



**Adjourned Annual General Meeting to be held on 27 May 2020
Responses to Substantial and Relevant Questions**

CSE Global Limited would like to thank all shareholders who submitted their questions in advance of our Adjourned Annual General Meeting (AGM) to be held by electronic means this afternoon.

Responses to substantial questions relevant to the Resolutions

We received several questions relating to the 2019 financials, the impact of COVID-19 and oil and gas prices on the Group and the Group's business strategy/outlook. In addition, we also received a list of questions from Securities Investors Association (Singapore).

As there are areas of overlap in the scope of the questions asked, we are not providing response to every question received. Instead, where the questions overlap, we have grouped related and similar questions together and provided our corresponding responses to them.

Please refer to our responses as set out in Appendix 1.

Appendix 1

Impact of Low Oil and Gas prices and COVID-19

1. In view of the large cut of capital expenditures of oil companies due to lower oil prices, to what extent this would impact in terms of cancellation/deferral of the existing contracts and potential projects on CSE Global's revenue?
 - Currently, we do not face any major delays or order cancellations for orders secured in our order book. The Group anticipates that capital expenditure and operating expenditure by its customers will be constrained in the coming months and hence future fewer new orders.
2. To what extent has CSE Global's operations and staff been affected by COVID-19? What and how CSE Global has been able to mitigate and safeguard employees and continue business operations?
 - Most of our business operations in Singapore and globally have been classified as a provider of essential services, and will continue to be able to operate from our premises during this time. Our US and Australia operations continue to operate as essential businesses with the necessary safeguards including safe-distancing measures and telecommuting arrangements. In Singapore, CSE's workforce comprises of mostly local employees and it does not have much impact from the workforce disruption due to the lockdown of migrant workers' dormitories. Employees based in Singapore who are desk-bound are working from home, with a portion of them supporting operational activities at our office premises.
 - Domestic travel restrictions in countries where we operate has hampered our sales efforts due to the lack of physical meetings with customers. Despite these travel restrictions, project execution are not materially affected at this point of time as we do not have much cross border projects that need to be serviced/implemented where we do not have a physical presence.
 - The COVID-19 pandemic has also impacted the supply chain of good and services. Thankfully, the Group managed to pre-empt the supply chain disruptions by procuring the hardware and equipment necessary for the execution of our projects and solutions early. The Group continues to work on its supply chains to minimise potential future disruption.
 - Currently, the impact of the pandemic has not significantly affected our business operations. Despite this, this new mode of working from home and the safe distancing measures put in place for our business operations will have some impact on the Group's productivity as our worksites cannot operate at their optimal capacity.

3. What is the impact of COVID-19 and low oil prices on the Group? What is the impact on revenue, profitability and cashflow over the next 12 months?
- The impact of COVID-19 and low oil prices has dampened the global economic outlook. Though there is no significant disruption or impact to existing business and operations, the Group expects to have some negative impact but we are unable to determine the magnitude of this impact accurately at this junction. While we are not immune to the pandemic, this impact can be mitigated somewhat by the stable non-oil-and-gas business, various cost optimization initiatives that will be implemented, and the robust order book we have on hand. In May 2020, we disclosed that we have received S\$127.2 million of new orders in 1Q2020, with the first quarter of 2020 ending with a S\$302.7 million order book. The order book will be progressively executed and recognized over the rest of the year. So far, existing projects are ongoing.
 - Like most global companies, we take the view that no one company can forecast or quantify with reasonable accuracy the financial magnitude of COVID-19 impact. We continue to monitor the rapidly evolving COVID-19 situation, and will adjust our measures and approaches accordingly.

Business Strategy/Outlook

4. As the group continues to make strategic acquisitions, can the board help shareholders understand the long-term capital allocation targets by segment and by geography? Are there plans to reduce the group's exposure to the oil & gas segment and to grow the mining and infrastructure segments?
- Acquisitions depends on available opportunities and therefore the Group will continue to scout for acquisition targets in both oil/gas segment and mining and infrastructure segments globally with specific attention to USA, Europe and Australia/New Zealand.
 - The Group remains committed to have a strong presence in the following:-
 - a. Oil & gas for the USA
 - b. Infrastructure for Singapore
 - c. Infrastructure & Mineral and Mining for Australia/New Zealand

It will utilise its strong engineering knowledge and focus on enhancing its customer service quality to deliver positive outcome for all stakeholders.

5. What are the company's plans going forward taking into account the large scale closure of oil operations in the US?
 - We remain committed to maintain a strong presence in the USA and will continue to work with and support our customers in the oil & gas industry. With our strong financial position, we aim to expand and enhance our solutions and services and increase our share of the business with our existing customers. We will continue to monitor the evolving COVID-19 situation and will adjust our measures and approaches accordingly

6. Regarding the US executive order issued on May 1, does this affect Volta's operations in any way given that Volta will be 100% non-US owned? (See link: <https://www.whitehouse.gov/presidential-actions/executive-order-securing-united-states-bulk-power-system/>).
 - This ruling does not affect Volta's operations.

7. What has the company done to strengthen recurring income?
 - CSE Global has undergone significant transformations in recent years. Six years ago, our revenue stream was lumpy and inconsistent as we were dependent on large, capital intensive oil and gas greenfield projects. Today, over 90% of CSE's total revenues are flow revenues, comprising of small greenfield, system enhancements and upgrades, and maintenance contracts, which are largely recurring in nature.
 - The Group will continue to build and strengthen its recurring income base by maintaining its existing customer relationships and to deliver its existing customer commitments and provide the necessary local support and quality services to its customers. In addition, the Group will continue to explore for new pockets of opportunities less affected by the current business climate.

8. Given the current low oil prices and COVID-19 circumstances, what are the areas of business opportunities and challenges ahead?

- Both low oil prices and COVID-19 will provide opportunities and challenges.
- Low oil prices will result in fewer projects and lower selling prices, the Group continues to rely on its strong engineering knowledge and focus on customer services to win these limited opportunities and execute them to enhance its profitability.
- With our involvement in some of the government projects in Singapore and Australia, we do see some opportunities in the areas of security, communication and monitoring of critical systems and sites.
- COVID-19 is both a boon and bane. Like everyone, we need to improvise the way we execute projects to take into consideration safe distancing and other COVID-19 related measures and regulations. This will mean additional costs but also provide us the opportunity to do it better than competitors. Travelling restrictions will make sales efforts and execution of projects more difficult where we do not have physical presence. But again, we would have an advantage in places where we do have the physical presence.

9. What risk does the board foresee if the economy takes 2 years to recover?

- Cash is King. It is important to ensure that the Group has sufficient liquidity to sustain operations and ride through this severe economic downturn. Currently, the Group continues to generate positive operating cashflows which strengthen its cash position and also has untapped banking facilities to support the continuity of its business operations.
- The Group will need to adjust its operating costs and staff strength according to the level of business activity should the economic downturn be prolonged.

Financials

10. With oil prices hovering near multi-year lows, are there signs of significant deterioration in the credit standing of its major customers? Do you foresee any issues with collecting the trade receivables for this year, particularly from the Oil & Gas sector?
 - Our key customers comprise of major oil and gas companies, government agencies, utility and mining companies. These customers are mainly larger companies with strong financial position and credit profiles. Currently, our collections have been regular and there are no material collectability issues. In the Oil & Gas sector, we do not foresee major concerns in collecting the trade receivables. The Group is closely monitoring the rapidly evolving nature of the pandemic, and we are in constant dialogue with our customers and have stepped up collection efforts for all customers.

11. Based on current capital position (Cash flow), does the Company foresee any issues surviving the next 2 years assuming oil prices do not recover?
 - We do not foresee any going concern issues, given the current financial position and cashflow generation.

12. Will company be able to manage costs down flexibly should any of the contracts get delayed or cancelled?
 - Most of our workforce are engineers and technicians, who are mainly contract staff tied to the tenor of the projects. As such, the Group can scale the workforce as and when required. The Group has been focusing on operating metrics such labour utilization rates to ensure efficiency and costs structure are optimized.

13. In respect of CSE's latest acquisition of Volta, what percentage of Volta's revenue is recurring or maintenance-based? What percentage of Volta's revenue is from repeat clients?
 - Volta's revenues are mainly project based but most of its revenues are from repeat customers.

Capital Structure

14. While the group's net gearing remains relatively low at 25%, has the board set a maximum gearing for the group as it continues with its acquisitions?

- The Board has not set a maximum gearing for the group. We do have headroom to borrow as and when investment opportunities including M&A opportunities arise. Nevertheless, any potential M&A target must fulfil our stringent criteria of strategic fit, synergy and sustainable value creation. The Board and Management take a prudent approach to ensure the Group is not overly leveraged.

15. Are there any plans to reduce debt going forward?

- CSE's debt levels are mainly short term in nature, due to working capital required to support its projects, and these borrowings are repaid as and when collections from customers are received. In 2019, the Group's net debts increased mainly due to the two acquisitions we made. That said, in our view, the current net debt levels remained healthy.

Our capital allocation policy is to allocate resources towards optimizing growth and shareholder returns to achieve long term sustainable growth, which could be funded either by equity or debt. We continually review our group capital structure or debt/equity mix to ensure it is well balanced and leverage with prudence when necessary.

Board

16. Would the board disclose its board diversity policy?

- The Board diversity policy has been disclosed in the code of corporate governance report in the 2019 Annual Report of the Company.

17. Given that the profile of the current board is fairly homogenous, how does the board ensure that there is no groupthink and that it pro-actively achieves constructive debate?

- On the contrary, the current composition of the board is quite diverse, with each director possessing diversified industry experience and the necessary competencies, expertise and knowledge to lead the Group.
- Non-Executive Independent Directors constitute a majority of the Board and hence, objectivity on Board's deliberations is assured.
- All Board appointments are made on merit, in the context of gender, industry and business experience, skills and independence which the Board as a whole requires to be effective.
- The Board has started the progressive renewal of the Board to replace the Directors who had served beyond nine years and the board diversity has been considered in this renewal.