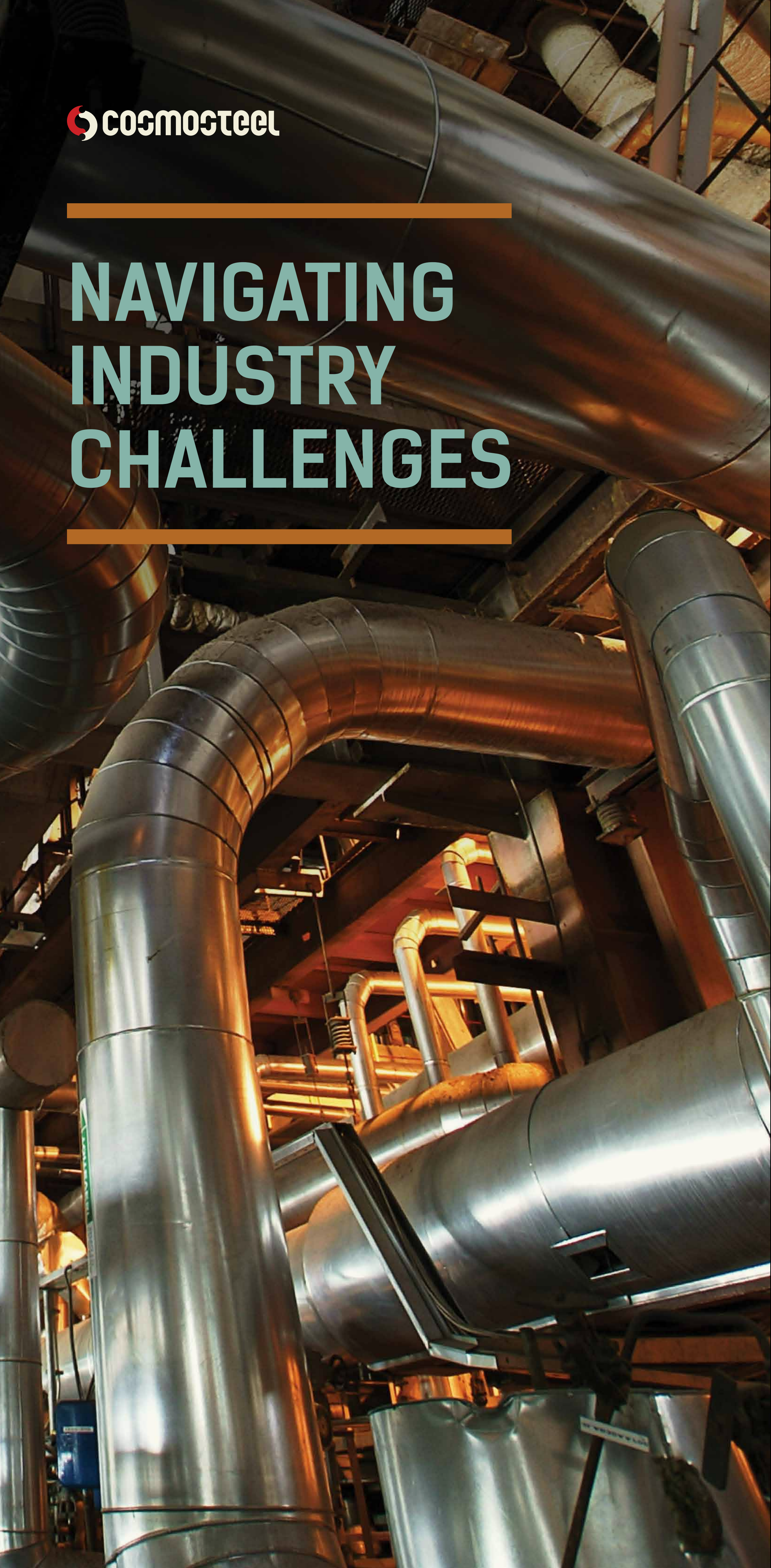

COSMOSTEEL

NAVIGATING INDUSTRY CHALLENGES

20
17

ANNUAL REPORT

CONTENTS

WHEN FACED WITH A CHALLENGE. LOOK FOR A WAY, NOT A WAY OUT.

DAVID WEATHERFORD

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.

CORPORATE OBJECTIVES

- To achieve an adequate level of profitability in line with market conditions and, in the process, enhance shareholder value.
- To continually strive for improvements in quality of products and to consistently provide timely services to customers.
- To focus on productivity improvements in order to achieve a leading position in price competitiveness.
- To secure the health and safety of our employees and all concerning parties, and also protect the environment in the course of our operations.
- To be a people developer by promoting performance excellence through a continuous process of learning and training.

CORPORATE PROFILE

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.

CosmoSteel has regularly received recognition for our best practices in corporate transparency and business operations. In 2017, the Group was ranked 67th out of 606 companies on the Singapore Governance and Transparency Index ("**SGTI**"), the leading index for assessing corporate governance practices of Singapore-listed companies. 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.

CORPORATE STRUCTURE

COSMOSTEEL HOLDINGS LIMITED

- **Kim Seng Huat Hardware Pte Ltd / 100%**
- **CosmoSteel (Australia) Pty Ltd / 100%**

OUR CORE VALUES

B E S T

BUILD TRUST

We endeavour to build open and honest relationships and operate with integrity to gain the trust of our stakeholders.

EFFECT PROGRESS

We are passionate and driven to lead our business to the forefront of the industry by boosting our value proposition and expanding our peoples' capabilities while safeguarding the well-being of our people.

SURPASS EXPECTATIONS

We are determined to always be in pursuit of excellence and advancement in order to deliver value and achieve distinction among our peers.

THINK FORWARD

We embrace innovation, champion continuous learning and prioritise the well-being of our people to achieve a more efficient, profitable and sustainable business that is both conscionable and practical in the long term.

OUR MILESTONES

2017
- Ranked 67th with an overall score of 72 in the SGTI 2017
- Commenced construction and development of warehouse at 90 Second Lok Yang Road
- Further extension of supply agreement with oil majors
- Secured supply agreements to supply pipes, fittings and flanges to oil refineries

2016
- Ranked 45th with an overall score of 77 in the SGTI 2016
- Became an Accredited Training Organisation authorised to train Chartered Accountants (Singapore) under the Singapore CA Qualification

2015
- Achieved ISO 22301:2012 certification for Business Continuity Management ("**BCM**")
- Started provision of logistics handling services to enhance market competitiveness
- Expanded inventory range with structural, electrical and electrical cable line items
- Entered into a strategic alliance with Hanwa Co., Ltd

2014
- Acquired new warehousing facility at 36 Tuas Crescent (118,274 sqf; warehousing)
- Extended lease of warehousing facility at 90 Second Lok Yang Road

2013
- Adopted dividend policy targeting to distribute an annual dividend payout of at least 10% of net profit attributable to Shareholders (subject to conditions set out in our dividend policy)

2012
- Achieved bizSAFE STAR certification

2011
- Secured enterprise framework agreement for the supply of pipes, fittings and flanges to an oil major

2010
- Acquired new warehouse at 90 Second Lok Yang Road Singapore (69,998 sqf: warehousing)
- Further extension of supply agreement with an oil major

2009
- Achieved ISO 14001:2004 and OHSAS 18001:2007 certifications
- Extension of supply agreement with an oil major
- Secured contract to supply pipes and fittings to The New Zealand Refining Company Ltd

2008
- Achieved ISO 9001:2008 certification
- Increased total warehousing capacity and office space to 308,114 sqf through rental
- Secured a 5-year supply agreement to supply pipes, fittings and flanges to an oil major

2007
- Acquired new warehouse at 21A Neythal Road Singapore (111,751 sqf: warehousing)
- Listed on the Mainboard of Singapore Exchange Ltd
- Secured 5-year frame agreement with Alstom Switzerland to supply pipes and fittings

2005
- Moved to new site at 14 Lok Yang Way Singapore (111,363 sqf: warehousing and office)
- Started provision of value-added services to customers
- Secured 3-year contract with an oil major in Singapore for maintenance requirements

2003
- Achieved ISO 9001:2000 certification

2001
- Increased total warehousing capacity and office space to 118,952 sqf through rental

2000
- Achieved ISO 9002:1994 certification

1999
- Expanded range to include stainless steel products required in Energy & Marine industries

1996
- First contract to supply entire requirements for steel fittings for a FPSO project and many more since

1993
- Expanded by consolidating operations to new premises in 41 Tuas Avenue 13 Singapore (42,986 sqf: warehousing and office)

1992
- Business operated from 5 warehouses in Singapore

1988
- First oil and gas contract in Brunei
- First contract for supply of pipes and fittings to several MNCs in the Energy industry
- Ventured into Marine industry with contracts from major local shipyards

1984
- Started with a shophouse in Jalan Besar, Singapore
- First contract supplying pipes and fittings to a company in the boiler industry

OUR PRODUCTS & SERVICES

PRODUCTS

OVER

25,000

LINE ITEMS

ENERGY INDUSTRY

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

MARINE INDUSTRY

Applications: Shipbuilding and repair

OUR CUSTOMERS

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

SERVICES

Offering customisation services for specific engineering and fabrication design requirements

BUSINESS OVERVIEW

With over 25,000 line items across four main product categories, CosmoSteel has one of the largest and most extensive inventories of steel pipes, fittings, flanges and structural in Singapore today. We also offer electrical products as well as electrical cable products.

Our capabilities as an inventory specialist, together with our range of complementary value-add services, enable us to meet customers' requirements readily and efficiently. Our customers, many of who are established companies in the Energy, Marine, and Other industries, consider CosmoSteel as their key trusted partner and have longstanding relationships with us.

Products

Steel
- Pipes
- Fittings
- Flanges

Structural
- Structural beams
- Channels
- Plates
- Flats
- Hollow sections of different steel grades

Electrical Cable
- Cable dressing
- Cable gland
- Cable harness
- Cable knitting
- Cable management
- Cable reel
- Category 7 cable
- Circuit integrity
- Electrical connector
- Power cable
- Profibus
- Submarine communications cable
- Submarine power cable
- Steel Wire Armoured (SWA) Cable
- SY control cable
- Tensile structure
- Transmission line

Electrical
- Switching and distributing systems
- Terminal and junction boxes and switches
- Light fittings
- Isolators

Material Range

- Carbon steel
- Low temp carbon steel
- Stainless steel
- Duplex steel
- Super duplex steel
- High yield steel
- Low alloys steel

International Standards

Steel and Structural Products
- API
- ANSI
- ASME
- ASTM
- EN

Cable Products
- API
- CSA
- IEEE
- IEC
- UL

Value-add Services

- Customisation
  - Design
  - Size
  - Chemical compositions
  - Mechanical strength
  - Testing requirements
- Validation
- Testing

Non-Destructive Testing
  - Alloy verification
  - Dye penetrant testing
  - Magnetic particle testing
  - UT testing
  - Wall thickness check
  - Ferrite content check

Third-party testing and inspection
  - Hydrogen induction cracking
  - Sulfide stress cracking

- Expedited delivery
  - For time-sensitive projects and material grades that are difficult to source
- Project management
  - Procurement and expediting services
  - Inventory management services for customers without warehouse or storage facilities
  - Just-in-time delivery

JOINT MESSAGE FROM THE CHAIRMAN & CEO

We succeeded in extending supply agreements with a number of our customers in the oil and gas industry and also secured new agreements to supply pipes, fittings and flanges to oil refineries in the region. We are extremely heartened by these developments as it speaks to the trust and strong ties we have forged with our existing customers and the reputation for quality our brand holds in our industry.

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 2017 ("**FY2017**"). The past year had not been an easy one for companies operating in the oil and gas market as the industry continued to be marked by weak sentiments, uncertainties in global economies, and compounded by downward price pressures as a result of intense competition.

Although we achieved an 11.9% rise in revenue to $76.9 million in FY2017, our net loss widened to $9.4 million as a result of this operating environment and other factors that included insufficient sales to cover fixed costs, margin pressure, provision for slow-moving inventories and higher depreciation expenses. This compared to revenue and net loss of $68.8 million and $7.6 million respectively for the preceding financial year ended 30 September 2016 ("**FY2016**").

There were a few achievements that stood out for us last year. For one, we succeeded in extending supply agreements with a number of our customers in the oil and gas industry and also secured new agreements to supply pipes, fittings and flanges to oil refineries in the region. We are extremely heartened by these developments as it speaks to the trust and strong ties we have forged with our existing customers and the reputation for quality our brand holds in our industry.

Also, we managed to successfully leverage the business network of our strategic partner, Hanwa, in certain Asian markets. Japan in particular benefited from our alliance with Hanwa as sales in this market surged over four folds from $5.2 million in FY2016 to $23.7 million in FY2017, supported by our intensified marketing efforts. We believe that this goes to show how our partnership with Hanwa, which has given us access to a wider range of products and geographical network, is able to deliver meaningful synergies to CosmoSteel. We plan to continue

tapping on this connection to further drive our business.

Last year, we continued to implement strategies to raise our operational efficiency, enhance our customer relevance and strengthen our governance frameworks. Given the operating environment, it was also necessary for us to trim excesses and allocate our resources prudently in order to optimise our performance. The measures we took comprised, among others, right-sizing our structure, strict cost controls, training and up-skilling our employees, as well as making our existing risk and business continuity systems more robust.

One of our tasks in FY2017 was to control our operating overheads. As such, while it was painful, we made the decision to right-size our full-time employees and sub-contractors to better cater to the level of business activities. We also reduced employee benefits expenses which helped to substantially shave our distribution and administrative expenses.

With our customers' needs in mind, we also continued to keep our team's skills and expertise relevant to our customers and the market place through a myriad of training courses in various disciplines. These included comprehensive in-house training programmes, refresher programmes and, for certain individuals, specialised external training courses. Over the span of FY2017, close to 100 of our employees were sent for approximately 18 external upgrading / training courses.

The development of our warehouse facility at 90 Second Lok Yang Road is also progressing smoothly. As at 30 September 2017, approximately 23% of the construction work was completed and a topping out ceremony was conducted on 18 November 2017. We expect the final completion of the warehouse sometime in April 2018. Upon completion, the new facility, which has a lease of up to 2032, will allow CosmoSteel to expand our warehouse capacity to better house our growing inventory range and support the Group's overall supply chain management.

FUTURE OUTLOOK

After more than two years in the doldrums, there are finally some encouraging signs that the oil and gas market is rebalancing, helped by an Organization of the Petroleum Exporting Countries ("**Opec**")-led production-cutting deal among global producers.[1] Oil supply overhang is normalising while oil demand has also been strong, driven by China, India and advanced economies. Indeed, according to Opec and the US Energy Information Administration, global demand is on track to exceed supply this year.[2]

We are heartened that oil market equilibrium is finally in sight. We believe that the various steps that we have taken in the past few years to strengthen the resiliency and operational efficiency of our business will put us in a stronger position when the market recovers.

REVENUE

▲ **11.9%**

FY2017

2017 ACHIEVEMENTS

Japan in particular benefited from our alliance with Hanwa as sales in this market surged over four folds from $5.2 million in FY2016 to $23.7 million in FY2017

Until that happens, we will continue to manage our cost effectively and keep an eye out for new potential markets and suitable opportunities for growth.

APPRECIATION

We have weathered another tough year and we have many people to thank – the staff of CosmoSteel for working tirelessly last year; our customers, suppliers and business partners who have continued to support us. Lastly, we will like to thank our shareholders for your support. We will do our best to create long term value for your investment in our Group.

LOW BENG TIN
Chairman and Independent Non-executive Director

ONG CHIN SUM
CEO and Executive Director

[1] *The Business Times, "Oil prices ease as speculators grow impatient", 4 October 2017*
[2] *The Business Times, "Favourable short-term fundamentals on oil?", 21 November 2017*

主席和总裁的
联合序言

我们成功与几名石油与天然气行业的客户延长供应合约，并签订了新合约，为区域的炼油厂供应管材、管件和法兰。我们为此深受鼓舞，这显示了我们和现有客户建立起来的信任和牢固的关系，以及我们的品牌在行业中享有良好的声誉。

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2017年9月30日的2017财政年度报告。对于石油与天然气市场的公司来说，去年是艰巨的，疲弱的市场情绪、不稳定的全球经济仍然笼罩着这个行业，激烈的竞争更是带来了价格压力。

虽然我们于2017财政年取得11.9%的营收增长，达到7692万新元，但由于营运环境不利，销售额不足以覆盖固定成本，利润率面对压力，并且集团为销售缓慢的库存拨出准备金，加之折旧开支增加，我们的净亏损扩大到了938万新元。截至2016年9月30日的2016财政年的营收和净亏损分别为6876万新元和758万新元。

去年我们取得了几项值得一提的成就。例如，我们成功与几名石油与天然气行业的客户延长供应合约，并签订了新合约，为区域的炼油厂供应管材、管件和法兰。我们为此深受鼓舞，这显示了我们和现有客户建立起来的信任和牢固的关系，以及我们的品牌在行业中享有良好的声誉。

此外，我们也成功借助战略伙伴阪和兴业在一些亚洲市场的商业人脉。其中日本市场受惠显著，随着我们加强市场营销，营收从2016财政年的525万新元激增超过四倍至2017财政年的2368万新元。和阪和兴业的合作让我们能够扩展产品范围以及地理市场网络，我们相信，这为宇宙钢铁带来了良好的协同效应。我们计划进一步借助这项合作关系推动业务发展。

去年，我们继续实施战略，提升营运效率，改善与客户的关系，同时增强治理框架。在现有的营运环境中，我们有必要开源节流，谨慎分配资源来优化表现。我们采取的措施包括合理精简我们的架构、严格控制成本、培训提升员工、以及加强现有的风险和业务可持续系统。

我们在2017财政年的一项任务是控制营运间接成本。因此，我们作出了一项痛苦的决定，精简我们的全职员工和分包商，更好地应对业务的需求。我们也减少了员工福利开支，这显著降低了分销和行政成本。

我们也不忘客户的需求，通过各领域的一系列培训课程，继续培养提升团队的技能，跟上客户和市场的步伐。这包括全面的内部培训计划、复习课程、以及针对个别员工的特殊外部培训课程。在2017财政年内，近100名员工参加了约18项外部提升和培训课程。

集团位于第2洛阳路90号（90 Second Lok Yang Road）的仓库设施进展顺利。截至2017年9月30日，约23%的建筑工作已经完成，盖顶仪式于2017年11月18日举行。我们预计仓库将于2018年4月左右竣工。届时，这个租约至2032年的设施能使宇宙钢铁扩展仓储空间，以便容纳不断增加的库存产品系列，支持集团的整体供应链管理。

未来展望

在石油输出国组织的牵头下，全球石油生产商推展减产计划[1]，石油与天然气市场在经历两年多的低迷后，终于出现了一些市场重新平衡的积极迹象。石油供应过度的情况正在恢复正常，而在中国、印度和发达经济体的推动下，石油需求也保持强劲。根据石油输出国组织和美国能源信息署的预测，今年的全球需求将超过供应量[2]。

石油市场供需平衡终于将来到，让我们感到欣慰。我们相信，集团过去几年采取的各种措施来增强业务的韧性和营运效率，让我们能够更好地把握市场复苏的机会。但在那之前，我们将继续有效管理成本，并关注新的潜在市场和合适的增长机会。

收入

▲

11.9%

2017财政年

2017 成就

此外，我们也成功借助战略伙伴阪和兴业在一些亚洲市场的商业人脉。其中日本市场受惠显著，随着我们加强市场营销，营收从2016财政年的525万新元激增超过四倍至2017财政年的2368万新元

致谢

我们又度过了艰苦的一年，在此我们要感谢许多人——过去一年兢兢业业的宇宙钢铁的员工们；继续支持我们的客户、供应商和商业伙伴。最后，我们要感谢股东的支持。我们将竭尽全力为你们在集团的投资创造长期价值。

刘明镇
董事长兼独立非执行董事

翁青山
总裁兼执行董事

[1]《商业时报》，"投机者失去耐心，油价有所回落"（"Oil prices ease as speculators grow impatient"），2017年10月4日
[2]《商业时报》，"油价短期基本面有利？"（"Favourable short-term fundamentals on oil?"），2017年11月21日

BOARD OF DIRECTORS

LOW BENG TIN

CHAIRMAN & INDEPENDENT NON-EXECUTIVE DIRECTOR
Date of First Appointment / **9 November 2005**
Date of Last Re-election / **25 January 2017**
Member / **Audit Committee**

Mr Low is an Independent Director of Lian Beng Group Ltd, Fuji Offset Plates Manufacturing Ltd and Datapulse Technology Limited which are listed on the SGX-ST. He is also an Independent Director of J.P Nelson Holdings Ltd which is listed in Taiwan. 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 was conferred a Masters in Business Administration (Chinese Programme) from the National University of Singapore.

ONG CHIN SUM

CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR
Date of First Appointment / **9 November 2005**
Date of Last Re-election /**25 January 2017**

A founding member of CosmoSteel in 1984, Mr Ong 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 around 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.

ONG TONG YANG

EXECUTIVE DIRECTOR
Date of First Appointment / **9 November 2005**
Date of Last Re-election / **28 January 2016**

Mr Ong joined CosmoSteel in 1999, and 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
Date of First Appointment / **9 November 2005**
Date of Last Re-election / **28 January 2016**

Mr Ong joined CosmoSteel in 1998 and 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
Date of First Appointment / **1 June 2015**
Date of Last Re-election / **28 January 2016**

Mr Usui acts as Assistant to the CEO. He has more than 30 years of experience in the global steel trading business at Hanwa, a leading trading company listed on Tokyo Stock Exchange which he joined in 1985. Mr Usui is involved in expanding the Group's international business through collaboration with Hanwa's global network and growing its domestic business by targeting Japanese customers. He undertakes the development and enhancement of the Group's procurement functions with the aim of enhancing its effectiveness and efficiency. He is also 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.

HIROSHI EBIHARA

NON-EXECUTIVE DIRECTOR
Date of First Appointment / **1 June 2015**
Date of Last Re-election / **28 January 2016**
Member / **Remuneration Committee & Nominating Committee**

Mr Ebihara is currently the Senior Managing Executive Officer and General Representative for Asia (ASEAN and China, India, Middle East) of Tokyo Stock Exchange listed Hanwa, a trading company at which he rose through the ranks after joining in 1977. He has more than 40 years of experience in the steel trading business in Japan and Asia and approximately ten years of experience holding directorships at Hanwa. Mr Ebihara graduated from Tokyo Metropolitan University, with a Bachelor in Economics.

BOARD OF DIRECTORS

JOVENAL R. SANTIAGO

INDEPENDENT DIRECTOR
Date of First Appointment / **28 March 2007**
Date of Last Re-election / **28 January 2016**
Chairman / **Audit Commitee**
Member / **Remuneration Committee & Nominating Committee**

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
Date of First Appointment / **28 March 2007**
Date of Last Re-election: / **25 January 2017**
Chairman / **Remuneration Committee & Nominating Committee**
Member / **Audit Committee**

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 an Independent Director of Valuetronics Holdings Limited, both of which are listed on the Mainboard of the SGX-ST. Ms Tan graduated from the National University of Singapore with a Bachelor of Law (Honours) degree.

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

14 Lok Yang Way
Singapore 628633

PRINCIPAL PLACE OF BUSINESS

14 Lok Yang Way
Singapore 628633

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#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

Altum Law Corporation
160 Robinson Road
#26-06 SBF Center
Singapore 068914

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
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INVESTOR RELATIONS

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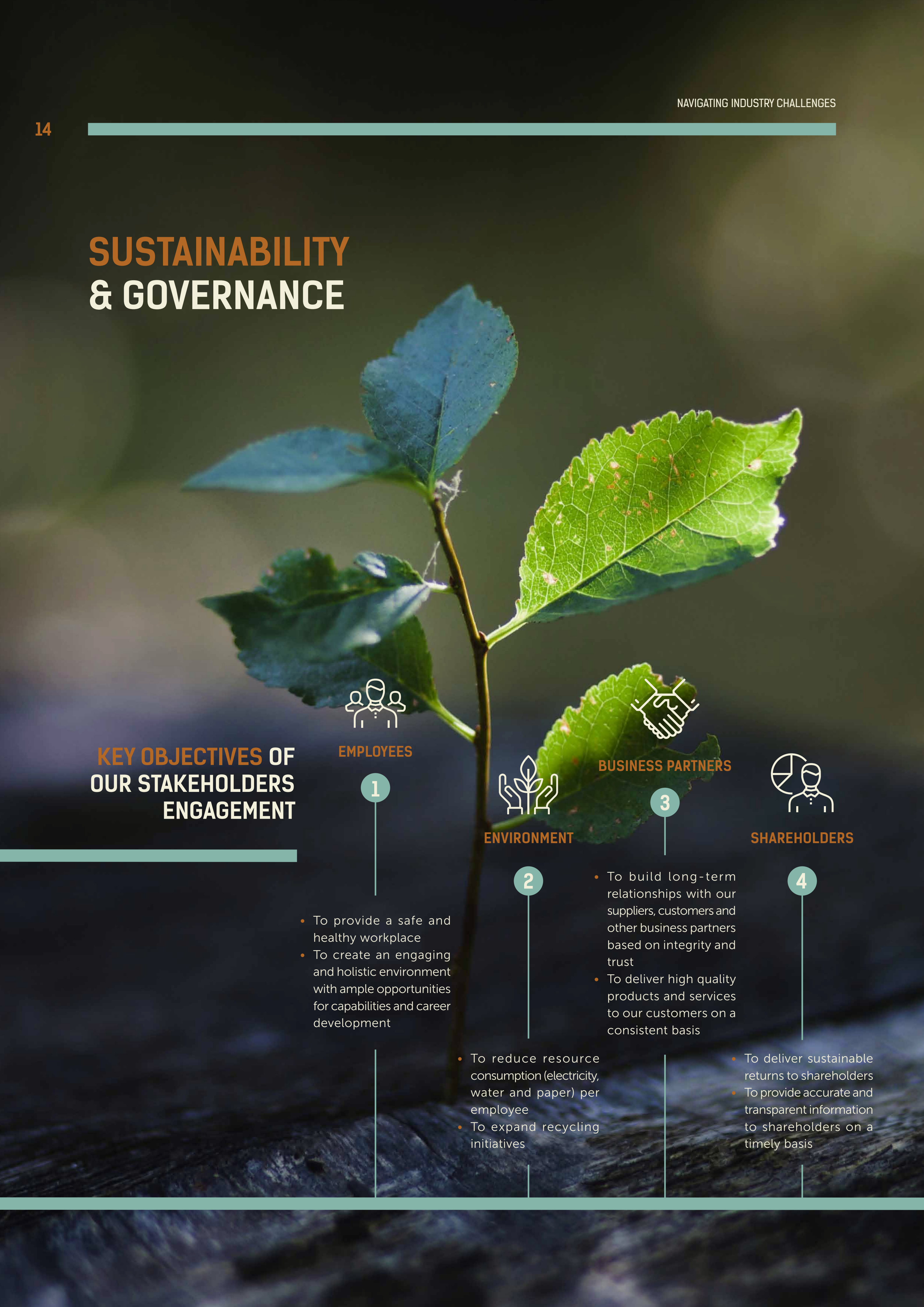


SUSTAINABILITY & GOVERNANCE

KEY OBJECTIVES OF OUR STAKEHOLDERS ENGAGEMENT

1 EMPLOYEES

- To provide a safe and healthy workplace
- To create an engaging and holistic environment with ample opportunities for capabilities and career development

2 ENVIRONMENT

- To reduce resource consumption (electricity, water and paper) per employee
- To expand recycling initiatives

3 BUSINESS PARTNERS

- To build long-term relationships with our suppliers, customers and other business partners based on integrity and trust
- To deliver high quality products and services to our customers on a consistent basis

4 SHAREHOLDERS

- To deliver sustainable returns to shareholders
- To provide accurate and transparent information to shareholders on a timely basis

SUSTAINABILITY STRATEGY

The Board and management team of CosmoSteel are committed to delivering long-term economic value for our stakeholders and recognises that sustainability is essential to the Group's business at both the strategic and operational levels. Our sustainability strategy is mainly focused on programmes that seek to enhance workplace health and safety, employee development and resource conservation. Our Board, together with our management team, plays a key role in providing support and guidance for our sustainability strategy and integrating sustainable practices into our operations.

CORE VALUES

Build Trust: We endeavour to build open and honest relationships and operate with integrity to gain the trust of our stakeholders.

Effect Progress: We are passionate and driven to lead our business to the forefront of the industry by boosting our value proposition and expanding our peoples' capabilities while safeguarding the well-being of our people.

Surpass Expectations: We are determined to always be in pursuit of excellence and advancement in order to deliver value and achieve distinction among our peers.

Think Forward: We embrace innovation, champion continuous learning and prioritise the well-being of our people to achieve a more efficient, profitable and sustainable business that is both conscionable and practical in the long term.

COMMUNITY

5

- To improve the lives of people in the communities around us

EMPLOYEES

Health and Safety Management Programme

The Group currently employs over 90 employees and sub-contractors. We endeavour to create a "zero-injury and accident-free" working environment and in this regard, we mandate the use of adequate protective equipment and measures by its employees and that all work be carried out safely. Since 2007, we have implemented a comprehensive Health and Safety Management programme aimed at promoting a healthy work environment and improving safety in general work operations.

We report, investigate, rectify and record all accidents, injuries, near-misses, safety violations and unsafe equipment, practices and conditions involving employees, contractors, sub-contractors and customers to identify the cause and to prevent a reoccurrence. Based on these findings, we conduct relevant briefings, training sessions and education on safety issues and which are then used to introduce new safety rules, standard operating procedures and guidelines for employees.

Underscoring our commitment to workplace health and safety, the Group has obtained OHSAS 18001:2007 (Occupational Health and Safety Management) certification in 2009, bizSAFE STAR certification in 2012 and ISO 22301:2012 (Business Continuity Management) in 2015.

SUSTAINABILITY & GOVERNANCE

HEALTH AND SAFETY MANAGEMENT PROGRAMME: KEY OBJECTIVES	FY2016		FY2017	
	Targets	Performance	Targets	Performance
To reduce accident frequency rate (Number / per million man hours worked)	4.0	8.0	3.6	5.0
To reduce accident severity rate (Hours / million man hours worked)	137	242	137	27
To reduce number of medical visits (Days / employee)	0.5	0.6	0.5	0.6

Training and Development

To stay competitive and relevant in the market place, the Group continuously up-skills our workforce through comprehensive in-house training programmes, refresher programmes and, for certain individuals, specialised external training courses. During FY2017, close to 100 employees were sent to attend approximately 18 external upgrading / training courses.

These include:

- Five courses relating to Finance and Administration: Commercial contracts, cross-border tax and international transfer pricing, revenue recognition, sustainability reporting and Incoterms.
- Five courses relating to Workplace Health and Safety: Bizsafe risk management, occupational first aid, overhead crane safety and operation, incident management processes, and fire incident response.
- Eight courses relating to Workplace Operations: Forklift operation, magnetic particle testing – training, magnetic particle testing – recertification, penetrant testing – training, penetrant testing – recertification, safety orientation on metalworking, safety orientation – recertification, and WSQ pre-assessment training & certification in General Manufacturing (IAP).

Workplace and Staff Welfare Initiatives

We believe that our employees are valuable assets that are key to achieving long-term business success for the Group. We have adopted initiatives to create an engaging and holistic environment where our people are able to deliver their best work and also offer equal opportunities for personal and career development. These initiatives not only serve to retain our employees but also attract new talents to the Group.

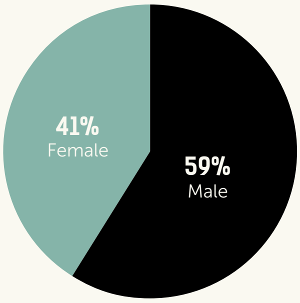
We support work life balance and encourage our employees to balance meaningful careers with their health and family time. We enable our employees to achieve their professional goals by setting career development roadmaps, offering flexible work arrangements for employees who most require it and by supporting a fair and open working style.

The Group also encourages our employees to keep fit and healthy through sporting and recreational activities. These events also allow employees to build closer working relationships with one another and boost team work. To this end, we have signed up for corporate programmes with the Singapore Sports Council to allow our employees to enjoy easy access to gym facilities across the island.

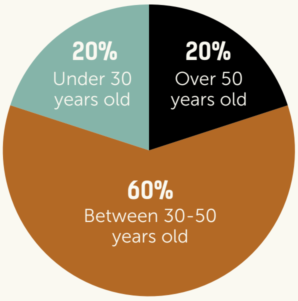
Diversity and Equal Opportunity

The Group promotes diversity in the workplace and takes steps to ensure that our employees feel included regardless of their gender, ethnic or national origin, sexual orientation, race, age, religion or belief. We strive to provide a work environment that is not hostile or offensive and that is free from discrimination or intimidation or harassment of any person for any reason. We also take pride in providing equal opportunities to all employees and ensure that staff are evaluated on the basis of personal skill and merit.

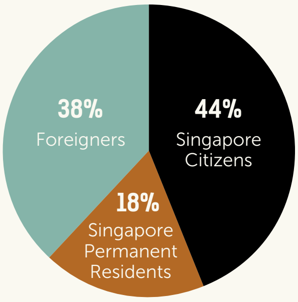
EMPLOYEE
BY GENDER



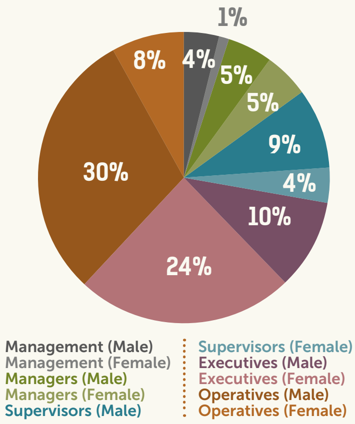
EMPLOYEE
BY AGE GROUP



EMPLOYEE
BY NATIONALITY



EMPLOYEE
BY CATEGORY & GENDER



ENVIRONMENT

Environmental Management Programme

We conduct our business in a manner that respects the environment. Whenever possible, we "Reduce, Reuse and Recycle" so as to minimise the Group's environmental impact while balancing our business needs. The Group runs an annual refresher for both existing and new employees to ensure they understand and contribute to its overall efforts to conserve and reduce resources used in our operations, mainly energy, water and paper as well as our recycling directives.

As part of our energy conservation efforts, the Group uses energy saving photocopiers and newer, energy-efficient air-conditioner units as well as installed motion sensor lights in washrooms at our work place. To cut water wastage, we also utilise taps with tick marks, which are deemed to be more water efficient under PUB's Water Efficiency Labelling Scheme ("**WELS**") and implemented a daily washroom maintenance duty record for staff to check for leaks and water wastage.

The Group recycles all plastic, paper and metal materials and engage licensed collectors to facilitate our efforts. Under our paper-saving initiatives, we urge employees to utilise emails or file transfers to reduce printing. We also request our service providers/suppliers to provide electronic invoices instead of hardcopies, where possible, and encourage our customers to accept electronic copies of invoices, statements and other documents.

In 2013, the Group obtained the Water Efficient Building Certification from PUB in recognition of its water saving efforts. We are also ISO 14001:2004 certified since 2009 for our strong commitment to environmental management systems.

Our Environmental Management Programme was put in place in 2008 to grow and monitor the effectiveness of the Group's policies as we work toward achieving a greener footprint.

ENVIRONMENTAL MANAGEMENT PROGRAMME: KEY OBJECTIVES	FY2016		FY2017	
	Targets	Performance	Targets	Performance
To reduce electricity consumption (kWh / employee)	<= 230	207	<= 220	224
To reduce paper consumption (Number of copies / $1,000 sales revenue)	<= 14	18	<= 14	15
To reduce water consumption (Cu M / employee)	<= 1.5	2.6	<= 2.0	2.14

SUSTAINABILITY & GOVERNANCE

BUSINESS PARTNERS

Given the industries we serve, we select our supply chain partners with utmost care to ensure that they fit our requirements for supplying high-quality products while adhering to environment, health and safety standards or practices.

Our range of products are sourced from major international manufacturers in Europe, US, Japan and the People's Republic of China, amongst others, who are accredited suppliers in line with our ISO9001 policy. All our steel and structural products are mainly categorised based on international standards promulgated by API, ANSI, ASME, ASTM and/or EN, while our cable products, which is mainly for offshore and marine and other uses, are in accordance to API, CSA, IEEE, IEC and UL.

CosmoSteel has developed close ties with these supply chain partners over the years. Our longstanding relationships have helped ensure our supply chain quality and continuity and enabled us to consistently deliver products of high quality to our customers on a timely basis.

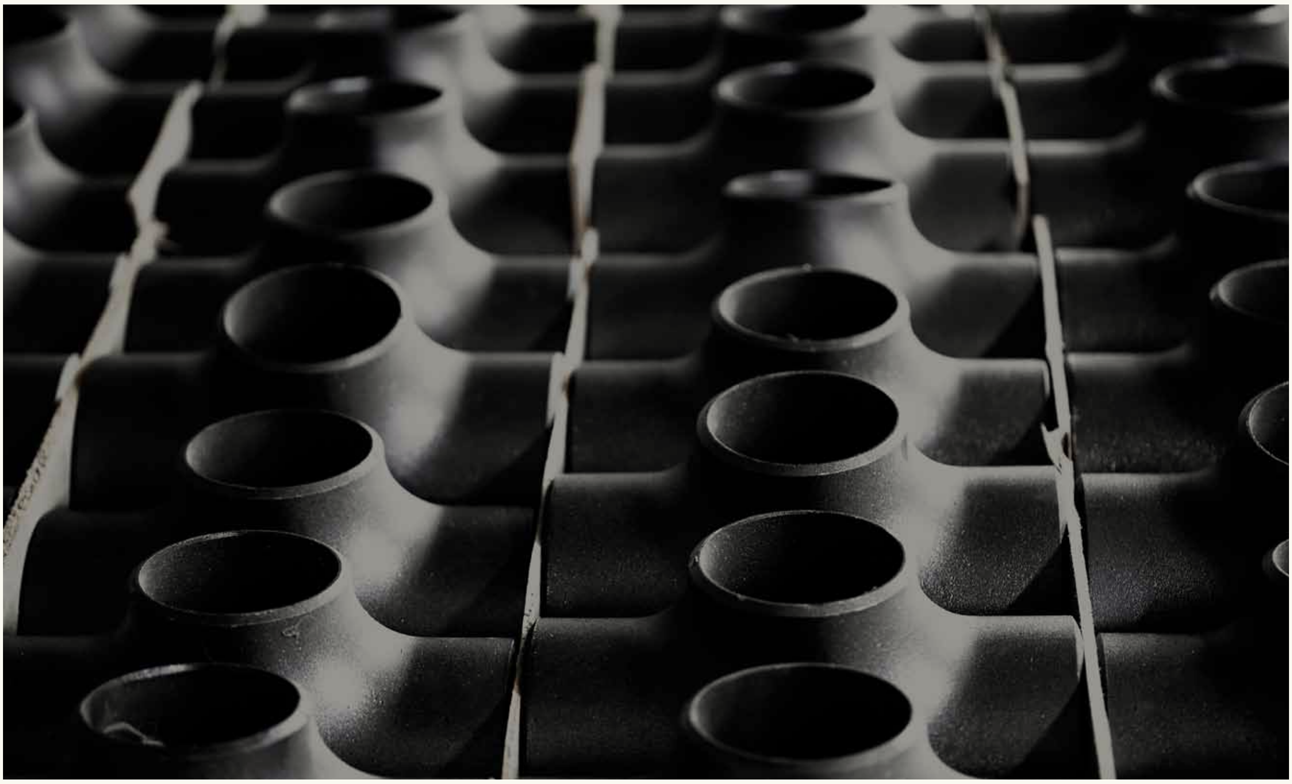
SHAREHOLDERS

The Group actively engages our shareholders and the investing community through various channels under its Investor Relations ("**IR**") programme which is aimed at keeping them informed of its latest financial, strategic and corporate developments.

Shareholder Communication

We provide timely, accurate and transparent information to our shareholders and the general investment community. Our quarterly results announcements and our audited statutory financial statements are disclosed within the time frame stipulated by statutory requirements. We also provide additional materials relating to our results on a voluntary basis such as a corporate presentation and factsheet to enhance investors' understanding of the Group.

To facilitate effective and fair communication with shareholders, all our financial results, corporate and all other regulatory announcements are published simultaneously on the SGX website and our website.



Our corporate website is updated regularly, making it relevant and convenient for investors to find the latest information about the Group. We have a dedicated IR section within our site that hosts all IR-related information including current and past results announcements, press releases, presentation slides, annual reports and shareholders circulars among others.

Our website also provides IR contact details for investors to make enquiries and submit their feedback. In addition, we provide an email alert service on our website to which investors can subscribe to receive the latest IR news on the Group.

Annual General Meetings

The Group encourages and values shareholders' participation at its shareholders' general meetings and these annual affairs are opportunities for shareholders to share their views and to meet the Board and members of senior management.

All eight of our board of directors were present at our 11th annual general meeting ("**AGM**") on 25 January 2017.

A registered shareholder who is not a relevant intermediary (as defined in the Companies Act, Chapter 50) and who is unable to attend may choose to appoint up to two proxies to attend and vote on his behalf.

All resolutions at CosmoSteel's general meetings are voted on by poll so as to better reflect shareholders' shareholding interests 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. Minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon written request.

For the conduct of the voting by poll, DrewCorp Services Pte Ltd has been appointed as scrutineer and Boardroom Corporate & Advisory Services Pte Ltd has been appointed as Polling Agent.

Corporate Governance and Transparency

We continuously advocate a strong corporate governance culture and best practices in corporate transparency within our organisation. For the Singapore Governance and Transparency Index ("**SGTI**") 2017, the Group was ranked 67th out of the 606 listed companies assessed, putting us in the top 15 percentile.

COMMUNITY

Helping Communities

As a corporate citizen, we have a responsibility to improve the lives of people in the communities around us. In our efforts to give back, we have contributed approximately $117,000 to various beneficiaries and charity drives in the last three financial years including $33,000 in FY2017, toward the National Arthritis Foundation and Singapore Thong Chai Medical Institution among others.

SUSTAINABILITY & GOVERNANCE

GOVERNANCE

RISK MANAGEMENT STRATEGY

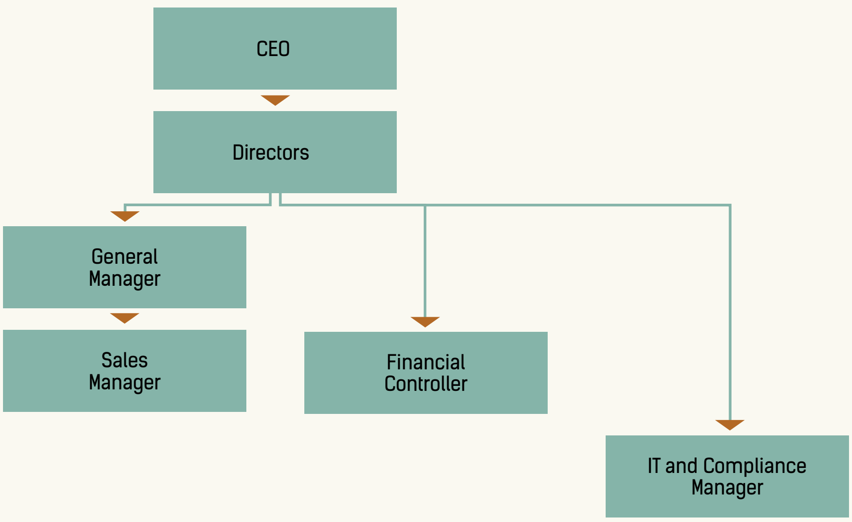
CosmoSteel's Enterprise Risk Management ("**ERM**") Framework ensures that a rigorous procedure is in place to adequately and effectively manage risks faced by the Group and its business divisions during the course of daily operations and long-term business planning. This is done by assessing its existing key systems, policies and processes to identify potential risk areas and to set out mitigating best practices.

The ERM is administered by a Risk Management Team comprising members from Management. This Team is responsible for the effective implementation of the Group's risk management strategy, policies and processes which includes setting the direction of corporate risk management and monitoring the implementation of risk management policies and procedures. On a quarterly basis, the Risk Management Team provides updates to the Audit Committee and the Board on areas of concern, if any, that may arise in relation to the Group's key risks factors.

KEY ELEMENTS OF ERM

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

RISK MANAGEMENT TEAM



In addition, the Group has also requested its internal auditors, Nexia TS Advisory Pte Ltd, 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 also appoint external professional parties to review or advise on additional areas of risk factors to consider in connection with such forays.

RISK IDENTIFICATION AND ASSESSMENT

RISK REGISTER

Compliance

- Corporate Governance
- Geo-political
- Audit Quality
- Ethics
- Health & Welfare Benefits
- Laws & Regulation

Operational

- Supply Chain Management
- Sales & Marketing Communications
- Corporate Assets
- Corporate Social Responsibility & Sustainability
- Human Resources
- Information Technology
- Legal

Financial

- Finance (Internal)
- Finance (External factors)

COMPLIANCE RISKS

The two key compliance risks for the Group relate to corporate governance and geo-political risks. The first entails risk oversight in the form a lack of an established and consistent risk assessment framework to guide decision-making across the organisation while geo-political risk pertains primarily to the suspension of country concessions.

To better manage its risk oversight, the Group has a set up a framework for guiding decision-making across the organisation as well as guidelines for matters requiring Board approval. At the same time, the Group's Audit Committee has requested its internal auditors to assist the Management in evaluating and assessing the effectiveness of internal controls implemented by the Group to identify risks of non-compliance in various areas.

To mitigate geo-political risks, we engage a legal counsel to provide periodic updates to ensure compliance with laws and regulations. The Group also tracks regulatory developments on a regular basis to ensure that it stays current and in compliance with the law and standards and/or requirements issued by regulators that are applicable to its business.

The Company Secretary of the Group advises the Board on changes in legal and regulatory issues while its external auditors provide changes in accounting standards to management for their consideration. Since Q12016, the Group has engaged its external auditors to conduct at least one briefing per annum for the Board on changes in accounting standards with the most recent briefing held on 4 August 2017.

The Group is ISO 14001:2004 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 last recertification was in October 2015.

Terms and conditions of the Group's 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.

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's Employees Health and Welfare benefits are aligned with regulations and industry standards. As part of its human resource practices, the Group ensures employee benefits are in place and healthcare insurance is taken out for eligible employees. Overall compensation and benefits structure also follows closely to the basic requirements at the Ministry of Manpower ("**MOM**"), and the Group keeps itself abreast through regular updates from MOM.

Code of Conduct & Ethics for Employees

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

The Code is accessible 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

SUSTAINABILITY & GOVERNANCE

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.

Whistle Blowing Policy

The Company 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 and on an anonymous basis, 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/Financial Controller of the Company) or the whistle blowing committee (for all other concerns), as the case may be. During FY2017, there were no complaints, concerns or issues received.

OPERATIONAL RISKS

Business Continuity Management

The Group is ISO 22301:2012-certified for Business Continuity Management ("**BCM**"). 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 its key stakeholders, 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 BCMS

1 An established and appropriate internal and external communications protocol	**2** Specific immediate steps that are to be taken during a disruption	**3** Flexibility to respond to any unanticipated threats and to changing internal and external conditions	**4** Being focused on the impact of events that could potentially disrupt operations

Supply chain management and sales, marketing and communications have been identified as the Group's two key operational risks. The Group manages these and other operational risks on an on-going basis.

Supply chain management risk for the Group entails two aspects, planning and sourcing. Planning relates to the Group's inability to determine and maintain optimum safety stock, inaccurate capacity planning and inaccurate demand and supply forecast, while sourcing pertains to the Group's inability to procure goods / raw materials cost effectively and constrain volatile material costs. To mitigate this, 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. These steps include monthly management monitoring of inventory balance, correspondences with suppliers and tapping into available market information.

Sales, marketing and communications risk pertains to the inability of the Group to implement an appropriate sales strategy to meet its sales target. The Group 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. Its sales strategy is focused on regular management reviews and close communication with customers.

The Group conducts regular customer satisfaction surveys to monitor overall level of quality work and services. Such feedback is evaluated and discussed at management reviews, providing opportunities for the Group to improve its Quality Management System. The selection for conducting customer satisfaction survey is based on the top 10% of customer by sales value over a period of 12 months from the last review, and five or more non-conformance reports reported by the customer within the year from the last review.

Based on annual surveys of its clients on 22 key areas including quality and efficiency, the average customer satisfaction rate has improved to 3.4%[1] in FY2017 compared to 3.3% in FY2016. Where appropriate, other means of monitoring customer satisfaction may be identified on an ad-hoc basis such as upon conclusion of projects.

As part of its human resource efforts to add quality people to its workforce and retain its valued employees, the Group ensures it has training and development programmes beyond the scope required by authorities and has implemented rigorous health and safety management programmes. In FY2017, close 100 employees were sent for approximately 18 external upgrading / training courses. CosmoSteel also provides highly incentivised working benefits which include insurance, medical and dental coverage.

To safeguard its legal interests, CosmoSteel hires professionals such as lawyers and accountants who are able to provide their professional advice in relation to operational risks. For continuous operationality, the Group's IT infrastructure is partially outsourced to professional vendors, ensuring reliability of its IT systems with stringent security measures installed 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.

CosmoSteel actively seeks to reduce its operational impact on the environment, and has stringent corporate responsibility and sustainability practices to manage its industrial waste by recycling and reusing where possible and engaging licensed waste collectors. Based on the Group's Environmental Health & Safety ("**EHS**") Waste Management Policy last reviewed on 31 July 2017, the respective heads of departments are responsible for identifying waste for recycling and reuse and the waste is segregated and disposed through licensed waste collector. We compile records of waste disposal and waste recycling on an annual basis and they are used to measure the Group's environmental performance.

FINANCIAL RISKS

The Group has identified cash flow management and ability to obtain adequate funding for operations and investments as two of its key financial risks.

To mitigate liquidity risk, the Group employs a tight capital management system to ensure that it has sufficient working capital to meet debt obligations and 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 also reported regularly to the Board.

To manage its funding risk, the Group maintains a wide portfolio of bankers instead of relying on one main banker.

On an on-going basis, the Group also manages other financial risks related to its business.

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 inventory that is relevant to its existing and potential customers.

The Group also has a stringent credit policy that covers credit evaluation, approval and monitoring, as a safeguard to minimise all credit risks. The Group has 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.

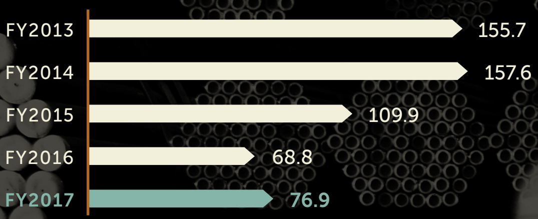
The Group runs several initiatives to enhance its corporate governance. Most recently, the Group has obtained "premium" status for the Inland Revenue Authority of Singapore's ("**IRAS**") GST Assisted Compliance Assurance Programme ("**ACAP**") in March 2017. ACAP offers a holistic solution for companies to review the effectiveness of its GST control and establish effective tax risk management policies and internal control measures for better GST compliance.

[1] *Based on annual surveys of our clients in 22 key areas including quality and efficiency; Ratings System: 4 = excellent, 3 = good, 2 = fair, and 1 = poor*

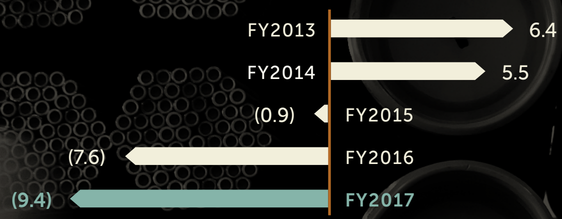
FINANCIAL HIGHLIGHTS

KEY FINANCIAL INDICATORS

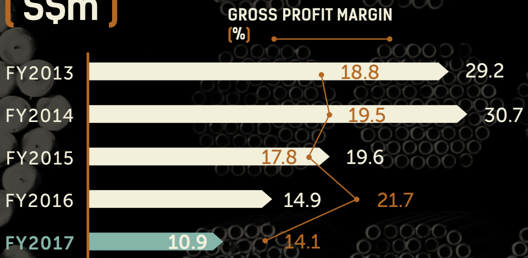
REVENUE (S$m)



NET PROFIT / (LOSS) (S$m)



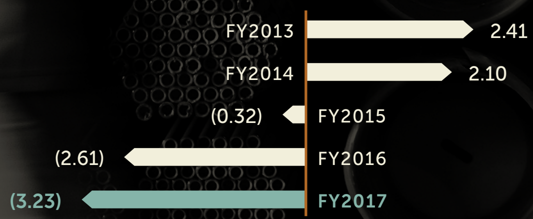
GROSS PROFIT (S$m)



DIVIDEND PER SHARE (¢)

NET ASSET VALUE PER SHARE (¢)

EARNINGS / (LOSS) PER SHARE (¢)



	FY2013	FY2014	FY2015	FY2016	FY2017
Current Ratio (times)	2.01	1.94	3.00	4.71	3.22
Gearing Ratio (times)	0.94	0.97	0.47	0.26	0.39

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

KEY NON-FINANCIAL INDICATORS

	FY2014	FY2015	FY2016	FY2017
Productivity				
Revenue per employee ($'000)	1,044	814	559	793
Corporate Governance				
Overall SGTI score (Points)	57	56	77	72
Overall SGTI ranking	92	157	45	67
Customers				
Quality: Inaccuracy in sales order processing[2] (%)	3.8	4.4	3.7	2.8
Efficiency: On-time deliveries (%)	84.9	99.7	99.7	99.8
Average customer satisfaction rate[3] (%)	3.2	3.3	3.3	3.4
People				
Employee turnover (%)	2.5	2.1	2.3	2.5
Medical leave per employee (Days)	0.5	0.6	0.6	0.6
Length of service (Number) (M: Managerial; N: Non-managerial)				
• 1 to 5 years	M:16 N: 87	M:15 N:71	M:16 N:57	M:10 N:28
• 5 to 10 years	M:13 N:16	M:16 N:15	M:14 N:14	M:15 N:20
• More than 10 years	M:9 N:10	M:9 N:9	M:11 N:11	M:12 N:12
Health and Safety				
Accident frequency rate[4] (Number)	6	0	8	5
Accident severity rate[5] (Hours)	109	0	242	27
Environment				
Electricity consumption per employee (kWh)	187	199	207	224
Water consumption per employee (Cu M)	2.25	2.17	2.64	2.14
Paper consumption per $1,000 of sales (Number of copies)	13	13	18	15
Community				
Contributions to charitable initiatives ($'000)	41.5	43	41	33

[2] *Calculated based on the number of customer non-conformance report (non-product related); lower score indicates lower rates of non-conformance*

[3] *Based on annual surveys of our clients on 22 key areas including quality and efficiency; Rating system: 4 = excellent, 3 = good, 2 = fair, and 1 = poor*

[4] *Number of workplace accidents per million man hours worked*

[5] *Number of man days lost to workplace accidents per million man hours worked*

OPERATING & FINANCIAL REVIEW

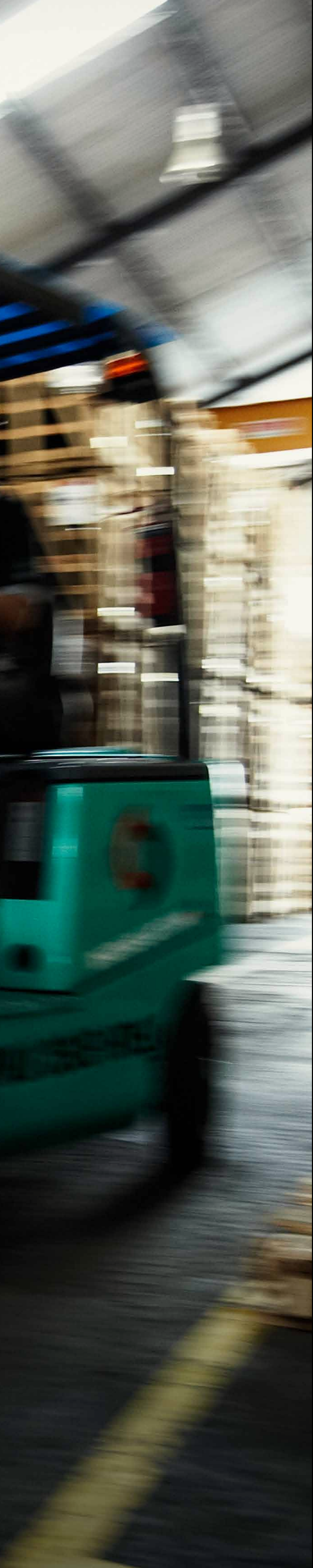
OPERATING EXPENSES

DOWN

5.9%

IN FY2017

from stringent cost-cutting measures.



INCOME STATEMENT REVIEW

INCOME STATEMENT	GROUP		
	FY2017 S$'000	**FY2016 S$'000**	**Change %**
Revenue	**76,922**	**68,757**	**11.9**
Cost of Sales	(66,055)	(53,827)	22.7
Gross Profit	**10,867**	**14,930**	**(27.2)**
Other Items of Income			
Financial Income	30	55	(45.5)
Other Items of Expense			
Finance Costs	(430)	(673)	(36.1)
Marketing and Distribution Costs	(5,394)	(6,137)	(12.1)
Administrative Expenses	(6,662)	(7,161)	(7.0)
Depreciation Expense	(5,937)	(5,609)	5.8
Other Losses	(3,303)	(4,206)	(21.5)
Loss Before Income Tax	**(10,829)**	**(8,801)**	**23.0**
Income Tax Income	1,450	1,226	18.3
Loss for the Year	**(9,379)**	**(7,575)**	**23.8**

For the year ended 30 September 2017 ("**FY2017**"), the Group recorded an 11.9% increase in revenue to $76.9 million as compared to $68.8 million for the year ended 30 September 2016 ("**FY2016**"). Despite the improved revenue, the Group posted higher net loss of $9.4 million in FY2017 that is due to a combination of factors including insufficient sales to cover fixed costs, margin pressure, provision for slow-moving inventories and higher depreciation expenses.

Cost of sales during the year increased by 22.7% to $66.1 million, which resulted in the Group reporting a gross profit of $10.9 million in FY2017, 27.2% lower as compared to $14.9 million in FY2016. With this, gross profit margin decreased by 7.6 percentage points from 21.7% in FY2016 to 14.1% in FY2017.

In FY2017, financial income of the Group was approximately $25,000 lower because of lesser interest earned on fixed deposits and an equity-linked structured investment while its finance costs decreased by 36.1% from $0.7 million in FY2016 to $0.4 million in FY2017 mainly due to lower interest paid on reduced borrowings.

On the whole, operating expenses have generally trended down due to the cost-cutting measures the Group continued to undertake during the year. Marketing and distribution costs decreased by 12.1% from $6.1 million in FY2016 to $5.4 million in FY2017 while administrative expenses were reduced by 7.0% from $7.2 million in FY2016 to $6.7 million in FY2017. Both reductions were from lower employee benefits expenses. However, depreciation expense increased by 5.8% from $5.6 million in FY2016 to $5.9 million in FY2017 mainly from higher depreciation on the Group's properties.

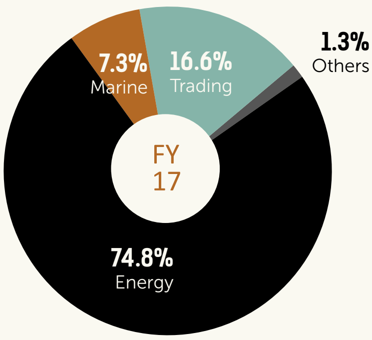
In FY2017, other losses incurred by the Group decreased by 21.5% to $3.3 million, compared to $4.2 million in FY2016, mainly because of lower provision for slow moving inventories and partly offset by foreign exchange loss.

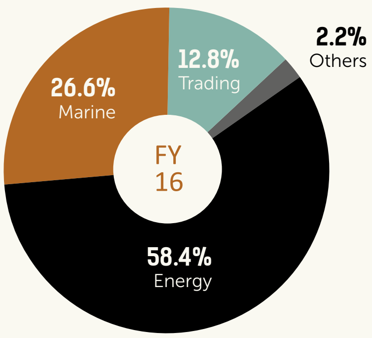
OPERATING & FINANCIAL REVIEW

REVENUE ANALYSIS BY CUSTOMER TYPE

REVENUE BREAKDOWN BY CUSTOMER TYPE	FY2017 S$'000	FY2016 S$'000	CHANGE S$'000	CHANGE %
Energy	**57,522**	40,172	17,350	43.2
Marine	**5,619**	18,266	(12,647)	(69.2)
Trading	**12,745**	8,826	3,919	44.4
Others	**1,036**	1,493	(457)	(30.6)
Total Revenue	**76,922**	68,757	8,165	11.9

REVENUE BREAKDOWN BY CUSTOMER TYPE (%)





After two consecutive years of decline, there are signs of pick up in the Group's Energy segment. FY2017's improved revenue was achieved on the back better contribution from the Group's Energy and Trading Sectors, which increased by 43.2% and 44.4% to $57.5 million and $12.7 million respectively. The increase was offset by weaker contributions from the Group's Marine and Others Sectors, which fell 69.2% and 30.6% to $5.6 million and $1.0 million respectively.

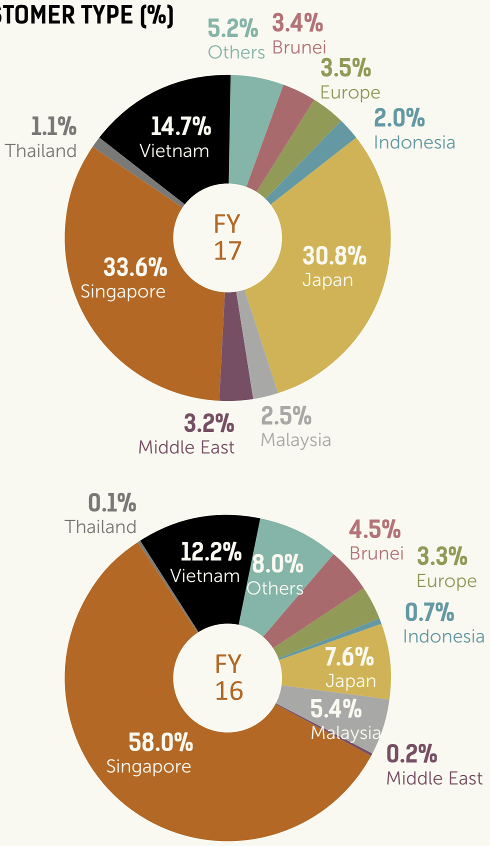
Based on this, the Energy, Marine Trading and Others sectors accounted for 74.8%, 7.3%, 16.6% and 1.3% of the Group's total revenue in FY2017 compared to 58.4%, 26.6%, 12.8% and 2.2% respectively in FY2016.

REVENUE ANALYSIS
BY GEOGRAPHICAL MARKET

REVENUE BREAKDOWN BY GEOGRAPHICAL MARKET	FY2017 S$'000	FY2016 S$'000	Change S$'000	Change %
Brunei	**2,602**	3,067	(465)	(15.2)
Europe	**2,718**	2,283	435	19.1
Indonesia	**1,509**	488	1,021	209.2
Japan	**23,675**	5,248	18,427	351.1
Malaysia	**1,948**	3,750	(1,802)	(48.1)
Middle East	**2,462**	119	2,343	N.M.
Singapore	**25,808**	39,883	(14,075)	(35.3)
Thailand	**825**	57	768	N.M.
Vietnam	**11,326**	8,357	2,969	35.5
Others	**4,049**	5,505	(1,456)	(26.4)
Total Revenue	**76,922**	68,757	8,165	11.9

N.M. *Denotes "not meaningful"*

REVENUE BREAKDOWN
BY CUSTOMER TYPE (%)



Others include customers from Australia, China and the Philippines.

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.

Most of the Group's key markets saw improved revenue generation in FY2017, except for Singapore, Malaysia and Brunei. Singapore, the Group's main market which accounted for 33.6% of its total revenue, experienced the largest decline of 35.3% from $39.9 million in FY2016 to $25.8 million in FY2017. Japan netted the strongest revenue improvement during the year, rising 351.1% from $5.2 million in FY2016 to $23.7 million in FY2017. This was accomplished through intensified marketing efforts and by successfully tapping into the broad network of Hanwa, the Group's strategic shareholder. The Group also gained some traction in Vietnam as revenue from the country rose 35.5% from $8.4 million in FY2016 to $11.3 million in FY2017.

OPERATING & FINANCIAL REVIEW

FINANCIAL POSITION REVIEW

STATEMENT OF FINANCIAL POSITION	GROUP		
	FY2017 S$'000	FY2016 S$'000	CHANGE %
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	24,008	28,361	(15.3)
Trade and Other Receivables	301	2,139	(85.9)
Available-For-Sale Financial Assets	-	92	(100.0)
Total Non-Current Assets	**24,309**	**30,592**	**(20.5)**
Current Assets			
Inventories	68,871	78,838	(12.6)
Trade and Other Receivables	27,041	16,768	61.3
Financial Assets at Fair Value Through Profit or Loss	1,574	1,557	1.1
Other Assets	483	411	17.5
Cash and Cash Equivalents	21,326	17,108	24.7
Total Current Assets	**119,295**	**114,682**	**4.0**
Total Assets	**143,604**	**145,274**	**(1.1)**
EQUITY AND LIABILITIES			
Equity			
Share Capital	56,325	56,325	-
Retained Earnings	37,192	44,780	(16.9)
Other Reserves	10,124	14,116	(28.3)
Total Equity	**103,641**	**115,221**	**(10.1)**
Non-Current Liabilities			
Provisions	20	70	(71.4)
Deferred Tax Liabilities	1,293	2,859	(54.8)
Other Financial Liabilities	1,563	2,750	(43.2)
Total Non-Current Liabilities	**2,876**	**5,679**	**(49.4)**
Current Liabilities			
Income Tax Payable	-	32	(100.0)
Trade and Other Payables	5,203	8,801	(40.9)
Other Financial Liabilities	30,605	15,433	98.3
Other Non-Financial Liabilities	1,279	108	N.M.
Total Current Liabilities	**37,087**	**24,374**	**52.2**
Total Liabilities	**39,963**	**30,053**	**33.0**
Total Equity and Liabilities	**143,604**	**145,274**	**(1.1)**

N.M. *Denotes "not meaningful"*

FINANCIAL POSITION

As at 30 September 2017 ("**FY2017**"), total assets of the Group decreased by 1.1% to $143.6 million from $145.3 million as at 30 September 2016 ("**FY2016**"). This resulted from a 20.5% decline in non-current assets to $24.3 million for FY2017 which was mainly due to the demolition of the Group's warehouse located at 90 Second Lok Yang Road, depreciation charged and a decrease in non-current portion of trade and other receivables. Current assets increased by 4.0% to $119.3 million for FY2017 mainly due to the increase in trade and other receivables and cash and cash equivalents and partly offset by the decrease in inventories. For FY2017, trade and other receivables increased by 61.3% to $27.0 million while cash and cash equivalents increased by 24.7% to $21.3 million. Conversely, inventories decreased by 12.6% to $68.9 million for FY2017.

Total liabilities of the Group increased by 33.0% from $30.1 million for FY2016 to $40.0 million for FY2017. Non-current liabilities decreased by 49.4% to $2.9 million for FY2017 from repayment of bank borrowings and realisation of deferred tax liabilities. At the same time, current liabilities increased by 52.2% to $37.1 million for FY2017 mainly from the increase in other financial liabilities, partly offset by the decrease in trade and other payables. Current portion of other financial liabilities, comprising bills payable, short-term borrowings and current portion of long-term borrowings and finance leases, increased by 98.3% to $30.6 million for FY2017 while trade and other payables decreased by 40.9% to $5.2 million for FY2017.

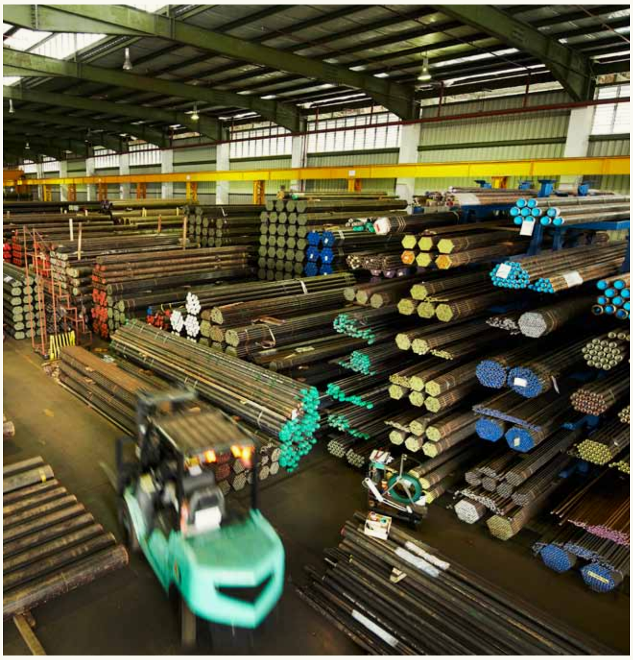
Total equity decreased 10.1% to $103.6 million for the year mainly from the loss incurred by the Group in FY2017, dividends paid of $1.5 million and loss on deemed disposal of warehouse located at 90 Second Lok Yang Road.

CASHFLOW ANALYSIS

S$'000	FY2017	FY2016
Net cash flows from/(used in) operating activities	**13,782**	(538)
Net cash flows used in investing activities	**(2,276)**	(607)
Net cash flows used in financing activities	**(7,289)**	(6,769)
Net increase/(decrease) in cash and cash equivalents	**4,217**	(7,914)
Cash at end of the year*	**21,299**	17,082

**Excluding cash restricted in use over three months*

Cash from operating activities increased by $14.3 million from an outflow of $0.5 million in FY2016 to an inflow of $13.8 million in FY2017 mainly from the working capital changes. Due to higher capital expenditure, cash used in investing activities increased by $1.7 million from $0.6 million in FY2016 to $2.3 million in FY2017. At the same time, cash used in financing activities increased by $0.5 million from $6.8 million in FY2016 to $7.3 million in FY2017 mainly from lower new bank borrowings.



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 FY2017 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 8 Guidelines 8.2, 8.3 and 8.4, and Principle 15 Guideline 15.4.

BOARD MATTERS

Principle 1:
Board's Conduct of its Affairs

Guideline 1.1 and Guideline 1.2

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 Management remains accountable to the Board.

All directors recognize that they have to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Board is a representation of the shareholders in the Company and is accountable to them through effective governance of the business.

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.

CORPORATE GOVERNANCE (cont'd)

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: ***Guideline 1.5***

(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.

The Board has adopted a policy where Directors who are interested in any matter being considered, recuse themselves from deliberations and abstain from voting in relation to any such resolution(s) relating to such matter.

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. ***Guideline 1.7***

Incoming directors will receive comprehensive and tailored induction on joining the Board. This should include his duties as a director and how to discharge those duties, and an orientation program to ensure that they are familiar with the company's business and governance practice. If the newly-appointed director has no prior experience as a director of a listed company, training in relevant areas such as finance and legal, as well as industry-related areas will be provided. ***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. The Company will be responsible for arranging and funding the training of the directors.

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 FY2017 and the attendance of the Directors are set out on page 41 of this Report. ***Guideline 1.3 and Guideline 1.4***

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.

CORPORATE GOVERNANCE (cont'd)

Principle 2:
Board Composition and Guidance

The Board exercises objective judgement independently from Management on corporate affairs of the Group and no individual or small group of individuals dominate the decisions of the Board. *Guideline 1.2*

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**"). *Guideline 2.1 and Guideline 2.2*

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	25 January 2017	AA Vehicle Inspection Centre Pte. Ltd Agropak Engineering (S) Pte Ltd Assimilated Technologies (S) Pte Ltd Autoswift Recovery Pte Ltd SMF Centre For Corporate Learning Pte. Ltd. Lian Beng Group Ltd Fuji Offset Plates Manufacturing Ltd Datapulse Technology Limited J.P Nelson Holdings Ltd	OEL (Holdings) Limited
Ong Chin Sum	Chief Executive Officer & Executive Director	–	9 November 2005	25 January 2017	Nil	Nil
Ong Tong Yang	Executive Director	–	9 November 2005	28 January 2016	Nil	Nil
Ong Tong Hai	Executive Director	–	9 November 2005	28 January 2016	Nil	Nil
Seiji Usui	Executive Director	–	1 June 2015	28 January 2016	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	28 January 2016	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	28 January 2016	Willas-Array Electronics (Holdings) Limited	Nil
Tan Siok Chin	Independent Director	Audit Committee Remuneration Committee (Chairman) Nominating Committee (Chairman)	28 March 2007	25 January 2017	ACIES Law Corporation Design Studio Group Ltd Kauai Investments Pte Ltd Valuetronics Holding Limited	Nil

Apart from the foregoing, further information on each Director are set out on pages 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 59 of this Report.

Guideline 4.7

CORPORATE GOVERNANCE (cont'd)

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. ***Guideline 2.3***

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 judgement 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 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; and 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; 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 2017 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 judgement.

Independence of Directors who have served more than nine years ***Guideline 2.4***

The Board recognises that Independent Directors may over time develop significant insights into the Group's businesses and operations and can continue to provide significant and valuable contributions to the Board. Where there are such Directors, the Nominating Committee and the Board will review vigorously their continuing contributions and independence and may exercise its discretion to extend the tenure of these Directors where appropriate.

Three of our Independent Directors, namely Mr Low Beng Tin, Mr Jovenal R. Santiago and Ms Tan Siok Chin, having been first appointed to the Board on 9 November 2005, 28 March 2007 and 28 March 2007 respectively, have all served on the Board for more than nine years. Mr Jovenal R. Santiago will retire as a Director of the Company at the forthcoming Annual General Meeting ("**AGM**") pursuant to Article 117 of the Company's Constitution and he has indicated that he will not be standing for re-election at the forthcoming AGM. Mr Jovenal R. Santiago will cease to be a Director of the Company, the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee with effect from the close of the forthcoming AGM.

In view of this, apart from taking into consideration, *inter alia*, the guidelines for independence as provided for under the Code, the absence of potential conflicts of interest for the Independent Directors which may arise through, inter alia, a shareholding interest in the Company and/or business dealings directly or indirectly with the Group, as part of the process in the individual evaluation and assessment of Directors for FY2017, the other Directors have been asked to particularly review and assess the continued independence of Mr Low Beng Tin and Ms Tan Siok Chin.

CORPORATE GOVERNANCE (cont'd)

After due consideration and with the recommendation of the Nominating Committee, the Board continues to regard Mr Low Beng Tin and Ms Tan Siok Chin as independent notwithstanding the length of tenure of their service as they have demonstrated independence in character and judgement, through, *inter alia*, their contributions to Board discussions and deliberations and ability and preparedness to exercise independent business judgement and/or decisions with the view to the best interests of the Company, without undue reliance, influence or consideration of the Group's interested parties such as the CEO, the other non-independent Directors, controlling shareholders and/or their associates.

Notwithstanding the foregoing, the Board will continue to review the composition of the Board and consider the appropriateness of Board renewal should the opportunity arise. The Company is in the process of identifying a suitable candidate to assume the role of an Independent Director of the Company, the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee, and shall make the relevant announcements regarding their appointments in due course.

Guideline 2.5

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.

Guideline 2.6

The Nominating Committee evaluates the diversity and balance of skills, gender, knowledge and experience on the Board and the size of the Board which would facilitate decision-making, and, in the light of such evaluation and in consultation with management, assesses if there is any inadequate representation in respect of any of those attributes and if so, determines the role and the desirable competencies for a particular appointment.

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.

Notwithstanding the above, the Nominating Committee recognises the merits of gender diversity in relation to the composition of the Board and, in identifying candidates for new appointment to the Board, would consider suitable female candidates. Having said that, gender is but one aspect of diversity and new directors will continue to be selected based on objective criteria set as part of the process for appointment of new directors and Board succession planning. In FY2017, there was 1 female director out of a total of 8 directors on the Board.

Guideline 2.7 and Guideline 2.8

The Board and Management recognises that an effective and robust board is crucial to good corporate governance, where members engage in open and constructive debate and challenge management on its assumptions and proposals. For this to happen, the Board, in particular, the non-executive directors, must be kept well informed of the Company's businesses and affairs and be knowledgeable about the industry in which the businesses operate.

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 and assist in the development of proposals on the Group's business strategy. In addition, Independent Non-Executive Directors meet regularly without the presence of Management, in the meetings with the external auditors at least annually and on such other occasions as may be required.

CORPORATE GOVERNANCE (cont'd)

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.

Guideline 3.3

The Company did not appoint a lead independent director as:

(a) the Chairman and the CEO are not the same person;
(b) the Chairman and the CEO are not immediate family members;
(c) the Chairman is not part of the management team; and
(d) the Chairman is an independent director.

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	

Mr Jovenal R. Santiago will retire as a Director of the Company at the forthcoming AGM pursuant to Article 117 of the Company's Constitution and he has indicated that he will not be standing for re-election at the forthcoming AGM. Mr Jovenal R. Santiago will cease to be a Director of the Company, the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee with effect from the close of the forthcoming AGM.

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;

CORPORATE GOVERNANCE (cont'd)

(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;

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

Guideline 4.2

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.

Guideline 4.4

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 FY2017, the following process was undertaken in relation to the evaluation of the performance of the Board, the Committees and the Directors:

(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. In addition, each of the Directors has completed an Individual Directors' Evaluation Checklist, giving their assessment and review of other Directors' performance and, in the case of Independent Directors who have served more than 9 years, to consider their continued independence despite the tenure of their office.

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.

CORPORATE GOVERNANCE (cont'd)

(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 and duties as a director of the Company.

The Nominating Committee took into account the results of the assessment of the effectiveness of the individual director, the level of commitment required of the director's other principal commitments, and the respective directors' actual conduct and participation on the Board and board committees, including availability and attendance at regular scheduled meetings and ad-hoc meetings, in making the determination, and is satisfied that all the directors have been able to and have adequately carried out their duties as director notwithstanding their multiple listed board representations and other principal commitments.

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 constitution ("**Constitution**") 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.

The Nominating Committee considers the need for Board renewal as and when necessary or appropriate, as part of succession planning. At the Management level, action plans and training programmes are in place to build-up the next level of management team to support senior management.

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.

CORPORATE GOVERNANCE (cont'd)

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.

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*

During FY2016, a peer to peer review was, for the first time, adopted by the Board in addition to evaluating the performance of the Board and the Committees as a whole. The performance of all Directors were individually reviewed by their fellow Directors, 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*

The Chairman will act on the results of the performance evaluation, and, in consultation with the Nominating Committee, proposed, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

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	4	4	4	4	1	1*	1	1*
Ong Chin Sum	4	4	4	4*	1	1*	1	1*
Ong Tong Yang	4	4	4	4*	1	1*	1	1*
Ong Tong Hai	4	4	4	4*	1	1*	1	1*
Seiji Usui	4	4	4	4*	1	1*	1	1*
Hiroshi Ebihara	4	4	4	4*	1	1	1	1
Jovenal R. Santiago	4	4	4	4	1	1	1	1
Tan Siok Chin	4	4	4	4	1	1	1	1

Note:

* 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.

CORPORATE GOVERNANCE (cont'd)

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 and are entitled to request from Management such additional information or clarification as required. *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 recording 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*

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	

Guideline 7.2

Mr Jovenal R. Santiago will retire as a Director of the Company at the forthcoming AGM pursuant to Article 117 of the Company's Constitution and he has indicated that he will not be standing for re-election at the forthcoming AGM. Mr Jovenal R. Santiago will cease to be a Director of the Company, the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee with effect from the close of the forthcoming AGM.

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

(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;

CORPORATE GOVERNANCE (cont'd)

(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, to ensure that such arrangements are fair and reasonable and not overly generous;

(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

(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.

The Company had engaged the assistance of independent remuneration consultants, Mercer (Singapore) Pte Ltd in February 2016, to carry out a review of the remuneration package of the Executive Directors in conjunction with the renewal of their service contracts. Such benchmarking exercise will be carried out once every three years or in line with the general tenure of their service contracts. ***Guideline 7.3***

Principle 8:
Level and Mix of Remuneration

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. ***Guideline 8.1***

Following the remunderation benchmarking exercise conducted by Mercer (Singapore) Pte Ltd in February 2016, the Remuneration Committee is of the view that level and structure of remuneration for the Directors and key management personnel are aligned with the long-term interests and risk management policies of the Company.

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.

CORPORATE GOVERNANCE (cont'd)

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 FY2017, all 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.

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:-

	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 of 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.

Guideline 8.2 and Guideline 8.4

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 FY2015, FY2016, and FY2017 but will review the feasibility of having such arrangements when appropriate.

CORPORATE GOVERNANCE (cont'd)

Remuneration Structure of Non-Executive Directors

Guideline 8.3

The Independent 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 Company believes that the current remuneration of independent directors is at a level that will not compromise the independence of the directors.

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

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 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 AGM. The Executive Directors do not receive directors' fees.

The Company currently does not have any incentive scheme(s) to encourage non-executive directors to hold shares in the company so as to better align the interest of such non-executive directors with the interest of shareholders but will review the feasibility of having such arrangements when appropriate.

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

CORPORATE GOVERNANCE (cont'd)

Details of the remuneration paid to the Directors for the financial year ended 30 September 2017 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	–	88.0	–	12.0	573,000
Mr Ong Tong Yang	–	87.0	–	13.0	372,240
Mr Ong Tong Hai	–	87.0	–	13.0	372,240
Mr Seiji Usui	–	90.0	–	10.0	360,000
Non-Executive Director					
Mr Hiroshi Ebihara	100	–	–	–	55,000
Independent Non-Executive/ Independent Directors					
Mr Low Beng Tin	100	–	–	–	80,000
Mr Jovenal R. Santiago	100	–	–	–	75,000
Ms Tan Siok Chin	100	–	–	–	75,000

Note:

1 There was no Incentive Bonus and discretionary bonus paid to the Executive Directors for FY2017.

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

For the financial year ended 30 September 2017, the top four key management personnel (who are not also Directors) of the Group are Mr Loh Ngiap Boon, Mr Lim Kim Seng, Ms Tan Bee Kheng and Ms Chong Siew Kuen. *Guideline 9.3*

A breakdown of the remuneration of the top four key management personnel of the Group for the financial year ended 30 September 2017 is set out below:

Remuneration of Top Four Key Management Personnel[2]	Salary [1] (%)	Bonus [1] (%)	Allowances and Others (%)	Total Compensation (%)
Below S$250,000				
Mr Loh Ngiap Boon	89.2	3.8	7.0	100
Mr Lim Kim Seng	69.6	5.8	24.6	100
Ms Chong Siew Kuen	68.2	5.7	26.1	100
Ms Tan Bee Kheng	76.6	12.7	10.7	100

Note:

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

2 The Company only has four key management personnel (who are not directors or the CEO).

The annual aggregate remuneration paid to the top four key management personnel of the Group (who are not directors or the CEO) for FY2017 is S$591,325. As all of the top four key management personnel of the Group, drew remuneration of below S$250,000, 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 four key management personnel for confidentiality reasons.

CORPORATE GOVERNANCE (cont'd)

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 FY2017. Further details of Ms Teoh's remuneration are set out below:

Guideline 9.4

	Salary [1] (%)	Bonus [1] (%)	Allowances and Others (%)	Total Compensation (%)
Ms Teo Bee Choo	88.5	7.4	4.1	100

Note:

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

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 expired on 27 March 2017.

Guideline 9.5 and Guideline 9.6

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

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 quarterly 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.

Guideline 10.1, Guideline 10.2 and Guideline 10.3

Principle 11:
Risk Management and Internal Controls

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 reviews the adequacy and effectiveness of the company's risk management by setting 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, operational risks, and information technology; (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.

Guideline 11.1 and Guideline 11.2

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.

CORPORATE GOVERNANCE (cont'd)

The responsibility of overseeing the Company's risk management framework and policies 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/Financial Controller 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 Company for FY2017 have been prepared in accordance with the provisions of 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 2017, and the results and changes in equity of the Group and of the Company and cash flows of the Group for FY2017;

(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 and internal controls (addressing financial, operational, compliance and information technology 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 of information technology controls and risk management systems in addition to internal controls (including financial, operational and compliance controls) were adequate and effective as at 30 September 2017.

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	

Mr Jovenal R. Santiago will retire as a Director of the Company at the forthcoming AGM pursuant to Article 117 of the Company's Constitution and he has indicated that he will not be standing for re-election at the forthcoming AGM. Mr Jovenal R. Santiago will cease to be a Director of the Company, the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee with effect from the close of the forthcoming AGM.

CORPORATE GOVERNANCE (cont'd)

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*

The Audit Committee is governed by written terms of reference under which is responsible for: *Guideline 12.1 and Guideline 12.4*

(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 co-operation 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) in major judgemental areas; and

  (ii) in 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;

(f) 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;

CORPORATE GOVERNANCE (cont'd)

(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 co-operation 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 an audit firm registered with the Accounting and Corporate Regulatory Authority ("**ACRA**"), 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 FY2017 is S$176,000, of which S$137,000 is paid for audit services and S$39,000 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.

CORPORATE GOVERNANCE (cont'd)

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.

Guideline 12.7

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/Financial Controller of the Company) or the whistle blowing committee (for all other concerns), as the case may be. During FY2017, there were no complaints, concerns or issues received.

Guideline 12.8

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 the financial year in question, 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 12.9

No former partner or director of the Company's auditing firm has acted as a member of the Company's Audit Committee.

Principle 13:
Internal Audit

Guideline 13.1 and Guideline 13.2

Guideline 13.3

The Audit Committee's responsibilities over the Group's internal control and risk management are complemented by the work of the internal auditors. The Company cooperates fully with the internal auditor in terms of allowing unfettered access to all the company's documents, records, properties and personnel, including access to the Audit Committee. The Audit Committee will ensure that the internal audit function is adequately resourced and has appropriate standing within the company.

The Company has outsourced its internal audit function to Nexia TS Advisory Pte Ltd ("**IA**"). The IA is a corporate member of the Institute of Internal Auditors Singapore, and is 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.

CORPORATE GOVERNANCE (cont'd)

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 IA have submitted a report dated 10 April 2017 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 and effectiveness of the internal audit function on an annual basis and is satisfied with its adequacy and effectiveness. 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 address any issue or inadequacy identified. *Guideline 13.5*

Principles 14, 15 and 16:
Communication with Shareholders

Shareholders are informed of general meetings through annual reports and circulars sent to all shareholders in addition to notices published in the newspapers, the Company's announcements via SGXNET and the Company's website. The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company are made to shareholders of the Company, in compliance with the requirements set out in the Listing Manual. In this respect, the Company announces its financial results to shareholders on a quarterly basis. *Guideline 14.1 and Guideline 14.2*

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.

On 3 January 2016, the legislation was amended, among other things, to allow certain members, defined as "relevant intermediary" under Section 181(1C) of the Companies Act, Chapter 50, to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes person or corporation holding licences in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors. *Guideline 14.3 and Guideline 16.1*

Pursuant to this legislative amendment, the Company's Constitution was amended to provide that (a) a member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the same general meeting and (b) a member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the same general meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member.

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*

CORPORATE GOVERNANCE (cont'd)

Shareholders' views are sought at general meetings, and shareholders are given the opportunity to air their views and ask directors and Management questions regarding the Company and the Group. Management has made relevant presentation slides available on SGXNET in conjunction with the release of the Group's quarterly financial results announcements.

Guideline 15.2, Guideline 15.3 and Guideline 15.4

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 (including minutes of Annual General Meeting), which include substantial comments or queries from shareholders and responses from the Board, are available to shareholders upon written request.

Guideline 16.4

Separate resolutions on each distinct issue are tabled at general meetings. All resolutions are conducted by poll in the presence of independent scrutineers. The results of the poll showing the number of votes cast for and against each resolution and the respective percentages are published on SGXNet. 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.

Guideline 15.5

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.

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.

No dividend payout is recommended for the financial year ended 2017.

CORPORATE GOVERNANCE (cont'd)

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 the first and third quarters of its financial year and one month before the announcement for each of its full year and half year financial statements.

Directors and employees are also discouraged from dealing in the Company's securities 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 S$'000**	**Proceeds utilised as at the date of this report S$'000**	**Balance of the proceeds as at the date of this report 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	2,212	1,188
Acquisition of machinery and equipment at 36 Tuas Crescent	8.0%	1,100	318	782
Repayment of short term loans	35.0%	5,000	5,000	–
General working capital purposes	33.0%	4,800	4,800	–
Total	100.0%	14,300	12,330	1,970

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.

CORPORATE GOVERNANCE (cont'd)

INTERESTED PERSON TRANSACTIONS

The Audit Committee reviews, on a quarterly basis, all interested person transactions, including transactions falling under the terms of the Company's general mandate (the "**IPT Mandate**") authorizing the Group to enter into certain interested person transactions with Hanwa Co., Ltd and its associates (the "**Hanwa Group**"), to ensure that the prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Listing Manual) are complied with. Interested person transactions which are not within the ambit of the IPT Mandate will be subject to Rules 905 and 906 of the Listing Manual.

The IPT Mandate covers the following categories of interested person transactions:

(a) the purchase of materials and products by the Group from Hanwa Group;

(b) the obtaining or engagement of Hanwa Group's services as a procurement agent or as a procurement source to procure materials, products and services on behalf of the Group; and

(c) the sale of materials and products by the Group to Hanwa Group.

(collectively, the "**Mandated Interested Person Transactions**")

An interested person being a director, chief executive officer or controlling shareholder of the listed company or an associate of any such director, chief executive officer or controlling shareholder ("**Interested Person**").

Guidelines and Review Procedures for the Mandated Interested Person Transactions

(a) Review Procedures

To ensure that the Mandated Interested Person Transactions are carried out at arm's length, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Group has put in place the following procedures for the review and approval of interested person transactions under the IPT Mandate:-

(i) The guiding principle is that all Mandated Interested Person Transactions shall be conducted in accordance with the Group's usual business practices and pricing policies, consistent with the usual profit margins or prices extended to or received by the Group for the same or substantially similar type of transactions between the Group and unrelated third parties, and the terms are not more favourable to the Interested Person compared to those extended to or received from unrelated third parties and/or are in accordance with published or prevailing rates/prices or applicable industry norms. The Company will use its reasonable endeavours to make comparisons with at least two other quotes from unrelated third parties, wherever possible for the same or substantially similar type of transactions;

CORPORATE GOVERNANCE (cont'd)

(ii) In relation to the purchase of materials and products by the Group from an Interested Person:-

(aa) subject to and in accordance with Paragraph (a)(i) above, the Company will make comparisons against the quotations obtained from at least two other comparative offers from unrelated third parties that are reasonably contemporaneous in time, to ensure that such purchase price is no less favourable to the Group. Comparisons will be made taking into consideration, *inter alia*, the purchase price, order quantity, product quality, standard of services, experience and expertise, customer requirements, product specifications, delivery schedule, track record, potential for future repeat business, contract duration, credit term and fluctuations in foreign exchange rates; and

(bb) in the event where it is impractical or impossible to obtain comparable prices of similar transactions reasonably contemporaneous in time due to the nature of the materials or products to be purchased, such transaction may only be entered into with approval from at least one of the Executive Directors of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction. Such Executive Director(s) will, subject to the approval thresholds as set out in Paragraph (b) below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transaction are in accordance with applicable industry norms and/or are not prejudicial to the Company, taking into account factors such as, but not limited to, the nature of the materials or products, order quantity, product quality, standard of services, experience and expertise, customer requirements, product specifications, delivery schedule, track record, contract duration, credit terms and fluctuations in foreign exchange rates.

(iii) In relation to the engagement or utilisation of an Interested Person as a procurement source to procure materials, products and services on behalf of the Group:-

(aa) subject to and in accordance with Paragraph (a)(i) above, the mark-up or fee (where applicable) payable by the Group to the Interested Person shall be determined by at least one of the Executive Directors of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction; and

(bb) such Executive Director(s) will, subject to the approval thresholds as set out in Paragraph (b) below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transaction are in accordance with applicable industry norms and/or are not prejudicial to the Company, taking into account factors such as, but not limited to, the nature of the materials, products or services procured, standard of services, experience and expertise, the price competitiveness of the Group's products and/or services (after incorporating such mark-up or fee), and the Group's profit margin from the transaction;

(iv) In relation to the sale of materials and products by the Group to the Hanwa Group:-

(aa) subject to and in accordance with Paragraph (a)(i) above, in the case of the sale of materials and products in the ordinary course of business of the Group, the sale price and/or rates shall be no more favourable to the Interested Person than the usual commercial terms extended by the Group to unrelated third parties and/or in accordance with applicable industry norms, taking into account factors such as, but not limited to, the nature of the materials or products, order quantity, product quality, standard of services, experience and expertise, customer requirements, product specifications, delivery schedule, track record, credit standing, credit terms, potential for future repeat business, contract duration and fluctuations in foreign exchange rates, subject to the Group being able to obtain a positive gross profit margin from the transaction; and

CORPORATE GOVERNANCE (cont'd)

(bb) in cases of adverse market conditions when the Group considers it necessary to enter into a transaction which will result in no or a negative gross profit margin, such transaction shall be subject to and in accordance with Paragraph (a)(i) above and may only be entered into with the approval from at least one of the Executive Directors of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction. Such Executive Director(s) will, subject to the approval thresholds as set out in Paragraph (b) below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transaction are in accordance with applicable industry norms and/or are not prejudicial to the Company, taking into account factors such as, but not limited to, the nature of the materials or products, order quantity, product quality, standard of services, experience and expertise, customer requirements, product specifications, delivery schedule, track record, credit standing, credit terms, potential for future repeat business, contract duration and fluctuations in foreign exchange rates.

The considerations in Paragraphs (a)(i) to (a)(iv) above will allow for variations in prices and terms of the comparative offers or sales so long as the volume of trade, credit-worthiness of the buyer, differences in service, reliability or such other relevant factors justify such variations and so long as such comparative offer or sale incorporates modifications that account for volatility of the market for the goods and services in question.

(b) Approval Threshold

In addition to the review procedures, the Group will review and approve the Mandated Interested Person Transactions as follows:-

(i) any transactions amounting from S$100,000 to 3% of the latest audited consolidated net tangible assets of the Company will be reviewed and approved by a Director or the Chief Financial Officer;

(ii) any transactions amounting from above 3% to 10% of the latest audited consolidated net tangible assets of the Company will be reviewed and approved by the Audit Committee; and

(iii) any transactions exceeding 10% of the latest audited consolidated net tangible assets of the Company will be reviewed and approved by the Board.

The above approval thresholds are adopted after taking into account, *inter alia*, the nature, volume, recurrent frequency and transaction size as well as the Group's day-to-day operations, administration and businesses. The approval thresholds act as an additional safeguard to supplement the review procedures to be implemented for the Mandated Interested Person Transactions.

Disclosure according to Rule 907 of the SGX-ST Listing Manual in respect of interested person transactions for FY2017 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$100,000 and transactions conducted under shareholder's mandate pursuant to Rule 920 of the SGX-ST Listing Manual) S$'000**	**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$100,000) S$'000**
Hanwa Group*	–	5,752

* Hanwa Co., Ltd and its subsidiaries, and (where applicable) its associated companies.

FINANCIAL CONTENTS

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 30 September 2017.

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

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
Low Beng Tin
Hiroshi Ebihara
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 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 Tong Yang	19,954,396	19,954,396
Ong Tong Hai	28,411,996	28,411,996
Tan Siok Chin	125,000	125,000

The directors' interests as at 21 October 2017 were the same as those at the end of the reporting year.

STATEMENT BY 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 BY 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. The ESOS expired on 27 March 2017.

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

During the reporting year, there were no shares 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 under option.

6. **INDEPENDENT AUDITOR**

RSM Chio Lim LLP has expressed 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)
Low Beng Tin	(Independent Non-Executive Director)
Tan Siok Chin	(Independent Director)

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.

STATEMENT BY DIRECTORS (cont'd)

7. **REPORT OF AUDIT COMMITTEE (CONT'D)**

- 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. **DIRECTORS' OPINION ON THE ADEQUACY OF INTERNAL CONTROLS**

The directors' opinion on the adequacy of internal controls is detailed in the report on corporate governance.

9. **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 15 November 2017 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

15 December 2017

INDEPENDENT AUDITOR'S REPORT

to the Members of COSMOSTEEL HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying 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 2017, 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 notes to the financial statements, including accounting policies.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the "**Act**") and Financial Reporting Standards in Singapore ("**FRSs**") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 30 September 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for inventory obsolescence

Please refer to Note 2C on critical judgements, assumptions and estimation uncertainties; and Note 16 on inventories at the reporting year end.

The carrying amount of inventories amounted to $68,871,000, which accounted for approximately 48% of the group's total assets as at the reporting year end. During the reporting year ended 30 September 2017, the allowance on inventory and write down of inventories to net realisable value amounted to $2,540,000 and $52,000 respectively.

We have reviewed the group's policy for inventory obsolescence, performed procedures to understand management's methodology and process of assessing for inventory obsolescence and challenged management's judgement on their technical assessment of the inventories via our understanding of the business environment.

INDEPENDENT AUDITOR'S REPORT (cont'd)

to the Members of COSMOSTEEL HOLDINGS LIMITED

Key audit matters (cont'd)

Allowance for inventory obsolescence (cont'd)

We have also reviewed and tested the reliability of the group's inventory movement report which management uses as a basis to identify slow moving and obsolete inventories, as well as the group's computation for inventory obsolescence. This included using audit data analytics techniques. We found management's approach to be reasonable. We have compared the carrying values of the inventories to the recent sales invoices. We have also assessed the adequacy of the disclosures made in the financial statements.

Impairment of trade receivables

Please refer to Note 2C on critical judgements, assumptions and estimation uncertainties; and Note 17 and Note 29D on trade receivables and credit risk of the group respectively.

The carrying amount of trade receivables amounted to $23,884,000, which accounted for approximately 17% of the group's total assets as at the reporting year end. Out of this amount, $342,000 was past due for more than 9 months. Based on management's knowledge of the customers' payment history and credit worthiness, management is of the view that $342,000 is recoverable.

We have reviewed the group's policy for impairment of trade receivables, performed procedures to understand management's process over the monitoring of trade receivables and assessment of impairment of trade receivables. We have challenged management's judgement on the recoverability of these amounts via our review of the customers' credit worthiness and payment history.

We tested the reliability of the trade receivables ageing report which management uses as a basis to identify receivables with objective evidence of impairment.

We have also reviewed management's process over the recoverability of outstanding trade receivables, including the payments made by the customers subsequent to the reporting year end. We found management's approach to be balanced.

We have also assessed the adequacy of the disclosures made in the financial statements.

Other information

Management is responsible for the other information. The other information comprises the statement by directors and the annual report but does not include the financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT (cont'd)

to the Members of COSMOSTEEL HOLDINGS LIMITED

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (cont'd)

to the Members of COSMOSTEEL HOLDINGS LIMITED

Auditor's responsibilities for the audit of the financial statements (cont'd)

e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is Peter Jacob.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

15 December 2017

Engagement partner – effective from year ended 30 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 30 September 2017

		Group	
	Notes	2017 $'000	2016 $'000
Revenue	5	76,922	68,757
Cost of sales		(66,055)	(53,827)
Gross profit		10,867	14,930
Interest income		30	55
Other gains	6	66	1,730
Depreciation expenses	13	(5,937)	(5,609)
Marketing and distribution costs		(5,394)	(6,137)
Administrative expenses	7	(6,662)	(7,161)
Finance costs	8	(430)	(673)
Other losses	6	(3,369)	(5,936)
Loss before tax from continuing operations		(10,829)	(8,801)
Income tax income	10	1,450	1,226
Loss from continuing operations, net of tax		(9,379)	(7,575)
Other comprehensive (loss)/ income:			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation, net of tax	22	550	1,679
Loss on deemed disposal of property, net of tax		(1,267)	–
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets, net of tax	22	28	(38)
Exchange differences on translating foreign operations, net of tax	22	(60)	(27)
Other comprehensive (loss)/ income for the year, net of tax		(749)	1,614
Total comprehensive loss		(10,128)	(5,961)
Loss per share			
Loss per share currency unit		**Cents**	**Cents**
Basic and diluted			
Continuing operations	11	(3.23)	(2.61)

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2017

	Notes	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	24,008	28,361	–	–
Investments in subsidiaries	14	–	–	60,107	60,107
Trade and other receivables	17	301	2,139	–	–
Available-for-sale financial assets	15	–	92	–	–
Total non-current assets		24,309	30,592	60,107	60,107
Current assets					
Inventories	16	68,871	78,838	–	–
Trade and other receivables	17	27,041	16,768	1,324	1,156
Financial assets at fair value through profit or loss	18	1,574	1,557	–	–
Other assets	19	483	411	32	32
Cash and cash equivalents	20	21,326	17,108	269	701
Total current assets		119,295	114,682	1,625	1,889
Total assets		143,604	145,274	61,732	61,996
EQUITY AND LIABILITIES					
Equity					
Share capital	21	56,325	56,325	56,325	56,325
Retained earnings		37,192	44,780	5,224	5,208
Other reserves	22	10,124	14,116	–	–
Total equity		103,641	115,221	61,549	61,533
Non-current liabilities					
Provisions	23	20	70	–	–
Deferred tax liabilities	10	1,293	2,859	–	–
Other financial liabilities	25	1,563	2,750	–	–
Total non-current liabilities		2,876	5,679	–	–
Current liabilities					
Income tax payable		–	32	4	9
Trade and other payables	24	5,203	8,801	179	454
Other financial liabilities	25	30,605	15,433	–	–
Other non-financial liabilities	26	1,279	108	–	–
Total current liabilities		37,087	24,374	183	463
Total liabilities		39,963	30,053	183	463
Total equity and liabilities		143,604	145,274	61,732	61,996

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 September 2017

Group	Total equity $'000	Share capital $'000	Retained earnings $'000	Revaluation reserve $'000	Translation reserve $'000
Current year:					
Opening balance at 1 October 2016	115,221	56,325	44,780	13,862	254
Movements in equity:					
Total comprehensive loss for the year	(10,128)	–	(9,379)	(689)	(60)
Dividends paid (Note 12)	(1,452)	–	(1,452)	–	–
Transfer to retained earnings of difference between depreciation on carrying revalued amount and depreciation based on original cost	–	–	3,243	(3,243)	–
Closing balance at 30 September 2017	103,641	56,325	37,192	9,930	194
Previous year:					
Opening balance at 1 October 2015	122,634	56,325	50,807	15,221	281
Movements in equity:					
Total comprehensive (loss)/income for the year	(5,961)	–	(7,575)	1,641	(27)
Dividends paid (Note 12)	(1,452)	–	(1,452)	–	–
Transfer to retained earnings of difference between depreciation on carrying revalued amount and depreciation based on original cost	–	–	3,000	(3,000)	–
Closing balance at 30 September 2016	115,221	56,325	44,780	13,862	254

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

STATEMENTS OF CHANGES IN EQUITY (cont'd)

Year Ended 30 September 2017

Company	Total equity $'000	Share capital $'000	Retained earnings $'000
Current year:			
Opening balance at 1 October 2016	61,533	56,325	5,208
Movements in equity:			
Total comprehensive income for the year	1,468	–	1,468
Dividends paid (Note 12)	(1,452)	–	(1,452)
Closing balance at 30 September 2017	61,549	56,325	5,224
Previous year:			
Opening balance at 1 October 2015	62,871	56,325	6,546
Movements in equity:			
Total comprehensive income for the year	114	–	114
Dividends paid (Note 12)	(1,452)	–	(1,452)
Closing balance at 30 September 2016	61,533	56,325	5,208

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 30 September 2017

	Group	
	2017	**2016**
	$'000	**$'000**
Cash flows from operating activities		
Loss before tax	(10,829)	(8,801)
Adjustments for:		
Interest income	(30)	(55)
Interest expense	430	673
Depreciation of property, plant and equipment	5,937	5,609
Available-for-sale financial assets written off	120	–
Plant and equipment written off	30	–
(Gains)/ losses on disposal of property, plant and equipment	(9)	2
Net effect of exchange rate changes in consolidating foreign operations	(60)	(27)
Operating cash flows before changes in working capital	(4,411)	(2,599)
Inventories	9,967	15,013
Trade and other receivables	(8,197)	9,265
Financial assets at fair value through profit or loss	(17)	49
Other assets	(72)	106
Trust receipts and bills payable	19,179	(19,230)
Trade and other payables	(3,598)	(3,078)
Other non-financial liabilities	1,171	(12)
Net cash flows from/ (used in) operations	14,022	(486)
Income taxes paid	(240)	(52)
Net cash flows from/ (used in) operating activities	13,782	(538)
Cash flows from investing activities		
Purchase of property, plant and equipment (Note 20B)	(2,478)	(700)
Proceeds from disposal of property, plant and equipment	172	38
Interest received	30	55
Net cash flows used in investing activities	(2,276)	(607)
Cash flows from financing activities		
Cash restricted in use over 3 months	(1)	(1)
Decrease in other financial liabilities	(6,253)	(7,574)
Dividends paid to equity owners	(1,452)	(1,452)
Increase in borrowings	1,085	3,000
Finance lease repayments	(238)	(69)
Interest paid	(430)	(673)
Net cash flows used in financing activities	(7,289)	(6,769)
Net increase/ (decrease) in cash and cash equivalents	4,217	(7,914)
Cash and cash equivalents, statement of cash flows, beginning balance	17,082	24,996
Cash and cash equivalents, statement of cash flows, ending balance (Note 20A)	21,299	17,082

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2017

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 ("**SGX-ST**").

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

The registered office is 14 Lok Yang Way Singapore 628633. The company is situated in Singapore.

Accounting convention

The financial statements of the company as the reporting entity have been prepared in accordance with the Financial Reporting Standards in Singapore ("**FRSs**") 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 not material. The disclosures required by FRSs need not be provided if the information resulting from that disclosure is not material. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss, as required or permitted by FRSs.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

1. GENERAL (CONT'D)

Basis of presentation (cont'd)

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.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

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 income or expense is recognised using the effective interest method. Dividend from equity instruments is recognised as income when the entity's right to receive dividend 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 is obligated 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 (cont'd)

30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. 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.

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.

Business combinations

Business combinations are accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. 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.

Property, plant and equipment

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 except for the revalued items as described below. Depreciation is provided on a straight-line method 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%
Construction work in progress	–	Not depreciated

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

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.

After recognition as an asset, an item of property, plant and equipment (such as land, property, buildings, etc) whose fair value can be measured reliably 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Leases

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. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. 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.

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.

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 (cont'd)

30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

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 (cont'd)

30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

Subsequent measurement (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. 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

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.

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: As at end of the reporting year date, there were no financial liabilities classified in this category.

#2. Liabilities at amortised cost: These liabilities are carried at amortised cost using the effective interest method.

Fair value 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. It is a market-based measurement, not an entity-specific measurement. 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

The fair value measurements categorise the inputs 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.

2B. Other explanatory information

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.

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 (cont'd)

30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. 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.

Allowance for inventory obsolescence:

A review is made on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires 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 acceptable 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.

Impairment of trade receivables:

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 other factors which could change significantly as a result of innovations and 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 items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting 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 at the end of the reporting year affected by the assumption is $24,008,000 (2016: $28,361,000).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

3A. Related party transactions:

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 and financial guarantees if any are unsecured, without fixed repayment terms and interest or charge 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.

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

Significant related party transactions:

Other related parties	Group 2017 $'000	Group 2016 $'000
Revenue from sales of goods to a substantial shareholder and its subsidiaries [(a)]	(1,589)	(443)
Purchases of goods from a substantial shareholder and its subsidiaries [(a)]	6,223	11,751
Legal expenses	–	9

(a) Hanwa Co., Ltd is a substantial shareholder of the company. It has significant influence over the company.

3B. Key management compensation:

	Group 2017 $'000	Group 2016 $'000
Salaries and other short-term employee benefits	2,147	2,554

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

3B. Key management compensation (cont'd):

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

	Group	
	2017	2016
	$'000	$'000
Remuneration of directors of the company	1,585	1,833
Fees to directors of the company	285	297
Fees to a director of the company from a subsidiary	5	5

Key management personnel include directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, 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.

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

The trade transactions and the related 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

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported financial performance 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.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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

4B. Profit or loss from continuing operations and reconciliations

	Energy $'000	Marine $'000	Trading $'000	Others $'000	Group $'000
Continuing operations 2017					
Revenue by segment					
Total revenue	57,522	5,619	12,745	1,036	76,922
Segment results	8,386	986	1,774	(279)	10,867
Unallocated expenses					(17,993)
Loss from operations					(7,126)
Interest income					30
Finance costs					(430)
Other losses (net)					(3,303)
Loss before income tax					(10,829)
Income tax income					1,450
Loss from continuing operations					(9,379)
Continuing operations 2016					
Revenue by segment					
Total revenue	40,172	18,266	8,826	1,493	68,757
Segment results	8,031	3,844	2,854	201	14,930
Unallocated expenses					(18,907)
Loss from operations					(3,977)
Interest income					55
Finance costs					(673)
Other losses (net)					(4,206)
Loss before income tax					(8,801)
Income tax income					1,226
Loss from continuing operations					(7,575)

4C. Assets, liabilities and reconciliations

Assets and liabilities of the group are considered as unallocatable.

4D. Other material items and reconciliations

	Group $'000
Expenditures for non-current assets	
2017	2,690
2016	1,142

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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

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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Brunei	2,602	3,067	–	–
Europe	2,718	2,283	–	80
Indonesia	1,509	488	–	–
Japan	23,675	5,248	37	191
Malaysia	1,948	3,750	–	159
Middle East	2,462	119	–	–
Singapore	25,808	39,883	23,990	28,447
Thailand	825	57	–	–
Vietnam	11,326	8,357	–	–
Others [(1)]	4,049	5,505	282	1,715
	76,922	68,757	24,309	30,592

[(1)] Customers in others are primarily located in Australia, China and Philippines. Non-current assets in others are located in Australia and China.

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located.

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

	Group	
	2017	2016
	$'000	$'000
Revenue from:		
Top 1 customer in Energy segment (2016: Marine)	16,388	9,900
Top 2 customers in Energy segment (2016: Energy)	27,649	15,699
Top 3 customers in Energy and Trading segment (2016: Energy)	33,493	21,340

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

5. REVENUE

	Group 2017 $'000	Group 2016 $'000
Sale of goods	76,798	67,779
Other	124	978
	76,922	68,757

6. OTHER GAINS AND (OTHER LOSSES)

	Group 2017 $'000	Group 2016 $'000
Allowance for impairment on trade receivables – reversal (Note 17)	5	6
Impairment allowance on available-for-sale financial assets	(120)	–
Bad debts recovered/ (written off) trade receivables (net)	2	(59)
Fair value gains/ (losses) on financial assets at fair value through profit or loss (Note 29C)	50	(49)
Foreign exchange adjustments (losses)/ gains	(446)	56
Gains/ (losses) on disposal of property, plant and equipment	9	(2)
Impairment allowance on inventories (Note 16)	(2,592)	(5,826)
Inventories (written off)/ written back (Note 16)	(181)	1,668
Property, plant and equipment written off	(30)	–
Net	(3,303)	(4,206)
Presented in profit or loss as:		
Other gains	66	1,730
Other losses	(3,369)	(5,936)
Net	(3,303)	(4,206)

7. ADMINISTRATIVE EXPENSES

The major components and other selected components include the following:

	Group 2017 $'000	Group 2016 $'000
Employee benefits expense (Note 9)	3,438	3,708
Rental expense	787	821

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

8. FINANCE COSTS

	Group	
	2017 $'000	2016 $'000
Interest expense	430	673

9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2017 $'000	2016 $'000
Short term employee benefits expense	6,925	7,704
Contributions to defined contribution plan	483	531
Other benefits	221	116
Total employee benefits expense	7,629	8,351
The employee benefits expense is charged as follows:		
Marketing and distribution costs	4,191	4,643
Administrative expenses (Note 7)	3,438	3,708
Total employee benefits expense	7,629	8,351

10. INCOME TAX

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

	Group	
	2017 $'000	2016 $'000
Current tax (income)/ expense		
Current tax expense	–	6
Over adjustments in respect of prior periods	(30)	(8)
Subtotal	(30)	(2)
Deferred tax income		
Deferred tax income	(1,553)	(1,224)
Under adjustments in respect of prior periods	133	–
Subtotal	(1,420)	(1,224)
Total income tax income	(1,450)	(1,226)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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% (2016: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2017	**2016**
	$'000	**$'000**
Loss before tax	(10,829)	(8,801)
Income tax income at the above rate	(1,841)	(1,496)
Expenses not deductible for tax purposes	238	541
Productivity and innovation credit claims	(31)	(39)
Tax exemptions	(7)	(19)
Deferred tax asset not recognised/ (realisation of deferred tax assets)	13	(286)
Under/(over) adjustments to tax in respect of prior periods	103	(8)
Effect of different tax rates in different countries	75	63
Translation differences	4	15
Other minor items	(4)	3
Total income tax income	(1,450)	(1,226)

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

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

	Group	
	2017	**2016**
	$'000	**$'000**
Excess of book over tax depreciation on plant and equipment and revalued properties	(742)	(604)
Donations carryforwards	(7)	–
Tax losses carryforwards	(671)	(620)
Total deferred income tax income recognised in profit or loss	(1,420)	(1,224)

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

	Group	
	2017	**2016**
	$'000	**$'000**
Deferred tax:		
Gains on property revaluation	113	343
Loss on deemed disposal of property	(259)	–
Total deferred tax (income)/ expense recognised in other comprehensive income	(146)	343

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

10. INCOME TAX (CONT'D)

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

	Group	
	2017	2016
	$'000	$'000
Deferred tax liabilities:		
Excess of net book value of plant and equipment over tax values	(46)	(123)
Amount on revalued depreciable assets	(5,123)	(5,010)
Depreciation on revalued properties	2,578	1,655
Donations carryforwards	7	–
Tax losses carryforwards	1,804	1,123
Other timing differences	(26)	(30)
Deferred tax asset not recognised	(487)	(474)
Net balance	(1,293)	(2,859)

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.

11. LOSS PER SHARE

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

	Group	
	2017	2016
	$'000	$'000
The calculation of the earnings per share is based on the following:		
Loss for the year attributable to the equity holders of the company for the purposes of basic and diluted earnings per share	(9,379)	(7,575)

	Group	
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	290,399,997	290,399,997
Loss figures are calculated as follows:		
Loss per share – cents	(3.23)	(2.61)

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

12. DIVIDENDS ON EQUITY SHARES

	Group			
	Rate per share – cents			
	2017	2016	2017 $'000	2016 $'000
Final tax exempt (1-tier) dividend paid	0.50	0.50	1,452	1,452

No final dividend is being proposed by the directors in the current year. As at 30 September 2016, the directors proposed a final exempt (1-tier) dividend of 0.5 cents per share totalling $1,452,000 be paid to shareholders after the annual general meeting. There are no income tax consequences.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties and improvements $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
Cost or valuation:				
At 1 October 2015	31,325	5,640	–	36,965
Additions	–	1,044	98	1,142
Disposals	–	(336)	–	(336)
Adjustment (Note 23)	(18)	–	–	(18)
Revaluation decrease	(3,000)	–	–	(3,000)
At 30 September 2016	28,307	6,348	98	34,753
Additions	–	525	2,165	2,690
Deemed disposal	(2,220)	–	–	(2,220)
Disposals	–	(482)	–	(482)
Written off	(50)	–	–	(50)
Provision used (Note 23)	–	–	(50)	(50)
Revaluation decrease	(4,570)	–	–	(4,570)
Foreign exchange adjustments	–	(4)	–	(4)
At 30 September 2017	21,467	6,387	2,213	30,067
Represented by:				
Cost	–	6,387	2,213	8,600
Valuation	21,467	–	–	21,467
Total	21,467	6,387	2,213	30,067

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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

Group	Leasehold properties and improvements $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
Accumulated depreciation and impairment losses:				
At 1 October 2015	1,417	4,685	–	6,102
Depreciation for the year	5,199	410	–	5,609
Disposals	–	(296)	–	(296)
Elimination of depreciation on revaluation	(5,023)	–	–	(5,023)
At 30 September 2016	1,593	4,799	–	6,392
Deemed disposal	(694)	–	–	(694)
Depreciation for the year	5,479	458	–	5,937
Disposals	–	(319)	–	(319)
Written off	(20)	–	–	(20)
Elimination of depreciation on revaluation	(5,233)	–	–	(5,233)
Foreign exchange adjustments	–	(4)	–	(4)
At 30 September 2017	1,125	4,934	–	6,059
Carrying value:				
At 1 October 2015	29,908	955	–	30,863
At 30 September 2016	26,714	1,549	98	28,361
At 30 September 2017	20,342	1,453	2,213	24,008

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

	Group 2017 $'000	Group 2016 $'000
Leasehold properties and improvements:		
Cost	15,167	15,217
Net book value	5,433	7,430

Borrowing costs included in the cost of qualifying assets are as follows:

	Group 2017	Group 2016
Capitalisation rates	2.58% to 2.64%	–

	Group 2017 $'000	Group 2016 $'000
Borrowing costs capitalised included in additions during the year	4	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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

Certain items are under finance lease agreements. See Note 25A.

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

There were provisions for dismantling taken up by a subsidiary as shown in Note 23, due to the reinstatement conditions required at the end of the leasehold tenure for the properties at 21A Neythal Road and 36 Tuas Crescent.

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 4 years and 6 months.

The fair value of leasehold properties located at 14 Lok Yang Way, 21A Neythal Road, 90 Second Lok Yang Road and 36 Tuas Crescent was measured in August 2017 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on full valuations made by Jones Lang LaSalle Property Consultants Pte Ltd, a firm of independent valuers on a systematic basis. The full valuations and desktop valuations will be done yearly on an alternate year basis respectively. If there are material changes to the property or market conditions, a full valuation will be performed.

The firm holds recognised and relevant professional qualifications with sufficient recent experience in the location and category of the investment 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 or rental income of similar properties that have been transacted in the open market with adjustment made for differences in factors that affect value.

The deficit net of applicable deferred income tax on revaluation of $717,000 (2016: surplus of $1,679,000) has been debited to asset revaluation reserve in other comprehensive income. The decrease is due to demolition of warehouse located at 90 Second Lok Yang Road in May 2017 for the construction and development of the new warehouse.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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:	$11,700 (2016: $12,500). Level 2 (2016: 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. $1,261 – $2,279 ($1,790). (2016: $905 – $3,192 ($1,465)).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $1,170,000; higher by $1,170,000.

Asset:	Leasehold property at 21A Neythal Road
Fair Value $'000 and Fair value hierarchy – Level:	$1,400 (2016: $3,000). Level 2 (2016: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of the gross rental income less the necessary expenses then capitalised at an appropriate yield rate for the remaining period of lease. (2016: Comparison with market evidence of recent transaction prices for similar properties).
Significant observable inputs and range (weighted average):	Gross rental income less necessary expenses and capitalised at appropriate yield rate, $59,574 per month. (2016 price per square metre: $729 – $2,221 ($868)).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $140,000; higher by $140,000.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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

Asset:	Leasehold property at 90 Second Lok Yang Road
Fair Value $'000 and Fair value hierarchy – Level:	$3,610 (2016: $6,500). Level 2 (2016: 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. $2,156 – $2,899 ($2,825). (2016: $1,226 – $1,971 ($1,560)).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $361,000; higher by $361,000.

Asset:	Leasehold property at 36 Tuas Crescent
Fair Value $'000 and Fair value hierarchy – Level:	$4,000 (2016: $5,500). Level 2 (2016: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of the gross rental income less the necessary expenses then capitalised at an appropriate yield rate for the remaining period of lease. (2016: Comparison with market evidence of recent transaction prices for similar properties).
Significant observable inputs and range (weighted average):	Gross rental income less necessary expenses and capitalised at appropriate yield rate, $112,676 per month. (2016 price per square metre: $729 – $2,221 ($868)).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $400,000; higher by $400,000.

There were no transfers between Levels 1 and 2 during the year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

14. INVESTMENTS IN SUBSIDIARIES

	Company 2017 $'000	Company 2016 $'000
Movements during the year. At cost:		
Balance at beginning and end of the year	60,107	60,107
Carrying value in the books of company comprising:		
Unquoted equity shares at cost	58,789	58,789
Allowance for impairment	(1,422)	(1,422)
Capitalised income from fair value of corporate guarantee	2,740	2,740
	60,107	60,107
Net book value of subsidiaries	101,393	112,568

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 2017 $'000	Cost in books of company 2016 $'000	Effective percentage of equity held by company 2017 %	Effective percentage of equity held by company 2016 %
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	60,107	60,107	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 Australia Partners in Australia, a member firm of RSM International, of which RSM Chio Lim LLP in Singapore is a member.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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

	Group	
	2017 $'000	2016 $'000
Club memberships, at fair value	–	92

The club memberships were impaired during the reporting year due to the decrease in market price resulting from compulsory acquisition of land occupied by the club for transportation related uses. See Note 6. As at 30 September 2016, the fair value of club memberships at fair value was based on market prices in an active market (Level 1). The change in fair value is included in other comprehensive income.

16. INVENTORIES

	Group	
	2017 $'000	2016 $'000
Goods for resale	68,871	78,838
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of the year	10,902	5,070
Charged to profit or loss included in other losses (Note 6)	2,592	5,826
Foreign exchange adjustments	16	6
Balance at end of the year	13,510	10,902
Reversal of write-off of inventories credited to profit or loss included in other gains (Note 6)	–	1,668
Write-off of inventories charged to profit or loss included in other losses (Note 6)	181	–
Amount of inventories included in cost of sales	63,272	50,397

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables, non-current				
Outside parties	301	2,139	–	–
Total trade receivables, non-current	301	2,139	–	–
Trade receivables, current				
Outside parties	23,077	16,073	–	–
Less allowance for impairment	–*	(5)	–	–
Related parties (Note 3)	506	167	–	–
Subsidiaries (Note 3)	–	–	1,324	1,156
Net trade receivables – subtotal	23,583	16,235	1,324	1,156
Other receivables:				
Advances to suppliers	3,213	352	–	–
Income tax recoverable	238	–	–	–
Other receivables	7	181	–	–
Net other receivables – subtotal	3,458	533	–	–
Total trade and other receivables, current	27,041	16,768	1,324	1,156
Movements in above allowance:				
Balance at beginning of the year	5	11	–	–
Reversed to profit or loss included in other gains (Note 6)	(5)	(6)	–	–
Balance at end of the year	–*	5	–	–

* Less than $500.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2017	2016
	$'000	$'000
Equity-linked structured investment	1,396	1,365
Key men insurance asset	178	192
	1,574	1,557

The fair value of the financial assets is not based on observable market data (Level 3). Also see Note 29C.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

19. OTHER ASSETS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Deposits to secure services	223	92	–	–
Prepayments	260	319	32	32
	483	411	32	32

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Not restricted in use	21,299	17,082	269	701
Cash pledged for bank facilities [#a]	27	26	–	–
Cash at end of the year	21,326	17,108	269	701

[#a.] This is for amounts held by the bankers to cover the bank guarantees issued.

The rates of interest for the cash on interest earning balances is 1.62% (2016: 0.90% and 2.17%).

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

	Group	
	2017	2016
	$'000	$'000
Amount as shown above	21,326	17,108
Cash pledged for bank facilities	(27)	(26)
Cash and cash equivalents for statement of cash flows purposes at end of the year	21,299	17,082

20B. Non-cash transactions:

The net cash incurred for the purchase of property, plant and equipment is as follows:

	Group	
	2017	2016
	$'000	$'000
Additions of property, plant and equipment	2,690	1,142
Less: acquisitions by means of finance leases	(212)	(442)
Purchase of property, plant and equipment per statement of cash flows	2,478	700

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

21. SHARE CAPITAL

Group and company	Number of shares issued	Share capital $'000
Ordinary shares of no par value:		
Balance at 1 October 2015, 30 September 2016 and 30 September 2017	290,399,997	56,325

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.

	Group	
	2017 $'000	2016 $'000
Net debt:		
All current and non-current borrowings including finance leases	32,168	18,183
Less cash and cash equivalents	(21,326)	(17,108)
Net debt	10,842	1,075
Adjusted capital:		
Equity	103,641	115,221
Adjusted capital	103,641	115,221
Debt-to-adjusted capital ratio	10.5%	0.9%

The unfavourable change as shown by the increase in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in new debt. There was an unfavourable change with decreased retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

22. OTHER RESERVES

The revaluation reserve arises from the annual revaluation of properties held under property, plant and equipment net of deferred tax (Note 13) and available-for-sale financial assets (Note 15). It is not distributable until it is released to the profit or loss on the disposal of the investments.

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	
	2017	**2016**
	$'000	**$'000**
Provision, non-current:		
Provision for dismantling, removing the item and restoring the site relating to leased properties	20	70
Movements in above provision:		
Balance at beginning of the year	70	88
Reductions	–	(18)
Used (Note 13)	(50)	–
Balance at end of the year	20	70

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

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables:				
Outside parties and accrued liabilities	4,711	6,968	179	454
Subsidiary (Note 3)	–	–	–	–
Related parties (Note 3)	465	1,829	–	–
Trade payables – subtotal	5,176	8,797	179	454
Other payables:				
Outside parties	27	4	–	–
Other payables – subtotal	27	4	–	–
Total trade and other payables	5,203	8,801	179	454

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

25. OTHER FINANCIAL LIABILITIES

	Group	
	2017	**2016**
	$'000	**$'000**
Non-current:		
Financial instruments with floating interest rates:		
Bank loans (secured)	1,416	2,524
Financial instruments with fixed interest rates:		
Finance leases (Note 25A)	147	226
Total non-current portion	1,563	2,750
Current:		
Financial instruments with floating interest rates:		
Bank loans (secured)	2,194	2,254
	2,194	2,254
Financial instruments with fixed interest rates:		
Bank loans (secured)	2,000	6,000
Trust receipts and bill payable to banks (secured)	26,211	7,032
Finance leases (Note 25A)	200	147
	28,411	13,179
Total current portion	30,605	15,433
Total non-current and current	32,168	18,183
The non-current portion is payable as follows:		
Due within 2 to 5 years	1,563	2,750
Total non-current portion	1,563	2,750

	Group	
	2017	**2016**
The range of floating interest rates paid were as follows:		
Bank loans (secured)	2.58% – 2.64% p.a.	2.20% – 3.12% p.a.
The range of fixed interest rates paid were as follows:		
Bank loans (secured)	2.47% – 2.67% p.a.	2.63% – 3.80% p.a.
Trust receipts and bill payable to banks (secured)	1.25% – 2.44% p.a.	2.01% – 2.55% p.a.
Finance leases (Note 25A)	2% p.a.	2% p.a.

All borrowings are interest bearing.

The trust receipts and bill payable to banks are for purchases of inventories.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

25. OTHER FINANCIAL LIABILITIES (CONT'D)

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

1. Legal mortgage on the leasehold properties (Note 13).

2. Corporate guarantee from the company.

3. Negative pledge over the assets of the company.

25A. Finance leases

Group 2017	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	212	(12)	200
Due within 2 to 5 years	156	(9)	147
Total	368	(21)	347
Net book value of plant and equipment under finance leases			702

Group 2016	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	156	(9)	147
Due within 2 to 5 years	240	(14)	226
Total	396	(23)	373
Net book value of plant and equipment under finance leases			570

There are leased assets under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets. Other details are as follows:

	Group	
	2017	2016
Average lease term, in years	3	3
Average effective borrowing rate per year	3.83%	3.83%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

26. OTHER NON-FINANCIAL LIABILITIES

	Group	
	2017	**2016**
	$'000	**$'000**
Advance billings	1,279	108

27. 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	
	2017	**2016**
	$'000	**$'000**
Contractual obligations to construct property (Also see Note 13)	7,392	–

28. 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	
	2017	**2016**
	$'000	**$'000**
Not later than one year	667	894
Later than one year and not later than five years	1,348	1,970
Later than five years	1,798	2,056
Rental expense for the year	906	916

Operating lease payments are for 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 13 December 2007, 22 years[a] from 27 September 2010 and 5 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 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 4 years and 6 months.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK

29A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group	
	2017	**2016**
	$'000	**$'000**
Financial assets:		
Cash and cash equivalents	21,326	17,108
Trade and other receivables	23,891	18,555
Financial assets at fair value through profit or loss	1,574	1,557
Available-for-sale financial assets	–	92
At end of the year	46,791	37,312
Financial liabilities:		
Borrowings and finance leases measured at amortised cost	32,168	18,183
Trade and other payables measured at amortised cost	5,203	8,801
At end of the year	37,371	26,984

	Company	
	2017	**2016**
	$'000	**$'000**
Financial assets:		
Cash and cash equivalents	269	701
Trade and other receivables	1,324	1,156
At end of the year	1,593	1,857
Financial liabilities:		
Trade and other payables measured at amortised cost	179	454
At end of the year	179	454

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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

29B. 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 risk comprising interest rate, currency risk and price risk exposures. 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 (if necessary). 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 acceptable 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.

29C. 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 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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

29C. Fair value of financial instruments (cont'd)

	Group Level 3 2017 $'000	Group Level 3 2016 $'000
Financial assets at fair value through profit or loss	1,574	1,557
Total	1,574	1,557

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

	Group Financial assets at fair value through profit or loss $'000	Group Total $'000
2017:		
Balance at beginning of the year	1,557	1,557
Gains recognised in profit or loss under other gains (Note 6)	50	50
Surrender value on keyman insurance	(33)	(33)
Total net balance at end of the year	1,574	1,574
2016:		
Balance at beginning of the year	1,606	1,606
Losses recognised in profit or loss under other losses (Note 6)	(49)	(49)
Total net balance at end of the year	1,557	1,557

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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

29C. Fair value of financial instruments (cont'd)

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	Carrying amount $'000	Favourable change $'000	Unfavourable change $'000
2017:			
Unquoted other investment reflected in profit or loss. 10% change	178	18	(18)
Unquoted equity-linked investment reflected in profit or loss. 10% change	1,396	140	(140)
2016:			
Unquoted other investment reflected in profit or loss. 10% change	192	19	(19)
Unquoted equity-linked investment reflected in profit or loss. 10% change	1,365	137	(137)

29D. 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 assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitment at the end of the reporting year. Credit risk on cash balances with banks and any other 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 with customers 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 on receivables, as the exposure is spread over a large number of counter-parties and debtors 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 (2016: 30 to 90 days). But some customers take a longer period to settle the amounts.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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

29D. Credit risk on financial assets (cont'd)

(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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables:				
1 to 60 days	4,233	3,266	197	245
61 to 90 days	1,169	584	274	308
91 to 120 days	101	1,366	196	3
Over 120 days	1,115	2,506	182	54
Total	6,618	7,722	849	610

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

	Group	
	2017	2016
	$'000	$'000
Trade receivables:		
Over 180 days	–*	5

* Less than $500.

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling $9 (2016: $5,000) 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.

There is no concentration of credit risk with respect to trade receivables, as there are a large number of customers.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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

29E. 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**
2017:			
Trade and other payables	5,203	–	5,203
Gross borrowings commitments	30,736	1,593	32,329
At end of the year	35,939	1,593	37,532
2016:			
Trade and other payables	8,801	–	8,801
Gross borrowings commitments	15,552	2,831	18,383
At end of the year	24,353	2,831	27,184

Company **Non-derivative financial liabilities:**	**Less than 1 year** **$'000**	**Total** **$'000**
2017:		
Trade and other payables	179	179
At end of the year	179	179
2016:		
Trade and other payables	454	454
At end of the year	454	454

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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

29E. Liquidity risk – financial liabilities maturity analysis (cont'd)

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 (2016: 30 to 120 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.

Financial guarantee contracts – For issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year no claims on the financial guarantees are expected to be payable. The following table shows the maturity analysis of the contingent liabilities from financial guarantees:

Company	**Less than 1 year $'000**	**1 – 3 years $'000**	**3 – 5 years $'000**	**Total $'000**
2017:				
Corporate guarantee in favour of a subsidiary	31,170	659	–	31,829
2016:				
Corporate guarantee in favour of a subsidiary	15,869	834	–	16,703

Bank facilities:

	Group	
	2017 $'000	**2016 $'000**
Letters of credit	779	143
Bankers' guarantees	53	51
Performance guarantees	2,444	3,106
Undrawn borrowing facilities	58,791	77,426

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 operations. A schedule showing the maturity of financial liabilities and unused bank facilities is provided to management regularly to assist them in monitoring the liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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

29F. Interest rate risk

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

	Group	
	2017	**2016**
	$'000	**$'000**
Financial liabilities with interest:		
Fixed rates	28,558	13,405
Floating rates	3,610	4,778
Total at end of the year	32,168	18,183

The interest rates are disclosed in the respective notes.

Sensitivity analysis:

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	36	48

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 profit or loss. 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 (cont'd)

30 September 2017

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

29G. Foreign currency risks

Analysis of amounts denominated in non-functional currency:

Group	USD $'000	EUR $'000	Others [#a] $'000	Total $'000
2017:				
Financial assets:				
Cash	9,102	107	4,583	13,792
Trade and other receivables	15,888	59	587	16,534
Other financial assets	1,396	–	–	1,396
Total financial assets	26,386	166	5,170	31,722
Financial liabilities:				
Other financial liabilities	–	120	–	120
Trade and other payables	1,699	25	–	1,724
Total financial liabilities	1,699	145	–	1,844
Net financial assets at end of the year	24,687	21	5,170	29,878
2016:				
Financial assets:				
Cash	7,784	232	682	8,698
Trade and other receivables	8,346	282	1,862	10,490
Other financial assets	1,365	–	–	1,365
Total financial assets	17,495	514	2,544	20,553
Financial liabilities:				
Other financial liabilities	1,127	–	–	1,127
Trade and other payables	5,383	241	40	5,664
Total financial liabilities	6,510	241	40	6,791
Net financial assets at end of the year	10,985	273	2,504	13,762

[#a.] Others – These are non-functional currency smaller amounts of the total denominated in non-functional currency.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

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

29G. Foreign currency risks (cont'd)

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

Sensitivity analysis:

	Group	
	2017	**2016**
	$'000	**$'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 loss of	(2,244)	(999)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the EUR with all other variables held constant would have an adverse effect on pre-tax loss of	(2)	(25)
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 loss of	(470)	(228)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 September 2017

30. 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:

	Group	
	2017	**2016**
	$'000	**$'000**
Audit fees to the independent auditor of the company	137	147
Audit fees to the other independent auditor	25	30
Other fees to the independent auditor of the company	39	66
Other fees to the other independent auditor	16	9

31. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised Financial Reporting Standards in Singapore 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 12	Amendments to FRS 12: Recognition Of Deferred Tax Assets For Unrealised Losses
FRS 112	Amendments to FRS 112: Disclosure of Interests in Other Entities

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

For the future reporting years new or revised Financial Reporting Standards in Singapore 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.

FRS No.	Title	Effective date for periods beginning on or after
FRS 7	Amendments to FRS 7: Disclosure Initiative	1 Jan 2017
FRS 109	Financial Instruments	1 Jan 2018
FRS 115	Revenue from Contracts with Customers	1 Jan 2018
FRS 115	Revenue from Contracts with Customers Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 Jan 2018
FRS 116	Leases	1 Jan 2019
FRS 116	Leases and Leases – Illustrative Examples & Amendments to Guidance on Other Standards	1 Jan 2019
INT FRS 122	Foreign Currency Transactions and Advance Consideration	1 Jan 2018

SHAREHOLDERS' INFORMATION

AS AT 12 DECEMBER 2017

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	14	0.95	501	0.00
100 – 1,000	119	8.07	58,449	0.02
1,001 – 10,000	441	29.90	2,208,350	0.76
10,001 – 1,000,000	875	59.32	70,050,037	24.12
1,000,001 AND ABOVE	26	1.76	218,082,660	75.10
TOTAL	1,475	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	ABN AMRO CLEARING BANK N.V.	12,707,600	4.38
5	HSBC (SINGAPORE) NOMINEES PTE LTD	9,003,412	3.10
6	HO SU CHIN	6,502,041	2.24
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,482,800	2.23
8	CHOW KOK KEE	6,124,991	2.11
9	ANG SEAU TEE (HONG XIUDI)	5,363,698	1.85
10	DBS NOMINEES (PRIVATE) LIMITED	5,174,744	1.78
11	RAFFLES NOMINEES (PTE) LIMITED	4,780,300	1.65
12	TEO CHING CHING (ZHAO QIANQIAN)	4,765,698	1.64
13	DB NOMINEES (SINGAPORE) PTE LTD	3,875,000	1.33
14	TEO BEE YEN	2,932,100	1.01
15	CHAN HOCK LYE	2,529,700	0.87
16	CITIBANK NOMINEES SINGAPORE PTE LTD	2,423,100	0.83
17	OCBC SECURITIES PRIVATE LIMITED	1,922,750	0.66
18	CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,900,000	0.65
19	LAU KIN HONG	1,682,000	0.58
20	TAN CHENG GUAN	1,535,000	0.53
	TOTAL	210,689,308	72.54

SHAREHOLDERS' INFORMATION (cont'd)

AS AT 12 DECEMBER 2017

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 12 December 2017, 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 12 December 2017, there are no treasury shares held by the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of CosmoSteel Holdings Limited (the "**Company**") will be held at Raffles Country Club, 450 Jalan Ahmad Ibrahim, Singapore 639932 on Wednesday, 24 January 2018 at 10.00 a.m. to transact the following business:-

ORDINARY BUSINESS

AS ORDINARY RESOLUTIONS

1. To receive and adopt the Directors' Statement, the Auditors' Report and the Audited Financial Statements of the Company for the financial year ended 30 September 2017. **(Resolution 1)**

2. To approve the payment of S$285,000 as Directors' Fees for the financial year ending 30 September 2018. **(Resolution 2)**

3. To re-elect Mr Ong Tong Yang, the Director retiring by rotation pursuant to Article 117 of the Constitution of the Company. **(Resolution 3)**

4. To re-elect Mr Ong Tong Hai, the Director retiring by rotation pursuant to Article 117 of the Constitution of the Company. **(Resolution 4)**

   To note the retirement of Mr Jovenal R. Santiago pursuant to Article 117 of the Company's Constitution. Mr Jovenal R. Santiago has indicated that he will not be standing for re-election at the forthcoming AGM. Mr Jovenal R. Santiago will cease to be a Director of the Company, the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nominating Committee with effect from the close of the forthcoming AGM.

5. To re-appoint RSM Chio Lim LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

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:-

6. 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 and subsidiary holdings) (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 ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (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 and subsidiary holdings) 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;

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(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

(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 6)

7. **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 7)**

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

By Order of the Board

Lee Pih Peng
Company Secretary
9 January 2018
Singapore

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Explanatory Notes on Ordinary and Special Businesses to be transacted:-

Ordinary Business

(i) Ordinary Resolution 2, 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 2018. 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.

(ii) Ordinary Resolution 3, 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.

(iii) Ordinary Resolution 4, 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.

(iv) To note the retirement of Mr Jovenal R. Santiago pursuant to Article 117 of the Company Constitution. Mr Jovenal R. Santiago has indicated that he will not be standing for re-election at the forthcoming AGM. Mr Jovenal R. Santiago will cease to be a Director of the Company, the Chairman of the Audit Committee, a member of the Renumeration Committee and the Nominating Committee with effect from the close of the forthcoming AGM.

Special Business

(v) Ordinary Resolution 6, 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 and subsidiary holdings), of which the aggregate number of Shares to be issued other than on a pro rata basis shall not exceed ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (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 and subsidiary holdings) 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.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(vi) Ordinary Resolution 7, 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 (details of which are set out in the Addendum).

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 14 Lok Yang Way, Singapore 628633, not less than 72 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 Annual 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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual 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

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

IMPORTANT:
1. For investors who have used their CPF monies to buy shares in the capital of CosmoSteel Holdings Limited, this Circular 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 CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominee.

I/We, _______________________________________ (Name) ____________________________________(NRIC/Passport No.)

of ____ (Address)

being a member/members of COSMOSTEEL HOLDINGS LIMITED (the "**Company**") hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Raffles Country Club, 450 Jalan Ahmad Ibrahim, Singapore 639932 on 24 January 2018 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Ordinary Resolution	For	Against
1	To adopt Directors' Statement, Auditors' Report and Audited Financial Statements		
2	To approve Directors' fees for the financial year ended 30 September 2018		
3	To re-elect Mr Ong Tong Yang as Director of the Company		
4	To re-elect Mr Ong Tong Hai as Director of the Company		
5	To re-appoint RSM Chio Lim LLP as Auditors of the Company and to authorize the Directors to fix their remuneration		
6	To authorize the Directors to allot and issue shares		
7	To authorize the Directors to enter into interested person transactions pursuant to the Interested Person Transactions Mandate		

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

Dated this ____________ day of ___________________ 2018.

Total number of Shares in	Number of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s) /
Common Seal of Corporate shareholder

Important: Please read notes overleaf

Notes:-

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

2. (a) A member (otherwise than a relevant intermediary) is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a difference share or shares held by him (which number and class of shares shall be specified).

   "Relevant intermediary" means

   (i) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (iii) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

3. A proxy need not be a member of the Company.

4. The instrument appointing the proxy or proxies must be deposited at the Company's registered office at 14 Lok Yang Way, Singapore 628633, not less than 72 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 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

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