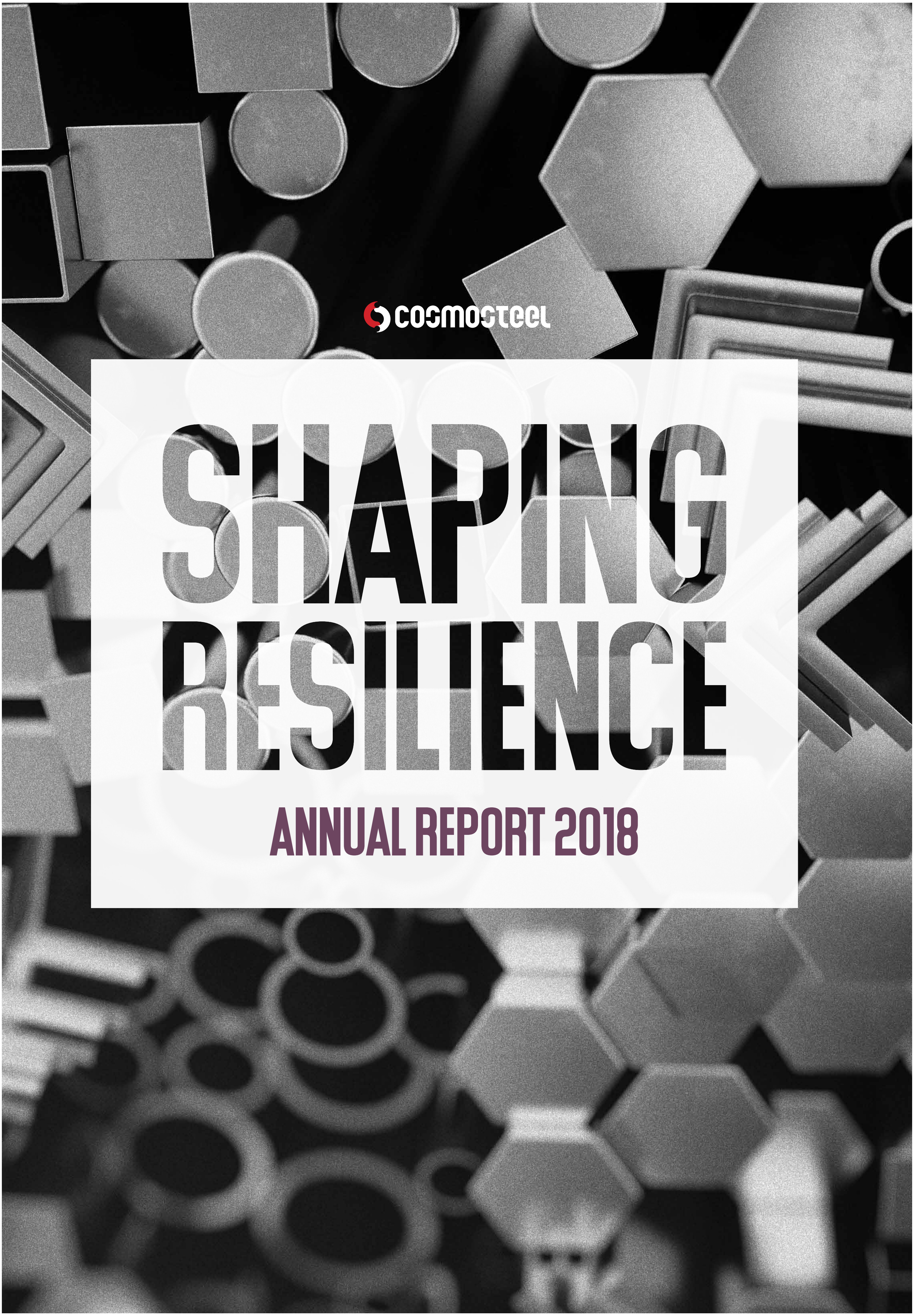


COSMOSTEEL

SHAPING RESILIENCE

ANNUAL REPORT 2018

CONTENTS

OUR MISSION

To be a world-class provider of piping systems components 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.

TOUGH TIMES DON'T LAST: TOUGH PEOPLE DO.

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 2018, the Group was ranked 141st out of 589 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 9001:2015, ISO 14001:2015, OHSAS 18001:2007, ISO 22301:2012 and bizSAFE STAR certification.

CORPORATE STRUCTURE

COSMOSTEEL HOLDINGS LIMITED

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

OUR CORE VALUES

BEST

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

2018

Completed construction and obtained Temporary Occupation Permit for warehouse facility and workers' dormitory at 90 Second Lok Yang Road

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**")

Expanded inventory range to 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)

2012

Achieved bizSAFE STAR certification

2010

Acquired new warehouse at 90 Second Lok Yang Road Singapore (69,998 sqf: warehousing)

2009

Achieved ISO 14001:2004 and OHSAS 18001:2007 certifications

2008

Achieved ISO 9001:2008 certification

2007

Acquired new warehouse at 21A Neythal Road Singapore (111,751 sqf: warehousing)

Listed on the Mainboard of Singapore Exchange Ltd

2005

Moved to new site at 14 Lok Yang Way Singapore (111,363 sqf: warehousing and office)

2003

Achieved ISO 9001:2000 certification

2000

Achieved ISO 9002:1994 certification

1993

Consolidated operations to new premises in 41 Tuas Avenue 13 (42,986 sqf: warehousing and office)

1984

Started with a shophouse in Jalan Besar, Singapore

PRODUCTS

OVER

25,000

LINE ITEMS

SERVICES

OFFERING CUSTOMISATION SERVICES FOR SPECIFIC ENGINEERING AND FABRICATION DESIGN REQUIREMENTS

OUR CUSTOMERS

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

TRADERS

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

OTHERS

Other industries include the manufacturing sector

OUR PRODUCTS & SERVICES

With more than 25,000 line items across five main product categories, CosmoSteel has an extensive inventory of steel pipes, fittings, flanges, cables and structural that we can readily draw on to meet the requirements of our customers in a timely and efficient manner.

Our range of product customisation services allows us to modify the size and thread dimensions of our products to meet the specific engineering and fabrication designs of our customers. To ensure quality assurance, we provide validation and testing services. We also provide expediting and project management services.

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
- RT testing

- **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

LOW BENG TIN
Chairman and
Independent Director

ONG CHIN SUM
CEO and
Executive Director

DEAR SHAREHOLDERS,

On behalf of the board of directors, we are pleased to present our annual report for the financial year ended 30 September 2018 ("**FY2018**"). With the oil and gas sector dogged by volatility since 2014, CosmoSteel has had to adapt its approach to its business and inventory management which, over the years, had included rationalisation of various aspects of our cost and operational structures to cope with anaemic market demand and stiffer competition.

Whatever actions we undertake, our primary objective has always been to establish a firm foundation that will allow the Group to enhance our market competitiveness and return to profitability.

ASSET RATIONALISATION

With this in mind, we completed a comprehensive review of our inventory provisioning estimates that resulted in a $30.8 million inventories write-down to reflect current market prices. This strategic review was prompted by changes in market demand for our products arising from the prolonged weakness in the oil and gas industry, which had compelled the Group to take a more conservative and prudent approach to business and inventory management as part of our continual efforts to make our policies more robust. We had also engaged an independent accounting firm to ensure that these changes to our inventory provisioning estimates and accounting treatment are in accordance with the applicable Financial Reporting Standards.

Mainly as a result of this write-down, we posted a significantly larger net loss of $32.3 million in FY2018, compared to $9.4 million in FY2017 despite a 6.9% uptick in revenue to $82.2 million and 25.7% rise in gross profit to $13.7 million, from $76.9 million and $10.9 million respectively a year ago.

However, from an operational perspective, CosmoSteel performed better in FY2018. Excluding the effects of the inventories written-down, which is non-recurring in nature, we turned around from a loss before interest, tax, depreciation and inventory allowance of $1.7 million in FY2017 to an earnings before interest, tax, depreciation and inventory allowance of $2.6 million in FY2018.

OUR PRIMARY OBJECTIVE HAS ALWAYS BEEN TO ESTABLISH A FIRM FOUNDATION THAT WILL ALLOW COSMOSTEEL TO ENHANCE OUR MARKET COMPETITIVENESS AND RETURN TO PROFITABILITY. IN FY2018, WE MADE A $30.8 MILLION INVENTORIES WRITE-DOWN THAT RESULTED IN A NET LOSS OF $32.3 MILLION. HOWEVER, FROM AN OPERATIONAL PERSPECTIVE, COSMOSTEEL PERFORMED BETTER IN FY2018.

EXCLUDING THE EFFECTS OF THE INVENTORIES WRITTEN-DOWN, WHICH IS NON-RECURRING IN NATURE, WE TURNED AROUND FROM A LOSS BEFORE INTEREST, TAX, DEPRECIATION AND INVENTORY ALLOWANCE OF $1.7 MILLION IN FY2017 TO AN EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND INVENTORY ALLOWANCE OF $2.6 MILLION IN FY2018.

Meanwhile, we are actively reducing these stocks to lighten holding costs, in a bid to improve our overall market competitiveness.

STREAMLINING OPERATING COSTS

We continued to uphold stringent and sustained cost rationalisation measures that enabled us to shave 10.4% off our overall operating costs in FY2018. In June 2018, we obtained the Temporary Occupation Permit ("**TOP**") for our facility at 90 Second Lok Yang Road, which brings our longer-term plan to streamline our operating costs another step forward. We have redeveloped the property into a 5-storey office, warehouse and dormitory with a much larger built-up area of approximately 98,000 sq feet, which is more than double in size compared to our previous premises.

With our leases for 21A Neythal Road and 36 Tuas Crescent expiring in 2019 and 2020 respectively, 90 Second Lok Yang Road will allow us to consolidate our operations at just two warehouses, from four warehouses currently. This will not only provide cost savings but also enable the Group to better control our supply chain management.

Concurrently, we are also exploring partnerships with a number of international mills to provide enhanced supply chain solutions to customers.

INTENSIFYING MARKETING EFFORTS AND PRODUCTIVITY

During the year, we have also fine-tuned our marketing strategy to better drive sales in the current environment. We have established dedicated teams, led by goal-oriented market managers, who are tasked to develop new business in Singapore and the region.

In the last three years, our efforts to improve our team's productivity have seen revenue per employee rise from $0.5 million in FY2016, to $0.7 million in FY2017 to $0.9 million in FY2018. We have every intention to continue with our efficiency drive to enhance the Group's overall market competitiveness. Moving forward, we plan to implement staff training in the areas of quality assurance / control, mill inspections, sales and marketing and packing as well as expedited project management.

OUTLOOK

It was previously anticipated that the global oil & gas sector was regaining its equilibrium but it is apparent that the sector is still highly volatile. This is evident from oil prices which went from four-year highs in October 2018 to a bear market in just six weeks on worries about weakening global demand and oversupply[1].

The Group is mindful of this challenging landscape as we pursue our plans to improve business fundamentals, strengthen overall competitiveness and establish a firm foundation for future profitability.

BOARD RENEWAL

We would like to thank Mr Seiji Usui, who has stepped down as Executive Director, and Mr Joveral R. Santiago, who has retired as an Independent Director, for their valuable contributions over the years. At the same time, we are pleased to welcome Mr Osamu Murai and Mr Hor Siew Fu who came on board as Executive Director and Independent Director respectively. Their appointments have added to the existing wealth of experience on the Board and we look forward to their contributions in the years to come.

APPRECIATION

We want to thank everyone, including our Board of Directors and employees, who have made it possible for CosmoSteel to ride out another year despite the industry backdrop. We also wish to convey our gratitude to our business partners and customers, as well as our shareholders for your ongoing support over the years.

Together with the Board and the management, we will continue to work hard to strive for stronger growth and better returns.

LOW BENG TIN
Chairman and Independent Director

ONG CHIN SUM
CEO and Executive Director

[1] *CNBC, 14 November 2018, "Why oil prices went from four-year highs to a bear market in just six weeks"*

主席和总裁的联合序言

刘明镇
董事长兼
独立董事

翁青山
总裁兼
执行董事

尊敬的股东们,

我们谨代表宇宙钢铁董事会,向您呈现本集团截至2018年9月30日的2018财政年度报告。自2014年起,石油与天然气领域就被市场波动所困扰,集团必须要调整业务和库存管理,在过去几年,这包括多方面的成本和营运架构合理化,来应对疲弱的市场需求和更激烈的竞争。

不论我们采取何种行动,主要目的都是建立坚固的基本面,让集团加强市场竞争力,并恢复盈利。

资产合理化

考虑到这一点,我们完成了对存货准备估量的全面评估,从而提供了3080万元的减记,以反映当前的市场价格。我们进行这一战略评估,是由于石油和天然气行业长期疲软导致产品的市场需求变化,这促使集团采取更加保守和审慎的业务和库存管理方法,是我们不断让政策更加健全所作出的努力之一。 我们还聘请了一家独立的会计师事务所,以确保我们的存货准备估量和会计处理方法的这些变更符合财务报告准则。

主要因为这项减记,集团在2018财政年的净亏损扩大至3230万元,2017财政年的净亏损为940万元,尽管2018财政年的营收增长6.9%至8220万元,毛利增长25.7%至1370万元,去年同期分别为7690万元和1090万元。

然而,从运营角度来看,宇宙钢铁在2018财政年的表现更好。剔除库存减记的非经常性影响,计算息税利润,折旧备抵和库存津贴前,宇宙钢铁从2017财政年的170万元亏损,转为2018财政年的260万元盈利。

同时,我们正在积极减少这些库存以降低维持库存的成本,以提高整体市场竞争力。

我们主要目的都是建立坚固的基本面，让集团加强市场竞争力，并恢复盈利。集团在2018财政年的净亏损至3230万元，主要因为一项3080万元的减记. 然而，从运营角度来看，宇宙钢铁在2018财政年的表现更好。剔除库存减记的非经常性影响，计算息税利润,折旧备抵和库存津贴前，宇宙钢铁从2017财政年的170万元亏损，转为2018财政年的260万元盈利。

精简营运成本

我们继续坚持严格和持续的成本合理化措施，这使得2018财政年的整体运营成本削减10.4%。2018年6月，我们获得了位于第2洛阳路90号（90 Second Lok Yang Road）的厂房的临时入伙证（TOP），这使我们精简营运成本的长期计划又向前迈进了一步。 我们已将该物业重新开发为一幢五层高的办公楼、仓库和宿舍，建筑面积大约为9万8000平方英尺，与之前我们的办公场所相比增加了一倍多。

我们在尼德路21A号（21A Neythal Road）和大士弯36号（36 Tuas Crescent）厂房的租约分别于2019年和2020年到期，第2洛阳路90号让我们把之前的四个仓库，整合到两个仓库。 这不仅可以节省费用，还可使集团更好地控制供应链管理。

同时，我们还在探索与众多国际工厂的合作伙伴关系，为客户提供更好的供应链解决方案。

加强市场营销和提升生产力

在这一年中，我们还调整了营销策略，以便在当前环境中更好地推动销售。我们建立了专门的团队，由注重目标的市场经理领导，他们的任务是在新加坡和区域开展新业务。

在过去三年，我们努力提高团队的生产力，平均每名员工的营收从2016财政年的50万元，增加到2017财政年的70万元，2018财政年进一步提高到90万元。 我们计划继续提升效率，以增强集团的整体市场竞争力。展望未来，我们计划在质量保证/控制、工厂检查、销售和营销以及包装和加速项目管理等领域实施员工培训。

未来展望

此前市场预计全球石油和天然气行业正在恢复均衡，但很明显该行业仍然有很大的波动性。油价于2018年10月达到四年高点，但接下来在短短六周内陷入熊市，可以明显看出全球需求疲软和供过于求的情况[1]。

集团清楚了解这充满挑战的环境，并将继续追求改善业务基本面、提升整体竞争力及为未来盈利奠定坚实基础计划。

董事会更新

我们要感谢已卸下执行董事职位的Seiji Usui先生和已从独立董事职位退休的Jovenal R. Santiago先生，他们多年来作出了宝贵的贡献。与此同时，我们欢迎Osamu Murai先生和Hor Siew Fu先生加入董事会，他们分别担任执行董事和独立董事。 他们的加入扩展了董事会现有的丰富经验，我们期待他们在未来几年为集团带来贡献。

致谢

我们要感谢所有人，包括董事会和员工们。尽管行业面对挑战，但在大家的努力之下，集团再次度过艰难的一年。 我们还希望向业务合作伙伴和客户以及我们的股东致谢，感谢他们多年来的不断支持。

董事会和管理层将继续携手努力，取得更强劲的增长和更好的回报。

刘明镇
董事长兼独立董事

翁青山
总裁兼执行董事

[1] CNBC，2018年11月14日，“为什么油价在短短六周内从四年高位陷入熊市”

BOARD OF DIRECTORS

LOW BENG TIN, 68

CHAIRMAN & INDEPENDENT DIRECTOR
Date of First Appointment / **9 November 2005**
Date of Last Re-election / **25 January 2017**
Country of Principal Residence / **Singapore**
Member / **Audit Committee**

Mr Low is an Independent Director of Lian Beng Group Ltd and Fuji Offset Plates Manufacturing Ltd 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 has obtained a Masters in Business Administration (Chinese Programme) from the National University of Singapore.

ONG CHIN SUM, 69

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

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 has a wide network of manufacturers and suppliers within the industry.

ONG TONG YANG, 43

EXECUTIVE DIRECTOR
Date of First Appointment / **9 November 2005**
Date of Last Re-election / **24 January 2018**
Country of Principal Residence / **Singapore**

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, 41

EXECUTIVE DIRECTOR
Date of First Appointment / **9 November 2005**
Date of Last Re-election / **24 January 2018**
Country of Principal Residence / **Singapore**

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.

OSAMU MURAI, 48

EXECUTIVE DIRECTOR
Date of First Appointment / **1 June 2018**
Country of Principal Residence / **Singapore**

Mr Murai has more than 20 years of experience in global metals trading with Hanwa Co., Ltd. ("**Hanwa**") He began his career at Hanwa's Tokyo office in 1995 and was posted to London in 2008 where he was first, Manager of the Non-Ferrous Department and subsequently Deputy General Manager of the London branch. He returned to the Tokyo office in April 2015 and was appointed Manager of the International Trade Section 3 in 2016 and General Manager of the International Trade Department-II in April 2017 where he oversaw Hanwa's overseas steel sales department. As Executive Director, Mr Murai is responsible for expanding the Group's international sales network and growing the base of Japanese customers in Singapore, through collaboration with Hanwa's global network and facilitating communications between the Group and Hanwa to foster the strategic alliance between them. Mr Murai is also the assistant to the Chief Executive Officer of the Company, and is responsible for developing and recommending to the CEO the strategic directions for the Group's procurement functions and developing and implementing policies and procedures to enhance the effectiveness and efficiency of the procurement functions of the Group and to ensure that these policies and procedures are ISO compliant. Mr Murai graduated with a Bachelor of Arts from Sophia University's Faculty of Science and Technology.

BOARD OF DIRECTORS

HIROSHI EBIHARA, 64

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

Mr Ebihara is currently the Senior Managing Executive Officer and General Representative for Asia (ASEAN, India, Middle East) of Hanwa. Mr Ebihara rose through the ranks after joining in 1977. He variously served as a Director of Hanwa (2005-2010), Managing Director (2010-2012), Director and Senior Managing Executive Officer (2012-2014), General Representative for China (2014-2015) to his current position as Senior Managing Executive Officer and General Representative for Asia (ASEAN, India, Middle East). 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.

HOR SIEW FU, 67

INDEPENDENT DIRECTOR
Date of First Appointment / **26 October 2018**
Country of Principal Residence / **Singapore**
Chairman / **Audit Committee**
Member / **Nominating Committee & Remuneration Committee**

Mr Hor brings with him over 40 years of experience in accounting, finance, human resources, administration, legal and commercial matters having worked for various organisations including government-linked companies, multinational corporations, public-listed companies, small-medium enterprises as well as in the public sector. He is an Independent Director of Edition Ltd (from 2016), which is listed on the SGX-ST. Mr Hor was the chief financial officer of the Company (from 2007 to 2013) and the chief financial officer of Albedo Limited (from 2014 to 2016). Mr Hor is a Fellow of the Institute of Singapore Chartered Accountants (FCA) and the Association of Chartered Certified Accountants, UK (FCCA) and a Professional member of the Singapore Human Resources Institute (MSHRI). He has served as a volunteer in various capacities with government agencies as well as professional and non-profit organisations. Mr Hor holds a Bachelor of Accountancy from the University of Singapore and a Masters in Business Administration from Macquarie University, Australia.

TAN SIOK CHIN, 48

INDEPENDENT DIRECTOR
Date of First Appointment / **28 March 2007**
Date of Last Re-election / **25 January 2017**
Country of Principal Residence / **Singapore**
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.

Note:

- *Mr Jovenal R. Santiago retired as an Independent Director of the Board on 24 January 2018.*
- *Mr Seiji Usui resigned as an Executive Director of the Board on 30 April 2018 as he was relocating back to his home country of Japan.*
- *Following Mr Seiji Usui's resignation and pursuant to the terms of the Strategic Alliance Agreement dated 1 December 2014 entered into between Hanwa and the Company, Mr Osamu Murai was appointed as an Executive Director of the Board on 1 June 2018.*
- *Mr Alan John Crawford was appointed to the Board on 23 April 2018 following Mr Jovenal R. Santiago's retirement from office, however he subsequently resigned as an Independent Director of the Board to comply with EY's global policy on personal appointments and directorships in listed entities.*
- *Mr Hor Siew Fu was appinted as an Independent Director of the Board on 26 October 2018 following Mr Alan John Crawford's resignation.*

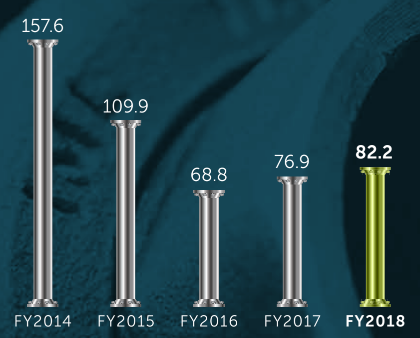
All information relating to the Directors in this Report, unless otherwise mentioned, are accurate as at 18 December 2018, being the latest practicable date for the preparation of this Report ("**Latest Practicable Date**").

FINANCIAL HIGHLIGHTS

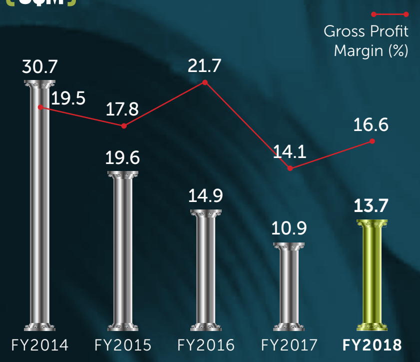
KEY FINANCIAL INDICATORS

(For other key non-financial indicators, please refer to page 22 of this annual report)

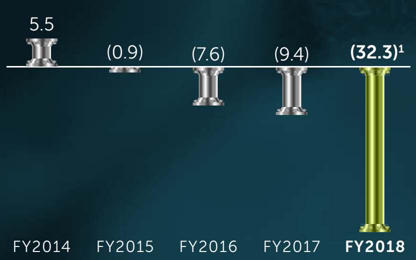
REVENUE
(S$M)



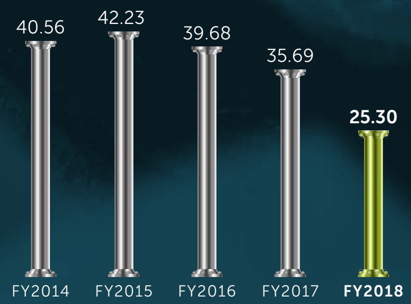
GROSS PROFIT
(S$M)



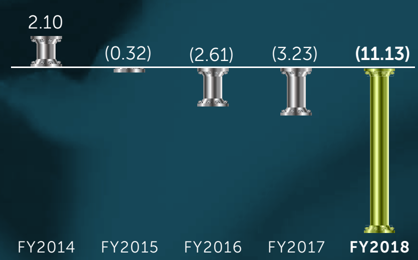
NET PROFIT / (LOSS)
(S$M)



NET ASSET VALUE PER SHARE
(¢)



EARNINGS / (LOSS) PER SHARE
(¢)



	FY2014	FY2015	FY2016	FY2017	FY2018
Current Ratio (times)	1.94	3.00	4.71	3.22	**2.61**
Gearing Ratio (times)	0.97	0.47	0.26	0.39	**0.52**

[1] *Includes inventories write-down of $30.8 million in FY2018*

OPERATING & FINANCIAL REVIEW

For the year ended 30 September 2018 ("**FY2018**"), the Group recorded a 6.9% increase in revenue to $82.2 million, compared to $76.9 million for the year ended 30 September 2017 ("**FY2017**"), on the back of improved revenues from its Energy, Marine and Others segments.

In FY2018, the Group reviewed and changed its inventory provisioning estimation as a result of changes in market demand for its products brought about by the weaker market conditions in the oil and gas industry in past years, making a $30.8 million write-down of inventories that resulted in a higher net loss of $32.3 million in FY2018, compared to a net loss of $9.4 million in FY2017. In line with the inventories written-down, other losses increased significantly to $31.0 million in FY2018 from $3.3 million a year ago.

Excluding the effects of the inventories write-down, which is non-recurring in nature, the Group performed better operationally in FY2018. It turned around from a loss before interest, tax, depreciation and inventory allowance of $1.7 million in FY2017 to an earnings before interest, tax, depreciation and inventory allowance of $2.6 million in FY2018.

At the gross level, the Group reported a 25.7% rise in gross profit to $13.7 million while gross profit margin improved to 16.6% in FY2018, compared to $10.9 million and 14.1% respectively in FY2017.

Overall operating expenses in FY2018 was down 10.4% year-on-year due to stringent and sustained cost cutting measures implemented by the Group in past years. Distribution costs decreased by 10.3% from $5.4 million in FY2017 to $4.8 million in FY2018 mainly from decreases in entertainment expense and employee benefits expenses, while administrative costs decreased by 8.9% from $6.7 million in FY2017 to $6.1 million in FY2018 due to lower employee benefits expenses. Meanwhile, depreciation expense decreased by 12.1% from $5.9 million in FY2017 to $5.2 million in FY2018.

During the year, interest income increased by 230% to approximately $99,000 from approximately $30,000 in FY2017 due to interest earned on an equity-linked structured investment. Similarly, finance costs increased by 45.8% from $0.4 million in FY2017 to $0.6 million in FY2018 due to higher interest rates.

INCOME STATEMENT REVIEW

INCOME STATEMENT	FY2018 S$'000	FY2017 S$'000	CHANGE %
Revenue	**82.249**	**76,922**	**6.9**
Cost of Sales	(68,590)	(66,055)	3.8
Gross Profit	**13,659**	**10,867**	**25.7**
Other Items of Income			
Interest Income	99	30	230.0
Operating Expenses			
Marketing and Distribution Costs	(4,837)	(5,394)	(10.3)
Administrative Expenses	(6,071)	(6,662)	(8.9)
Depreciation Expense	(5,220)	(5,937)	(12.1)
Other Items of Expense			
Finance Costs	(627)	(430)	45.8
Other Losses (net)	(31,026)	(3,303)	839.3
Loss Before Income Tax	**(34,023)**	**(10,829)**	**214.2**
Income Tax Income	1,706	1,450	17.7
Loss for the Year	**(32,317)**	**(9,379)**	**244.6**
Earnings / (Loss) Before Interest, Tax, Depreciation and Inventory Allowance (EBITDIA)	**2,587**	**(1,689)**	**n.m.**

n.m. – Denotes "not meaningful"

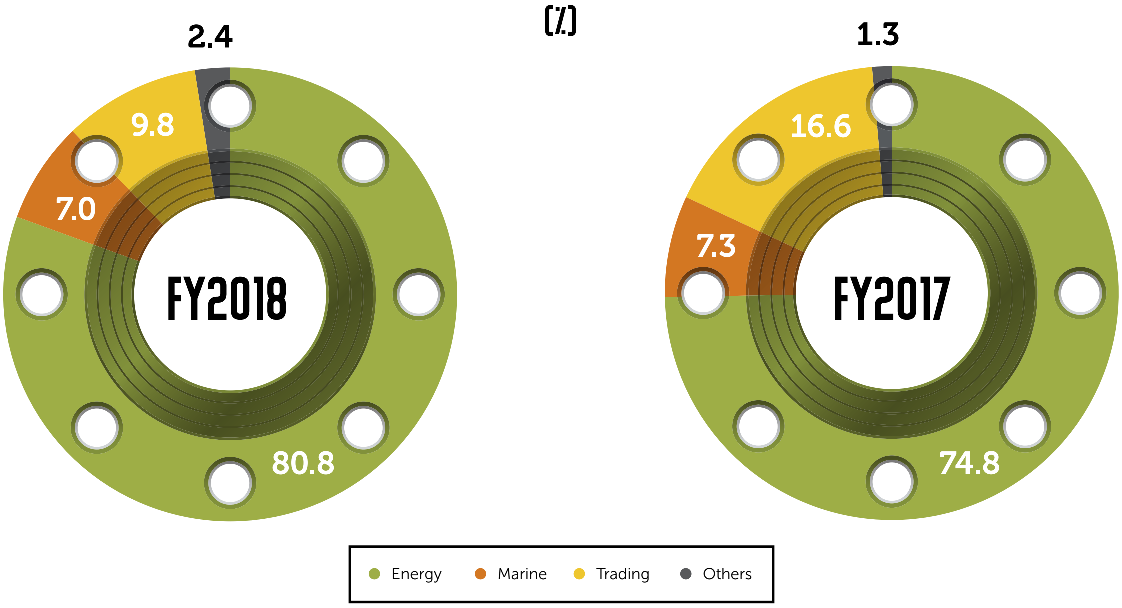
OPERATING & FINANCIAL REVIEW

REVENUE ANALYSIS BY CUSTOMER TYPE

REVENUE BREAKDOWN BY CUSTOMER TYPE (S$'000)

	FY2018	FY2017	CHANGE	
	S$'000	S$'000	S$'000	%
Energy	66,457	57,522	8,935	15.5
Marine	5,742	5,619	123	2.2
Trading	8,059	12,745	(4,686)	(36.8)
Others	1,991	1,036	955	92.2
Total Revenue	**82,249**	**76,922**	**5,327**	**6.9**

REVENUE BREAKDOWN BY CUSTOMER TYPE (%)



Revenue contributions from the Group's Energy, Marine and Others segments improved by 15.5%. 2.2% and 92.2% to $66.5 million, $5.7 million and $2.0 million respectively in FY2018. This was partially offset by a 36.8% decline in Trading segment to $8.1 million.

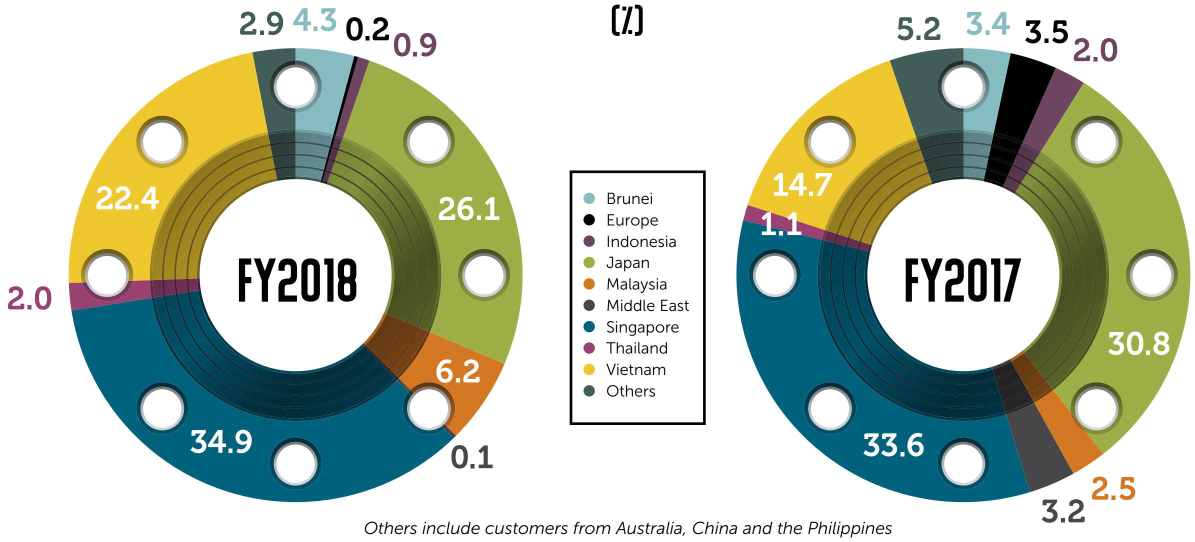
In terms of revenue share, the Energy, Marine Trading and Others segments accounted for 80.8%, 7.0%, 9.8% and 2.4% of sales in FY2018, compared to 74.8%, 7.3%, 16.6% and 1.3% respectively in FY2017.

REVENUE ANALYSIS BY GEOGRAPHICAL MARKET

REVENUE BREAKDOWN BY GEOGRAPHICAL MARKET
(S$'000)

	FY2018	FY2017	CHANGE	
	S$'000	S$'000	S$'000	%
Brunei	3,525	2,602	923	35.5
Europe	177	2,718	(2,541)	(93.5)
Indonesia	761	1,509	(748)	(49.6)
Japan	21,478	23,675	(2,197)	(9.3)
Malaysia	5,059	1,948	3,111	159.7
Middle East	111	2,462	(2,351)	(95.5)
Singapore	28,698	25,808	2,890	11.2
Thailand	1,662	825	837	101.5
Vietnam	18,429	11,326	7,103	62.7
Others	2,349	4,049	(1,700)	(42.0)
Total Revenue	**82,249**	**76,922**	**5,327**	**6.9**

REVENUE BREAKDOWN BY GEOGRAPHICAL MARKET
(%)



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.

With the exception of Indonesia, Middle East, Europe, Japan and Others, revenue contributed by all other markets improved in FY2018. Malaysia and Thailand posted the most significant revenue improvements, rising 159.7% and 101.5% to $5.1 million and $1.7 million in FY2018 respectively. Singapore, the Group's biggest market, recorded a 11.2% rise in sales to $28.7 million, from $25.8 million in FY2017, largely due to a pickup in oil and gas sentiment and demand during FY2018. Likewise for Vietnam which continued its growth momentum with a 62.7% rise in revenue to $18.4 million in FY2018 compared to $11.3 million in FY2017.

The markets with the largest revenue drops in FY2018 came from the Middle East and Europe, which decreased by 95.5% to $0.1 million and 93.5% to $0.2 million, from $2.5 million and $2.7 million respectively in FY2017. Japan, the Group's second largest key market, also decreased by 9.3% to $21.5 million in FY2018 from $23.7 million.

Singapore continued to be the main market for the Group, accounting for 34.9% of FY2018's revenue, followed by Japan at 26.1% and Vietnam at 22.4%.

OPERATING & FINANCIAL REVIEW

FINANCIAL POSITION REVIEW

STATEMENT OF FINANCIAL POSITION	FY2018 S$'000	FY2017 S$'000	CHANGE %
ASSETS			
Non-Current Assets			
Property, plant and equipment	29,119	24,008	21.3
Trade and other receivables	-	301	(100.0)
Total Non-Current Assets	**29,119**	**24,309**	**19.8**
Current Assets			
Inventories	41,317	68,871	(40.0)
Trade and other receivables	26,903	27,041	(0.5)
Financial assets at fair value through profit or loss	199	1,574	(87.4)
Other assets	319	483	(34.0)
Cash and cash equivalents	14,150	21,326	(33.6)
Total Current Assets	**82,888**	**119,295**	**(30.5)**
Total Assets	**112,007**	**143,604**	**(22.0)**
EQUITY AND LIABILITIES			
Equity			
Share capital	56,325	56,325	-
Retained earnings	7,060	37,192	(81.0)
Other reserves	10,072	10,124	(0.5)
Total Equity	**73,457**	**103,641**	**(29.1)**
Non-Current Liabilities			
Provisions	40	20	100.0
Deferred tax liabilities	-	1,293	(100.0)
Other financial liabilities	6,781	1,563	333.8
Total Non-Current Liabilities	**6,821**	**2,876**	**137.2**
Current Liabilities			
Trade and other payables	9,088	5,203	74.7
Other financial liabilities	22,331	30,605	(27.0)
Other non-financial liabilities	310	1,279	(75.8)
Total Current Liabilities	**31,729**	**37,087**	**(14.4)**
Total Liabilities	**38,550**	**39,963**	**(3.5)**
Total Equity and Liabilities	**112,007**	**143,604**	**(22.0)**

FINANCIAL POSITION ANALYSIS

As at FY2018, total assets of the Group decreased by 22.0% to $112.0 million from $143.6 million as at FY2017. This was mainly because of lower inventories and cash and equivalents, which resulted in a 30.5% decrease in current assets from $119.3 million as at FY2017 to $82.9 million as at FY2018. Inventories decreased by 40.0% from $68.9 million as at FY2017 to $41.3 million as at FY2018, while cash and cash equivalents decreased by 33.6% from $21.3 million as at FY2017 to $14.2 million as at FY2018. Meanwhile, non-current assets increased by 19.8% from $24.3 million as at FY2017 to $29.1 million as at FY2018 mainly due to the construction costs of warehouse located at 90 Second Lok Yang Road, which was in turn offset by depreciation charged in the current financial year.

Total liabilities of the Group decreased by 3.5% to $38.6 million as at FY2018 compared to $40.0 million as at FY2017. Non-current liabilities increased by 137.2% from $2.9 million as at FY2017 to $6.8 million as at FY2018 due to bank borrowings for the construction costs of warehouse. This was balanced by a 14.4% decline in current liabilities from $37.1 million as at FY2017 to $31.7 million as at FY2018 as other financial liabilities decreased by 27.0% from $30.6 million as at FY2017 to $22.3 million as at FY2018; and trade and other payables increased by 74.7% from $5.2 million as at FY2017 to $9.1 million as at FY2018.

Total equity decreased by 29.1% from $103.6 million as at FY2017 to $73.5 million as at FY2018 mainly from the loss incurred in FY2018.

CASHFLOW ANALYSIS

S$'000	FY2018	FY2017
Net cash flows from/(used in) operating activities	**4,244**	(5,397)
Net cash flows used in investing activities	**(7,737)**	(2,276)
Net cash flows (used in)/from financing activities	**(5,028)**	11,890
Net (decrease)/increase in cash and cash equivalents	**(8,521)**	4,217
Cash at end of the year*	**12,778**	21,299

* *Excluding cash restricted in use over three months*

Cash used in operating activities decreased by $9.6 million from an outflow of $5.4 million in FY2017 to an inflow of $4.2 million in FY2018 mainly from working capital changes. Cash used in investing activities increased by $5.4 million from $2.3 million in FY2017 to $7.7 million in FY2018 mainly from the construction costs of warehouse. At the same time, cash from financing activities decreased by $16.9 million from an inflow of $11.9 million in FY2017 to an outflow of $5.0 million in FY2018. This was due to an increase in new bank borrowings and the absence of a dividend pay-out in FY2018, partly offset with an increase in cash pledged for bank facilities to secure the issuance of bank guarantees and a decrease in other financial liabilities.

KEY OBJECTIVES OF OUR STAKEHOLDERS ENGAGEMENT

EMPLOYEES

- TO PROVIDE A SAFE AND HEALTHY WORKPLACE
- TO CREATE AN ENGAGING AND HOLISTIC ENVIRONMENT WITH AMPLE OPPORTUNITIES FOR CAPABILITIES AND CAREER DEVELOPMENT

ENVIRONMENT

- TO REDUCE RESOURCE CONSUMPTION PER EMPLOYEE
- TO EXPAND RECYCLING INITIATIVES

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

COMMUNITY

- TO IMPROVE THE LIVES OF PEOPLE IN THE COMMUNITIES AROUND US

SHAREHOLDERS

- TO DELIVER SUSTAINABLE RETURNS TO SHAREHOLDERS
- TO PROVIDE ACCURATE AND TRANSPARENT INFORMATION TO SHAREHOLDERS ON A TIMELY BASIS

SUSTAINABILITY REPORT FY2018

ABOUT THIS REPORT

This is CosmoSteel's first annual Sustainability Report to present our environmental, social and governance ("**ESG**") performance. This report covers our ESG performance for a three-year period from 1 October 2015 to 30 September 2018 to help us to benchmark our current performance and set future performance targets for our material issues. We have chosen to report annually and in line with our financial reporting year of October to September.

This report includes ESG performance for our business operations in Singapore and, as our overseas operations are not significant, excludes that aspect of operations unless stated otherwise.

REPORTING FRAMEWORK

This report has been prepared in accordance with the latest Global Reporting Initiative ("**GRI**") standards: Core option and the SGX-ST Listing Rules (711A and 711B), Sustainability Reporting Guide.

The report includes information about our material ESG factors and policies, practices, performance and targets for each of the identified ESG factors.

REPORTING PROCESS

The Board of Directors of CosmoSteel (the "**Board**") provides overall direction for the Company's sustainability strategy and determining material ESG factors for preparing the Sustainability Report.

Our Board is assisted by a Sustainability Committee, which includes managers from major functions across the organisation to periodically evaluate our business activities and our ESG impact and to engage with stakeholders to identify their expectations and interest in us.

Assisted by external sustainability experts, the Sustainability Committee determined our material ESG factors as well as other important factors that take account of local, regional, national and international legislation, standards, and both stakeholder and global concerns related to our overall sustainability. The committee has shaped the report content, reporting priorities, and defined the current scope and topic boundaries for inclusion in our report.

REPORT CONTENT AND QUALITY

The content in this report has been determined on the basis of materiality assessment, stakeholder expectations, analysis of ESG risks and opportunities and broad sustainability trends in our industry.

We have applied GRI's principles for defining report quality that include the principles of accuracy, balance, clarity, comparability, reliability and timeliness.

Data presented in the report has been derived from primary official records to ensure reasonable accuracy and consistency. We have used internationally accepted measurement units for presenting ESG data. Financial figures are in Singapore dollars unless specified otherwise.

BOARD STATEMENT

The Board considers sustainability issues as part of strategic formulation and endorses the material ESG factors presented in this report. The Board also provides oversight of the management and monitoring of these material ESG factors through periodic review of the key performance indicators.

RESTATEMENTS

As this is our first reporting cycle there are no restatements or changes to our sustainability report.

ASSURANCE

Our financial statements have undergone audits by our independent auditor to provide true and fair view of our financial statements. Our ESG performance data is reported in good faith and to the best of our knowledge. ESG data is verified using an internal mechanism and checks.

SUSTAINABILITY REPORT 2018

AVAILABILITY

This report is a part of our Annual Report and is available in printed version as well as in PDF form for download on our website at www.cosmosteel.com.

FEEDBACK

Please contact us at sustainability@cosmosteel.com.sg should you wish to contact us with feedback, questions, comments or suggestions in relation to our sustainability report.

ESG PERFORMANCE			
ESG FACTORS	FY2016	FY2017	FY2018
CORPORATE GOVERNANCE			
Overall SGTI score (points)	77	72	67
Overall SGTI ranking	45	67	141
CUSTOMERS			
Quality: Inaccuracy in sales order processing (%)[1]	3.7	2.8	5.5
Efficiency: On-time deliveries (%)	99.7	99.8	99.9
Average customer satisfaction rate (%)[2]	3.3	3.4	3.3
PEOPLE			
Permanent employees (As at end of FY) (Number)	122	97	92
Female employees as % of total employees (%)	36.9	41.2	39.1
Proportion of local employees (%)[3]	56.6	61.9	59.8
New hires (Number)	27	8	23
Employee attrition rate (%)	27.9	35.1	30.4
HEALTH AND SAFETY			
Medical leave per employee (Days)	0.6	0.6	0.5
Accident frequency rate (Number)[4]	8	5	5
Accident severity rate (Hours)[5]	242	27	47
ENVIRONMENTAL			
Electricity consumption (kWh)	306,197	290,157	302,212
Electricity consumption per employee (kWh)	2,481	2,658	3,315
Energy consumption (GJ)	5,176	4,534	4,564
Energy intensity per S$1 million of revenue (GJ)	75	59	55
Carbon emission: Scope-1 (tCO_2)	282	242	241
Carbon emission: Scope-2 (tCO_2)	130	123	128
Carbon emission intensity per S$1 million of revenue ($tCO_2$)	6.0	4.7	4.5
Water consumption (m^3)	3,889	2,768	2,420
Water consumption per employee (m^3)	32	25	27
Paper consumption per S$1,000 of sales (Number of copies)	17	12	11
Non-hazardous waste (Kg)	116,940	87,845	31,924
Hazardous waste (Kg)	140	–	329
ECONOMIC			
Revenue (S$'000)	68,757	76,922	82,249
Net loss after tax (S$'000)	(7,575)	(9,379)	(32,317)
Employee wages and benefits (S$'000)	8,351	7,629	6,876
Dividends on equity shares	1,452	1,452	-
Revenue per employee (S$'000)	559	705	902
COMMUNITY			
Contributions to charitable initiatives (S$'000)	41	33	20

[1] Calculated based on the number of customer non-conformance report (non-product related); lower score indicates lower rates of non-conformance
[2] 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
[3] Local employees include Singapore citizens and Permanent Residents (PRs)
[4] Number of workplace accidents per million man hours worked
[5] Number of man days lost to workplace accidents per million man hours worked

SUSTAINABILITY GOVERNANCE

Our sustainability strategy is guided by the Board who determines the material ESG factors taking into consideration the Group's overarching business strategy. The Board is assisted by a Sustainability Committee to focus on the material issues and to drive sustainability strategy throughout the organisation.

The Sustainability Committee consists of an Executive Director and key managers from the main business functions who are responsible for embedding sustainability across the organisation. The team implements management and monitoring practices for our ESG factors, ensuring they are integrated into our day to day operations, meet our company objectives and targets, and provide feedback to the Board to help guide the sustainability strategy for the Group.

SUSTAINABILITY STRATEGY

Our sustainability strategy is to manage the economic, environmental and social impact of our business with the aim to create value for all stakeholders. Sustainability has always been an integral part of our business activities. CosmoSteel uses an integrated management system ISO14001:2015 to reduce environmental impact, OHSAS18001:2007 and BizSafe STAR certifications to safeguard our people, ISO 9001:2015 to ensure the quality of our products and services, and ISO22301:2012 to ensure our business continuity.

Through our management systems we have identified the key risks, opportunities and impact related to our business activities and have policies and procedures in place to control our significant risks and maximise the opportunities available to us. This process is further strengthened by an assessment of material economic, environmental and social impact, risks and opportunities emerging from our business operations.

Certifications

We have a number of certifications to manage our business more efficiently and sustainably. Our key certifications include:

- ISO 9001:2015
- ISO 14001:2015
- OHSAS 18001:2007
- ISO 22301:2012
- BizSafe STAR

MATERIALITY ASSESSMENT

In March 2017, members of the Sustainability Committee attended a workshop facilitated by sustainability experts from a sustainability consultancy firm.

Using their collective experience and knowledge of their functions, the workshop participants identified the significant environmental, economic and social impact of the Group's operations and their potential influence on the opinions of key stakeholders. The participants also identified potential challenges to CosmoSteel especially relating to the energy, marine, and trading sectors where it has business interests. The participants determined their key stakeholders and their engagement mechanisms to meet their expectations.

Further consultation with the internal stakeholders, which included the Sustainability Committee and the Board, was carried out to prepare a list of material topics for sustainability reporting.

Additionally, guidance from SGX Sustainability Guide and the GRI Standards was used to determine material factors and topics. Broader industry trends in sustainability reporting by peers were taken into account.

Using the information obtained, we have identified our material ESG factors and other factors that are considered important and therefore included as voluntary reporting factors.

SUSTAINABILITY REPORT 2018

A summary of our material ESG impact, CosmoSteel's involvement and where they are material is provided below.

SUMMARY OF THE GROUP'S MATERIAL ESG IMPACT, POINT WHERE THE IMPACT OCCURS AND OUR INVOLVEMENT:

MATERIAL ESG FACTORS			
MATERIAL TOPICS	WHERE IMPACT OCCURS	COSMOSTEEL'S INVOLVEMENT	MATERIAL FOR COSMOSTEEL SUBSIDIARIES
Economic Performance	All	Direct and Indirect	All
Marketing and Labelling	All	Direct	Kim Seng Huat Hardware Pte Ltd
Customer Satisfaction	All	Direct	All
Employment	All	Direct	All
Attracting and Retaining Talent	All	Direct	All
Employee Training and Development	All	Direct	All
Occupational Health and Safety	Warehousing and workshop operations	Direct	Kim Seng Huat Hardware Pte Ltd
Environmental Compliance	Warehousing and workshop operations	Direct	Kim Seng Huat Hardware Pte Ltd

All: Includes all entities in the Group.

SUMMARY OF THE GROUP'S IMPORTANT ESG FACTORS THAT ARE NOT DEEMED MATERIAL TOPICS:

IMPORTANT ESG FACTORS			
OTHER ESG TOPICS	WHERE IMPACT OCCURS	COSMOSTEEL'S INVOLVEMENT	MATERIAL FOR COSMOSTEEL SUBSIDIARIES
Indirect Energy	Warehousing and workshop operations	Direct	Kim Seng Huat Hardware Pte Ltd
Direct Energy	Warehousing and workshop operations	Direct	Kim Seng Huat Hardware Pte Ltd
GHG Emissions	Warehousing and workshop operations	Direct	Kim Seng Huat Hardware Pte Ltd
Waste	Warehousing and workshop operations	Direct	Kim Seng Huat Hardware Pte Ltd
Water	Warehousing and workshop operations	Direct	Kim Seng Huat Hardware Pte Ltd
Human Rights: Non-discrimination Forced Labour Child Labour Freedom of Association and Collective Bargaining	All	Direct	All
Diversity and Equal Opportunity	All	Direct	All
Anti-corruption	All	Direct	All

All: Includes all entities in the Group.

ESG GOALS AND TARGETS

We closely monitor our ESG performance against established targets. Periodically ESG performance is reviewed by the senior management. Any shortfalls are investigated and efforts are made to achieve the targets. A description of our performance is provided throughout this report in relevant chapters. A summary of our key goals and targets and how we performed against these in FY2018 is presented below.

ESG FACTORS	GOALS AND TARGETS (SHORT TO MEDIUM TERM)	PERFORMANCE IN FY2018
Customer Satisfaction	3 or greater score by 100% of customers in satisfaction survey.	3.3
	Less than 5 non-conformances (non-product related) raised.	Average of 5.5 cases of non-conformance.
Product Quality	Zero non-conformances raised against our products and services.	Average 1.8 cases of non-conformance.
Socio-economic Compliance	Compliance with applicable laws and regulations.	There were no confirmed incidents of non-compliance with laws.
Employment	To adhere to national policies and regulations on hiring.	We hired 23 new staff in FY2018 of which 15 were women.
	To ensure attrition rate is in line with national or sector trends.	Attrition rate was 30.4% for FY2018, lower than 35.1% in FY2017.
Employee Training and Education	To ensure all our employees have the competency and skills to meet the requirements of their employment and future career aspirations.	Ongoing training.
Occupational Health and Safety	Our interim target is to maintain our accident frequency and severity rate on par with the national level (metalworking sector) of 4.0 accidents and 199 hours respectively per million man hours. (Reference: 2016 Metalworking national levels)	Accident Frequency Rate of 5 and Accident Severity Rate of 47 hours for FY2018 as compared to 5 and 27 hours respectively in FY2017.
Anti-corruption	To have no incidence of corruption.	There was no confirmed incidence of corruption in the period covered in this report.
Diversity and Equal Opportunity	To employ a diverse workforce, within the legal boundaries of the mandates of the Ministry of Manpower and provide equal opportunities to all our employees.	Women represented 39.1% of our employees, down from 41.2% in FY2017.
Human Rights (Non-discrimination, Freedom of Association and Collective Bargaining, Forced Labour, and Child Labour)	To have no incidence of discrimination.	There was no incidence of violation in the reported period.
	In line with legislation, to prevent the employment of forced, or compulsory labour.	
	In line with legislation, to prevent the employment of child labour.	
Electricity Consumption	To maintain our monthly electricity consumption at 220.0 kWh per employee (2018 benchmark).	The average monthly electricity consumption was 276.2 kWh per employee.
Water	To maintain our monthly water consumption at 2.0 m^3 per employee (2018 benchmark).	The average monthly water consumption was 2.2 m^3 per employee, 4.7% higher than the base year FY2017.
Waste	To minimise our paper waste through introduction of a paper management system.	Waste segregation has been implemented.
	To segregate our metal, paper, and plastic waste onsite for periodic collections for recycling offsite.	

SUSTAINABILITY REPORT 2018

STAKEHOLDERS

CosmoSteel is committed to building trusted relationships with stakeholders.

CosmoSteel actively engages with our stakeholders to ensure our business meets their expectations now and creating value for all in the future. We aim to be a world class provider of industrial hardware and related services, ensuring we surpass the expectations of our customers by providing timely delivery, quality products and service excellence, competitive prices, and maintain our environmental and social responsibility.

We define stakeholders as groups who may be affected by our business operations or who may have the potential to affect our business through their opinions and actions.

Our methods of engagement with our stakeholders, including our response to their topics and concerns are outlined below:

KEY STAKEHOLDERS	HOW WE ENGAGE WITH THEM	STAKEHOLDERS' EXPECTATIONS AND CONCERNS	HOW WE RESPOND TO THEIR EXPECTATIONS	FREQUENCY OF ENGAGEMENT
Customers	– Customer surveys; – Face-to-face meetings; – Sales services team; – Annual reports; – Company website; and – Product certifications (mill certifications) of compliance with orders delivered.	– Provide high quality products and services; – Meet the product specification standards required by our customers; – Complete timely delivery of goods and services, and; – Provide good value for money to our customers.	We adhere to the ISO9001 quality management system for our products and services. We monitor for and review any non-conformances to ensure they cannot occur again, and we provide clear and transparent product information. To provide value for money, we actively seek ways to reduce our operational costs and pass on these savings to our customers. We also engage with our suppliers to negotiate economies of scale and competitive pricing options.	Our customer survey is completed annually with all customers, we meet regularly with our customers to discuss their needs, our sales service team is available to customers daily, and product certifications are included with all orders that specify this requirement.
Employees	– Orientation training for new hires; – Annual appraisal reviews; – Development training; – Emails; – Health day; – Posters; – Annual reports; and – Encourage personal interaction through provision of gym membership coupons.	– Provide employees with the ability to grow and develop within the Company; – Provide a safe, healthy and decent working environment; – Provide benefits to staff that help their welfare over their working career at the Company; and – Prepare them for retirement at the end of their career.	We adopt a fair employment policy and provide a Code of Conduct for our employees to adopt. We provide a safe working environment in line with our OHSAS 18001 management system. We value our employees and provide them with regular training programmes, and development opportunities; rest and welfare facilities, gym membership coupons, and regular medical and dental care options.	Employees are provided orientation training at the start of their employment and receive ongoing training as required. Appraisals of all staff are completed annually. Health, welfare, and benefits are available as per company policy. Posters are updated as required to address sustainability issues and further details are made available via monthly performance emails and our annual report.

KEY STAKEHOLDERS	HOW WE ENGAGE WITH THEM	STAKEHOLDERS' EXPECTATIONS AND CONCERNS	HOW WE RESPOND TO THEIR EXPECTATIONS	FREQUENCY OF ENGAGEMENT
Suppliers and Sub-contractors	– Performance evaluations; – Face-to-face meetings; – Site-visits; – Requests for proposals; – Tenders; and – Tele-communications	– Provide clear specifications for products and services; – Have fair terms and conditions and robust internal systems to allow timely payments; – Ethical business practices; and – Honour our contractual obligations.	We implement a fair supplier evaluation process based on pre-set evaluation criteria. We involve suppliers in customer engagement meetings to assist in understanding of product specifications. We have robust financial processes to ensure timely payments, and provide clear contracts outlining supplier obligations and the Code of Conduct we expect from them, including ethical business practices.	Our supplier evaluations are completed annually and include top 10% of our suppliers in terms of purchase value and all sub-contractors. All suppliers are involved in customer orders as and when required. Our Procurement and Finance teams are engaged throughout the procurement and payment process, including contract negotiations.
Public and Community	– Donations; – Website; and – Sustainability report	– To be a good corporate citizen; – Provide local employment; and – Support the local community.	Our Code of Conduct outlines the standards we expect of our employees when engaging with the public. We manage our operations and fleet vehicles to ensure there is limited impact to the surrounding communities.	We engage with charity and voluntary organisations when approached for donations.
Shareholders and investors	– Annual General Meetings; – Annual reports; – Announcements; – Briefings; and – Emails to our investors.	– Presentation of transparent and timely information on Company performance, profitability and status. – Deliver a good economic performance for our investors.	We have an experienced and competent Board and management team. We ensure good governance of risks and opportunities, transparency and honest disclosures, and strive to deliver sustainable growth.	We provide financial and sustainability reports annually, periodic briefings and announcements as significant changes arise, quarterly financial reports, and respond to any investor queries as they arise and keep in regular contact with investors.

COMMUNITIES

We have contributed approximately S$94,000 to various beneficiaries and charity drives in the last three financial years including S$20,000 in FY2018.

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 2018, the Group was ranked 141st out of the 589 listed companies assessed.

MEMBERSHIP OF ASSOCIATIONS

We actively engage with industry associations to learn about trends and address common challenges. Some of our important memberships include the following:

- Singapore Chinese Chamber of Commerce and Industry
- Singapore Business Federation
- Singapore Manufacturing Federation
- Singapore Metal and Machinery Association
- Singapore International Chamber of Commerce

SUSTAINABILITY REPORT 2018

MARKETPLACE

We are committed to running our business with integrity and aligned with our corporate core values of building trust, surpassing expectations, passion for progress and forward thinking.

In line with our business values, we endeavour to be open, honest, and operate with integrity to maintain the trust of our stakeholders. Our management approach ensures that we operate to all legislative requirements and stakeholder expectations through the implementation of our integrated management systems and continuous feedback and review.

CUSTOMERS

Our management approach is to be a world-class provider of piping systems components and related services that surpasses our customers' expectations through consistent product quality and value, punctuality and service excellence while maintaining our commitment to social and environmental responsibilities.

We actively engage with customers through our annual survey. This is completed for all of our customers, or customers where there were greater than five product non-compliances. The most recent survey was sent out to 105 customers, with a 53% response rate. Survey results with lower scores are investigated by the respective department, a suitable response is developed, and reviewed by management before implementation.

The only area where performance resulted in a score less than acceptable was the price satisfaction category. The results indicated that our customers' want 'value for money' and we have developed a range of measures to address this, including:

- Identifying opportunities to reduce operating costs through efficiency savings; energy (electricity and fuel), water, resources and waste reduction; improvements to productivity through innovation and new technologies; and hiring and retaining competent employees.
- Working with our suppliers to reduce costs for raw materials, transport costs, and for re-use of materials, such as packaging.

In FY2018, 85.7% of our surveyed customers were satisfied with our overall performance. Our average customer satisfaction score was 3.3 out of the total possible score of 4 points.

CUSTOMER PERFORMANCE INDICATORS

INDICATOR	FY2016	FY2017	FY2018
Quality: Inaccuracy in sales order processing (%)	3.7	2.8	5.5
Efficiency: On-time deliveries (%)	99.7	99.8	99.9
Average customer satisfaction rate (%)	3.3	3.4	3.3

CERTIFICATION FOR SAFETY CRITICAL PRODUCTS

CosmoSteel's management approach is to provide high quality products and services that will surpass customer expectations. We have implemented an ISO9001 quality management system to ensure our products and services consistently meet our clients' specified requirements. Our systems are audited internally and externally verified and undergo periodic review for continual improvement.

Our rigorous testing and subsequent product information provided to our customers is one of our unique selling points, offering a total client solutions package. None of our products require safety information to be supplied, however we are required by our customers to provide both source and quality information about our products.

No significant compliance issues were raised during the reporting period and all minor non-compliance issues were addressed through sales service teams and passed on to the relevant departments for investigation and action to address any confirmed incidences.

SUPPLIERS

Our policy is to build trusted relationships with suppliers. We rely on suppliers for the supply of a range of products which mainly include pipes, butt weld fittings, forge fittings, and flanges.

We have strategic alliances with international suppliers to ensure on-time delivery and material grades that are difficult to source.

We actively engage with suppliers to ensure consistent and reliable supply of high quality goods to meet our customers' expectations. We have also implemented a supplier and contractor performance evaluation system which involves grading our suppliers and contractors on a range of criteria.

In FY2018, we had 152 active suppliers. Nearly 18.1% of our suppliers were based in Singapore. Our total purchase in FY2018 amounted to S$67.2 million.

ANTI-CORRUPTION

- **Code of Conduct (the "Code")**

Through our risk management process, CosmoSteel considers an ethical breach as a material risk to our business operations. To maintain our integrity, governance, and responsible business practices, CosmoSteel prohibits corrupt practices. Our management approach to anti-corruption, outlined in our employee Code of Conduct prohibits the following activities in compliance with the Singapore Prevention of Corruption Act:

– Use of Company funds or assets for any unlawful purpose or to influence others through bribes;
– Making facilitation or 'grease payments' which are intended to service or speedup routine legal government actions such as issuing permits or releasing goods held in customs; and
– Rewards, gifts or favours bestowed or promised with the view of perverting the judgment or corrupting the conduct of a person in a position of trust.

All employees must read and sign our employment Code of Conduct upon employment and adhere to its rules. Comprising internal corporate governance practices, policy statements and standards, the Code 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 the Group.

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 Code is available to all employees via the Company intranet and is reviewed periodically by management in line with changes to legislation and corporate strategy. The corporate governance section in the annual report details our code of practice, dealing with conflicts of interest, and our whistleblowing policy.

During the reporting period, there were no reported incidents of corruption.

- **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 FY2018, there were no complaints, concerns or issues received.

REGULATORY COMPLIANCE

CosmoSteel is committed to conducting business in compliance with applicable laws and regulations. Legal compliance is the foundation on which the Company's ethical standards are built. The Group's Code of Conduct includes comprehensive principles and measures to ensure compliance with laws.

During the reporting period, there were no incidence of non-compliance to any legislation or standards we are required to uphold.

SUSTAINABILITY REPORT 2018

PEOPLE

CosmoSteel is committed to nurturing a high performing workplace where employees are motivated, engaged and empowered to realise their full potential.

In our aim to pursue excellence, embrace innovation, achieve greater efficiencies, and be profitable and sustainable, our people are our greatest asset. We hire and retain the best people by providing a safe, fair, and rewarding workplace. We invest in developing our people by offering them opportunities to acquire new skills and enhance knowledge to be more productive.

We have HR policies to ensure fairness starting from the recruitment of an employee to their development and rewards. Our HR policies encourage nurturing an inclusive workplace based on trust and team work. Ensuring safety and wellbeing of our employees is of top priority for us.

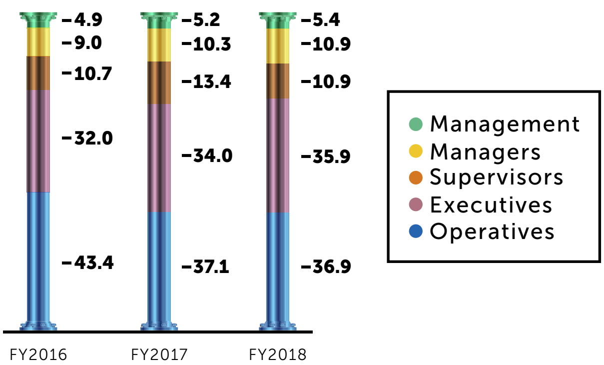
Our senior management reviews our HR policies regularly to ensure they remain relevant and effective.

EMPLOYMENT

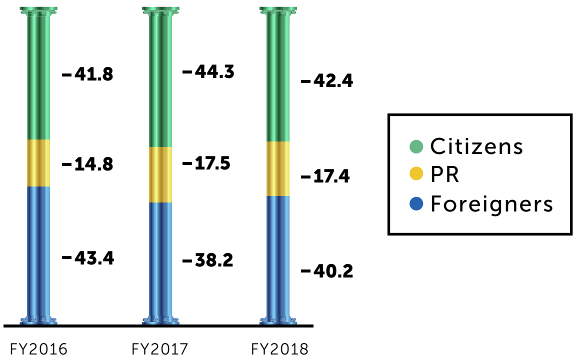
We employed 92 people across our Singapore operations as at end of FY2018, all of whom are permanent full-time employees. Average age of our employees was 38.5 years. Local employees constituted 59.8% of our people profile.

We hired 23 new employees in FY2018. In addition, we re-hired seven retiring employees in Singapore that included two women employees.

EMPLOYEES BY EMPLOYMENT CATEGORY
(%)



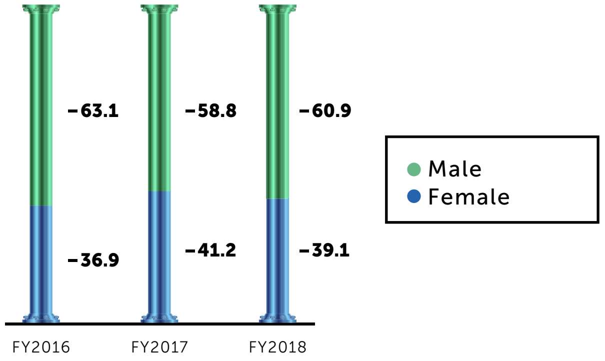
LOCAL EMPLOYEES
(%)



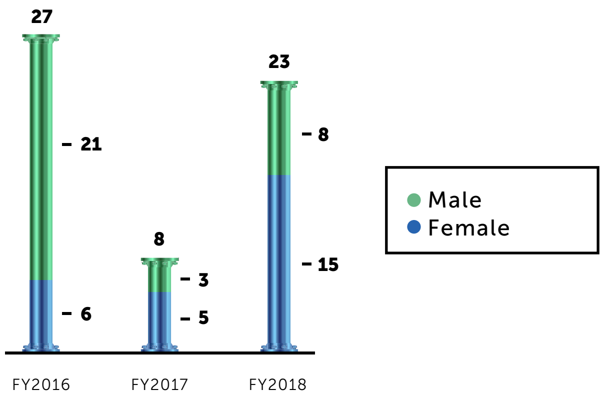
DIVERSITY

CosmoSteel considers diversity a strength. Our workforce is reflective of a healthy balance of gender, age and racial diversity. Warehousing, machining and logistics are a substantial part of our business operations, and in line with industry and cultural trends, these operations tend to be perceived as less attractive to women. Even with these constraints, women represented 39.1% of our workforce. Out of the 23 new hires in the financial year, 15 were women.

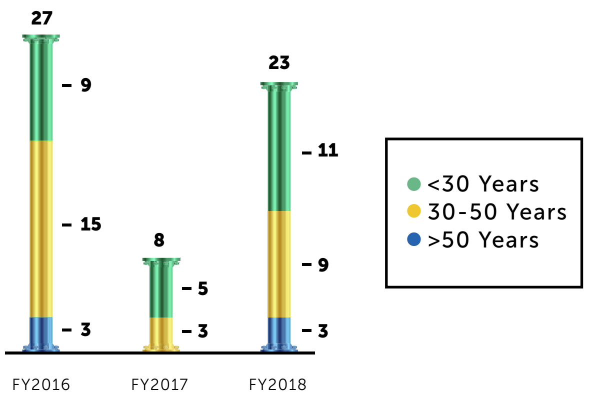
GENDER DIVERSITY
(%)



NEW HIRING BY GENDER
(NUMBER OF EMPLOYEES)



NEW HIRING BY AGE
(NUMBER OF EMPLOYEES)



EMPLOYEE BENEFITS

To draw and retain the best staff, we offer competitive remuneration, perks and benefits to our full-time employees. Some of the benefits and welfare schemes our full-time employees enjoy include, annual leave, sick leave, insurance cover, medical and dental care, gym membership, maternity leave, paternity leave, and child care leave.

OCCUPATIONAL HEALTH AND SAFETY

Employee safety, health and wellbeing is one of the top priorities for us. To safeguard our employee's health and safety, we maintain OHSAS 18001 and BizSafe STAR compliant systems for all of our Singapore operations. Our health and safety policy, practices and performance are regularly reviewed by the management and the Board.

We use an established risk assessment process to identify risks, and take measures to eliminate or control the risks our business activities pose to our employees.

We have appropriate mitigation practices in place to mitigate all identified health and safety risks.

Our heavy lifting operations are performed using mechanical or powered systems. Our forklifts have seat belts, warning lights, and load indicators. All machinery, equipment and vehicles are maintained regularly and undergo daily checks before operation.

All operators must wear appropriate personal protective equipment ("**PPE**") including safety boots, hard hats, gloves, goggles and facemasks that are relevant to the task at hand, ear defenders and noise barriers are supplied for our machining operations. All warehouse employees are responsible for ensuring all assigned PPE are in good condition before commencement of work on a daily basis. In addition, PPE Cleaning Day is observed quarterly when all warehouse employees are required to lay out all assigned PPE for cleaning and verification of their working condition.

All external parties are required to have a permit to work before commencing on site activities. To avoid complacency and maintain employee competency, we perform daily briefings, periodic toolbox talks, and training sessions with our warehouse employees.

All employees are encouraged to raise health and safety concerns as soon as possible to prevent possible incidents.

SUSTAINABILITY REPORT 2018

WORK, SAFETY AND HEALTH ("WSH") COMMITTEE

Our WSH and Emergency Response Committee, chaired by an Executive Director, is responsible for overseeing the implementation of workplace safety and health policies and programmes. The Committee has representatives from the key sites and functions.

Our comprehensive WSH organisation structure includes designated WSH Chairman, WSH Manager, WSH Officer, WSH Coordinator, WSH Executives, Emergency Wardens, First Aiders and Emergency Response Teams with clear roles and responsibilities to deal with potential safety and health risks and incidents.

Our health and safety incident rates are monitored monthly and our systems regularly reviewed against our performance targets and modes of operation. Our overall objective is to eliminate all health and safety incidents in the workplace, using the 2016 Metalworking national levels for incident frequency rate (4.0) and severity rate (199) per million man hours as our interim target. During the reporting period of FY2016-FY2018, no major incidents occurred.

HEALTH AND SAFETY PERFORMANCE SUMMARY

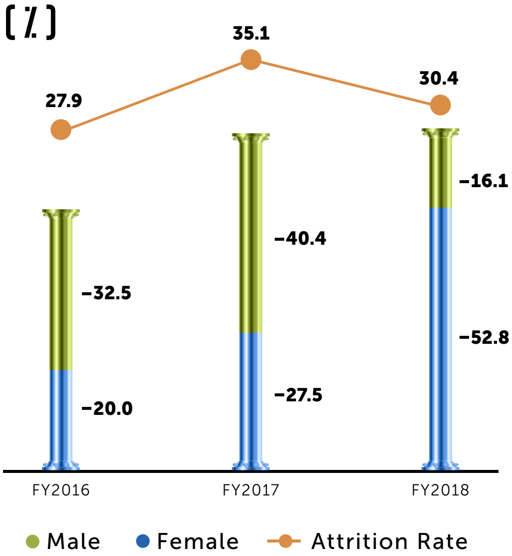
INDICATOR	FY2016	FY2017	FY2018
Medical leave per employee (Days)	0.6	0.6	0.5
Accident frequency rate (Number)	8	5	5
Accident severity rate (Hours)	242	27	47

PERFORMANCE MANAGEMENT

CosmoSteel seeks to expand all our employee's capabilities through a process of continuous learning and development. Our Performance Appraisal Policy applies to all employees employed under our group of companies.

At the end of each calendar year, we complete annual performance assessments for all staff who have been in employment longer than three months to assess their performance over the reporting period. Performance feedback is given to assist with employee development, and, in cases of exceptional performance, increments, rewards or promotions are awarded.

ATTRITION RATE BY GENDER (%)

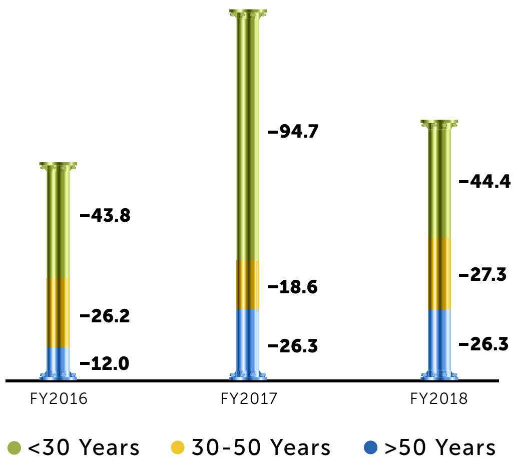


EMPLOYEE ATTRITION

Our HR policies and management practices are aimed at attracting and retaining talent. Employee retention is an important goal for us. We promote a climate of open communication to encourage feedback from employees. Annual Performance Appraisals are also used to understand employees' concerns for appropriate management action.

We monitor our employee attrition rates to understand the patterns and benchmark against industry trends. Annual attrition rate at CosmoSteel was 30.4% for FY2018.

ATTRITION RATE BY AGE GROUP (%)



TRAINING

Ongoing employee development is one of the key focus areas of our people management. We have a training policy to ensure the organisation continues to build skills and expertise to meet our business goals. A training calendar based on the organisational needs and the individual development provides a roadmap for employee training. New hires undergo an orientation programme which includes a range of topics to help employees start their jobs productively.

CosmoSteel offers a range of training opportunities, on-the-job training as well as external training, to all our staff irrespective of gender or employee category and based on required competencies and individual career development choices.

HUMAN RIGHTS

The Group's Code of Conduct outlines our management approach to create an inclusive workplace that is not discriminatory, celebrates diversity, and provides equal opportunities for all.

Although our assessment process identified the employment of a child or use of forced or compulsory labour as low risk, the Code recognises our responsibility to prevent child, forced or compulsory labour, and to be ever vigilant when dealing with others.

Our recruitment process observes the fair consideration framework and tripartite guidelines on fair employment practices and heed local and international labour law. Our HR policy prohibits any discrimination on the basis on nationality, age, race, religion, language, gender or marital status.

All new and existing employees are bound by our Code of Conduct and our performance management systems use pre-set criteria for assessment to ensure fair and transparent to guarantee we reward employees based on performance and merit alone.

Employees are able to raise concerns using our anonymous whistleblowing process which has alternative mechanisms of escalation to ensure issues are dealt with fairly.

Between FY2016 to FY2018, there were no reported instances of discrimination, child labour or forced labour.

FREEDOM OF ASSOCIATION

We acknowledge and respect our employee's right to freedom of association and collective bargaining in accordance with local laws. Currently, we do not have a collective bargaining agreement.

ENVIRONMENT

CosmoSteel is committed to managing our business in a manner that minimises our impact on the environment.

The Group implements a precautionary principle approach to environmental management. Our environmental initiatives are aimed at reducing our carbon emissions, resource efficiency and recycling.

Committed to environmental conservation, protection and prevention of pollution, we have maintained an ISO14001 certified Environmental Management System since 2009 with verified systems in place to manage the risks and opportunities available to us through our business activities and impacts. Our focus is on reduction of our energy use, emissions to air, waste, and water use within our significant Singapore operations.

We closely monitor our environmental performance against established targets. Monthly performance reports are submitted to the management and corrective actions are taken where required.

SUSTAINABILITY REPORT 2018

Our employees undergo an annual refresher training to understand our environmental commitment and to learn how they can contribute to reduction in use of energy, water and paper and through recycling.

During the reporting periods of October 2015 to September 2018, there were no reportable environmental breaches, incidents, or major non-conformance issues. All minor conformance issues raised were rectified within the required time allocation. In accordance with our ISO14001 certification, our management systems are reviewed annually by the management and when significant changes to our business operations or stakeholder expectations occur.

ENVIRONMENTAL POLICY

The Group believes in conducting our business in an environmentally responsible manner. Our Environmental policies form part of an integrated policy covering Quality, Environmental and Occupational Health and Safety ("**QEHS**") to manage the issues of sustainability and social responsibility within our operations, and guide the way we conduct our business.

Our environmental policy commits us to:

- Comply with all applicable laws and regulations and other requirements to which the organisation subscribes that relates to our environmental aspects and impact.
- Communicate our policy and practices to all our employees and other concerning parties to raise awareness of the impact of our business operations on the environment.
- Conserve resources by reducing, reusing and recycling of materials.
- Conduct training to instil a sense of duty in every employee towards environmental preservation.
- Continually review and improve our management system to ensure it is relevant and appropriate to our business activities.

CLIMATE CHANGE

The Group recognises climate change is one of the biggest global environmental issues of modern times. In Singapore, the potential effects of climate change could be:

- Sea level rises resulting in flooding low level areas
- Temperature increases and increased frequency and duration of severe weather events leading to:
  - droughts and flooding
  - affects to biodiversity and ecosystems,
  - increased risk of vector-borne disease transmission
  - Heat stress (especially to vulnerable groups)
  - Urban heat island effects – further increase energy demands for cooling (more GHG emissions)
  - Risk of food security through drought and flood to supplier countries

We recognise the risks of climate change and have a business continuity management system to ISO 22301 standards in place to help us to mitigate the effects of this and other potential risks to our business.

GHG EMISSIONS

The major sources of our Greenhouse Gas ("**GHG**") emissions are from our energy use; direct emissions (Scope-1) from fuel consumption by our business fleet; and indirect emissions (Scope-2) from the purchase of electricity used in our offices and warehouses. Through implementation of our ISO 14001 Environment Management System, we seek to reduce our energy use and subsequent emissions. Our performance against targets for reduction are evaluated monthly and distributed throughout the organisation to raise awareness.

ENERGY

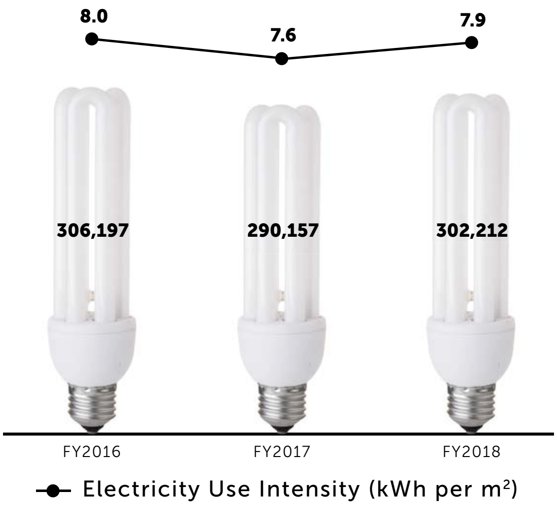
To reduce our electricity consumption, our warehouse at 90 Second Lok Yang Road has been rebuilt with retrofitting of LED lighting. 'Switch off' posters encourage employees to be more energy efficient and monthly performance data is circulated to raise awareness of energy use. The air conditioning is set to a fixed temperature and is regularly maintained to ensure optimal performance. The older systems will undergo phased upgrades to improve energy efficiency. In addition, energy saving appliances have been procured for the pantry areas and the office printers and a dedicated team of energy champions check appliances are switched off in designated common areas and at the end of the day.

In FY2018, our electricity consumption and carbon emissions has decreased by 1.3% and 10.4% respectively compared with the base year of FY2016. Electricity use per square meter in FY2018 was 7.9 kWh as compared with 8.0 kWh in FY2016. Our monthly electricity use per employee was 276.2 kWh in FY2018 against our target of 220.0 kWh.

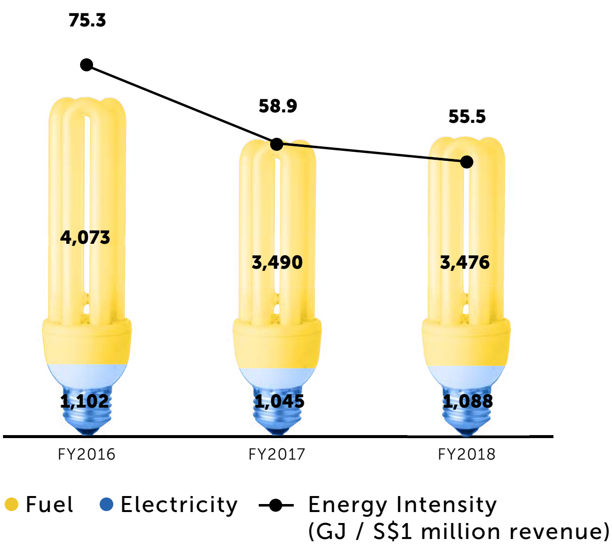
Our energy intensity measured in joules was 55.5 gigajoules (GJ) per million dollars in revenue for FY2018.

SUSTAINABILITY REPORT 2018

ELECTRICITY CONSUMPTION (KWH) AND INTENSITY



ENERGY CONSUMPTION (GJ) AND INTENSITY



WASTE

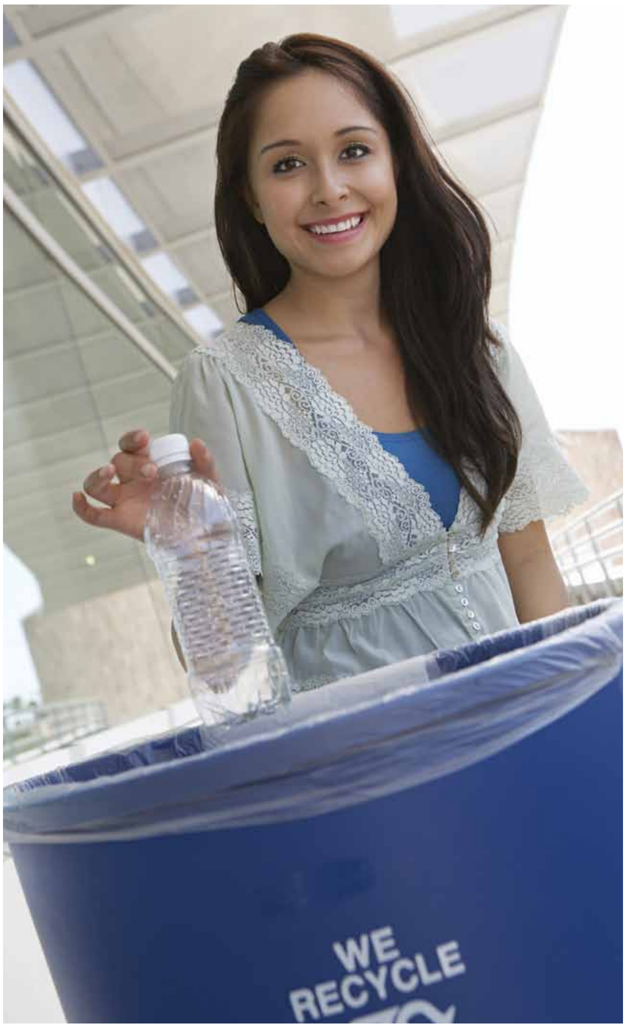
Resource efficiency is important to CosmoSteel. We closely monitor both hazardous and non-hazardous waste as part of our environmental management system. Main types of waste from our operations include metal scrap, paper, plastic, electronics and chemicals. We segregate waste by type and send for recycling through licensed waste management contractors.

We minimise use of paper in our offices through using double sided printing and printers with locked printing settings to ensure we only print what is required.

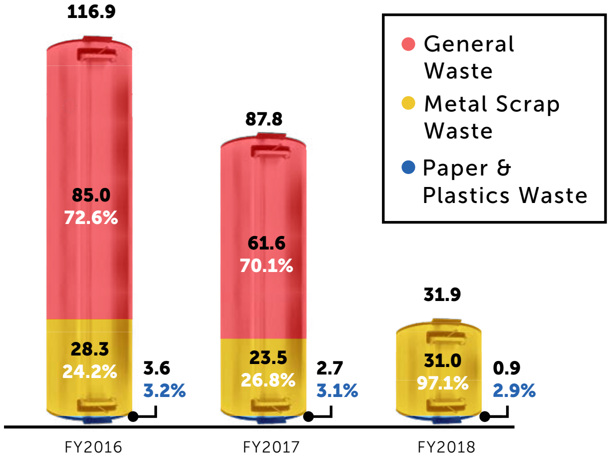
We procure certified sustainably-produced paper to avoid additional paper usage.

The offices and warehouses segregate waste to ensure it can be re-used, recycled, or recovered more readily by our waste contractors. Materials sent for recycling include metals, plastics and paper.

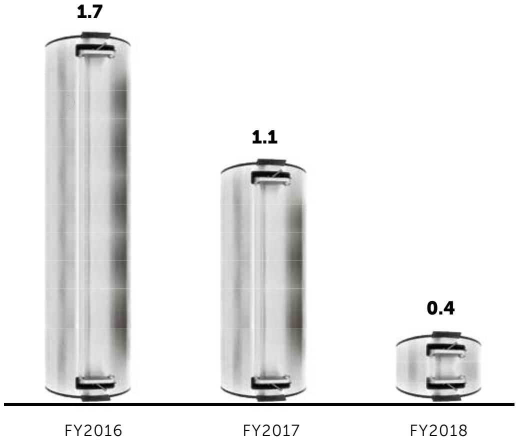
Our non-hazardous waste has reduced by 72.7% over the 3-year reporting period and currently stands at 31.9 tonnes from 116.9 tonnes.



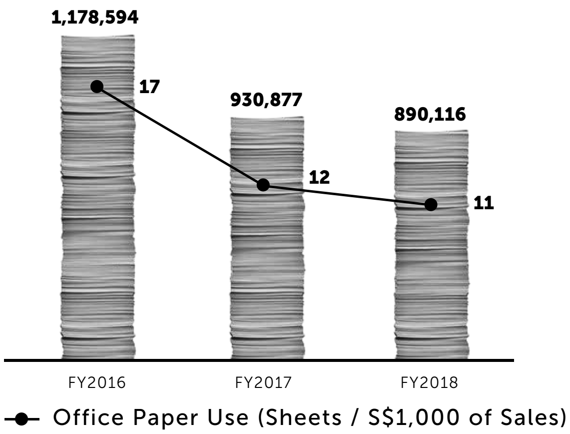
NON-HAZARDOUS WASTE (TONNES) AND COMPOSITION (%)



WASTE INTENSITY (TONNES / S$1 MILLION OF REVENUE)



OFFICE PAPER USE (NUMBER OF SHEETS)



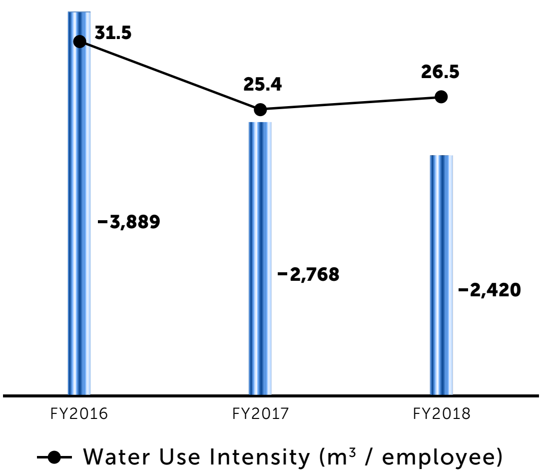
WATER

Although we use water predominantly for domestic style services, CosmoSteel does our part to conserve this vital natural resource. We have implemented awareness campaigns to minimise unnecessary shower time, conduct daily checks of washrooms for leaks, and installed water efficient equipment (spray hoses and taps) to minimise our consumption. We monitor our water use on monthly basis and annually review our water conservation initiatives.

Since 2013, CosmoSteel has been recognised for our water conservation measures, by receiving a certification for our water efficient building from the Public Utilities Board.

Our water use intensity has dropped by almost 15.8% in the two years since we began measurement in FY2016. In FY2018, our monthly water utilisation was 2.2 m³ per employee as against our target of 2.0 m³.

WATER CONSUMPTION (M^3)



SUSTAINABILITY REPORT 2018

ECONOMIC PERFORMANCE

CosmoSteel is committed to creating long term sustainable value for our shareholders and stakeholders.

Our management approach is to achieve good profitability in line with market conditions, ensuring sustainable growth, and adding value for our shareholders. We are focused on developing new markets to create economic value, while maintaining our market share within our current sectors. Our management approach is reviewed regularly to assess our effectiveness against our business goals, stakeholder expectations, and performance targets.

ECONOMIC VALUE

A summary of our economic performance is presented below in line with GRI requirements. This has been extracted from our annual reports, which have been approved by the Board. To find out more about the Group's financial performance, please refer to the Financial Review and Financial Report sections of this report.

SUMMARY OF ECONOMIC PERFORMANCE (S$'000)

ECONOMIC PERFORMANCE INDICATORS	FY2016	FY2017	FY2018
Revenue	68,757	76,922	82,249
Net loss after tax	(7,575)	(9,379)	(32,317)
Operating expenses	18,907	17,993	16,128
Employee wages and benefits	8,351	7,629	6,876
Dividends on equity shares	1,452	1,452	-

GOVERNANCE

RISK MANAGEMENT STRATEGY

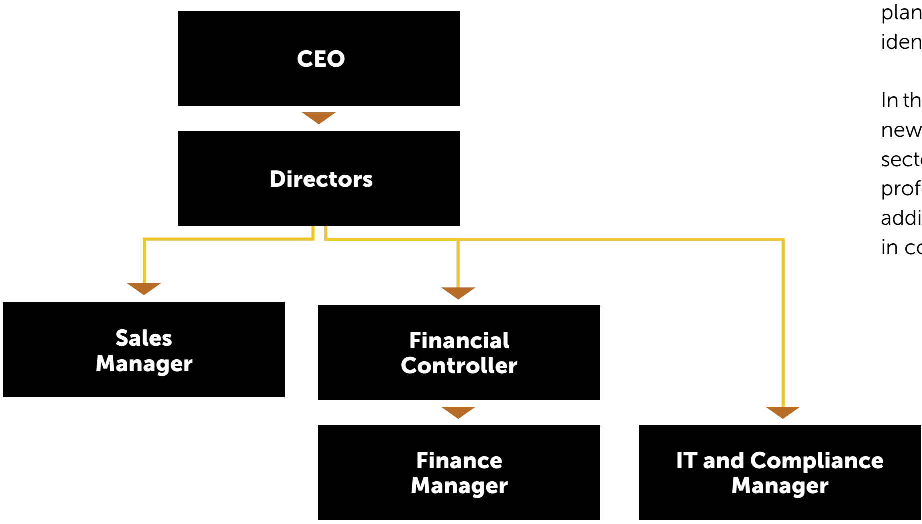
Key Elements Of ERM

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

Our 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.

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 we 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 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. We manage these and other compliance risks on an ongoing basis.

For corporate governance, we are vulnerable to risk oversight in the form a lack of an established and consistent risk assessment framework to guide decision-making across the organisation. To better manage risk oversight, we have 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, our Audit Committee has requested our 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 transparency and financial integrity risks, which include non-compliance with SGX listing disclosure requirements and accounting standards, 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.

Geo-political risk pertains primarily to the suspension of country concessions. To mitigate geo-political risks, we track 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 Group's Employees Health and Welfare benefits are aligned with regulations and industry standards. As part of our human resource practices, we ensure 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.

SUSTAINABILITY REPORT 2018

The Group is ISO 14001:2015 and OHSAS 18001:2007 certified. To ensure compliance with Environmental, Health and Safety laws and regulations, we subscribe to quarterly updates with BSI Group Singapore Pte Ltd and undergo surveillance audits by Bureau Veritas Singapore Pte Ltd annually and recertification audits every three years. The last recertification of ISO 14001:2015 and OHSAS 18001:2007 was in May 2018 and September 2018 respectively.

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.

OPERATIONAL RISKS

Supply chain management and sales, marketing and communications have been identified as the Group's two key operational risks. We manage 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 our inability to determine and maintain optimum safety stock, inaccurate capacity planning and inaccurate demand and supply forecast, while sourcing pertains to our inability to procure goods/raw materials cost effectively and constrain volatile material costs. To mitigate this, our supply chain management is handled by the adequate sourcing of accredited suppliers in line with our ISO9001 policy as well as regular and effective management planning of our inventory stock and costs. These steps include monthly management monitoring of inventory balance, correspondences with suppliers and tapping into available market information.

The Group is ISO 22301:2012-certified for Business Continuity Management ("**BCM**"). As part of our 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.

KEY 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

Sales, marketing and communications risk pertains to the inability of the Group to implement an appropriate sales strategy to meet its sales target. We have a robust sales, marketing and communication strategy in place to ensure our message to stakeholders are aligned and we deliver on our sales targets. Our sales strategy is focused on regular management reviews and close communication with customers.

We conduct regular customer satisfaction surveys to monitor overall level of quality work and services. For details on our customer satisfaction surveys, please refer to the sub-section on Customers on page 28 of this annual report.

As part of our human resource efforts to add quality people to our workforce and retain 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. For details on our training and education programmes, please refer to the section on People on page 33 of this annual report.

To safeguard our 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, our inventories are protected by adequate insurance covering all industrial risks in addition to our utilisation of on-site security devices.

CosmoSteel actively seeks to reduce our operational impact on the environment, and has stringent corporate responsibility and sustainability practices to manage industrial waste by recycling and reusing where possible and engaging licensed waste collectors. For details on our environmental programmes, please refer to the section on Environment on pages 33 to 37 of this annual report.

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

To mitigate liquidity risk, we employ a tight capital management system to ensure that we have 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, we maintain a wide portfolio of bankers instead of relying on one main banker.

To remain resilient amidst changing and increasingly diverse customer demands and an uncertain global economy, we constantly keep abreast of market conditions, and stay close to our customers through regular visits and tracking of their purchasing patterns. This is to ensure that CosmoSteel continues to stock inventory that is relevant to our 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.

The Group runs several initiatives to enhance its corporate governance. This includes attaining a "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 their GST control and establish effective tax risk management policies and internal control measures for better GST compliance.

SUSTAINABILITY REPORT 2018

GRI CONTENT INDEX 'IN ACCORDANCE' – CORE

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)
GRI 101: Foundation 2016 (GRI 101 does not include any standards)		
GENERAL DISCLOSURES		
GRI 102: General Disclosures 2016	**Organisational Profile**	
	102-1 Name of the organisation	01
	102-2 Activities, brands, products, and services	04-05
	102-3 Location of headquarters	01
	102-4 Location of operations	01
	102-5 Ownership and legal form	01,132,133
	102-6 Markets served	16-17
	102-7 Scale of the organisation	16-17, 22, 30-31
	102-8 Information on employees and other workers	22, 30-31
	102-9 Supply chain	27, 28
	102-10 Significant changes to the organisation and its supply chain	None
	102-11 Precautionary Principle or approach	23, 33-34
	102-12 External initiatives	01, 02, 21
	102-13 Membership of associations	27
	Strategy	
	102-14 Statement from senior decision-maker	6-7
	Ethics and Integrity	
	102-16 Values, principles, standards, and norms of behaviour	01, 02, 21, 23
	Governance	
	102-18 Governance structure	47-71
	102-26 Role of highest governance body in setting purpose, values, and strategy	21, 23, 46
	102-29 Identifying and managing economic, environmental, and social impacts	21, 23
	102-30 Effectiveness of risk management processes	38-41, 62-63, 65
	102-31 Review of economic, environmental, and social topics	21, 23
	102-32 Highest governance body's role in sustainability reporting	21, 23
	Stakeholder Engagement	
	102-40 List of stakeholder groups	26-27
	102-41 Collective bargaining agreements	33
	102-42 Identifying and selecting stakeholders	26-27
	102-43 Approach to stakeholder engagement	26-27
	102-44 Key topics and concerns raised	26-27
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	110
	102-46 Defining report content and topic Boundaries	21, 24-25
	102-47 List of material topics	24-25
	102-48 Restatement of information	21
	102-49 Changes in reporting	21
	102-50 Reporting period	21
	102-51 Date of most recent report	21
	102-52 Reporting cycle	21
	102-53 Contact point for questions regarding the report	22
	102-54 Claims of reporting in accordance with the GRI Standards	21
	102-55 GRI content index	42-45
	102-56 External assurance	21

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)
	ECONOMIC PERFORMANCE	
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 38
	103-3 Evaluation of the management approach	24-25, 38
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	22, 38, 80-83
	ANTI-CORRUPTION	
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 29
	103-3 Evaluation of the management approach	24-25, 29
GRI 205: Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	29
	205-3 Confirmed incidents of corruption and actions taken	29
	ENERGY	
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 33, 35
	103-3 Evaluation of the management approach	24-25, 33-35
GRI 302: Energy	302-1 Energy consumption within the organisation	22, 35-36
	302-3 Energy intensity	22, 35-36
	WATER	
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 33-34
	103-3 Evaluation of the management approach	24-25, 33-34
GRI 303: Water	303-1 Water withdrawal by source	22, 37
	EMISSIONS	
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 35
	103-3 Evaluation of the management approach	24-25, 35
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	22, 35
	305-2 Energy indirect (Scope 2) GHG emissions	22, 35
	305-4 GHG emission intensity	22
	WASTE	
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 36-37
	103-3 Evaluation of the management approach	24-25, 36-37
GRI 306: Effluents and Waste	306-2 Waste by type and disposal methods	22, 36-37
	ENVIRONMENTAL COMPLIANCE	
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 29, 34
	103-3 Evaluation of the management approach	24-25, 29, 34
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations.	29, 34
	EMPLOYMENT	
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 30-34
	103-3 Evaluation of the management approach	24-25, 30-34
GRI 401: Employment	401-1 New Employee hires and employee turnover	22, 30, 32
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	31

SUSTAINABILITY REPORT 2018

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)
OCCUPATIONAL HEALTH AND SAFETY		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 31-32
	103-3 Evaluation of the management approach	24-25, 31-32
GRI 403: Occupational Health and Safety	403-1 Workers representation in formal joint management-worker health and safety committees	32
	403-2 Types of injury and rate of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities.	32
TRAINING AND EDUCATION		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	07, 24-25
	103-3 Evaluation of the management approach	24-25
GRI 404: Training and Education	404-2 Programmes for upgrading employee skills and transition assistance programmes	25, 26, 31, 33-34
	404-3 Percentage of employees receiving regular performance and career development reviews	32
DIVERSITY AND EQUAL OPPORTUNITIES		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 30-31
	103-3 Evaluation of the management approach	24-25, 30-31
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	22, 30-31
NON-DISCRIMINATION		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 33
	103-3 Evaluation of the management approach	24-25, 33
GRI 406: Non-Discrimination	406-1 Incidents of discrimination and corrective actions taken	33
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 33
	103-3 Evaluation of the management approach	24-25, 33
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	33
CHILD LABOUR		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 33
	103-3 Evaluation of the management approach	24-25, 33
GRI 408: Child Labour	408-1 Operations and supplier at significant risk for incidence of Child Labour	33
FORCED, OR COMPULSORY LABOUR		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 33
	103-3 Evaluation of the management approach	24-25, 33
GRI 409: Forced or Compulsory Labour	409-1 Operations and supplier at significant risk for incidence of forced or compulsory labour	33

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)
MARKETING AND LABELLING		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 28
	103-3 Evaluation of the management approach	24-25, 28
GRI 417: Marketing and Labelling	417-1 Requirements for product and service information and labelling	28
	417-2 Incidents of non-compliance concerning product and service information and labelling	28
SOCIO-ECONOMIC COMPLIANCE		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	24-25
	103-2 The management approach and its components	24-25, 29
	103-3 Evaluation of the management approach	24-25, 29
GRI 419: Marketing and Labelling	419-1 Non-compliance with laws and regulations in the social and economic area	29

CORPORATE INFORMATION

BOARD OF DIRECTORS

Low Beng Tin
Chairman & Independent Director
Ong Chin Sum
Chief Executive Officer & Executive Director
Ong Tong Yang
Executive Director
Ong Tong Hai
Executive Director
Osamu Murai
Executive Director
Hiroshi Ebihara
Non-Executive Director
Hor Siew Fu
Independent Director
Tan Siok Chin
Independent Director

AUDIT COMMITTEE

Hor Siew Fu *(Chairman)*
Low Beng Tin *(Member)*
Tan Siok Chin *(Member)*

NOMINATING COMMITTEE

Tan Siok Chin *(Chairman)*
Hiroshi Ebihara *(Member)*
Hor Siew Fu *(Member)*

REMUNERATION COMMITTEE

Tan Siok Chin *(Chairman)*
Hiroshi Ebihara *(Member)*
Hor Siew Fu *(Member)*

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: Chow Khen Seng (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
OCBC Centre
Singapore 049513

Standard Chartered Bank
6 Battery Road
Singapore 049909

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

INVESTOR RELATIONS

CosmoSteel Holdings Limited
ir@cosmosteel.com.sg

August Consulting
Silvia Heng
silviaheng@august.com.sg

WEBSITE
www.cosmosteel.com

CORPORATE GOVERNANCE STATEMENT

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 FY2018 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.

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 STATEMENT
(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 any company or other entity, business, undertaking and/or assets of the Group which is not in the ordinary course of business of the Group;

(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) any recommendation or declaration or approval of an interim or final dividend (including a bonus or special dividend, if any), including the rate and amount of dividend per share and date of payment 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*

Mr Alan John Crawford, Mr Osamu Murai and Mr Hor Siew Fu were appointed to the Board on on 23 April 2018, 1 June 2018 and 26 October 2018 respectively. Both Mr Alan John Crawford and Mr Osamu Murai do not have prior experience as a director of a listed company. Mr Alan John Crawford has resigned on 26 October 2018. Mr Osamu Murai has attended "So, You Want to be a Director" conducted by the Singapore Institute of Directors on 5 July 2018. Mr Hor Siew Fu is currently an independent director of another company listed on the SGX-ST.

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 FY2018 and the attendance of the Directors are set out on page 56 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 STATEMENT
(CONT'D)

Principle 2: Board Composition and Guidance

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

As at the date of this Report, the Board comprises eight Directors, three of whom are independent Directors ("**Independent 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 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 Singapore Innovation and Productivity Institute Pte Ltd JP Nelson Holdings	OEL (Holdings) Limited Datapulse Technology Limited

CORPORATE GOVERNANCE STATEMENT
(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
Ong Chin Sum	Chief Executive Officer & Executive Director	–	9 November 2005	25 January 2017	Nil	Nil
Ong Tong Yang	Executive Director	–	9 November 2005	24 January 2018	Nil	Nil
Ong Tong Hai	Executive Director	–	9 November 2005	24 January 2018	Nil	Nil
Osamu Murai	Executive Director	–	1 June 2018	–	Nil	Nil
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 Co., Ltd.	Hanwa Trading (Shanghai) Co., Ltd Hanwa (Beijing) Co., Ltd Hanwa Co. (Hong Kong) Ltd
Hor Siew Fu	Independent Director	Audit Committee (Chairman) Remuneration Committee Nominating Committee	26 October 2018	–	Edition Limited	Albedo Limited
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

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

Apart from the foregoing, further information on each Director are set out on pages 11 to 13 of this Report. In addition, information on the shareholding held by each Director in the Company and its related corporations is found on page 73 of this Report. *Guideline 4.7*

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

In particular, the Nominating Committee and the Board of Directors have noted that Mr Hor Siew Fu, who was appointed to the Board on 26 October 2018, previously served as the Company's Chief Financial Officer from 2007 to 2013 and would have some familiarity with the Company and its business which would be useful in his role as Director. The Nominating Committee and the Board consider Mr Hor Siew Fu independent as there has been sufficient lapse of time from his historical relationship with the Company.

The Nominating Committee carried out the review on the independence of each Independent Director in November 2018 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 Directors are able to act with independent judgment.

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.

Two of our Independent Directors, namely Mr Low Beng Tin, and Ms Tan Siok Chin, having been first appointed to the Board on 9 November 2005 and 28 March 2007 respectively, have all served on the Board for more than nine years.

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 FY2018, 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 STATEMENT
(CONT'D)

After due consideration and with the recommendation of the Nominating Committee (with Ms Tan Siok Chin abstaining), 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 judgment, through, *inter alia*, their contributions to Board discussions and deliberations and ability and preparedness to exercise independent business judgment 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.

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 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 FY2018, 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 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 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 STATEMENT
(CONT'D)

Principle 3: Chairman and Chief Executive Officer

Guideline 3.1 and Guideline 3.2

The Independent 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 Directors. As at the date of this Report, the members of the Nominating Committee are:

Ms Tan Siok Chin	Chairman
Mr Hiroshi Ebihara	
Mr Hor Siew Fu	

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

(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.

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. *Guideline 4.4*

During FY2018, 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 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 Directors as mentioned in relation to Guidelines 2.3 and 2.4 above.

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

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

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

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

Guideline 4.6

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.

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.

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 of the Nominating Committee or the Board (if applicable) in respect of the assessment of his/her performance or re-nomination as Director.

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

Principle 5: Board Performance

The Nominating Committee has, with the approval of the Board, established performance criteria and evaluation procedures for evaluation and assessment of the effectiveness and performance of the Board, the Committees and the Directors, as elaborated under the section "Principle 4: Board Membership" above. *Guideline 5.1 and Guideline 5.2*

During FY2018, a peer to peer review was 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 respect of the financial year under review is set out below:

	NUMBER OF MEETINGS[2]							
	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		NOMINATING COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
NAME	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Low Beng Tin	5	5	4	4	2	2[1]	2	2[1]
Ong Chin Sum	5	5	4	4[1]	2	2[1]	2	2[1]
Ong Tong Yang	5	5	4	4[1]	2	2[1]	2	2[1]
Ong Tong Hai	5	5	4	4[1]	2	2[1]	2	2[1]
Seiji Usui[3]	5	1	4	1[1]	2	0	2	0
Osamu Murai[4]	5	3	4	2[1]	2	1[1]	2	1[1]
Hiroshi Ebihara	5	5	4	4[1]	2	2	2	2
Alan John Crawford[5]	5	0	4	0	2	0	2	0
Hor Siew Fu[6]	5	1	4	1	2	1	2	1
Tan Siok Chin	5	5	4	4	2	2	2	2

Note:

1 The Directors are not members of the respective Committees but have attended the meetings by invitation.
2 Regular Board and Committee meetings comprise four Board meetings, four Audit Committee meetings, one Nominating Committee meeting and one Remuneration Committee meeting.
3 Mr Seiji Usui resigned from the Board and ceased to be a Director on 30 April 2018 and hence was not a Director at the time of the meetings on 9 May 2018, 16 July 2018, 7 August 2018 and 28 November 2018.
4 Mr Osamu Murai was appointed to the Board on 1 June 2018 and was not a Director at the time of the meetings on 6 February 2018 and 9 May 2018.
5 Mr Alan John Crawford was appointed to the Board on 23 April 2018 and has since resigned from the Board and ceased to be a Director on 26 October 2018.
6 Mr Hor Siew Fu was appointed to the Board on 26 October 2018 and was not a Director at the time of the meetings on 6 February 2018, 9 May 2018, 16 July 2018 and 7 August 2018.

CORPORATE GOVERNANCE STATEMENT
(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 Director. As at the date of this Report, the Remuneration Committee members are: *Guideline 7.1*

Ms Tan Siok Chin	Chairman
Mr Hiroshi Ebihara	
Mr Hor Siew Fu	

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

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

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

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

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

(e) reviewing the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such arrangements are fair and reasonable and not overly generous;

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

(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 Directors and key management personnel should be eligible for options, share incentives, awards and other benefits under the Schemes.

Guideline 7.3

The Company had 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.

Principle 8: Level and Mix of Remuneration

Guideline 8.1

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

Following the remuneration benchmarking exercise conducted by Mercer (Singapore) Pte Ltd in February 2016, the Remuneration Committee is of the view that the 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 voting on any Remuneration Committee resolution approving his own remuneration and the remuneration packages of persons related to him.

Remuneration Structure of Executive Directors

The remuneration for the Executive Directors is based on the terms of their respective service contracts entered into with the Company. Based on the terms of their service contracts which were applicable for FY2018, 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.

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

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.

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, but will review the feasibility of having such arrangements when appropriate. *Guideline 8.2 and Guideline 8.4*

Remuneration Structure of Non-Executive Directors *Guideline 8.3*

The Independent 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:

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

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 Annual General Meeting of the Company ("**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

Details of the remuneration paid to the Directors for the financial year ended 30 September 2018 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[3]	–	90.0	–	10.0	210,000
Mr Osamu Murai[4]	–	90.0	–	10.0	120,000
Non-Executive Director					
Mr Hiroshi Ebihara	100	–	–	–	56,500
Independent Directors					
Mr Alan John Crawford[5]	100	–	–	–	37,500
Mr Low Beng Tin	100	–	–	–	81,500
Mr Hor Siew Fu[6]	100	–	–	–	18,750
Ms Tan Siok Chin	100	–	–	–	76,500

Note:

1 There was no Incentive Bonus and discretionary bonus paid to the Executive Directors for FY2018.
2 Salary and bonus excludes Central Provident Fund Contributions which is included under Allowances and Others.
3 Mr Seiji Usui ceased to be an executive director of the Company on 30 April 2018.
4 Mr Osamu Murai was appointed to the Board on 1 June 2018.
5 Mr Alan John Crawford ceased to be an independent director of the Company on 26 October 2018.
6 Mr Hor Siew Fu was appointed to the Board on 26 October 2018.

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

For the financial year ended 30 September 2018, 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 2018 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[3]	94.4	–	5.6	100.0
Mr Lim Kim Seng	69.6	5.8	24.6	100.0
Ms Chong Siew Kuen	68.2	5.7	26.1	100.0
Ms Tan Bee Kheng	79.6	10.0	10.4	100.0

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 nor the CEO).
3 Mr Loh Ngiap Boon retired on 31 January 2018.

The annual aggregate remuneration paid to the top four key management personnel of the Group (who are not directors or the CEO) for FY2018 is S$502,369. 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.

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$100,000 but below S$150,000 for FY2018. Further details of Ms Teoh's remuneration are set out below: *Guideline 9.4*

	SALARY[1] (%)	BONUS[1] (%)	ALLOWANCES AND OTHERS (%)	TOTAL COMPENSATION (%)
Ms Teoh Bee Choo	88.5	7.4	4.1	100.0

Note:

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

The Company does not have any employee share schemes or any other short-term or long-term incentive schemes but will review the feasibility of having such schemes when appropriate. *Guideline 9.5 and Guideline 9.6*

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.

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

Principle 10: Accountability

Guideline 10.1, Guideline 10.2 and Guideline 10.3

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects. Management provides the Board with 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.

Principles 11: Risk Management and Internal Controls

Guideline 11.1 and Guideline 11.2

The Company carries out its risk management by working within the framework of a series of identified risks or risk factors, as set out in a risk register ("**Risk Register**"). The Risk Register of the Group 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.

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.

Guideline 11.4

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.

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.

Guideline 11.3 and Rule 1207(10) of the SGX-ST Listing Manual

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:-

(i) the financial statements of the Company for FY2018 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 2018, and the results and changes in equity of the Group and of the Company and cash flows of the Group for FY2018;

(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).

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

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 (including financial, operational, compliance, and information technology controls) and risk management systems were adequate and effective as at 30 September 2018.

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 judgment 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 Directors. As at the date of this Report, the Audit Committee members are: ***Guideline 12.1***

Mr Hor Siew Fu	Chairman
Ms Tan Siok Chin	
Mr Low Beng Tin	

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

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 judgments 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 judgmental 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;

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

(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;

(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.

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

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. ***Guideline 12.3 and Guideline 12.5***

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.

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 Chow Khen Seng is the current audit partner in charge for the financial year ended 30 September 2018. ***Guideline 12.6***

The aggregate amount of fees paid to the external auditors of the Company for FY2018 is S$193,000, of which S$142,000 is paid for audit services and S$51,000 is paid for non-audit services. The Audit Committee, having reviewed the range and value of non-audit services performed by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

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

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

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 FY2018, there were no complaints, concerns or issues received. ***Guideline 12.7***

The Audit Committee is kept abreast by Management, the external and internal auditors on changes and updates to accounting standards, and other issues which could have a direct impact on the financial statements of the Group, if any. During 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 12.8***

No former partner or director of the Company's auditing firm has acted as a member of the Company's Audit Committee. ***Guideline 12.9***

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

Principles 13: Internal Audit

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

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. *Guideline 13.3*

The IA performs the internal audit functions which are in line 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 work plan agreed with the Audit Committee, where different aspects of internal controls are reviewed for each year, and also take into consideration key risk factors identified under the Risk Register. The IA have submitted a report dated 23 April 2018 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 (including whether it is adequately resourced and independent) 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 and Rule 1207(10C) of the SGX-ST Listing Manual*

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.

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

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

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. The entire Board, including the Chairman, was present at the AGM of the Company on 24 January 2018. External auditors are also present to assist the Board in addressing queries by shareholders. ***Guideline 16.3***

The Company will also appoint a polling agent and an independent external party as scrutineer who will attend the AGM to ensure that the polling process is properly carried out. ***Guideline 16.2 and Guideline 16.5***

Prior to the AGM, the scrutineer will review the proxies and the poll voting system and attends to the proxy verification process to ensure that the proxy and poll voting information is compiled correctly.

Separate resolutions on each distinct issue are tabled at general meetings. Shareholders of the Company will be given the opportunity to pose queries in relation to the resolution tabled before the resolution is proposed and seconded. All resolutions are conducted by poll (by way of poll voting slips collected after all resolutions have been proposed and seconded, 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 shown to shareholders of the Company at the meeting after all the resolutions have been put to the poll, and wil be published on SGXNET thereafter.

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

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 30 September 2018 as the Company was not profitable in the financial year ended 30 September 2018.

CORPORATE GOVERNANCE STATEMENT
(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 DATED 6 MARCH 2015

	IN CIRCULAR			ACTUAL	
USE OF PROCEEDS	ESTIMATED PERCENTAGE ALLOCATION OF NET PROCEEDS AS SET OUT IN THE CIRCULAR	ALLOCATION OF NET PROCEEDS	REVISED ALLOCATION OF NET PROCEEDS AS AT THE DATE OF ANNOUNCEMENT ON 6 FEBRUARY 2018	PROCEEDS UTILISED AS AT THE DATE OF THIS REPORT	BALANCE OF THE PROCEEDS AS AT THE DATE OF THIS REPORT
	%	S$'000	S$'000	S$'000	S$'000
Financing the construction of a new building and acquisition of machinery and equipment at 90 Second Lok Yang Road	24.0%	3,400	3,400	3,400	–
Acquisition of machinery and equipment at 36 Tuas Crescent	8.0%	1,100	318	318	–
Repayment of short term loans	35.0%	5,000	5,000	5,000	–
General working capital purposes	33.0%	4,800	5,582	5,582	–
Total	100.0%	14,300	14,300	14,300	–

The balance of net proceeds of S$782,000 was used to pay the Group's suppliers in 2QFY2018.

MATERIAL CONTRACTS

Save as disclosed below, 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 STATEMENT
(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;

(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

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

(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

(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.

CORPORATE GOVERNANCE STATEMENT
(CONT'D)

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 FY2018 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 Co., Ltd[1]	–	13,797

Note:

1. 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 2018.

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:

Low Beng Tin
Ong Chin Sum
Ong Tong Yang
Ong Tong Hai
Osamu Murai (Appointed on 1 June 2018)
Hiroshi Ebihara
Hor Siew Fu (Appointed on 26 October 2018)
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 2018 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.

5. OPTIONS

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:

Hor Siew Fu	(Chairman of audit committee and Independent Director)
Low Beng Tin	(Independent 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.
- 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).

STATEMENT BY DIRECTORS
(CONT'D)

7. REPORT OF AUDIT COMMITTEE (cont'd)

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 28 November 2018 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

14 December 2018

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 2018, 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 Singapore Financial Reporting Standards ("**SFRS**") 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 2018 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.

Assessment of net realisable value of inventories

Please refer to note 2A on the relevant accounting policy, note 2C on critical judgements, assumptions and estimation uncertainties, and notes 6 and 15 on write-down of inventories and inventories, respectively.

The group has inventories measured at the lower of cost and estimated net realisable value. During the reporting year ended 30 September 2018, the group made a write-down of inventories amounting to $30,763,000 and, as at that date, the carrying amount was $41,317,000, representing 37% of the group's total assets.

The assessment of net realisable value of inventories involves a significant degree of management's judgement. To this end, management took into consideration a number of factors, including physical deterioration, functional and economic obsolescence, business environment and market demand.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSMOSTEEL HOLDINGS LIMITED (CONT'D)

KEY AUDIT MATTERS (cont'd)

Assessment of net realisable value of inventories (continued)

In response to this risk, our audit approach included, amongst others, the following:

- We have reviewed the group's policy for inventories write-down and performed procedures to understand management's methodology and process of assessing write-down of inventories;
- We have performed procedures, including the use of audit data analytics techniques, to challenge management's rationale and determination of the net realisable value of inventories;
- We have reviewed and tested the reliability of the inventories ageing report which management had used as a basis to identify slow-moving and obsolete items;
- We have tested management's computation of the amount of write-down;
- We have compared the carrying value of inventories to recent sales invoices; and
- We have assessed the adequacy of disclosures made in the financial statements.

Impairment of trade receivables

Please refer to note 2A on the relevant accounting policy, note 2C on critical judgements, assumptions and estimation uncertainties, and note 16 on trade and other receivables.

As set out in note 16 to the financial statements, trade receivables amounted to $20,457,000 as at 30 September 2018, representing 18% of the group's total assets. The allowance for impairment of trade receivables is estimated by management through the application of judgement and use of subjective assumptions.

The estimate of impairment loss is based on the historical trend of these receivables, which includes analyses of the age of these receivables, credit worthiness of the profile of the customers, past payment history of the customers and future collectability.

We have reviewed the ageing analyses of trade receivables and critically assessed management's assumptions and estimates, in particular, those relating to the collectability of major unimpaired trade receivable balances as at 30 September 2018. In addition, we tested the reliability of the trade receivables ageing report which management had used as a basis to identify receivables for impairment. Lastly, we also assessed whether the financial statements disclosures appropriately reflect the group's exposure to credit risk.

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

TO THE MEMBERS OF COSMOSTEEL HOLDINGS LIMITED (CONT'D)

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 financial reporting standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

TO THE MEMBERS OF COSMOSTEEL HOLDINGS LIMITED (CONT'D)

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 Chow Khen Seng.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

14 December 2018

Engagement partner – effective from year ended 30 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2018

	NOTES	GROUP 2018 $'000	GROUP 2017 $'000
Revenue	5	**82,249**	76,922
Cost of sales		**(68,590)**	(66,055)
Gross profit		**13,659**	10,867
Interest income		**99**	30
Other gains	6	**–**	66
Depreciation expenses	13	**(5,220)**	(5,937)
Marketing and distribution costs		**(4,837)**	(5,394)
Administrative expenses	7	**(6,071)**	(6,662)
Finance costs	8	**(627)**	(430)
Other losses	6	**(31,026)**	(3,369)
Loss before tax from continuing operations		**(34,023)**	(10,829)
Income tax income	10	**1,706**	1,450
Loss from continuing operations, net of tax		**(32,317)**	(9,379)
Other comprehensive income/ (loss):			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation, net of tax	21	**2,055**	550
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	21	**–**	28
Exchange differences on translating foreign operations, net of tax	21	**78**	(60)
Other comprehensive income/ (loss) for the year, net of tax		**2,133**	(749)
Total comprehensive loss		**(30,184)**	(10,128)
Loss per share			
Loss per share currency unit		CENTS	CENTS
Basic and diluted			
Continuing operations	11	**(11.13)**	(3.23)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	NOTES	GROUP 2018 $'000	GROUP 2017 $'000	COMPANY 2018 $'000	COMPANY 2017 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	**29,119**	24,008	**–**	–
Investments in subsidiaries	14	**–**	–	**60,107**	60,107
Trade and other receivables	16	**–**	301	**–**	–
Total non-current assets		**29,119**	24,309	**60,107**	60,107
Current assets					
Inventories	15	**41,317**	68,871	**–**	–
Trade and other receivables	16	**26,903**	27,041	**1,561**	1,324
Financial assets at fair value through profit or loss	17	**199**	1,574	**–**	–
Other assets	18	**319**	483	**32**	32
Cash and cash equivalents	19	**14,150**	21,326	**177**	269
Total current assets		**82,888**	119,295	**1,770**	1,625
Total assets		**112,007**	143,604	**61,877**	61,732
EQUITY AND LIABILITIES					
Equity					
Share capital	20	**56,325**	56,325	**56,325**	56,325
Retained earnings		**7,060**	37,192	**5,312**	5,224
Other reserves	21	**10,072**	10,124	**–**	–
Total equity		**73,457**	103,641	**61,637**	61,549
Non-current liabilities					
Provisions	22	**40**	20	**–**	–
Deferred tax liabilities	10	**–**	1,293	**–**	–
Other financial liabilities	24	**6,781**	1,563	**–**	–
Total non-current liabilities		**6,821**	2,876	**–**	–
Current liabilities					
Income tax payable		**–**	–	**7**	4
Trade and other payables	23	**9,088**	5,203	**233**	179
Other financial liabilities	24	**22,331**	30,605	**–**	–
Other non-financial liabilities	25	**310**	1,279	**–**	–
Total current liabilities		**31,729**	37,087	**240**	183
Total liabilities		**38,550**	39,963	**240**	183
Total equity and liabilities		**112,007**	143,604	**61,877**	61,732

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

STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED 30 SEPTEMBER 2018

GROUP	TOTAL EQUITY $'000	SHARE CAPITAL $'000	RETAINED EARNINGS $'000	REVALUATION RESERVE $'000	TRANSLATION RESERVE $'000
Current year:					
Opening balance at 1 October 2017	103,641	56,325	37,192	9,930	194
Movements in equity:					
Total comprehensive loss for the year	(30,184)	–	(32,317)	2,055	78
Transfer to retained earnings of difference between depreciation on carrying revalued amount and depreciation based on original cost	–	–	2,185	(2,185)	–
Closing balance at 30 September 2018	73,457	56,325	7,060	9,800	272
Previous 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

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

STATEMENTS OF CHANGES IN EQUITY

(CONT'D)

YEAR ENDED 30 SEPTEMBER 2018

COMPANY	TOTAL EQUITY $'000	SHARE CAPITAL $'000	RETAINED EARNINGS $'000
Current year:			
Opening balance at 1 October 2017	61,549	56,325	5,224
Movements in equity:			
Total comprehensive income for the year	88	–	88
Closing balance at 30 September 2018	61,637	56,325	5,312
Previous 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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2018

	GROUP	
	2018	2017
	$'000	$'000
Cash flows from operating activities		
Loss before tax	**(34,023)**	(10,829)
Adjustments for:		
Interest income	**(99)**	(30)
Interest expense	**627**	430
Depreciation of property, plant and equipment	**5,220**	5,937
Available-for-sale financial assets written off	**–**	120
Plant and equipment written off	**–**	30
Gains on disposal of property, plant and equipment	**–**	(9)
Operating cash flows before changes in working capital	**(28,275)**	(4,351)
Inventories	**27,554**	9,967
Trade and other receivables	**282**	(8,257)
Financial assets at fair value through profit or loss	**1,375**	(17)
Other assets	**164**	(72)
Trade and other payables	**3,885**	(3,598)
Other non-financial liabilities	**(969)**	1,171
Net cash flows from / (used in) operations	**4,016**	(5,157)
Income taxes refunded / (paid)	**228**	(240)
Net cash flows from / (used in) operating activities	**4,244**	(5,397)
Cash flows from investing activities		
Purchase of property, plant and equipment (Note 19B)	**(7,836)**	(2,478)
Proceeds from disposal of property, plant and equipment	**–**	172
Interest received	**99**	30
Net cash flows used in investing activities	**(7,737)**	(2,276)
Cash flows from financing activities		
Cash restricted in use over 3 months	**(1,345)**	(1)
(Decrease) / increase in other financial liabilities	**(10,856)**	12,926
Dividends paid to equity owners	**–**	(1,452)
Increase in borrowings	**8,000**	1,085
Finance lease repayments	**(212)**	(251)
Interest paid	**(615)**	(417)
Net cash flows (used in) / from financing activities	**(5,028)**	11,890
Net (decrease)/ increase in cash and cash equivalents	**(8,521)**	4,217
Cash and cash equivalents, statement of cash flows, beginning balance	**21,299**	17,082
Cash and cash equivalents, statement of cash flows, ending balance (Note 19A)	**12,778**	21,299

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

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2018

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.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("**SFRSs**") and the related interpretations to SFRS ("**INT SFRS**") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50.

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

1. GENERAL (cont'd)

Basis of presentation (cont'd)

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (cont'd)

2A. Significant accounting policies (cont'd)

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.

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 2018

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 2018

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 22 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 2018

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 2018

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 2018

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.

#4. Available-for-sale 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 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (cont'd)

2A. Significant accounting policies (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (cont'd)

2A. Significant accounting policies (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (cont'd)

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.

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.

Assessment of net realisable value of inventories:
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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

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 $29,119,000 (2017: $24,008,000).

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (cont'd)

3A. Related party transactions (cont'd):

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 2018 $'000	GROUP 2017 $'000
Revenue from sales of goods to a substantial shareholder and its subsidiaries [a]	**(2,231)**	(1,589)
Purchases of goods and services from a substantial shareholder and its subsidiaries [a]	**14,332**	6,223
Legal expenses	**3**	–

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

3B. Key management compensation:

	GROUP 2018 $'000	GROUP 2017 $'000
Salaries and other short-term employee benefits	**2,066**	2,147

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

	GROUP 2018 $'000	GROUP 2017 $'000
Remuneration of directors of the company	**1,647**	1,585
Fees to directors of the company	**271**	285
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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (cont'd)

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 2018

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 2018					
Revenue by segment					
Total revenue	66,457	5,742	8,059	1,991	82,249
Segment results	10,298	1,395	1,578	388	13,659
Unallocated expenses					(16,128)
Loss from operations					(2,469)
Interest income					99
Finance costs					(627)
Other losses (net)					(31,026)
Loss before income tax					(34,023)
Income tax income					1,706
Loss from continuing operations					(32,317)
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)

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	
2018	7,836
2017	2,690
Impairment allowance on inventories	
2018	30,763
2017	2,592

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Brunei	**3,525**	2,602	**–**	–
Europe	**177**	2,718	**–**	–
Indonesia	**761**	1,509	**–**	–
Japan	**21,478**	23,675	**–**	37
Malaysia	**5,059**	1,948	**–**	–
Middle East	**111**	2,462	**–**	–
Singapore	**28,698**	25,808	**29,107**	23,990
Thailand	**1,662**	825	**–**	–
Vietnam	**18,429**	11,326	**–**	–
Others [1]	**2,349**	4,049	**12**	282
	82,249	76,922	**29,119**	24,309

[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	
	2018 $'000	2017 $'000
Revenue from:		
Top 1 customer in Energy segment (2017: Energy)	**16,943**	16,388
Top 2 customers in Energy segment (2017: Energy)	**33,459**	27,649
Top 3 customers in Energy segment (2017: Energy and Trading)	**41,576**	33,493

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

5. REVENUE

	Group 2018 $'000	Group 2017 $'000
Sale of goods	**82,010**	76,798
Other	**239**	124
	82,249	76,922

6. OTHER GAINS AND (OTHER LOSSES)

	Group 2018 $'000	Group 2017 $'000
Allowance for impairment on trade receivables – (loss)/ reversal (Note 16)	**(19)**	5
Available-for-sale financial assets written-off	**–**	(120)
Bad debts (written off)/ recovered trade receivables (net)	**(1)**	2
Fair value (losses)/ gains on financial assets at fair value through profit or loss (Note 28C)	**(34)**	50
Foreign exchange adjustments losses	**(209)**	(446)
Gains on disposal of property, plant and equipment	**–**	9
Inventories written-down (Note 15)	**(30,763)**	(2,592)
Inventories written off (Note 15)	**–**	(181)
Property, plant and equipment written off	**–**	(30)
Net	**(31,026)**	(3,303)
Presented in profit or loss as:		
Other gains	**–**	66
Other losses	**(31,026)**	(3,369)
Net	**(31,026)**	(3,303)

7. ADMINISTRATIVE EXPENSES

The major components and other selected components include the following:

	Group 2018 $'000	Group 2017 $'000
Employee benefits expense (Note 9)	**3,117**	3,438
Rental expense	**720**	787

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

8. FINANCE COSTS

	Group	
	2018 $'000	2017 $'000
Interest expense	**627**	430

9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2018 $'000	2017 $'000
Short term employee benefits expense	**6,254**	6,925
Contributions to defined contribution plan	**445**	483
Other benefits	**177**	221
Total employee benefits expense	**6,876**	7,629
The employee benefits expense is charged as follows:		
Marketing and distribution costs	**3,759**	4,191
Administrative expenses (Note 7)	**3,117**	3,438
Total employee benefits expense	**6,876**	7,629

10. INCOME TAX

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

	Group	
	2018 $'000	2017 $'000
Current tax (income)/ expense		
Current tax expense	**7**	–
Under / (over) adjustments in respect of prior periods	**–***	(30)
Subtotal	**7**	(30)
Deferred tax (income) / expense		
Deferred tax income	**(1,767)**	(1,553)
Under adjustments in respect of prior periods	**54**	133
Subtotal	**(1,713)**	(1,420)
Total income tax income	**(1,706)**	(1,450)

* Less than $500.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

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% (2017: 17%) to profit or loss before income tax as a result of the following differences:

	Group 2018 $'000	Group 2017 $'000
Loss before tax	**(34,023)**	(10,829)
Income tax income at the above rate	**(5,784)**	(1,841)
Expenses not deductible for tax purposes	**927**	238
Productivity and innovation credit claims	**–**	(31)
Tax exemptions	**(11)**	(7)
Deferred tax asset not recognised	**3,149**	13
Under adjustments to tax in respect of prior periods	**54**	103
Effect of different tax rates in different countries	**(43)**	75
Translation differences	**2**	4
Other minor items	**–**	(4)
Total income tax income	**(1,706)**	(1,450)

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

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

	Group 2018 $'000	Group 2017 $'000
Excess of book over tax depreciation on plant and equipment and revalued properties	**(66)**	(742)
Donations carryforwards	**(9)**	(7)
Tax losses carryforwards	**(1,638)**	(671)
Total deferred income tax income recognised in profit or loss	**(1,713)**	(1,420)

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

10. INCOME TAX (cont'd)

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

	GROUP	
	2018 $'000	2017 $'000
Deferred tax:		
Gains on property revaluation	**421**	113
Loss on deemed disposal of property	**–**	(259)
Total deferred tax expense/ (income) recognised in other comprehensive income	**421**	(146)

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

	GROUP	
	2018 $'000	2017 $'000
Deferred tax liabilities:		
Excess of net book value of plant and equipment over tax values	**15**	(46)
Amount on revalued depreciable assets	**(5,544)**	(5,123)
Depreciation on revalued properties	**2,720**	2,578
Capital allowance carryforwards	**4**	–
Donations carryforwards	**16**	7
Tax losses carryforwards	**6,591**	1,804
Other timing differences	**(166)**	(26)
Deferred tax asset not recognised	**(3,636)**	(487)
Net balance	**–**	(1,293)

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 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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

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	
	2018 $'000	2017 $'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	**(32,317)**	(9,379)

	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	**(11.13)**	(3.23)

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 year.

12. DIVIDENDS ON EQUITY SHARES

	GROUP			
	RATE PER SHARE - CENTS			
	2018	2017	2018 $'000	2017 $'000
Final tax exempt (1-tier) dividend paid	–	0.50	–	1,452

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

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 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 22)	–	–	(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
Foreign exchange adjustments	–	(9)	–	(9)
Additions	246	371	7,219	7,836
Disposals	–	(3)	–	(3)
Adjustment to provision (Note 22)	20	–	–	20
Transfer from/ to leasehold properties	9,432	–	(9,432)	–
Revaluation decrease	(2,422)	–	–	(2,422)
At 30 September 2018	28,743	6,746	–	35,489
Represented by:				
Cost	–	6,746	–	6,746
Valuation	28,743	–	–	28,743
Total	28,743	6,746	–	35,489
Accumulated depreciation and impairment losses:				
At 1 October 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
Foreign exchange adjustments	–	(8)	–	(8)
Depreciation for the year	4,797	423	–	5,220
Disposals	–	(3)	–	(3)
Elimination of depreciation on revaluation	(4,898)	–	–	(4,898)
At 30 September 2018	1,024	5,346	–	6,370
Carrying value:				
At 1 October 2016	26,714	1,549	98	28,361
At 30 September 2017	20,342	1,453	2,213	24,008
At 30 September 2018	27,719	1,400	–	29,119

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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	
	2018 $'000	2017 $'000
Leasehold properties and improvements:		
Cost	**24,864**	15,167
Net book value	**13,028**	5,433

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

	GROUP	
	2018	2017
Capitalisation rates	**2.52% to 3.05%**	2.58% to 2.64%

	GROUP	
	2018 $'000	2017 $'000
Borrowing costs capitalised included in additions during the year	**80**	4

Certain items are under finance lease agreements. See Note 24A.

The leasehold properties are mortgaged as security for the bank facilities. See Note 24.

There were provisions for dismantling taken up by a subsidiary as shown in Note 22, due to the reinstatement conditions required at the end of the leasehold tenure for the properties at 14 Lok Yang Way, 90 Second Lok Yang Road, 21A Neythal Road and 36 Tuas Crescent.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

On 29 May 2014, a subsidiary accepted a letter of offer issued by JTC Corporation ("**JTC**") 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. Temporary Occupation Permit was obtained on 19 June 2018. In principal, JTC has approved the lease extension.

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 2018 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 of 14 Lok Yang Way and 90 Second Lok Yang Road were based on full valuations, whereas 21A Neythal Road and 36 Tuas Crescent were based on desktop 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 independent valuers hold 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 surplus net of applicable deferred income tax on revaluation of $2,055,000 (2017: deficit of $717,000) has been credited to asset revaluation reserve in other comprehensive income.

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:	$11,000 (2017: $11,700). Level 2 (2017: 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. $1,252 - $1,523 ($1,401). (2017: $1,261 - $2,279 ($1,790)).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $1,100,000; higher by $1,100,000.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Asset:	Leasehold property at 21A Neythal Road
Fair Value $'000 and Fair value hierarchy – Level:	$520 (2017: $1,400). Level 2 (2017: 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.
Significant observable inputs and range (weighted average):	Gross rental income less necessary expenses and capitalised at appropriate yield rate, $45,217 (2017: $59,574) per month.
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $52,000; higher by $52,000.

Asset:	Leasehold property at 90 Second Lok Yang Road
Fair Value $'000 and Fair value hierarchy – Level:	$14,000 (2017: $3,610). Level 2 (2017: 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. $1,252 - $1,523 ($1,401). (2017: $2,156 - $2,899 ($2,825)).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $1,400,000; higher by $1,400,000.

Asset:	Leasehold property at 36 Tuas Crescent
Fair Value $'000 and Fair value hierarchy – Level:	$2,200 (2017: $4,000). Level 2 (2017: 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.
Significant observable inputs and range (weighted average):	Gross rental income less necessary expenses and capitalised at appropriate yield rate, $110,000 (2017: $112,676) per month.
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $220,000; higher by $220,000.

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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

14. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2018 $'000	2017 $'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	**70,879**	101,393

The subsidiaries held by the company are listed below:

NAME OF SUBSIDIARY, COUNTRY OF INCORPORATION, PLACE OF OPERATIONS AND PRINCIPAL ACTIVITIES	COST IN BOOKS OF COMPANY		EFFECTIVE PERCENTAGE OF EQUITY HELD BY COMPANY	
	2018 $'000	2017 $'000	2018 %	2017 %
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 2018

15. INVENTORIES

	Group	
	2018 $'000	2017 $'000
Goods for resale	**41,317**	68,871
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of the year	**13,510**	10,902
Charged to profit or loss included in other losses (Note 6)	**30,763**	2,592
Foreign exchange adjustments	**(18)**	16
Balance at end of the year	**44,255**	13,510
Write-off of inventories charged to profit or loss included in other losses (Note 6)	**–**	181
Amount of inventories included in cost of sales	**63,768**	63,272

The company has reviewed its method for the estimating of the inventories write-down as a result of changes in market demands for its products brought about by the weaker market conditions in the oil and gas industry, which had led to changes in the group's approach to its business and inventory management. In addition, the company engaged an independent accounting firm to assist in the review of the change in the methods and assumptions used in the estimate of the inventories write-down to reflect the company's specific circumstances in the oil and gas industry to ensure that the estimation techniques were appropriate in the circumstances and that the accounting treatment are in accordance with the applicable financial reporting standards. The inventories write-down represent write-down in the value of inventories only and is not meant to indicate that the inventories have been scrapped or written-off.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade receivables, non-current				
Outside parties	**–**	301	**–**	–
Total trade receivables, non-current	**–**	301	**–**	–
Trade receivables, current				
Outside parties	**20,311**	23,077	**–**	–
Less allowance for impairment	**(19)**	–*	**–**	–
Other related parties (Note 3)	**165**	506	**–**	–
Subsidiaries (Note 3)	**–**	–	**1,561**	1,324
Net trade receivables – subtotal	**20,457**	23,583	**1,561**	1,324
Other receivables:				
Advances to suppliers	**6,432**	3,213	**–**	–
Income tax recoverable	**3**	238	**–**	–
Other receivables	**11**	7	**–**	–
Net other receivables - subtotal	**6,446**	3,458	**–**	–
Total trade and other receivables, current	**26,903**	27,041	**1,561**	1,324
Movements in above allowance:				
Balance at beginning of the year	**–***	5	**–**	–
Charge/ (Reversed) to profit or loss included in (other losses)/ other gains (Note 6)	**19**	(5)	**–**	–
Balance at end of the year	**19**	–*	**–**	–

* Less than $500.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2018 $'000	2017 $'000
Equity-linked structured investment	**–**	1,396
Key men insurance asset	**199**	178
	199	1,574

The fair value of the financial assets is not based on observable market data (Level 3). Also see Note 28C.

To secure the issuance of bank guarantees, an investment of US$1 million was made in an equity-linked structured investment ("**investment**") which is capital-guaranteed, in lieu of placing such amount in a non-interest bearing deposit. The investment was disposed in FY2018 and the sales proceed was place as fixed deposit.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

18. OTHER ASSETS

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deposits to secure services	**51**	223	**–**	–
Prepayments	**268**	260	**32**	32
	319	483	**32**	32

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Not restricted in use	**12,778**	21,299	**177**	269
Cash pledged for bank facilities [#a]	**1,372**	27	**–**	–
Cash at end of the year	**14,150**	21,326	**177**	269

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

The rates of interest for the cash on interest earning balances are not significant.

19A. Cash and cash equivalents in the statement of cash flows:

	Group	
	2018 $'000	2017 $'000
Amount as shown above	**14,150**	21,326
Cash pledged for bank facilities	**(1,372)**	(27)
Cash and cash equivalents for statement of cash flows purposes at end of the year	**12,778**	21,299

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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

19. CASH AND CASH EQUIVALENTS (cont'd)

19B. Non-cash transactions:

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

	GROUP	
	2018 $'000	2017 $'000
Additions of property, plant and equipment	**7,836**	2,690
Less: acquisitions by means of finance leases	–	(212)
Purchase of property, plant and equipment per statement of cash flows	**7,836**	2,478

19C. Reconciliation of liabilities arising from financing activities:

	2017 $'000	CASH FLOWS $'000	NON-CASH CHANGES $'000	2018 $'000
Finance leases	347	(212)	12[(a)]	**147**

(a) Interest expense on finance leases

20. SHARE CAPITAL

GROUP AND COMPANY	NUMBER OF SHARES ISSUED	SHARE CAPITAL $'000
Ordinary shares of no par value:		
Balance at 1 October 2016, 30 September 2017 and 30 September 2018	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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

20. SHARE CAPITAL (cont'd)

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	
	2018 $'000	2017 $'000
Net debt:		
All current and non-current borrowings including finance leases	**29,112**	32,168
Less cash and cash equivalents	**(14,150)**	(21,326)
Net debt	**14,962**	10,842
Adjusted capital:		
Equity	**73,457**	103,641
Adjusted capital	**73,457**	103,641
Debt-to-adjusted capital ratio	**20.4%**	10.5%

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

21. OTHER RESERVES

The revaluation reserve arises from the annual revaluation of properties held under property, plant and equipment net of deferred tax (Note 13). 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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

22. PROVISIONS

	Group 2018 $'000	Group 2017 $'000
Provision, non-current:		
Provision for dismantling, removing items and restoring sites relating to leased properties	**40**	20
Movements in above provision:		
Balance at beginning of the year	**20**	70
Additions (Note 13)	**20**	–
Used (Note 13)	**–**	(50)
Balance at end of the year	**40**	20

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 terms ranged 1 to 14 years.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade payables:				
Outside parties and accrued liabilities	**5,798**	4,711	**233**	179
Other related parties (Note 3)	**2,980**	465	**–**	–
Trade payables – subtotal	**8,778**	5,176	**233**	179
Other payables:				
Outside parties	**310**	27	**–**	–
Other payables – subtotal	**310**	27	**–**	–
Total trade and other payables	**9,088**	5,203	**233**	179

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

24. OTHER FINANCIAL LIABILITIES

	Group 2018 $'000	Group 2017 $'000
Non-current:		
Financial instruments with floating interest rates:		
Bank loans (secured)	**6,766**	1,416
Financial instruments with fixed interest rates:		
Finance leases (Note 24A)	**15**	147
Total non-current portion	**6,781**	1,563
Current:		
Financial instruments with floating interest rates:		
Bank loans (secured)	**1,783**	2,194
	1,783	2,194
Financial instruments with fixed interest rates:		
Bank loans (secured)	**4,000**	2,000
Trust receipts and bill payable to banks (secured)	**16,416**	26,211
Finance leases (Note 24A)	**132**	200
	20,548	28,411
Total current portion	**22,331**	30,605
Total non-current and current	**29,112**	32,168
The non-current portion is payable as follows:		
Due within 2 to 5 years	**3,152**	1,563
After 5 years	**3,629**	–
Total non-current portion	**6,781**	1,563

	Group 2018	Group 2017
The range of floating interest rates paid were as follows:		
Bank loans (secured)	**2.89% - 3.03% p.a.**	2.58% - 2.64% p.a.
The range of fixed interest rates paid were as follows:		
Bank loans (secured)	**2.88% - 3.67% p.a.**	2.47% - 2.67% p.a.
Trust receipts and bill payable to banks (secured)	**2.22% - 3.72% p.a.**	1.25% - 2.44% p.a.
Finance leases (Note 24A)	**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 2018

24. 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.

24A. Finance leases

GROUP 2018	MINIMUM PAYMENTS $'000	FINANCE CHARGES $'000	PRESENT VALUE $'000
Minimum lease payments payable:			
Due within one year	**140**	**(8)**	**132**
Due within 2 to 5 years	**16**	**(1)**	**15**
Total	**156**	**(9)**	**147**
Net book value of plant and equipment under finance leases			**621**

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

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 2018	GROUP 2017
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 2018

25. OTHER NON-FINANCIAL LIABILITIES

	Group	
	2018 $'000	2017 $'000
Advance billings	**310**	1,279

26. 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	
	2018 $'000	2017 $'000
Contractual obligations to construct property	**–**	7,392
Commitments to purchase plant and equipment	**31**	–

27. 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	
	2018 $'000	2017 $'000
Not later than one year	**732**	667
Later than one year and not later than five years	**1,336**	1,348
Later than five years	**2,478**	1,798
Rental expense for the year	**794**	906

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 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. Temporary Occupation Permit was obtained on 19 June 2018. In principal, JTC has approved the lease extension.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK

28A. 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	
	2018 $'000	2017 $'000
Financial assets:		
Cash and cash equivalents	**14,150**	21,326
Trade and other receivables	**20,468**	23,891
Financial assets at fair value through profit or loss	**199**	1,574
At end of the year	**34,817**	46,791
Financial liabilities:		
Borrowings and finance leases measured at amortised cost	**29,112**	32,168
Trade and other payables measured at amortised cost	**9,088**	5,203
At end of the year	**38,200**	37,371

	COMPANY	
	2018 $'000	2017 $'000
Financial assets:		
Cash and cash equivalents	**177**	269
Trade and other receivables	**1,561**	1,324
At end of the year	**1,738**	1,593
Financial liabilities:		
Trade and other payables measured at amortised cost	**233**	179
At end of the year	**233**	179

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (cont'd)

28B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposure to the financial risks on the financial instruments such as credit risk, interest risk, liquidity risk, market 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.

28C. Fair value of financial instruments

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

	GROUP LEVEL 3	
	2018 $'000	2017 $'000
Financial assets at fair value through profit or loss	**199**	1,574
Total	**199**	1,574

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

30 SEPTEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (cont'd)

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

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

	GROUP	
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS $'000	TOTAL $'000
2018:		
Balance at beginning of the year	**1,574**	**1,574**
Loss recognised in profit or loss under other losses (Note 6)	**(34)**	**(34)**
Disposal and transferred to a fixed deposit placement	**(1,341)**	**(1,341)**
Total net balance at end of the year	**199**	**199**
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

The fair value of the financial assets is not based on observable market data (Level 3) (Note 17).

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
2018:			
Unquoted other investment reflected in profit or loss. 10% change	**199**	**20**	**(20)**
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)

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (cont'd)

28D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial 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 19 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 120 days (2017: 30 to 90 days). But some customers take a longer period to settle the amounts.

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

	GROUP		COMPANY	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade receivables:				
1 to 60 days	**7,586**	4,233	**189**	197
61 to 90 days	**1,735**	1,169	**263**	274
91 to 120 days	**870**	101	**151**	196
Over 120 days	**1,763**	1,115	**427**	182
Total	**11,954**	6,618	**1,030**	849

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (cont'd)

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

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

	Group 2018 $'000	Group 2017 $'000
Trade receivables:		
Over 180 days	**19**	–*

* Less than $500.

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling $19,000 (2017: $9) 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.

28E. Liquidity risk – financial liabilities maturity analysis

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

Group Non-derivative financial liabilities:	Less than 1 year $'000	1 – 5 years $'000	Over 5 years $'000	Total $'000
2018:				
Trade and other payables	**9,088**	**–**	**–**	**9,088**
Gross borrowings commitments	**22,656**	**3,733**	**3,879**	**30,268**
At end of the year	**31,744**	**3,733**	**3,879**	**39,356**
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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

30 SEPTEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (cont'd)

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

COMPANY NON-DERIVATIVE FINANCIAL LIABILITIES:	LESS THAN 1 YEAR $'000	TOTAL $'000
2018:		
Trade and other payables	**233**	**233**
At end of the year	**233**	**233**
2017:		
Trade and other payables	179	179
At end of the year	179	179

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.

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 (2017: 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
2018:				
Corporate guarantee in favour of a subsidiary	**22,628**	**576**	**–**	**23,204**
2017:				
Corporate guarantee in favour of a subsidiary	31,170	659	–	31,829

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (cont'd)

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

Bank facilities:

	Group 2018 $'000	Group 2017 $'000
Letters of credit	**1,843**	779
Bankers' guarantees	**57**	53
Performance guarantees	**780**	2,444
Undrawn borrowing facilities	**59,304**	58,791

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.

28F. 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 2018 $'000	Group 2017 $'000
Financial liabilities with interest:		
Fixed rates	**20,563**	28,558
Floating rates	**8,549**	3,610
Total at end of the year	**29,112**	32,168

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	**85**	36

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 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (cont'd)

28G. Foreign currency risks

Analysis of amounts denominated in non-functional currency:

GROUP	USD $'000	EUR $'000	OTHERS[#a] $'000	TOTAL $'000
2018:				
Financial assets:				
Cash	6,224	110	2,447	8,781
Trade and other receivables	8,038	1,218	980	10,236
Total financial assets	14,262	1,328	3,427	19,017
Financial liabilities:				
Other financial liabilities	1,647	–	–	1,647
Trade and other payables	5,216	646	35	5,897
Total financial liabilities	6,863	646	35	7,544
Net financial assets at end of the year	7,399	682	3,392	11,473
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

[#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 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (cont'd)

28G. Foreign currency risks (cont'd)

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

Sensitivity analysis:

	GROUP	
	2018 $'000	2017 $'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	**(673)**	(2,244)
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	**(62)**	(2)
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	**(308)**	(470)

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 2018

29. ITEMS IN PROFIT OR LOSS

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

	GROUP	
	2018 $'000	2017 $'000
Audit fees to the independent auditor of the company	**142**	137
Audit fees to the other independent auditor	**10**	25
Other fees to the independent auditor of the company	**51**	39
Other fees to the other independent auditor	**11**	16

30. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

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

FRS NO.	TITLE
SFRS 7	Amendments to SFRS 7: Disclosure Initiative
SFRS 12	Amendments to SFRS 12: Recognition Of Deferred Tax Assets For Unrealised Losses
SFRS 112	Amendments to SFRS 112: Disclosure of Interests in Other Entities

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

Singapore-incorporated companies listed on the Singapore Exchange are required to comply with new financial reporting standards (issued by the Singapore Accounting Standards Council) that are identical to the International Financial Reporting Standards for reporting year beginning on after 1 January 2018. The new framework is referred to as SFRS(I)s. SFRS(I) First-time Adoption of Singapore Financial Reporting Standards (International) will be adopted in the financial statements when it becomes mandatory. Based on the current accounting treatment of the account balances, management does not anticipate that the application of SFRS(I) will have a material impact on the financial position and financial performance of the entity.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

31. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE (cont'd)

For the future reporting years new or revised Singapore Financial Reporting Standards (International) and the related Interpretations to SFRS(I)s ("**SFRS(I) INT**") 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
SFRS(I) 9	Financial Instruments	1 January 2018
SFRS(I) 15	Revenue from Contracts with Customers. Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
SFRS(I) 16	Leases and Leases – Illustrative Examples & Amendments to Guidance on Other Standards	1 January 2019
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019

For the future reporting years certain new or revised reporting standards that are expected to have a material impact are as follows:

SFRS(I) 9 Financial Instruments will replace SFRS(I) 1-39 effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition. SFRS(I) 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. For financial liabilities, SFRS(I) 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. For the impairment of financial assets, SFRS(I) 9 introduces an "expected credit loss" ("**ECL**") model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment. For hedge accounting, SFRS(I) 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. The recognition and derecognition provisions are carried over almost unchanged from SFRS(I) 1-39. On the basis of the facts and circumstances that exist as at 30 September 2018 (see accounting policy in Note 2 and disclosures in Note 28) the entity does not anticipate that the application of the new standard will have a material impact on the financial position and / or financial performance of the entity, apart from providing more extensive disclosures on the entity's financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)
30 SEPTEMBER 2018

31. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers effective for annual periods beginning on or after 1 January 2018 replaces other standards on revenue and the related interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). SFRS(I) 15 will be adopted in the financial statements when it becomes mandatory and the full retrospective method of transition to the new standard will be used. On the basis of the current accounting treatment of the major sources of revenue (see accounting policy in Note 2 and disclosures in Note 5 on revenue) the management does not anticipate that the application of SFRS(I) 15 will have a material impact on the financial position and / or financial performance of the entity, apart from providing more extensive disclosures on the revenue transactions. However, as the entity is still in the process of assessing the full impact of the application of SFRS(I) 15 on the financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the detailed review is completed.

SFRS(I) 16 Leases is effective for annual periods beginning on or after 1 January 2019 and it replaces SFRS(I) 1-17 and the related interpretations. For the lessee, the biggest change introduced is that almost all leases will be brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. For the lessor, the accounting remains largely unchanged and the distinction between operating and finance leases is retained. SFRS(I) 16 will be adopted in the financial statements when it becomes mandatory, with the following effects: For the group's non-cancellable operating lease commitments of $4,546,000 as at 30 September 2018 (Note 27), a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under SFRS(I) 16. Thus, the entity will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases upon the application of SFRS(I) 16) which might have a material impact on the amounts recognised in the financial statements. However, it is not practicable to provide a reasonable financial estimate of that effect until the detailed review by management is completed.

SHAREHOLDERS' INFORMATION

AS AT 11 DECEMBER 2018

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	16	1.12	552	0.00
100 - 1,000	119	8.35	59,597	0.02
1,001 - 10,000	430	30.15	2,137,450	0.74
10,001 - 1,000,000	832	58.35	67,006,388	23.07
1,000,001 AND ABOVE	29	2.03	221,196,010	76.17
TOTAL	**1,426**	**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.	16,326,162	5.62
5	DB NOMINEES (SINGAPORE) PTE LTD	7,625,000	2.63
6	HO SU CHIN	6,502,041	2.24
7	DBS NOMINEES (PRIVATE) LIMITED	6,424,044	2.21
8	CHOW KOK KEE	6,124,991	2.11
9	TEO CHING CHING (ZHAO QIANQIAN)	4,765,698	1.64
10	RAFFLES NOMINEES (PTE) LIMITED	4,406,200	1.52
11	CITIBANK NOMINEES SINGAPORE PTE LTD	4,011,600	1.38
12	ANG KONG MENG	3,817,000	1.31
13	ANG SEAU TEE (HONG XIUDI)	3,681,698	1.27
14	TEO BEE YEN	2,932,100	1.01
15	CHAN HOCK LYE	2,529,700	0.87
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,510,100	0.86
17	LIM MEE HWA	2,500,000	0.86
18	LAU KIN HONG	1,682,000	0.58
19	PHILLIP SECURITIES PTE LTD	1,593,900	0.55
20	TAN CHENG GUAN	1,535,000	0.53
	TOTAL	**209,951,608**	**72.29**

SHAREHOLDERS' INFORMATION
(CONT'D)
AS AT 11 DECEMBER 2018

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 11 December 2018, 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 11 December 2018, there are no treasury shares held by the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of CosmoSteel Holdings Limited (the "**Company**") will be held at 90 Second Lok Yang Road, Singapore 628166 on Monday, 28 January 2019 at 9.30 a.m. to transact the following business:-

ORDINARY BUSINESS

AS ORDINARY RESOLUTIONS

1. To receive and adopt the Directors' Report, the Auditors' Report and the Audited Financial Statements of the Company for the financial year ended 30 September 2018. **(Resolution 1)**

2. To approve the payment of S$291,000 as Directors' Fees for the financial year ending 30 September 2019. **(Resolution 2)**

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

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

5. To re-elect Mr Osamu Murai, the Director retiring pursuant to Article 122 of the Constitution of the Company. **(Resolution 5)**

6. To re-elect Mr Hor Siew Fu, the Director retiring pursuant to Article 122 of the Constitution of the Company. **(Resolution 6)**

7. To re-appoint RSM Chio Lim LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

SPECIAL BUSINESS

AS ORDINARY RESOLUTIONS

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

8. 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 ("**Directors**") (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

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

(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;

(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 8)**

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

9. 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 to this notice of annual general meeting ("**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 9)**

10. Renewal of Share Buyback Mandate

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the SGX-ST transacted through the ready market, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") otherwise than on a securities exchange, in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual,

on the terms set out in the Addendum, be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this resolution and expiring on the earlier of:

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

(i) the conclusion of the next annual general meeting of the Company or the date on which such annual general meeting of the Company is required by law to be held; or

(ii) the date on which the share buy-backs have been carried out to the full extent of the Share Buyback Mandate;

(c) in this resolution:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days on which transactions in the Shares were recorded, before the day on which Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five day period; and

"**date of the making of the offer**" means the date on which the Company makes an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

"**Maximum Percentage**" means that number of issued Shares representing ten percent (10%) of the total number of issued Shares as at the date of the passing of this resolution (excluding any treasury shares and subsidiary holdings as at that date); and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase: 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase: 105% of the Average Closing Price of the Shares; and

(d) the Directors and each of them be and is hereby authorised to do such acts and things (including without limitation, executing such documents as may be required, approving any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they and/or he may consider necessary, desirable or expedient to give effect to the transactions contemplated and/or authorised by this resolution. **(Resolution 10)**

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

By Order of the Board

Lee Pih Peng
Company Secretary
9 January 2019
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 for the financial year ending 30 September 2019 including unscheduled meeting(s) held after the close of the financial year ended 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 and Board Committee 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 Hiroshi Ebihara as Director of the Company. Mr Hiroshi Ebihara is a Non-Executive Director of the Company and is a member of the Nominating Committee and Remuneration Committee. Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, further information on Mr Hiroshi Ebihara is set out in the addendum to the Company's annual report entitled "Additional Information on Directors seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST".

(iii) Ordinary Resolution 4, if passed, will re-appoint Mr Ong Chin Sum as Director of the Company. Mr Ong Chin Sum is an Executive Director and Chief Executive Officer of the Company. Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, further information on Mr Ong Chin Sum is set out in the addendum to the Company's annual report entitled "Additional Information on Directors seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST".

(iv) Ordinary Resolution 5, if passed, will re-appoint Mr Osamu Murai as Director of the Company. Mr Osamu Murai is an Executive Director of the Company. Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, further information on Mr Osamu Murai is set out in the addendum to the Company's annual report entitled "Additional Information on Directors seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST".

(v) Ordinary Resolution 6, if passed, will re-appoint Mr Hor Siew Fu as Director of the Company. Mr Hor Siew Fu is an Independent Director of the Company and is the Chairman of the Audit Committee and is a member of the Nominating Committee and Remuneration Committee. Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, further information on Mr Hor Siew Fu is set out in the addendum to the Company's annual report entitled "Additional Information on Directors seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST".

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

Special Business

(vi) Ordinary Resolution 8, 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.

(vii) Ordinary Resolution 9, 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.

(viii) Ordinary Resolution 10, if passed, will empower the Company to purchase or otherwise acquire issued Shares by way of Market Purchases or Off-Market Purchases, in accordance with the terms and conditions set out in the Addendum.

Please refer to the Addendum additional information in relation to the proposed renewal of the Share Buyback Mandate.

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

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.*

COSMOSTEEL HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200515540Z)

ANNUAL GENERAL MEETING
PROXY FORM

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, ________________________ NRIC/Passport/Company Registration 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 90 Second Lok Yang Road, Singapore 628166 on 28 January 2019 at 9.30 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' Report, Auditors' Report and Audited Financial Statements		
2	To approve Directors' fees for the financial year ended 30 September 2019		
3	To re-elect Mr Hiroshi Ebihara as Director of the Company		
4	To re-elect Mr Ong Chin Sum as Director of the Company		
5	To re-elect Mr Osamu Murai as Director of the Company		
6	To re-elect Mr Hor Siew Fu as Director of the Company		
7	To re-appoint RSM Chio Lim LLP as Auditors of the Company and to authorize the Directors to fix their remuneration		
8	To authorize the Directors to allot and issue shares		
9	To authorize the Directors to enter into interested person transactions pursuant to the Interested Person Transactions Mandate		
10	To authorise the Directors to buy back ordinary shares in the capital of the Company pursuant to the Share Buyback 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 ______________ 2019.

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.

This page has been intentionally left blank.

This page has been intentionally left blank.

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC™ C041355

This annual report has been certified by the Forest Stewardship Council™ as an example of environmentally responsible forestry print production. From the forest, to the paper mill and printer, each step of this annual report's production is certified according to FSC™ standards.

COSMOSTEEL HOLDINGS LIMITED

SHAPING RESILIENCE

2018 ANNUAL REPORT

COSMOSTEEL HOLDINGS LIMITED

14 Lok Yang Way Singapore 628633
Tel: (65) 6863 1828
Fax: (65) 6861 2191
email: general@cosmosteel.com.sg
www.cosmosteel.com