the Group's financial records, risk management and internal control systems, confirming that:-

- (a) the financial records have been properly maintained and the financial statements for the year ended 31 December 2018 give a true and fair view of the Group's operations and finance; and
- (b) the Company's risk management and internal control systems are adequate and effective in mitigating the significant risks to a level acceptable to the Group.

Based on the internal controls established and maintained by the Company and reviews conducted by the internal and external auditors and regular reviews undertaken by Management, Board and Board Committees as well as the assurance from Group Managing Director and Group Chief Financial Officer, the Board of Directors, with the concurrence of the ARC, is of the opinion that the system of internal controls and risk management are adequate and effective to address the Group's financial, operational, compliance and information technology risks of the current scope of the Group's business operations.

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

Whistle-Blowing Policy

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

REPORT ON CORPORATE GOVERNANCE

13. SIGNIFICANT FINANCIAL REPORTING MATTERS

The significant areas of focus by the ARC in relation to the 2018 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 63 to 64.

Audit and Risk Committee ("ARC") Commentaries

Significant matters	How the ARC reviewed these matters and what decisions were made
Revenue recognition on project contracts	The ARC discussed with management and the external auditor in relation to the recognition of project revenues. 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 2018.
Impairment assessment 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 2018, the level of expected credit loss for the Group was adequate and in compliance with the current accounting standards.
Impairment assessment on goodwill and investment in subsidiaries	The ARC considered the approach and methodology applied in performing the annual goodwill and investment impairment assessment. It reviewed the key assumptions used in the discounted cash flow model such as discount rate and growth projections. The ARC was satisfied with the appropriateness of the analysis performed by management and have concurred that as of 31 December 2018, no impairment in goodwill and investment in subsidiaries is required.

14. 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.

15. COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

All shareholders receive the Annual Report and the notice of AGM. The notice of AGM is also released via SGXNet, published in local newspapers and uploaded on the corporate website. At the AGMs and other general meetings, shareholders are given the opportunity to air their views and direct questions to the Board on any matter relating to the Group's business and operations. Directors and senior management are present at general meetings to address shareholders' queries. The external auditors are also present at the AGMs of the Company to address queries about the conduct of audit and the preparation and content of the Auditors' Report. The Company Secretary prepares minutes of general meetings, which incorporate substantial comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon their request.

As part of the Company's effort to provide regular, effective and fair communication with the shareholders of the Company, the Board has adopted and commenced quarterly reporting of the Group's operating and financial performance via SGXNet and the press with effect from 2002. 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. In addition to the above, the Managing Director conducts a briefing in respect of the Group's operating and financial performance for the financial year just ended to the shareholders of the Company during the AGM of the Company. The Company does not practice selective disclosure of information.

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

REPORT ON CORPORATE GOVERNANCE

16. 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.

17. INTERESTED PERSON TRANSACTIONS

Pursuant to the requirements as stipulated under SGX-ST Listing Rules 1207(17) and 907, the Group has not obtained any general mandates from shareholders for interested person transaction during the financial year. The Company has in place procedures to ensure that all transactions with interested persons are reported in a timely manner to the ARC for its review.

During the financial year under review, there were no interested person transactions entered into by the Group.

18. 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.

1.2 RISK MANAGEMENT POLICIES AND PROCESSES

Please refer to Annual Report Page No. 51 to 57 (“Risk Management”).

On behalf of the Directors,

Lee Soo Hoon Phillip
Chairman, Audit and Risk Committee

Tan Hien Meng
Director

Singapore
20 March 2019

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.

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.

RISK MANAGEMENT

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.

(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.

RISK MANAGEMENT

(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.

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.

RISK MANAGEMENT

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

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Singapore Dollar (SGD), United States Dollar (USD), British Pound (GBP), Euro (EUR), and Australia Dollar (AUD). Approximately 99% (2017: 99%) of the Group's sales and approximately 84% (2017: 82%) 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 98% (2017: 95%) and 89% (2017: 84%) denominated in their respective functional currencies.

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

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

Credit risk

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

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

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 (2017: less than 6 months) from the balance sheet date.

RISK MANAGEMENT

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 cash position of S\$37.9 million, which consists of S\$74.1 million of gross cash and gross borrowings of S\$36.1 million (Notes 12 & 14 of the Financial Statements). 100% (2017: 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 2018

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 2018.

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 2018 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 (appointed on 2 May 2018)
Lim Boon Kheng
Phillip Lee Soo Hoon
Sin Boon Ann
Lam Kwok Chong
Tan Hien Meng
Lee Kong Ting
Syed Nazim Bin Syed Faisal (appointed on 2 May 2018)
Tan Chian Khong (appointed on 19 February 2019)

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 2018

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 1.1.2018 or date of appointment	At 31.12.2018	At 21.1.2019	At 1.1.2018 or date of appointment	At 31.12.2018	At 21.1.2019
Ordinary shares of the Company						
Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah *	-	-	-	130,166,250	132,166,250	132,166,250
Lim Boon Kheng **	3,000,500	3,000,500	3,000,500	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
Phillip Lee Soo Hoon	450,000	450,000	450,000	-	-	-

* Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah ("Dato' Karim") was appointed as Deputy Chairman and Non-Executive, Non-Independent Director on 2 May 2018. 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"). 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 the spouse of Lim Ming Seong; and (ii) 3,000,000 shares held by Citibank Nominees Singapore 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 2018

Share options and Performance Share Plan

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

The Company has implemented a share-based long term incentive plan known as CSE Performance Share Plan ("Performance Share Plan") in lieu of an existing cash plan on 20 April 2017. The Performance Share Plan is administrated by the Compensation Committee, namely Messrs Lim Ming Seong, Lam Kwok Chong and Lim Boon Kheng. 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 2018

Audit and Risk Committee

The Audit and Risk Committee was established on 22 January 1999.

The Audit and Risk Committee comprises five members, all of whom are non-executive Directors and are independent of the management of the Company.

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

Non-executive/Independent Directors:

Phillip Lee Soo Hoon (Chairman)
 Sin Boon Ann
 Tan Hien Meng
 Lee Kong Ting
 Tan Chian Khong (appointed on 19 February 2019)

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.

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

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 2019

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

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 2018, 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 2018 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 \$110,096,000 for the financial year ended 31 December 2018 and the carrying amounts of contract assets and contract liabilities arising from these projects amounted to \$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 contracts costs incurred to date as a percentage of the total estimated costs for each contract.

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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

Revenue recognition on project contracts (cont'd)

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 \$64,891,000 and \$34,327,000 respectively as of 31 December 2018 and were significant to the Group as they represented 37% 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 require 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 the related credit risk and liquidity risk in Notes 11 and 30 to the financial statements.

Impairment assessment on goodwill and investment in subsidiaries

As at 31 December 2018, the Group has goodwill amounting to \$17,104,000 which represented 29% of the total non-current assets. The Group allocated goodwill to cash generating units ("CGUs") identified for impairment testing as disclosed in Note 7 to the financial statements.

The Company has investments in subsidiaries amounting to \$196,018,000 as at 31 December 2018. These investments represent 97% of the Company's total non-current assets. The carrying amounts of these investments are tested for impairment whenever there are indications of impairment.

The recoverable amount of each CGU and investment in subsidiaries 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 and investment in subsidiaries. We also assessed whether assumptions have been determined and applied consistently across the Group. Our internal valuation specialists assisted us in testing the reasonableness of the discount rate used in the VIU calculation. We reviewed the results of the impairment assessment performed by management by comparing the carrying values of the CGU and investment in subsidiaries to their respective recoverable amounts, and assessed if the carrying amounts exceed the recoverable amounts.

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

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.
- 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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

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

- 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 2019

BALANCE SHEETS

As at 31 December 2018

Note	Group			Company			
	2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000	2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000	
Non-current assets							
Property, plant and equipment	4	28,198	28,002	26,516	2,299	2,705	2,865
Investment in subsidiaries	5	–	–	–	196,018	196,018	204,495
Investment in associate		106	–	–	–	–	–
Other investments	6	1,290	1,410	7,732	1,290	1,296	7,618
Intangible assets	7	25,955	27,610	53,104	645	806	967
Deferred tax assets	8	3,073	2,799	11,548	1,138	1,556	2,727
Current assets							
Contract assets	9	34,327	63,343	41,873	–	–	–
Inventories	10	16,490	14,622	14,732	–	–	–
Trade and other receivables	11	81,844	96,261	88,680	772	431	462
Prepaid operating expenses		3,748	2,963	3,659	85	95	77
Amounts due from subsidiaries	5	–	–	–	22,174	29,516	10,133
Cash and cash equivalents	12	74,051	46,910	90,778	9,389	3,874	11,853
		210,460	224,099	239,722	32,420	33,916	22,525
Current liabilities							
Contract liabilities	9	11,935	15,061	13,588	–	–	–
Trade payables and accruals	13	44,510	55,435	34,459	4,352	4,604	1,634
Finance leases	26	8	–	28	–	–	–
Loans and borrowings	14	36,125	31,408	20,581	36,125	31,408	8,889
Amounts due to subsidiaries	5	–	–	–	78,853	88,173	96,357
Provision for warranties	15	467	819	2,155	–	–	–
Provision for taxation		2,880	2,076	3,278	761	–	–
		95,925	104,799	74,089	120,091	124,185	106,880
Net current assets/(liabilities)		114,535	119,300	165,633	(87,671)	(90,269)	(84,355)
Non-current liabilities							
Deferred tax liabilities	8	(481)	(3,047)	(5,424)	–	–	–
Finance leases	26	(19)	–	–	–	–	–
Accruals	13	(326)	(321)	(4,261)	–	–	(4,000)
Net assets		172,331	175,753	254,848	113,719	112,112	130,317
Equity attributable to owners of the Company							
Share capital	16(a)	98,542	98,542	98,542	98,542	98,542	98,542
Treasury shares	16(b)	(3,327)	–	–	(3,327)	–	–
Share-based payment reserve	16(c)	1,393	–	–	1,393	–	–
Revenue reserve		82,216	83,623	142,964	7,235	3,694	21,899
Other reserves	17	9,844	9,844	9,844	9,876	9,876	9,876
Foreign currency translation reserve	18	(17,432)	(18,055)	–	–	–	–
		171,236	173,954	251,350	113,719	112,112	130,317
Non-controlling interests		1,095	1,799	3,498	–	–	–
Total equity		172,331	175,753	254,848	113,719	112,112	130,317

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

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2018

		Group	
	Note	2018 \$'000	2017 \$'000
Revenue	19	376,787	362,352
Cost of sales		(271,626)	(268,215)
Gross profit		105,161	94,137
Operating expenses			
Administrative expenses		(71,411)	(67,927)
Selling and distribution expenses		(4,279)	(3,837)
Other expenses		(4,343)	(17,842)
Operating profit		25,128	4,531
Other non-operating income/(expenses)	20	1,508	(41,637)
Finance income	21	278	510
Finance costs	22	(835)	(829)
Profit/(loss) before tax	23	26,079	(37,425)
Income tax expense	24	(6,638)	(9,471)
Profit/(loss) for the year		19,441	(46,896)
Attributable to:-			
Owners of the Company		20,105	(45,149)
Non-controlling interests		(664)	(1,747)
		19,441	(46,896)
Earnings/(loss) per share attributable to owners of the Company (cents per share)			
Basic EPS	25	3.92	(8.75)
Diluted EPS	25	3.89	(8.75)

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 2018

	Group	
	2018	2017
	\$'000	\$'000
Profit/(loss) for the year	19,441	(46,896)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
– Foreign currency translation	583	(18,007)
Other comprehensive income for the year, net of tax	583	(18,007)
Total comprehensive income for the year	<u>20,024</u>	<u>(64,903)</u>
Attributable to:-		
Owners of the Company	20,728	(63,204)
Non-controlling interests	(704)	(1,699)
Total comprehensive income for the year	<u>20,024</u>	<u>(64,903)</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 2018

Group	Attributable to owners of the Company								
	Share capital	Treasury shares	Share-based payment reserve	Revenue reserve	Other reserves	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
	(Note 16) \$'000	(Note 16) \$'000	(Note 16) \$'000	\$'000	(Note 17) \$'000	(Note 18) \$'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 2018

Group	Attributable to owners of the Company				Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital (Note 16) \$'000	Revenue reserve \$'000	Other reserves (Note 17) \$'000	Foreign currency translation reserve (Note 18) \$'000			
2017							
Opening balance at 1 January 2017 (FRS frame work) (Note 22)	98,542	171,632	9,844	(28,668)	251,350	3,498	254,848
Effects of adopting SFRS(I)	-	(28,668)	-	28,668	-	-	-
Opening balance at 1 January 2017 (SFRS(I) frame work)	98,542	142,964	9,844	-	251,350	3,498	254,848
Loss for the year	-	(45,149)	-	-	(45,149)	(1,747)	(46,896)
Other comprehensive income							
- Foreign currency translation	-	-	-	(18,055)	(18,055)	48	(18,007)
Other comprehensive income for the year, net of tax	-	-	-	(18,055)	(18,055)	48	(18,007)
Total comprehensive income for the year	-	(45,149)	-	(18,055)	(63,204)	(1,699)	(64,903)
Contributions by and distributions to owners							
- Dividends on ordinary shares (Note 33)	-	(14,192)	-	-	(14,192)	-	(14,192)
Total transactions with owners in their capacity as owners	-	(14,192)	-	-	(14,192)	-	(14,192)
Closing balance at 31 December 2017	98,542	83,623	9,844	(18,055)	173,954	1,799	175,753

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 2018

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
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
2017						
Opening balance at 1 January 2017	98,542	-	-	21,899	9,876	130,317
Loss for the year, representing total comprehensive income for the year	-	-	-	(4,013)	-	(4,013)
<u>Contributions by and distributions to owners</u>						
Dividends on ordinary shares (Note 33)	-	-	-	(14,192)	-	(14,192)
Total transactions with owners in their capacity as owners	-	-	-	(14,192)	-	(14,192)
Closing balance at 31 December 2017	98,542	-	-	3,694	9,876	112,112

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 2018

	2018	2017
	\$'000	\$'000
Cash flows from operating activities:		
Profit/(loss) before tax	26,079	(37,425)
Adjustments for:		
Depreciation of property, plant and equipment	6,094	5,497
Amortisation of intangible assets	1,753	1,842
Impairment of goodwill	-	27,953
Impairment of other investments	-	190
Allowance for stock obsolescence made, net	267	1,160
Inventories written off	-	209
Impairment loss on trade receivables, net	1,966	11,161
Write-down of contract assets	434	2,979
Gain on disposal of quoted investment	-	(137)
(Gain)/loss on disposal of property, plant and equipment	(288)	334
Property, plant and equipment written off	1	557
One-off settlement costs	-	16,595
Interest expense	835	829
Interest income	(278)	(510)
Operating cash flows before changes in working capital	36,863	31,234
Decrease/(increase) in trade and other receivables and prepaid operating expenses	7,123	(24,412)
Decrease/(increase) in contract assets, net and inventories	21,496	(26,652)
(Decrease)/increase in trade payables and accruals	(8,896)	18,196
Cash generated from/(used in) operations	56,586	(1,634)
One-off settlement costs	-	(16,595)
Interest paid	(835)	(829)
Interest received	278	510
Income tax paid	(8,542)	(4,498)
Net cash flows generated from/(used in) from operating activities	47,487	(23,046)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(6,552)	(8,133)
Purchase of intangible assets	(95)	(168)
Acquisition of business net of cash acquired (Note 5)	(1,239)	(8,506)
Proceeds from on quoted investment, net	-	5,991
Proceeds from disposal of property, plant and equipment	434	363
Net cash flows used in investing activities	(7,452)	(10,453)
Cash flows from financing activities:		
Purchase of treasury shares	(3,327)	-
Proceeds from short-term borrowings, net	4,711	10,419
Dividends paid on ordinary shares	(14,154)	(14,192)
Repayment of finance lease obligations	-	(28)
Net cash flows used in financing activities	(12,770)	(3,801)
Net increase/(decrease) in cash and cash equivalents	27,265	(37,300)
Net effect of exchange rate changes on cash and cash equivalents	(124)	(6,568)
Cash and cash equivalents at 1 January	46,910	90,778
Cash and cash equivalents at 31 December (Note 12)	74,051	46,910

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 2018

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)”).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (“FRS”). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted 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.

Fundamental accounting concept

As at 31 December 2018, the Company’s current liabilities exceeded its current assets by \$87,671,000 (2017: \$90,269,000). In the opinion of the Directors, the Company is able to continue as a going concern despite its net current liabilities position as the Company is able to deploy the available funds within the Group for the Company to pay its debts as and when they fall due. Accordingly, the Directors are of the view that the going concern assumption is appropriate for the preparation of the financial statements of the Company.

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group’s and the Company’s opening balance sheets were prepared as at 1 January 2017, the Group and the Company’s date of transition to SFRS(I).

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 2018

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.
- SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.
- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of \$28,668,000 was adjusted against the opening retained earnings as at 1 January 2017.
- The comparative information do not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retroactively to those financial assets that were not derecognised before 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

Classification and measurement (cont'd)

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income. For equity securities, the Group continues to measure its available-for-sale (AFS) quoted equity securities at FVPL.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables of \$5,598,000 and contract assets of \$1,760,000.

The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in retained earnings of \$7,358,000 as at 1 January 2018.

The initial application of SFRS(1) 9 does not have any reclassification effect to the Group's and Company's financial statements.

There is no corresponding tax impact to the Group and the Company arising from the adoption of SFRS(1) 9.

The reconciliation for expected credit loss allowances for the Group are as follow:

	Trade receivables \$'000	Group Contract assets \$'000
Opening expected credit loss allowance as at 1 January 2018	14,172	-
Amount restated through opening retained earnings	5,598	1,760
Adjusted expected credit loss allowance	19,770	1,760

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017.
- For completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year ended 31 December 2017.
- For the comparative year ended 31 December 2017, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

The Group is in the business of providing total integrated industrial automation information technology and intelligent transport solutions. The changes arising from the adoption of SFRS(I) 15 have been applied retrospectively.

Customer advances were previously recognised under trade payables and accruals. Upon adoption of SFRS(I) 15, these advances were reclassified to contract liabilities. Arising from this change, the Group recognised an increase in contract liabilities and corresponding decrease in trade payables and accruals of \$5,393,000 as at 31 December 2017 and \$2,599,000 as at 1 January 2017.

Other than the above mentioned, there is no further significant impact arising from first-time adoption of SFRS(I) 15 for the Group and the Company.

Reconciliation of impact arising from first-time adoption of SFRS(I)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017, 31 December 2017 and 1 January 2018 to the balance sheets of the Group.

	1.1.2017 (FRS) \$'000	SFRS(I) 1 adjustments \$'000	SFRS(I) 15 adjustments \$'000	1.1.2017 (SFRS(I)) \$'000
Contract liabilities	10,989	–	2,599	13,588
Trade and other payables	37,058	–	(2,599)	34,459
Net current assets	165,633	–	–	165,633
Net assets	254,848	–	–	254,848
Share capital	98,542	–	–	98,542
Revenue reserve	171,632	(28,668)	–	142,964
Other reserve	9,844	–	–	9,844
Foreign currency translation reserve	(28,668)	28,668	–	–
	251,350	–	–	251,350
Non-controlling interests	3,498	–	–	3,498
Total equity	254,848	–	–	254,848

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

	31.12.2017 (FRS) \$'000	SFRS(I) 1 adjustments \$'000	SFRS(I) 15 adjustments \$'000	31.12.2017 (SFRS(I)) \$'000	SFRS(I) 9 adjustments \$'000	1.1.2018 (SFRS(I)) \$'000
Contract assets	63,343	-	-	63,343	(4,702)	58,641
Trade and other receivables	96,261	-	-	96,261	(5,598)	90,663
Contract liabilities	9,668	-	5,393	15,061	(2,942)	12,119
Trade payables and accruals	60,828	-	(5,393)	55,435	-	55,435
Net current assets/(liabilities)	119,300	-	-	119,300	(7,358)	111,942
Net assets	175,753	-	-	175,753	(7,358)	168,395
Share capital	98,542	-	-	98,542	-	98,542
Revenue reserve	112,291	(28,668)	-	83,623	(7,358)	76,265
Other reserve	9,844	-	-	9,844	-	9,844
Foreign currency translation reserve	(46,723)	28,668	-	(18,055)	-	(18,055)
	173,954	-	-	173,954	(7,358)	166,596
Non-controlling interests	1,799	-	-	1,799	-	1,799
Total equity	175,753	-	-	175,753	(7,358)	168,395

There is no impact arising from first-time adoption of SFRS(I), including application of new standards on 1 January 2017, 31 December 2017 and 1 January 2018 to the balance sheet of the Company.

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) 16 <i>Leases</i>	1 January 2019
SFRS(1) 1-19: <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
SFRS(I) INT 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to SFRS(I) 1-28: <i>Long-term Interest in Associates and Joint Ventures</i>	1 January 2019
Annual improvements to SFRS(I)s 2015 - 2017 Cycle	1 January 2019
Amendments to References to the Conceptual Framework in SFRS(1) Standards	1 January 2020
Amendments to Illustrative Examples, Implementation Guidance and SFRS(1) Standards	1 January 2020
SFRS(1) 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>	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees - leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.4 Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of 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.

Project revenue

For the financial year ended 31 December 2018, the Group recognised project revenue of \$110,096,000 (2017: \$126,956,000) and the carrying amounts of contract assets and contract liabilities arising from these projects as at 31 December 2018 amounted to \$34,327,000 and \$11,935,000 (31 December 2017: \$63,343,000 and \$15,061,000, 1 January 2017: \$41,873,000 and \$13,588,000) 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.

(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 2018 are \$64,891,000 and \$34,327,000 (31 December 2017: \$79,112,000 and \$63,343,000, 1 January 2017: \$83,041,000 and \$41,873,000) respectively.

Impairment of goodwill and investment in subsidiaries

As disclosed in Note 7 and Note 5 to the financial statements, the recoverable amounts of the cash generating units which goodwill and brands 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 and Note 5 to the financial statements.

The carrying amount of the intangible assets and investment in subsidiaries as at 31 December 2018 is \$25,955,000 and \$196,018,000 (31 December 2017: \$27,610,000 and \$196,018,000, 1 January 2017: \$53,104,000 and \$204,495,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future cash inflows based on expected revenues from existing orders and contracts for the next 3-5 years.

The carrying value of recognised tax losses at 31 December 2018 was \$2,690,000 (31 December 2017: \$4,029,000, 1 January 2017: \$27,652,000) and the unrecognised tax losses at 31 December 2018 was \$48,366,000 (31 December 2017: \$34,734,000, 1 January 2017: \$Nil).

If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by \$8,793,000 (31 December 2017: \$6,148,000, 1 January 2017: \$Nil).

2.5 Foreign currency

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

(a) Transactions and balances

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

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

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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.

Sales order backlog

Significant confirmed orders and pipeline projects which are acquired in a business combination and amortised on a straight-line basis over 4 years.

Non-compete agreement

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

Licences and intellectual property rights

Costs relating to licences and intellectual property rights, which are acquired, are capitalised and amortised on a straight-line basis over their useful lives of 10 to 15 years.

Customer relationships

Customer relationships acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is fair value at the acquisition date. Subsequent to initial recognition, customer relationships acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Customer relationships are amortised on a straight-line basis over their useful lives of 6 to 15 years.

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.12 Impairment of non-financial assets (cont'd)

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.

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 two measurement categories, applicable to the Group, for classification of debt instruments are

(i) 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.

(ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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.

(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 cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.15 Impairment of financial assets (cont'd)

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.

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 and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

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

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 2018

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 share 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

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20(e). Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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.

(b) Deferred tax

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.21 Income taxes (cont'd)

(c) Sales tax

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

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

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

2.22 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 27, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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		
			2018 \$'000	31.12.17 \$'000	1.1.17 \$'000	2018 %	31.12.17 %	1.1.17 %
i	CSE Global (Asia) Pte Ltd (Singapore)	E-business integration, research and development and investment holding (Singapore)	27,264	27,264	27,264	100	100	100
i	S3 ID Pte Ltd (Singapore)	Sale and provision of safe secure solution and investment holding (Singapore)	13,600	13,600	13,600	80	80	80
i	CSE Global (Americas) Pte Ltd (Singapore)	Investment holding (Singapore)	-*	-	-	100*	-	-
i	CSE (Americas) Pte Ltd (Singapore)	Sale and provision of system integration services and investment holding (Singapore)	39,556	39,556	39,556	100	100	100
iii	CSE Systems & Engineering (India) Private Limited ⁽¹⁾ (India)	Sales and provision of computer network systems (India)	36	36	36	100	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	2,524	100	100	100
i	CSE-TransTel Pte Ltd (Singapore)	Provision of turnkey telecommunications solutions (Singapore)	75,302	75,302	75,302	100	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	46,213	100	100	100
			204,495	204,495	204,495			

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 2018

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group		
			2018 %	31.12.17 %	1.1.17 %
Held by CSE Global (Asia) Pte Ltd					
i	CSE-ITS Pte Ltd (Singapore)	Provision of infrastructure engineering services (Singapore)	100	100	100
i	CSE-IAP Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	100	100	100
i	CSE-EIS Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	100	100	100
iii	CSE-EIS (Malaysia) Sdn Bhd ⁽³⁾ (Malaysia)	Sales and provision of computer systems (Malaysia)	100	100	100
i	CSE Hankin (Singapore) Pte Ltd (Singapore)	Provision of process plant and environmental engineering services (Singapore)	100	100	100
i	Sirius System & Engineering Solutions Pte Ltd (Singapore)	Provision of data telecommunications solutions and marine survey certification (Singapore)	100	100	100
iii	CSE Systems & Engineering (India) Private Limited ⁽¹⁾ (India)	Sales and provision of computer network systems (India)	100	100	100
iii	CSE-Hankin (China) Co., Ltd ⁽²⁾ (China)	Design and install high temperature thermal process and incineration systems (China)	100	100	100
Held by CSE Hankin (Singapore) Pte Ltd					
iii	CSE-Hankin Inc ⁽⁴⁾ (America)	Design and install high temperature thermal process and incineration systems (America)	100	100	100
Held by S3 ID Pte Ltd					
iii	S3 ID Group Ltd ⁽⁵⁾ (United Kingdom)	Sale and provision of safety system and automation hardware product (United Kingdom)	60	60	60
iii	S3 ID (Malaysia) Sdn Bhd ⁽⁶⁾ (Malaysia)	Sale and provision of safety system and automation hardware product (Malaysia)	80	80	80

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group		
			2018 %	31.12.17 %	1.1.17 %
<i>Held by S3 ID Group Ltd</i>					
iii	S3 ID Ltd ⁽⁵⁾ (United Kingdom)	Sale and provision of safety system and automation hardware product (United Kingdom)	60	60	60
iii	S3 ID AS ⁽⁷⁾ (Norway)	Sale and provision of safety system and automation hardware product (Norway)	60	60	60
iv	S3 ID LLP (Kazakhstan)	Sale and provision of safety system and automation hardware product (Kazakhstan)	60	60	60
<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	100
iv	Industrias W de Mexico, SA de C.V. (Mexico)	Sale and provision of system integration services (Mexico)	100	100	100
<i>Held by CSE Americas, Inc</i>					
iv	CSE W-Industries, Inc (America)	Sale and provision of system integration services (America)	100	100	100
v	CSE ICON, Inc (America)	Sale and provision of system integration services (America)	100	100	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	100
v	W-Industries of Louisiana, LLC (America)	Sale and provision of system integration services (America)	100	100	100
iv	CSE Environmental, LLC (America)	Dormant (America)	100	100	100
v	CC American Oilfield, LLC (America)	Sale and provision of system integration services (America)	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group		
			2018 %	31.12.17 %	1.1.17 %
Held by CSE W-Industries, Inc (cont'd)					
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	–
Held by CC American Oilfield LLC					
iv	R-M Transactions, LLC (America)	Sale and provision of system integration services (America)	100	100	100
Held by CSE-TransTel Pte Ltd					
iv	P.T. TransTel Engineering (Indonesia)	Provision of turnkey telecommunications solutions (Indonesia)	100	100	100
iv	TransTel Engineering (Nigeria) Ltd (Nigeria)	Provision of turnkey telecommunications solutions (Nigeria)	80	80	80
iii	TransTel Engineering (Tianjin) Co. Ltd ⁽⁸⁾ (China)	Provision of turnkey telecommunications solutions (China)	100	100	100
iii	TransTel Engineering Thailand Ltd ⁽⁹⁾ (Thailand)	Provision of turnkey telecommunications solutions (Thailand)	100	100	100
iv	TransTel Engineering Pty Ltd ^{**} (Australia)	Provision of turnkey telecommunications solutions (Australia)	–	100	100
iii	TransTel Engineering (M) Sdn Bhd ⁽³⁾ (Malaysia)	Provision of turnkey telecommunications solutions (Malaysia)	100	100	100
iv	TransTel Engineering Arabian Limited Co. (Saudi Arabia)	Provision of turnkey telecommunications solutions (Saudi Arabia)	100	100	100
iii	TransTel Engineering PNG Limited ⁽¹⁰⁾ (Papua New Guinea)	Provision of turnkey telecommunications solutions (Papua New Guinea)	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group		
			2018 %	31.12.17 %	1.1.17 %
Held by CSE-TransTel Pte Ltd (cont'd)					
iii	CSE Systems & Engineering (Thailand) Limited ⁽⁹⁾ (Thailand)	Sales and provision of computer network systems (Thailand)	–	100	100
iii	CSE TransTel India Private Limited ⁽¹¹⁾ (India)	Sales and provision of telecommunications network systems (India)	100	100	100
iii	CSE TransTel Middle East FZE ⁽¹²⁾ (Dubai)	Sales and provision of telecommunications network systems (Dubai)	100	100	100
Held by CSE-Global (Australia) Pty Ltd					
ii	CSE-Uniserve Corporation Pty Ltd (Australia)	Distribution of electrical engineering equipment and investment holding (Australia)	100	100	100
ii	Astib Group Pty Ltd (Australia)	Provision of telecommunications solutions and investment holding (Australia)	100	100	100
ii	CSE Crosscom Pty Ltd (Australia)	Provision of telecommunications solutions (Australia)	100	100	100
iii	Orionet Limited ⁽¹³⁾ (New Zealand)	Provision of telecommunications solutions equipment (New Zealand)	100	100	–
Held by CSE-Uniserve Corporation Pty Ltd					
ii	CSE-Uniserve Pty Ltd (Australia)	Distribution of electrical engineering equipment (Australia)	100	100	100
ii	CSE New Zealand Ltd (formerly known as CSE-W Arthur Fisher Limited) ^{(13) #} (New Zealand)	Distribution of electrical engineering equipment and manufacture of process control and automation equipment (New Zealand)	100	100	100
Held by Astib Group Pty Ltd					
ii	CSE-Transtel Pty Ltd (Australia)	Provision of telecommunications solutions (Australia)	100	100	100
ii	CSE-CX Distribution Pty Ltd (Australia)	Dormant (Australia)	100	100	100
ii	CSE-Comsource Pty Ltd (Australia)	Provision of telecommunications solutions (Australia)	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. Group companies (cont'd)

- (i) Audited by Ernst & Young LLP, Singapore
- (ii) Audited by member firms of EY Global in the respective countries
- (iii) Audited by other auditors
 - (1) Audited by M.V Guruprasad, Chartered Accountants
 - (2) Audited by Beijing Zhong Yong LiQin, Certified Public Accountants
 - (3) Audited by RSM Malaysia
 - (4) Audited by Flynn, Horlacher & Parker, P.C., Certified Public Accountants
 - (5) Audited by RSM UK Audit LLP
 - (6) Audited by Leong Ho & Associates PLT
 - (7) Audited by RSM Norway
 - (8) Audited by Tianjin Zhong Hao Hai, Certified Public Accountants
 - (9) Audited by Siam Council Audit Services Limited, Certified Public Accountants
 - (10) Audited by Sinton Spence
 - (11) Audited by AFC Corporate Advisors Pvt Ltd
 - (12) Audited by HLB Hamt Chart. Acct
 - (13) Audited by JSA Audit Ltd.
- (iv) Not required to be audited under the laws of the country of incorporation
- (v) Not required to be audited under the laws of the country of incorporation, but audited by Ernst & Young LLP, Singapore for the purpose of consolidation of the Group.
- * CSE Global (Americas) Pte Ltd was newly incorporated on 28 December 2018 with a paid-up capital of \$2.
- ** In 2017, the Group acquired 100% shareholding of Gulf Coast Power & Control of Louisiana, LLC (Note 5).
- ^ Orionet Limited is a newly incorporated company in the financial year ended 31 December 2017.
- ^^ Transtel Engineering Pty Ltd was de-registered in 2018.
- # During the year, CSE-W Arthur Fisher Limited changed its name to CSE New Zealand Ltd.

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 2018

4. Property, plant and equipment

Group	Assets under construction \$'000	Freehold land \$'000	Leasehold		Plant and machinery \$'000	Tools and equipment \$'000	Office furniture and fittings \$'000	Computer equipment \$'000	Motor vehicles \$'000	Total \$'000
			Buildings \$'000	improvements \$'000						
Cost:										
At 1 January 2017	504	1,018	12,447	6,003	4,908	18,187	4,935	9,201	4,463	61,666
Currency realignment	(37)	(77)	(942)	(215)	(171)	(305)	(222)	(270)	(22)	(2,461)
Additions	132	-	939	526	1,222	3,922	374	471	547	8,133
Acquisition of businesses (Note 5)	-	-	-	-	86	208	2	-	-	544
Disposals	-	-	(701)	(154)	(8)	(1,801)	(354)	(787)	(375)	(4,180)
Write-off	(557)	-	-	-	-	-	-	-	-	(557)
Reclassification	-	-	-	-	(119)	863	-	(812)	68	-
At 31 December 2017 and 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	248	24	(170)	(1,227)	(50)	28	(16)	(1,142)
Additions	864	-	1,050	45	1,435	1,472	439	285	989	6,579
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	851	961	13,041	6,089	7,285	20,563	5,003	7,923	5,392	67,108

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Group	Assets under construction \$'000	Leasehold			Office			Motor vehicles \$'000	Total \$'000
		Freehold land \$'000	Buildings \$'000	improvements \$'000	Plant and machinery \$'000	Tools and equipment \$'000	furniture and fittings \$'000		
Accumulated depreciation:									
At 1 January 2017	-	3,882	2,564	3,577	11,067	3,336	7,904	2,820	35,150
Currency realignment	-	(246)	(145)	(120)	(709)	(155)	(523)	(123)	(2,021)
Charge for the year	-	385	542	420	2,535	627	482	506	5,497
Disposals	-	(701)	(119)	(6)	(1,723)	(323)	(331)	(280)	(3,483)
Reclassification	-	-	-	-	781	-	(781)	-	-
At 31 December 2017 and 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	-	3,855	3,267	4,441	13,218	3,824	7,061	3,244	38,910
Net carrying value:									
At 31 December 2018	851	961	2,822	2,844	7,345	1,179	862	2,148	28,198
At 31 December 2017	42	941	3,318	2,047	9,123	1,250	1,052	1,806	28,002
At 1 January 2017	504	1,018	3,439	1,331	7,120	1,599	1,297	1,643	26,516

* Denotes amounts less than \$1,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 2017	2,619	21	236	136	216	3,228
Additions	270	-	-	8	-	278
At 31 December 2017 and 1 January 2018	2,889	21	236	144	216	3,506
Additions	-	-	-	2	-	2
At 31 December 2018	2,889	21	236	146	216	3,508
Accumulated depreciation:						
At 1 January 2017	140	2	28	103	90	363
Charge for the year	289	4	47	26	72	438
At 31 December 2017 and 1 January 2018	429	6	75	129	162	801
Charge for the year	289	4	46	15	54	408
At 31 December 2018	718	10	121	144	216	1,209
Net carrying value:						
At 31 December 2018	2,171	11	115	2	-	2,299
At 31 December 2017	2,460	15	161	15	54	2,705
At 1 January 2017	2,479	19	208	33	126	2,865

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

	2018 \$'000	Company 31.12.2017 \$'000	1.1.2017 \$'000
Unquoted shares, at cost	204,495	204,495	204,495
Impairment losses	(8,477)	(8,477)	-
	196,018	196,018	204,495

Details of the subsidiaries are set out in Note 3.

In 2017, an impairment loss of \$8,477,000 was recognised to write down the carrying value of a subsidiary to its recoverable amount based on the assessment of the subsidiaries' historical and current performance and probability of future cash flows. Management has performed impairment testing on the Company's investment in subsidiaries as at 31 December 2018 and assessed that the allowance for impairment remains adequate and no further impairment was recognised during the year.

As at 31 December 2018, the Group does not have any subsidiaries that have non-controlling interests (NCI) that are material to the Group.

Acquisition of businesses in 2018

Acquisition of business in New Zealand and Australia

In February 2018, a wholly-owned subsidiary of the Group, CSE New Zealand Limited entered into a business sale agreement with Genesis Communications and Antares Communications Limited for the acquisition of assets and business for a consideration of NZ\$1,096,000 (approximately \$1,039,000) in New Zealand. In September 2018, a wholly-owned subsidiary of the Group, CSE Crosscom Pty Ltd entered into a business sale agreement with Bus Communications for the acquisition of assets and business for a consideration of AUD200,000 (approximately \$200,000) in Australia.

The acquisition allowed the Group to continue to expand its business in the provision of two-way radio communication products and services in New Zealand and Australia.

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

	Provisional fair value recognised on acquisition of Bus Communications \$'000	Fair value recognised on acquisition of Genesis Communications \$'000
Customer relationships	200	346
Property, plant and equipment	-	238
Inventories	-	130
Total assets	200	714
Total identifiable net assets at fair value	200	714
Goodwill arising from acquisition	-	325
Cash paid on acquisition, representing net cash outflow on acquisition	200	1,039

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Acquisition of businesses in 2018 (cont'd)

Acquisition of business in New Zealand and Australia (cont'd)

Transaction costs

Transaction costs relating to the acquisition of NZ\$18,000 (approximately \$17,000) were recognised in the “Administrative expenses” line item in the Group’s profit or loss for the year ended 31 December 2018.

Goodwill arising from acquisition

The goodwill arising from the acquisition of Genesis Communications 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

The provisional fair value of the acquisition of Bus Communications, 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 management.

Arising from the finalisation of the purchase price allocation exercise of the acquisition of Genesis 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 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.

Provisional accounting of the acquisition of Bus Communications

Customer relationship has been identified as an intangible asset arising from this acquisition. As at 31 December 2018, the fair value of the customer relationships amounting to \$200,000 has been determined on a provisional basis as the final results of the independent valuation have not been received by the date the financial statements was authorised for issue. Goodwill arising from this acquisition, the carrying amount of the customer relationship, deferred tax liability, and amortisation of the customer relationship will be adjusted accordingly on a retrospective basis when the valuation is finalised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Acquisition of businesses in 2017

Acquisition of business in Australia

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

The acquisition allowed the Group to continue to expand its business in the provision of two way radio communication products and services in Australia.

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

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

Transaction costs

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

Goodwill arising from acquisition

The goodwill arising from the acquisition comprises the value of strengthening the Group's market position in the telecommunications to the oil and gas, infrastructure and mining industries. None of the goodwill recognised is expected to be deductible for tax purposes.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Acquisition of businesses in 2017 (cont'd)

Acquisition of Gulf Coast Power & Control of Louisiana, LLC

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

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

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

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

Goodwill arising from acquisition

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

Customer relationship arising from acquisition

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

Impact on the acquisition on profit or loss

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Amounts due from/(to) subsidiaries

	2018	Company	1.1.2017
	\$'000	31.12.2017	\$'000
		\$'000	
Amounts due from subsidiaries, current:-			
Trade	6,006	7,496	5,182
Non-trade	1,650	223	155
Short term loans	14,518	21,797	4,796
	<u>22,174</u>	<u>29,516</u>	<u>10,133</u>

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

	2018	Company	1.1.2017
	\$'000	31.12.2017	\$'000
		\$'000	
United States Dollars	4,322	14,932	3,027
British Pounds Sterling	–	15	10
Australia Dollars	15,666	12,239	4,625

Amounts due to subsidiaries, current:-

Trade	828	823	921
Non-trade	613	575	255
Short term loans	77,412	86,775	95,181
	<u>78,853</u>	<u>88,173</u>	<u>96,357</u>

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

	2018	Company	1.1.2017
	\$'000	31.12.2017	\$'000
		\$'000	
United States Dollars	58,976	66,094	35,400

The trade and non-trade amounts due from/(to) subsidiaries are unsecured, interest bearing, repayable on demand and are to be settled in cash.

The short term loans due from subsidiaries bear interest at 3.3% to 4.1% (USD) and 3.4% to 3.8% (AUD) per annum (2017: 3.5% to 6.0% (USD), 3.5% (AUD)).

The short term loans due to subsidiaries bear interest at 1.5% (USD), 1.8% (SGD) per annum (2017: 1.5% (USD), 1.5% (SGD)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

6. Other investments

	Group 2018 \$'000
Non-current:	
<i>At fair value through profit or loss</i>	
– Equity securities (unquoted)	–
<i>At amortised cost</i>	
– Debt securities	1,290
	<u>1,290</u>

Debt securities measured at amortised cost bear interest at 4.05% per annum and will mature in 6.93 years.

	Group		Company	
	31.12.2017	1.1.2017	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000
Non-current:				
Available-for-sale financial assets				
– Equity instruments (unquoted), at cost	304	304	190	190
– Impairment loss	(190)	–	(190)	–
	<u>114</u>	<u>304</u>	<u>–</u>	<u>–</u>
Held-to-maturity investment				
– Debt instruments (quoted)	1,296	7,428	1,296	7,428
	<u>1,410</u>	<u>7,732</u>	<u>1,296</u>	<u>7,428</u>

In 2017, held-to-maturity debt securities bear interest at 4.05% per annum and will mature in 7.93 years as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. Intangible assets

Group	Goodwill \$'000	Sales order backlog \$'000	Non- compete agreement \$'000	Licences \$'000	Intellectual property rights \$'000	Customer relationships \$'000	Total \$'000
Cost:							
At 1 January 2017	50,393	693	2,105	1,759	4,214	2,702	61,866
Currency realignment	(2,061)	(20)	(160)	-	58	(314)	(2,497)
Additions	-	-	-	-	168	-	168
Acquisition of businesses	2,466	-	-	-	-	4,253	6,719
Adjustments*	(685)	99	-	-	-	392	(194)
Write-off	-	(371)	-	(147)	-	-	(518)
At 31 December 2017 and 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	49,762	400	1,987	1,612	4,365	7,396	65,522
Accumulated amortisation and impairment loss:							
At 1 January 2017	4,671	693	211	792	1,411	984	8,762
Currency realignment	(66)	(20)	(22)	-	24	(21)	(105)
Impairment loss	27,953	-	-	-	-	-	27,953
Amortisation for the year	-	83	201	161	484	913	1,842
Write-off	-	(371)	-	(147)	-	-	(518)
At 31 December 2017 and 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	32,658	396	594	967	2,319	2,633	39,567
Net carrying value:							
At 31 December 2018	17,104	4	1,393	645	2,046	4,763	25,955
At 31 December 2017	17,555	16	1,555	806	2,521	5,157	27,610
At 1 January 2017	45,722	-	1,894	967	2,803	1,718	53,104
Remaining amortisation period (years):							
At 31 December 2018	NA	2	7	4	8	2 – 13	NA
At 31 December 2017	NA	3	8	5	9	3 – 14	NA
At 1 January 2017	NA	NA	9	6	10	4 – 9	NA

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. Intangible assets (cont'd)

Company	Licences \$'000
Cost:	
At 1 January 2017	1,759
Written off	(147)
	1,612
At 31 December 2017, 1 January 2018 and 31 December 2018	1,612
Accumulated amortisation:	
At 1 January 2017	792
Amortisation for the year	161
Written off	(147)
	806
At 31 December 2017 and 1 January 2018	806
Amortisation for the year	161
	967
At 31 December 2018	967
Net carrying value:	
At 31 December 2018	645
At 31 December 2017	806
At 1 January 2017	967

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

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:-

	2018 \$'000	Group 31.12.2017 \$'000	1.1.2017 \$'000
CSE W-Industries, Inc.			
- W-Industries of Louisiana, LLC	-	-	15,609
- CC American Oilfield, LLC	3,616	3,539	3,830
- Gulf Coast Power & Control of Louisiana, LLC	1,618	1,583	-
CSE-Global (Australia) Pty Ltd			
- Uniserve Group	5,324	5,765	5,760
- CSE New Zealand Ltd*	1,169	885	1,006
- Telecommunications business**	4,891	5,297	5,225
CSE-Global (Asia) Pte Ltd			
- CSE-EIS (Malaysia) Sdn Bhd	486	486	486
- CSE Hankin Inc	-	-	5,215
S3 ID Group Ltd	-	-	8,591
	17,104	17,555	45,722

* Goodwill arising from Genesis Communications is allocated to this cash-generating unit for the purpose of impairment testing.

** Goodwill arising from Bus Communications is allocated to this cash-generating unit for the purpose of impairment testing.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. Intangible assets (cont'd)

Impairment testing of goodwill (cont'd)

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 8% to 15% (31 December 2017: -7% to 23%, 1 January 2017: 5% to 24%) used are consistent with forecasts based on existing contracts and book orders. The discount rate applied are assumed at 9.2% to 10.2% (31 December 2017: 8.50% to 9.35%, 1 January 2017: 6.05%) for value-in-use calculations, which approximates the Group weighted average cost of capital.

The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

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

Discount rates - Discount rate used reflecting management's estimate of the risks and the expected returns 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 0.8% to 3.3% (31 December 2017: 0.5% to 4%, 1 January 2017: 2% to 5%), this would result in a 3% to 15% (31 December 2017: 4% to 28%, 1 January 2017: 66% to 82%) decrease to the recoverable amount of the CGU, which would still be in excess of the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	3,073	2,799	11,548	1,138	1,556	2,727
Deferred tax liabilities	(481)	(3,047)	(5,424)	-	-	-
	2,592	(248)	6,124	1,138	1,556	2,727

This can be analysed as follows:-

Deferred tax assets:

Differences in depreciation and amortisation and donations	8	9	686	-	-	-
Provisions	2,569	2,036	2,913	272	50	171
Due to acquisition of business	-	-	48	-	-	-
Unutilised tax losses and capital allowances	672	894	6,346	-	176	21
Revenue recognised on accrual basis	1,246	1,807	2,677	1,246	1,807	2,677
Other deferred tax assets	-	6	7	-	-	4
Gross deferred tax assets	4,495	4,752	12,677	1,518	2,033	2,873

Deferred tax liabilities

Differences in depreciation and amortisation and donations	(1,648)	(4,656)	(6,180)	(380)	(477)	(146)
Provisions	(138)	(144)	(201)	-	-	-
Due to acquisition of business	-	(96)	(141)	-	-	-
Other deferred tax liabilities	(117)	(104)	(31)	-	-	-
Gross deferred tax liabilities	(1,903)	(5,000)	(6,553)	(380)	(477)	(146)
Net deferred tax assets/ (liabilities)	2,592	(248)	6,124	1,138	1,556	2,727

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Recognised tax losses, capital allowance and donations

As at 31 December 2018, the Group has \$2,690,000 (31 December 2017: \$4,029,000, 1 January 2017: \$27,652,000) recognised tax losses and capital allowances and \$60,000 unutilised donations (31 December 2017: \$60,000, 1 January 2017: \$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 2018, \$2,577,000 (31 December 2017: \$2,533,000, 1 January 2017: 2,665,000) of the recognised tax losses will expire between 1 and 5 years.

Unused tax losses for which no deferred tax asset is recognised

At the end of the reporting period, the Group has tax losses of approximately \$48,366,000 (31 December 2017: \$34,734,000, 1 January 2017: \$Nil) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Unrecognised temporary differences relating to investment in subsidiaries

At the end of the reporting period, no deferred tax liability (31 December 2017: \$Nil, 1 January 2017: \$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 (31 December 2017: \$Nil, 1 January 2017: \$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:

	2018	Group	1.1.2017
	\$'000	31.12.2017	\$'000
		\$'000	
Contract assets	34,327	63,343	41,873
Contract liabilities	(11,935)	(15,061)	(13,588)
	<u>22,392</u>	<u>48,282</u>	<u>28,285</u>

The Group has recognised impairment losses on receivables arising from contracts with customers amounting to \$434,000 (2017: \$2,979,000). 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Inventories

	2018 \$'000	Group 31.12.2017 \$'000	1.1.2017 \$'000
Balance sheet:			
Spare parts	6,917	5,994	8,613
Trading goods	9,289	8,071	6,007
Inventories in transit	284	557	112
Total inventories at lower of cost and net realisable value	16,490	14,622	14,732
Income statement:			
Inventories recognised as an expense in profit or loss			
– Allowance for stock obsolescence made during the year	267	1,160	915
– Inventories written-off	–	209	–

11. Trade and other receivables

	2018 \$'000	Group 31.12.2017 \$'000	1.1.2017 \$'000	2018 \$'000	Company 31.12.2017 \$'000	1.1.2017 \$'000
Trade receivables	64,891	79,112	83,041	609	269	258
Other receivables	1,723	1,264	788	21	20	52
Accrued sales	14,477	15,013	3,920	–	–	–
Refundable deposits	392	519	384	142	142	152
Staff advances	44	14	147	–	–	–
Tax and GST receivables	317	339	400	–	–	–
Total trade and other receivables	81,844	96,261	88,680	772	431	462
Add:						
Amounts due from subsidiaries (Note 5)	–	–	–	22,174	29,516	10,133
Cash and cash equivalents (Note 12)	74,051	46,910	90,778	9,389	3,874	11,853
Less:						
Tax and GST receivables	(317)	(339)	(400)	–	–	–
Total financial assets carried at amortised cost	155,578	142,832	179,058	32,335	33,821	22,448

Trade receivables arise from contracts with customers and are non-interest bearing and are generally on 30-day to 120-day terms (2017: 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:

	2018 \$'000	Group 31.12.2017 \$'000	1.1.2017 \$'000
United States Dollars	1,700	769	889
Euro	–	2,675	2,484

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 2018

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:

	Trade receivables 2018 \$'000	Group Contract assets 2018 \$'000
Movement in allowance accounts		
At 1 January 2018	19,770	1,760
Charge for the year	1,966	434
Written off	(20,474)	(2,194)
Currency realignment	408	-
	<u>1,670</u>	<u>-</u>

There is no expected credit loss on the Company's trade receivables on 1 January 2018 and 31 December 2018.

Receivables that are past due but not impaired

The Group has trade receivables amounting to \$36,578,000 as at 31 December 2017 and \$51,857,000 as at 1 January 2017 that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	31.12.2017 \$'000	Group 1.1.2017 \$'000
Trade receivables past due but not impaired:		
Less than 30 days	13,160	23,544
30 to 60 days	5,887	5,210
61 to 90 days	5,308	7,515
91 to 120 days	1,921	3,820
More than 120 days	10,302	11,768
	<u>36,578</u>	<u>51,857</u>

None of the Company's trade and other receivables are past due but not impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. Trade and other receivables (cont'd)

Receivables that are impaired

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

	Group		Company	
	31.12.2017 \$'000	1.1.2017 \$'000	31.12.2017 \$'000	1.1.2017 \$'000
Trade receivables – nominal amounts	14,172	4,087	–	662
Less: Allowance for impairment	(14,172)	(3,459)	–	(662)
	–	628	–	–
Movement in allowance account:				
At 1 January	3,485	2,854	662	–
Currency realignment	(313)	152	(31)	–
Charge for the year	11,792	1,157	–	662
Written back	(631)	–	(631)	–
Written off	(161)	(678)	–	–
At 31 December	14,172	3,485	–	662

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

12. Cash and cash equivalents

	Group			Company		
	2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000	2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000
Short-term deposits	4,819	2,989	4,374	–	–	–
Cash at banks and on hand	69,232	43,921	86,404	9,389	3,874	11,853
	74,051	46,910	90,778	9,389	3,874	11,853

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 6 months and one year (31 December 2017 and 1 January 2017: between one week and three months) depending on the immediate cash requirements of the Group, and earn interest ranging from 2% to 6.85% (31 December 2017: 0% to 6.95%, 1 January 2017: 0% to 7.9%) 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 2018

12. Cash and cash equivalents (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		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
United States Dollars	3,498	1,351	6,811	2,798	685	4,545
British Pounds Sterling	1,519	1,495	1,237	209	196	166
Australian Dollars	345	70	249	343	70	175
Euro	482	1,195	1,034	116	118	11
Singapore Dollars	103	707	8,294	-	-	-

13. Trade payables and accruals

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current:						
Trade payables	18,096	29,728	16,775	90	27	37
Accruals	26,414	25,707	17,684	4,262	4,577	1,597
	44,510	55,435	34,459	4,352	4,604	1,634
Non-current:						
Accruals	326	321	4,261	-	-	4,000
Total trade payables and accruals	44,836	55,756	38,720	4,352	4,604	5,634
Add:						
Amounts due to subsidiaries (Note 5)	-	-	-	78,853	88,173	96,357
Finance leases (Note 26)	27	-	28	-	-	-
Loans and borrowings (Note 14)	36,125	31,408	20,581	36,125	31,408	8,889
Total financial liabilities carried at amortised cost	80,988	87,164	59,329	119,330	124,185	110,880

Trade payables and accruals are non-interest bearing and are normally settled on 60-day terms (2017: 60-day terms).

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

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
United States Dollars	3,888	3,382	1,625	371	168	-
British Pounds Sterlings	29	86	146	-	-	-
Australian Dollars	34	31	68	23	9	-
Euro	505	1,037	1,370	-	-	-
Singapore Dollars	322	1,061	960	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14. Loans and borrowings

	2018	Group	1.1.2017	2018	Company	1.1.2017
	\$'000	31.12.2017	\$'000	\$'000	31.12.2017	\$'000
		\$'000	\$'000		\$'000	\$'000
Short term loans, unsecured						
– Singapore Dollars	13,300	13,400	–	13,300	13,400	–
– United States Dollars	13,666	10,700	6,803	13,666	10,700	6,803
– Australian Dollars	9,159	7,308	13,778	9,159	7,308	2,086
Total loans and borrowings	36,125	31,408	20,581	36,125	31,408	8,889

The unsecured short-term loans of the Company and the Group bear interest at 2.65% to 3.07% (31 December 2017: 1.61% to 2.41%, 1 January 2017: 0.98% to 4.65%) per annum.

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

	2017	Cash flows	Group	2018
	\$'000	\$'000	Non-cash changes	\$'000
			Foreign exchange	
			movement	
			\$'000	
Short term loans	31,408	4,711	6	36,125

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

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For the financial year ended 31 December 2018

15. Provision for warranties

	2018 \$'000	Group 31.12.2017 \$'000	1.1.2017 \$'000
At 1 January	819	2,155	1,808
Currency realignment	3	(70)	34
(Write-back of)/provision for warranties made, net	(222)	(777)	560
Provision utilised	(133)	(489)	(247)
At 31 December	467	819	2,155

Provision for warranties relates to estimated costs for possible rectification work during the warranty period of the Group's projects. The provision for such costs is based on estimates made from historical data associated with similar projects. Upon the expiry of the warranty period, the Group would proceed to write back any unused portion of the warranty provision.

16. Share capital and treasury shares

(a) Share Capital

	Group and Company			
	2018 No of shares '000	\$'000	2017 No of Shares '000	\$'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.

(b) Treasury shares

	Group and Company			
	2018 No of shares '000	\$'000	2017 No of shares '000	\$'000
At 1 January	-	-	-	-
Acquired during the financial year	(7,178)	(3,327)	-	-
At 31 December	(7,178)	(3,327)	-	-

Treasury shares relate to ordinary shares of the Company that are held by the Company.

The Company acquired 7,177,500 (2017: Nil) shares in the Company through purchase on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was \$3,327,000 (2017: Nil) and this was presented as a component within shareholders' equity.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. Other reserves

Other reserves comprised the surplus from the sale of the treasury shares and premium paid on acquisition of non-controlling interests from the purchase of Transtel Arabia Limited Co and Transtel Engineering (M) Sdn Bhd of approximately \$9,876,000 and (\$32,000) (31 December 2017: \$9,876,000 and (\$32,000)), 1 January 2017: \$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.

19. Revenue

(a) Disaggregation of revenue

Segments	Contract revenue		Time and material revenue		Maintenance revenue		Equipment rental		Total revenue	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Primary geographical										
Asia-Pacific	13,172	35,810	83,003	74,265	19,412	16,831	13,531	5,741	129,118	132,647
Americas	89,999	69,841	145,687	131,074	3,023	5,280	-	-	238,709	206,195
Europe/Middle East	6,925	21,305	-	-	2,035	2,205	-	-	8,960	23,510
	110,096	126,956	228,690	205,339	24,470	24,316	13,531	5,741	376,787	362,352
Timing of transfer of goods or services										
At a point in time	-	-	228,690	205,339	-	-	-	-	228,690	205,339
Over time	110,096	126,956	-	-	24,470	24,316	13,531	5,741	148,097	157,013
	110,096	126,956	228,690	205,339	24,470	24,316	13,531	5,741	376,787	362,352

(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 2018

20. Other non-operating income/(expenses)

	Group	
	2018	2017
	\$'000	\$'000
Other non-operating income:		
Rental income	116	110
Miscellaneous income	235	374
Net foreign exchange gain	1,157	2,867
	<u>1,508</u>	<u>3,351</u>
Other non-operating expenses:		
One-off settlement costs*	-	(16,845)
Impairment of goodwill	-	(27,953)
Impairment of other investments	-	(190)
	<u>-</u>	<u>(44,988)</u>
Other non-operating income/(expenses)	<u>1,508</u>	<u>(41,637)</u>

* In July 2017, the Group entered into a settlement agreement (with no admission of liability) with the US government to settle its potential civil liability amounting to US\$12.0 million (S\$16.8 million).

21. Finance income

	Group	
	2018	2017
	\$'000	\$'000
Interest income from:		
- Short-term deposits	237	261
- Held-to-maturity investment	41	249
	<u>278</u>	<u>510</u>

22. Finance costs

	Group	
	2018	2017
	\$'000	\$'000
Interest expense on bank loans	<u>835</u>	<u>829</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23. Profit/(loss) before tax

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

	2018 \$'000	Group 2017 \$'000
Audit services paid to:-		
– Auditor of the Company		
– Annual audit	297	276
– Others	40	76
– Other auditors of subsidiaries	197	218
Non-audit services paid to:-		
– Auditor of the Company	83	–
– Other auditors of subsidiaries	5	1
Depreciation of property, plant and equipment (Note 4)	6,094	5,497
(Gain)/loss on disposal of property, plant and equipment	(288)	334
Property, plant and equipment written off	1	557
Amortisation of intangible assets (Note 7)	1,753	1,842
Allowance for stock obsolescence made (Note 10)	267	1,160
Inventories written-off	–	209
Write-down of contract assets	434	2,979
Impairment loss on trade receivables, net (Note 11)	1,966	11,161
Write-back of warranties made, net (Note 15)	(222)	(777)
Personnel and related costs comprising:-		
– Salaries and bonuses	27,249	26,265
– Share based compensation*	1,393	–
– Employees' provident fund	2,342	2,544
– Other personnel and related costs	18,214	17,247
Rental expenses	2,839	4,482
Directors' fees		
– Directors of the Company	355	338

* Under the performance share plan, the Group awards the performance shares by taking into account the profitability of the year. Accordingly, \$1.39 million was accrued under share payment reserve upon achieving the full year target.

On 20 February 2019, a total of 3,060,000 performance shares ("Performance Shares") were awarded to the Executive Director and key management personnel of the Company (the "Participants") for their performance in FY2018.

Part of the Performance Shares awarded are subject to a moratorium period of 1 to 2 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 2018

24. Income tax expense

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

	Group	
	2018	2017
	\$'000	\$'000
<u>Current income tax</u>		
Current income taxation		
- Singapore	1,228	587
- Foreign	6,394	2,848
Under/(over) provision in respect of previous years	180	(14)
	7,802	3,421
<u>Deferred income tax</u>		
Origination and reversal of temporary differences		
- Singapore	889	1,157
- Foreign	(3,476)	34
Write-down of deferred tax assets	-	5,067
Effects of change in tax rate	-	(811)
Under provision in respect of previous years	70	70
	(2,517)	5,517
Income tax expense	5,285	8,938
Withholding tax	1,353	533
Income tax expense	6,638	9,471
Income tax expense recognised in the statement of comprehensive income	6,638	9,471

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

	Group	
	2018	2017
	\$'000	\$'000
Profit/(loss) before tax	26,079	(37,425)
Taxation at statutory tax rate of 17% (2017: 17%)	4,433	(6,362)
Adjustments:		
Expenses not deductible for tax purposes	764	7,897
Benefits from previously unrecognised tax losses	(1,492)	-
Income not subject to taxation	(761)	(510)
Effect of tax deductions and reliefs	(617)	(211)
Deferred tax assets not recognised	701	2,210
Write-down of deferred tax assets	-	5,067
Effects of change in tax rate	-	(811)
Different effective tax rates of other countries	1,812	1,293
Under provision in respect of previous year	250	56
Withholding tax	1,353	533
Others	195	309
	6,638	9,471

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%, 25% and 30% respectively for year of assessment 2018 (2017: 17%, 35% and 30%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

25. Earnings/(loss) 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	
	2018 \$'000	2017 \$'000
Profit/(loss) for the year attributable to owners of the Company	20,105	(45,149)
	No. of shares*	
	2018 '000	2017 '000
Weighted average number of shares for basic earnings per share computation:-		
Outstanding during the year	516,068	516,068
Weighted effect of changes in treasury share	(3,229)	-
	<u>512,839</u>	<u>516,068</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*	
	2018 '000	2017 '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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. Finance leases

The Group conducted a portion of its operations with leased motor vehicles. These leases were classified as finance leases. Included in lease payables of the Group in 2018 was an amount of \$27,000 (2017: nil) denominated in Australian dollars.

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

	Group					
	2018		31.12.2017		1.1.2017	
	\$'000		\$'000		\$'000	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Current:						
Not later than 1 year	8	8	-	-	28	28
Payable later than 1 year but not later than 5 years	19	19	-	-	-	-
Total minimum lease payments	27	27	-	-	28	28
Present value of minimum lease payments	27	27	-	-	28	28

The finance leases did not contain any escalation clauses and did not provide for contingent rents. Lease terms did not contain restrictions on the Group's activities concerning dividends, additional debt or entering into other lease agreements.

27. Segment information

For management purpose, the Group is organised into three operating segments based on their geographical locations, namely Asia Pacific, Americas and Europe/Middle East. The geographical segments are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

Geographical segment information

The following table presents revenue, and adjusted profit/(loss) before interest and tax information regarding geographical segments for the years ended 31 December 2018 and 2017:

	Asia-Pacific*		Americas		Europe/Middle East		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	129,118	132,647	238,709	206,195	8,960	23,510	376,787	362,352
Profit/(loss) before interest and tax Adjustments ⁽¹⁾	14,152	17,929	17,107	(13,074)	(4,623)	(41,961)	26,636	(37,106)
	-	-	-	19,435	-	37,300	-	56,735
Adjusted profit/(loss) before interest and tax	14,152	17,929	17,107	6,361	(4,623)	(4,661)	26,636	19,629

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27. Segment information (cont'd)

The following table presents non-current assets information regarding geographical segments at 31 December 2018, 31 December 2017 and 1 January 2017:

	Asia-Pacific*			Americas			Europe/Middle East			Consolidated		
	2018 \$'000	31.12.17 \$'000	1.1.17 \$'000	2018 \$'000	31.12.17 \$'000	1.1.17 \$'000	2018 \$'000	31.12.17 \$'000	1.1.17 \$'000	2018 \$'000	31.12.17 \$'000	1.1.17 \$'000
Non-current assets	27,697	30,741	38,238	24,377	24,026	40,379	2,079	845	1,003	54,153	55,612	79,620

* Projects in Asia-Pacific cover countries such as Singapore, China, Hong Kong, Korea, Japan, Thailand, Malaysia, Indonesia, Vietnam, and Australia.

Non-current assets information presented above consists of intangible assets and fixed assets as presented in the consolidated balance sheet.

(1) The following items are deducted from segment profit/(loss) before interest and tax to arrive at the adjusted profit/(loss) before interest and tax for financial years ended 31 December:-

	2017 \$'000
Impairment of goodwill	27,953
Impairment of other investments	190
Impairment loss on trade receivables, net	11,747
One-off settlement costs	16,845
	56,735

28. Commitments

Operating lease commitments – As lessee

As at the balance sheet date, the Group has the following minimum lease payments under non-cancellable operating leases on premises and equipment with initial or remaining terms of one year or more.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to \$2,839,000 (2017: \$4,482,000).

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

	Group	
	2018 \$'000	2017 \$'000
Not later than 1 year	2,930	3,698
Later than 1 year but not later than 5 years	5,590	6,191
Later than 5 years	4	357
	8,524	10,246

The Group leases a number of office premises under operating leases. These leases typically run for an initial tenure of between one to five years. Certain leases include options to renew the leases after the expiry of the initial tenure. Lease payments under these leases are usually fixed for the entire initial tenure.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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:

	2018 \$'000	2017 \$'000
Management fee received	7,565	8,129
Royalties/licensing/agency fees received	33	30
Interest received	525	326
Rental income received	646	901
Sales commission received	898	760
Dividend received	18,070	700
Interest paid	(1,183)	(934)

Related companies:

These are subsidiaries of CSE Global Limited.

(b) Compensation of directors and key management personnel

	2018 \$'000	Group 2017 \$'000
Short-term employee benefits	5,938	4,869
Share based compensation	1,393	–
Central Provident Fund contributions	80	84
Directors fees	355	338
	7,766	5,291
Comprise amounts paid to:		
Directors of the Company	2,103	1,107
Other key management personnel	5,663	4,184
	7,766	5,291

30. Financial risk management objectives and policies

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

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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% (2017: 99%) of the Group's sales and approximately 84% (2017: 82%) 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 98% (2017: 95%) and 89% (2017: 84%) denominated in their respective functional currencies.

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

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

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a 1% (2017: 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	
		2018	2017
		Profit	Profit
		before tax	before tax
		\$'000	\$'000
USD/SGD	Strengthened	150	(120)
	Weakened	(150)	120
GBP/SGD	Strengthened	15	14
	Weakened	(15)	(14)
AUD/SGD	Strengthened	95	(73)
	Weakened	(95)	73
EUR/SGD	Strengthened	(229)	28
	Weakened	229	(28)
SGD/USD	Strengthened	(2)	(4)
	Weakened	2	4

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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. For other financial assets (including other investment and cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

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

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For the financial year ended 31 December 2018

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

Credit risk (cont'd)

(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 1 January 2018 and 31 December 2018, 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 \$1,290,000.

The gross carrying amount of trade receivables and contract assets of the Group are disclosed in Note 11 and Note 9.

(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 2018 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 \$20,474,000 of trade receivables and \$2,194,000 of contract assets 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:

	2018		Group 31.12.2017		1.1.2017	
	\$'000	% of total	\$'000	% of total	\$'000	% of total
By geographical segments:						
Asia-Pacific	25,620	39	27,129	34	35,980	43
Americas	38,001	59	39,250	50	22,286	27
Europe/Middle East/Africa	1,270	2	12,733	16	24,775	30
Total	64,891	100	79,112	100	83,041	100

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For the financial year ended 31 December 2018

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

Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy receivables with good payment record with the Group. Cash and cash equivalents and held-to-maturity investment are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11 and Note 6.

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 (2017: less than 6 months) from the balance sheet date.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a 1% (2017: 1%) change in the interest rates with all other variables held constant on the Group's profit before tax.

		2018	Group
		Profit	2017
		before tax	Profit
		\$'000	before tax
		\$'000	\$'000
SGD	Increase in 1% interest rate	(132)	(131)
	Decrease in 1% interest rate	132	131
USD	Increase in 1% interest rate	(76)	(35)
	Decrease in 1% interest rate	76	35
GBP	Increase in 1% interest rate	26	25
	Decrease in 1% interest rate	(26)	(25)
AUD	Increase in 1% interest rate	(71)	(74)
	Decrease in 1% interest rate	71	74

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

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

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, 100% (2017: 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.

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 2018			Total \$'000
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	
Debt securities	51	203	1,348	1,602
Trade and other receivables	81,844	-	-	81,844
Short term deposits	4,819	-	-	4,819
Cash and bank balances	69,232	-	-	69,232
	155,946	203	1,348	157,497
Trade payables and accruals	44,510	-	-	44,510
Finance leases	8	19	-	27
Loans and borrowings	36,247	-	-	36,247
	80,765	19	-	80,784
Less: Tax and GST receivables	(317)	-	-	(317)
Total net undiscounted financial assets	74,864	184	1,348	76,396

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Liquidity risk (cont'd)

	Group							
	31.12.2017				1.1.2017			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Held-to-maturity investment	51	203	1,398	1,652	289	1,155	8,107	9,551
Trade and other receivables	96,261	-	-	96,261	88,680	-	-	88,680
Short term deposits	2,989	-	-	2,989	4,374	-	-	4,374
Cash and bank balances	43,921	-	-	43,921	86,404	-	-	86,404
	143,222	203	1,398	144,823	179,747	1,155	8,107	189,009
Trade payables and accruals	55,435	321	-	55,756	34,459	4,261	-	38,720
Finance leases	-	-	-	-	28	-	-	28
Loans and borrowings	31,459	-	-	31,459	21,031	-	-	21,031
	86,894	321	-	87,215	55,518	4,261	-	59,779
Less: Tax and GST receivables	(339)	-	-	(339)	(400)	-	-	(400)
Total net undiscounted financial assets/(liabilities)	55,989	(118)	1,398	57,269	123,829	(3,106)	8,107	128,830

	Company				
	2018				
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	
Debt securities		51	203	1,348	1,602
Trade and other receivables		772	-	-	772
Cash and bank balances		9,389	-	-	9,389
Amounts due from subsidiaries		22,174	-	-	22,174
		32,386	203	1,348	33,937
Trade payables and accruals		4,352	-	-	4,352
Loans and borrowings		36,247	-	-	36,247
Amounts due to subsidiaries		78,853	-	-	78,853
		119,452	-	-	119,452
Total net undiscounted financial (liabilities)/assets		(87,066)	203	1,348	(85,515)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Liquidity risk (cont'd)

	Company							
	31.12.2017				1.1.2017			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Held-to-maturity investment	51	203	1,398	1,652	289	1,155	8,107	9,551
Trade and other receivables	431	-	-	431	462	-	-	462
Cash and bank balances	3,874	-	-	3,874	11,853	-	-	11,853
Amounts due from subsidiaries	29,516	-	-	29,516	10,133	-	-	10,133
	33,872	203	1,398	35,473	22,737	1,155	8,107	31,999
Trade payables and accruals	4,604	-	-	4,604	1,634	4,000	-	5,634
Loans and borrowings	31,459	-	-	31,459	9,083	-	-	9,083
Amounts due to subsidiaries	88,173	-	-	88,173	96,357	-	-	96,357
	124,236	-	-	124,236	107,074	4,000	-	111,074
Total net undiscounted financial (liabilities)/assets	(90,364)	203	1,398	(88,763)	(84,337)	(2,845)	8,107	(79,075)

31. Fair value of assets and liabilities

The fair value of a financial asset or liability is the amount at which the asset or liability could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and cash equivalents, trade and other receivables, trade payables and accruals, finance leases and loans and borrowings, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Financial instruments 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 2018 are represented on the following table:

Group and Company	2018			31.12.2017			1.1.2017		
	Carrying amount \$'000	Fair value \$'000	Unrecognised loss \$'000	Carrying amount \$'000	Fair value \$'000	Unrecognised gain \$'000	Carrying amount \$'000	Fair value \$'000	Unrecognised loss \$'000
Other investment									
Debt securities (Note 6)	1,290	1,288	(2)	1,296	1,338	42	7,428	7,402	(26)

The fair value of held-to-maturity investments are determined by reference to their last quoted asking prices at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 2018 and 31 December 2017.

33. Dividends

	Group and Company	
	2018	2017
	\$'000	\$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- 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	-
- Final exempt (one-tier) dividend for 2016: \$0.015 per share	-	7,741
- Interim exempt (one-tier) dividend for 2017: \$0.0125 per share	-	6,451
	14,154	14,192
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 2018: \$0.015 (2017: \$0.010) per share	7,633	5,161
- Special exempt (one-tier) dividend for 2018: nil (2017: \$0.005) per share	-	2,580
	7,633	7,741

34. Events occurring after the reporting period

On 10 January 2019, a wholly-owned subsidiary of the Group, CSE Americas Inc., has entered into an agreement with Incredible Machine Holdings, LLC and Shoreline Capital Investments, LLC for the acquisition of 100% membership interest of Blackstar Services, LLC ("Blackstar") for a consideration of USD 2,375,000 (approximately \$3,250,000). Blackstar is principally engaged in the design and development of water treatment and disposal technology for the oil and gas markets.

On 6 March 2019, a wholly-owned subsidiary of the Group, CSE Global (Americas) Pte. Ltd ("CSEGA") has entered into a shareholder agreement with PT Endeavors, LLC and Eric Stigge for the incorporation of a new subsidiary, Converge Resources, Inc. ("Converge"), at a total paid up capital of US\$1,000 (approximately \$1,355) comprising of 10,000 shares. CSEGA holds a 70% equity interest of Converge.

In March 2019, the Company has purchased 4,000,000 ordinary shares in the capital of the Company at a range of \$0.52 to \$0.54 per share by way of market acquisition. The total number of treasury shares held as at the date of the financial statements is 8,117,500.

35. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 20 March 2019.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2019

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	14	0.34	248	0.00
100 – 1,000	182	4.40	125,530	0.02
1,001 – 10,000	2,149	51.96	12,364,545	2.43
10,001 – 1,000,000	1,764	42.65	97,145,291	19.12
1,000,001 and above	27	0.65	398,314,738	78.42
TOTAL:	4,136	100.00	507,950,352	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	Serba Dinamik International Ltd	128,166,250	25.23
2.	DBS Nominees (Private) Limited	65,542,144	12.90
3.	Raffles Nominees (Pte.) Limited	63,453,359	12.49
4.	Citibank Nominees Singapore Pte Ltd	38,140,196	7.51
5.	BPSS Nominees Singapore (Pte.) Ltd.	18,673,480	3.68
6.	Wing Huat Loong Pte Ltd	10,685,300	2.10
7.	Ifast Financial Pte. Ltd	7,839,200	1.54
8.	CGS-CIMB Securities (Singapore) Pte. Ltd.	6,446,710	1.27
9.	Wong Yon Ching	6,088,187	1.20
10.	Teo Kit Choon	5,731,187	1.13
11.	Lim Boon Kheng	4,800,500	0.95
12.	HSBC (Singapore) Nominees Pte Ltd	4,665,139	0.92
13.	Phillip Securities Pte Ltd	4,550,050	0.90
14.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	4,395,600	0.87
15.	United Overseas Bank Nominees (Private) Limited	4,154,600	0.82
16.	Cheng Heng Seng	3,656,500	0.72
17.	DBSN Services Pte. Ltd.	3,609,930	0.71
18.	OCBC Nominees Singapore Private Limited	2,839,300	0.56
19.	RHB Securities Singapore Pte. Ltd.	2,740,300	0.54
20.	Tiong Kuok Thai	2,275,000	0.45
		388,452,932	76.49

STATISTICS OF SHAREHOLDINGS

As at 15 March 2019

CSE GLOBAL LIMITED

Class of Shares	:	Ordinary share
Number of Issued Shares (excluding treasury shares)	:	507,950,352
Number/ Percentage of Treasury Shares against total number of Issued Shares (excluding treasury shares)	:	8,117,500 (1.60%)
Voting rights	:	One vote per share

As at 15 March 2019, the Company did not hold any subsidiary holdings.

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2019

(As recorded in the Register of Substantial Shareholders)

NAMES OF SUBSTANTIAL SHAREHOLDERS	DIRECT INTEREST	%	DEEMED INTEREST	%
Serba Dinamik International Ltd	128,166,250	25.23	-	-
Serba Dinamik Holdings Berhad ⁽¹⁾	-	-	128,166,250	25.23
Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah ⁽¹⁾⁽²⁾	-	-	132,166,250	26.02
Fidelity Puritan Trust	42,611,200	8.39	-	-
FMR Co., Inc ⁽³⁾	-	-	51,078,500	10.06
Fidelity Management & Research Company ⁽⁴⁾	-	-	51,078,500	10.06
FMR LLC ⁽⁵⁾	-	-	51,078,500	10.06

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. In addition, Dato' Karim is also deemed to be interested in (i) 2,000,000 CSE Shares held by RHB Securities Singapore Pte Ltd; and (ii) 2,000,000 CSE Shares held by CGS-CIMB Securities (Singapore) Pte. Ltd.
- (3) FMR Co., Inc. is deemed interested in the shares in its capacity as investment advisor of various funds and accounts, including certain funds of Fidelity Puritan Trust. FMR Co., Inc. is a wholly-owned subsidiary of Fidelity Management & Research Company.
- (4) Fidelity Management & Research Company is deemed to have interests in the securities of CSE Global Limited because such securities are held by funds and/or accounts managed by one or more Fidelity Management & Research Company's direct and indirect subsidiaries, which are fund managers.
- (5) 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 15 March 2019, 61.17% 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, 18 April 2019 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 2018 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 2018 (2017: A final dividend (one-tier tax exempt) of 1.0 Singapore cents per ordinary share and a special dividend (one-tier tax exempt) of 0.5 Singapore cents per ordinary share). **(Resolution 2)**
- 3(a). To re-elect the following Directors of the Company retiring pursuant to Articles 77 and 95(2) of the Constitution of the Company:

Dato’ Dr. Ir. Mohd Abdul Karim Bin Abdullah	[Retiring under Article 77]	(Resolution 3)
Mr Syed Nazim Bin Syed Faisal	[Retiring under Article 77]	(Resolution 4)
Mr Tan Chian Khong	[Retiring under Article 77]	(Resolution 5)
Mr Lim Boon Kheng	[Retiring under Article 95(2)]	(Resolution 6)
Mr Sin Boon Ann	[Retiring under Article 95(2)]	(Resolution 7)
[See Explanatory Note (i)]		
- 3(b). To note the retirement of Mr Lee Soo Hoon, Phillip 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\$355,091 for the year ended 31 December 2018 (2017: S\$337,736). **(Resolution 8)**
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 9)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be authorised and empowered to:

- (a)
 - (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iii)]

(Resolution 10)

By Order of the Board

Lai Kuan Loong, Victor
Company Secretary
Singapore, 2 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr Tan Chian Khong will, upon re-election as a Director of the Company, remain as a member of the Audit and Risk Committee, and will be considered independent.

Mr Lim Boon Kheng will, upon re-election as a Director of the Company, remain as a member of the Compensation Committee.

Mr Sin Boon Ann 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 2018.

- (ii) Mr Lee Soon Hoon, Philip, upon his retirement as a Director of the Company, ceases to be the Chairman of the Audit and Risk Committee and member of the Nominating Committee. Consequently, Mr Tan Chian Khong shall be re-designated as Chairman of the Audit and Risk Committee and appointed as member of the Nominating Committee.

- (iii) The Ordinary Resolution 10 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

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 Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah, Mr Syed Nazim Bin Syed Faisal, Mr Tan Chian Khong, Mr Lim Boon Kheng and Mr Sin Boon Ann, 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 11.

	Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah	Syed Nazim Bin Syed Faisal	Tan Chian Khong	Lim Boon Kheng	Sin Boon Ann
Date of Appointment	2 May 2018	2 May 2018	19 February 2019	13 August 2013	13 May 2002
Date of last re-appointment (if applicable)	Not Applicable	Not Applicable	Not Applicable	20 April 2017	20 April 2017
Age	53	38	62	52	61
Country of principal residence	Malaysia	Malaysia	Singapore	Singapore	Singapore
The Board's comments on this re-appointment	Dato' Karim is nominated by Serba Dinamik Holdings Berhad (listed on the Main Market of Bursa Malaysia Securities Bhd), a substantial shareholder of CSE Global Limited. Dato' Karim's wealth of experience in the oil & gas sector will continue to bring valuable insights of the industry-specific knowledge to the Board.	Syed Nazim is nominated by Serba Dinamik Holdings Berhad (listed on the Main Market of Bursa Malaysia Securities Bhd), a substantial shareholder of CSE Global Limited. Syed Nazim's experience in the finance sector will continue to enhance board deliberations.	Mr Tan Chian Khong is an experienced board director with more than 35 years of experience in providing audit and business advisory services to clients in a wide range of industries. His experience will continue to enhance board deliberations. Mr Tan shall be re-designated as Chairman of the Audit and Risk Committee and be appointed as member of the Nominating Committee following the retirement of Mr Lee Soo Hoon, Philip at the conclusion of this Annual General Meeting.	Mr Lim Boon Kheng continues to possess the requisite experience and qualification to continue in office as Group Managing Director/Chief Executive Officer.	Mr Sin Boon Ann has vast experience in the legal sector and is a director of various listed companies in Singapore. His experience will continue to enhance board deliberations.
Whether appointment is executive, and if so, the area of responsibility	No	No	No	Yes, overall day-to-day operations and leading role in developing the business of the Group	No
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Deputy Chairman Non-Executive, Non-Independent Director	Non-Executive, Non-Independent Director	Independent Director/ Member of Audit and Risk Committee	Group Managing Director/Chief Executive Officer/ Member of Compensation Committee	Independent Director/ Member of Audit and Risk Committee

ADDITIONAL INFORMATION ON RE-APPOINTMENT OF DIRECTORS

(Information required pursuant to RULE 720 (6) of the Listing Manual)

Professional qualifications	Please refer to the Directors' respective biographies on pages 7 to 11.				
Working experience and occupation(s) during the past 10 years	Please refer to the Directors' respective biographies on pages 7 to 11.				
Shareholding interest in the listed issuer and its subsidiaries	<p>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 CSE Global Limited ("CSE Shares") held by SDIL.</p> <p>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 CSE Shares in which SDHB has an interest. In addition, Dato' Karim is also deemed to be interested in (i) 2,000,000 CSE Shares held by RHB Securities Singapore Pte Ltd; and (ii) 2,000,000 CSE Shares held by CGS-CIMB Securities (Singapore) Pte. Ltd.</p>	Nil	Mr Tan is deemed to be interested in 50,000 ordinary shares in CSE Global Limited held under a nominee account.	Mr Lim holds 4,800,500 ordinary shares in CSE Global Limited under his own name and is deemed to be interested in 4,172,500 ordinary shares held by nominees.	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	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil	Nil	Nil

ADDITIONAL INFORMATION ON RE-APPOINTMENT OF DIRECTORS

(Information required pursuant to RULE 720 (6) of the Listing Manual)

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	Yes	Yes	Yes
Other Principal Commitments [†] Including Directorships	Please refer to the Directors' respective biographies on pages 7 to 11.				
Disclosure applicable to appointment of Director only					
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

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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 Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

being a member/members of CSE Global Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Suntec Singapore Convention & Exhibition Centre, Room No. 303 & 304 (Level 3), 1 Raffles Boulevard, Singapore 039593 on Thursday, 18 April 2019 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	Number of Votes For ⁽¹⁾	Number of Votes Against ⁽¹⁾
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2018		
2	Payment of a proposed final one-tier tax exempt dividend		
3	Re-election of Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah as Director		
4	Re-election of Mr Syed Nazim Bin Syed Faisal as Director		
5	Re-election of Mr Tan Chian Khong as Director		
6	Re-election of Mr Lim Boon Kheng as Director		
7	Re-election of Mr Sin Boon Ann as Director		
8	Approval of Directors' fees amounting to S\$355,091		
9.	Re-appointment of Ernst & Young LLP as Auditors		
10.	Authority to issue new shares		

⁽¹⁾ If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

 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 2 April 2019.



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