COSMOSTEEL HOLDINGS LIMITED

AT THE HEART OF INDUSTRY

Annual Report 2015

cosmosteel

OUR

MISSION

To be a world-class provider of industrial hardware and related services that surpasses expectations of our customers through consistent product quality, competitive pricing, reliable on-time delivery, and service excellence with a strong commitment to social and environmental responsibility.

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SGX Mainboard-listed CosmoSteel Holdings Limited and its subsidiaries (collectively "**CosmoSteel**" or the "**Group**") is backed by over 30 years of established track record as a service-oriented and reliable solutions provider in the sourcing and distribution of piping system components in the Energy, Marine and other industries in Southeast Asia and other regions.

Headquartered in Singapore, the Group has over 411,000 sq feet of storage space across four warehouses. We carry a comprehensive range of high-quality products, sourced from major international manufacturers, which we are able to deliver just-in-time to our customers. Over the years, CosmoSteel has forged close ties with supply chain partners, ensuring our supply chain quality and continuity. Proving our capacity and capabilities to be a leader in our field, we have a diverse base of over 400 customers including blue-chip energy companies.

CosmoSteel has regularly received recognition for our best practices in corporate transparency and business operations. In 2015, the Group was ranked 157th out of 639 companies on the Governance and Transparency Index (GTI) jointly launched by CPA Australia, The Business Times and the Centre for Governance, Institutions and Organisations (CGIO) of NUS Business School, National University of Singapore. In addition, we have also received numerous world-class certifications including ISO 9002:1994 in 2000; ISO 9001:2000 in 2003; ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 in 2009, bizSAFE STAR certification in 2012 and ISO 22301:2012 in 2015.

OUR CUSTOMERS

ACROSS DIVERSE MULTI-SECTORS

Our customers use our products as components mainly to construct piping systems for the conduit of liquids and gases in the production processes of the Energy, Marine and other industries. We have longstanding relationships with many of our blue-chip customers, making us their key trusted partners.

ENERGY INDUSTRY

Applications: Offshore rig fabrication (including jack-up and semi-submersible rigs), Floating Production Storage and Offloading (**FPSO**) / Floating Storage andOffloading (**FSO**) vessel conversion and building, and onshore Energy facilities fabrication

MARINE INDUSTRY

Applications: Shipbuilding and repair

TRADERS

Traders who on-sell our products to their customers which may include end-user customers from the Energy and Marine industries

OTHERS

Other industries include the manufacturing sector

OUR PRODUCTS & SERVICES

INVENTORY SPECIALIST WITH ONE OF THE LARGEST PRODUCT RANGE

With over 25,000 line items across three main product categories, CosmoSteel has one of the largest and most extensive inventories of steel pipes, fittings and flanges in Singapore. Our capabilities as an inventory specialist have placed us in a strong position to meet the steel product requirements of our customers readily and efficiently.

From carbon steel, low temp carbon steel, stainless steel, duplex steel, super duplex steel to high yield and low alloys, the Group's steel products come in a wide range of materials. Our products are also available in different product variations in accordance with customers' required design, size, chemical compositions, mechanical strength and testing requirements.

With leading Japanese trading company, Hanwa Co., Ltd. ("**Hanwa**")[1] , recently on board as a strategic partner, we have further expanded our product range to include electrical products such as switching and distributing systems; terminal and junction boxes and switches; light fittings; and isolators amongst others as well as structural and cable products such as structural beams; channels; plates; flats and hollow sections of different steel grades.

Across the board, all our steel and structural products are mainly categorised based on international standards promulgated by API, ANSI, ASME, ASTM and/or EN. In addition, our cable products, mainly for offshore and marine and other uses, are in accordance to API, CSA, IEEE, IEC and UL.

MAKING A DIFFERENCE WITH OUR SERVICES

Through our in-house machineries, CosmoSteel provides pipe roll grooving and product customisation services to modify the sizes and thread dimensions of our products to meet specific engineering and fabrication designs and requirements of our customers.

To ensure high product quality, we also provide in-house validation and testing services as well as third-party testing and inspection for materials that require Hydrogen Induction Cracking or Sulfide Stress Cracking. Our range of in-house Non-Destructive Testing includes alloy verification, dye penetrant testing, magnetic particle testing, UT testing for lamination and longitudinal or transverse defects, wall thickness check and ferrite content check, amongst others.

Tapping on our strategic alliances with Hanwa and other international suppliers, CosmoSteel is able to offer expedited delivery services for time-sensitive projects and material grades that are difficult to source.

CosmoSteel also offers project management services to customers, a complementary set of value-adding service that propels our service excellence to the next level. As part of this suite of services, we provide procurement and expediting services for the specific materials required by customers as well as inventory management services to customers without warehouse or storage facilities. Our project management services also include just-in-time delivery according to customers' requirements and logistics arrangements for expedited deliveries, both of which yield significant time and storage cost savings for our customers.

1 CosmoSteel entered into a strategic alliance with Hanwa on 6 March 2015 in conjunction with the completion of Hanwa's acquisition of 28.45% stake in CosmoSteel's enlarged share capital of 290,399,997 shares.

JOINT MESSAGE FROM THE CHAIRMAN & CEO

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of CosmoSteel, we are pleased to present to you our Annual Report for the financial year ended 30 September 2015 ("**FY2015**").

FY2015 was weighed down with challenges stemming from macroeconomic developments that were beyond our control. They included China's softening economy, a fragile Eurozone and an unclear direction regarding interest rates from the US Federal Reserve, which were exacerbated by heightened geopolitical tensions around the world.

This backdrop, coupled with the US shale oil situation, resulted in a decline in oil prices and growth stagnation that has adversely affected our customers in the Energy and Marine industries, as well as traders on-selling our products to these industries. Further, China's slowdown has had a deep impact on commodity economies, and most pertinent to us, this includes steel. This has translated to intensifying competition for us from Chinese stockists and global manufacturers, resulting in more aggressive tenders for projects as the whole value chain comes under margin pressure.

Notwithstanding this, CosmoSteel has ridden the ups and downs of the steel industry over the last 33 years, and we have always emerged more resilient each year. Our value proposition and unique selling points were highlighted when Japan-listed Hanwa acquired a 28.45% stake to become our major shareholder in March 2015. Already, we have begun to reap certain mutual rewards of our strategic alliance.

CHAIRMAN & INDEPENDENT
NON-EXECUTIVE DIRECTOR

LOW
BENG TIN

CEO &
EXECUTIVE DIRECTOR

ONG
CHIN SUM

JOINT MESSAGE FROM THE CHAIRMAN & CEO
— cont'd —

> In FY2015, we further strengthened our edge as a one-stop inventory specialist by expanding our inventory range to include structural steel, electrical and cable line items to our product mix.

FY2015 IN REVIEW

FY2015 marked the first time we posted a net loss in our history. While painful, we must take this on the chin and work hard to forge through this industry downcycle. This does not diminish our confidence in the Group's long-term prospects, and as a signal of our sustained confidence in the business, we are proposing a first and final dividend of 0.5 Singapore cents per share for the fiscal year.

During the year in review, the Group reported a revenue of $109.9 million on the back of a lacklustre global economy which affected sales from our Energy and Marine customers in Singapore, Vietnam and Others markets. Even as we implemented sweeping cost-cutting measures to reduce our overheads, the Group posted a net loss of $0.9 million during the year. Competition both locally and globally has also intensified. Our gross profit declined 36.4% to $19.6 million in FY2015 while gross profit margin shrank 1.7 percentage points to 17.8% as a result of our efforts to offer higher value services to meet the requirements of our customers in this challenging market.

A STRONGER ONE-STOP INVENTORY SPECIALIST

Over the past three decades, CosmoSteel has built a reputation as a one-stop inventory specialist carrying one of the largest ranges of pipes, fittings and flanges that customers can procure on demand at our warehouses. In FY2015, we further strengthened our edge in this area by expanding our inventory range to include structural steel, electrical and cable line items to our product mix.

BOARD CHANGES

Hanwa's Mr Seiji Usui, Executive Director, and Mr Hiroshi Ebihara, Non-Executive Director, each with over 30 years of experience in the steel industry, were appointed to our board on 1 June 2015. With them aboard, we are able to tap on their extensive knowledge and network to streamline our processes. We take this opportunity to warmly welcome them, we are sure they will be invaluable additions to the CosmoSteel family.

In addition, we also saw Ms Geraldine Ong Siew Ting step down as Independent Director on 30 June 2015 to keep the size of the Board appropriate given the nature and scope of our operations. We thank her for her insights, guidance and counsel over the last eight years, since our listing in 2007, and wish her all the best with her future endeavours.

JOINT MESSAGE FROM THE CHAIRMAN & CEO
— cont'd —

OUR

MARKETS

OUTLOOK AND STRATEGIES

With the exception of China, the World Steel Association sees positive growth for steel demand in emerging economies and the rest of the world in 2016[1] . Although this may provide some reprieve, we must continue to adopt a measured approach to our business activities.

Despite flagging oil prices impacting our Energy and Marine segments at the moment, demand for energy is perennial and we believe the fundamentals of these industries remain sound in the long-term. However, we must continue to do our part now to remain a preferred business partner for our customers.

In-house, we are already providing services that create more value for customers such as product customisation, project management, as well as product inspection, validation and testing for many years. As of FY2015, we have upped our game and started offering logistics handling services to better help our customers save time, space and cost – a strategy we have adopted to stay market competitive and relevant to our customers.

We also plan to leverage our expanded product range which has boosted the breadth and marketability of CosmoSteel's offerings. In line with this, we plan to step up our marketing and sales efforts across existing and new markets moving forward.

1 Worldsteel Short Range Outlook 2015-2016 – 12 October 2015

JOINT MESSAGE FROM THE CHAIRMAN & CEO
— cont'd —

Given the competitive operating environment, prudent cost management has been a strategy we adopted in the last few years to stay lean and fighting fit. Warehousing facilities is the biggest cost component that we need to manage and we are constantly exploring ways to balance the cost of this with operational security.

To this end, we are assessing the possibility of capitalising on Hanwa's extensive world-wide network to facilitate rapid delivery of goods to customers. It will also broaden product sourcing opportunities for the Group and strengthen our supply chain management. This is significant considering almost half of our FY2015 revenue was derived from overseas markets.

In the longer term, we believe we are in a good shape to pursue expansion and growth opportunities when they arise. Meanwhile, we have buckled down and concentrated on improving the efficiency and productivity of our operations by ramping up internal procedures. In December 2015, we have successfully obtained the ISO 22301:2012 certification for our Business Continuity Management System. This system will minimise the impacts of possible disruptions to our operations as well as build integrated response and recovery functions to safeguard the interests of our stakeholders.

"In FY2015, we have started offering logistics handling services to better help our customers save time, space and cost - a strategy for us to stay market competitive and relevant to our customers."

APPRECIATION

The success of a business is measured by how well it handles short-term stress and dips in performances. At CosmoSteel, we are incredibly fortunate to have such good comrades – our shareholders, customers, suppliers, business partners and employees – who have stood by us through this challenging period. Your support gives us immense confidence to continue to navigate through this trying time.

As we look ahead to taking our next steps with you, we have no doubt CosmoSteel will once more emerge stronger after gaining another year's worth of the experience, ready to take on new challenges and seize new opportunities when they come. As always, we look forward to meeting you at our AGM on 28 January 2016.

CHAIRMAN & INDEPENDENT NON-EXECUTIVE DIRECTOR
LOW
BENG TIN

CEO & EXECUTIVE DIRECTOR
ONG
CHIN SUM

主席和总裁的联合序言

尊敬的股东们，

我们谨代表宇宙钢铁董事会，为您呈现本集团截至2015年9月30日的2015财政年度报告。

基于不在控制范围内的宏观经济局势，2015财政年可谓具挑战的一年。除了中国经济放缓和疲弱的欧元区，美国联邦储备局的利率政策方向也不明确，全球各地的地缘政治局势紧张更是导致负面影响加剧。

这加之美国石油市场低迷导致油价走低和增长停滞，影响了能源与海事领域以及将我们的产品分销给这类行业的贸易商的生意。此外，中国经济放缓也深深影响商品业，包括我们所处的钢铁业。这使得来自中国存货商和全球制造商的竞争升温，项目招标更为积极，以致全价值链面对毛利压力。

尽管如此，基于宇宙钢铁过去33年里在钢铁行乘风破浪，我们的韧性也年复一年加强。日本上市公司阪和兴业在2015年3月收购集团28.45%股权成为大股东，验证了我们的价值主张和独有的卖点。至此，双方也已经因为此战略联盟而有所收获。

2015财政年回顾

我们在2015财政年里有史以来首次蒙受净亏损。虽然艰难，但我们还是咬紧牙根，努力度过眼前的行业下行周期。我们不会因此而对集团的长期前景失去信心，而为彰显我们对公司业务的信心持续，我们建议派发每股0.5新分的首次及末期股息。

在过去的财政年里，全球经济低迷冲击我们在新加坡、越南及其他市场能源与海事客户的销售。在这样的背景下，集团营业额报1亿零990万元。即便我们大刀阔斧地削减开支，集团仍蒙受90万元的净亏损。来自本地及全球的竞争也愈演愈烈。我们2015财政年的毛利减少36.4%至1960万元，毛利率则缩小1.7个百分点至17.8%，主要因为我们在充满挑战的市场里坚持为客户提供较高价值的服务以满足他们的需求。

主席兼
独立非执行董事
刘明镇

总裁兼
执行董事
翁青山

主席和总裁的联合序言
— 续 —

成为更强大的一站式库存专家

在过去三十年里，宇宙钢铁建立了作为一站式库存专家的良好声誉，客户可即时从我们的仓库里采购管材、管件和法兰，产品范围在市场中数一数二。在2015财政年，我们进一步将库存范围扩大至结构性钢铁和电气电缆以增强我们在这方面的优势。

董事会变动

阪和兴业的执行董事Seiji Usui先生和非执行董事Hiroshi Ebihara先生于2015年6月1日受委加入我们的董事会。他们各自在钢铁业拥有超过30年的经验。他们的加入将给我们带来广泛的知识和网络以助精简我们的流程。我们借此机会热烈欢迎他们，相信他们是宇宙钢铁家庭宝贵的新成员。

此外，我们的独立董事Geraldine Ong Siew Ting女士于2015年6月30日卸任，以保持适合本集团业务性质与范围的董事会规模。我们感谢她自集团在2007年上市至今的八年里所给予的见解、指导和咨询，并祝愿她未来一切顺利。

展望及发展策略

除了中国以外，世界钢铁协会预计新兴经济体和所有其他市场的钢铁需求将在2016年增长。虽然这是正面的消息，但我们还是得继续谨慎管理业务活动。

尽管油价疲弱正影响我们的能源与海事业务，能源的需求是持续性的，我们因此相信这些行业的长期基本面维持良好。然而，我们将继续做好本分，以保住客户首选贸易伙伴的地位。

我们已多年为客户提供增值服务，例如产品定制、项目管理、产品检验、验证与测试。截至2015财政年，我们已开始提供物流搬运服务以更好地帮助客户节省时间、空间和成本；我们采取这项策略是为保持市场竞争力，并且更贴近客户的需求。

我们还计划借助扩大后的产品范围提升宇宙钢铁整体产品与服务的吸引力。为此，我们接下来计划在现有及新市场加大营销与销售力度。

由于营业环境竞争激烈，审慎的成本管理在过去几年里一直是我们厉行精兵简政的策略。仓储设施是我们的最大成本，因此我们一直在不断探索如何在这方面成本与运营安全之间取得平衡。

为此，我们正在评估借助阪和兴业全球网络以快速将货品送达客户的可行性。这将扩大集团的产品采购机会及强化我们的供应链管理。我们在2015财政年的营业额几乎一半来自海外市场，因此此措施的益处将会是显著的。

从长期来看，我们相信我们有能力把握扩充业务及增长机会。我们也正沉着应战，并集中于通过改进内部程序提高我们的运营效率和生产力。在2015年12月，我们的业务持续管理计划获得了ISO 22301：2012认证。这项计划将助我们在发生突发事件时将冲击降到最低，并建立了综合式反应与恢复机制，以保障集团利益相关者的利益。

致谢

一家企业的成功取决于它如何处理短期压力及业务表现的低潮。宇宙钢铁很幸运能有一班好同志 – 我们的股东、客户、供应商、合作伙伴和员工 – 你们都在这段具挑战的时期对我们不离不弃。您的支持给了我们极大的信心继续度过这个困难时期。

我们与您同步前进的当儿，相信宇宙钢铁在获得多一年的经验后，无疑有能力迎接新的挑战和抓住新的机遇。与往常一样，我们期待着在2016年1月28日的年度股东大会上与您见面。

主席兼 独立非执行董事	总裁兼 执行董事
刘明镇	翁青山

BOARD OF DIRECTORS

LOW BENG TIN

CHAIRMAN & INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board on 9 November 2005, and re-classified as the Group's Independent Non-Executive Chairman in September 2014, Mr Low was last re-elected as a director on 30 January 2015. He is also the Executive Chairman and Managing Director of OEL (Holdings) Limited, an Independent Non-Executive Director of China Yongsheng Limited and Independent Director of Lian Beng Group Ltd, all of which are listed on the SGX-ST. Mr Low has close to 40 years of engineering experience in the oil and gas, petrochemical, chemical and marine industries. In recognition of his contribution to the community, he was conferred the Pingat Bakti Masyarakat (The Public Service Medal) in 2004 and the Bintang Bakti Masyarakat (The Public Service Star) in 2009 by the President of the Republic of Singapore. He holds a Diploma in Electrical Engineering from Singapore Polytechnic, a Diploma in Management Studies from Singapore Institute of Management and conferred a Masters in Business Administration (Chinese Programme) degree from the National University of Singapore.

ONG CHIN SUM

CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR

Mr Ong was appointed as a director of the Group on 9 November 2005 and was last re-elected on 30 January 2015. A founding member of CosmoSteel in 1984, he has been instrumental in growing the Group's business to its present scale. He is responsible for spearheading and driving CosmoSteel's corporate and business strategies. Mr Ong has close to 40 years of experience in the hardware supply industry. His background includes considerable expertise and know-how in warehousing management, technical requirements and specifications and pricing of products and services, and a wide network of manufacturers and suppliers within the industry.

BOARD OF DIRECTORS
— cont'd —

ONG TONG YANG

EXECUTIVE DIRECTOR

Mr Ong was appointed as a director of the Group on 9 November 2005 and was last re-elected on 17 January 2014. He joined CosmoSteel in 1999, is responsible for developing and setting the strategic directions for the sales, marketing and purchasing functions. His area of focus and responsibility has largely been in sales and marketing, in particular for project-based contracts, as well as purchasing, quality control and certification processes. Since joining the Group, he has spearheaded the growth of CosmoSteel's customer base in Singapore and the region, and the Group's range of product offerings. Mr Ong holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic.

ONG TONG HAI

EXECUTIVE DIRECTOR

Mr Ong was appointed as a director of the Group on 9 November 2005 and was last re-elected on 17 January 2014 He joined CosmoSteel in 1998, spearheads the development and implementation of policies and procedures to enhance the effectiveness and efficiency of the Group's logistics and operations functions. Since joining the Group, he has been largely involved in inventory and warehousing logistics and management, information systems and technology management and administration. One of his key achievements is the implementation of the ERP system for CosmoSteel's subsidiary, Kim Seng Huat Hardware Pte. Ltd., which enables the Group to monitor and keep track of its inventory on a real-time basis. He holds a Bachelor of Business (Accountancy) from the Royal Melbourne Institute of Technology, Australia.

SEIJI USUI

EXECUTIVE DIRECTOR

Appointed as a director of the Group on 1 June 2015, Mr Usui also acts as Assistant to the CEO. He is currently the Deputy General Representative for Asia of Hanwa, a leading trading company listed on the Tokyo Stock Exchange which he joined in 1985. Backed by more than 30 years of experience in the steel trading business in Japan, North America and Asia, Mr Usui will be involved in expanding the Group's international business though collaboration with Hanwa's global network; and growing its domestic business by targeting Japanese customers. He will also undertake the development and enhancement of the Group's procurement functions with the aim of enhancing its effectiveness and efficiency. Mr Usui will also be the communication facilitator between the Group and Hanwa to foster the strategic alliance. He graduated from Kwansei Gakuin University, with a Bachelor in Business Administration.

BOARD OF DIRECTORS
— cont'd —

HIROSHI EBIHARA

NON-EXECUTIVE DIRECTOR

Mr Ebihara was appointed as a director of the Group on 1 June 2015. He is currently the Senior Managing Executive Officer and General Representative for Asia (ASEAN, India, Middle East) of Tokyo Stock Exchange listed Hanwa, a trading company at which he rose through the ranks after joining in 1977. Mr Ebihara has more than 38 years of experience in the steel trading business in Japan and Asia and approximately nine years of experience holding directorships at Hanwa. Mr Ebihara graduated from Tokyo Metropolitan University, with a Bachelor in Economics.

JOVENAL R. SANTIAGO

INDEPENDENT DIRECTOR

Mr Santiago was appointed as a director on 28 March 2007 and last re-elected on 30 January 2015. Retired as a Public Accountant since 1998, Mr Santiago is a Certified Public Accountant in the Philippines with more than 40 years of experience in the accounting and auditing profession in Singapore and the Philippines. From 1971 to 1998, he was an audit principal of Deloitte & Touche, Singapore, where he was in charge of audit engagements of a wide portfolio of clients including several publicly listed companies. He holds a Bachelor of Science degree in Commerce from the University of Santo Tomas, Philippines and a Master of Business Administration degree from New York University, USA. Mr Santiago is also an independent director of Willas-Array Electronics (Holdings) Limited listed on the SGX-ST and Hong Kong Stock Exchange.

TAN SIOK CHIN

INDEPENDENT DIRECTOR

Appointed as a director on 28 March 2007 and last re-elected on 30 January 2015, Ms Tan is an Advocate and Solicitor of the Supreme Court of Singapore and a Director of ACIES Law Corporation, a firm of advocates and solicitors, heading its corporate practice group. Ms Tan has over 20 years of experience in legal practice. Her main areas of practice are corporate finance, mergers and acquisitions, capital markets and commercial matters. Ms Tan is also the Non-Executive Chairman of Design Studio Group Ltd and Non-Executive Director of Valuetronics Holdings Limited, both of which are listed on the SGX-ST. Ms Tan graduated from the National University of Singapore with a Bachelor of Law (Honours) degree.

* Following changes to the composition of the Group's Board from seven to nine directors on 1 June 2015, Ms Geraldine Ong Siew Ting stepped down as an Independent Director on 30 June 2015 to keep the size of the Board appropriate for the Group given the nature and scope of its operations.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Low Beng Tin
Chairman and Independent Non-Executive Director

Ong Chin Sum
Chief Executive Officer and Executive Director

Ong Tong Yang
Executive Director

Ong Tong Hai
Executive Director

Seiji Usui
Executive Director

Hiroshi Ebihara
Non-Executive Director

Jovenal R. Santiago
Independent Director

Tan Siok Chin
Independent Director

AUDIT COMMITTEE

Jovenal R. Santiago
(Chairman)
Tan Siok Chin
Low Beng Tin

REMUNERATION COMMITTEE

Tan Siok Chin
(Chairman)
Hiroshi Ebihara
Jovenal R. Santiago

NOMINATING COMMITTEE

Tan Siok Chin
(Chairman)
Hiroshi Ebihara
Jovenal R. Santiago

COMPANY SECRETARY

Lee Pih Peng
MBA, LLB

REGISTERED OFFICE

50 Raffles Place
#06-00 Singapore Land Tower
Singapore 048623

PRINCIPAL PLACE OF BUSINESS

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Singapore 628633

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
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#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

RSM Chio Lim LLP
8 Wilkie Road #03-08
Wilkie Edge
Singapore 228095
Partner in-Charge: Peter Jacob
(a member of the Institute of Singapore Chartered Accountants)

LEGAL ADVISORS

Lee & Lee
50 Raffles Place
#06-00 Singapore Land Tower
Singapore 048623

LPP Law Corporation
Level 39 Marina Bay Financial Centre
Tower 2
10 Marina Boulevard
Singapore 018983

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

Standard Chartered Bank
6 Battery Road
Singapore 049909

United Overseas Bank Limited
80 Raffles Place
UOB Plaza I
Singapore 048624

INVESTOR RELATIONS

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WEBSITE

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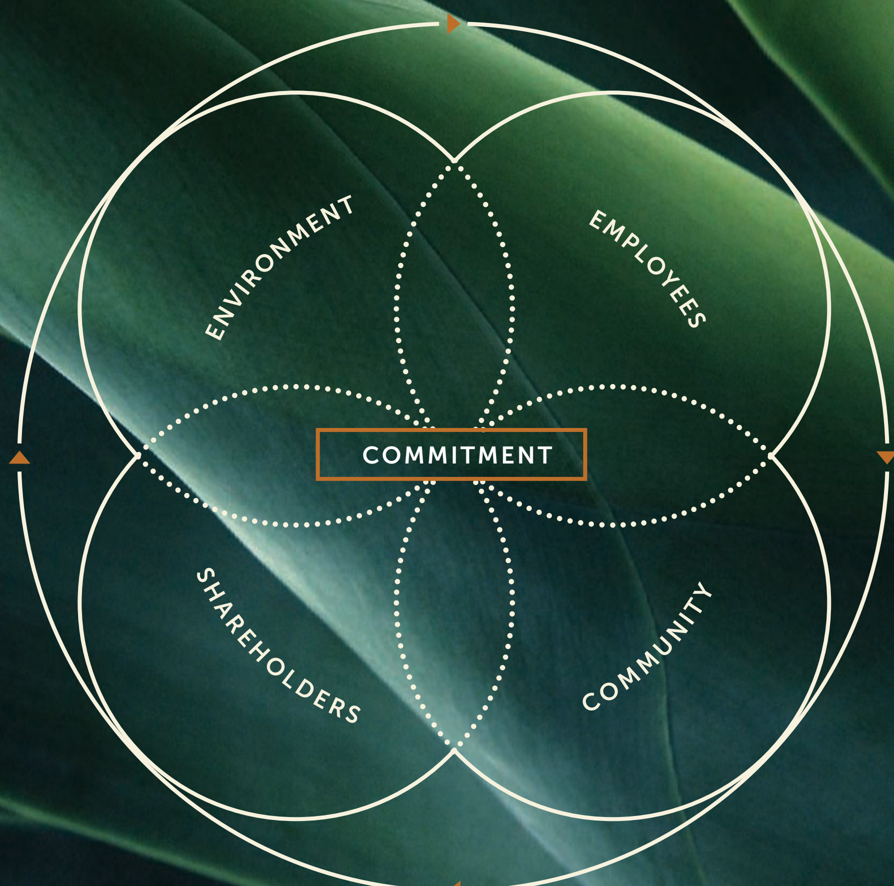
WE

CARE

FOR OUR STAKEHOLDERS



CORPORATE SOCIAL RESPONSIBILITY

To run a sustainable and successful business over the long term, CosmoSteel needs to understand the risks and opportunities that lay ahead of us. One aspect of this is the role that we play as a proactive corporate citizen. With that in mind, CosmoSteel strives to conduct our operations in an independent, transparent, responsible and competent manner.

COMMITMENT TO THE ENVIRONMENT: ENVIRONMENTAL MANAGEMENT PROGRAMME

CosmoSteel places significant emphasis on having a greener footprint. Steel itself is the most recycled material on the planet[1] and we do our part to recycle it along with the other resources and materials we use in the course of our operations.

CosmoSteel conducts an annual refresher training for employees to understand the Group's energy, water and paper saving initiatives in place, as well as its recycling directives. Since 2013, the Group has obtained the Water Efficient Building Certification from PUB in recognition of its water saving efforts.

To continue monitoring the effectiveness of our resource conservation and waste reduction policies toward the goal of a greener footprint, we developed an Environmental Management Programme. The key objectives of the programme include:

- To reduce electricity consumption on a kilowatt per employee basis;
- To reduce paper consumption on a copies used per $1,000 of sales revenue basis; and
- To reduce water consumption on a cubic centimetres per employee basis.

COMMITMENT TO THE COMMUNITY: CHARITABLE INITIATIVES

CosmoSteel has committed to operate in a responsible way that enhances the lives of people in the community around it. In our efforts to give back, we have contributed approximately $145,000 to charities and charity fund raisers over the last three financial years. In the current fiscal year, the Group donated approximately $43,000 to various beneficiaries and organisations, including Metta Welfare Association, a charity that the Group has regularly supported over the years.

> CosmoSteel places significant emphasis on having a greener footprint. Steel itself is the most recycled material on the planet and we do our part to recycle it along with the other resources and materials we use in the course of our operations.

1 https://www.steel.org/sustainability/steel-recycling.aspx

CORPORATE SOCIAL RESPONSIBILITY
— cont'd —

> In conjunction with our comprehensive health and safety programme, we take pride in offering our employees fulfilling careers with equal opportunities for personal development and skills upgrading with in-house and external training courses.

COMMITMENT TO THE EMPLOYEES: HEALTH AND SAFETY MANAGEMENT PROGRAMME & STAFF WELFARE INITIATIVES

The health and safety of our employees and sub-contractors are our highest priorities. We believe all workplace incidents can be prevented through a meticulous management system.

As an employer, CosmoSteel understands our responsibility to provide employees with a safe working environment. We have gone beyond just complying to safety regulations in Singapore by applying a strict Health and Safety Management Programme since 2007 with the following objectives:

- To improve safety in general work operations by reducing the frequency and severity rate of accidents per million man hours; and
- To reduce the percentage of medical visits associated with work by promoting healthy lifestyle of employees.

In conjunction with our comprehensive health and safety programme, we take pride in offering our employees fulfilling careers with equal opportunities for personal development and skills upgrading with in-house and external training courses.

The Group also keeps abreast of the latest operational requirements that are relevant to its business operations.

In recognition of CosmoSteel's strong commitment to quality, health and safety focus, the Group has received numerous world-class certifications including ISO 9002:1994 in 2000; ISO 9001:2000 in 2003; ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 in 2009, bizSAFE STAR certification in 2012 and ISO 22301:2012 in 2015.

CORPORATE SOCIAL RESPONSIBILITY
— cont'd —

We also want our employees to lead healthier lives, enjoy meaningful careers and achieve greater work-life balance. To realise this, we strive to offer our employees a fair and conducive working environment, including offering career development roadmaps and flexible working arrangements for employees with exigent family commitments.

CosmoSteel also encourages sports and recreational activities among employees as part of its efforts to promote team spirit and a healthy lifestyle. The Group signed up for corporate programmes with the Singapore Sports Council to allow its employees easy access to gym and swimming facilities across the island.

COMMITMENT TO SHAREHOLDERS: INVESTOR RELATIONS PROGRAMME

We are committed to proactively engaging our shareholders and the investing community, through our Investor Relations ("**IR**") Programme, to develop and maintain meaningful communication with our stakeholders. Our intention is to keep them updated with the Group's performance and strategic initiatives, while balancing the commercial sensitivities of our business operations.

The key objectives of our IR Programme include:

- Providing accurate, relevant and transparent information to the marketplace in a timely manner. This includes:
  - Detailed corporate announcements, press releases and presentation slides are released on the Singapore Exchange's SGXNET and on our corporate website simultaneously.
  - A dedicated IR section within our corporate website, where investors can easily access up-to-date information relating to the Group.
- Maintaining proactive communication with investors and shareholders via
  - An email alert service on our website where investors can receive the latest IR news from CosmoSteel or connect with our IR team, whose contacts are listed in our website and annual report.
  - Face-to-face briefings, phone calls or emails with investors, analysts and the media in conjunction with our results and business updates.
  - Our Annual General Meeting.

In recognition of our best practices in corporate transparency, CosmoSteel was ranked 157th out of 639 companies on the Governance and Transparency Index (GTI) in 2015, which was jointly launched by CPA Australia, The Business Times and the Centre for Governance, Institutions and Organisations (CGIO) of NUS Business School, National University of Singapore.

WE SAFEGUARD THE INTERESTS OF OUR BUSINESS PARTNERS

COMPLIANCE

Whistle Blowing Policy

FINANCIAL

Capital Management System

ENTERPRISE RISK MANAGMENT

OPERATIONAL

Business Continuity Management

ETHICS

Code of Conduct & Ethics for Employees

RISK MANAGEMENT

ENTERPRISE RISK MANAGEMENT

CosmoSteel's Enterprise Risk Management ("**ERM**") Framework comprises a comprehensive company-wide guidance to all the Group's business divisions by assessing its key systems, policies and processes in place to identify potential risk areas and set out mitigating best practices. This ensures a rigorous procedure to adequately and effectively manage the risks they face during the course of day-to-day operations and long-term business planning.

The ERM is administered by a Risk Management Team comprising members from Management who are responsible for the effective implementation of the Group's risk management strategy, policies and processes to facilitate the achievement of its business plans and goals within the risk tolerance set by the Board. The team is also responsible for setting the direction of corporate risk management and monitoring the implementation of risk management policies and procedures.

The Risk Management Team provides quarterly updates to the Audit Committee and the Board where there may be areas of concern arising in relation to any of the identified key risks factors, if any, which the Audit Committee and the Board should take note of. In addition, the Company has also requested its internal auditors, Nexia TS Public Accounting Corporation, to take such risk factors into consideration in drawing up the annual internal audit plan, in order to review and monitor the identified risk areas.

In the event that the Group intends to enter into any new markets, business venture or business sector, the Group may, where necessary or appropriate, appoint and commission external professional parties to review or advise on, inter alia, any additional areas of risk factors to consider in connection with such forays.

Key elements of the Risk Register:

- Identification of key business and operations risk factors;
- Categorisation of risks factors within broad compliance, financial and operational risks;
- Secondary categorisation of risk factors within 15 defined categories of key areas;
- Ranking of the risk factors in terms of their relative importance or implications for the Group should such risks materialise; and
- Risk mitigating practices, where applicable, that are in place to address such risks.

The Group has defined 15 key areas of risks in the risk register.

COMPLIANCE RISKS

The Group tracks regulatory developments to ensure that it stays current and in compliance with law, standards and/or requirements issued by regulators that are applicable to its business. For example, since January 2013, the Group subscribes to quarterly regulatory and legal updates pertaining to Vietnam, one of its new markets.

The Group's Company Secretary advises the Board on changes in legal and regulatory issues while its external auditors provide changes in accounting standards to management for their consideration. The Group has engaged its external auditors to conduct at least one briefing per annum for the Board on changes in accounting standards with effect from Q12016.

To better manage compliance risk oversight, the Audit Committee of the Group has requested its internal auditors to assist the Management in evaluating and assessing the effectiveness of internal controls implemented by the Company, including review of the adequacy and effectiveness of the Group's systems of internal controls to identify risks of non-compliance in various areas.

RISK MANAGEMENT
— cont'd —

The Group is ISO14001:2004 and OHSAS 18001:2007 certified. To ensure compliance with Environmental, Health and Safety laws and regulations, the Group subscribes to quarterly updates with Neville-Clark (Singapore) Pte Ltd and undergoes surveillance audits by BVQI annually and recertification audits every three years.

The Group also ensures that the terms and conditions of its contractual agreements are reviewed by its Finance Department and/or external lawyers, where applicable, before acceptance to ensure adherence with internal policies, applicable laws and regulations.

Whistle Blowing Policy
The Company has also in place a whistle blowing policy and has implemented relevant procedures, as approved by the Audit Committee and adopted by the Board, for the purposes of handling complaints, concerns or issues relating to activities or affairs relating to the business, customers, suppliers, partners or associates, activities or affairs of the Group or conduct of any employee, officer or Management of the Group. Staff of the Group has access to the Company Secretary and may, in confidence, raise concerns about possible improprieties in any such corporate matters by sending an email or a letter in writing to the Company Secretary, who would re-direct and/or send such email or letter in writing to the Audit Committee (in the event such concerns relates to any of the Directors or the Chief Financial Officer of the Company) or the whistle blowing committee (for all other concerns), as the case may be. During FY2015, there were no complaints, concerns or issues received.

In addition, as part of its ISO9001 policy, a customer satisfaction survey is done annually to determine customers' level of satisfaction with the Group's services.

The Group also ensures that its Employees Health and Welfare benefits are in keeping with regulations and industry standards. It maintains human resource practices to ensure employee benefits are in place and healthcare insurance is taken out for eligible employees. In addition, the Group's overall compensation and benefits structure follows to the basic requirements at the Ministry of Manpower (MOM) closely, and the Group keeps itself abreast through regular updates from MOM.

OPERATIONAL RISKS

Business Continuity Management
With a view to minimise disruptions to its operations in the event of a disaster, the Group has obtained the ISO 22301:2012 certification for Business Continuity Management ("**BCM**") in December 2015. As part of its BCM System ("**BCMS**"), the Group has committed to identifying potential operational risks which threaten its business processes and build integrated mitigating procedures that will increase its resilience and ensure rapid recovery of critical business functions. This will prepare the Group to handle adverse scenarios and safeguard the interests of key stakeholders and its reputation and brand. In meeting this commitment, the Group shall comply with all applicable legal and regulatory requirements and seek continual improvements to its BCMS.

Elements of the business continuity procedures include:

- An established and appropriate internal and external communications protocol;
- Specific immediate steps that are to be taken during a disruption;
- Flexibility to respond to any unanticipated threats and to changing internal and external conditions;
- Being focused on the impact of events that could potentially disrupt operations.

The Group manages other operational risks on an ongoing basis. The Group's business is generally space-intensive by nature as it stocks and deals with large quantities of bulky materials to meet the varied requirements of its customers who depend on CosmoSteel for on-time delivery of quality products. The Group's supply chain management is handled by the adequate sourcing of accredited suppliers in line with its ISO9001 policy as well as regular and effective management planning of its inventory stock and costs.

Human resources is also high on the agenda of the Group as it searches for quality people to add to its workforce and retain its valued employees. To this end, the Group ensures it has training and development programmes beyond the scope required by authorities and has implemented health and safety management programmes. In addition, CosmoSteel provides highly incentivised working benefits which include insurance, medical and dental coverage.

The Group also has a robust Sales, Marketing and Communication strategy in place to ensure its message to stakeholders are aligned and it delivers on its sales targets. In order to achieve this, it has a sales strategy based on regular management review and regular communication with customers.

The Group taps into customers satisfaction surveys to monitor overall level of quality work and services, thus providing opportunities for it to improve its Quality Management System. Customers' feedback is evaluated

RISK MANAGEMENT
— cont'd —

and discussed at management reviews. The selection for conducting customer satisfaction survey is based on the following criteria:

- Top 10% of customer by sales value over a period of 12 months from the last review
- Five or more non-conformance reports reported by the customer within the year from the last review

Where appropriate, other means of monitoring customer satisfaction may be identified on an ad-hoc basis such as upon conclusion of projects.

CosmoSteel actively seeks to reduce its operational impact on the environment, and has stringent corporate responsibility and sustainability practices in place to manage its industrial waste by recycling and reusing where possible and engaging licensed waste collectors.

To safeguard the Group's legal interests, CosmoSteel hires professionals such as lawyers and accountants who are able to provide their professional advice in relation to operational risks. To ensure continuous operationality, the Group's IT infrastructure is partially outsourced to professional vendors ensuring reliability of our IT systems and installation of stringent security measures to prevent information leaks or losses. In addition, the Group's inventories are protected by adequate insurance covering all industrial risks in addition to its utilisation of on-site security devices.

FINANCIAL RISKS

The Group employs a tight capital management system to ensure that it has sufficient working capital to meet debt obligations to mitigate its liquidity risks. It also pays close attention to critical financial ratios such as inventory turnover, accounts receivable/payable, gearing and current ratio for the early detection of red flags. Information on the Group's Key Performance Indicators and ratios are reported regularly to the Board.

As a comprehensive stockist, CosmoSteel's business performance is only as good as the relevance of the inventory stock it maintains. To remain resilient amidst changing and increasingly diverse customer demands and an uncertain global economy, the Group constantly keeps itself abreast of market conditions, and stays close to its customers through regular visits and tracking of their purchasing patterns. This is to ensure that CosmoSteel continues to stock up inventory that is relevant to its existing and potential customers.

The Group also has a stringent credit policy in place that covers credit evaluation, approval and monitoring, as a safeguard to minimise all credit risks. The Group has in place trade credit insurance on its trade receivables which covers protracted default and insolvency, depending on the customer's credit worthiness and credit limit history.

In anticipation of unforeseen financial losses, the Group adopts hedging policies and is insured in relation to the following: workmen compensation; product liability; directors and executive officers' liability; loss of keyman insurance; industrial risks; marine insurance; vehicles insurance; trade credit insurance; as well as travel, health and personal accidents insurance for the Group.

CODE OF CONDUCT & ETHICS FOR EMPLOYEES

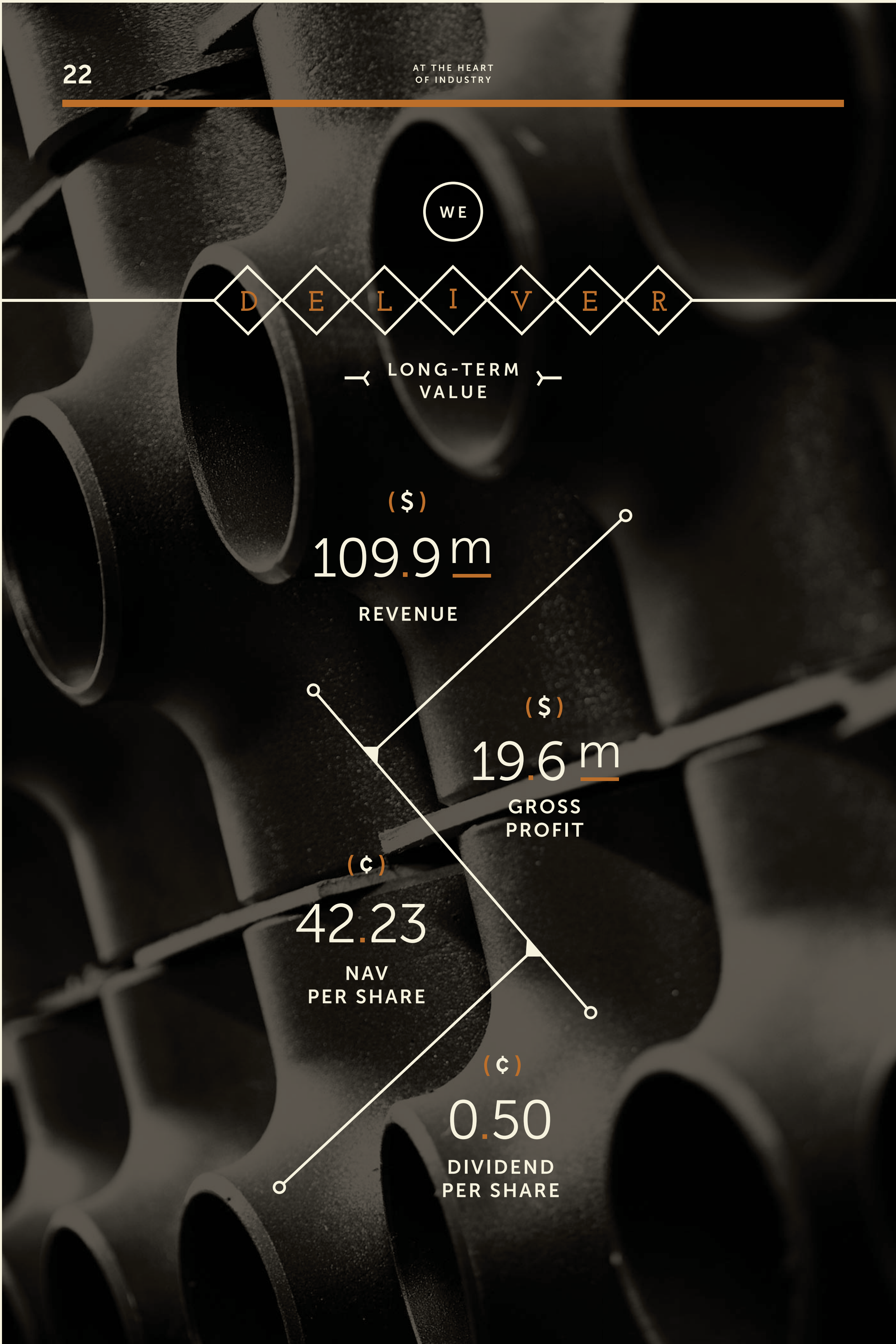
The Group has a Code of Conduct ("**Code**"), comprising internal corporate governance practices, policy statements and standards, which serves as a guide to all its employees and officers for both legal compliance and appropriate ethical conduct.

This Code is made available to Board members and employees of the Group as well as its agents, representatives and consultants. The principles and standards in the Code are intended to enhance investor confidence and rapport, and to ensure that decision-making is ethically and properly carried out in the best interests of the Group. The Code is reviewed from time to time and updated to reflect changes to the existing systems or the environment in which the Group operates.

The Code 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 fellow employees; customers; competitors; suppliers; government agencies and officials; and the community in general. Among others, key areas covered by the Code include workplace health and safety; workplace and business conduct; safeguarding of assets of the Group and other parties; handling of confidential information and trading policy; conflict of interest; personal data obligations; and compliance with laws including a whistle blowing policy.

The Group has developed compliance education as part of the regular education programmes it administers. Under the programme, employees are briefed on this Code and other compliance-related issues, either on its own or with the support of corporate function departments.

For easy access and reference, CosmoSteel maintains the Code on its intranet.



WE

DELIVER

LONG-TERM
VALUE

($)
109.9m
REVENUE

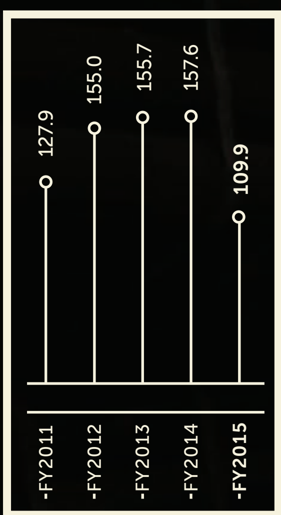
($)
19.6m
GROSS
PROFIT

(¢)
42.23
NAV
PER SHARE

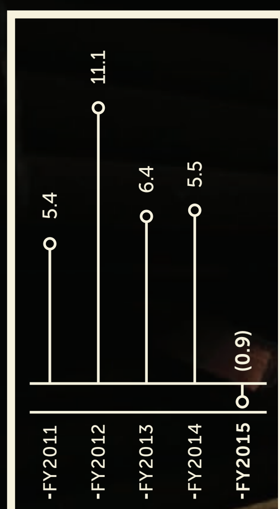
(¢)
0.50
DIVIDEND
PER SHARE

FINANCIAL HIGHLIGHTS

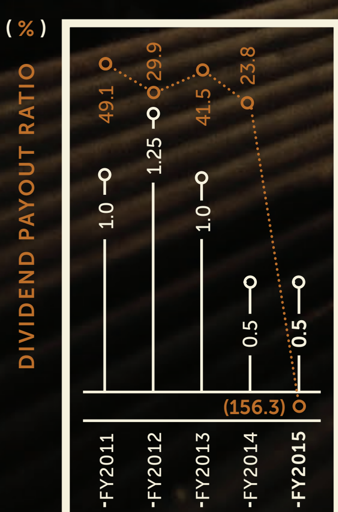
REVENUE
S$m



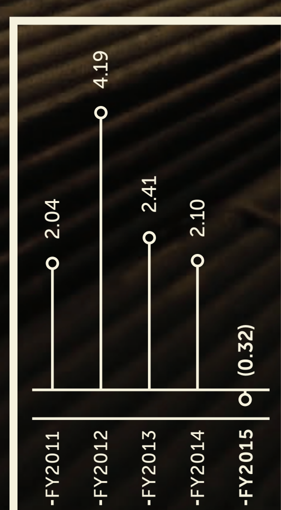
NET PROFIT
S$m



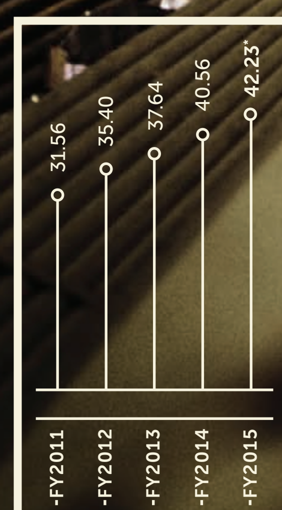
GROSS PROFIT
S$m



DIVIDEND PER SHARE
(¢)



EARNINGS PER SHARE
(¢)



NET ASSET VALUE PER SHARE
(¢)

* The increase in NAV was due to 26.4 million shares that were issued on 6 Mar 2015 following a private share placement exercise with Hanwa, raising the total number of issued shares to 290,399,997 shares as at 30 September 2015.

WE UPHOLD THE HIGHEST STANDARDS

KEY REVENUE DRIVERS

ENERGY INDUSTRY

SINGAPORE

JAPAN

MARINE INDUSTRY

OPERATING & FINANCIAL REVIEW

A REVIEW OF FY2015

For the financial year ended 30 September 2015 ("**FY2015**"), CosmoSteel recorded revenue of $109.9 million, a decline of 30.3% as compared to its turnover of $157.6 million in the preceding financial year ("**FY2014**"). The lower topline was mainly the consequence of a lacklustre global economy and flagging oil prices, which affected demand for the Group's products and services from customers in the Marine and Energy sectors, its two largest customer segments.

The Group also faced intense competition both locally and globally which exerted downward pressures on its profitability. Even though cost-cutting measures were implemented in FY2015, the Group posted a net loss of $0.9 million during the year, compared to a net profit of $5.5 million in FY2014. Notwithstanding this, the Group has proposed a first and final dividend of 0.5 Singapore cents per share for FY2015, signalling its confidence in the long-term fundamentals of its business.

In FY2015, the Group saw a 36.4% year-on-year decrease in its gross profit to $19.6 million, from $30.7 million in FY2014. This was in parallel to its lower revenue and also from costs incurred from an expansion of the Group's range of services to include logistics handling to better meet customers' requirements. Despite this, CosmoSteel managed to keep its gross profit margin relatively stable at 17.8% in FY2015 compared to 19.5% in FY2014.

Due to lower interest earned on deposits, financial income fell 61.5% to $15,000 during the year from $39,000 in FY2014. Despite an increase in interest rates, the Group's financial expense decreased 6.9% year-on-year to $1.4 million in FY2015, from $1.5 million in FY2014, as it reduced its overall debt by around $28.5 million or 40.7% to $41.6 million as at 30 September 2015, from $70.1 million a year ago.

The Group adopted stringent measures to control overheads during the year to cope with the challenging operating environment. As a result of this and its lower revenue base, the Group managed to reduce its distribution cost by 13.3% year-on-year to $8.1 million in FY2015 from $9.4 million in FY2014. Similarly, administrative expenses fell 11.6% year-on-year to $7.6 million in FY2015 from $8.6 million in FY2014 on the back of tighter cost cutting initiatives. Depreciation expenses however, increased 69.6% to $4.4 million during the year from $2.6 million in FY2014. This was largely due to higher depreciation on properties which resulted from the acquisition of a new property at 36 Tuas Crescent in December 2014 and upward revaluations of certain leasehold properties of the Group. The Group currently owns long term leases on four warehouse facilities with over 411,000 sq ft of storage space in Singapore.

A net other gains of $0.6 million was recorded in FY2015 due to a combination of foreign currency gains, recovery of bad debts and reversal of impairment trade receivables. In comparison, there was a net other losses of $1.9 million in FY2014 which was brought about by an increase in allowance for slow-moving inventories.

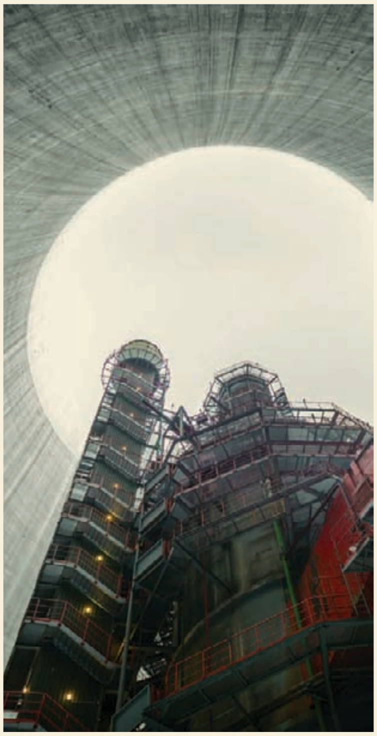
INCOME STATEMENT	GROUP		
	FY2015 S$'000	FY2014 S$'000	Change %
Revenue	**109,903**	**157,642**	**(30.3)**
Cost of Sales	(90,339)	(126,897)	(28.8)
Gross Profit	**19,564**	**30,745**	**(36.4)**
Other Items of Income			
Financial Income	15	39	(61.5)
Other Items of Expense			
Financial Expense	(1,359)	(1,460)	(6.9)
Distribution Costs	(8,145)	(9,399)	(13.3)
Administrative Expenses	(7,606)	(8,602)	(11.6)
Depreciation Expenses	(4,434)	(2,615)	69.6
Other Gains / (Losses)	603	(1,885)	(132.0)
(Loss) / Profit Before Tax from Continuing Operations	**(1,362)**	**6,823**	**(120.0)**
Income Tax Income / (Expense)	478	(1,283)	(137.3)
(Loss) / Profit from Continuing Operations, Net of Tax	**(884)**	**5,540**	**(116.0)**

OPERATING & FINANCIAL REVIEW
— cont'd —

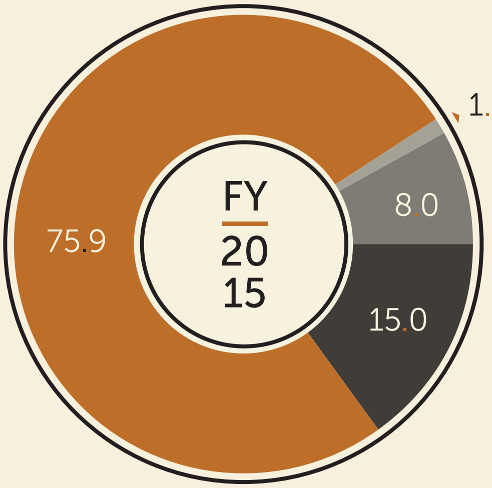
REVENUE ANALYSIS BY CUSTOMER TYPE

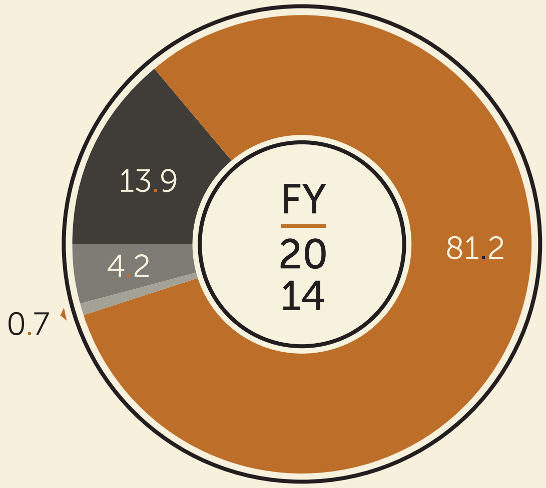
The Energy and Marine Sectors collectively accounted for $99.9 million or 90.9% of the Group's total revenue in FY2015. Weighed down by a lacklustre global economy and weak oil prices, sales from the Group's Energy Sector declined by 34.8% to $83.4 million whilst that from the Marine Sector fell by 24.8% to $16.5 million in FY2015, compared to $128.0 million and $21.9 million in FY2014 respectively.

In contrast, sales from the Group's Trading segment improved 30.7% year-on-year to $8.7 million in FY2015 while revenue from Others segment rose 26.9% to $1.2 million, compared to $6.7 million and $1.0 million respectively in FY2014. With this, contribution from Trading and Others segments accounted for 8.0% and 1.1% of the Group's overall revenue in FY2015, versus 4.2% and 0.7% a year ago.



REVENUE BREAKDOWN BY CUSTOMER TYPE (%)





ENERGY / MARINE / TRADING / OTHERS

(S$'000)

	FY2015	FY2014	Change	
	S$'000	S$'000	S$'000	%
Energy	**83,413**	128,023	(44,610)	(34.8)
Marine	**16,502**	21,948	(5,446)	(24.8)
Trading	**8,742**	6,689	2,053	30.7
Others	**1,246**	982	264	26.9
Total Revenue	**109,903**	157,642	(47,739)	(30.3)

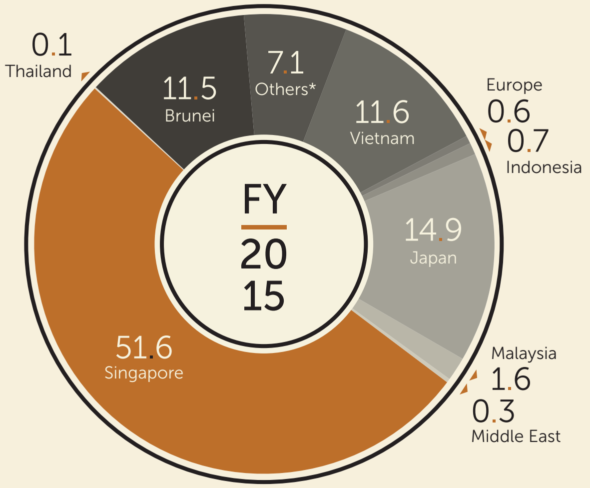
OPERATING & FINANCIAL REVIEW
— cont'd —

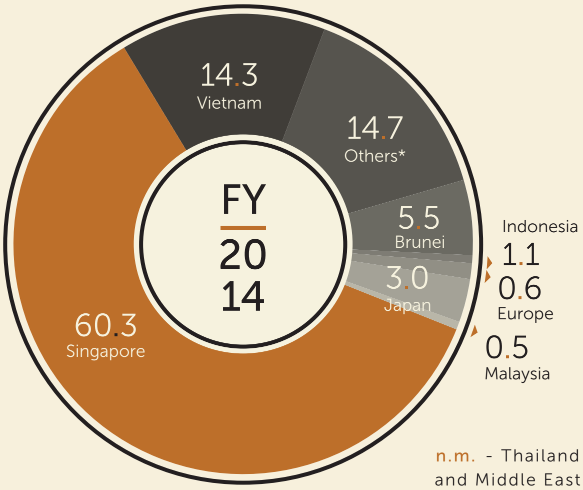
REVENUE ANALYSIS BY GEOGRAPHICAL MARKET

The Group's geographical revenue contribution is recorded based on the domicile of the customers and not where the products are ultimately put into use.

During the year, the Group saw lower revenue contributions from markets comprising Europe, Indonesia, Singapore, Vietnam and Others. The largest revenue attrition came from Singapore, which continued to be the biggest contributor to the Group's revenue, accounting for 51.6% of total revenue in FY2015. Sales derived from Singapore declined by 40.4% to $56.7 million, compared to $95.1 million in FY2014. The decline was partially cushioned by a doubling of sales from Japan and Brunei to $29.0 million mainly due to the Group's increased business development efforts in these markets. In addition to Japan and Brunei, sales from Malaysia, Thailand and the Middle East also saw an improvement.

REVENUE BREAKDOWN BY GEOGRAPHICAL MARKET (%)





n.m. - Thailand and Middle East

(S$'000)

	FY2015	FY2014	Change	
	S$'000	S$'000	S$'000	%
Brunei	**12,684**	8,635	4,049	46.9
Europe	**713**	874	(161)	(18.4)
Indonesia	**813**	1,662	(849)	(51.1)
Japan	**16,314**	4,725	11,589	245.3
Malaysia	**1,702**	750	952	126.9
Middle East	**325**	84	241	286.9
Singapore	**56,665**	95,118	(38,453)	(40.4)
Thailand	**152**	123	29	23.6
Vietnam	**12,724**	22,466	(9,742)	(43.4)
Others*	**7,811**	23,205	(15,394)	(66.3)
Total Revenue	**109,903**	157,642	(47,739)	(30.3)

Note:

* Others include customers from Australia, China, Korea, New Zealand and the Philippines
n.m. Denotes "not meaningful"

OPERATING & FINANCIAL REVIEW
— cont'd —

STATEMENT OF FINANCIAL POSITION	GROUP		
	FY2015 S$'000	FY2014 S$'000	Change %
Assets			
Non-Current Assets			
Property, Plant and Equipment	30,863	24,063	28.3
Available-For-Sale Financial Assets	130	130	-
Trade and Other Receivables	2,214	2,086	6.1
Total Non-Current Assets	**33,207**	**26,279**	**26.4**
Current Assets			
Inventories	93,851	109,214	(14.1)
Trade and Other Receivables	25,958	39,085	(33.6)
Financial Assets at Fair Value Through Profit or Loss	1,606	1,454	10.5
Other Assets	517	1,368	(62.2)
Cash and Cash Equivalents	25,021	33,177	(24.6)
Total Current Assets	**146,953**	**184,298**	**(20.3)**
Total Assets	**180,160**	**210,577**	**(14.4)**
Equity and Liability			
Equity			
Share Capital	56,325	42,062	33.9
Retained Earnings	50,807	50,642	0.3
Other Reserves	15,502	14,380	7.8
Total Equity	**122,634**	**107,084**	**14.5**
Non-Current Liabilities			
Deferred Tax Liabilities	3,740	3,556	5.2
Provisions	88	64	37.5
Other Financial Liabilities	4,762	4,679	1.8
Total Non-Current Liabilities	**8,590**	**8,299**	**3.5**
Current Liabilities			
Income Tax Payable	85	1,537	(94.5)
Trade and Other Payables	11,879	25,976	(54.3)
Other Financial Liabilities	36,852	65,491	(43.7)
Other Liabilities	120	2,190	(94.5)
Total Current Liabilities	**48,936**	**95,194**	**(48.6)**
Total Liabilities	**57,526**	**103,493**	**(44.4)**
Total Equity and Liabilities	**180,160**	**210,577**	**(14.4)**

OPERATING & FINANCIAL REVIEW
— cont'd —

FINANCIAL POSITION ANALYSIS

The Group closely monitors its balance sheet to ensure it remains in a healthy financial position with adequate cashflow for the sound operation of its business.

Total assets of the Group decreased by 14.4% to $180.2 million in FY2015 from $210.6 million a year ago. The Group's non-current assets increased by 26.4% to $33.2million in FY2015 mainly from the purchase of the warehouse located 36 Tuas Crescent Singapore and upward revaluations of certain leasehold properties after depreciation charges. At the same time, a decrease in trade and other receivables and inventories resulted in a 20.3% decrease in the current assets of Group to $147.0 million as at 30 September 2015. These decreases were in line with the lower revenue and stricter inventory management controls imposed by the Group. Notwithstanding this, the Group's current ratio has improved from 1.94 in FY2014 to 3.00 in FY2015.

Total liabilities of the Group decreased by 44.4% to $57.5 million in FY2015 from $103.5 million in FY2014. Non-current liabilities increased by 3.5% to $8.6 million from increases in deferred tax due to upward revaluations of the Group's certain leasehold properties and long-term borrowings. In contrast, current liabilities dropped by 48.6% to $48.9 million. This was due to a 54.3% decrease in trade and other payables to $11.9 million, as well as a 43.7% reduction in other financial liabilities, comprising short-term bank loans and current portion of long-term borrowings, to $36.9 million. On the back of this and equity raised from the Group's private placement of 26.4 million new shares to Hanwa in March 2015, overall debt-to-equity ratio improved from 0.97 in FY2014 to 0.47 in FY2015.

Mainly due to an increase in share capital of $14.3 million from this share placement exercise, total shareholders' equity improved 14.5% year-on-year to $122.6 million as at FY2015, from $107.1 million as at FY2014.

CASH FLOW ANALYSIS

In FY2015, the Group generated a net cashflow outflow of $9.5 million from its operating activities compared to a net cash inflow of $13.9 million in FY2014 which was mainly attributed to the repayment of bills payables.

Due to the purchase of its 36 Tuas Crescent warehouse and other minimal capital expenditure, cash used in investing activities increased by $6.8 million to $7.2 million in FY2015.

The Group generated a net cash inflow from financing activities of $8.6 million in FY2015 which was due mainly to the proceeds from the private share placement exercise to Hanwa, partially offset by loan repayments of $8.4 million. This compared to a net cash outflow of $0.8 million in FY2014.

CASH FLOW ANALYSIS	GROUP	
S$'000	FY2015	FY2014
Net cash flows (used in) / from operating activities	(9,516)	13,925
Net cash flows used in investing activities	(7,226)	(378)
Net cash flows from / (used in) financing activities	8,631	(829)
Net (decrease) / increase in cash and cash equivalents	(8,111)	12,718
Cash at end of the year*	**24,996**	**33,107**

Note:

* Excluding cash restricted held by banks to cover bank guarantees issued.

CORPORATE GOVERNANCE

The Company recognises the importance of upholding a high standard of corporate governance to ensure the long-term sustainability of the Group's business and performance and accountability to protect shareholders' interests.

The SGX-ST Listing Manual requires an issuer to describe its corporate governance practices with specific reference to the principles of the Code of Corporate Governance 2012 ("the **Code**") in its annual report, as well as disclose and explain any deviation from any guideline of the Code.

This statement outlines the policies adopted and practised by the Group during FY2015 with specific reference to the relevant provisions of the Code. The Company has generally adopted principles and practices of corporate governance in line with the recommendations of the Code, save as disclosed in relation to Principle 5 Guideline 5.3, Principle 8 Guidelines 8.2 and 8.4, and Principle 14 Guideline 14.3.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

Guideline 1.1

The board of directors of the Company (the "**Board**") works with the senior management of the Group (the "**Management**") to achieve the business and corporate objectives of the Group and the Management remains accountable to the Board.

The Board's principal functions include:-

(a) to provide entrepreneurial leadership and set strategic objectives and to ensure that the necessary financial and human resources are in place for the Group to meet its objectives. The Board will also, where appropriate, consider sustainability issues, such as the environmental and social impact of the Group's business and operations as part of its strategic formulation;

(b) to establish a framework of prudent and effective controls for risk management, including safeguarding of shareholders' interests and the Group's assets;

(c) to review Management's performance; and

(d) to set the Group's values and standards (including ethical standards) and to provide guidance to Management to ensure that the Company's obligations to such key stakeholder groups such as shareholders, customers, suppliers, creditors and other stakeholders are understood and met, so as to maintain and preserve the Company's reputation with such key stakeholder groups.

Guideline 1.5

The Board has adopted a set of internal guidelines setting forth matters that require its approval. Matters which are specifically reserved to the Board for approval include but are not limited to the following:

(i) any proposed acquisitions and disposal of assets;

(ii) any proposed changes in the capital of the Company;

(iii) any interested person transaction (as defined under Chapter 9 of the Listing Manual);

(iv) dividends and other returns to shareholders; and

(v) capital expenditure or commitment exceeding S$1 million per transaction which is not considered to be in the ordinary course of business.

Guideline 1.7

Newly appointed Directors, if any, will be issued a letter of appointment or service contract setting out their duties and obligations when they are appointed. This was complied with for the two new Directors, Mr Seiji Usui and Mr Hiroshi Ebihara, who were appointed to the Board on 1 June 2015.

CORPORATE GOVERNANCE
— cont'd —

Guideline 1.6

Directors are briefed by Management or, if necessary, by the appropriate professional advisers on salient industry trends or updates and changes or updates to relevant legal or regulatory or accounting requirements, where applicable. Directors are also encouraged to attend relevant training programmes, seminars and workshops organized by various professional bodies and organisations to equip themselves to effectively discharge their duties and to enhance their skills and knowledge, either as part of their own professional practice or skills upgrading, or through the Company.

Our two new Directors have both attended a training course for new directors conducted by the Singapore Institute of Directors.

Guideline 1.3

The Board is supported by three sub-committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee, each with specific terms of reference where their powers, functions and duties as well as procedures governing their operation and decision-making are described. The Board and sub-committees of the Board ("**Committees**") meet regularly throughout the year. Ad hoc meetings and/or discussions (including via email correspondences) are convened when circumstances require. Details relating to the number of Board and Committee meetings held during FY2015 and the attendance of the Directors are set out on page 36 of this Report.

The Company takes up directors' and officers' (D&O) liability insurance of an appropriate quantum to cover the Board in the discharge of their duties.

Principle 2: Board Composition and Guidance

Guideline 1.2

The Board exercises objective judgment independently from Management on corporate affairs of the Group and no individual or small group of individuals dominate the decisions of the Board.

Guideline 2.1 and Guideline 2.2

As at the date of this Report, the Board comprises eight Directors, three of whom are independent non-executive Directors ("**Independent Non-Executive Directors**"), one of whom is a non-executive Director ("**Non-Executive Director**") and the remainder are executive Directors ("**Executive Directors**").

The Directors in office at the date of this Report are:

Name of Director	Role undertaken	Board Committee Membership	Date of First Appointment	Date of last Re-appointment	Present directorships and chairmanships in other listed companies and other principal commitments	Directorships and chairmanships in other listed companies and other principal commitments over the preceding 3 years
Low Beng Tin	Chairman & Independent Non-Executive Director	Audit Committee	9 November 2005	30 January 2015	SMF Centre For Corporate Learning Pte. Ltd SMF Global Pte. Ltd. Lian Beng Group Ltd JP Nelson Holdings	OEL (Holdings) Limited AA Vehicle Inspection Centre Pte. Ltd
Ong Chin Sum	Chief Executive Officer & Executive Director		9 November 2005	30 January 2015	Nil	Nil
Ong Tong Yang	Executive Director		9 November 2005	17 January 2014	Nil	Nil
Ong Tong Hai	Executive Director		9 November 2005	17 January 2014	Nil	Nil
Seiji Usui	Executive Director		1 June 2015		Nil	Nil

CORPORATE GOVERNANCE
— cont'd —

Name of Director	Role undertaken	Board Committee Membership	Date of First Appointment	Date of last Re-appointment	Present directorships and chairmanships in other listed companies and other principal commitments	Directorships and chairmanships in other listed companies and other principal commitments over the preceding 3 years
Hiroshi Ebihara	Non-Executive Director	Nominating Committee Remuneration Committee	1 June 2015		Hanwa Singapore (Pte) Ltd Nippon EGalv Steel Sdn Bhd. Tianjin Bogang-Hanwa International Trading Co., Ltd Hanwa Trading (Shanghai) Co., Ltd Hanwa (Beijing) Co., Ltd Hanwa Co. (Hong Kong) Ltd	Hanwa Co., Ltd.
Jovenal R. Santiago	Independent Director	Audit Committee (Chairman) Remuneration Committee Nominating Committee	28 March 2007	30 January 2015	Willas-Array Electronics (Holdings) Limited	Nil
Tan Siok Chin	Independent Director	Audit Committee Remuneration Committee (Chairman) Nominating Committee (Chairman)	28 March 2007	30 January 2015	ACIES Law Corporation Design Studio Group Ltd Kauai Investments Pte Ltd Valuetronics Holding Limited	Nil

Note:

* Mr Seiji Usui and Mr Hiroshi Ebihara were appointed to the Board on 1 June 2015.

Guideline 4.7

Apart from the foregoing, further information on each Director are set out on page 10 to 12 of this Report. In addition, information on the shareholding held by each Director in the Company and its related corporations is found on page 49 of this Report.

Guideline 2.3

The Nominating Committee determines on an annual basis whether or not a Director is independent. As and when circumstances require, the Nominating Committee will also assess and determine a Director's independence.

The guidelines for independence adopted by the Company is based on the Code. The Board considers an Independent Non-Executive Director as one who, *inter alia*, has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. In line with the guidance in the Code, the Board takes into account the existence of relationships or circumstances that are relevant in its determination as to whether a Director is independent, including the employment of a Director by the Company or any of its related corporations during the financial year in question or any of the previous three financial years; the employment of an immediate family member by

CORPORATE GOVERNANCE
— cont'd —

the Company or any of its related corporations during the financial year in question or any of the past three financial years and whose remuneration is determined by the Remuneration Committee; the acceptance by a Director of any significant compensation from the Company or any of its related corporations for the provision of services during the financial year in question or the previous financial year, other than compensation for board service; a Director being related to any organisation from which the Company or any of its subsidiaries received significant payments or material services during the financial year in question or the previous financial year; a Director who is a 10% shareholder of the Company or is an immediate family member of a 10% shareholder of the Company; and a Director who is or has been associated with a 10% shareholder of the Company in the financial year in question or the previous financial year.

The Nominating Committee carried out the review on the independence of each Independent Non-Executive Director in November 2015 based on the foregoing considerations, the respective Directors' self-declaration in the Director's Independence Checklist and their actual performance on the Board and Committees, and is satisfied that the Independent Non-Executive Directors are able to act with independent judgment.

Guideline 2.4

As Mr Low Beng Tin, who was appointed to the Board on 9 November 2005, has served on the Board for more than nine years, the Board had reviewed his independence taking into consideration, *inter alia*, the guidelines for independence as provided for under the Code, the absence of potential conflicts of interests which may arise through, *inter alia*, a shareholding interest in the Company and/or business dealings directly or indirectly with the Group, and assessment of his independence in character and judgment through, *inter alia*, his contributions to Board discussions and deliberations and was satisfied that Mr Low has, and will continue to exercise independent business judgment with the view to the best interests of the Company, notwithstanding the length of tenure of his service.

Guideline 2.5 and Guideline 2.6

The Board is of the view that given the nature and scope of the Group's operations, the present Board size of eight members is appropriate to facilitate effective decision-making to meet the needs and demands of the Group's business. Given the diverse qualifications, experience, background, gender and profile of the Independent Non-Executive Directors, the Board collectively possesses core competencies in areas such as accounting or finance, legal and regulatory matters, risk management, business or management experience and industry knowledge. As such, the Board is of the opinion that the current Board members as a group provides an appropriate balance and diversity of the relevant skills, experience and expertise required for effective management of the Group.

Guideline 2.7 and Guideline 2.8

Management regularly puts up proposals or reports for the Board's consideration and approval (where appropriate), for instance, proposals on the annual budget of the Group, proposals relating to specific proposed transactions or general business direction or strategy of the Group, as well as regular reports or updates on the Group's inventory management and risk management. Independent Non-Executive Directors, when presented with these proposals or reports for their consideration, evaluate the proposals or reports made by Management and these Directors also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance and, where appropriate, provide guidance to Management on relevant aspects of the Group's business. In addition, Independent Non-Executive Directors meet regularly without the presence of Management, in the meetings with the external auditors and internal auditors at least annually and on such other occasions as may be required.

Principle 3: Chairman and Chief Executive Officer

Guideline 3.1 and Guideline 3.2

The Independent Non-Executive Chairman and the Chief Executive Officer of the Company are separate individuals. As the most senior executive in the Company, the Chief Executive Officer, Mr Ong Chin Sum, assumes executive responsibilities for the Group's performance and the Group's business. As the Chairman, Mr Low Beng Tin leads the Board, ensures that the Directors receive accurate, timely and clear information, encourages constructive relations between the Board and Management, as well as between Board members, facilitates contributions from Board members, including Non-Executive Directors, ensures effective communication with shareholders and endeavours to promote a high standard of corporate governance.

The Chairman also ensures that Board meetings are held regularly and on an ad hoc basis where required and, when necessary, sets the Board meeting agendas in consultation with the Management and the Company Secretary. The Chairman presides over each Board meeting and ensures full discussion of agenda items. Management staff, as well as external experts who can provide additional insights into the matters to be discussed, are invited when necessary, to attend at the relevant time during the Board meetings.

CORPORATE GOVERNANCE
— cont'd —

Principle 4: Board Membership

Guideline 4.1

The Company has established a Nominating Committee. The Nominating Committee comprises three Directors, two of which, including its Chairman, are Independent Non-Executive Directors. As at the date of this Report, the members of the Nominating Committee are:

Ms Tan Siok Chin / Chairman
Mr Hiroshi Ebihara
Mr Jovenal R. Santiago

The Nominating Committee is governed by written terms of reference under which it is responsible for:

(a) determining annually, and as and when circumstances require, whether a Director is independent, and providing its views to the Board in relation thereto for the Board's consideration;

(b) reviewing the independence of any director who has served on the Board for more than nine (9) years from the date of his first appointment and the reasons for considering him as independent;

(c) where a Director or proposed Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments;

(d) where the appointment of an alternate Director to a Director is proposed, determining whether the alternate Director is familiar with the Company's affairs, appropriately qualified and (in the case of an alternate Director to an independent) whether the alternate Director would similarly qualify as an independent Director, and providing its views to the Board in relation thereto for the Board's consideration;

Guideline 4.2

(e) making recommendations to the Board on relevant matters relating to:

   (i) the review of board succession plans for directors, in particular, the Chairman and for the CEO;

   (ii) the development of a process for evaluation of the performance of the Board, its board committees and directors;

   (iii) the review of training and professional development programs for the Board; and

   (iv) the appointment and re-appointment of directors (including alternate directors, if applicable).

The Company has established certain criteria to evaluate the performance of the Board, the Committees and the Directors. The performance criteria which has been adopted include the adequacy and timeliness of information provided to the Board and the Committees, adequacy of process for monitoring and reviewing Management's performance, timeliness and adequacy of disclosures and communications with shareholders and other stakeholders.

In addition, the Nominating Committee will have regard to whether a Director has adequate time and attention to devote to the Company, in the case of Directors with multiple board representations and other principal commitments. As a guide, Directors should not have more than six listed company board representations.

During FY2015, the following process was undertaken in relation to the evaluation of the performance of the Board, the Committees and the Directors:

CORPORATE GOVERNANCE
— cont'd —

(a) Evaluation process

Each of the Directors has completed a Board Performance Evaluation Checklist, giving their individual assessment and evaluation of the Board's ability and Committees' ability to meet the relevant criteria stated in the Board Performance Evaluation Checklist.

The results of such assessment and evaluation were collated by the Company Secretary and reviewed and considered by the Nominating Committee, with the appropriate reports or recommendations (including on follow-up actions, if any) provided to the Board.

(b) Determining Directors' independence *Guideline 4.3*

Each Independent Non-Executive Director of the Company has completed a checklist to confirm his/her independence. The checklist is drawn up based on the guidelines provided in the Code. The Nominating Committee has reviewed and was satisfied with the independence of the Independent Non-Executive Directors as mentioned in relation to Guidelines 2.3 and 2.4 above.

(c) Commitments of Directors sitting on multiple boards *Guideline 4.4*

The Nominating Committee has reviewed each Director's outside directorships, which is in line with the Board's policy on the maximum number of listed company board representations which any Director may hold as mentioned above, and their principal commitments. Despite the multiple directorships of some Directors, the Nominating Committee was satisfied that such Directors spent adequate time on the Company's affairs and have carried out their responsibilities.

Currently, the Company does not have any alternate Director. *Guideline 4.5*

The Company has in place a process for selecting and appointing new Directors, and nominating existing Directors for re-appointment. Such process includes, in the case of a new Director to be appointed, *inter alia*, an evaluation of a candidate's qualifications and experience with due consideration being given to ensure that the Board consists of members who as a whole will collectively possess the relevant core competencies in areas such as accounting or finance, legal and regulatory matters, risk management, business or management experience and industry knowledge. The search for new Directors, if any, will, if considered necessary, be made through executive search companies, contacts and recommendations and shortlisted persons will be evaluated by the Nominating Committee before being recommended to the Board for consideration. *Guideline 4.6*

The Company's Articles of Association ("**Articles**") require at least one-third of the Directors, or if their number is not a multiple of three, the number nearest to but not less than one-third of the Directors, to retire from office by rotation once every three years and shall then be eligible for re-election at the meeting at which he retires. Existing Directors are put up for retirement and re-election in accordance with the foregoing requirement, and the Nominating Committee will recommend the nomination of a Director for re-election after considering, *inter alia*, the Director's competencies, commitment, contribution and performance, as well as the need for progressive renewal of the Board.

Each member of the Nominating Committee will abstain from voting on any resolution (if applicable) in respect of the assessment of his/her performance or re-nomination as Director.

The Nominating Committee, working in conjunction with the Management, keeps a constant lookout for appropriate training and professional development programmes from time to time offered by professional bodies such as the Singapore Institute of Directors and external training institutes and service providers, and recommends them to Board members for attendance or participation. Individual Directors may from time to time attend separate training and professional development programmes, in connection with their own profession or work or other directorships which they may hold.

CORPORATE GOVERNANCE
— cont'd —

Principle 5: Board Performance

The Nominating Committee has, with the approval of the Board, established performance criteria and evaluation procedures for evaluation and assessment of the effectiveness and performance of the Board, the Committees and the Directors, as elaborated under the section "Principle 4: Board Membership" above.

Guideline 5.1 and Guideline 5.2

Evaluation of an individual Director's performance is a continuous process which is currently being reviewed at the Board and Committee levels, taking into consideration, *inter alia*, the Director's competencies, commitment, contributions and performance at Board and Committee meetings and discussions, including attendance, preparedness, participation and candour.

Guideline 1.4 and Guideline 5.3

This is proposed to be further enhanced with peer to peer review for subsequent financial years.

The record of the Directors' attendance at meetings of the Board and Committees in the financial year under review is set out below:

	Number of Meetings@							
	Board Meetings@		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Low Beng Tin	6	5	4	3	1	0	1	0
Ong Chin Sum	6	6	4	4*	1	1*	1	1*
Ong Tong Yang	6	5	4	3*	1	1*	1	1*
Ong Tong Hai	6	6	4	4*	1	1*	1	1*
Seiji Usuiº	6	3	4	2*	1	1*	1	1*
Hiroshi Ebiharaº	6	2	4	2*	1	1	1	1
Jovenal R. Santiago	6	6	4	4	1	1	1	1
Tan Siok Chin	6	5	4	4	1	1	1	1
Geraldine Ong Siew Ting+	6	3	4	2	1	-	1	-

Notes:

* The Directors are not members of the respective Committees but have attended the meetings by invitation.

@ Regular Board and Committee meetings comprise four Board meetings, four Audit Committee meetings, one Nominating Committee meeting and one Remuneration Committee meeting. There were six Board meetings held in FY2015, which comprises four regular Board meetings and two ad-hoc Board meetings.

º Mr Seiji Usui and Mr Hiroshi Ebihara were appointed to the Board on 1 June 2015.

\+ Ms. Geraldine Ong Siew Ting resigned as Director with effect on 30 June 2015.

Principle 6: Access to Information

Board papers for Board meetings were sent to Directors in advance in order for Directors to be adequately prepared for meetings including all relevant documents, materials, background or explanatory information relating to matters to be brought before the Board and copies of disclosure documents, budgets and forecasts. In addition to the annual budget submitted to the Board for approval, the Board was provided with regular reports and updates on specific matters such as inventory management, risk management and any material variance between the budgeted and actual results. The Board is informed and its approval sought on the matters which require its approval under the internal guidelines set by the Board, including material events and transactions. Requests for other information by the Board were also dealt with promptly. The Board, the Committees and the Directors have separate and independent access to Management of the Company.

Guideline 6.1 and Guideline 6.2

The Company Secretary attends all Board and Committee meetings and is responsible for ensuring that Board procedures are followed and the minutes of all Board and Committees meetings are recorded and circulated to the Board and the Committees, and also advises the Board on all governance matters.

Guideline 6.3

CORPORATE GOVERNANCE
— cont'd —

Under the direction of the Chairman, the Company Secretary facilitates the information flow within the Board and its Committees and between Management and Non-Executive Directors. The Board has independent access to the Company Secretary. The appointment and the removal of the Company Secretary are decisions taken by the Board as a whole. *Guideline 6.4*

Professional advisors may be invited to advise the Board, or any of its members, if the Board or any individual member thereof needs independent professional advice. *Guideline 6.5*

Principle 7: Procedures for Developing Remuneration Policies

The Company has established a Remuneration Committee which comprises three Directors, all of whom are non-executive and the Chairman is an Independent Non-Executive Director. As at the date of this Report, the Remuneration Committee members are: *Guideline 7.1*

Ms Tan Siok Chin / Chairman
Mr Jovenal R. Santiago
Mr Hiroshi Ebihara

The Remuneration Committee is governed by written terms of reference under which it is responsible for: *Guideline 7.2*

(a) reviewing and recommending to the Board, a general framework of remuneration for the Directors and key management personnel;

(b) reviewing and recommending annually to the Board, the specific remuneration packages for each Director as well as for the key management personnel;

(c) reviewing all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind;

(d) reviewing annually the remuneration of employees who are immediate family members of a Director or CEO whose remuneration exceeds S$50,000 during the year;

(e) reviewing the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service;

(f) ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants;

(g) administering the employee share option scheme, share incentive or award scheme from time to time established or implemented by the Company (collectively the "**Schemes**") with powers to determine, *inter alia*, the following:-

    (i) persons to be granted options, share incentives, awards and other benefits under the Schemes;

    (ii) number of options, share incentives, awards and other benefits under the Schemes to be offered;

    (iii) terms of such options, share incentives, awards and other benefits under the Schemes to be offered, including exercise price and vesting periods;

    (iv) recommendations for modifications to the Schemes;

    (v) generally, perform such other functions and duties as may be required by the relevant laws or provisions of the SGX-ST Listing Manual and the Code (as may be amended from time to time); and

CORPORATE GOVERNANCE
— cont'd —

(h) reviewing whether Executive Directors, Non-Executive and Independent Non-Executive Directors and key management personnel should be eligible for options, share incentives, awards and other benefits under the Schemes.

   (i) persons to be granted options, share incentives, awards and other benefits under the Schemes;

   (ii) number of options, share incentives, awards and other benefits under the Schemes to be offered;

   (iii) terms of such options, share incentives, awards and other benefits under the Schemes to be offered, including exercise price and vesting periods;

   (iv) recommendations for modifications to the Schemes;

   (v) generally, perform such other functions and duties as may be required by the relevant laws or provisions of the SGX-ST Listing Manual and the Code (as may be amended from time to time); and

(i) reviewing whether Executive Directors, Non-Executive and Independent Non-Executive Directors and key management personnel should be eligible for options, share incentives, awards and other benefits under the Schemes.

Guideline 7.3

The Company had previously engaged the assistance of independent remuneration consultants, Hay Group Pte Ltd, to carry out a review of the remuneration package of some of the Executive Directors in conjunction with the renewal of their service contracts. A benchmarking exercise in relation to the remuneration package of Executive Directors was last performed in December 2013 and such benchmarking exercise will be carried out once every three years or in line with the general tenure of their service contracts.

Principle 8: Level and Mix of Remuneration

Guideline 8.1

The Remuneration Committee sets the level and structure of remuneration for the Directors and key management personnel. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind (including any changes thereto) are subject to the review and approval of the Remuneration Committee for recommendation to the Board. If required, the Remuneration Committee will seek expert professional advice.

The Remuneration Committee's recommendations are submitted for approval by the Board. Each member of the Remuneration Committee will abstain from reviewing and approving his own remuneration and the remuneration packages of persons related to him.

Remuneration Structure of Executive Directors

The remuneration for the Executive Directors is based on the terms of their respective service contracts entered into with the Company. Based on the terms of their service contracts which were applicable for FY2015, the majority of the Executive Directors are entitled to (i) a basic monthly salary; (ii) a share of an annual incentive bonus pool ("**Incentive Bonus**"), which is based on a certain percentage of the consolidated net profit before tax of the Group (on a tiered basis and tied to the profitability of the Group, as further elaborated below); and (iii) a discretionary bonus, to be recommended by the Remuneration Committee and approved by the Board while a remaining Executive Director's remuneration is based on a basic monthly salary and a fixed annual bonus.

The aggregate Incentive Bonus is calculated and based on the consolidated net profit before tax, extraordinary items, exceptional items and minority interests and excluding any expenses to be incurred for the Incentive Bonus ("**NPBT**") of the Group (as shown in the audited consolidated accounts of the Company and its subsidiary or subsidiaries and/or associated companies from time to time) as follows:-

CORPORATE GOVERNANCE
— cont'd —

	NPBT Attained	Incentive Bonus (amount as determined below to be apportioned amongst the Company's Executive Directors entitled to the Incentive Bonus)
(i)	For the first S$5 million	8% of the NPBT
(ii)	More than S$5 million but up to and including S$7 million	8% of S$5 million plus 10% of the NPBT exceeding S$5 million
(iii)	More than S$7 million	8% of S$5 million plus 10% of S$2 million plus 12% of the NPBT exceeding S$7 million

The discretionary bonus payable to the eligible Executive Directors is generally awarded based on a certain number of months of their basic monthly salary, and will only be given if recommended by the Remuneration Committee and approved by the Board. It is intended as an additional remuneration tool, to recognise the efforts and contributions and performance of the Executive Directors, whether as a whole and/or on an individual basis, in particular where such efforts and contributions and/or performance may not be directly or immediately reflected in or attributable to the financial performance of the Company and the Group.

Remuneration Structure of Key Management Personnel

The remuneration of the key management personnel generally comprises primarily a basic salary component and a variable component which is the bonuses, based on the performance of the Company and the Group as a whole and individual performance.

The Company currently does not have any long-term incentive scheme(s) or contractual provisions to reclaim incentive components of remuneration from Executive Directors and key management personnel, as the Company has generally been profitable since its listing, save for its maiden loss in FY2015, but will review the feasibility of having such arrangements when appropriate.

Guideline 8.2 *and* ***Guideline 8.4***

Remuneration Structure of Non-Executive Directors

Guideline 8.3

The Non-Executive Directors receive directors' fees of varying amounts taking into account factors such as their respective roles and responsibilities, effort and time spent for serving on the Board and Committees. The Board may, if it considers it necessary, consult experts on the remuneration of Non-Executive Directors. Currently, the Non-Executive Directors' fees are determined based on the following fee structure:

Fee Structure for Non-Executive Directors	$
Basic fee	45,000
Board chairmanship	25,000
AC chairmanship	20,000
Other committee chairmanship	10,000
AC membership	10,000
Other committee membership	5,000
Attendance fee [1]	1,500

Note:

[1] The attendance fee is applicable for attendance at Board and Board Committee meetings other than the regular Board and Board Committee meetings comprising four Board meetings, four Audit Committee meetings, one Nominating Committee meeting and one Remuneration Committee meeting annually.

The payment of Directors' fees is subject to the approval of shareholders, and the Board will recommend the remuneration of the Non-Executive Directors for approval by shareholders at the Annual General Meeting ("**AGM**"). The Executive Directors do not receive directors' fees.

Principle 9: Disclosure of Remuneration

Details on the remuneration of Directors and key management personnel for the year under review are reported below. During the year, there was no termination, retirement or post-employment benefits granted to any Director or key management personnel.

Guideline 9.1 and Guideline 7.4

Details of the remuneration paid to the Directors for the financial year ended 30 September 2015 are as follows.

Guideline 9.2

Remuneration of Directors	Directors' Fees (%)	Salary [2] (%)	Bonus [1, 2] (%)	Allowances and Others (%)	Total Compensation (S$)
Executive Directors					
Mr Ong Chin Sum	–	73.4	7.6	19.0	621,518
Mr Ong Tong Yang	–	71.2	7.4	21.4	404,363
Mr Ong Tong Hai	–	71.2	7.4	21.4	404,363
Mr Seiji Usui	–	70.9	13.3	15.8	152,250
Non-Executive Director					
Mr Hiroshi Ebihara	100	–	–	–	32,500
Independent Non-Executive/ Independent Directors					
Mr Low Beng Tin	100	–	–	–	93,000
Mr Jovenal R. Santiago	100	–	–	–	76,500
Ms Tan Siok Chin	100	–	–	–	78,000
Ms. Geraldine Ong Siew Ting[3]	100				38,000

Note:

1 There was no Incentive Bonus paid to the Executive Directors for FY2015, while a discretionary and fixed bonus amounting to 1 month and 2 months respectively of the relevant basic monthly salary were paid to the relevant Executive Directors (pro-rated, where applicable).

2 Salary and bonus excludes Central Provident Fund Contributions which is included under Allowances and Others.

3 Ms. Geraldine Ong Siew Ting had resigned from the Board during the course of the financial year (with effect from 30 June 2015) and her relevant remuneration was pro-rated.

For the financial year ended 30 September 2015, the top five key management personnel (who are not also Directors) (in terms of remuneration paid) of the Group are Mr Loh Ngiap Boon, Mr Lim Kim Seng, Ms Laura Ng Ying Shu, Ms Tan Bee Kheng and Ms Chong Siew Kuen.

Guideline 9.3

A breakdown of the remuneration of the top five key management personnel of the Group (in terms of remuneration paid) for the financial year ended 30 September 2015 is set out below:

Remuneration of Top Five Key Management Personnel	Salary [1] (%)	Bonus [1] (%)	Allowances and Others (%)	Total Compensation (%)
Below S$250,000				
Mr Loh Ngiap Boon	84.4	10.0	5.6	100
Mr Lim Kim Seng	60.9	17.3	21.8	100
Ms Chong Siew Kuen	57.9	21.3	20.8	100
Ms Tan Bee Kheng	83.9	6.9	9.2	100
Between S$250,000 and S$499,999				
Ms Laura Ng Ying Shu	66.2	30.2	3.6	100

Note:

1 Salary and bonus excludes Central Provident Fund Contributions which is included under Allowances and Others.

CORPORATE GOVERNANCE
— cont'd —

The annual aggregate remuneration paid to the top five key management personnel of the Group (who are not directors or the CEO) for FY2015 is S$1,034,553. As all of the top five key management personnel (in terms of remuneration paid) of the Group, other than Ms Laura Ng Ying Shu, drew remuneration of below S$250,000 and Ms Laura Ng Ying Shu drew remuneration between S$250,000 and S$499,000 and given the disclosure of the annual aggregate remuneration of the Company as aforesaid, the Company has accordingly not disclosed the specific remuneration of each of the top five key management personnel for confidentiality reasons.

Guideline 9.4

Mr Ong Chin Sum is the father of Mr Ong Tong Yang and Mr Ong Tong Hai, and they are Executive Directors of the Company. Ms Teoh Bee Choo, the spouse of Mr Ong Chin Sum and the mother of Mr Ong Tong Yang and Mr Ong Tong Hai, is an employee of the Company whose remuneration was more than S$150,000 but below S$250,000 for FY2015. Further details of Ms Teoh's remuneration are set out below:

Base Salary	Bonus	Allowances and Others	Total Compensation
(%)	(%)	(%)	(%)
75.6	20.9	3.5	100

Guideline 9.5 and Guideline 9.6

Executive Directors are entitled to participate in the CosmoSteel Employee Share Option Scheme, the Company's employees' share option scheme which was approved by Shareholders in general meeting held on 28 March 2007 (the "**ESOS**").

The objective of the ESOS is to motivate and retain employees to optimize their performance standards and efficiency to maintain a high level of contribution to the Group. It was therefore intended that the Executive Directors and their immediate family members be excluded from participating in the ESOS. Where the options granted under the ESOS have exercise prices that are set at a price equal to the average of the last dealt prices for the Shares on the Official List of the SGX-ST for the five consecutive market days immediately preceding the relevant date of grant of the relevant option, such options may be exercised after the first anniversary of the date of grant of that option. Alternatively, where options granted under the ESOS have exercise prices that are set at a discount to the market price (subject to a maximum discount of 20%), these options may only be exercised after the second anniversary from the date of grant of the option. In determining whether to give a discount and the quantum of the discount, the Remuneration Committee shall be at liberty to take into consideration factors including the performance of the Company, the Group, the performance of the participant concerned, the contribution of the participant to the success and development of the Group and the prevailing market conditions as a means of aligning the grant of options under the ESOS to the financial performance of the Company and the Group and the individual's performance. More details on the ESOS may be found on pages 50-51 of the Report. During FY2015, no option to take up unissued shares of the Company or any corporation in the Group was granted to the Executive Directors.

Save for the ESOS, the Company does not have any employee share schemes.

As at the date hereof, there are no options granted by the Company which are not in line with the relevant rules of the SGX-ST as set out in Chapter 8 of the SGX-ST Listing Manual.

Principle 10: Accountability

Guideline 10.1, Guideline 10.2 and Guideline 10.3

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects. Management provides the Board with regular updates and as and when the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements.

Principles 11: Risk Management and Internal Controls

Guideline 11.1 and Guideline 11.2

The Company carries out its risk management by working within the framework of a series of identified risks or risk factors, as set out in a risk register ("**Risk Register**"). The Risk Register of the Group sets out (i) the key risk factors that are faced by the Company and the Group in its business and operations and categorised according to compliance, financial and operational risks; (ii) ranking of the risk factors in terms of their relative importance or implications for the Company and the Group should such risks materialise; and (iii) the risk mitigating practices (where applicable) which may be in place to address such risks.

A risk management team comprising members from Management (the "**Risk Management Team**") is responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business plans and goals within the risk tolerance set by the Board. The Risk Management Team provides quarterly updates to the Audit Committee and the Board where there may be areas of concern arising in relation to any of the identified key risks factors, if any, which the Audit Committee and the Board should take note of. All members of the Risk Management Team are required to submit an Annual Statement of Compliance, confirming the Group's compliance with the policies and procedures in place.

The responsibility of overseeing the Company's risk management framework and policy is undertaken by the Audit Committee with the assistance of the internal auditors. *Guideline 11.4*

The Company has requested its internal auditors to take such risk factors into consideration in drawing up the annual internal audit plan, so that there is a system and process review on the identified key risk areas. In the event that the Company intends to enter into any new markets, business venture or business sector, the Company may, where necessary or appropriate, appoint and commission the appropriate professional parties to review or advise on, *inter alia*, any additional areas of risk factors to consider in connection with such forays.

The Chief Executive Officer and Chief Financial Officer have at the financial year-end provided a letter of assurance to the Audit Committee confirming, *inter alia*, that:- *Guideline 11.3*

(i) the financial statements of the Group and of the Company for FY2015 have been prepared in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Standards so as to give a true, accurate and complete view of the state of business and financial affairs of the Group and of the Company as at 30 September 2015, and the results and changes in equity of the Group and of the Company and cash flows of the Group for FY2015;

(ii) the accounting and other records required by the Act to be kept by the Company have been maintained in accordance with the provisions of the Act; and

(iii) the Company and the Group have put in place and will continue to maintain an effective, reliable, comprehensive and sound system of risk management, internal controls (addressing financial, operational and compliance risks).

Based on the internal controls established and maintained by the Group, work performed by external auditors and internal auditors and reviews performed by Management, the various Board Committees and the Board, the Audit Committee and the Board are of the opinion, pursuant to Rule 1207(10) of the SGX-ST Listing Manual, that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 30 September 2015.

The Board notes that the system of internal controls and risk management established by the Company 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. In this regard, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

Principle 12: Audit Committee

The Audit Committee comprises three Directors, all of whom, including its Chairman, are Independent Non-Executive Directors. As at the date of this Report, the Audit Committee members are: *Guideline 12.1*

Mr Jovenal R. Santiago / Chairman
Ms Tan Siok Chin
Mr Low Beng Tin

The Audit Committee members bring with them professional expertise and experience in the accounting, business and legal domains and the Board is satisfied that the Audit Committee members are appropriately qualified to discharge their responsibilities. *Guideline 12.2*

CORPORATE GOVERNANCE
— cont'd —

Guideline 12.1 and Guideline 12.4

The Audit Committee is governed by written terms of reference under which it is responsible for:

(a) reviewing the audit plan of the external auditors, including the nature and scope of the audit, before the audit commences;

(b) reviewing the results of external audit, in particular:

  (i) their audit report; and

  (ii) their management letter and Management's response thereto;

(c) reviewing the cooperation given by the Company's officers to the external auditors;

(d) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and the Group and any announcements relating to the Company's financial performance. The Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts. In this regard, the Committee should focus particularly on: -

  (i) major judgmental areas; and

  (ii) significant adjustments resulting from audit;

  and give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(e) reviewing the independence of the external auditors annually and where the external auditors also provide a substantial volume of non-audit services to the Company, keep the nature and extent of such service under review, seeking to maintain objectivity;

(r) making recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of the engagement of the external auditors;

(g) reviewing the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters (whistle-blowing policy);

(h) reviewing and reporting to the Board at least annually, the adequacy and effectiveness of the Company's internal controls. Review of the Company's internal controls can be carried out with the assistance of externally appointed professionals;

(i) monitoring the establishment, appointments, staffing, qualifications and experience of the Company's internal audit function, including approval of the appointment and compensation terms of the head of the internal audit function, review of whether the internal audit function is adequately resourced, is independent of the activities it audits, and has appropriate standing within the Company. The internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff;

(j) reviewing, at least annually, the adequacy and effectiveness of the Company's internal audit function;

(k) meeting with (a) the external auditors, and (b) the internal auditors, in each case without the presence of Management, at least annually;

(l) to discuss problems and concerns, if any, arising from the internal and external audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);

(m) commissioning and reviewing the findings of internal investigations into matters where there is suspicion of fraud or irregularity or failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on the Company and the Group's operating results and/or financial position; and

(n) generally, performing such other functions and duties as may be required by the relevant laws or provisions of the SGX-ST Listing Manual and the Code (as may be amended from time to time).

The duties and responsibilities of the Audit Committee in relation to interested person transactions shall be as follows:-

(a) review, at least annually, any interested person transactions;

(b) monitor that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the SGX-ST Listing Manual and accounting and financial reporting standards, are complied with;

(c) monitor that the guidelines and procedures established to monitor interested person transactions have been complied with; and

(d) review, from time to time, such guidelines and procedures established to monitor interested person transactions to determine if they are adequate and/or commercially practicable in ensuring that transactions between the Company and interested persons are conducted at arm's length and on normal commercial terms.

Guideline 12.3 and Guideline 12.5

The Audit Committee has explicit authority to investigate any matter within its terms of reference and has full access to and cooperation from Management and has full discretion to invite any Director or Executive Officer to attend its meetings to enable it to discharge its functions properly. The Audit Committee meets with the external and internal auditors of the Company, in each case, without the presence of Management, at least once a year.

In the event that a member of the Audit Committee is interested in any matter being considered by the Audit Committee, he will abstain from reviewing or voting on that particular resolution.

Guideline 12.6

The Group's existing external auditors, Messrs RSM Chio Lim LLP, have been the auditors of the Group since 30 September 2006 and Mr Peter Jacob is the current audit partner in charge, effective from the financial year ended 30 September 2013.

The aggregate amount of fees paid to the external auditors of the Company for FY2015 is S$213,000, of which S$142,000 is paid for audit services and S$71,000 is paid for non-audit services. The Audit Committee, having reviewed the range and value of non-audit services performed by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The Audit Committee has also reviewed and confirmed that Messrs RSM Chio Lim LLP is a suitable audit firm to meet the Company's audit obligations, having regards to the adequacy of resources and experience of the firm and the assigned audit engagement partner, other audit engagements, size and nature of the Group, number and experience of supervisory and professional staff assigned to the audit. Notwithstanding the aforesaid, as the external auditors are currently providing a range of non-audit services to the Group, the Audit Committee is keeping the nature and extent of such non-audit services under review, seeking to maintain objectivity.

The Audit Committee is satisfied that Rules 712 and 715 of the SGX-ST Listing Manual are complied with and has recommended to the Board that, Messrs RSM Chio Lim LLP be nominated for re-appointment as external auditors at the forthcoming AGM.

CORPORATE GOVERNANCE
— cont'd —

The Company has put in place a whistle blowing policy and has implemented relevant procedures, as approved by the Audit Committee and adopted by the Board, for the purposes of handling complaints, concerns or issues relating to activities or affairs relating to the business, customers, suppliers, partners or associates, activities or affairs of the Group or conduct of any officer, Management or employee of the Group. Staff of the Group has access to the Company Secretary and may, in confidence, raise concerns about possible improprieties in any such corporate matters by sending an email or a letter in writing to the Company Secretary, who would re-direct and/or send such email or letter in writing to the Audit Committee (in the event such concerns relates to any of the Directors or the chief financial officer of the Company) or the whistle blowing committee (for all other concerns), as the case may be. During FY2015, there were no complaints, concerns or issues received. *Guideline 12.7*

The Audit Committee is kept abreast by Management, the external and internal auditors on changes and updates to accounting standards, and other issues which could have a direct impact on the financial statements of the Group, if any. During FY2015, the Audit Committee has, *inter alia*, undertaken reviews of the financial statements, the results of the internal and external audit of the Company and the Group, with particular focus on significant areas such as inventory policy and inventory management controls. *Guideline 12.8*

None of the members of the Audit Committee is a former partner or director of the Company's external or internal auditors. *Guideline 12.9*

Principles 13: Internal Audit

The Audit Committee's responsibilities over the Group's internal control and risk management are complemented by the work of the internal auditors. *Guideline 13.1 and Guideline 13.2*

The Company has outsourced its internal audit function to Nexia TS Public Accounting Corporation ("**IA**"). The IA is a corporate member of the Institute of Internal Auditors Singapore, and staffed with professionals with relevant qualifications and experience. The IA's primary line of reporting would be to the Chairman of the Audit Committee, although the IA would also report administratively to the CEO.

The IA performs the internal audit functions in accordance with standards set by internationally and locally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The IA carries out its internal audit functions based on a pre-determined cyclical work plan, where different aspects of internal controls are rotated for review every three years, and also take into consideration key risk factors identified under the Risk Register. The Internal Auditors have submitted a report dated 29 Jan 2015 to the Audit Committee, reporting, *inter alia*, that (i) having performed the system review procedures of the Company's internal controls and (ii) save for certain matters highlighted to the Company which have been duly noted by Management, based on their review of the adequacy and effectiveness of the Company's system of internal controls and measures, they did not identify any significant deficiencies or non-compliance of controls or measures implemented by Management under such procedures and systems. *Guideline 13.3 and Guideline 13.4*

The Audit Committee reviews the adequacy of the internal audit function to ensure that the internal audits are conducted effectively and that Management provides the necessary cooperation to enable the Internal Auditor to perform its function. The Audit Committee also reviews the internal audit reports as well as the remedial measures recommended by the Internal Auditor and adopted by Management to addresses any issues or inadequacies identified. *Guideline 13.5*

Principles 14, 15 and 16: Communication with Shareholders

Shareholders are informed of general meetings through reports/circulars sent to all shareholders in addition to notices published in the newspapers, the Company's announcements via SGXNET and the Company's website. In conjunction with the notices of general meetings included in the circulars sent to all shareholders, shareholders are also provided with the proxy forms which include the instructions on voting. In addition, shareholders are also provided with instructions on voting during the general meetings, where voting is conducted by poll. *Guideline 14.1 and Guideline 14.2*

The Company will be reviewing its Articles to remove the limit on the number of proxies which may be appointed by nominee companies in conjunction with the corresponding proposed amendments to the Companies Act (Cap. 50) in relation thereto. *Guideline 14.3*

CORPORATE GOVERNANCE
— cont'd —

The Company communicates with Shareholders and the investment community through timely release of announcements to the SGX-ST via SGXNET, including the Company's financial results announcements which are published through the SGXNET on a quarterly basis. Financial results announcements and annual reports are announced or issued within the mandatory period prescribed. All shareholders of the Company with an address in Singapore will be able to receive a copy of the Company's annual report and notices of general meetings. *Guideline 15.1 and Guideline 15.2*

At general meetings, shareholders are given the opportunity to air their views and ask Directors or Management questions regarding the Company and the Group. *Guideline 15.3 and Guideline 16.1*

The Board and Management are present at these meetings to address any questions that shareholders may have. External auditors are also present to assist the Board in addressing queries by shareholders. *Guideline 16.3*

Minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon written request. *Guideline 16.4*

Management also holds briefings with analysts to coincide with the release of the Group's financial results announcements, and related presentation slides and press releases are also made available on SGXNET. *Guideline 15.2 and Guideline 15.4*

Separate resolutions on each distinct issue are tabled at general meetings. All resolutions at general meetings of the Company are put to vote by poll so as to better reflect shareholders' shareholding interest and ensure greater transparency. The results of the poll voting on each resolution tabled at general meetings are announced after the said meetings via SGXNET. *Guideline 16.2 and Guideline 16.5*

The Company has formalised its dividend policy which aims to provide its shareholders with a target annual dividend payout of at least 10% of the net profit attributable to shareholders of the Company in any financial year, whether as interim and/or final dividends, provided always that such dividend payout for any financial year is subject to and conditional upon (a) the net profit attributable to shareholders of the Company for such financial year being equal to at least S$3 million, and (b) if the net profit referred to in (a) is less than S$3 million, the declaration and payment of dividends being determined at the sole discretion of the Board. The total dividend recommended, declared or paid in any financial year shall not exceed 50% of the total net profit attributable to shareholders, unless otherwise approved by the Board. *Guideline 15.5*

In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will also take into account, *inter alia*, the Group's financial position, retained earnings, results of operation and cash flow, the ability of the Company's subsidiaries to make dividend payments to the Company, the Group's expected working capital requirements, the Group's expected capital expenditure and future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time.

To show the Company's appreciation for its shareholders' long term support, the Board is recommending a final dividend payout of S$0.005 per share, to be approved by shareholders in the forthcoming AGM.

DEALINGS IN SECURITIES

In line with the rules of the SGX-ST Listing Manual, the Company has adopted a policy prohibiting its Directors and officers from dealing in the Company's shares whilst they are in possession of unpublished material price sensitive information and during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements.

CORPORATE GOVERNANCE
— cont'd —

The Company also discourages trading on short-term considerations.

DISCLOSURE ON USE OF PROCEEDS FROM PLACEMENT

	In circular		Actual	
Use of Proceeds	Estimated percentage allocation of net proceeds as set out in the Circular	Allocation of net proceeds	Proceeds utilised as at the date of this report	Balance of the proceeds as at the date of this report
	%	S$'000	S$'000	S$'000
Financing the construction of a new building and acquisition of machinery and equipment at 90 Second Lok Yang Road	24.0%	3,400	–	3,400
Acquisition of machinery and equipment at 36 Tuas Crescent	8.0%	1,100	318	782
Repayment of short term loans	35.0%	5,000	3,500	1,500
General working capital purposes	33.0%	4,800	4,800	–
Total	**100.0%**	**14,300**	**8,618**	**5,682**

MATERIAL CONTRACTS

There were no material contracts of the Company or any of its subsidiaries involving the interests of the Chief Executive Officer or any Director or controlling shareholder, 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.

INTERESTED PERSON TRANSACTIONS

Disclosure according to Rule 907 of the SGX-ST Listing Manual in respect of interested person transactions for FY2015 are stated in the following table:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholder's mandate pursuant to Rule 920 of the SGX-ST Listing Manual)	Aggregate value of all interested person transactions during the financial year conducted under shareholder's mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S$100,000)
Hanwa Co., Ltd	-	S$3,927,940

COSMOSTEEL HOLDINGS LIMITED

FINANCIAL REPORT

2015

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STATEMENT OF DIRECTORS

The directors of the company are pleased to present the accompanying audited financial statements of the company and of the group for the reporting year ended 30 September 2015.

1. OPINIONS OF THE DIRECTORS

In the opinion of the directors,

(a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and

(b) at the date of the statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. DIRECTORS IN OFFICE AT DATE OF REPORT

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

Ong Chin Sum	
Ong Tong Yang	
Ong Tong Hai	
Seiji Usui	(Appointed on 1 June 2015)
Low Beng Tin	
Hiroshi Ebihara	(Appointed on 1 June 2015)
Jovenal R Santiago	
Tan Siok Chin	

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the reporting year were not interested in shares in or debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 (the "**Act**") except as follows:

Name of directors and companies in which interests are held	**At beginning of the reporting year**	**At end of the reporting year**
CosmoSteel Holdings Limited	**Number of shares of no par value**	
Ong Chin Sum	56,217,982	–
Ong Tong Yang	16,549,996	19,954,396
Ong Tong Hai	16,649,996	28,411,996
Tan Siok Chin	125,000	125,000

The directors' interests as at 21 October 2015 were the same as those at the end of the reporting year.

STATEMENT OF DIRECTORS
— cont'd —

4. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate except for the options rights and other rights mentioned below.

5. OPTIONS

The company has an employee share option scheme known as the "CosmoSteel Employee Share Option Scheme" ("**ESOS**"). The ESOS complies with the rules of the SGX-ST as set out in Chapter 8 of the Listing Manual. The ESOS provides eligible participants with an opportunity to participate in the equity of the company and to motivate them towards better performance through increased dedication and loyalty. The ESOS, which forms an integral and important component of its employee compensation plan, is designed to primarily reward and retain Executive Directors, Non-Executive Directors and employees of the group whose services are vital to its well being and success.

Under the rules of the ESOS, Executive Directors, Non-Executive Directors (including Independent Directors) and employees of the group, who are not Controlling Shareholders or their Associates, are eligible to participate in the ESOS.

Under the terms of the Service Agreements of the Chief Executive Officer, Mr Ong Chin Sum, and the Executive Directors, Mr Ong Tong Yang and Mr Ong Tong Hai, they are entitled to participate in an annual profit-sharing incentive bonus. As such, they have volunteered to be excluded from participating in the ESOS.

In addition, in order to minimise any potential conflict of interest, all immediate family members (as defined in the Listing Manual) of Mr Ong Chin Sum, Mr Ong Tong Yang and Mr Ong Tong Hai, will also not be eligible to participate in the ESOS.

The ESOS is administered by the remuneration committee with powers to determine, *inter alia*, the following:

(a) persons to be granted Options;

(b) number of Options to be offered; and

(c) recommendations for modifications to the ESOS.

The remuneration committee comprises Ms Tan Siok Chin, Mr Jovenal R Santiago and Mr Hiroshi Ebihara. The remuneration committee consists of directors who may be participants of the ESOS. A member of the remuneration committee who is also a participant of the ESOS must not be involved in its deliberation in respect of Options granted or to be granted to him.

The aggregate number of shares over which the remuneration committee may grant Options on any date, when added to the number of shares issued and issuable in respect of all options granted under the ESOS shall not exceed 15.0% of the issued share capital of the company on the day immediately preceding the date of the relevant grant.

STATEMENT OF DIRECTORS
— cont'd —

5. OPTIONS (CONT'D)

The aggregate number of shares comprised in any Option to be offered to a participant under the ESOS shall be determined at the absolute discretion of the remuneration committee, which shall take into account (where applicable) criteria such as rank, past performance, years of service, and potential for future development of that participant.

The options that are granted under the ESOS may have exercise prices that are, at the remuneration committee's discretion, set at a price (the "**Market Price**") equal to the average of the last dealt prices for the shares on the Official List of the SGX-ST for the five consecutive Market Days immediately preceding the relevant date of grant of the relevant Option; or at a discount to the Market Price (subject to a maximum discount of 20.0%). Options which are fixed at the Market Price ("**Market Price Option**") may be exercised after the first anniversary of the date of grant of that Option while Options exercisable at a discount to the Market Price ("**Discounted Option**") may only be exercised after the second anniversary from the date of grant of the Option. Options granted under the ESOS will have a life span of 10 years.

The ESOS shall continue in operation for a maximum duration of 10 years and may be continued for any further period thereafter with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

During the reporting year, no option to take up unissued shares of the company or any corporation in the group was granted.

During the reporting year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the company or any corporation in the group under option.

6. INDEPENDENT AUDITOR

RSM Chio Lim LLP, has expressed their willingness to accept re-appointment.

7. REPORT OF AUDIT COMMITTEE

The members of the audit committee at the date of this report are as follows:

Jovenal R Santiago	(Chairman of audit committee and Independent Director)
Hiroshi Ebihara	(Non-Executive Director)
Low Beng Tin	(Independent Non-Executive Director)
Tan Siok Chin	(Independent Director)

STATEMENT OF DIRECTORS
— cont'd —

7. REPORT OF AUDIT COMMITTEE (CONT'D)

The audit committee performs the functions specified by section 201B (5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditors their audit plan.

- Reviewed with the independent external auditors their evaluation of the company's internal accounting control relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them.

- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor.

- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption.

- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditor provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next annual general meeting of the company.

8. SUBSEQUENT DEVELOPMENTS

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 18 November 2015 which would materially affect the group's and the company's operating and financial performance as of the date of this statement.

On behalf of the directors

Ong Chin Sum	**Ong Tong Hai**
Director	Director

2 December 2015

INDEPENDENT AUDITOR'S REPORT
to the Members of COSMOSTEEL HOLDINGS LIMITED
(Registration No: 200515540Z)

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of CosmoSteel Holdings Limited (the "**company**") and its subsidiaries (the "**group**"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 30 September 2015, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
to the Members of COSMOSTEEL HOLDINGS LIMITED
(Registration No: 200515540Z)
— cont'd —

OPINION

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the group and of the company as at 30 September 2015 and of the financial performance, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

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 the subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

2 December 2015

Partner in-charge of audit: Peter Jacob
Effective from year ended 30 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year Ended 30 September 2015

	Notes	Group 2015 $'000	Group 2014 $'000
Revenue	5	109,903	157,642
Cost of sales		(90,339)	(126,897)
Gross profit		19,564	30,745
Other items of income			
Interest income		15	39
Other gains	6	1,340	222
Other items of expense			
Depreciation expenses	13	(4,434)	(2,615)
Marketing and distribution costs		(8,145)	(9,399)
Administrative expenses	7	(7,606)	(8,602)
Finance costs	8	(1,359)	(1,460)
Other losses	6	(737)	(2,107)
(Loss) profit before tax from continuing operations		(1,362)	6,823
Income tax income (expense)	10	478	(1,283)
(Loss) profit from continuing operations, net of tax		(884)	5,540
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation, net of tax	22	3,311	4,772
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax	22	180	48
Other comprehensive income for the year, net of tax		3,491	4,820
Total comprehensive income for the year		2,607	10,360
Earnings per share			
Earnings per share currency unit		**Cents**	**Cents**
Basic and diluted			
Continuing operations	11	(0.32)	2.10

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
As at 30 September 2015

	Note	Group 2015	Group 2014 Restated	Group 01.10.2013 Restated	Company 2015	Company 2014
		$'000	$'000	$'000	$'000	$'000
ASSETS						
Non-current assets						
Property, plant and equipment	13	30,863	24,063	20,502	–	–
Investments in subsidiaries	14	–	–	–	60,107	46,107
Trade and other receivables	17	2,214	2,086	706	–	–
Available-for-sale financial assets	15	130	130	130	–	–
Total non-current assets		33,207	26,279	21,338	60,107	46,107
Current assets						
Inventories	16	93,851	109,214	119,819	–	–
Trade and other receivables	17	25,958	39,085	28,797	2,010	3,766
Financial assets at fair value through profit or loss	18	1,606	1,454	1,492	–	–
Other assets	19	517	1,368	486	34	36
Cash and cash equivalents	20	25,021	33,177	20,444	1,211	807
Total current assets		146,953	184,298	171,038	3,255	4,609
Total assets		180,160	210,577	192,376	63,362	50,716
EQUITY AND LIABILITIES						
Equity						
Share capital	21	56,325	42,062	42,062	56,325	42,062
Retained earnings		50,807	50,642	47,000	6,546	7,372
Other reserves	22	15,502	14,380	10,302	–	–
Total equity		122,634	107,084	99,364	62,871	49,434
Non-current liabilities						
Deferred tax liabilities	10	3,740	3,556	2,735	–	–
Provisions	23	88	64	–	–	–
Other financial liabilities	25	4,762	4,679	5,064	–	2
Total non-current liabilities		8,590	8,299	7,799	–	2
Current liabilities						
Income tax payable		85	1,537	1,289	35	58
Trade and other payables	24	11,879	25,976	23,905	456	1,220
Other financial liabilities	25	36,852	65,491	59,618	–	2
Other non-financial liabilities	26	120	2,190	355	–	–
Finance leases		–	–	46	–	–
Total current liabilities		48,936	95,194	85,213	491	1,280
Total liabilities		57,526	103,493	93,012	491	1,282
Total equity and liabilities		180,160	210,577	192,376	63,362	50,716

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
Year Ended 30 September 2015

	Total equity $'000	Share capital $'000	Retained earnings $'000	Asset revaluation reserve $'000	Translation reserve $'000
Group					
Current year:					
Opening balance at 1 October 2014	107,084	42,062	50,642	14,279	101
Movements in equity:					
Total comprehensive income (loss) for the year	2,607	–	(884)	3,311	180
Dividends paid (Note 12)	(1,320)	–	(1,320)	–	–
Transfer to retained earnings of difference between depreciation on carrying revalued amount and depreciation based on original cost	–	–	2,369	(2,369)	–
Issue of new shares pursuant to private placement (Note 21)	15,312	15,312	–	–	–
Placement issue expenses (Note 21)	(1,049)	(1,049)	–	–	–
Closing balance at 30 September 2015	122,634	56,325	50,807	15,221	281
Previous year:					
Opening balance at 1 October 2013	99,364	42,062	47,000	10,249	53
Movements in equity:					
Total comprehensive income for the year	10,360	–	5,540	4,772	48
Dividends paid (Note 12)	(2,640)	–	(2,640)	–	–
Transfer to retained earnings of difference between depreciation on carrying revalued amount and depreciation based on original cost	–	–	742	(742)	–
Closing balance at 30 September 2014	107,084	42,062	50,642	14,279	101

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
Year Ended 30 September 2015
— cont'd —

	Total equity $'000	Share capital $'000	Retained earnings $'000
<u>Company</u>			
Current year:			
Opening balance at 1 October 2014	49,434	42,062	7,372
Movements in equity:			
Total comprehensive income for the year	494	–	494
Dividends paid (Note 12)	(1,320)	–	(1,320)
Issue of new shares pursuant to private placement (Note 21)	15,312	15,312	–
Placement issue expenses (Note 21)	(1,049)	(1,049)	–
Closing balance at 30 September 2015	62,871	56,325	6,546
Previous year:			
Opening balance at 1 October 2013	50,125	42,062	8,063
Movements in equity:			
Total comprehensive income for the year	1,949	–	1,949
Dividends paid (Note 12)	(2,640)	–	(2,640)
Closing balance at 30 September 2014	49,434	42,062	7,372

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended 30 September 2015

	Group	
	2015	2014
	$'000	$'000
Cash flows from operating activities		
(Loss) profit before tax	(1,362)	6,823
Adjustments for:		
Interest income	(15)	(39)
Interest expense	1,359	1,460
Depreciation of property, plant and equipment	4,434	2,615
Gains on disposal of property, plant and equipment	(4)	(10)
Net effect of exchange rate changes in consolidating foreign operations	180	48
Fair value (gains) losses on financial assets at fair value through profit or loss	(152)	38
Fair value gains on derivative financial instruments	(95)	(115)
Operating cash flows before changes in working capital	4,345	10,820
Inventories	15,363	10,605
Trade and other receivables	12,999	(11,668)
Other assets	851	(882)
Bills payable	(25,463)	2,271
Trade and other payables	(14,097)	2,071
Other non-financial liabilities	(2,070)	1,835
Provisions	24	64
Net cash flows (used in) from operations	(8,048)	15,116
Income taxes paid	(1,468)	(1,191)
Net cash flows (used in) from operating activities	(9,516)	13,925
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,268)	(427)
Proceeds from disposal of property, plant and equipment	27	10
Interest received	15	39
Net cash flows used in investing activities	(7,226)	(378)
Cash flows from financing activities		
Dividends paid to equity owners	(1,320)	(2,640)
Proceeds from issue of shares (net of expenses)	14,263	–
Cash restricted in use over 3 months	45	(15)
Decrease in other financial liabilities	(8,438)	(4,668)
Increase from new borrowings	5,440	8,000
Decrease in finance leases	–	(46)
Interest paid	(1,359)	(1,460)
Net cash flows from (used in) financing activities	8,631	(829)
Net (decrease) increase in cash and cash equivalents	(8,111)	12,718
Cash and cash equivalents, statement of cash flows, beginning balance	33,107	20,389
Cash and cash equivalents, statement of cash flows, ending balance (Note 20A)	24,996	33,107

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015

1. GENERAL

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the company (referred to as "**parent**") and the subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The company is an investment holding company. It is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are described in notes to the financial statements below.

The registered office is: 50 Raffles Place #06-00 Singapore Land Tower, Singapore 048623. The company is situated in Singapore.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("**FRS**") and the related Interpretations to FRS ("**INT FRS**") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs may not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income is not presented.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are not significant transactions is recognised as the services are provided or when the significant acts have been completed. Interest is recognised using the effective interest method. Dividend from equity instruments is recognised as income when the entity's right to receive payment is established.

Government grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants in recognition of specific expenses are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. The interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Property, plant and equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold properties	–	Over the terms of lease that are from 4 years to 17 years
Leasehold properties improvements	–	10% to 66.7%
Plant and equipment	–	10% to 33.3%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. See Note 23 on non-current provisions.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment (cont'd)

If fair value can be measured reliably, after the initial recognition as an asset at cost, an item of property, plant and equipment (such as land, property, buildings, etc) is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be measured using fair value at the end of the reporting year and the entire class of property, plant and equipment to which that asset belongs is revalued. When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve except that the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. When an asset's carrying amount is decreased, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the asset revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of asset revaluation reserve. The revaluation surplus included in equity is transferred directly to retained earnings when the asset is derecognised.

However, some of the surplus is realised as the asset is used as the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost and these transfers from asset revaluation reserve to retained earnings are not made through the other comprehensive income.

When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount of the asset. At the date of the revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Leases

Whether an arrangement is, or contains, a lease, it is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity 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. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary 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. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

However, an impairment loss on a revalued asset is recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: Assets are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to assets at fair value through profit or loss are recognised directly in profit or loss.

2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

3. Held-to-maturity financial assets*:* As at end of the reporting year date there were no financial assets classified in this category.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (cont'd)

4. Available-for-sale financial assets: These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading revaluation reserves. Such reserves are reclassified to profit or loss when realised through disposal. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. A significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against revaluation reserves and is not subsequently reversed through profit or loss. However for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. For non-equity instruments classified as available-for-sale the reversal of impairment is recognised in profit or loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. The financial assets are classified as non-current assets unless management intends to dispose of the investments within 12 months of the end of the reporting year. Usually non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates. Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and management is unable to establish fair value by using valuation techniques except that where management can establish fair value by using valuation techniques the relevant unquoted investments are stated at fair value. For unquoted equity instruments impairment losses are not reversed.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management. Other financial assets and financial liabilities at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the statement of cash flows.

Hedging

The entity is exposed to currency and interest rate risks. The policy is to reduce currency and interest rate exposures through derivatives and other hedging instruments. From time to time, there may be borrowings and foreign exchange arrangements or interest rate swap contracts or similar instruments entered into as hedges against changes in interest rates, cash flows or the fair value of the financial assets and liabilities. These arrangements are not used for trading or speculative purposes. The gain or loss from remeasuring these hedging or other arrangement instruments at fair value are recognised in the profit or loss. The applicable derivatives and other hedging instruments used are described below in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Derivatives

All derivatives are initially recognised and subsequently carried at fair value. Certain derivatives are entered into in order to hedge some transactions and all the strict hedging criteria prescribed by FRS 39 are not met. In those cases, even though the transaction has its economic and business rationale, hedge accounting cannot be applied. As a result, changes in the fair value of those derivatives are recognised directly in the profit or loss and the hedged item follows normal accounting policies.

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount measured in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

2. Other financial liabilities: All liabilities, which have not been classified in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair value measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

Classification of equity and liabilities

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

Provisions

A liability or provision is recognised when there is 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 a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Net realisable value of inventories:

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the note on inventories.

Allowance for doubtful trade accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the note on trade and other receivables.

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for property, plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or non-strategic assets that have been abandoned or sold. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific assets affected by the assumption is $30,863,000 (2014: $24,063,000).

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
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3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 24 defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the reporting entity if any of the following conditions apply: (i) The entity and the reporting entity are members of the same group. (ii) One entity is an associate or joint venture of the other entity. (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3A. Related companies:

There are transactions and arrangements between the reporting entity and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any balances and financial guarantees no interest or charge is imposed unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

3B. Other related parties:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any balances and financial guarantees no interest or charge is imposed unless stated otherwise.

Significant related party transactions:

In addition to transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Other related parties	
Group	**2015 $'000**	**2014 $'000**
Revenue from sales of goods to an entity controlled by a key management personnel [(a)]	–	(11)
Revenue from sales of goods to a substantial shareholder and its subsidiaries [(b)]	(443)	–
Purchases of goods from a substantial shareholder and its subsidiaries [(b)]	4,826	–
Placement issue legal expenses	250	–

(a) In 2014, the related parties, Oakwell Distribution (S) Pte Ltd, Oakwell Engineering International Pte Ltd, OEL (Holdings) Limited and the company had a common director who had significant influence over the related parties.

In 2015, the common director has ceased his directorships in Oakwell Distribution (S) Pte Ltd and Oakwell Engineering International Pte Ltd. There were no transactions with OEL (Holdings) Limited during the reporting year ended 30 September 2015.

(b) Subsequent to the completion of the proposed subscription and proposed strategic alliance, Hanwa Co., Ltd became the substantial shareholder of the company on 6 March 2015. It has significant influence over the company.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
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3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

3C. Key management compensation:

Group	2015 $'000	2014 $'000
Salaries and other short-term employee benefits	2,424	2,997

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

Group	2015 $'000	2014 $'000
Remuneration of directors of the company	1,574	2,112
Fees to directors of the company	329	308
Fees to a director of the company from a subsidiary	5	6

Key management personnel include directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

Further information about the remuneration of individual directors is provided in the report on corporate governance.

3D. Other receivables from and other payables to related parties:

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS

4A. Information about reportable segment profit or loss, assets and liabilities

FRS 108 requires the disclosure of information about operating segments, products and services, the geographical areas, and the major customers. It is a disclosure standard which results in a redesignation of the group's reportable segments, but has no impact on the reported results or financial position of the reporting entity.

Revenue generated is derived from the sale, supply and machining of flanges, steel fittings, tubings and pipes for the following main industries which form the basis on which the group reports its primary segment information.

The main industries of the customers are as follows:

Energy – Oil and gas, engineering and construction, petrochemical and power.
Marine – Shipbuilding and repair.
Trading – Traders who purchase goods and on-sell to end-user customers.
Others – Other industries such as the manufacturing and pharmaceutical sectors.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
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4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

4A. Information about reportable segment profit or loss, assets and liabilities (cont'd)

Unallocated items comprise cash and cash equivalents, trade and other receivables, properties, plant and equipment, other financial liabilities, trade and other payables, current tax payable, finance leases, deferred tax liabilities, interest income, depreciation expenses, marketing and distribution costs, administrative expenses, finance costs, other gains (losses) and income tax expense. It is not meaningful to allocate these amounts by business segments.

4B. Profit or loss from continuing operations and reconciliations

	Energy $'000	Marine $'000	Trading $'000	Others $'000	Group $'000
Continuing operations 2015					
Revenue by segment					
Total revenue	83,413	16,502	8,742	1,246	109,903
Segment results	15,279	3,051	1,156	78	19,564
Unallocated expenses					(20,185)
Loss from operations					(621)
Interest income					15
Finance costs					(1,359)
Other gains (net)					603
Loss before income tax					(1,362)
Income tax income					478
Loss from continuing operations					(884)

	Energy $'000	Marine $'000	Trading $'000	Others $'000	Group $'000
Continuing operations 2014					
Revenue by segment					
Total revenue	128,023	21,948	6,689	982	157,642
Segment results	23,774	5,532	1,249	190	30,745
Unallocated expenses					(20,616)
Profit from operations					10,129
Interest income					39
Finance costs					(1,460)
Other losses (net)					(1,885)
Profit before income tax					6,823
Income tax expense					(1,283)
Profit from continuing operations					5,540

4C. Assets, liabilities and reconciliations

Assets and liabilities of the group are considered as unallocatable.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

4D. Other material items and reconciliations

	Group $'000
Expenditures for non-current assets	
2015	7,268
2014	427

4E. Geographical information

The following table provides an analysis of the revenue and non-current assets by geographical market, irrespective of the origin of the goods/services:

	Revenue		Non-current assets	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Singapore	56,665	95,118	31,419	24,582
Middle East	325	84	–	–
Europe	713	874	26	–
Brunei	12,684	8,635	–	–
Vietnam	12,724	22,466	–	–
Indonesia	813	1,662	–	–
Malaysia	1,702	750	–	–
Thailand	152	123	–	–
Japan	16,314	4,725	–	44
Others (1)	7,811	23,205	1,762	1,653
	109,903	157,642	33,207	26,279

(1) Customers in others are primarily located in Australia, China and Philippines (2014: Australia, China, Korea, New Zealand and Philippines). Non-current assets in others are located in Australia and China.

Revenue is attributed to countries on the basis of the customer's location. The non-current assets are analysed by the geographical area in which the assets are located and country of domicile.

The group has not identified profit before tax by industries or by geographical markets as the allocation of costs cannot be allocated in a similar manner with reasonable accuracy. This is because the operating expenses and administrative expenses incurred for industries or geographical markets such as marketing expenses, remuneration and facilities-related costs are general costs which are accounted for on a group-wide basis. It is not meaningful to track operating costs and administrative expenses by industries or geographical markets.

4F. Information about major customers

	2015 $'000	2014 $'000
Revenue from:		
Top 1 customer in Energy segment	12,618	27,052
Top 2 customers in Energy segment	21,155	49,209
Top 3 customers in Energy segment	29,630	59,706

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

5. REVENUE

	Group	
	2015 **$'000**	**2014** **$'000**
Sale of goods	109,555	157,334
Other	348	308
	109,903	157,642

6. OTHER GAINS AND (OTHER LOSSES)

	Group	
	2015 **$'000**	**2014** **$'000**
Reversal (allowance) for impairment on trade receivables (Note 17)	177	(36)
Bad debts recovered trade receivables (net)	162	1
Fair value gains (losses) on financial assets at fair value through profit or loss (Note 28C)	152	(38)
Foreign exchange adjustment gains	96	96
Fair value gains on derivative financial instruments (Note 27)	95	115
Gains on disposal of property, plant and equipment	4	10
Reversal (allowance) for slow-moving inventories and decline in net realisable values (Note 16)	654	(1,800)
Inventories written off (Note 16)	(737)	(233)
Net	603	(1,885)
Presented in profit or loss as:		
Other gains	1,340	222
Other losses	(737)	(2,107)
Net	603	(1,885)

7. ADMINISTRATIVE EXPENSES

The major components and other selected components include the following:

	Group	
	2015 **$'000**	**2014** **$'000**
Employee benefits expense (Note 9)	3,879	4,761
Rental expense	749	531

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

8. FINANCE COSTS

	Group	
	2015 **$'000**	**2014** **$'000**
Interest expense	1,359	1,460

9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2015 **$'000**	**2014** **$'000**
Short term employee benefits expense	8,099	9,542
Contributions to defined contribution plan	602	763
Other benefits	253	299
Total employee benefits expense	8,954	10,604
The employee benefits expense is charged as follows:		
Marketing and distribution costs	5,075	5,843
Administrative expenses	3,879	4,761
Total employee benefits expense	8,954	10,604

10. INCOME TAX

10A. Components of tax expense recognised in profit or loss include:

	Group	
	2015 **$'000**	**2014** **$'000**
Current tax expense		
Current tax expense	80	1,440
Over adjustments to current tax in respect of previous period	(63)	–
Subtotal	17	1,440
Deferred tax (income) expense		
Deferred tax income	(495)	(157)
Total income tax (income) expense	(478)	1,283

NOTES TO THE FINANCIAL STATEMENTS
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10. INCOME TAX (CONT'D)

10A. Components of tax expense recognised in profit or loss include: (cont'd)

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2014: 17%) to profit before income tax as a result of the following differences:

	Group	
	2015 $'000	**2014 $'000**
(Loss) profit before tax	(1,362)	6,823
Income tax (income) expense at the above rate	(232)	1,160
Not (taxable) deductible items	(127)	250
Productivity and innovation credit claims	(57)	(31)
Tax exemptions	(86)	(107)
Deferred tax asset not recognised	78	95
Over adjustments to tax in respect of prior period	(63)	–
Effect of different tax rates in different countries	(70)	(54)
Translation differences	83	29
Other minor items	(4)	(59)
Total income tax (income) expense	(478)	1,283

There are no income tax consequences of dividends to owners of the company.

10B. Deferred tax income recognised in profit or loss includes:

	Group	
	2015 $'000	**2014 $'000**
Excess of book over tax depreciation on plant and equipment and revalued property	(495)	(157)
Total deferred income tax income recognised in profit or loss	(495)	(157)

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10. INCOME TAX (CONT'D)

10C. Tax expense recognised in other comprehensive income includes:

	Group	
	2015 **$'000**	**2014** **$'000**
Deferred tax:		
Gains on property revaluation	679	977
Total deferred tax expense recognised in other comprehensive income	679	977

10D. Deferred tax balance in the statement of financial position:

	Group	
	2015 **$'000**	**2014** **$'000**
Deferred tax liabilities:		
Excess of net book value of plant and equipment over tax values	(106)	(114)
Amount on revalued depreciable assets (a)	(4,667)	(3,988)
Depreciation on revalued property	1,040	555
Tax losses carryforwards	527	593
Other timing differences	226	80
Deferred tax asset not recognised	(760)	(682)
Net balance	(3,740)	(3,556)

(a) Movement of $679,000 (2014: $977,000) relating to the revaluation gain has been included in other comprehensive income.

It is impracticable to estimate the amount expected to be settled or used within one year.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

No deferred tax asset has been recognised as the future profit streams for one of the subsidiaries are not probable. The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

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11. EARNINGS PER SHARE

The earnings per share is calculated by dividing the group's profit attributable to shareholders by the weighted number of shares of no par value in issue during the year.

	Group	
	2015 $'000	2014 $'000
The calculation of the earnings per share is based on the following:		
(Loss) profit for the year attributable to the equity holders of the company for the purposes of basic and diluted earnings per share	(884)	5,540

	Group	
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	279,116,709	263,999,997
Earnings figures are calculated as follows:		
Earnings per share – cents	(0.32)	2.10

The fully diluted earnings per ordinary share is the same as the basic earnings per ordinary share as there were no options granted or outstanding during the reporting year.

12. DIVIDENDS ON EQUITY SHARES

	Group	
	2015 $'000	2014 $'000
Final exempt (1-tier) dividend paid of 0.50 cent (2014: 1.00 cent) per share	1,320	2,640

In respect of the current year, the directors propose that a final exempt (1-tier) dividend of 0.5 cent (2014: 0.5 cent) per share totalling $1,452,000 (2014: $1,320,000) be paid to shareholders after the annual general meeting. There are no income tax consequences. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend for 2015 is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable.

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13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties and improvements $'000	Plant and equipment $'000	Total $'000
Cost or valuation:			
At 1 October 2013	20,065	5,138	25,203
Additions	64	363	427
Disposals	–	(54)	(54)
Revaluation increase	3,800	–	3,800
At 30 September 2014	23,929	5,447	29,376
Additions	6,996	272	7,268
Disposals	–	(79)	(79)
Revaluation increase	400	–	400
At 30 September 2015	31,325	5,640	36,965
Represented by:			
Cost	–	5,640	5,640
Valuation	31,325	–	31,325
Total	31,325	5,640	36,965
Accumulated depreciation and impairment losses:			
At 1 October 2013	743	3,958	4,701
Depreciation for the year	2,172	443	2,615
Disposals	–	(54)	(54)
Elimination of depreciation on revaluation	(1,949)	–	(1,949)
At 30 September 2014	966	4,347	5,313
Depreciation for the year	4,040	394	4,434
Disposals	–	(56)	(56)
Elimination of depreciation on revaluation	(3,589)	–	(3,589)
At 30 September 2015	1,417	4,685	6,102
Carrying value:			
At 1 October 2013	19,322	1,180	20,502
At 30 September 2014	22,963	1,100	24,063
At 30 September 2015	29,908	955	30,863

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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

For each revalued class of properties, plant and equipment, the carrying amounts that would have been recognised had the assets been carried under the cost model are:

	2015 $'000	2014 $'000
Leasehold properties and improvements:		
Cost	15,235	8,239
Net book value	9,428	4,013

The leasehold properties are mortgaged as security for the bank facilities (Note 25).

There was a provision for dismantling taken up by a subsidiary as shown in Note 23, due to the reinstatement condition required at the end of the leasehold tenure for 21A Neythal Road.

On 29 May 2014, a subsidiary accepted a letter of offer issued by JTC Corporation to extend the lease term for one of the leasehold properties for a further term of 13 years and 3 months from 16 March 2019. As consideration for the extension, the subsidiary is required to satisfy certain investment criteria with a minimal investment amount of $11,830,000 within three years.

The fair value of leasehold properties was measured in August 2015. The fair value was based on valuations made by Jones Lang LaSalle Property Consultants Pte Ltd, a firm of independent valuers on a systematic basis at least once yearly.

In relying on the valuation reports, the management is satisfied that the independent valuers have appropriate professional qualifications, are independent and have recent experience in the location and category of the properties being valued. There has been no change to the valuation techniques during the year. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

The fair value measurements for the properties are catergorised within Level 2 of the fair value hierarchy. The valuation was based on the comparison method that considers the sales of similar properties that have been transacted in the open market with adjustment made for differences in factors that affect value.

The surplus net of applicable deferred income tax on revaluation of $3,311,000 (2014: $4,772,000) has been credited to asset revaluation reserve in other comprehensive income. The increase is due to better market conditions for such properties.

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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Valuation policies and procedures:

It is the group's policy to engage external valuation experts to perform the valuation. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113: Fair value measurement.

For fair value measurements categorised within Level 2 of the fair value hierarchy, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Asset:	Leasehold property at 14 Lok Yang Way
Fair Value $'000 and Fair value hierarchy – Level:	$13,000 (2014: $12,500). Level 2 (2014: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range (weighted average):	Price per square metre. $1,978 – $2,205 ($2,046). (2014: $1,739 – $3,039).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $1,300,000; higher by $1,300,000.

Asset:	Leasehold property at 21A Neythal Road
Fair Value $'000 and Fair value hierarchy – Level:	$3,900 (2014: $4,000). Level 2 (2014: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range (weighted average):	Price per square metre. $596 – $2,221 ($831). (2014: $578 – $2,605).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $390,000; higher by $390,000.

Asset:	Leasehold property at 90 Second Lok Yang Road
Fair Value $'000 and Fair value hierarchy – Level:	$7,000 (2014: $6,800). Level 2 (2014: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range (weighted average):	Price per square metre. $1,482 – $2,205 ($1,736). (2014: $1,739 – $2,973).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $700,000; higher by $700,000.

NOTES TO THE FINANCIAL STATEMENTS
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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Asset:	Leasehold property at 36 Tuas Crescent
Fair Value $'000 and Fair value hierarchy – Level:	$6,600 (2014: $Nil). Level 2 (2014: NA).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range (weighted average):	Price per square metre. $729 – $2,221 ($902). (2014: NA).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $660,000; higher by $660,000.

There were no transfers between Levels 1 and 2 during the year. The increase in fair value is due to better market conditions.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015 $'000	**2014 $'000**
Movements during the year. At cost:		
Balance at beginning of the year	46,107	46,107
Increase in shares	14,000	–
Cost at the end of the year	60,107	46,107

	Company	
	2015 $'000	**2014 $'000**
Unquoted shares at cost	58,789	44,789
Allowance for impairment in investment	(1,422)	(1,422)
Capitalised income from fair value of corporate guarantee	2,740	2,740
	60,107	46,107
Net book value of subsidiaries	118,141	102,492

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14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The subsidiaries held by the company are listed below:

Name of subsidiary, country of incorporation, place of operations and principal activities	Cost in books of company		Effective percentage of equity held by company	
	2015 $'000	2014 $'000	2015 %	2014 %
Kim Seng Huat Hardware Pte Ltd (a) Singapore Sales, supply and machining of flanges, steel fittings, tubings and pipes for the shipbuilding and repairing industry, manufacturing, petrochemical industry and power plants	57,367	43,367	100	100
CosmoSteel (Australia) Pty Ltd (b) Australia Sales, supply and machining of flanges, steel fittings, tubings and pipes for the shipbuilding and repairing industry, manufacturing, petrochemical industry and power plants	1,422	1,422	100	100

(a) Audited by RSM Chio Lim LLP in Singapore.
(b) Audited by RSM Bird Cameron in Australia, a member firm of RSM International, of which RSM Chio Lim LLP in Singapore is a member.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NON-CURRENT

	Group	
	2015 $'000	2014 $'000
Club memberships, at fair value	130	130

The fair value of club memberships is based on current bid prices in an active market (Level 1) at the end of the reporting year. The change in fair value is included in other comprehensive income.

16. INVENTORIES

	Group	
	2015 $'000	2014 $'000
Goods for resale	93,851	109,214
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of the year	5,752	3,968
(Reversed) charged to profit or loss included in other gains (other losses) – net (Note 6)	(654)	1,800
Foreign exchange adjustments	(28)	(16)
Balance at end of the year	5,070	5,752

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16. INVENTORIES (CONT'D)

	Group 2015 $'000	Group 2014 $'000
Write-downs of inventories charged to profit or loss included in other losses (Note 6)	737	233
Amount of inventories included in cost of sales	84,071	121,507

There are no inventories pledged as security for liabilities.

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 $'000	2014 Restated $'000	2015 $'000	2014 $'000
Trade receivables, non-current				
Outside parties	2,214	2,086	–	–
Total trade receivables, non-current	2,214	2,086	–	–
Trade receivables, current				
Outside parties	25,494	39,272	–	–
Less allowance for impairment	(11)	(188)	–	–
Related parties (Note 3)	157	1	–	–
Subsidiaries (Note 3)	–	–	2,010	2,266
Net trade receivables - subtotal	25,640	39,085	2,010	2,266
Other receivables:				
Subsidiaries (Note 3)	–	–	–	1,500
Advances to suppliers	100	–	–	–
Other receivables	218	–	–	–
Net other receivables - subtotal	318	–	–	1,500
Total trade and other receivables, current	25,958	39,085	2,010	3,766

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Movements in above allowance:				
Balance at beginning of the year	188	152	–	–
(Reversed) charged to profit or loss included in other gains (other losses) (Note 6)	(177)	36	–	–
Balance at end of the year	11	188	–	–

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18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2015 $'000	Group 2014 $'000
Financial assets with embedded derivatives	1,606	1,454

The fair value of the financial assets is not based on observable market data (Level 3). Also see Note 28C. To secure the issuance of bank guarantees, an investment of US$1 million was made in an equity-linked structured investment which is capital-guaranteed in lieu of placing such amount in a non-interest bearing deposit.

19. OTHER ASSETS

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deposits	196	825	2	3
Prepayments	321	543	32	33
	517	1,368	34	36

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Not restricted in use	24,996	33,107	1,211	807
Cash pledged for bank facilities[#a]	25	70	–	–
Cash at end of the year	25,021	33,177	1,211	807

#a. This is for amounts held by banks to cover bank guarantees issued.

The interest-earning balances are not significant.

20A. Cash and cash equivalents in the statement of cash flows:

	Group 2015 $'000	Group 2014 $'000
Amount as shown above	25,021	33,177
Cash pledged for bank facilities	(25)	(70)
Cash and cash equivalents for statement of cash flows purposes at end of the year	24,996	33,107

The effects of foreign exchange adjustments to cash and cash equivalents are not significant.

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21. SHARE CAPITAL

Group and company	Number of shares issued	Share capital $'000
Ordinary shares of no par value:		
Balance at beginning of the year 1 October 2013 and end of the year 30 September 2014	263,999,997	42,062
Issue of shares at $0.58 each	26,400,000	15,312
Placement issue expenses	–	(1,049)
Balance at end of the year 30 September 2015	290,399,997	56,325

On 6 March 2015, 26,400,000 new ordinary shares were issued by the company pursuant to a private placement to Hanwa Co., Ltd.

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

In order to maintain its listing on the Singapore Stock Exchange, the company has to have at least a free float of 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the year. Management receives a monthly report from the registrars on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the reporting year.

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

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21. SHARE CAPITAL (CONT'D)

	Group 2015 $'000	Group 2014 $'000
Net debt:		
All current and non-current borrowings including finance leases	41,614	70,075
Less cash and cash equivalents	(25,021)	(33,177)
Net debt	16,593	36,898
Net capital:		
Equity	122,634	107,084
Net capital	122,634	107,084
Debt-to-adjusted capital ratio	13.5%	34.5%

The improvement as shown by the decrease in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in equity from the issue of shares and a decrease in borrowings.

22. OTHER RESERVES

The asset revaluation reserve arises from the annual revaluation of properties held under properties, plant and equipment and other assets net of deferred tax (Note 10C). It is not distributable until it is released to retained earnings.

The translation reserve accumulates all foreign exchange differences.

All the reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

23. PROVISIONS

	Group 2015 $'000	Group 2014 $'000
Provision, non -current:		
Provision for dismantling, removing and restoring the site relating to leased property	88	64
Movements in above provision:		
Balance at beginning of the year	64	–
Additions	24	64
Balance at end of the year	88	64

The provision is based on the present value of costs to be incurred to remove the leasehold improvements from the leased property. The estimate is based on quotations from external contractors. The unexpired term is less than 5 years.

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24. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade payables:				
Outside parties and accrued liabilities	10,362	25,578	406	1,190
Subsidiary (Note 3)	–	–	50	30
Related parties (Note 3)	1,517	–	–	–
Trade payables - subtotal	11,879	25,578	456	1,220
Other payables:				
Outside parties	–*	398	–	–
Other payables - subtotal	–	398	–	–
Total trade and other payables	11,879	25,976	456	1,220

* Less than $500.

25. OTHER FINANCIAL LIABILITIES

	Group	
	2015 $'000	2014 $'000
Non-current:		
Financial instruments with floating interest rates:		
Bank loans (secured)	4,762	4,679
Non-current, total	4,762	4,679
Current:		
Derivative financial instruments (Note 27)	–	95
	–	95
Financial instruments with fixed interest rates:		
Bank loans (secured)	6,000	9,500
Bills payable to bank (secured)	26,262	51,725
	32,262	61,225
Financial instruments with floating interest rates:		
Bank loans (secured)	4,590	4,171
	4,590	4,171
Current, total	36,852	65,491
Total	41,614	70,170
The non-current portion is payable as follows:		
Due within 2 to 5 years	4,762	4,679
Total non-current portion	4,762	4,679

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25. OTHER FINANCIAL LIABILITIES (CONT'D)

	Company	
	2015 $'000	2014 $'000
Non-current:		
Financial guarantee liability	–	2
Non-current, total	–	2
Current:		
Financial guarantee liability	–	2
Current, total	–	2
Total	–	4
The non-current portion is payable as follows:		
Due within 2 to 5 years	–	2
Total non-current portion	–	2

	Group	
	2015	2014
The range of floating interest rates paid were as follows:		
Bank loans (secured)	2.09% - 3.04% p.a.	1.94% - 2.38% p.a.
The range of fixed interest rates paid were as follows:		
Bank loans (secured)	2.67% - 2.89% p.a.	1.79% - 2.97% p.a.
Bills payable to bank (secured)	1.30% - 2.75% p.a.	1.43% - 2.18% p.a.

All borrowings are interest bearing.

The bills payable to banks represent bills for purchases of inventories.

The bank loan agreements for certain bank loans and other credit facilities provide among other matters for the following:

1. Legal mortgage on the leasehold properties (Note 13).
2. Corporate guarantee by the company.
3. Compliance with certain financial covenants.

26. OTHER NON-FINANCIAL LIABILITIES

	Group	
	2015 $'000	2014 $'000
Advance billings	120	2,190

NOTES TO THE FINANCIAL STATEMENTS
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27. DERIVATIVE FINANCIAL INSTRUMENTS

The table below summarises the fair value of derivatives at end of year.

	Group	
	2015 $'000	2014 $'000
Liabilities – Derivatives with negative fair values:		
Derivatives not designated as hedging instruments:		
Interest rate swap (Note 27A)	–	95
Current portion	–	95
The movements during the year were as follows:		
Fair value at beginning of the year	95	210
Gains included in profit or loss under other gains (Note 6)	(95)	(115)
Total net balance at end of the year (Note 25)	–	95

The fair values of the derivatives are estimated based on market values of equivalent instruments at the end of the reporting year (Level 2).

27A. Interest rate swap

In 2014, the notional amount of the interest rate swap is $5,000,000. They are designed to convert floating rate borrowings to fixed rate exposure for five years from 5 May 2010 at 2.25% per year. The contract matured on 5 May 2015.

27B. Fair value measurements (Level 2) recognised in the statement of financial position

The interest rate swap is not traded in an active market. As a result, the fair value is based on valuation techniques currently consistent with generally accepted valuation methodologies for pricing financial instruments, and incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price.

The fair value of interest rate swap is determined on the basis of the current value of the difference between the contractual interest rate and the market rate at the end of the reporting year. The fair value is regarded as a Level 2 fair value measurement for financial instruments.

For fair value measurements categorised within Level 2 of the fair value hierarchy, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Level 2:
Derivative financial instruments. Fair value: $Nil (2014: $95,000).
Option model. Inputs include annualised volatility of credit; credit risk.

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28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK

28A. Classification of financial assets and liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting year by FRS 39 categories:

	Group	
	2015	**2014**
	$'000	**$'000**
Financial assets:		
Cash and cash equivalents	25,021	33,177
Trade and other receivables	28,072	41,171
Financial assets at fair value through profit or loss	1,606	1,454
Available-for-sale financial assets	130	130
At end of the year	54,829	75,932
Financial liabilities:		
Borrowings and finance leases at amortised cost	41,614	70,075
Derivative financial instruments at fair value through profit or loss	–	95
Trade and other payables at amortised cost	11,879	25,976
At end of the year	53,493	96,146

	Company	
	2015	**2014**
	$'000	**$'000**
Financial assets:		
Cash and cash equivalents	1,211	807
Trade and other receivables	2,010	3,766
At end of the year	3,221	4,573
Financial liabilities:		
Financial guarantee liability at amortised cost	–	4
Trade and other payables at amortised cost	456	1,220
At end of the year	456	1,224

Further quantitative disclosures are included throughout these financial statements.

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28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (CONT'D)

28B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposure to the financial risks on the financial instruments such as credit risk, interest risk, liquidity risk, market price risk comprising interest rate, currency risk and price risk exposures. The management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.

2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.

3. Enter into derivatives or any other similar instruments solely for hedging purposes.

4. All financial risk management activities are carried out and monitored by senior management staff.

5. All financial risk management activities are carried out following good market practices.

6. May consider investing in shares or similar instruments only in the case of temporary excess of liquidity and such transactions have to be authorised by the board of directors.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

28C. Fair value of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

	Group	
As at 30 September 2015	**Level 2 $'000**	**Level 3 $'000**
Financial assets at fair value through profit or loss:	–	1,606
Total	–	1,606

	Group	
As at 30 September 2014	**Level 2 $'000**	**Level 3 $'000**
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	95	–
Financial assets at fair value through profit or loss	–	1,454
Total	95	1,454

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28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (CONT'D)

28C. Fair value of financial instruments (cont'd)

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy:

	Group	
2015:	**Financial assets at fair value through profit or loss $'000**	**Total $'000**
Balance at beginning of the year	1,454	1,454
Gains recognised in profit or loss under other gains (Note 6)	152	152
Total net balance at end of the year	1,606	1,606

	Group	
2014:	**Financial assets at fair value through profit or loss $'000**	**Total $'000**
Balance at beginning of the year	1,492	1,492
Losses recognised in profit or loss under other losses (Note 6)	(38)	(38)
Total net balance at end of the year	1,454	1,454

The fair value of the financial assets is not based on observable market data (Level 3) (Note 18).

Analysis of effect of changing inputs on fair value measurements in Level 3 of the fair value hierarchy

The following table shows the effect of the changes of the inputs to reasonably possible alternative assumptions:

Group 2015:	**Carrying amount $'000**	**Favourable change $'000**	**Unfavourable change $'000**
Unquoted other investment reflected in profit or loss. 10% change	167	17	(17)
Unquoted equity-linked investment reflected in profit or loss. 10% change	1,439	144	(144)

2014:	**Carrying amount $'000**	**Favourable change $'000**	**Unfavourable change $'000**
Unquoted other investment reflected in profit or loss. 10% change	142	14	(14)
Unquoted equity-linked investment reflected in profit or loss. 10% change	1,312	131	(131)

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

28D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial instruments; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any loan payable commitment at the end of the reporting year. Credit risk on cash balances with banks and any derivative financial instruments is limited because the counterparties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk, as the exposure is spread over a large number of counterparties and customers unless otherwise disclosed in the notes to the financial statements below.

Note 20 discloses the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is between 30 to 90 days (2014: 30 to 90 days). But some customers take a longer period to settle the amounts.

(a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade receivables:				
Less than 60 days overdue	8,089	7,246	273	221
61-90 days overdue	389	1,737	437	526
91-120 days overdue	295	674	229	217
Over 120 days overdue	1,016	3,638	646	330
At end of year	9,789	13,295	1,585	1,294

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group	
	2015 $'000	2014 $'000
Allowance for impairment:		
Over 180 days	11	188
Total	11	188

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling $11,000 (2014: $188,000) that are determined to be impaired at the end of the reporting year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

28D. Credit risk on financial assets (cont'd)

Concentration of trade receivable customers as at the end of reporting year:

	Group		Company	
	2015 **$'000**	**2014** **$'000**	**2015** **$'000**	**2014** **$'000**
Top 1 customer	3,487	16,061	1,969	2,121
Top 2 customers	6,058	19,797	2,010	2,266
Top 3 customers	8,333	22,933	–	–

28E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

Group **Non-derivative financial liabilities:**	**Less than 1 year** **$'000**	**1 – 5 years** **$'000**	**Total** **$'000**
2015:			
Trade and other payables	11,879	–	11,879
Gross borrowings commitments	37,135	4,908	42,043
At end of the year	49,014	4,908	53,922

Non-derivative financial liabilities:	**Less than 1 year** **$'000**	**1 – 5 years** **$'000**	**Total** **$'000**
2014:			
Trade and other payables	25,976	–	25,976
Gross borrowings commitments	65,740	4,757	70,497
At end of the year	91,716	4,757	96,473

Company **Non-derivative financial liabilities:**	**Less than 1 year** **$'000**	**Total** **$'000**
2015:		
Trade and other payables	456	456
At end of the year	456	456

Non-derivative financial liabilities:	**Less than 1 year** **$'000**	**Total** **$'000**
2014:		
Trade and other payables	1,220	1,220
At end of the year	1,220	1,220

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

28E. Liquidity risk – financial liabilities maturity analysis (cont'd)

The following table analyses the derivative financial instruments in a loss position by contractual maturities:

Group **Derivative financial liabilities:**	**Less than 1 year** **$'000**
2015:	
Interest rate swap net payment	–

Group **Derivative financial liabilities:**	**Less than 1 year** **$'000**
2014:	
Interest rate swap net payment	(95)

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

Financial guarantee contracts - At the end of the reporting year, no claims on the financial guarantees are expected. The following table shows the maturity analysis of the contingent liabilities based on the maximum earliest period in which the guarantee could be called:

Company	**Less than 1 year** **$'000**	**1 – 3 years** **$'000**	**3 – 5 years** **$'000**	**Total** **$'000**
2015:				
Corporate guarantee in favour of a subsidiary	36,974	2,495	–	39,469
2014:				
Corporate guarantee in favour of a subsidiary	86,570	2,357	21	88,948

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 120 days (2014: 30 to 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

28E. Liquidity risk – financial liabilities maturity analysis (cont'd)

Bank facilities:

	Group	
	2015 **$'000**	**2014** **$'000**
Letters of credit	2,367	19,098
Bankers' guarantees	50	97
Performance guarantees	3,783	3,914
Undrawn borrowing facilities	126,041	79,254

The above facilities are covered by a corporate guarantee of the company.

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the budgeted operations. A monthly schedule showing the maturity of financial liabilities and unused bank facilities is provided to management to assist them in monitoring the liquidity risk.

28F. Interest rate risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments (excluding derivatives) by type of interest rate:

	Group	
	2015 **$'000**	**2014** **$'000**
Financial liabilities with interest:		
Fixed rates	32,262	61,225
Floating rates	9,352	8,850
Total at end of year	41,614	70,075

The interest rates are disclosed in the respective notes.

Sensitivity analysis:

	Group	
	2015 **$'000**	**2014** **$'000**
Financial liabilities:		
A hypothetical variation in interest rates by 100 basis points with all other variables held constant, would have an increase in pre-tax loss for the year by	94	89

The analysis has been performed for floating interest rate over a year for financial instruments. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses. The hypothetical changes in basis points are not based on observable market data (unobservable inputs). The impact of a change in interest rates on fixed interest rate financial instruments has not been assessed in terms of changing of their fair value.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

28G. Foreign currency risks

Analysis of amounts denominated in non-functional currency:

Group 2015:	**USD $'000**	**EUR $'000**	**Others[#a] $'000**	**Total $'000**
Financial assets:				
Cash	5,234	116	643	5,993
Trade and other receivables	12,824	110	–	12,934
Other financial assets	1,404	–	–	1,404
Total financial assets	19,462	226	643	20,331
Financial liabilities:				
Other financial liabilities	8,354	206	–	8,560
Trade and other payables	6,673	285	85	7,043
Total financial liabilities	15,027	491	85	15,603
Net financial assets (liabilities) at end of year	4,435	(265)	558	4,728

Group 2014:	**USD $'000**	**EUR $'000**	**Others[#a] $'000**	**Total $'000**
Financial assets:				
Cash	15,187	146	174	15,507
Trade and other receivables	25,817	–	158	25,975
Other financial assets	1,267	–	–	1,267
Total financial assets	42,271	146	332	42,749
Financial liabilities:				
Other financial liabilities	2,897	–	–	2,897
Trade and other payables	17,256	228	120	17,604
Total financial liabilities	20,153	228	120	20,501
Net financial assets (liabilities) at end of year	22,118	(82)	212	22,248

#a. Others – These are non-functional currencies.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

28G. Foreign currency risks (cont'd)

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis:

	Group	
	2015 **$'000**	**2014** **$'000**
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the USD with all other variables held constant would have an adverse effect on pre-tax profit or loss of	(403)	(2,011)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the EUR with all other variables held constant would have a favourable effect on pre-tax profit or loss of	24	7
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against other currencies with all other variables held constant would have an adverse effect on pre-tax profit or loss of	(51)	(19)

The above table shows sensitivity to a hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction on the profit or loss.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out without taking into consideration hedged transactions.

29. ITEMS IN PROFIT OR LOSS

In addition to the profit and loss line items disclosed elsewhere in the notes to the financial statements, this item includes the following expenses (credits):

	Group	
	2015 **$'000**	**2014** **$'000**
Audit fees to the independent auditor of the company	142	146
Audit fees to the other independent auditor	27	15
Other fees to the independent auditor of the company	71	29
Other fees to the other independent auditor	16	–

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

30. OPERATING LEASE PAYMENT COMMITMENTS – AS LESSEE

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group	
	2015 $'000	2014 $'000
Not later than one year	886	968
Later than one year and not later than five years	2,563	2,083
Later than five years	2,131	2,192
Rental expense for the year	2,453	2,188

Operating lease payments represent rentals payable for certain equipment rental and leasehold properties. The leases for the leasehold properties are for 27 years from 9 September 2005, 12 years from 19 September 2007, 21.8 years[a] from 31 July 2010 and 5.34 years from 29 December 2014 respectively. The lease rental terms are negotiated for an average term of one to three years. Rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

(a) On 29 May 2014, a subsidiary accepted a letter of offer issued by JTC Corporation to extend the lease term for 90 Second Lok Yang Road for a further term of 13.3 years from 16 March 2019. As consideration for the extension, the subsidiary is required to satisfy certain investment criteria with a minimal investment amount of $11,830,000 within three years.

31. CAPITAL COMMITMENTS

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2015 $'000	2014 $'000
Commitment to purchase property, plant and equipment (Also see Note 13)	206	6,120

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

32. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("**INT FRS**") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 19	Amendments To FRS 19: Defined Benefit Plans: Employee Contributions
Various	Improvements to FRSs (Issued in January 2014). Relating to FRS 113 Fair Value Measurement FRS 16 Property, Plant and Equipment FRS 24 Related Party Disclosures
Various	Improvements to FRSs (Issued in February 2014). Relating to FRS 113 Fair Value Measurement

33. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

For the future reporting years new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("**INT FRS**") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 1	Amendments to FRS 1: Disclosure Initiative	1 Jan 2016
FRS 16 & 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016
Various	Improvements to FRSs (November 2014)	1 Jan 2016
FRS 115	Revenue from Contracts with Customers	1 Jan 2017
FRS 109	Financial Instruments	1 Jan 2018

NOTES TO THE FINANCIAL STATEMENTS
30 September 2015
— cont'd —

34. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements. The reclassifications included the following:

Group		After reclassification $'000	Before reclassification $'000	Difference $'000
2014 Statement of financial position:				
Non-current assets				
Trade and other receivables	(a)	2,086	–	2,086
Current assets				
Trade and other receivables	(a)	39,085	41,171	(2,086)
2014 Statement of profit or loss and other comprehensive income:				
Cost of sales	(b)	126,897	127,409	(512)
Depreciation expenses	(b)	2,615	–	2,615
Marketing and distribution costs	(b)	9,399	11,146	(1,747)
Administrative expenses	(b)	8,602	10,991	(2,389)
Other losses	(b)	2,107	74	2,033

(a) The time taken for these amounts to be billed depends on the completion date of the respective end customers' projects and submission of the final documentation. Hence, that portion has been reclassified to non-current assets.

(b) The reclassifications were made to better reflect the fundamental nature of the respective expense items so as to represent a more accurate analysis.

As is required by FRS 1 the statement of financial position at the end of the current reporting year and the beginning and end of the preceding reporting year is presented.

SHAREHOLDERS' INFORMATION
As at 14 December 2015

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Class of shares : Ordinary shares
Voting rights : One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	10	0.66	301	0.00
100 - 1,000	112	7.35	59,199	0.02
1,001 - 10,000	467	30.64	2,350,800	0.81
10,001 - 1,000,000	904	59.32	63,418,541	21.84
1,000,001 AND ABOVE	31	2.03	224,571,156	77.33
TOTAL	1,524	100.00	290,399,997	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DAIWA CAPITAL MARKETS SINGAPORE LIMITED	82,617,982	28.45
2	ONG TONG HAI	28,411,996	9.78
3	ONG TONG YANG (WENG DONGYANG)	19,954,396	6.87
4	RAFFLES NOMINEES (PTE) LIMITED	10,451,000	3.60
5	OCBC SECURITIES PRIVATE LIMITED	10,090,350	3.47
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	7,859,400	2.71
7	HO SU CHIN	6,298,141	2.17
8	CHOW KOK KEE	6,124,991	2.11
9	ANG SEAU TEE (HONG XIUDI)	5,363,698	1.85
10	TEO CHING CHING (ZHAO QIANQIAN)	4,765,698	1.64
11	DBS NOMINEES (PRIVATE) LIMITED	4,564,094	1.57
12	TEO PEI PEI (ZHAO PEIPEI)	3,382,498	1.16
13	CHOO KHIAN HYONG	3,000,000	1.03
14	TEO LING LING SUE-ANN	2,842,798	0.98
15	CHAN HOCK LYE	2,741,800	0.94
16	TEO BEE YEN	2,319,400	0.80
17	HONG LEONG FINANCE NOMINEES PTE LTD	2,208,400	0.76
18	ANG KONG MENG	2,185,000	0.75
19	CITIBANK NOMINEES SINGAPORE PTE LTD	2,153,100	0.74
20	WONG KEE TOH	2,000,000	0.69
	TOTAL	209,334,742	72.07

SHAREHOLDERS' INFORMATION
As at 14 December 2015
— cont'd —

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

Name of Shareholders	Number of Shares	Direct Interest %	Deemed Interest %
Daiwa Capital Markets Singapore Limited	82,617,982	28.45	–
Ong Tong Hai	28,411,996	9.78	–
Ong Tong Yang (Weng DongYang)	19,954,396	6.87	–

Note:-
Mr Ong Tong Hai and Mr Ong Tong Yang are brothers.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 14 December 2015, approximately 55% of the Company's shares were held by the public. Accordingly, the Company is in compliance with Rule 723 of the SGX-ST Listing Manual.

TREASURY SHARES

As at 14 December 2015, there are no treasury shares held by the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of CosmoSteel Holdings Limited (the "**Company**") will be held at Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Thursday, 28 January 2016 at 2.00 p.m. to transact the following business:-

ORDINARY BUSINESS

AS ORDINARY RESOLUTIONS

1. To receive and adopt the Directors' Report, the Auditors' Report and the Audited Financial Statements of the Company for the financial year ended 30 September 2015. **(Resolution 1)**

2. To declare a final dividend of 0.50 Singapore cent per ordinary share for the financial year ended 30 September 2015. **(Resolution 2)**

3. To approve the payment of S$18,000 as additional Directors' fees for the financial year ended 30 September 2015. **(Resolution 3)**

4. To approve the payment of S$285,000 as Directors' fees for the financial year ending 30 September 2016. **(Resolution 4)**

5. To re-elect Mr Ong Tong Yang, the Director retiring by rotation pursuant to Article 99 of the Articles of Association of the Company. **(Resolution 5)**

6. To re-elect Mr Ong Tong Hai, the Director retiring by rotation pursuant to Article 99 of the Articles of Association of the Company. **(Resolution 6)**

7. To re-appoint Mr Jovenal R. Santiago, the Director who was previously reappointed to hold office until the Tenth Annual General Meeting of the Company pursuant to then Section 153(6) of the Companies Act (Cap 50.). **(Resolution 7)**

8. To re-elect Mr Hiroshi Ebihara, the Director retiring by rotation pursuant to Article 81 of the Articles of Association of the Company. **(Resolution 8)**

9. To re-elect Mr Seiji Usui, the Director retiring by rotation pursuant to Article 81 of the Articles of Association of the Company. **(Resolution 9)**

10. To re-appoint RSM Chio Lim LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 10)**

NOTICE OF ANNUAL GENERAL MEETING
— cont'd —

SPECIAL BUSINESS

AS ORDINARY RESOLUTIONS

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

11. Authority to issue and allot shares pursuant to Share Issue Mandate

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company (the "**Share Issue Mandate**") to:

(A) (i) issue shares in the capital of 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) warrants, debentures, convertible securities or other instruments convertible into Shares; and/or

(iii) notwithstanding that such authority conferred by this Resolution may have ceased to be in force at the time the Instruments are to be issued, issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or other capitalisation issues, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(B) issue Shares in pursuance of any Instrument made or granted by the Directors pursuant to (A)(ii) and/or (A)(iii) above, notwithstanding that such authority may have ceased to be in force at the time the Shares are to be issued,

provided that:

(I) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (II) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (II) below);

(II) (subject to such manner of calculation and adjustments 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 (I) above, the percentage of issued Shares shall be based on the Company's total number of issued Shares (excluding treasury shares) 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 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;

(III) in exercising such authority, 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 Articles of Association for the time being of the Company; and

NOTICE OF ANNUAL GENERAL MEETING
— cont'd —

(IV) unless revoked or varied by the Company in general meeting by ordinary resolution, the authority conferred by this Resolution 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, or the expiration of such other period as may be prescribed by the Companies Act, Chapter 50, and every other legislation for the time being in force concerning companies and affecting the Company, whichever is the earliest.

(Resolution 11)

12. Authority to issue and allot shares pursuant to CosmoSteel Employee Share Option Scheme

That authority be and is hereby given to the Directors of the Company to offer and grant share options in accordance with the provisions of the CosmoSteel Employee Share Option Scheme approved by shareholders in general meeting held on 28 March 2007 (the "**Scheme**") and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the share options under the Scheme (notwithstanding that such allotment and issue may occur after the conclusion of the next or any ensuing Annual General Meeting of the Company).

(Resolution 12)

13. Renewal of IPT Mandate

That:

(a) authority be and is hereby given for the Company, its subsidiaries and associated companies (if any) which fall within the definition of "entities at risk" under Chapter 9 of the Listing Manual of the SGX-ST or any of them to enter into any transaction falling within the categories of interested person transactions set out in the Addendum, with any party who is of the class or classes of interested persons described in the Addendum, provided that such transaction is made on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders, and is entered into in accordance with the review procedures for interested person transactions as set out in the Addendum (such shareholders' general mandate hereinafter called the "**IPT Mandate**");

(b) the IPT Mandate shall, unless revoked or varied by the Company in a general meeting, 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;

(c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of the procedures and/or modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST, which may be prescribed by the SGX-ST from time to time; and

(d) the directors of the Company and each of them be and are hereby authorised, empowered to complete and do and execute all such things and acts as they or he may consider necessary or appropriate to give effect to these resolutions and the IPT Mandate, with such modifications thereto (if any) as they or he may think fit in the interests of the Company.

(Resolution 13)

14. To transact any other ordinary business of an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING
— cont'd —

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS ALSO HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 1 March 2016 for determining the shareholders' entitlements to the proposed final dividends. Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 29 February 2016 will be registered to determine shareholders' entitlements to the proposed final dividends. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 29 February 2016 will be entitled to the dividends.

The proposed final dividends, if approved by shareholders at the Annual General Meeting of the Company, will be paid on 11 March 2016.

BY ORDER OF THE BOARD

Lee Pih Peng
Company Secretary
13 January 2016
Singapore

NOTICE OF ANNUAL GENERAL MEETING
— cont'd —

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESSES TO BE TRANSACTED:-

Ordinary Business

(i) Ordinary Resolution 3, if passed, will allow the Company to pay additional Directors' fees to Directors in respect of the financial year ended 30 September 2015 in relation to additional meetings during the course of the financial year ended 30 September 2015 and arising from the change in the composition of the Directors and reconstitution of the Board committees resulting therefrom. This amount is in excess of the Directors' fees (S$290,000) in respect of FY2015, which was approved at the last annual general meeting of the Company.

(ii) Ordinary Resolution 4, if passed, will allow the Company to pay Directors' fees to Directors (on a quarterly basis in arrears) as services are rendered by Directors during the course of the financial year ending 30 September 2016. This will facilitate Directors' compensation for services rendered in a timely manner. In the event of unforeseen circumstances, such as the appointment of an additional Director, additional unscheduled Board meetings and the formation of additional Board Committees, resulting in the amount proposed being insufficient, approval will be sought at the next Annual General Meeting for payments to meet the shortfall.

(iii) Ordinary Resolution 5, if passed, will re-appoint Mr Ong Tong Yang as Director of the Company. Mr Ong Tong Yang is an Executive Director of the Company.

(iv) Ordinary Resolution 6, if passed, will re-appoint Mr Ong Tong Hai as Director of the Company. Mr Ong Tong Hai is an Executive Director of the Company.

(v) Ordinary Resolution 7, if passed, will re-appoint Mr Jovenal R. Santiago as Director of the Company. As Mr Jovenal R. Santiago was re-appointed to hold office until the Tenth Annual General Meeting of the Company pursuant to the then Section 153(6) of the Companies Act (Cap. 50), the re-appointment of Mr Jovenal R. Santiago is proposed although he will not be subject to subsequent annual re-appointments with the repeal of Section 153 with effect from [3 January 2016]. Mr Jovenal R. Santiago will, upon the re-appointment, remain as the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee.

(vi) Ordinary Resolution 8, if passed, will re-appoint Mr Hiroshi Ebihara, who was appointed as Director during the course of the financial year ended 30 September 2015. Mr. Hiroshi Ebihara will, upon the re-appointment, remain as a member of the Nominating Committee and the Remuneration Committee.

(vii) Ordinary Resolution 9, if passed, will re-appoint Mr Seiji Usui, who was appointed as Director during the course of the financial year ended 30 September 2015. Mr Seiji Usui is an Executive Director of the Company.

Special Business

(viii) Ordinary Resolution 11, if passed, will empower the Directors of the Company to, from the date of the above Annual General Meeting of the Company until 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 the expiration of such other period as may be prescribed by the Companies Act, Chapter 50, and every other legislation for the time being in force concerning companies and affecting the Company, whichever is the earliest, allot and issue Shares, to make or grant Instruments, and to issue Shares in pursuance of such Instruments for such purposes as they consider in the interests of the Company.

The aggregate number of Shares that the Directors may allot and issue under this Resolution (including Shares to be issued in pursuance of Instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares), of which the aggregate number of Shares to be issued other than on a pro rata basis shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury

NOTICE OF ANNUAL GENERAL MEETING
— cont'd —

shares) (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution), to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be calculated based on the total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:

(1) new Shares arising from the conversion or exercise of any convertible securities;

(2) new Shares arising from exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(3) any subsequent bonus issue, consolidation or sub-division of Shares.

(ix) Ordinary Resolution 12, if passed, will empower the Directors of the Company to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the share options under the Scheme, notwithstanding that such allotment and issue may occur after the conclusion of the next or any ensuing Annual General Meeting of the Company.

This authority is in addition to the general authority to issue Shares sought under Resolution 11.

(x) Ordinary Resolution 13, if passed, will renew the IPT Mandate first given by the Shareholders at the Company's extraordinary general meeting held on 3 March 2015 ("**EGM**") to allow the Company, and its subsidiaries and associated companies or any of them to enter into interested person transactions with certain classes of interested persons (details of which are set out in the Addendum to Shareholders in relation to the proposed renewal of the IPT Mandate dated 13 January 2016).

The Company's Audit Committee has confirmed (pursuant to Rule 920(1) of the Listing Manual of the SGX-ST) that the methods or review procedures set out in the Addendum for determining the transaction prices in respect of the interested person transactions have not changed since the Shareholders' approval at the EGM.

Note:-

A member of the Company (a "**Member**") entitled to attend and vote at the Annual General Meeting of the Company ("**AGM**") is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a Member. The instrument appointing the proxy must be deposited at the registered office of the Company at 50 Raffles Place, #06-00, Singapore Land Tower, Singapore 048623, not less than forty-eight (48) hours before the time set for holding the AGM.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting 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 Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (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.

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PROXY FORM
Annual General Meeting

IMPORTANT:

1. For investors who have used their CPF monies to buy ordinary shares in the capital of CosmoSteel Holdings Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by such CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

COSMOSTEEL HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 200515540Z)

I/We, ____ (Name) ________________________________ (NRIC/Passport No.)

of ____ (Address)

being a shareholder/shareholder(s) of CosmoSteel Holdings Limited (the "Company"), hereby appoint:

Name	Address	NRIC / Passport No.	Proportion of My / Our Shareholding (%) to be Represented by Proxy

and/or (delete as appropriate)

Name	Address	NRIC / Passport No.	Proportion of My / Our Shareholding (%) to be Represented by Proxy

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 ("**AGM**") of the Company to be held at Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Thursday, 28 January 2016 at 2.00 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, my/our proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
	ORDINARY BUSINESS		
1	To adopt Directors' Report, Auditors' Report and Audited Financial Statements		
2	To declare a final dividend of 0.50 Singapore cent per ordinary share		
3	To approve additional Directors' fees for the financial year ended 30 September 2015		
4	To approve Directors' fees for the financial year ending 30 September 2016		
5	To re-elect Mr Ong Tong Yang, the Director retiring pursuant to Article 99 of the Company's Articles of Association		
6	To re-elect Mr Ong Tong Hai, the Director retiring pursuant to Article 99 of the Company's Articles of Association		
7	To re-appoint Mr Jovenal R. Santiago, the Director who was previously reappointed to hold office until the Tenth Annual General Meeting of the Company pursuant to the then Section 153(6) of the Companies Act (Cap. 50)		
8	To re-elect Mr Hiroshi Ebihara, the Director retiring by rotation pursuant to Article 81 of the Articles of Association of the Company		
9	To re-elect Mr Seiji Usui, the Director retiring by rotation pursuant to Article 81 of the Articles of Association of the Company		
10	To re-appoint RSM Chio Lim LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
11	To authorise the Directors to allot and issue shares		
12	To authorise the Directors to offer and grant share options and to allot and issue shares under the CosmoSteel Employee Share Option Scheme		
13	To authorize the Directors to enter into interested person transactions pursuant to the Interested Person Transactions Mandate		

(Please indicate your vote 'For' or 'Against' with an 'X' within the box provided.)

Dated this ________________ day of ___________________ 2016

Total Number of Shares Held

____
Signature(s) of Shareholder(s) or Common Seal

Important: Please read notes overleaf

Notes:

1. Please insert the total number of shares in the Company ("**Shares**") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), 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 (1) or two (2) 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 (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

4. The instrument appointing the proxy or proxies must be deposited at the Company's registered office at 50 Raffles Place, #06-00 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for the meeting.

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 under the hand of the appointor or 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 Common Seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. 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, Cap. 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, 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 a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register 48 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) to attend, speak and vote at the Extraordinary General Meeting 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 Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (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.

COSMOSTEEL HOLDINGS LIMITED

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