



COSMOSTEEL HOLDINGS LIMITED

STRENGTH & PERSEVERANCE

ANNUAL REPORT
2020

OUR MISSION

TO BE A WORLD-CLASS PROVIDER OF PIPING SYSTEMS COMPONENTS AND RELATED SERVICES THAT SURPASSES THE 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.

CONTENTS

- 00** Our Mission
Corporate Structure
- 01** Corporate Objectives
Corporate Profile
- 02** Our Core Values
Our Milestones
- 04** Our Products & Services
- 06** A Joint Message from the Chairman & CEO
- 08** Board of Directors
- 10** Financial Highlights
- 11** Operating & Financial Review
- 17** Sustainability Report
- 46** Corporate Information
- 47** Corporate Governance
- 77** Financial Report

CORPORATE STRUCTURE

100%

Kim Seng Huat
Hardware
Pte Ltd

**COSMOSTEEL
HOLDINGS
LIMITED**

100%

CosmoSteel
(Australia)
Pty Ltd

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 the quality of our products and to consistently provide timely services to customers.



To focus on productivity improvements to achieve a leading position in price competitiveness.



To secure the health and safety of our employees and all concerning parties, and also protect the environment in the course of our operations.



To be a people developer by promoting performance excellence through a continuous process of learning and training.

CORPORATE PROFILE

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

Headquartered in Singapore, the Group has over 293,000 sq feet (site area) of storage space across three warehouses. We carry a

comprehensive range of high-quality products, sourced from major international manufacturers, which we can 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 including a runner-up

for the Most Transparent Company in the Energy category at the SIAS 20th Investors’ Choice Awards in 2019. In 2020, the Group was ranked 70th out of 577 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, ISO 45001:2018, ISO 22301:2012 and bizSAFE STAR certification.

Our Core Values

B

BUILD TRUST

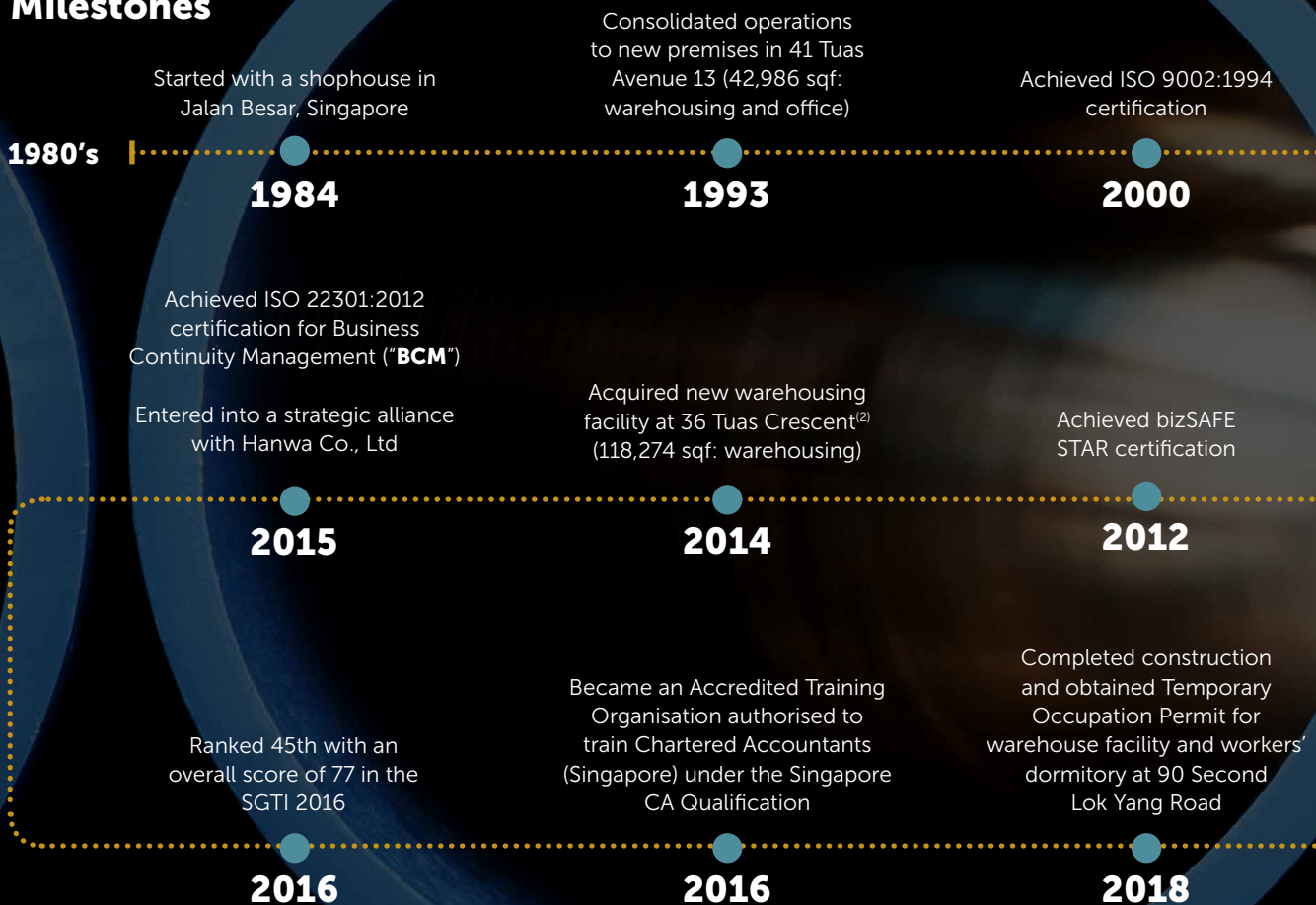
We endeavour to build open and honest relationships and operate with integrity to gain the trust of our stakeholders.

E

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.

Our Milestones





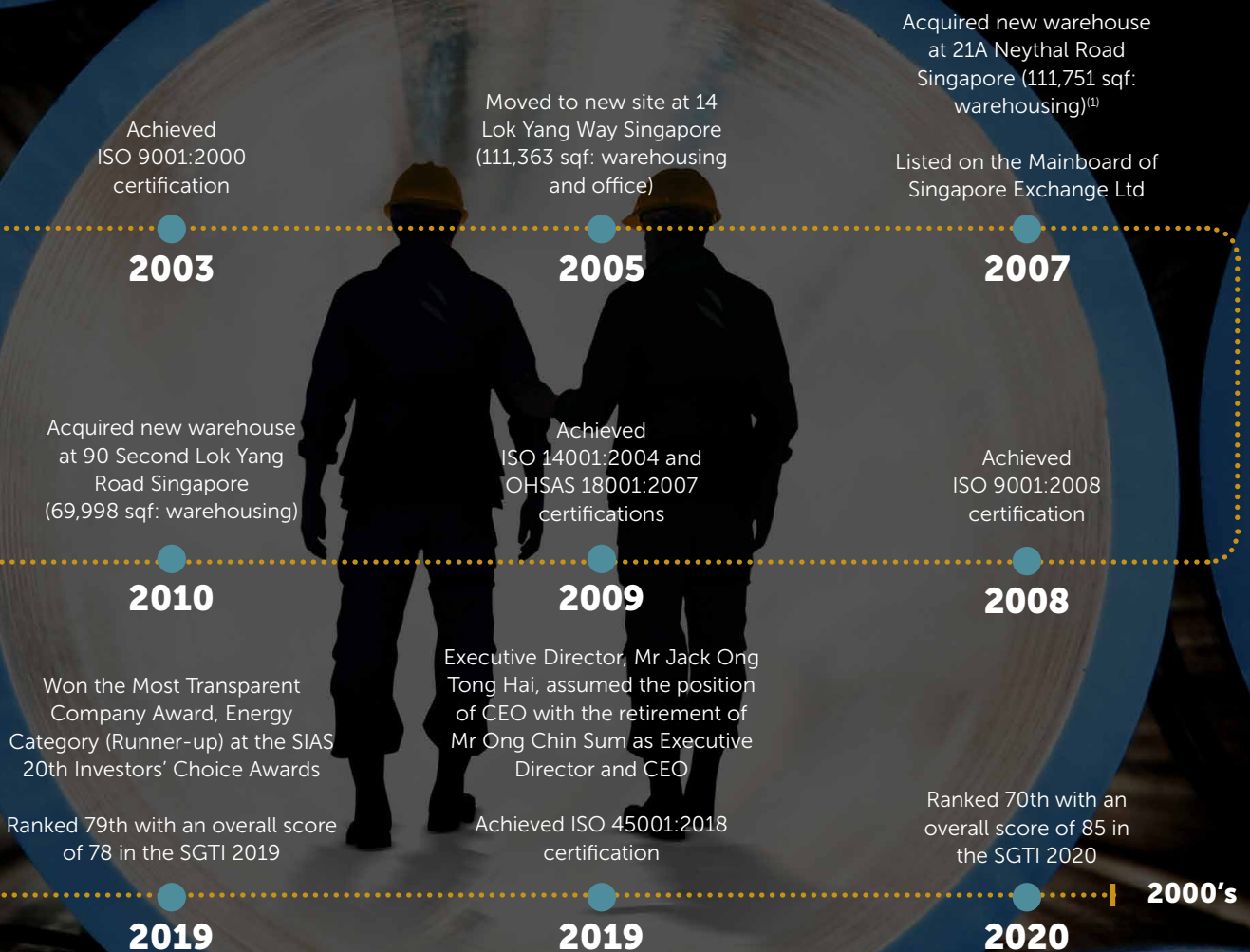
SURPASS EXPECTATIONS

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.



⁽¹⁾ Lease renewed till 15 August 2021

⁽²⁾ Returned to JTC in July 2020

OUR PRODUCTS & SERVICES

OUR CUSTOMERS



Energy Industry

For fabricating offshore rigs, conversion and building of Floating Production Storage and Offloading (FPSO) / Floating Storage and Offloading (FSO) vessels, fabricating onshore energy facilities, and renewable energy facilities such as wind energy structures



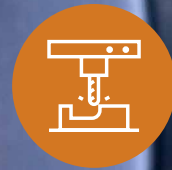
Marine Industry

For shipbuilding and repairs



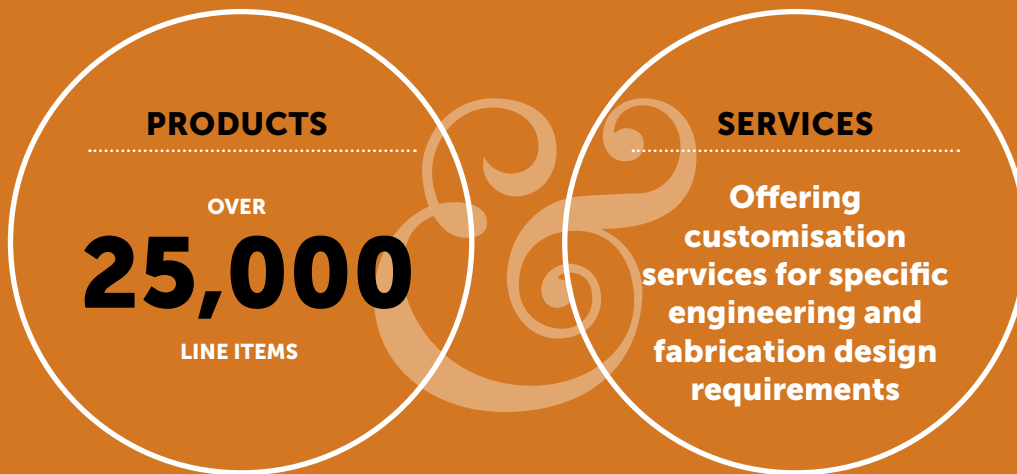
Traders

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



Others

For the manufacturing sector and other industries



With more than 25,000 line items across five main product categories, CosmoSteel has an extensive inventory of steel pipes, fittings, flanges, cables and cable management, as well as structural products 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 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 whom 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
- Sheets
- Plates
- Flats
- Hollow sections of different steel grades

Electrical/ Instrumentation Cable

- European offshore drilling and marine cables power, control cable
- European on shore power, control and instrumentation cable
- Fibre optic cable
- Power instrument cable
- Cable management

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

- 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

A JOINT MESSAGE FROM THE CHAIRMAN & CEO



Low Beng Tin



Jack Ong Tong Hai

IN FY2020, THE GROUP POSTED A NET PROFIT AFTER TAX OF \$5.3 MILLION, AN IMPROVEMENT OF 87.7% OVER \$2.8 MILLION, A YEAR AGO.

Jack Ong Tong Hai

DEAR SHAREHOLDERS,

The outbreak of the COVID-19 pandemic in early 2020 and unprecedented measures by countries, such as border closures and national lockdowns, to curb its spread has had a devastating impact on people, businesses and economies globally. However, even with this health crisis and unabated industry competition, the Group remained profitable for a second consecutive year through sustained marketing efforts, diligent cost management and prudent inventory administration.

Our Board has proposed a final dividend of 0.5 Singapore cents per

share for the financial year ended 30 September 2020 ("**FY2020**") to mark our performance and to thank our shareholders for their support. This represents a pay-out ratio of 27.5% of the Group's FY2020 net profit after tax.

Impact of COVID-19

In Singapore, we were allowed to operate to a limited extent during the Circuit Breaker as we serve oil and gas customers who are deemed to be in the essential services sector. Our extensive range of inventory mitigated major disruptions to our supply chain during this period. Our dormitory at 90 Second Lok Yang Road, which houses some of our foreign workers, was subjected to movement restrictions during the period but have since been cleared to return to work.

With the Phase 2 re-opening of Singapore on 2 June 2020, the Group has resumed full operations and most of the order backlogs affected by the Circuit Breaker were fulfilled in the second half of FY2020. Our supply chain has also more or less normalised.

Working closely with relevant government agencies, we have introduced comprehensive safe management measures at our workplaces that included safe entry, social distancing and higher cleanliness to safeguard our employees. At the same time, we also introduced staggered working hours and break hours as well as Work From Home measures for employees.

Key Developments and Plans

In FY2020, the Group posted a net profit after tax of \$5.3 million, an improvement of 87.7% over \$2.8 million a year ago, despite a 5.3% decline in revenue to \$86.8 million. We remained profitable in FY2020 by managing our operating costs, inventory and operational efficiency judiciously while financial aids and subsidies from the Singapore government also helped defray some of our manpower costs. In FY2020, the Group slashed operating expenses by 13.7% to \$13.3 million against our single-digit revenue decline. We also made an inventory write-back of around \$3.4 million due to our prudent inventory policy.

Even though the COVID-19 outbreak did not have a major operational impact on the Group in FY2020, we expect its knock-on economic impact to have a bearing on demand for our products in FY2021. We are doing our best to mitigate the impact by improving our market competitiveness and measures to strengthen our revenue generation while continuing to manage costs prudently.

For one, we introduced two new product ranges, namely electrical and instrumentation cables and cable management systems, which are items widely used in oil and gas, petrochemical, utilities, marine, fire

and safety, and telecoms industries. This expansion of product range not only aims to generate demand, but also provides industry diversification for the Group.

We had singled out the Middle East, North and Central Asia, and Russia in FY2019 as new markets to tap into. As a follow-up in FY2020, we appointed agents in these countries to jumpstart our sales and marketing activities. While progress has not been as rapid as we had hoped due to the pandemic, we still secured modest orders from new countries like Oman and India in FY2020. In FY2021, we plan to ramp up our sales efforts in Middle East, North and Central Asia, and Russia by appointing more agents while at the same time, foray into markets that we have not been active in before such as South Korea and the Asia Pacific.

We also hit new milestones under our Reduce, Reuse and Recycle ("**3R**") policy, which is aimed at reducing our environmental impact and improving resource efficiency in our operations. In FY2020, we reduced our carbon emission intensity and energy intensity by 34% each from the base year of 2016 and reduced our waste generation by 24% from 2019 levels. As our next step, we are exploring the harnessing of solar energy at our headquarters by installing roof top solar panels, in line with our commitment to the UN Sustainable Development Goal #7: Affordable and Clean Energy and Goal #9: Industry, Innovation and Infrastructure. Given the value many of our customers place on sustainability, we believe the economic and environmental benefits in the longer term will outweigh any capital investment we make.

With recent news of breakthroughs in COVID-19 vaccines announced by major biopharmaceutical companies,

we hope that the worst of the COVID-19 health crisis is behind us. Nevertheless, we must be prepared that FY2021 could be another difficult and unpredictable year. We hope that the plans we shared will help protect the resiliency and profitability of the Group as we ride out this pandemic.

Appreciation

In closing, we would like to thank all who have contributed to the performance of the Group in the past year. We are grateful for the support from our business partners and customers and thankful for the dedication of our workforce, which have been key in helping CosmoSteel maintain our profitability for two consecutive years despite a tough operating environment.

We also want to thank our fellow directors on the Board for your guidance and counsel over the past year. Lastly, a big thank you to all our shareholders. Rest assured that we will continue to devote our energies to ensure that the Group realises its full potential and ensure that your trust in us will bear fruit.

Low Beng Tin
Chairman and
Independent Director

Jack Ong Tong Hai
Chief Executive Officer and
Executive Director

BOARD OF DIRECTORS



LOW BENG TIN 70
CHAIRMAN & INDEPENDENT DIRECTOR

Date of First Appointment / 9 November 2005
Date of Last Re-election / 22 January 2020
Country of Principal Residence / Singapore
Chairman / Remuneration Committee
Member / Audit Committee & Nominating
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, the Bintang Bakti Masyarakat (The Public Service Star) in 2009 and the Bintang Bakti Masyarakat (Lintang) (The Public Service Star (Bar)) in 2019 by the President 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.



JACK ONG TONG HAI 43
CHIEF EXECUTIVE OFFICER
& EXECUTIVE DIRECTOR

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

Jack Ong assumed the role of Chief Executive Officer (“CEO”) on 15 July 2019. As CEO, he is responsible for steering the Group’s corporate and business strategies as well as leading sales and marketing to major end-users and oil majors. Having first joined CosmoSteel in 1998, Jack Ong possesses comprehensive, well-rounded experience and deep-seated knowledge of both the Group and the steel industry. In particular, he is well-versed with the Group’s logistics and operations functions as he had been driving the development and implementation of policies and procedures to enhance effectiveness and efficiency in these areas. Since joining the Group, he has also acquired in-depth management experience 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 50
EXECUTIVE DIRECTOR

Date of First Appointment / 1 June 2018
Date of Re-election / 28 January 2019
Country of Principal Residence / Singapore

Mr Murai has more than 20 years of experience in global metals trading with Hanwa Co., Ltd. (“Hanwa”), a steel trading company listed on the Tokyo Stock Exchange. He began his career at Hanwa’s Tokyo office in 1995 and was posted to London in 2008 before returning to the Tokyo office in 2015. He is the primary communications facilitator between the Group and Hanwa and leads the expansion of CosmoSteel’s international sales network and its Japanese customer base in Singapore through collaboration with Hanwa’s global network. He also assists and advises the CEO in the development of CosmoSteel’s procurement and sales functions. Mr Murai graduated with a Bachelor of Arts from Sophia University’s Faculty of Science and Technology.



HIROMASA YAMAMOTO 60
NON-EXECUTIVE NON-INDEPENDENT
DIRECTOR

Date of First Appointment / 5 July 2019
Date of Last Re-election / 22 January 2020
Country of Principal Residence / Japan
Member / Remuneration Committee &
Nominating Committee

Mr Yamamoto first joined Hanwa in 1983. Over the years, he worked his way up the ranks to his current position as the Senior Managing Executive Officer and General Representative for Asia (ASEAN, India, and the Middle East), gaining in-depth steel industry and management know-how in the process. He has over 35 years of experience in the steel trading business in Japan and Asia including five years holding directorships at Hanwa. Mr Yamamoto graduated with a Bachelor of Laws degree from Kansai University.



TAN SIOK CHIN 50
NON-EXECUTIVE NON-INDEPENDENT
DIRECTOR

Date of First Appointment / 28 March 2007
Date of Re-election / 22 January 2020
Country of Principal Residence / Singapore
Member / Remuneration Committee,
Nominating Committee & Audit Committee

Ms Tan was re-designated from an Independent Director to non-executive non-independent director of the Company on 24 August 2020. She 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 and Independent Director 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.



HOR SIEW FU 69
INDEPENDENT DIRECTOR

Date of First Appointment / 26 October 2018
Date of Re-election / 28 January 2019
Country of Principal Residence / Singapore
Chairman / Audit Committee &
Nominating Committee
Member / 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, Plastoform Holdings Limited and Memiontec Holdings Ltd, which are listed on the SGX-ST. 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.

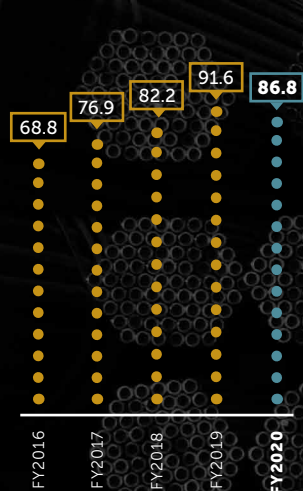
All information relating to the Directors in this Report, unless otherwise mentioned, are accurate as at 9 December 2020, being the latest practicable date for the preparation of this Report.

FINANCIAL HIGHLIGHTS

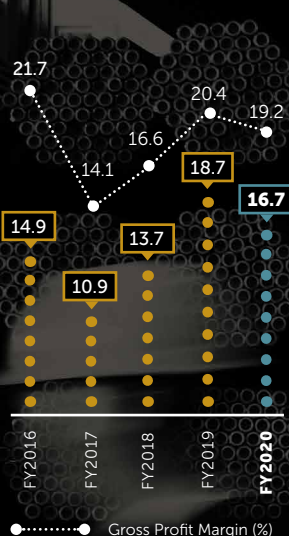
(For other key non-financial indicators, please refer to page 18 of this annual report)

KEY FINANCIAL INDICATORS

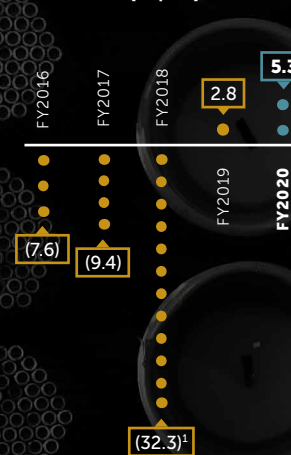
Revenue (S\$m)



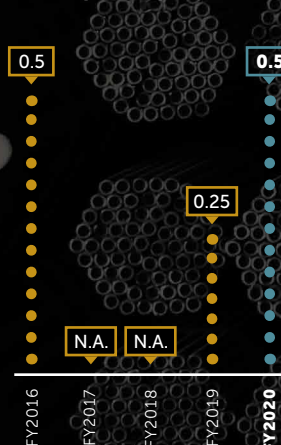
Gross Profit (S\$m)



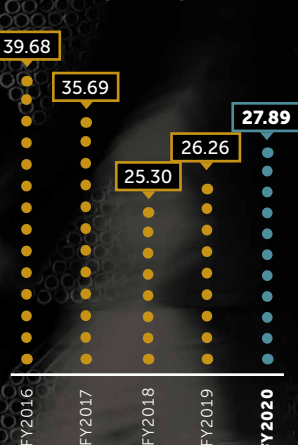
Net Profit / (Loss) After Tax (S\$m)



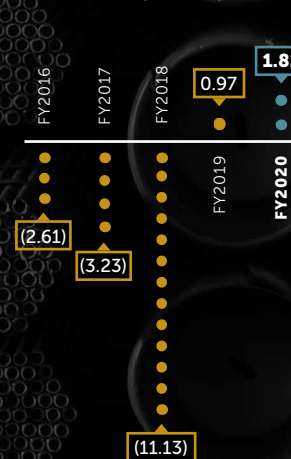
Dividend Per Share (cents)



Net Asset Value Per Share (cents)



Earnings / (Loss) Per Share (cents)



	FY2016	FY2017	FY2018	FY2019	FY2020
Current Ratio (times)	4.71	3.22	2.61	3.67	3.84
Gearing Ratio (times)	0.26	0.39	0.52	0.38	0.38

¹ Includes inventories value write-down of \$30.8 million in FY2018

OPERATING & FINANCIAL REVIEW

Revenue of the Group decreased by 5.3% year-on-year (“yoy”) to \$86.8 million for the year ended 30 September 2020 (“FY2020”), from \$91.6 million for the year ended 30 September 2019 (“FY2019”), due to lower revenues generated by its Energy and Trading segments, partly offset by an increase in revenue from Marine and Other segments.

In line with revenue, the Group’s gross profit declined 10.8% yoy from \$18.7 million in FY2019 to \$16.7 million in FY2020 and gross profit margin dipped 1.2 percentage point from 20.4% to 19.2% over the same period. Despite this, net profit after tax in FY2020 rose by 87.7% to \$5.3 million from \$2.8 million a year ago.

The Group’s improved profitability was supported by a 549.3% rise in other gains from \$0.4 million in FY2019 to \$2.4 million FY2020 which came from a \$3.4 million write back of inventories value offset by an impairment loss on trade receivables of \$1.0 million.

Operating expenses fell 13.7% yoy from \$15.4 million in FY2019 to \$13.3 million in FY2020. This was partially due to the Group’s cost-cutting efforts as well as slower business activities resulting from Singapore’s Circuit Breaker measures from 7 April 2020 to 1 June 2020, border closures and other COVID-19 control measures across the region.

Under operating expenses, marketing and distribution cost decreased by 15.9% from \$4.7 million in FY2019 to \$4.0 million in FY2020 from lower overseas travelling expenses and employee benefits expense while administrative expenses decreased by 31.3% from \$6.5 million to \$4.4 million over the same period. The latter arose from reduced employee benefits expense and property tax as well as the absence of land rental expense due to the adoption of SFRS(I) 16 - Leases in FY2020. Meanwhile, depreciation

expense rose by 15.7% from \$4.2 million in FY2019 to \$4.9 million in FY2020. This was mainly from the depreciation of right-of-use assets, such as land rental, warehouse leases and some office equipment, due to the adoption of SFRS(I) 16 - Leases in FY2020 and partially offset by a decrease in depreciation on properties as 36 Tuas Crescent was returned to JTC in July 2020.

During the year, financial expense incurred by the Group decreased by 33.5% from \$0.9 million in FY2019 to \$0.6 million in FY2020 mainly from lower bank borrowings and interest rates. Its financial income also decreased by \$13,000 or 76.5% to \$4,000 from interest earned on fixed deposits.



INCOME STATEMENT REVIEW

INCOME STATEMENT	FY2020 S\$'000	FY2019 S\$'000	Change %
Revenue	86,757	91,582	(5.3)
Cost of sales	(70,093)	(72,895)	(3.8)
Gross Profit	16,664	18,687	(10.8)
Other Items of Income			
Interest income	4	17	(76.5)
Operating Expenses			
Marketing and Distribution costs	(3,951)	(4,700)	(15.9)
Administrative expenses	(4,438)	(6,457)	(31.3)
Depreciation expense	(4,912)	(4,247)	15.7
Other Items of Expense			
Finance costs	(572)	(860)	(33.5)
Other gains	2,422	373	549.3
Profit Before Income Tax	5,217	2,813	85.5
Income tax benefit/(expense)	54	(5)	NM
Profit for the Year	5,271	2,808	87.7

NM – Denotes “not meaningful”

OPERATING & FINANCIAL REVIEW

In FY2020, the Group's Energy, Marine, Trading and Other sectors accounted for 59.4%, 18.6%, 7.1% and 14.9% of the year's revenue compared to 79.1%, 5.1%, 15.0% and 0.8% respectively in FY2019.

Due to generally slower demand from customers, Energy Sector revenue decreased by 28.8% yoy from \$72.4 million in FY2019 to \$51.5 million in FY2020 while Trading Sector revenue decreased by 55.2% from \$13.7 million to \$6.2 million over the same period.

This was offset by a 245.3% yoy rise in Marine Sector revenue from \$4.7 million in FY2019 to \$16.2 million in FY2020 and a very substantial surge in Other Sector sales from \$0.8 million in FY2019 to \$12.9 million in FY2020 due to more orders from the manufacturing sub-segment.

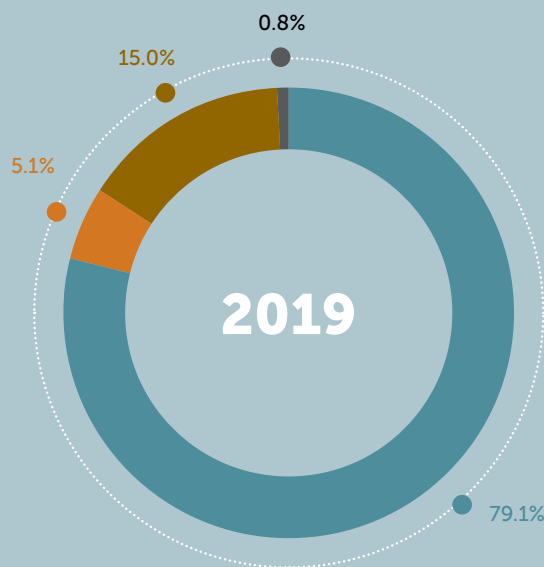
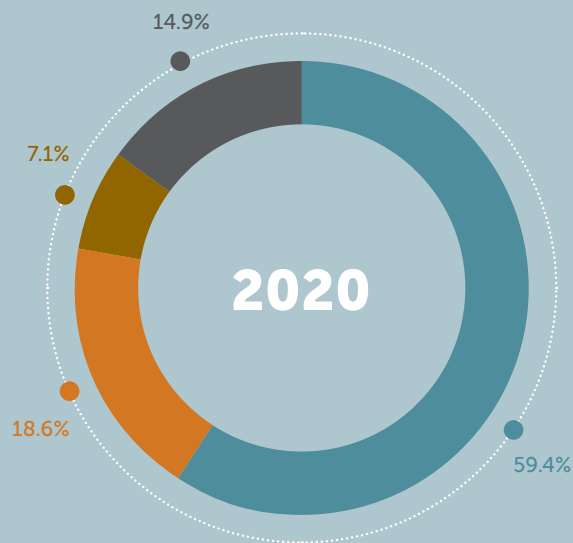
REVENUE ANALYSIS BY CUSTOMER TYPE

Revenue Breakdown By Customer Type

	FY2020	FY2019	CHANGE	
	S\$'000	S\$'000	S\$'000	%
Energy	51,527	72,409	(20,882)	(28.8)
Marine	16,177	4,685	11,492	245.3
Trading	6,154	13,726	(7,572)	(55.2)
Others	12,899	762	12,137	1,592.8
Total Revenue	86,757	91,582	(4,825)	(5.3)



Revenue Breakdown By Customer Type (%)



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.

The Group's top 3 markets by contribution in FY2020 were Singapore, Others and Brunei which accounted for 57.7%, 24.7% and 8.1% of total revenue. Sales from Singapore rose 31.9% yoy to \$50.0 million in FY2020. Revenue from Others jumped 660.8% yoy to \$21.4 million with projects from customers in Canada, Korea and Taiwan while that from Brunei increased by 24.2% to \$7.0 million.

In contrast, revenue from Europe, Indonesia, Japan, Malaysia, Thailand, and Vietnam collectively declined by 82.8% from \$44.9 million in FY2019 to \$7.7 million in FY2020.

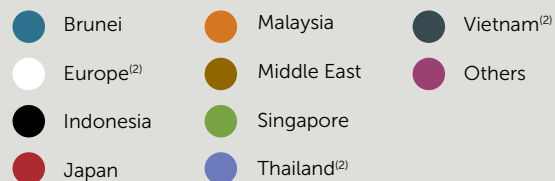
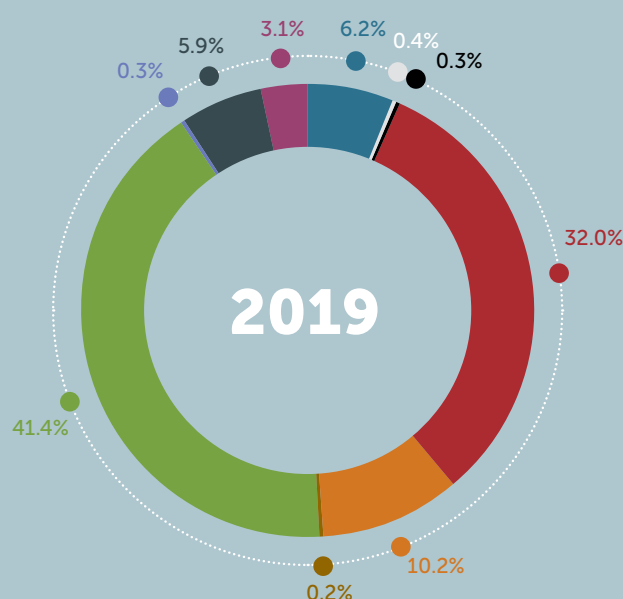
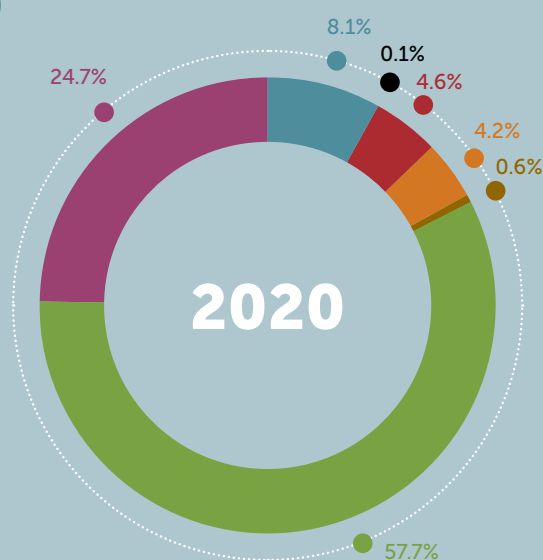
REVENUE ANALYSIS BY GEOGRAPHICAL MARKET

Revenue Breakdown By Geographical Market

	FY2020	FY2019	CHANGE	
	S\$'000	S\$'000	S\$'000	%
Brunei	7,028	5,658	1,370	24.2
Europe	2	343	(341)	(99.4)
Indonesia	83	284	(201)	(70.8)
Japan	4,033	29,322	(25,289)	(86.2)
Malaysia	3,607	9,385	(5,778)	(61.6)
Middle East	528	234	294	125.6
Singapore	50,036	37,930	12,106	31.9
Thailand	16	241	(225)	(93.4)
Vietnam	8	5,370	(5,362)	(99.9)
Others ⁽¹⁾	21,416	2,815	18,601	660.8
Total Revenue	86,757	91,582	(4,825)	(5.3)

⁽¹⁾ Others: FY2020 - Customers from Australia, Canada, Korea, the Philippines, and Taiwan; FY2019 - Customers from Australia, China, and the Philippines

Revenue Breakdown By Geographical Market (%)



⁽²⁾ FY2020 contributions from Europe, Thailand, and Vietnam were below \$20,000

OPERATING & FINANCIAL REVIEW

FINANCIAL POSITION REVIEW

STATEMENT OF FINANCIAL POSITION	Group		Change %
	FY2020 S\$'000	FY2019 S\$'000	
ASSETS			
Non-Current Assets			
Property, plant and equipment	23,395	26,778	(12.6)
Right-of-use assets	3,811	-	NM
Total Non-Current Assets	27,206	26,778	1.6
Current Assets			
Inventories	40,256	37,426	7.6
Trade and other receivables	27,615	31,977	(13.6)
Financial assets at fair value through profit or loss	119	107	11.2
Other non-financial assets	402	370	8.6
Cash and cash equivalents	15,951	8,583	85.8
Total Current Assets	84,343	78,463	7.5
Total Assets	111,549	105,241	6.0
EQUITY AND LIABILITIES			
Equity			
Share capital	56,325	56,325	0.0
Retained earnings	16,368	10,847	50.9
Other reserves	8,303	9,100	(8.8)
Total Equity	80,996	76,272	6.2
Non-Current Liabilities			
Provisions	783	1,650	(52.5)
Loans and borrowings	5,186	5,933	(12.6)
Financial liabilities – lease liabilities	2,619	-	NM
Total Non-Current Liabilities	8,588	7,583	13.3
Current Liabilities			
Trade and other payables	3,841	9,039	(57.5)
Loans and borrowings	16,887	11,870	42.3
Financial liabilities – lease liabilities	1,237	-	NM
Other non-financial liabilities	-	477	NM
Total Current Liabilities	21,965	21,386	2.7
Total Liabilities	30,553	28,969	5.5
Total Equity and Liabilities	111,549	105,241	6.0

NM – Denotes “not meaningful”

Financial Position Analysis

As at FY2020, total assets of the Group increased by 6.0% to \$111.5 million from \$105.2 million in FY2019. Current assets increased by 7.5% from \$78.5 million a year ago to \$84.3 million as at FY2020 on the back of a 7.6% rise in inventories from \$37.4 million to \$40.3 million and an 85.8% increase in cash and cash equivalents from \$8.6 million to \$16.0 million. This was partially offset by trade and other receivables, which decreased by 13.6% from \$32.0 million as at FY2019 to \$27.6 million as at FY2020. The Group's non-current assets increased by 1.6% from \$26.8 million as at FY2019 to \$27.2 million as at FY2020. This was mainly from the recognition of right-of-use assets due to the adoption of SFRS(I) 16 - Leases in FY2020, partly offset by the depreciation charged in the current financial year.

Total liabilities of the Group rose 5.5% from \$29.0 million as at FY2019 to \$30.6 million as at FY2020. Trade and other payables decreased by 57.5% from \$9.0 million as at FY2019 to \$3.8 million as at FY2020 which was offset by a 42.3% increase in loan and borrowings from \$11.9 million as at FY2019 to \$16.9 million as at FY2020. As a result, current liabilities increased by 2.7% from \$21.4 million as at FY2019 to \$22.0 million as at FY2020. Meanwhile, non-current liabilities increased by 13.3% from \$7.6 million as at FY2019 to \$8.6 million as at FY2020 mainly from lease liabilities arising from right-of-use assets amounting to \$2.6 million due to the adoption of SFRS(I) 16 - Leases in FY2020. This was partly offset by a 52.5% decrease in provision for reinstatement costs to \$0.8 million and a 12.6% decrease in loans and borrowings to \$5.2 million as at FY2020.

Overall, there was an increase in total equity by 6.2% from \$76.3 million as at FY2019 to \$81.0 million as at FY2020 mainly from the profit generated in FY2020 after payment of dividends.

CASHFLOW ANALYSIS

S\$'000	FY2020 S\$'000	FY2019 S\$'000
Net cash flows from operating activities	6,174	6,952
Net cash flows used in investing activities	(213)	(350)
Net cash flows from/(used in) financing activities	1,465	(10,855)
Net increase/(decrease) in cash and cash equivalents	7,426	(4,253)
Cash at end of the year*	15,951	8,525

* Excluding cash restricted in use over three months

In FY2020, cash from operating activities decreased by \$0.8 million from \$7.0 million in FY2019 to \$6.2 million in FY2020 mainly from the Group's improved profit in FY2020 and working capital changes. Cash used in investing activities remained relatively stable at \$0.2 million. Cash used in financing activities decreased by \$12.4 million from an outflow of \$10.9 million in FY2019 to an inflow of \$1.5 million in FY2020 mainly from increase in loan and borrowings, repayment of lease liabilities and dividends paid. Cash position improved to \$16.0 million in FY2020 from \$8.5 million a year ago.



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



Community

To improve the lives of people in the communities around us



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



Shareholders

To deliver sustainable returns to shareholders

To provide accurate and transparent information to shareholders on a timely basis

SUSTAINABILITY REPORT 2020

About this Report

This is CosmoSteel's third annual Sustainability Report (the "report") to present our environmental, social and governance ("ESG") performance. This report covers our ESG performance for the period from 1 October 2019 to 30 September 2020 ("FY2020"). 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 Global Reporting Initiative ("GRI") standards: Core option. It also complies with the SGX-ST Listing Rules (711A and 711B). We have also integrated the United Nations Sustainable Development Goals ("SDGs") into our reporting process to indicate CosmoSteel's contribution in achieving the SDGs.

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

Reporting Process

We have continued to follow GRI's reporting principles to identify, prioritise and validate material topics and their boundaries for reporting. The content in this report has been determined on the basis of materiality assessment, stakeholder expectations, an understanding of the sustainability context within which CosmoSteel operates its business, analysis of ESG risks and opportunities and broad sustainability trends in our industry.

We continue to apply the GRI's principles of accuracy, balance, clarity, comparability, reliability and timeliness to ensure report quality. Data included in the report has been extracted from primary official records to ensure reasonable accuracy and consistency. We have provided our ESG performance over time for comparability, and we have implemented an internal verification mechanism to ensure data reliability. Financial figures are in Singapore dollars unless specified otherwise.

Restatements

There are no restatements or changes to our sustainability report.

Assurance

Our financial statements have undergone audits by our independent auditor to provide an accurate 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 to ensure accuracy and reliability.

Availability

This report is a part of our Annual Report and is available in the 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 if you have any feedback, questions, comments or suggestions about our sustainability report.



SUSTAINABILITY REPORT 2020

ESG PERFORMANCE			
ESG Factors	FY2018	FY2019	FY2020
Corporate Governance			
Overall SGTI score (Points)	67	78	85
Overall SGTI ranking	141	79	70
Customers			
Quality: Inaccuracy in sales order processing (Number) ⁽¹⁾	5.5	5.8	4
Efficiency: On-time deliveries (%)	99.9	98.5	96.3
Average customer satisfaction rate (Points) ⁽²⁾	3.3	4.3	4.4
People			
Permanent employees (As at end of FY) (Number)	92	88	81
Female employees as % of total employees (%)	39.1	40.9	34.6
Proportion of local employees (%) ⁽³⁾	59.8	56.8	49.4
New hires (Number)	23	16	10
Employee attrition rate (%)	30.4	23.9	20.2
Health and Safety			
Medical leave per employee (Days)	0.5	0.5	0.7
Number of reportable accidents	1	1	3
Environmental			
Electricity consumption (kWh)	302,212	347,032	322,275
Electricity consumption per employee (kWh)	3,315	3,772	3,687
Energy consumption (GJ)	4,679	4,567	4,281
Energy intensity per S\$1 million of revenue (GJ)	57	50	49
Carbon emission: Scope-1 (tCO ₂)	242	224	211
Carbon emission: Scope-2 (tCO ₂)	127	145	135
Carbon emission intensity per S\$1 million of revenue (tCO ₂)	4.5	4.0	4.0
Water consumption (m ³)	2,420	3,130	5,147
Water consumption per employee (m ³)	27	34	59
Paper consumption per S\$1,000 of sales (Number of copies)	11	9	7
Non-hazardous waste (kg)	31,924	42,336	32,249
Hazardous waste (kg)	329	143	0
Economic			
Revenue (S\$'000)	82,249	91,582	86,757
Net (loss)/profit after tax (S\$'000)	(32,317)	2,808	5,271
Employee wages and benefits (S\$'000)	6,876	6,973	5,980
Dividends on equity shares (S\$'000)	-	726	1,452
Revenue per employee (S\$'000)	902	995	992

⁽¹⁾ Calculated based on the number of customer non-conformance reports (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; Rating system with effect from 2019: 5 = excellent, 4 = good, 3 = average, 2 = fair and 1 = poor

⁽³⁾ Local employees include Singapore citizens and Permanent Residents (PRs)

Board Statement

The Board of Directors of CosmoSteel (the "**Board**") is committed to building a sustainable business that creates long-term value for our stakeholders.

The Board, supported by the Sustainability Committee (the "**Committee**"), considers sustainability issues in formulating strategies, determines the material ESG factors and oversees the management of these factors through periodic review of the performance.

This sustainability report provides information about CosmoSteel's performance to help our stakeholders understand our approach to managing our material ESG factors.

Sustainability Governance

Our Board guides our sustainability strategy as part of the Group's overarching business strategy. The Board provides overall direction in determining material ESG factors as well as in the preparation of the Sustainability Report.

The Board is assisted by a Sustainability Committee, which includes key managers from major functions across the organisation. Supported by the Sustainability Committee, the Board periodically evaluates our ESG impact and performance and our engagement with stakeholders to understand their expectations and concerns. The Sustainability Committee is responsible for the management and monitoring of our ESG factors, ensuring they are integrated into our day-to-day operations, meet our company objectives and targets, and provides feedback to the Board.

With assistance from external sustainability experts, the Sustainability Committee reviews 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 Sustainability Committee actively participates in shaping the report content, reporting priorities, and defining the scope and topic boundaries for inclusion in our report. The Board has the ultimate responsibility for approving the material ESG factors as well as the sustainability report content.

Sustainability Strategy

We aim to be a world-class provider of piping system components and related services, ensuring we surpass the expectations of our customers by providing timely delivery, quality products and service excellence, competitive prices, while maintaining our environmental and social responsibility.

Sustainability is embedded in our business strategy. We focus on managing the economic, environmental and social impact of our business to create long-term value for all stakeholders. We use internationally recognised certifications to benchmark our sustainability commitment and initiatives. For example, we use the integrated management system ISO 14001:2015 to reduce environmental impact, ISO 45001:2018 and BizSAFE STAR certifications to safeguard our people, ISO 9001:2015 to ensure the quality of our products and services, and ISO 22301:2012 to ensure our business continuity. We have identified the key risks, opportunities and impact related to our business activities through our management systems. We have policies and procedures in place to control our significant risks and maximise the opportunities available to us.

We use the GRI Standards to assess material economic, environmental and social impact, risks and opportunities emerging from our business operations to strengthen our sustainability strategy further.

COVID-19 Pandemic

The COVID-19 pandemic has continued to disrupt societies and economies since the start of 2020. Businesses have been forced to rethink, re-imagine and re-adjust their plans and strategies to navigate the new normal. At CosmoSteel, we have been evaluating our operations to ensure business continuity and the safety of our employees.

We are working on improving our business continuity plan to minimise the impact of COVID-19 and to enhance our preparedness for future pandemics.

Please read more about the steps we have taken for the safety of our employees, contractors, visitors, and customers in the Employees section of this report.

Sustainability Goals and Targets

We closely monitor our ESG performance against established targets. The senior management reviews ESG performance periodically. 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.

SUSTAINABILITY REPORT 2020

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
- ISO 45001:2018
- ISO 22301:2012
- BizSafe STAR

Materiality Assessment

Our report focuses on the material topics that represent the most significant economic, environmental and social impacts of our business activities and the issues that are of importance to our stakeholders. In deciding our material impacts, we also consider ESG risks and opportunities associated with our industry, especially relating to the energy, marine, and trading sectors where we have business interests. Additionally, we take guidance from the SGX Sustainability Guide and the GRI Standards to inform our materiality process. CosmoSteel's Sustainability Committee has oversight over the materiality process while the Board provides the final approval.

We use GRI's materiality principle to identify, prioritise and validate our material ESG impacts. Building on our first comprehensive materiality assessment in March 2017, we review our material topics annually with help from external sustainability experts. Based on our internal review in FY2020, we have determined that the material topics reported in the prior year largely remain valid for reporting this year. To align with our internal key performance indicators, we have reassessed training to be an important topic but not material.

We plan to conduct a full materiality assessment in FY2021.

MATERIAL ESG FACTORS				
Material Topics	Where Impact Occurs	CosmoSteel's Involvement	Material for CosmoSteel Subsidiaries	Management Approach
Economic Performance	We have financial impacts on the local and international markets where we source or sell our products, employ people and pay taxes.	Direct and through our business partners	All	To maintain consistent financial performance and growth
Marketing and Labelling	The impact of our product quality and specifications is on our customers and their projects where our products are used.	Direct and through our business partners	Kim Seng Huat Hardware Pte Ltd	To provide high-quality products and services that exceed customer expectations
Customer Satisfaction	Customer satisfaction is the result of our ability to deliver the required quality and product specifications in a timely manner	Direct and through our business partners	All	To provide high-quality products and services that exceed customer expectations
Attracting and Retaining Talent	Newly hired as well as existing employees	Direct	All	To hire, develop and retain the most suitable talent to drive customer satisfaction
Occupational Health and Safety	Warehousing and workshop operations	Direct	Kim Seng Huat Hardware Pte Ltd	To strive for a zero-accident workplace
Regulatory Compliance	Warehousing and workshop operations	Direct	Kim Seng Huat Hardware Pte Ltd	To ensure compliance with applicable laws and regulations

Summary of the Group's Important ESG Factors That Are Not Deemed Material Topics but Reported Voluntarily:







NON-MATERIAL ESG FACTORS				
Other ESG Topics	Where Impact Occurs	CosmoSteel's Involvement	Material for CosmoSteel Subsidiaries	Management Approach
Indirect Energy	Warehousing and workshop operations	Direct	Kim Seng Huat Hardware Pte Ltd	To minimise energy intensity
Direct Energy	Transport and delivery operations	Direct	Kim Seng Huat Hardware Pte Ltd	To minimise energy intensity
GHG Emissions	Warehousing and workshop operations, and transport and delivery activities	Direct	Kim Seng Huat Hardware Pte Ltd	To minimise emissions intensity
Waste	Warehousing and workshop operations	Direct	Kim Seng Huat Hardware Pte Ltd	To minimise the waste intensity
Water	Warehousing and workshop operations	Direct	Kim Seng Huat Hardware Pte Ltd	To save and conserve water
Human Rights: Non-discrimination, Forced Labour, Child Labour, and Freedom of Association and Collective Bargaining	All employees and in the supply chain	Direct	All	To protect and uphold human rights across our operations
Diversity and Equal Opportunity	All employees	Direct	All	To promote a culture of inclusivity and mutual respect at the workplace
Anti-corruption	In our dealings with various stakeholders	Direct	All	To maintain a zero-tolerance stance against fraud, bribery and corruption
Employee Training	Our employees	Direct	All	Provide learning opportunities to our employees to have the necessary skills




All: Includes all entities in the Group.

SUSTAINABILITY REPORT 2020

Supporting the UN SDGs

We continue to integrate the SDGs into our reporting process to reflect our contribution to sustainable development. Our FY2019 Sustainability Report provided an overview of how we have aligned our material topics with the relevant SDGs. This report goes further and describes how we are approaching the SDGs at the targets level for a sharper focus on the available opportunities.

CONTRIBUTING TO THE UN SUSTAINABILITY DEVELOPMENT GOALS (SDGs)			
ESG Factors	GRI Standards	SDG Targets Supported	SDGs
Economic Performance	GRI 201: Economic Performance 2016	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation, including through a focus on high-value-added and labour-intensive sectors	
Marketing and Labelling Customer Satisfaction	GRI 417: Marketing and Labeling 2016	12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature	
Attracting and Retaining Talent Diversity and Equal Opportunity	GRI 401: Employment 2016 GRI 405: Diversity and Equal Opportunity	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	
Employee Training and Development	GRI 404: Training and Education 2016	4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training	 
Occupational Health and Safety	GRI 403: Occupational Health and Safety 2016	8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular, women migrants, and those in precarious employment	

CONTRIBUTING TO THE UN SUSTAINABILITY DEVELOPMENT GOALS (SDGs)			
ESG Factors	GRI Standards	SDG Targets Supported	SDGs
Environmental Compliance	GRI 307: Environmental Compliance 2016	16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all	
Anti-Corruption	GRI 205: Anti-Corruption 2016	16.5 Substantially reduce corruption and bribery in all their forms	
Socio-economic Compliance	GRI 419: Socio-economic Compliance 2016	16.6 Develop effective, accountable and transparent institutions at all levels	
Energy	GRI 302: Energy 2016	7.3 By 2030, double the global rate of improvement in energy efficiency 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	 
GHG Emissions	GRI 305: Emissions 2016	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	
Waste	GRI 306: Effluents and waste 2016	12.2 By 2030, achieve the sustainable management and efficient use of natural resources 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	
Water	GRI 303: Water 2016	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	
Human Rights	GRI 406: Non-discrimination 2016 GRI 407: Freedom of Association and Collective Bargaining 2016 GRI 408: Child Labour 2016 GRI 409: Forced or Compulsory Labour 2016	Target 5.1. End all forms of discrimination against all women and girls everywhere Target 8.8. Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment Target 8.7. Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms	 

SUSTAINABILITY REPORT 2020

STAKEHOLDERS

CosmoSteel is committed to building trusted relationships with stakeholders.

We engage in dialogue with our stakeholders, including customers, employees, suppliers and sub-contractors, public and community and shareholders and investors. We determine stakeholder groups based on our impact

on them or their potential to affect our business strategy. Our ongoing interactions with these stakeholders help us understand their concerns and expectations providing critical insight for informing our business decisions.

We have not engaged our external stakeholders specifically for preparing this report as we rely on insights gained from continuing interactions and communication with them in the course of business.

An overview of our stakeholder engagement methods is outlined in the following table:

Key Stakeholders	How We Engage with Them	Stakeholders' Expectations and Concerns	How We Respond to Their Expectations	Frequency of Engagement
Customers	<ul style="list-style-type: none"> – Customer surveys; – Face-to-face meetings; – Sales services team; – Annual reports; – Company website; and – Product certifications (mill certifications) of compliance with orders delivered. 	<ul style="list-style-type: none"> – 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. 	<p>We adhere to the ISO 9001 quality management system for our products and services. We monitor and review any non-conformances to ensure they do not occur again, and we provide clear and transparent product information.</p> <p>To provide value for money, we actively seek ways to reduce our operational costs and pass on these savings to our customers.</p> <p>We also engage with our suppliers to negotiate economies of scale and competitive pricing options.</p>	<p>Our customer survey is completed annually with all customers whose sales value is more than \$5,000 and/or who have more than 5 non-conformances raised, 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.</p>
Employees	<ul style="list-style-type: none"> – Orientation training for new hires; – Annual appraisal reviews; – Development training; – Emails; – Health day; – Posters; and – Annual reports. 	<ul style="list-style-type: none"> – Provide employees with the ability to grow and develop within the Group; – Provide a safe, healthy and decent working environment; – Provide staff benefits that help their welfare over their working career at the Group; and – Prepare them for retirement at the end of their career. 	<p>We adopt a fair employment policy and provide a Code of Conduct for our employees to adopt.</p> <p>We provide a safe working environment in line with our ISO 45001 management system.</p> <p>We value our employees and provide them with regular training programmes, and development opportunities; rest and welfare facilities, and regular medical and dental care options.</p>	<p>Employees are provided orientation training at the start of their employment and receive ongoing training as required.</p> <p>Appraisals of all staff are completed annually.</p> <p>Health, welfare, and benefits are available as per company policy.</p> <p>Posters are updated as required to address sustainability issues, and further details are made available via monthly performance emails and our annual report.</p>

Key Stakeholders	How We Engage with Them	Stakeholders' Expectations and Concerns	How We Respond to Their Expectations	Frequency of Engagement
Suppliers and Sub-contractors	<ul style="list-style-type: none"> – Performance evaluations; – Face-to-face meetings; – Site-visits; – Requests for proposals; – Tenders; and – Tele-communication. 	<ul style="list-style-type: none"> – 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 	<p>We have implemented a fair supplier evaluation process based on pre-set evaluation criteria.</p> <p>We involve suppliers in customer engagement meetings to assist in understanding product specifications.</p> <p>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.</p>	<p>Our supplier evaluations are completed annually and include the top 10% of our suppliers in terms of the purchase value and/ or with more than 5 non-conformances raised and all subcontractors.</p> <p>All suppliers are involved in customer orders as and when required.</p> <p>Our Purchasing and Finance teams are engaged throughout the procurement and payment process, including contract negotiations.</p>
Public and Community	<ul style="list-style-type: none"> – Donations; – Website; and – Sustainability report. 	<ul style="list-style-type: none"> – To be a good corporate citizen; – Provide local employment; and – Support the local community. 	<p>Our Code of Conduct outlines the standards we expect of our employees when engaging with the public.</p> <p>We manage our operations and fleet vehicles to ensure there is a limited impact on the surrounding communities.</p>	<p>We engage with charity and voluntary organisations when approached for donations.</p>
Shareholders and Investors	<ul style="list-style-type: none"> – Annual General Meetings; – Annual reports; – Announcements; – Briefings; and – Emails to our investors. 	<ul style="list-style-type: none"> – Present transparent and timely information on Company performance, profitability and status; and – Deliver good economic performance for our investors. 	<p>We have an experienced and competent Board and management team.</p> <p>We ensure good governance of risks and opportunities, transparency and honest disclosures, and strive to deliver sustainable growth.</p>	<p>We provide financial and sustainability reports annually, periodic briefings and announcements as significant changes arise, half-yearly financial results, and respond to any shareholder queries as they arise during general meetings.</p>

SUSTAINABILITY REPORT 2020

Membership of Associations

We actively engage with industry associations to stay abreast of the latest trends and to address common challenges. 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

MARKETPLACE

Guided by our corporate core values of building trust, surpassing expectations, passion for progress and forward-thinking, we conduct our business with integrity.

Supported by our business values, we strive to be open and honest and operate with integrity to maintain the trust of our stakeholders. Our management approach is to conduct our business in compliance with all applicable laws and to meet stakeholder expectations through the implementation of our integrated management systems and continuous feedback and review.

Customers

Customers are our most important stakeholders, and their satisfaction is of utmost significance to us. As a world-class provider of piping systems components and related services, our goal is to surpass our customers' expectations through consistent product quality and value, punctuality and service excellence while maintaining our commitment to sustainability.

We engage with customers through our annual survey to take their feedback and use the learning for our improvement. The annual survey covers all of our customers with more than \$5,000 purchase and/or customers with more than five non-conformance incidents. In the FY2020 survey sent out to 88 customers, the response rate was 29%. Survey results with lower scores are investigated by the respective department to develop a suitable response for management review and decision. Our average customer satisfaction score was 4.4 out of the total possible score of 5 points.

TARGET AND PERFORMANCE

ESG Factor	FY2020 Target	FY2020 Performance	FY2021 Target
Customer Satisfaction	<ul style="list-style-type: none"> • ≥ 3 score by 100% customers in satisfaction survey • Less than 5 non-conformances (non-product related) raised 	4.4	<ul style="list-style-type: none"> • ≥ 3 score by 100% customers in satisfaction survey • Less than 5 non-conformances (non-product related) raised
Product Quality	Zero non-conformances raised against our products or services	4	Zero non-conformances raised against our products or services

Customer Performance Indicators			
Indicator	FY2018	FY2019	FY2020
Quality: Inaccuracy in sales order processing (Number)	5.5	5.8	4
Efficiency: On-time deliveries (%)	99.9	98.5	96.3
Average customer satisfaction rate (Points)	3.3	4.3	4.4

Certification for Safety-Critical Products

Our management approach is to provide high-quality products and services that exceed customer expectations. We have implemented an ISO 9001 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.

One of our unique selling points is our ability to conduct rigorous testing and subsequent product information provided to our customers, offering a total client solutions package. Our products do not require safety information to be supplied. However, we provide both source and quality information about our products as required by customers.

There were no significant compliance issues raised during the reporting period, and all minor non-compliance issues were addressed through our sales service teams and passed on to the relevant departments for investigation and further action.

Suppliers

We rely on suppliers for the supply of a range of products which mainly include pipes, butt weld fittings, forged fittings, and flanges. Maintaining a trusted relationship with suppliers and business partners is crucial to our success. We continuously engage with suppliers to ensure a consistent and reliable supply of high-quality goods to meet our customers' expectations.

Over the years, we have built strategic alliances with international suppliers to ensure on-time delivery and material grades that are difficult to source.

We have implemented a supplier and contractor performance evaluation system, which involves grading our suppliers and contractors on a range of criteria.

In FY2020, we had 107 active suppliers, of which 5.2% were based in Singapore. Our total purchase from our suppliers in FY2020 amounted to \$67.7 million.



Anti-Corruption

We maintain a zero-tolerance policy against fraud, corruption and bribery. We require all employees to abide by our Employee Code of Conduct and to ensure high standards of ethics and integrity.

- 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.

TARGET AND PERFORMANCE

ESG Factor	FY2020 Target	FY2020 Performance	FY2021 Target
Anti-Corruption	Report on the number of incidents of corruption and actions taken, if any	There were no incidents of corruption in FY2020	Report on the number of incidents of corruption and actions taken, if any

SUSTAINABILITY REPORT 2020

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 whistleblowing policy.

The Code is available to all employees via the Company HR portal 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 FY2020, 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. The staff of the Group have access to the Company Secretary. They may raise concerns about possible improprieties in any such corporate matters by sending an email or a letter to the Company Secretary, who would re-direct and/or send such email or letter to the Audit Committee (in the event such concerns relate to any of the Directors or the Chief Financial Officer/Financial Controller of the Company) or the whistleblowing committee (for all other concerns), as the case may be.

During FY2020, there were no complaints, concerns or issues received relating to corruption or bribery.

Regulatory Compliance

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

In FY2020, there was no incidence of non-compliance to any socio-economic legislation that we are required to uphold.

TARGET AND PERFORMANCE

ESG Factor	FY2020 Target	FY2020 Performance	FY2021 Target
Socio-economic Compliance	Report on incidents of significant non-compliance with social and economic laws and regulations, if any	There were no incidents of non-compliance with social or economic laws and regulations	Report on incidents of significant non-compliance with social and economic laws and regulations, if any

PEOPLE

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

We nurture a workplace environment that promotes excellence, innovation, productivity and safety. We focus on hiring and retaining the best people by

providing a safe, fair, and rewarding workplace. Our Human Resources ("HR") policies promote teamwork, collaboration, inclusivity, mutual trust and ongoing learning and development.

We evaluate the effectiveness of our HR policies by reviewing our performance against several performance indicators and targets. Our senior management reviews our HR policies regularly to ensure they remain relevant and effective.

COVID-19 and Employee Well-being

Employee well-being and safety has always been one of our top priorities. The COVID-19 pandemic has reinforced the importance of ensuring the safety and well-being of our employees. COVID-19 has forced multiple phases or full or partial lockdowns imposed by governments in most parts of the world. In Singapore, the government has put in place a range of safety measures that include Work From Home directives.

Working closely with relevant government agencies, we have introduced comprehensive safe management measures at our workplaces that included safe entry, social distancing and higher cleanliness to safeguard our employees. The purpose of our measures is to establish and implement a system of Safe Management Measures to provide a safe working environment and minimise risks of further outbreaks.

Our safe management measures require employees at work to wear masks, regular temperature readings and maintain safe physical distancing and reduce physical interaction.

We introduced Work From Home measures for employees, who can perform their work by telecommuting from home. Company laptops with VPN access were issued to these employees so continue working from home in a secure environment.

A host of other safe management measures included staggered working hours and break hours, splitting employees at the workplace into smaller teams, reducing the need for physical meetings and interactions, barring activities with close and prolonged contact, maintaining physical distance between persons and implementing contact tracing procedures.

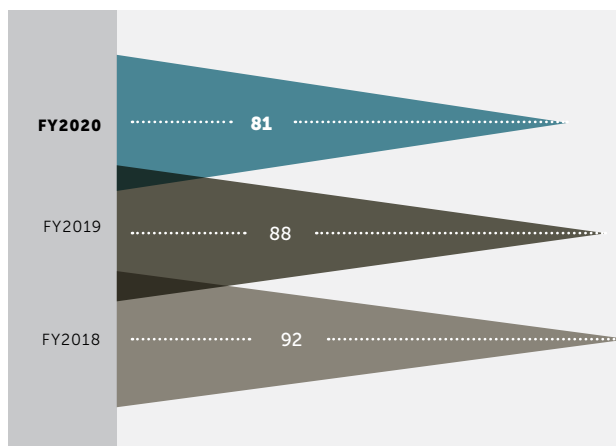
We remain committed to closely monitoring the effects of the pandemic and to minimise its impact on our people.

Employment

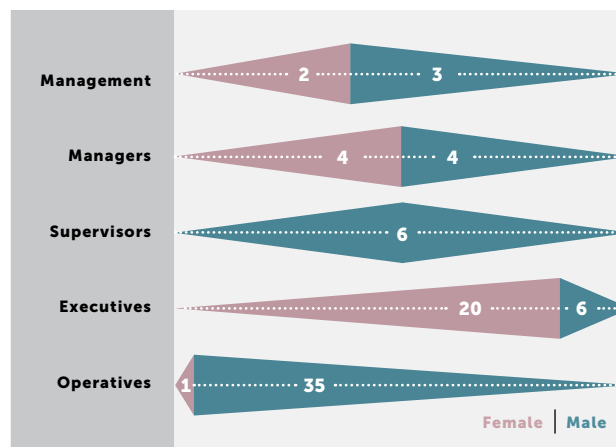
We employed 81 people across our Singapore operations as at the end of FY2020, all of whom are permanent full-time employees.

In FY2020, we hired 10 new employees. Also, we rehired four retiring employees in Singapore.

Number of Permanent Employees



Employees by Employment Category: FY2020 (Number of Employees)



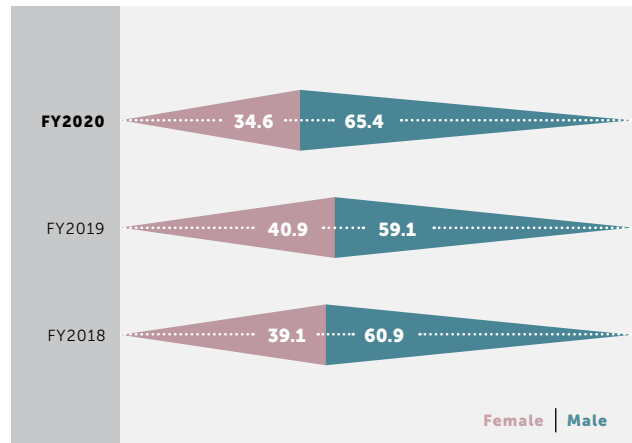
SUSTAINABILITY REPORT 2020

Diversity

We consider the diversity of our people an organisational strength. Our HR policy advocates inclusivity at the workplace. Our operations mainly include warehousing, machining and logistics, which are physically demanding in nature, and hence are considered less attractive to women. Despite the challenges, women represented 34.6% of our workforce at the end of FY2020. However, women's share in key management is 40%. Out of the 10 new hires FY2020, five were female. Our workforce also reflects a reasonable balance of gender, age and racial diversity.

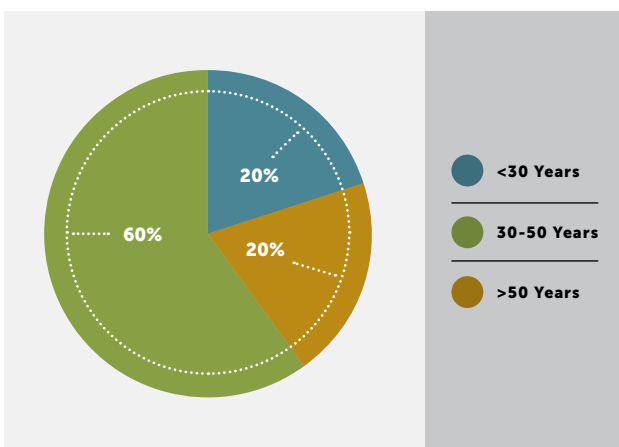
Gender Diversity

(%)



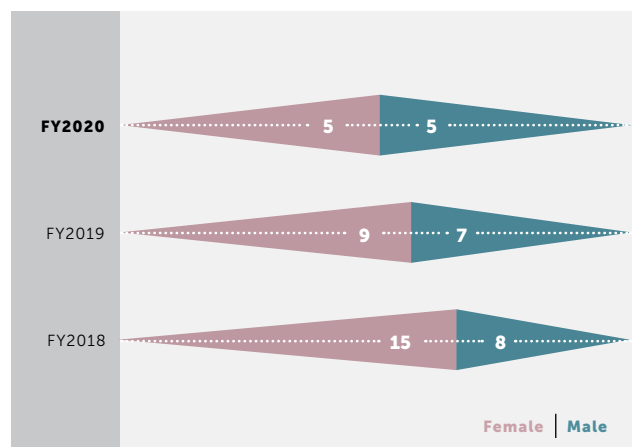
Employee by Age Group: FY2020

(%)



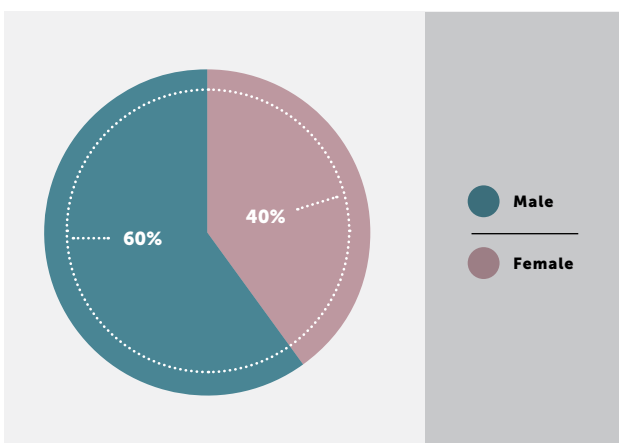
New Hiring by Gender

(Number of Employees)



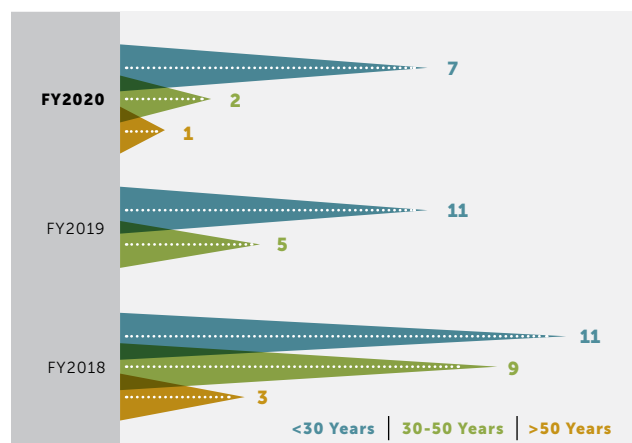
Key Management by Gender: FY2020

(%)



New Hiring by Age Group

(Number of Employees)



Employee Benefits

We believe in offering competitive remuneration, perks and benefits to attract talent. Some of the benefits and welfare schemes provided to our full-time employees include annual leave, sick leave, insurance cover, medical and dental care, maternity leave, paternity leave, and childcare leave.

Occupational Health and Safety

Safety at the workplace remains a top priority for us. Workplace safety is particularly material in our machining and warehouse operations.

We maintain ISO 45001 and BizSAFE STAR compliant systems for all our Singapore operations to follow the highest standards in workplace safety. Our management and the Board review our health and safety policy, practices and performance regularly.

Our health and safety management system involves a risk assessment process to identify risks and take measures to eliminate or control the risks at the workplace. Based on the risk assessment, we have implemented appropriate mitigation practices to manage all identified health and safety risks.

Our safety policy requires all operators to wear appropriate personal protective equipment ("PPE") such as safety boots, hard hats, gloves, goggles and facemasks that are relevant to the task at hand. Appropriate hearing protective devices are provided to all staff in machining operations to safeguard them from excessive noise. Employees are responsible for ensuring all assigned PPE is in good condition before the commencement of work every day.

PPE Cleaning Day is observed quarterly when employees are required to layout all assigned PPE for cleaning and verification of their working condition.

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 operating.

All external parties are required to have a permit to work before commencing on-site activities.

Daily briefings, periodic toolbox talks, and training sessions with our warehouse employees are regular features of workplace health and safety awareness efforts. We also encourage employees to raise health and safety concerns promptly to prevent potential incidents.

Work, Safety and Health ("WSH") And Emergency Response Committee

Our CEO chairs the WSH and Emergency Response Committee, which is responsible for overseeing the implementation of workplace safety and health policies and programmes. This committee comprises representatives from the key sites and functions.

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

We monitor our health and safety incident rates monthly and review our safety performance against targets. Our goal is to have zero reportable accidents. In FY2020, no major incidents occurred.

TARGET AND PERFORMANCE

Material Factor	FY2020 Target	FY2020 Performance	FY2021 Target
Occupational Health and Safety	Zero reportable accidents	3	Zero reportable accidents

Health and Safety Performance Summary

Indicator	FY2018	FY2019	FY2020
Medical leave per employee (Days)	0.5	0.5	0.7
Number of reportable accidents	1	1	3

SUSTAINABILITY REPORT 2020

Performance Management

Our policy is to reward our people for performance and help them develop new skills. Our Performance Appraisal Policy covers all employees. Annual performance assessments are conducted to ensure fair rewards and to drive continuous learning and development and organisational performance. Performance feedback is given to assist with employee development.

All employees who have been more than three months in employment take part in the annual performance assessments.

Employee Attrition

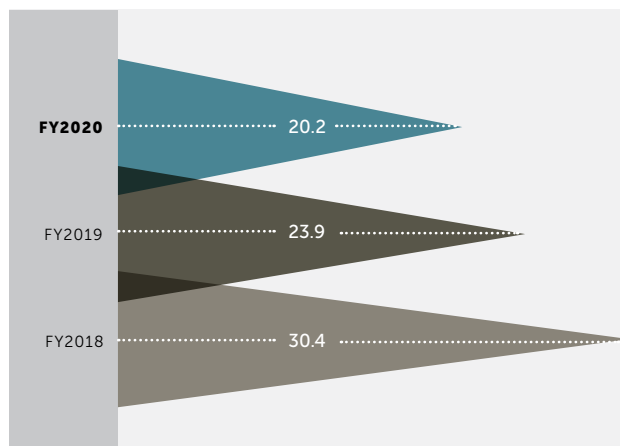
Our HR policies are geared toward attracting and retaining talent as employee retention is crucial for maintaining consistent organisational performance and productivity. We promote teamwork, trust and open communication to build employee loyalty. We offer competitive wages and engage employees to improve our retention rate.

We monitor our employee attrition rates to understand the patterns and benchmark against industry trends. The annual attrition rate at CosmoSteel was 20.2% in FY2020 as compared with 23.9% in FY2019. Singapore’s average national turnover rate in the calendar year 2019 was 21.6%, published by the Ministry of Manpower (Source: Labour Market Survey)

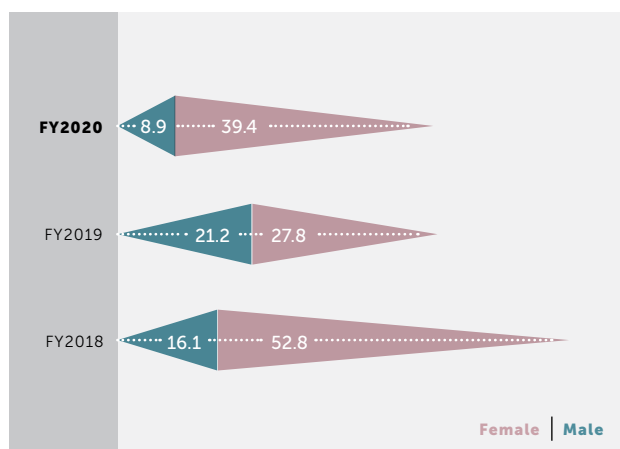
TARGET AND PERFORMANCE

ESG Factor	Attracting and Retaining Talent
FY2020 Target	Employee turnover rate \leq 20%
FY2020 Performance	20.2%
FY2021 Target	Employee turnover rate \leq 20%

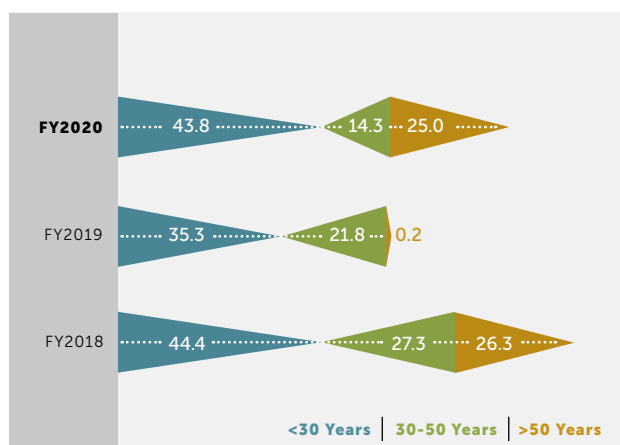
Employee Attrition Rate (%)



Employee Attrition Rate by Gender (%)



Employee Attrition Rate by Age Group (%)



Training

We provide ongoing learning opportunities to our employees through on-site training, mentoring and briefings that help them build job-related competencies and to support individual career development goals. Our training priorities are to ensure that all employees requiring compulsory safety training complete the mandated courses and certifications.

Our training policy aims to build organisational skills and expertise to meet our business goals. Our annual training calendar provides a roadmap for employee development. Our new employee orientation programme helps new colleagues to integrate into the organisation and start their jobs productively.

In FY2020, our average hours of training per employee was 5.4 hours. The average training was 7.0 hours for male employees and 2.7 hours for female employees.

The training programmes attended by our people during the year included:

- Apply Workplace Safety and Health in Metal Work - Chinese
- Safety Orientation Course for Metalworking - Recertification
- Scissor Lift Operator Course
- Lifting Machine (LM) Safety and Operation Training
- Magnetic Particle Testing
- Penetrant Testing Training
- Pre-Assessment Test - 4 Modalities
- FRS Updates Seminar 2019
- Singapore Financial Reporting Standards - Annual Update 2019
- Barcode Scanning Briefing
- Company Accredited Standards Training 2019
- Company Accredited Standards Refresher Training 2020
- ISO 22301 Business Continuity Management System - Refresher Training 2019
- Basic Fire Fighting Refresher Training 2019
- Emergency Warden Briefing 2019
- Visual Inspection Briefing for Ongoing Materials
- Familiarization Training for Scissor Lift
- SID Directors Virtual Conference 2020

TARGET AND PERFORMANCE

ESG Factor	FY2020 Target	FY2020 Performance	FY2021 Target
Human Rights	Report on the incidents of non-compliance with human rights policies, if any	Zero incidents of discrimination, child labour and forced labour, no incidents of non-compliance with freedom of association rules	Report on the incidents of non-compliance with human rights policies, if any

Human Rights

We uphold nationally and internationally accepted human rights principles and values. All employees are required to abide by the Code of Conduct that bars discrimination, child labour and forced labour. Our HR policy prohibits any discrimination based on nationality, age, race, religion, language, gender or marital status.

In our assessment, the risk of child labour and forced labour is extremely low in our own operations. We do not assess these risks in our supply chain, where we do not have much control or influence. We are, however, committed to staying vigilant when dealing with suppliers.

As a signatory to the fair consideration framework, we follow the tripartite guidelines on fair employment practices and adhere to applicable labour laws. We have also implemented a whistleblower policy that empowers employees to raise concerns anonymously.

There were no instances of discrimination, child labour or forced labour in FY2020.

Freedom of Association

We respect our employee's right to freedom of association and collective bargaining in accordance with local laws. Currently, our employees are not part of any labour union.

SUSTAINABILITY REPORT 2020

ENVIRONMENT

CosmoSteel is committed to managing our business in a manner that minimises our environmental impact.

As a trading business, our direct impact on the environment is not considered material. However, we believe in minimising our environmental footprint as far as feasible. We have implemented a precautionary principle approach to managing our environmental impact proactively. Our environmental focus is on reducing our carbon emissions and improving resource efficiency and recycling. We make efforts to reduce our energy use, emissions to air, waste, and water use within our significant Singapore operations.

In line with our sustainability commitment, CosmoSteel has maintained an ISO 14001-certified Environmental Management System (“**EMS**”) since 2009. The EMS helps us in promoting environmental conservation, protection and prevention of pollution and in managing the risks and opportunities arising from our operations.

We have established environmental targets and carefully monitor our performance against these targets. Management reviews monthly performance reports, and corrective actions are implemented where required.

Our employees make important contributions to our goals of reducing the use of energy, water and paper. An annual refresher training enables our employees to understand our environmental commitment and learn their role in achieving our targets.

Environmental Policy

Our Environmental Policy, which is part of an integrated policy covering Quality, Environmental and Occupational Health and Safety (“**QEHS**”), guides our conduct in managing our environmental impacts, risks and opportunities.

Our environmental policy covers the following commitments:

- 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.

- Consult and involve our employees or their representatives on environmental matters.
- Continually review and improve our integrated management system to ensure it is relevant and appropriate for our business activities.

Climate Change

We support the global goal, reached through the Paris Agreement, of curtailing the global temperature rise to 2°C above pre-industrial levels and aim to restrict it to 1.5°C increase. The Group recognises climate change is turning into an existential crisis for humanity, and urgent actions are required to mitigate the risks. Singapore, a small island state, is vulnerable to the potential effects of climate change that may include:

- Sea level rises resulting in flooding in low-level areas
- Temperature increases and increased frequency and duration of severe weather events leading to:
 - droughts and flooding
 - adverse effects on 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 arising from droughts and floods to supplier countries

Recognising the risks of climate change, we have adopted a business continuity management system according to ISO 22301 standards to mitigate the effects of potential risks to our business.

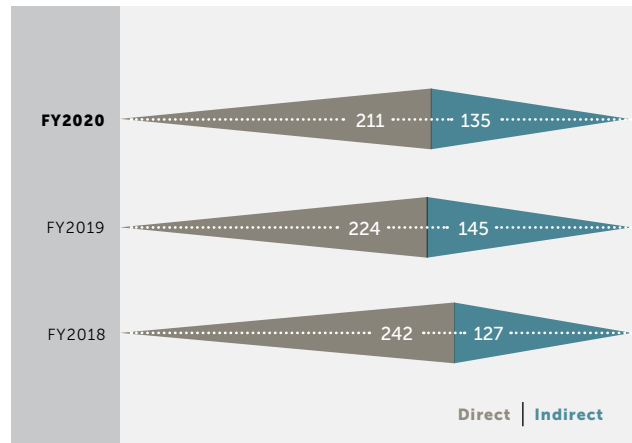
GHG Emissions

In our operations, the primary 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.

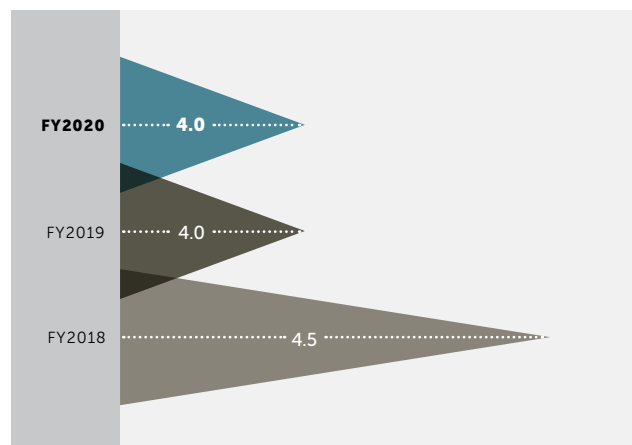
Through the implementation of our ISO 14001 Environment Management System, we seek to reduce our energy use and subsequent emissions. We evaluate our performance against our reduction targets through monthly reporting which is also distributed throughout the organisation for awareness.



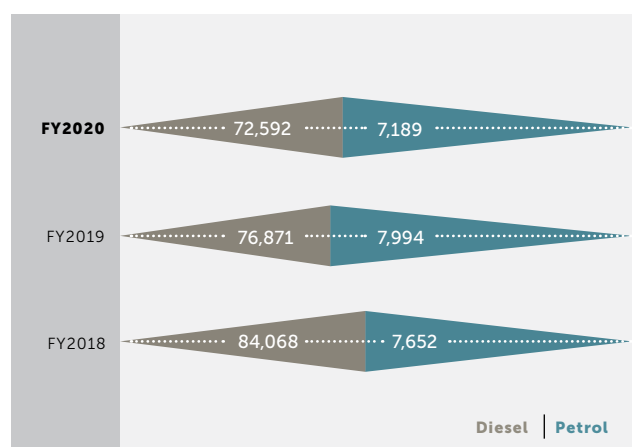
Greenhouse Gas Emission (tCO₂)



Greenhouse Gas Emission Intensity (tCO₂/S\$1 Million Revenue)



Fuel Consumption (Litres)



SUSTAINABILITY REPORT 2020

Energy

Our warehouse at 90 Second Lok Yang Road has been retrofitted with LED lighting to reduce energy consumption. 'Switch off' posters around the facility encourage employees to save energy. Monthly energy performance data is circulated to raise awareness. The air conditioning is set to a fixed temperature, and its regular maintenance ensures optimal performance.

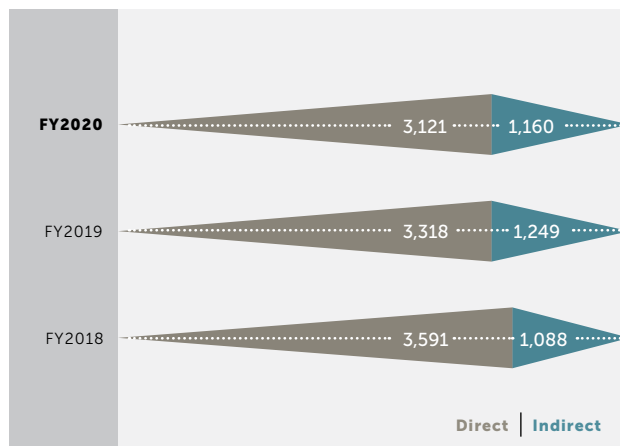
Our pantry is equipped with energy-saving appliances. A dedicated team of energy champions conducts checks to ensure machines and the office printers are switched off to improve energy efficiency.

Our absolute carbon emissions have decreased by 16% in FY2020 compared with the base year of FY2016. Our carbon emission intensity (tCO₂ emission per million dollars in revenue) has reduced by 34% in the same period. In FY2020, our carbon emission intensity was 4 tonnes of CO₂ per million dollars in revenue, unchanged from the figure for FY2019. Our energy intensity measured in joules was 49 GJ per million dollars in revenue for FY2020, 34% lower than base year FY2016.

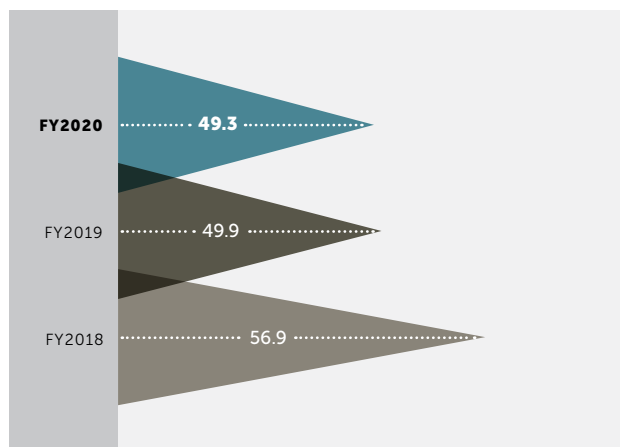
Our monthly electricity use per employee was 307 kWh in FY2020, lower than 315 kWh in the prior year but falling short of our aspirational target of 220 kWh. We will review our consumption patterns to explore avenues to meet our target.



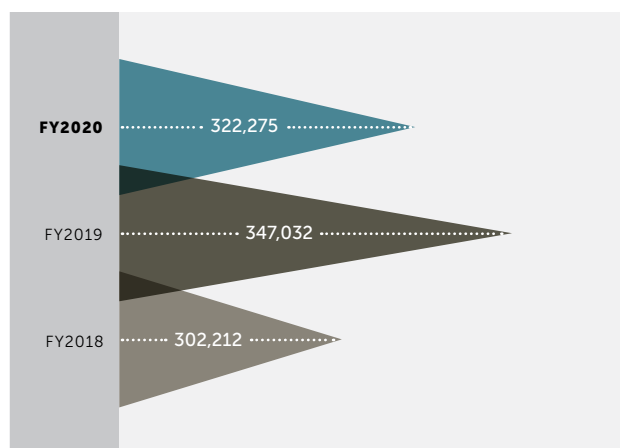
Energy Consumption (GJ)



Energy Intensity (GJ/\$\$1 Million Revenue)



Electricity Consumption (kWh)



Waste

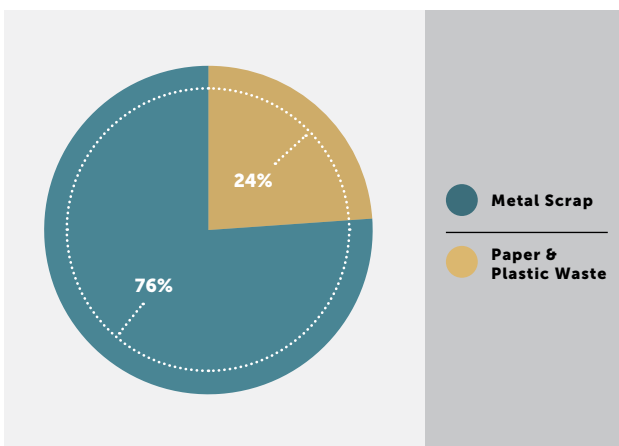
The three R's (Reduce, Reuse and Recycle) approach continues to guide our approach to managing waste. We make efforts to improve resource efficiency to minimise waste. Regular monitoring of both hazardous and non-hazardous waste is a part of our environmental management system.

Waste generated from our operations mainly includes metal scrap, paper, plastic, electronics and chemicals. We segregate waste by type and send for recycling through licensed waste management contractors. The offices and warehouses segregate waste to ensure it can be reused, recycled, or recovered more readily by our waste contractors. Materials sent for recycling include metals, plastics and paper.

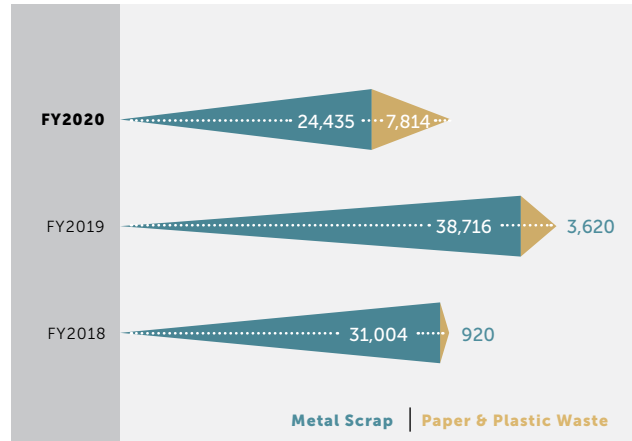
In our offices, we use certified sustainably-produced paper to reduce our impact. Additionally, we minimise the use of paper by using double-sided printing and printers with locked printing settings to ensure we only print what is required.

Non-hazardous waste generated in FY2020 was 32.2 tonnes, a reduction of 24% from FY2019. There was no reportable hazardous waste during the financial year.

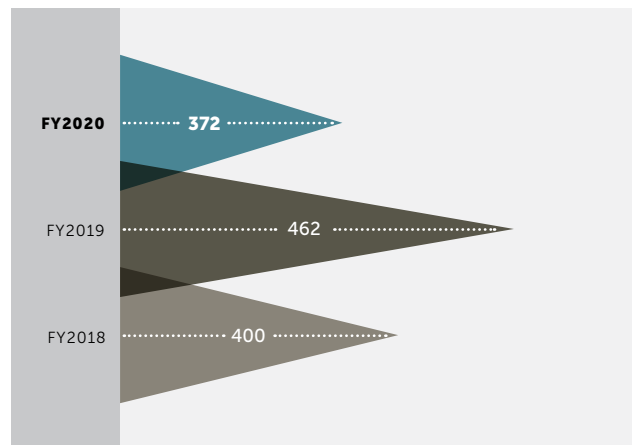
Non-hazardous Waste Composition: FY2020 (%)



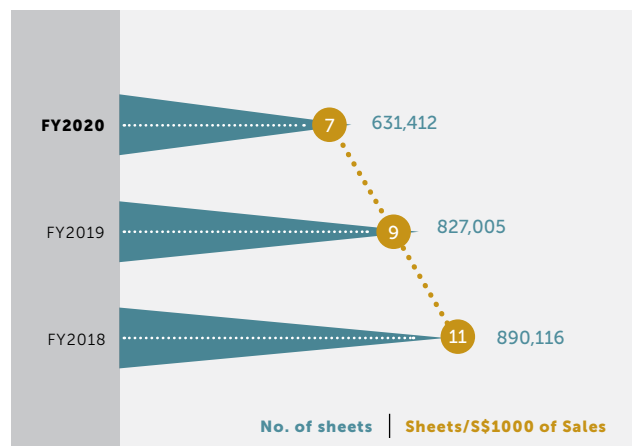
Non-hazardous Waste (Kg)



Non-hazardous Waste Intensity (Kg/\$S1 Million of Revenue)



Office Paper Use and Intensity (Number of Sheets)



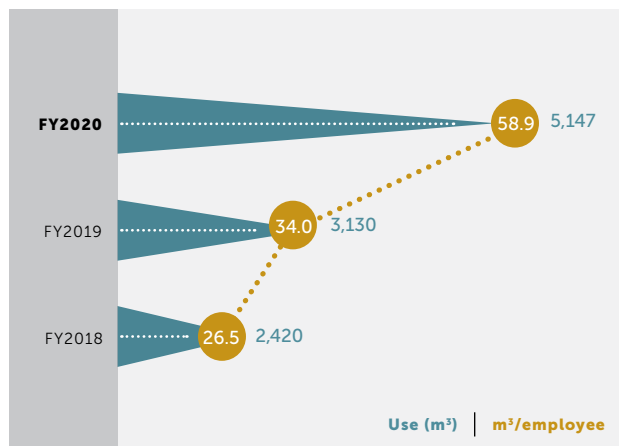
SUSTAINABILITY REPORT 2020

Water

Water is not a material impact of our business as our water-use is limited to domestic-style services such as washing and cleaning. However, we view water as a vital natural resource and do our best for its conservation. Our conservation efforts include awareness campaigns to minimise unnecessary shower time, daily checks of washrooms for leaks and using water-efficient equipment (spray hoses and taps) to minimise our consumption and reduce waste. We monitor our water use every month, and the management reviews our water conservation initiatives annually.

In FY2020, our monthly water utilisation was 4.91 m³ per employee against our target of 2.0 m³. The water consumption figure was high for FY2020 due to a correction in meter reading effected by the utility provider. We intend to continue to examine the water use pattern to adjust our water intensity target in the coming year.

Water Consumption and Intensity (m³)



Environmental Compliance

We are committed to complying with all applicable environmental regulations. 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. All minor conformance issues raised are promptly rectified within the required time allocation.

During FY2020, there were no reportable environmental breaches, incidents, or major non-conformance issues.

TARGET AND PERFORMANCE

ESG Factor	FY2020 Target	FY2020 Performance	FY2021 Target
Environmental Compliance	To report on incidents of non-compliance with environmental regulations	No incident of non-compliance with environmental regulations	To report on incidents of non-compliance with environmental regulations

ECONOMIC PERFORMANCE

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

Economic Value Created

As an SGX Mainboard-listed company, CosmoSteel publishes its audited financial statements in its Annual

Report. In line with the GRI disclosure requirements, a summary of our economic performance is presented below. The information has been extracted from our annual reports, which have been approved by the Board. For more detailed information 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	FY2018	FY2019	FY2020
Revenue	82,249	91,582	86,757
Net (loss)/profit after tax	(32,317)	2,808	5,271
Operating expenses	16,128	15,404	13,301
Employee wages and benefits	6,876	6,973	5,980
Income tax benefit/(expense)	1,706	(5)	54
Dividends on equity shares	-	726	1,452

TARGET AND PERFORMANCE

ESG Factor	FY2020 Target	FY2020 Performance	FY2021 Target
Economic Performance	Maintain consistent financial performance and growth	Please refer to the Financial Report section of this report	Maintain consistent financial performance and growth

Communities

As a responsible corporate citizen, we believe in supporting local community causes. We have contributed approximately \$36,000 to various beneficiaries and charity drives in the last three financial years.

GOVERNANCE

Corporate Governance and Transparency

Our Board and the management are committed to nurturing a strong corporate governance culture and best practices in corporate transparency. For the Singapore Governance and Transparency Index 2020, the Group was ranked 70th out of the 577 listed companies assessed, a significant improvement over our rank of 79th in 2019. We were also a runner-up for the Most Transparent Company in the Energy Category at the 20th Investors Choice Awards organised by Securities Investors Association (Singapore) in 2019.



SUSTAINABILITY REPORT 2020

Risk Management Strategy

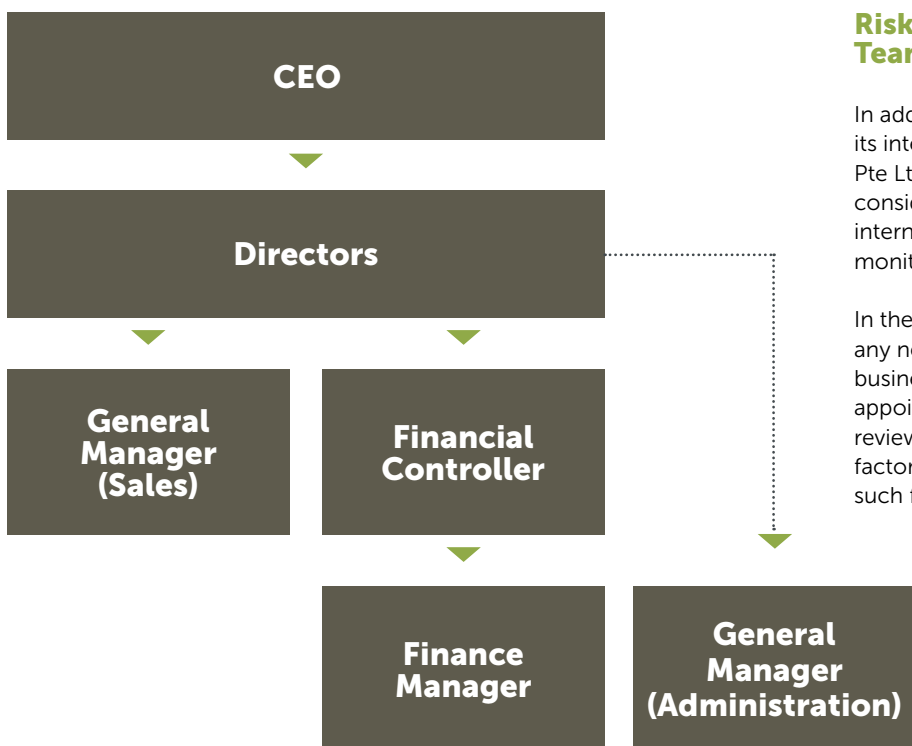
Key Elements Of ERM



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. Every quarter, 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 intend 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	Operational	Financial
<ul style="list-style-type: none"> • Corporate Governance • Geopolitical • Audit Quality • Ethics • Health & Welfare Benefits • Laws & Regulation 	<ul style="list-style-type: none"> • Supply Chain Management • Sales & Marketing Communications • Corporate Assets • Corporate Social Responsibility & Sustainability • Human Resources • Information Technology • Legal 	<ul style="list-style-type: none"> • Finance (Internal) • Finance (External factors)

Compliance Risks

The two key compliance risks for the Group relate to corporate governance and geopolitical risks. We manage these and other compliance risks on an ongoing basis.

For corporate governance, we are vulnerable to risk oversight in the form of a lack of an established and consistent risk assessment framework to guide decision-making across the organisation. To better manage risk oversight, we have 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.

Geopolitical risk pertains primarily to the suspension of country concessions. To mitigate geopolitical 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.

The Group is ISO 14001:2015 and ISO 45001:2018 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 ISO 45001:2018 was in August 2020.

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 ISO 9001 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 ISO 9001 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.

SUSTAINABILITY REPORT 2020

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

Sales, marketing and communications risk pertain 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 the overall level of quality work and services. For details on our customer satisfaction surveys, please refer to the sub-section on Customers on page 26 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 can provide their professional advice in relation to operational risks. For continuous operability, the Group's IT infrastructure is partially outsourced to professional vendors, ensuring the 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 34 to 38 of this annual report.

Financial Risks

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

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, 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") since 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.

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	Front Cover
	102-2 Activities, brands, products, and services	1, 4-5
	102-3 Location of headquarters	1, 46
	102-4 Location of operations	1, 13
	102-5 Ownership and legal form	1, 134-135
	102-6 Markets served	4-5, 13
	102-7 Scale of the organisation	11-14, 28-29, 86-87
	102-8 Information on employees and other workers	28-29
	102-9 Supply chain	27
	102-10 Significant changes to the organisation and its supply chain	None
	102-11 Precautionary Principle or approach	21, 34
	102-12 External initiatives	17, 19, 22-23
	102-13 Membership of associations	26
	Strategy	
	102-14 Statement from senior decision-maker	6-7
	Ethics and Integrity	
	102-16 Values, principles, standards, and norms of behaviour	2, 47
	Governance	
	102-18 Governance structure	47-76
	102-19 Delegating authority	49
	102-20 Executive-level responsibility for economic, environmental, and social topics	19
	102-21 Consulting stakeholders on economic, environmental, and social topics	24-25, 72
	102-22 Composition of the highest governance body and its committees	49, 50-53
	102-23 Chair of the highest governance body	54
	102-24 Nominating and selecting the highest governance body	54-57
	102-25 Conflicts of interest	144
	102-26 Role of highest governance body in setting purpose, values, and strategy	47
	102-27 Collective knowledge of highest governance body	8-9, 48
	102-28 Evaluating the highest governance body's performance	57-58
	102-29 Identifying and managing economic, environmental, and social impacts	47, 72
	102-30 Effectiveness of risk management processes	40-42, 64-65
	102-31 Review of economic, environmental, and social topics	19
	102-32 Highest governance body's role in sustainability reporting	19
	102-33 Communicating critical concerns	68
	102-34 Nature and total number of critical concerns	68
	102-35 Remuneration policies	58-63
	102-36 Process for determining remuneration	58-63
	Stakeholder Engagement	
	102-40 List of stakeholder groups	24-25
	102-41 Collective bargaining agreements	33
	102-42 Identifying and selecting stakeholders	24-25
	102-43 Approach to stakeholder engagement	24-25
	102-44 Key topics and concerns raised	24-25
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	113
	102-46 Defining report content and topic Boundaries	17
	102-47 List of material topics	
	102-48 Restatement of information	17
	102-49 Changes in reporting	17, 20
	102-50 Reporting period	17
	102-51 Date of most recent report	January 2020
	102-52 Reporting cycle	17
	102-53 Contact point for questions regarding the report	17
	102-54 Claims of reporting in accordance with the GRI Standards	17
	102-55 GRI content index	43-45
102-56 External assurance	17	

SUSTAINABILITY REPORT 2020

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	21, 39
	103-2 The management approach and its components	21, 39
	103-3 Evaluation of the management approach	39
GRI 201: Management Approach	201-1 Direct economic value generated and distributed	39
Anti-Corruption		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	21, 27
	103-2 The management approach and its components	21, 27
	103-3 Evaluation of the management approach	27-28
GRI 205: Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	27-28
	205-3 Confirmed incidents of corruption and actions taken	28
Energy		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	21, 36
	103-2 The management approach and its components	21, 36
	103-3 Evaluation of the management approach	36
GRI 302: Energy	302-1 Energy consumption within the organisation	36
	302-3 Energy intensity	36
Water		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	21, 38
	103-2 The management approach and its components	21, 38
	103-3 Evaluation of the management approach	38
GRI 303: Water	303-1 Water withdrawal by source	38
Emissions		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	21, 34, 35
	103-2 The management approach and its components	21, 34, 35
	103-3 Evaluation of the management approach	34, 35
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	35
	305-2 Energy indirect (Scope 2) GHG emissions	35
	305-4 GHG emission intensity	35
Waste		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	21, 37
	103-2 The management approach and its components	21, 37
	103-3 Evaluation of the management approach	37
GRI 306: Effluents and Waste	306-2 Waste by type and disposal methods	37
Environmental Compliance		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	20, 38
	103-2 The management approach and its components	20, 38
	103-3 Evaluation of the management approach	38
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	38
Employment		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	20, 32
	103-2 The management approach and its components	20, 32
	103-3 Evaluation of the management approach	32
GRI 401: Employment	401-1 New Employee hires and employee turnover	30, 32
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	31

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	20, 31
	103-2 The management approach and its components	20, 31
	103-3 Evaluation of the management approach	31
GRI 403: Occupational Health and Safety	403-1 Workers representation in formal joint management-worker health and safety committees	31
	403-2 Types of injury and rate of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	31
Training and Education		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	21, 33
	103-2 The management approach and its components	21, 33
	103-3 Evaluation of the management approach	33
GRI 404: Training and Education	404-2 Programmes for upgrading employee skills and transition assistance programmes	33
	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	21, 30
	103-2 The management approach and its components	21, 30
	103-3 Evaluation of the management approach	30
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	30
Non-Discrimination		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	21, 33
	103-2 The management approach and its components	21, 33
	103-3 Evaluation of the management approach	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	21, 33
	103-2 The management approach and its components	21, 33
	103-3 Evaluation of the management approach	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	21, 33
	103-2 The management approach and its components	21, 33
	103-3 Evaluation of the management approach	33
GRI 408: Child Labour	408-1 Operations and suppliers 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	21, 33
	103-2 The management approach and its components	21, 33
	103-3 Evaluation of the management approach	33
GRI 409: Forced or Compulsory Labour	409-1 Operations and suppliers at significant risk for incidence of forced or compulsory labour	33
Marketing and Labelling		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	20, 27
	103-2 The management approach and its components	20, 27
	103-3 Evaluation of the management approach	27
GRI 417: Marketing and Labelling	417-1 Requirements for product and service information and labelling	27
	417-2 Incidents of non-compliance concerning product and service information and labelling	26, 27
Socio-Economic Compliance		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	20, 28
	103-2 The management approach and its components	20, 28
	103-3 Evaluation of the management approach	28
GRI 419: Socio-economic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	28

Corporate Information

Board of Directors

Low Beng Tin (Chairman and Independent Director)

Jack Ong Tong Hai (Chief Executive Officer and Executive Director)

Osamu Murai (Executive Director)

Hiromasa Yamamoto (Non-Executive Non-Independent Director)

Tan Siok Chin (Non-Executive Non-Independent Director)

Hor Siew Fu (Independent Director)

Audit Committee

Hor Siew Fu (Chairman)

Low Beng Tin (Member)

Tan Siok Chin (Member)

Nominating Committee

Hor Siew Fu (Chairman)

Hiromasa Yamamoto (Member)

Low Beng Tin (Member)

Tan Siok Chin (Member)

Remuneration Committee

Low Beng Tin (Chairman)

Hiromasa Yamamoto (Member)

Hor Siew Fu (Member)

Tan Siok Chin (Member)

Company Secretary

Lee Pih Peng MBA, LLB

Tan Bee Kheng, CA (Singapore)

Registered Office & 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)

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 and the provisions of the Code of Corporate Governance 2018 ("**the Code**") in its annual report, as well as disclose any deviation from any provision of the Code and explain how the practices it had adopted are consistent with the intent of the relevant principle.

This statement outlines the policies adopted and practised by the Group during FY2020 with specific reference to the relevant principles and 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 highlighted and explained in this report.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The board of directors of the Company (the "**Board**") works with the senior management of the Group (the "**Management**") for the long-term success of the Company.

All directors recognise that they have to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company and hold Management accountable for performance and the Board is accountable to shareholders through effective governance of the business.

Provision 1.1

The Board has put in place a Code of Conduct to guide employee's compliance with internal controls, policies and procedures of the Group, and to guide their observance of ethics and integrity in the day-to-day conduct of the Group's business.

The Board's principal functions include:-

- (a) to provide 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 in respect of the Group's business and operations as part of its strategic formulation;
- (b) to establish a framework of internal controls for risk management;
- (c) to review Management's performance; and
- (d) to set the Group's values and standards (including ethical standards).

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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Continuous Training for Directors and Orientation for Incoming Directors

Incoming Directors will receive a tailored induction on joining the Board. This would include his duties and obligations as a director, and an orientation program to provide information on the Company's business and governance practice. If the newly-appointed Director has no prior experience as a director of a SGX-ST listed company, the Director is also required to attend courses and training organized by institutions such as the Singapore Institute of Directors, the Accounting and Corporate Regulatory Authority and the SGX-ST.

**Provision 1.2
and
Provision 4.5**

Mr Hiromasa Yamamoto was appointed to the Board on 5 July 2019. As Mr Hiromasa Yamamoto did not have prior experience as a director of a company listed on the SGX-ST at the time of his appointment to the Board, Mr Hiromasa Yamamoto had attended and completed the relevant training on 22 July 2020, following the rescheduling of the training sessions due to the COVID-19 circuit breaker measures in Singapore.

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.

In FY2020, the Directors attended various briefings, updates and training as part of their continuing professional development, including, *inter alia*, in the case of Mr Jack Ong Tong Hai and Ms Tan Siok Chin, the "SID Director Virtual Conference 2020", and in the case of Mr Hor Siew Fu, the "SGX Singapore Governance and Transparency Forum" and the "SID Launch – Singapore Board Diversity Index".

Matters Requiring Board Approval

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:

Provision 1.3

- (a) 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;
- (b) any proposed changes in the capital of the Company;
- (c) any interested person transaction (as defined under Chapter 9 of the SGX-ST Listing Manual);
- (d) 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
- (e) capital expenditure or commitment exceeding S\$1 million per transaction which is not considered to be in the ordinary course of business.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Delegation of Authority to Board Committees

The Board is supported by three sub-committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee, (collectively, the “**Board Committees**”) each with specific terms of reference where their powers, functions and duties as well as procedures governing their operation and decision-making are described.

Provision 1.4

Meetings of Board and Board Committees

The Board and 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 Board Committee meetings held in respect of FY2020 and the attendance of the Directors are set out below:

Provision 1.5

Name	Number of Meetings ^{2,3}									
	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings		General Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Low Beng Tin	7	7	4	4	1	1	2	2	1	1
Jack Ong Tong Hai	7	7	4	4 ¹	1	1 ¹	2	2 ¹	1	1
Osamu Murai	7	7	4	4 ¹	1	0	2	0	1	1
Hiromasa Yamamoto	7	7	4	4 ¹	1	1	2	1	1	1
Hor Siew Fu	7	7	4	4	1	1	2	2	1	1
Tan Siok Chin	7	7	4	4	1	1	2	2	1	1

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. Notwithstanding that the Company is not required to release its financial statements on a quarterly basis with effect from 7 February 2020, the Board and the Audit Committee continues to meet at least four times a year.
- ³ Due to the current COVID-19 restriction orders in Singapore, some the Board and Board Committees meetings held in respect FY2020 were conducted by way of video conference.

Multiple Board Representations

Directors with multiple board representations are required to disclose such board representations and ensure that sufficient time and attention are given to the affairs of the Group. The Nominating Committee will review the multiple board representations held by the Directors on an annual basis to ensure that sufficient time and attention are given to the affairs of the Group.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Provision of Information to the Board and Board Committees

Board papers for Board and Board Committee meetings are 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 Board Committees.

Provision 1.6

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, updates on any material variance between the budgeted and actual results, 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. Directors, when presented with these proposals or reports for their consideration, evaluate the proposals or reports made by Management and 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.

The Board was informed and its approval sought on the matters which require the Board's approval under the internal policies set by the Board. Requests for other information by the Board were also dealt with promptly.

Access to Management, Company Secretary and Independent Professional Advice

The Board, the Board Committees and the Directors have separate and independent access to Management and are entitled to request from Management such additional information or clarification as required.

Provision 1.7

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

Under the direction of the Chairman, the Company Secretary facilitates the information flow within the Board and Board 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.

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.

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.

Board Composition and Degree of Independence of the Board

As at the date of this Report, the Board comprises six Directors, two of whom are independent directors ("**Independent Directors**"), two of whom are non-executive, non-independent directors ("**Non-Executive Non-Independent Director**") and the remainder are executive directors ("**Executive Directors**").

**Provision 2.1,
Provision 2.2,
Provision 2.3
and
Provision 4.5**

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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	22 January 2020	Lian Beng Group Ltd	Datapulse Technology Limited
		Nominating Committee			Fuji Offset Plates Manufacturing Ltd	Monaco Food Pte Ltd
		Remuneration Committee (Chairman)			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	
					Singapore Innovation and Productivity Institute Pte Ltd	
					JP Nelson Holdings	

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
Jack Ong Tong Hai	Chief Executive Officer & Executive Director	–	9 November 2005	24 January 2018	Nil	Nil
Osamu Murai	Executive Director	–	1 June 2018	28 January 2019	Nil	Nil
Hiromasa Yamamoto	Non-Executive Non-Independent Director	Nominating Committee Remuneration Committee	5 July 2019	22 January 2020	Hanwa Singapore (Pte) Ltd Nippon EGalv Steel Sdn Bhd Hanwa Steel Centre (M) Sdn Bhd	Hanwa Co., Ltd.
Hor Siew Fu	Independent Director	Audit Committee (Chairman) Nominating Committee (Chairman) Remuneration Committee	26 October 2018	28 January 2019	Plastoform Holdings Limited Edition Limited Memiontec Holdings Limited	Q Industries & Trade Pte Ltd Sandav Business Solutions Pte Ltd
Tan Siok Chin	Non-Executive Non-Independent Director	Audit Committee Nominating Committee Remuneration Committee	28 March 2007	22 January 2020	Valuetronics Holding Limited ACIES Law Corporation	Design Studio Group Ltd

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Alternate Directors

As of the date of this Report, the Company has not appointed any Alternate Directors.

Composition and Size of the Board

The Board has adopted a policy and framework for promoting diversity on the Board and the Nominating Committee is responsible for ensuring that this policy is implemented in an effective and practical manner. The Nominating Committee will report to the Board periodically on the progress made in achieving the objectives set for promoting diversity.

Provision 2.4

The Nominating Committee conducts an annual review on the composition of the Board, including the diversity and balance of skills, gender, knowledge and experience on the Board (in particular, whether Directors may possess core competencies in areas such as accounting or finance, legal and regulatory matters, risk management, business or management experience and industry knowledge) and the size of the Board which would facilitate decision-making.

The Nominating Committee is of the view that given the nature and scope of the Group's operations, the present Board size of six members is appropriate to facilitate effective decision-making to meet the needs and demands of the Group's business.

The Nominating Committee also reviews the independence of the Independent Directors appointed to the Board annually in accordance with the guidelines on independence set out in the Code and the SGX-ST Listing Manual.

In addition, given the diverse qualifications, experience, background, gender and profile of the Directors, including the Independent Directors, the Nominating Committee is of the view 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.

The Directors' profiles are set out in pages 8 to 9 of this Report.

Meetings without the presence of Management

Non-Executive Non-Independent Directors and Independent Directors meet regularly without the presence of Management, in the meetings with the external auditors and the internal auditors of the Company (if deemed necessary) at least annually and on such other occasions as may be required and the chairman of such meetings provides feedback to the Board and/or the Chairman as appropriate.

Provision 2.5

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Principle 3: Chairman and Chief Executive Officer

Roles and Responsibilities of Chairman and CEO

The Company adopts a dual-leadership structure. Mr Low Beng Tin is the Non-Executive Chairman and Independent Director and Mr Jack Ong Tong Hai is the Chief Executive Officer and Executive Director.

Provision 3.1

The Chief Executive Officer, Mr Jack Ong Tong Hai, assumes executive responsibilities for the Group's performance and the Group's business.

Provision 3.2

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 Non-Independent 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 Management and the Company Secretary. The Chairman presides over each Board meeting and ensures full discussion of agenda items. Management, 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.

Lead Independent Director

The Company did not appoint a lead independent director in FY2020 as the Chairman is an Independent Director and the Chairman and the CEO are not immediate family members.

**Provision 3.3
and
Rule 1207(10A)
of the SGX-ST
Listing Manual**

Principle 4: Board Membership

Composition and Terms of Reference of Nominating Committee

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

Provision 4.1

- (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:
- (i) the review of board succession plans for directors, in particular, the Chairman and for the CEO;
 - (ii) the development of a process and criteria 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 Nominating Committee comprises four Directors, two of which, including its Chairman, are Independent Directors. As at the date of this Report, the members of the Nominating Committee are:

Provision 4.2

Mr Hor Siew Fu chairman
Mr Low Beng Tin
Ms Tan Siok Chin
Mr Hiromasa Yamamoto

Evaluation of the Board

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.

Provision 4.3

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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The Nominating Committee considers the need for Board renewal as and when necessary or appropriate, as part of succession planning. At Management's 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.

Determining Directors' Independence

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.

Provision 4.4

Each Independent Director completes a declaration to confirm his independence on an annual basis. The declaration is drawn up based on the guidelines provided in the SGX-ST Listing Manual and the Code.

The Nominating Committee carried out the review on the independence of each Independent Director in November 2020 taking into account the respective Directors' self-declarations and their actual performance on the Board and Board 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

While the Nominating Committee and the Board recognise that Independent Directors who may have served in such office for an aggregate period of more than nine years (whether before or after the listing of the Company) may have developed relationships *inter alia*, with the Company and/or Management, such Independent Directors would also have developed significant insights into the Group's businesses and operations and may be able to continue providing 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.

Mr Low Beng Tin, Chairman and Independent Director, having been first appointed to the Board on 9 November 2005, has served on the Board for more than 15 years. In view of this, the other Directors have been asked to particularly review and assess the continued independence of Mr Low Beng Tin.

After due consideration and with the recommendation of the Nominating Committee (Mr Low Beng Tin abstaining), the Board continues to regard Mr Low Beng Tin as independent notwithstanding the length of tenure of his service and the Group's business dealings with a customer which Mr Low Beng Tin has an equity interest in but which he does not have any management role or control over, those being some of the principal factors for determining independence as provided for under the Code.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Mr Low Beng Tin has also demonstrated independence in character and judgment, through, *inter alia*, his 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.

The Board notes that, with effect from 1 January 2022, for Mr Low Beng Tin to continue to be designated as Independent Director, Mr Low Beng Tin would have to comply with the requirements of Rule 720(5)(d)(iii) of the SGX-ST Listing Manual, the Company will take the necessary steps, where appropriate, to comply with such requirements should Mr Low Beng Tin continue to be designated as Independent Director.

Commitments of Directors Sitting on Multiple Boards

Pursuant to the Board's policy on the maximum number of listed company board representations which any Director may hold, Directors should not have more than six listed company board representations. The listed company directorships and principle commitments of each Director is set out above in pages 51 to 52 of this Report. The Nominating Committee has reviewed each Director's other directorships 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.

Provision 4.5

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.

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.

Provision 5.1

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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

During FY2020, a peer to peer review was adopted by the Board in addition to evaluating the performance of the Board and the Board Committees as a whole. The performance of all Directors, including the Chairman, were individually reviewed by their fellow Directors, taking into consideration *inter alia*, the Director's competencies, commitment, contributions and performance at Board and Board Committee meetings and discussions, including attendance, preparedness, participation and candour.

Provision 5.2

Each of the Directors 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 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 nine 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.

The Company does not engage an external facilitator in respect of the Board Performance Evaluation.

Principle 6: Procedures for Developing Remuneration Policies

Composition and Terms of Reference of Remuneration Committee

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

**Provision 6.1
and
Provision 6.3**

- (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 substantial shareholders, immediate family members of a Director or the CEO or a substantial shareholder whose remuneration exceeds S\$100,000 during the year;
- (e) reviewing the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such arrangements are fair and reasonable and not overly generous;
- (f) ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants;

CORPORATE GOVERNANCE STATEMENT (CONT'D)

- (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.

There are currently no Schemes applicable to the Company.

The Company has established a Remuneration Committee which comprises four Directors, all of whom are non-executive and two of which, including the Chairman, are Independent Directors.

Provision 6.2

As at the date of this Report, the Remuneration Committee members are:

Mr Low Beng Tin chairman
Mr Hor Siew Fu
Ms Tan Siok Chin
Mr Hiromasa Yamamoto

Access to Remuneration Consultants

The Remuneration Committee has access to the professional advice of external experts in the area of remuneration, where required.

Provision 6.4

No remuneration consultants were engaged by the Company in FY2020.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Principle 7: Level and Mix of Remuneration

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

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. Part of the remuneration for the Executive Directors under the terms of their service contracts applicable for FY2020 included an annual discretionary performance bonus payable as may be determined and granted by the Remuneration Committee and the Board.

Provision 7.1

In addition, the remuneration for the CEO of the Company included an incentive bonus made available under a profit-sharing scheme ("**Profit Sharing Scheme**"), such incentive bonus to be calculated as further elaborated below.

For the Profit Sharing Scheme to be applicable, the Group must achieve an audited net profit before tax on a consolidated basis attributable directly to the Group's operations ("**NPBT**") of not less than S\$5 million and in the event that the incentive bonus has been paid under the Profit Sharing Scheme, no annual discretionary performance bonus will be payable to the CEO of the Company.

	NPBT Attained	Incentive Bonus (on a cumulative basis)
(i)	For the first S\$5 million	2.0% of the S\$5 million
(ii)	Greater than S\$5 million but up to and including S\$7 million	2.5% for the additional NPBT above S\$5 million
(iii)	Greater than S\$7 million but up to and including S\$10 million	3.0% for the additional NPBT above S\$7 million
(iv)	Greater than S\$10 million but up to and including S\$15 million	4.0% for the additional NPBT above S\$10 million
(v)	Greater than S\$15 million	5.0% for the additional NPBT above S\$15 million

The discretionary performance bonus payable to the eligible Executive Directors is generally awarded based on a certain number of months of their basic monthly salary. 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.

Further details on the remuneration of the Executive Directors are further disclosed below in page 62 of this Report.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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.

Contractual Provisions Protecting the Company's Interests

The Company does not have any contractual provisions in the employment contracts with the Executive Director and key management personnel pursuant to which the Company may reclaim the variable components of remuneration from the Executive Director and key management personnel in exceptional circumstances, such as any misstatement of financial results, or misconduct resulting in financial loss to the Company and the Group. Notwithstanding the foregoing, the Executive Director owes a fiduciary duty to the Company and the Company should be able to avail itself of the relevant remedies at law against the Executive Director in the event of such breach of fiduciary duties.

Remuneration Structure of Independent Directors and Non-Executive Non-Independent Directors

The Independent Directors and Non-Executive Non-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.

Provision 7.2

The Company believes that the current remuneration of the Independent Directors and Non-Executive Non-Independent Directors are 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 Independent Directors and Non-Executive Non-Independent Directors. Currently, the Independent Directors' fees and Non-Executive Non-Independent Directors' fees are determined based on the following fee structure:

Fee Structure for Independent Directors and Non-Executive Non-Independent Directors

	S\$
Basic fee	45,000
Board chairmanship	25,000
Audit Committee chairmanship	20,000
Other committee chairmanship	10,000
Audit Committee 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 Independent Directors and the Non-Executive Non-Independent Directors for approval by shareholders at the Annual General Meeting of the Company ("**AGM**"). The Executive Directors do not receive directors' fees.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Remuneration Framework

The Board is of the view that the current remuneration structure for the Executive Directors, Independent Directors, Non-Executive Non-Independent Directors and key management personnel are appropriate to attract, retain and motivate Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

Provision 7.3

Principle 8: Disclosure of Remuneration

Remuneration of Directors and Key Management Personnel

Details of the remuneration paid to the Directors for FY2020 are as follows.

**Provision 8.1
and
Provision 8.3**

Remuneration of Directors	Directors' Fees (%)	Salary ² (%)	Bonus ^{1,2} (%)	Allowances and Others (%)	Total Compensation (S\$)
Executive Directors					
Mr Jack Ong Tong Hai	–	66.7	20.0	13.3	539,523
Mr Osamu Murai	–	79.4	6.6	14.0	257,000
Non-Executive Non-Independent Directors					
Ms Tan Siok Chin ³	100.0	–	–	–	72,500
Mr Hiromasa Yamamoto	100.0	–	–	–	55,000
Independent Directors					
Mr Low Beng Tin	100.0	–	–	–	91,250
Mr Hor Siew Fu	100.0	–	–	–	76,250

Note:

¹ There was no Incentive Bonus payable to Mr Osamu Murai and no discretionary performance bonus payable to Mr Jack Ong Tong Hai for FY2020.

² Salary and Bonus exclude Central Provident Fund Contributions which are included under Allowances and Others.

³ Ms Tan Siok Chin was re-designated as Non-Executive Non-Independent Director, a member of the Nominating Committee and the Remuneration Committee on 24 August 2020.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

For the financial year ended 30 September 2020, the top three key management personnel (who are not also Directors) of the Group are Mr Lim Kim Seng, Ms Chong Siew Kuen and Ms Tan Bee Kheng.

**Provision 8.1
and
Provision 8.3**

A breakdown of the remuneration of the top three key management personnel of the Group for the financial year ended 30 September 2020 is set out below:

Remuneration of Top Three Key Management Personnel²	Salary¹ (%)	Bonus¹ (%)	Allowances and Others (%)	Total Compensation (%)
Below S\$250,000				
Mr Lim Kim Seng	70.3	5.8	23.9	100.0
Ms Chong Siew Kuen	69.9	5.8	24.3	100.0
Ms Tan Bee Kheng	71.6	17.7	10.7	100.0

Note:

¹ Salary and Bonus exclude Central Provident Fund Contributions which are included under Allowances and Others.

² The Company only has three key management personnel (who are not Directors).

The annual aggregate remuneration paid to the top three key management personnel of the Group (who are not Directors) for FY2020 is S\$472,981. As all of the top three 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 three key management personnel for confidentiality reasons.

Remuneration of Employees who are Immediate Family Members of Directors, the CEO and/or Substantial Shareholders of the Company

Ms Teoh Bee Choo is the mother of (i) Mr Jack Ong Tong Hai, the CEO of the Company for FY2020 and (ii) Mr Andy Ong Tong Yang, a substantial shareholder of the Company. She was an employee of the Company for FY2020 whose remuneration for the year was more than S\$200,000 but below S\$300,000. Further details of Ms Teoh's remuneration are set out below:

Provision 8.2

	Salary¹ (%)	Bonus¹ (%)	Allowances and Others² (%)	Total Compensation (%)
Ms Teoh Bee Choo	49.5	4.1	46.4	100.0

Note:

¹ Salary and Bonus exclude Central Provident Fund Contributions which are included under Allowances and Others.

² Includes a one-time payment of a retirement gratuity.

Ms Teoh Bee Choo had retired as the Human Resource Manager of the Company on 30 September 2020 and received a retirement gratuity from the Company.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Employee Share Schemes

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

Provision 8.3

Principle 9: Risk Management and Internal Controls

Risk Management System

The Board determines the nature and extent of significant risks which the Company is willing to take in achieving its strategic objectives and value creation by way of a 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.

Provision 9.1

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.

Assistance from Internal Auditors

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.

Assurance from CEO and Chief Financial Officer/Financial Controller

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:-

Provision 9.2

- (i) the financial statements of the Company for FY2020 give a true, accurate and complete view of the Group and the Company's operations and finances as at 30 September 2020;
- (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, and adequate system of risk management and internal controls (addressing financial, operational, compliance and information technology risks).

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Board's Opinion on Internal Controls

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 2020.

**Rule 1207(10)
of the SGX-ST
Listing Manual**

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 10: Audit Committee

Composition and Terms of Reference of Audit Committee

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

Provision 10.1

- (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 and risk management systems. Review of the Company's internal controls and risk management systems 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, if deemed necessary, 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) reviewing the assurance from the CEO and Chief Financial Officer/Financial Controller on the financial records and financial statements of the Company;
- (n) 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;
- (o) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on; 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).

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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.

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.

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.

Continuing Development of the Audit Committee

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.

External Audit Function

The Group's existing external auditors, Messrs RSM Chio Lim LLP, an audit firm registered with the Accounting and Corporate Regulatory Authority, 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 2020.

The Audit Committee has been briefed on the key audit matters of the Company for FY2020 and has reviewed, and is satisfied with, the measures taken by the Company to address such key audit matters.

The aggregate amount of fees paid to the external auditors of the Company for FY2020 is S\$169,000, of which S\$138,000 is paid for audit services and S\$31,000 is paid for non-audit services. The Audit Committee, having reviewed the range and value of non-audit services performed by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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

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

Whistle Blowing Policy

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 FY2020, there were no complaints, concerns or issues received.

The Audit Committee comprises three Directors, all of whom are Non-Executive Directors and the majority of whom, including its chairman, are independent. As at the date of this Report, the Audit Committee members are:

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

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.

The Audit Committee does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation

Internal Audit Function

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.

Provision 10.2

Provision 10.3

Provision 10.4

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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 4 May 2020 to the Audit Committee, reporting, *inter alia*, that (i) having performed the system review procedures of the Company's internal controls in accordance with the agreed work plan 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 in accordance with the agreed work plan, they did not identify any significant deficiencies or non-compliance of controls or measures implemented by Management under such procedures and systems.

The Company cooperates fully with the IA in terms of allowing unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee.

Meeting with External and Internal Auditors

The Audit Committee meets with the external auditors of the Company without the presence of Management, at least once a year. The Audit Committee also meets with the internal auditors of the Company and, if deemed necessary, without the presence of Management at least once a year.

Provision 10.5

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 independence, 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.

**Rule 1207(10C)
of the SGX-ST
Listing Manual**

Principle 11: Shareholder Rights and Conduct of General Meetings

Provision of Information to 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 SGX-ST Listing Manual. In this respect, the Company announces its financial results to shareholders on a half-yearly basis.

Provision 11.1

Proxies

The Constitution allows all shareholders (who are not relevant intermediaries as set out in the Companies Act) to appoint up to two proxies to attend general meetings and vote on their behalf and the Companies Act allows relevant intermediaries such as the Central Provident Fund (CPF) agent bank nominees to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF agent banks' proxies.

In conjunction with the notices of general meetings, shareholders are provided with the proxy forms which include the instructions on voting.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Procedure of General Meetings

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.

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 will be published on SGXNET thereafter.

Provision 11.2

In view of the current COVID-19 situation, the forthcoming AGM to be held in respect of FY2020, will be convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements ("**Alternative Meeting Arrangements**") relating to, *inter alia*, attendance at the forthcoming AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at, or prior to, the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, will be put in place for the forthcoming AGM.

Attendees at General Meetings

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 22 January 2020. External auditors are also present to assist the Board in addressing queries by shareholders.

Provision 11.3

Voting in Absentia

The Constitution allows Directors, at their sole discretion, to approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

Provision 11.4

Minutes of General Meetings

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.

Provision 11.5

In accordance with the Alternative Meeting Arrangements, the minutes of the forthcoming AGM will be published on the Company's website at www.cosmosteel.com and via SGXNET within one month from the date of the AGM.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Dividend Policy

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.

Provision 11.6

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.

To show the Company's appreciation for its shareholders' long term support, the Board is recommending a final dividend payout of S\$0.005 per share for FY2020, to be approved by shareholders in the forthcoming AGM.

Principle 12: Engagement with Shareholders

Communication with Shareholders

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 half-yearly 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.

Provision 12.1

General meetings have been and are still the principal forum for dialogue with shareholders. 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 makes the relevant presentation slides available on SGXNET in conjunction with the release of the Group's half-yearly financial results announcements.

Shareholders may also provide any feedback they may have about the Company to the Company's email at ir@cosmosteel.com.sg.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Investor Relations Policy

The Company has adopted an investor relations policy to formalize the principles and practices that the Company applies to provide current and prospective investors with information necessary to make well-informed investment decisions and to ensure a level playing field.

**Provision 12.2
and
Provision 12.3**

The Company is committed to treating all shareholders fairly and equitably, and keep all shareholders and other stakeholders informed of its corporate activities, including changes in the Company or its business which would be likely to materially affect the price or value of its shares, on a timely basis.

The Company's Investor Relations Policy is published on the Company's corporate website and sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions.

Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to secure the long term future of the Company. The Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, which include communities, customers, staff, regulators, shareholders and vendors.

**Provision 13.1
and
Provision 13.2**

The Company maintains a corporate website at www.cosmosteel.com to communicate and engage stakeholders.

Provision 13.3

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

**Rule 1207(19)(A)
of the SGX-ST
Listing Manual
and
Rule 1207(19)(C)
of the SGX-ST
Listing Manual**

Directors and employees are also discouraged from dealing in the Company's securities on short-term considerations.

**Rule 1207(19)(B)
of the SGX-ST
Listing Manual**

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.

**Rule 1207(8)
of the SGX-ST
Listing Manual**

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 SGX-ST 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 SGX-ST Listing Manual.

**Rule 1207(17)
of the SGX-ST
Listing Manual**

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

- (a) the purchase of materials and products by the Group from Hanwa Group;
- (b) the obtaining or engagement of Hanwa Group's services as a procurement agent or as a procurement source to procure materials, products and services on behalf of the Group; and
- (c) the sale of materials and products by the Group to Hanwa Group.

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

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

Guidelines and Review Procedures for the Mandated Interested Person Transactions

- (a) Review Procedures

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

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

- (ii) in relation to the purchase of materials and products by the Group from an Interested Person:-
 - (aa) subject to and in accordance with Paragraph (a)(i) above, the Company will make comparisons against the quotations obtained from at least two other comparative offers from unrelated third parties that are reasonably contemporaneous in time, to ensure that such purchase price is no less favourable to the Group. Comparisons will be made taking into consideration, *inter alia*, the purchase price, order quantity, product quality, standard of services, experience and expertise, customer requirements, product specifications, delivery schedule, track record, potential for future repeat business, contract duration, credit term and fluctuations in foreign exchange rates; and
 - (bb) in the event where it is impractical or impossible to obtain comparable prices of similar transactions reasonably contemporaneous in time due to the nature of the materials or products to be purchased, such transaction may only be entered into with approval from at least one of the Executive Directors of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction. Such Executive Director(s) will, subject to the approval thresholds as set out in Paragraph (b) below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transaction are in accordance with applicable industry norms and/or are not prejudicial to the Company, taking into account factors such as, but not limited to, the nature of the materials or products, order quantity, product quality, standard of services, experience and expertise, customer requirements, product specifications, delivery schedule, track record, contract duration, credit terms and fluctuations in foreign exchange rates.
- (iii) In relation to the engagement or utilisation of an Interested Person as a procurement source to procure materials, products and services on behalf of the Group:-
 - (aa) subject to and in accordance with Paragraph (a)(i) above, the mark-up or fee (where applicable) payable by the Group to the Interested Person shall be determined by at least one of the Executive Directors of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction; and
 - (bb) such Executive Director(s) will, subject to the approval thresholds as set out in Paragraph (b) below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transaction are in accordance with applicable industry norms and/or are not prejudicial to the Company, taking into account factors such as, but not limited to, the nature of the materials, products or services procured, standard of services, experience and expertise, the price competitiveness of the Group's products and/or services (after incorporating such mark-up or fee), and the Group's profit margin from the transaction;

CORPORATE GOVERNANCE STATEMENT (CONT'D)

- (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.

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

- (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 FY2020 are stated in the following table:

Name of Interested Person	Nature of Relationship	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	Controlling Shareholder	–	13,782

Note:

¹ Hanwa Co., Ltd and its subsidiaries, and (where applicable) its associated companies.

FINANCIAL CONTENTS

CONTENTS

78	Statement by Directors
81	Independent Auditor's Report
86	Consolidated Statement of Profit or Loss and Other Comprehensive Income
87	Statements of Financial Position
88	Statements of Changes in Equity
89	Consolidated Statement of Cash Flows
90	Notes to the Financial Statements

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 2020.

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 Tong Hai
Osamu Murai
Hiromasa Yamamoto
Hor Siew Fu
Tan Siok Chin

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the reporting year had no interests in shares in or debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 (the "Act") except as follows:

Name of directors and companies in which interests are held	At beginning of the reporting year	At end of the reporting year
CosmoSteel Holdings Limited	Number of shares of no par value	
Ong Tong Hai	35,142,096	35,142,096
Tan Siok Chin	125,000	125,000

The directors' interests as at 21 October 2020 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	(Non-Executive Non-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 20 November 2020 which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On behalf of the directors

Low Beng Tin

Chairman and Independent Director

Ong Tong Hai

Chief Executive Officer and Executive Director

11 December 2020

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 2020, 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 (International) ("**SFRS(I)**") 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 2020 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 inventories.

The group has inventories measured at the lower of cost and estimated net realisable value. The carrying amount was \$40,256,000, representing 36% of the group's total assets. During the reporting year ended 30 September 2020, the group made a reversal of write-down of inventories amounting to \$3,425,000.

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 (cont'd)

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

- We reviewed the group's policy for inventories write-downs and writebacks and performed procedures to understand management's methodology and process of assessing write-downs and write backs of inventories;
- We performed procedures, including the use of automated tools and techniques (eg., audit data analytics), to assess management's rationale and determination of the net realisable value of inventories;
- We 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 tested management's computation of the amount of inventories written-down and written-back;
- We compared the carrying value of inventories to recent sales invoices; and
- We assessed the adequacy of disclosures made in the financial statements.

Assessment of 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 \$26,041,000 as at 30 September 2020, representing 23% 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 expected credit losses ("**ECLs**") are recognised from initial recognition of the trade receivables. It is based on the lifetime ECL for trade receivables. The assessment requires management to develop methodologies involving the use of significant judgements. In estimating the ECLs, the group developed a matrix that took into account historical credit loss experience for the trade receivables and, where relevant, incorporated forward-looking information that reflect management's view of potential future economic conditions (including the impact of the COVID-19 pandemic).

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

- We reviewed the allowance methodologies developed by the group and assessed management's assumptions and estimates, in particular, the historical observed default rates of trade receivables grouped based on shared credit risk characteristics and those relating to forward-looking information (if any); and
- We assessed the adequacy of the loss allowance recorded as at end of the reporting year and the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of CosmoSteel Holdings Limited (cont'd)

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.

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 SFRS(I), 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.

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)

- (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.
- (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.

INDEPENDENT AUDITOR'S REPORT

To the members of CosmoSteel Holdings Limited (cont'd)

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

11 December 2020

Engagement partner - effective from year ended 30 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 30 September 2020

	Notes	Group	
		2020 \$'000	2019 \$'000
Revenue	5	86,757	91,582
Cost of sales		(70,093)	(72,895)
Gross profit		16,664	18,687
Interest income		4	17
Other gains	6	3,715	539
Depreciation expenses	13	(3,526)	(4,247)
Depreciation of right-of-use assets	25	(1,386)	–
Marketing and distribution costs	9	(3,951)	(4,700)
Administrative expenses	7	(4,438)	(6,457)
Finance costs	8	(572)	(860)
Other losses	6	(1,293)	(166)
Profit before tax from continuing operations		5,217	2,813
Income tax benefit (expense)	10	54	(5)
Profit from continuing operations, net of tax		5,271	2,808
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains (losses) on property revaluation, net of tax	21	243	(60)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax	21	(64)	67
Other comprehensive income for the year, net of tax		179	7
Total comprehensive income for the year		5,450	2,815
Earnings per share			
Earnings per share currency unit		Cents	Cents
Basic and diluted			
Continuing operations	11	1.82	0.97

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

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2020

	Notes	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	23,395	26,778	–	–
Right-of-use assets	25	3,811	–	–	–
Investments in subsidiaries	14	–	–	60,107	60,107
Total non-current assets		27,206	26,778	60,107	60,107
Current assets					
Inventories	15	40,256	37,426	–	–
Trade and other receivables	16	27,615	31,977	3,223	2,467
Financial assets at fair value through profit or loss	17	119	107	–	–
Other non-financial assets	18	402	370	32	48
Cash and cash equivalents	19	15,951	8,583	307	177
Total current assets		84,343	78,463	3,562	2,692
Total assets		111,549	105,241	63,669	62,799
EQUITY AND LIABILITIES					
Equity					
Share capital	20	56,325	56,325	56,325	56,325
Retained earnings		16,368	10,847	6,966	6,219
Other reserves	21	8,303	9,100	–	–
Total equity		80,996	76,272	63,291	62,544
Non-current liabilities					
Provisions	22	783	1,650	–	–
Loans and borrowings	24	5,186	5,933	–	–
Financial liabilities – lease liabilities	25	2,619	–	–	–
Total non-current liabilities		8,588	7,583	–	–
Current liabilities					
Trade and other payables	23	3,841	9,039	378	255
Loans and borrowings	24	16,887	11,870	–	–
Financial liabilities – lease liabilities	25	1,237	–	–	–
Other non-financial liabilities	26	–	477	–	–
Total current liabilities		21,965	21,386	378	255
Total liabilities		30,553	28,969	378	255
Total equity and liabilities		111,549	105,241	63,669	62,799

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 September 2020

Group	Total equity \$'000	Share capital \$'000	Retained earnings \$'000	Revaluation reserve \$'000	Translation reserve \$'000
Current year:					
Opening balance at 1 October 2019	76,272	56,325	10,847	8,761	339
Changes in equity:					
Total comprehensive income for the year	5,450	–	5,271	243	(64)
Dividends paid (Note 12)	(726)	–	(726)	–	–
Transfer to retained earnings of difference between depreciation on carrying revalued amount and depreciation based on original cost	–	–	976	(976)	–
Closing balance at 30 September 2020	80,996	56,325	16,368	8,028	275

Previous year:					
Opening balance at 1 October 2018	73,457	56,325	7,060	9,800	272
Changes in equity:					
Total comprehensive income for the year	2,815	–	2,808	(60)	67
Transfer to retained earnings of difference between depreciation on carrying revalued amount and depreciation based on original cost	–	–	979	(979)	–
Closing balance at 30 September 2019	76,272	56,325	10,847	8,761	339

Company	Total equity \$'000	Share capital \$'000	Retained earnings \$'000
Current year:			
Opening balance at 1 October 2019	62,544	56,325	6,219
Changes in equity:			
Total comprehensive income for the year	1,473	–	1,473
Dividends paid (Note 12)	(726)	–	(726)
Closing balance at 30 September 2020	63,291	56,325	6,966
Previous year:			
Opening balance at 1 October 2018	61,637	56,325	5,312
Changes in equity:			
Total comprehensive income for the year	907	–	907
Closing balance at 30 September 2019	62,544	56,325	6,219

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 30 September 2020

	Group	
	2020	2019
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	5,217	2,813
Adjustments for:		
Interest income	(4)	(17)
Interest expense	572	860
Depreciation of plant and equipment	3,526	4,247
Depreciation of right-of-use assets	1,386	–
Provisions, non-current	(278)	–
Gains on disposal of plant and equipment	–	(1)
Operating cash flows before changes in working capital	10,419	7,902
Inventories	(2,830)	3,891
Trade and other receivables	4,300	(5,010)
Financial assets at fair value through profit or loss	(12)	92
Other non-financial assets	(32)	(51)
Trade and other payables	(5,198)	(49)
Other non-financial liabilities	(477)	167
Net cash flows from operations	6,170	6,942
Income taxes refunded	4	10
Net cash flows from operating activities	6,174	6,952
Cash flows from investing activities		
Purchase of property, plant and equipment	(223)	(370)
Proceeds from disposal of property, plant and equipment	6	3
Interest received	4	17
Net cash flows used in investing activities	(213)	(350)
Cash flows from financing activities		
Cash restricted in use over 3 months	58	1,314
Increase (Decrease) in loan and borrowings	4,285	(11,400)
Increase in borrowings	–	223
Finance lease repayments	(16)	(140)
Lease liabilities – principal portion paid	(1,343)	–
– interest paid	(115)	–
Provisions, non-current	(222)	–
Dividends paid	(726)	–
Interest paid	(456)	(852)
Net cash flows from (used in) financing activities	1,465	(10,855)
Net increase (decrease) in cash and cash equivalents in continuing operations	7,426	(4,253)
Cash and cash equivalents, statement of cash flows, beginning balance of the year	8,525	12,778
Cash and cash equivalents, statement of cash flows, ending balance of the year (Note 19A)	15,951	8,525

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2020

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 (International) ("**SFRS(I)**") and the related interpretations to SFRS(I) ("**SFRS(I) INT**") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**").

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

1. GENERAL (CONT'D)

Basis of presentation

The COVID-19 pandemic and its aftermath have caused and will continue to cause disruptions for the foreseeable future to and create uncertainty surrounding the reporting entity's business, including affecting its relationships with its existing and future customers, suppliers and employees, which could have an adverse effect on its business, financial results and operations. There is significant uncertainty around the medium to long term impact of COVID-19. Economic forecasts are continually changing, government supports for businesses are evolving and assets held by other entities may have material uncertainties and/or disclaimers regarding the impact of COVID-19. These uncertainties give rise to difficulties in making an accurate assessment by management of the future impacts on the reporting entity. Management will continue to closely monitor the further economic development and its impact. It is however reasonably possible that COVID-19 pandemic will have an adverse impact on the reporting entity's revenues and results for the next reporting year, the extent of which will depend on how long the aftermath of the pandemic lasts.

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group (the parent and its subsidiaries) 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 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.

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 its fair value at the date when control is lost and is subsequently accounted as a financial asset 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 financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods. Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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

2A. Significant accounting policies (cont'd)

Other income

Interest income is recognised using the effective interest method.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is presented in the statement of financial position by recognising the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset and in the proportions in which depreciation expense on those assets is recognised. The grant related to assets is deducted in calculating the carrying amount of the asset and therefore the grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

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 benefit 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 a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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

2A. Significant accounting policies (cont'd)

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 relevant 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.

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 benefit) 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 ranging from 7 months to 13 years
Leasehold improvements	–	7.7% to 66.7%
Plant and equipment	–	10% to 33.3%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

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.

The gain or loss arising from the derecognition of an item of property, plant and equipment 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 2020

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

2A. Significant accounting policies (cont'd)

Right-of-use assets

The right-of-use assets are accounted and presented as if they were owned such as property plant and equipment. The annual rates of depreciation are as follows:

Leasehold land and buildings	–	Over the terms of lease ranging from 7 months to 13 years
Plant and equipment	–	32.4%

Leases of lessee

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-of-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and an interest expense on the recognised lease liability (included in finance costs). For short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard, the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term. For these leases, a right-of-use asset is recognised.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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

2A. Significant accounting policies (cont'd)

Business combinations

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

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.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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

2A. Significant accounting policies (cont'd)

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

- #1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("**FVTPL**"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
- #2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("**FVTOCI**"): There were no financial assets classified in this category at reporting year end date.
- #3. Financial asset that is an equity investment measured at FVTOCI: There were no financial assets classified in this category at reporting year end date.
- #4. Financial asset classified as measured at FVTPL: All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at FVTPL in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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.

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. 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.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

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.

In making the fair value measurement for a non-financial asset, management determines 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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.

Net realisable value of inventories:

A review is made for excess inventories 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 Note 15 on inventories.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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

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

Allowance of trade receivables:

The allowance for expected credit losses ("ECL") assessment requires a degree of estimation and judgement. It is based on the lifetime ECL for trade receivables. In measuring the expected credit losses, management considers all reasonable and supportable information such as the reporting entity's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward looking information such as forecasts of future economic conditions (including the impact of the Covid-19 pandemic). 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 16 on trade and other receivables.

Income tax amounts:

The entity recognises tax liabilities and assets tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature assessments of likelihood are judgemental and not susceptible to precise determination. The income tax amounts are disclosed in the note on income tax.

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges of property, plant and equipment is based on commercial and other factors that 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 \$23,395,000.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

The financial reporting standard 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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

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 transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

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

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

Significant related party transactions:

	Group	
	2020	2019
	\$'000	\$'000
<u>Other related parties</u>		
Revenue from sales of goods to a controlling shareholder and its subsidiaries ^(a)	(4,336)	(8,811)
Purchases of goods and services from a controlling shareholder and its subsidiaries ^(a)	12,009	7,150
Revenue from sale of goods	(243)	(114)
Legal expenses	18	15

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

3B. Key management compensation:

	Group	
	2020	2019
	\$'000	\$'000
Salaries and other short-term employee benefits	1,569	2,066

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

	Group	
	2020	2019
	\$'000	\$'000
Remuneration of directors of the company	796	1,615
Fees to directors of the company	295	302
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 2020

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 SFRS(I) 8 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 that 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, right-of-use assets, other financial liabilities, trade and other payables, other non-financial liabilities, 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 2020

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 2020					
Revenue by segment					
Total revenue	51,527	16,177	6,154	12,899	86,757
Segment results	10,016	4,398	2,047	203	16,664
Unallocated expenses					(13,301)
Profit from operations					3,363
Interest income					4
Finance costs					(572)
Other gains (net)					2,422
Profit before tax					5,217
Income tax benefit					54
Profit from continuing operations					5,271
Continuing operations 2019					
Revenue by segment					
Total revenue	72,409	4,685	13,726	762	91,582
Segment results	13,509	1,364	3,517	297	18,687
Unallocated expenses					(15,404)
Profit from operations					3,283
Interest income					17
Finance costs					(860)
Other gains (net)					373
Profit before tax					2,813
Income tax expense					(5)
Profit from continuing operations					2,808

4C. Assets, liabilities and reconciliations

Assets and liabilities of the group are considered impracticable to allocate to segments.

4D. Other material items and reconciliations

	Group	
	2020 \$'000	2019 \$'000
Expenditures for non-current assets	223	370
Reversal of impairment allowance on inventories	(3,425)	(514)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Brunei	7,028	5,658	–	–
Europe	2	343	–	–
Indonesia	83	284	–	–
Japan	4,033	29,322	–	–
Malaysia	3,607	9,385	–	–
Middle East	528	234	–	–
Singapore	50,036	37,930	27,172	26,772
Thailand	16	241	–	–
Vietnam	8	5,370	–	–
Others ⁽¹⁾	21,416	2,815	34	6
	86,757	91,582	27,206	26,778

⁽¹⁾ Customers in others are primarily located in Australia, Canada, Korea, Philippines and Taiwan (2019: Australia, China and Philippines). Non-current assets in others are located in Australia.

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	
	2020 \$'000	2019 \$'000
Revenue from:		
Top 1 customer in Energy segment (2019: Energy)	18,562	12,858
Top 2 customers in Others segment (2019: Energy)	27,863	24,836
Top 3 customers in Marine segment (2019: Energy)	35,907	33,183

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

5. REVENUE

	Group	
	2020 \$'000	2019 \$'000
Sale of goods	85,821	91,249
Other	936	333
Total revenue	86,757	91,582

The revenue is primarily from sale of goods, which is recognised based on point in time. The customers are mainly from the energy sector with a large portion from overseas.

Other mainly consists of government grants of \$920,000 (2019: \$54,000).

6. OTHER GAINS AND (OTHER LOSSES)

	Group	
	2020 \$'000	2019 \$'000
Allowance for impairment of trade receivables – (loss) reversal (Note 16)	(984)	4
Bad debts written off on trade receivables (net)	(35)	(16)
Fair value gains on financial assets at FVTPL (Note 28C)	12	20
Foreign exchange adjustments losses	(274)	(150)
Gains on disposal of plant and equipment	–	1
Inventories written-back (Note 15)	3,425	514
Provision for dismantling and removing reversed (Note 22)	278	–
Net	2,422	373
Presented in profit or loss as:		
Other gains	3,715	539
Other losses	(1,293)	(166)
Net	2,422	373

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

7. ADMINISTRATIVE EXPENSES

The major components and other selected components include the following:

	Group	
	2020	2019
	\$'000	\$'000
Employee benefits expense (Note 9)	2,404	3,195
Rental expense	–	690

8. FINANCE COSTS

	Group	
	2020	2019
	\$'000	\$'000
Interest expense	457	860
Interest on lease liabilities	115	–
Total finance costs	572	860

9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2020	2019
	\$'000	\$'000
Short term employee benefits expense	5,356	6,373
Contributions to defined contribution plan	377	436
Other benefits	247	164
Total employee benefits expense	5,980	6,973
The employee benefits expense is charged as follows:		
Marketing and distribution costs	3,576	3,778
Administrative expenses (Note 7)	2,404	3,195
Total employee benefits expense	5,980	6,973

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

10. INCOME TAX

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

	Group	
	2020	2019
	\$'000	\$'000
<u>Current tax income</u>		
Over adjustments in respect of prior periods	(4)	(7)
Subtotal	(4)	(7)
<u>Deferred tax (income) expense</u>		
Deferred tax expense	16	254
Over adjustments in respect of prior periods	(66)	(242)
Subtotal	(50)	12
Total income tax (income) expense	(54)	5

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% (2019: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2020	2019
	\$'000	\$'000
Profit before tax	5,217	2,813
Income tax expense at the above rate	887	478
Expenses not deductible for tax purposes	223	442
Deferred tax asset not recognised in previous years	(1,093)	(621)
Over adjustments to tax in respect of prior periods	(70)	(249)
Effect of different tax rates in different countries	(1)	(45)
Total income tax (income) expense	(54)	5

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

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

	Group	
	2020	2019
	\$'000	\$'000
Excess of net book value of plant and equipment over tax values	(106)	(86)
Amount on revalued depreciable assets	(110)	(522)
Depreciation on revalued properties	(90)	333
Capital allowance carryforwards	-	4
Productivity and innovation credit carryforwards	55	(221)
Donations carryforwards	-	(3)
Tax losses carryforwards	1,723	1,219
Other timing differences	(429)	(91)
Deferred tax asset not recognised	(1,093)	(621)
Total deferred tax (income) expense recognised in profit or loss	(50)	12

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

10. INCOME TAX (CONT'D)

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

	Group	
	2020	2019
	\$'000	\$'000
<hr/>		
Deferred tax (income) expense:		
Gains (losses) on property revaluation	50	(12)
Total deferred tax expense (income) recognised in other comprehensive income	50	(12)

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

	Group	
	2020	2019
	\$'000	\$'000
<hr/>		
Deferred tax liabilities:		
Amount on revalued depreciable assets	(4,573)	(4,633)
Depreciation on revalued properties	2,418	2,328
Total deferred tax liabilities	(2,155)	(2,305)
<hr/>		
Deferred tax assets:		
Excess of net book value of plant and equipment over tax values	207	101
Productivity and innovation credit carryforwards	166	221
Donations carryforwards	19	19
Tax losses carryforwards	3,649	5,372
Other timing differences	354	(75)
Deferred tax asset not recognised	(2,240)	(3,333)
Total deferred tax assets	2,155	2,305
Net total of deferred tax assets	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

11. EARNINGS PER SHARE

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

	Group	
	2020	2019
	\$'000	\$'000
The calculation of the earnings per share is based on the following:		
Profit for the year attributable to the equity holders of the company		
for the purposes of basic and diluted earnings per share	5,271	2,808
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic		
and diluted earnings per share	290,399,997	290,399,997
Profit figures are calculated as follows:		
Earnings per share – cents	1.82	0.97

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

12. DIVIDENDS ON EQUITY SHARES

	Group			
	Rate per			
	share – cents			
	2020	2019	2020	2019
			\$'000	\$'000
Final tax exempt (1-1.tier) dividend paid	0.25	–	726	–
Total dividends paid in the year	0.25	–	726	–

In respect of the current year, the directors propose that a final dividend of 0.5 cents per share with a total of \$1,452,000 be paid. There are no income tax consequences. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed final dividend for the financial year ended 30 September 2020 is payable in respect of all ordinary shares in issue at the end of the reporting year and including the new qualifying shares issued up to the date the dividend becomes payable.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties and improvements \$'000	Plant and equipment \$'000	Total \$'000
<u>Cost or valuation:</u>			
At 1 October 2018	28,743	6,746	35,489
Foreign exchange adjustments	–	(5)	(5)
Additions	90	280	370
Disposals	(520)	(20)	(540)
Adjustment to provision (Note 22)	1,610	–	1,610
Revaluation	(3,200)	–	(3,200)
At 30 September 2019	26,723	7,001	33,724
Foreign exchange adjustments	–	6	6
Additions	–	223	223
Disposals	(1,607)	(128)	(1,735)
Adjustment to provision (Note 22)	(367)	–	(367)
Revaluation	(1,500)	–	(1,500)
At 30 September 2020	23,249	7,102	30,351
<u>Represented by:</u>			
Cost	–	7,102	7,102
Valuation	23,249	–	23,249
Total	23,249	7,102	30,351
<u>Accumulated depreciation and impairment losses:</u>			
At 1 October 2018	1,024	5,346	6,370
Foreign exchange adjustments	–	(6)	(6)
Depreciation for the year	3,857	390	4,247
Disposals	(520)	(18)	(538)
Elimination of depreciation on revaluation	(3,127)	–	(3,127)
At 30 September 2019	1,234	5,712	6,946
Foreign exchange adjustments	–	5	5
Depreciation for the year	3,180	346	3,526
Disposals	(1,607)	(122)	(1,729)
Elimination of depreciation on revaluation	(1,792)	–	(1,792)
At 30 September 2020	1,015	5,941	6,956
<u>Carrying value:</u>			
At 1 October 2018	27,719	1,400	29,119
At 30 September 2019	25,489	1,289	26,778
At 30 September 2020	22,234	1,161	23,395

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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	
	2020	2019
	\$'000	\$'000
<u>Leasehold properties and improvements:</u>		
Cost	14,790	22,564
Net book value	9,735	12,120

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 as disclosed in Note 22 the leasehold properties and improvements at 14 Lok Yang Way, 90 Second Lok Yang Road and 21A Neythal Road.

On 29 May 2014, a subsidiary accepted a letter of offer issued by JTC Corporation ("**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.

The leasehold property at 21A Neythal Road expired on 15 August 2019. Ownership was transferred back to JTC and the asset was derecognised in the books. Subsequently, there was a short term lease of the property for one year, expiring on 15 August 2020 with an option to renew for one year. The group has exercised the option to renew the lease till 15 August 2021.

The leasehold property at 36 Tuas Crescent expired on 31 July 2020. Ownership was transferred back to JTC Corporation and the asset was derecognised in the books.

The fair value of leasehold properties and improvements located at 14 Lok Yang Way and 90 Second Lok Yang Road were measured in August 2020 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on full valuations made by Jones Lang LaSalle Property Consultants Pte Ltd, a firm of independent valuers on a systematic basis. The full valuations and desktop valuations will be done yearly on an alternate year basis respectively. If there are material changes to the property or market conditions, a full valuation will be performed.

The 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 categorised 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 \$243,000 (2019: deficit of \$60,000) has been credited to asset revaluation reserve in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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

Valuation policies and procedures:

It is the group's policy to engage external valuation experts to perform the valuation. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13: 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 and Fair value hierarchy – Level:	\$9,500,000 (2019: \$10,000,000). Level 2 (2019: 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. \$781 – \$1,655 (\$1,134) (2019: \$886 – \$1,473 (\$1,258)).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by \$950,000; higher by \$950,000.
Asset:	Leasehold property at 90 Second Lok Yang Road
Fair Value and Fair value hierarchy – Level:	\$12,000,000 (2019: \$13,000,000). Level 2 (2019: 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. \$781 – \$1,655 (\$1,134) (2019: \$886 – \$1,473 (\$1,258)).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by \$1,200,000; higher by \$1,200,000.
Asset:	Leasehold property at 36 Tuas Crescent
Fair Value and Fair value hierarchy – Level:	\$Nil (2019: \$1,000,000). Level 2 (2019: 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, \$Nil (2019: \$125,000) per month.
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	NA

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 \$'000	2019 \$'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
Less allowance for impairment	(1,422)	(1,422)
Capitalised income from fair value of corporate guarantee	2,740	2,740
Balance at end of the year	60,107	60,107
Net book value of subsidiaries	76,419	72,509

The subsidiaries held by the company are listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost in books of group		Effective percentage of equity held by group	
	2020 \$'000	2019 \$'000	2020 %	2019 %
	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
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 2020

15. INVENTORIES

	Group	
	2020	2019
	\$'000	\$'000
Goods for resale	40,256	37,426
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of the year	43,727	44,255
Reversed to profit or loss included in other gains (Note 6)	(3,425)	(514)
Foreign exchange adjustments	11	(14)
Balance at end of the year	40,313	43,727
Amount of inventories included in cost of sales	68,474	70,022

The inventory write-downs represent write-downs (impairment allowance) in the book value of the inventories only and they are not meant to indicate that the inventories have been scrapped or written-off.

16. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<u>Trade receivables</u>				
Outside parties	23,226	25,504	–	–
Less allowance for impairment	(999)	(15)	–	–
Contract assets ^{#a}	3,794	2,327	–	–
Other related parties (Note 3)	20	978	–	–
Subsidiaries (Note 3)	–	–	1,723	1,467
Net trade receivables – subtotal	26,041	28,794	1,723	1,467
<u>Other receivables:</u>				
Advances to suppliers	1,573	3,183	–	–
Other receivables	1	–	–	–
Dividend receivables	–	–	1,500	1,000
Net other receivables – subtotal	1,574	3,183	1,500	1,000
Total trade and other receivables	27,615	31,977	3,223	2,467
<u>Movements in above allowance:</u>				
Balance at beginning of the year	15	19	–	–
Charge (reversed) to profit or loss included in other losses (other gains) (Note 6)	984	(4)	–	–
Balance at end of the year	999	15	–	–

^{#a} The contract assets are for: entity's rights to consideration for goods delivered but not billed at the reporting date on the contracts.

The trade receivables are subject to the ECL model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance is based on its historical observed default rates (over a period of 12 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined as follows for both trade receivables:

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

16. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS (CONT'D)

Group	Gross amount \$'000	2020 ECL rate %	Loss allowance \$'000	Gross amount \$'000	2019 ECL rate %	Loss allowance \$'000
Trade receivables:						
Current	17,697	0.0%	–	12,828	0.0%	–
1 to 30 days past due	2,501	0.0%	–	3,507	0.0%	–
31 to 60 days past due	3,100	0.0%	–	2,033	0.0%	–
61 to 90 days past due	1,075	0.0%	–	6,713	0.0%	–
Over 90 days past due	2,667	37.5%	999	3,728	0.4%	15
Total	27,040		999	28,809		15

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period. There are no collateral held as security and other credit enhancements for the trade receivables.

These trade receivables shown above are subject to the ECL are considered to have low credit risk individually. At the end of the reporting year a loss allowance is recognised at an amount equal to lifetime expected loss allowance the ECL. A loss allowance balance of \$999,000 (2019: \$15,000) is recognised.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

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 (2019: 30 to 120 days). However, some customers may take a longer period to settle the amounts.

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

The other receivables at amortised cost shown above are also subject to the ECL model under the financial reporting standard on financial instruments. Other receivables are normally with no fixed terms and therefore there is no maturity. Related company receivables are regarded as of low credit risk if they are guaranteed with the ability to settle the amount. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk. At the end of the first reporting period a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. No loss allowance is necessary.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2020	2019
	\$'000	\$'000
Key men insurance asset	119	107

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

18. OTHER NON-FINANCIAL ASSETS

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Deposits to secure services	153	124	–	–
Prepayments	249	246	32	48
	402	370	32	48

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Not restricted in use	15,951	8,525	307	177
Cash pledged for bank facilities #	–	58	–	–
Cash at end of the year	15,951	8,583	307	177

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

19. CASH AND CASH EQUIVALENTS (CONT'D)

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

	Group	
	2020 \$'000	2019 \$'000
Amount as shown above	15,951	8,583
Cash pledged for bank facilities	–	(58)
Cash and cash equivalents for statement of cash flows purposes at end of the year	15,951	8,525

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

19B. Reconciliation of liabilities arising from financing activities:

	2019 \$'000	Cash flows \$'000	Non-cash changes \$'000	2020 \$'000
Finance leases	15	(16)	1 ^(a)	–
Lease liabilities, current	–	(1,343)	2,580 ^(b)	1,237
Lease liabilities, non-current	–	–	2,619 ^(b)	2,619
Total liabilities from financing activities	15	(1,359)	5,200	3,856

	2018 \$'000	Cash flows \$'000	Non-cash changes \$'000	2019 \$'000
Finance leases	147	(140)	8 ^(a)	15

^(a) Interest expense on finance leases.

^(b) Adoption of new financial reporting standard on leases effective from 1 January 2019 and subsequent measurement of lease liabilities (See Note 25).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

20. SHARE CAPITAL

	Company	
	Number of shares issued	Share capital \$'000
Ordinary shares of no par value:		
Balance at 1 October 2018, 30 September 2019 and 30 September 2020	290,399,997	56,325

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

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

Capital management:

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

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

	Group	
	2020 \$'000	2019 \$'000
Net debt:		
All current and non-current borrowings including finance leases	25,929	17,803
Less cash and cash equivalents	(15,951)	(8,583)
Net debt	9,978	9,220
Adjusted capital:		
Equity	80,996	76,272
Adjusted capital	80,996	76,272
Debt-to-adjusted capital ratio	12.3%	12.1%

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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).

The translation reserve accumulates all foreign exchange differences.

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

22. PROVISIONS

	Group	
	2020 \$'000	2019 \$'000
<u>Provision, non-current:</u>		
Provision for dismantling, removing items and restoring sites relating to leased properties	783	1,650
<u>Movements in above provision:</u>		
Balance at beginning of the year	1,650	40
(Reductions) additions (Note 13)	(367)	1,610
Reversed to profit or loss included in other gains (Note 6)	(278)	–
Used	(222)	–
Balance at end of the year	783	1,650

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 13 years.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Trade payables:</u>				
Outside parties and accrued liabilities	3,052	8,330	378	255
Other related parties (Note 3)	190	219	–	–
Trade payables – subtotal	3,242	8,549	378	255
<u>Other payables:</u>				
Outside parties	599	490	–	–
Other payables – subtotal	599	490	–	–
Total trade and other payables	3,841	9,039	378	255

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

24. LOANS AND BORROWINGS

	Group	
	2020	2019
	\$'000	\$'000
<u>Non-current:</u>		
<u>Financial instruments with floating interest rates:</u>		
Bank loans (secured)	5,186	5,933
<u>Current:</u>		
<u>Financial instruments with floating interest rates:</u>		
Bank loans (secured)	730	963
<u>Financial instruments with fixed interest rates:</u>		
Bank loans (secured)	–	2,000
Trust receipts and bills payable to banks (secured)	16,157	8,892
Finance leases (Note 24A)	–	15
Total current portion	16,887	11,870
Total non-current and current	22,073	17,803
The non-current portion is payable as follows:		
Due within 2 to 5 years	3,045	2,921
After 5 years	2,141	3,012
Total non-current portion	5,186	5,933

	Group	
	2020	2019
	% p.a.	% p.a.
The range of floating interest rates paid were as follows:		
Bank loans (secured)	1.70	3.26 – 3.51
The range of fixed interest rates paid were as follows:		
Bank loans (secured)	–	3.88 – 4.01
Trust receipts and bills payable to banks (secured)	1.52 – 1.95	2.65 – 3.75
Finance leases (Note 24A)	–	2

All borrowings are interest bearing.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

24. LOANS AND BORROWINGS (CONT'D)

24A. Finance leases

Group	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
2019			
Minimum lease payments payable:			
Due within one year	16	(1)	15
Due within 2 to 5 years	–	–	–
Total	16	(1)	15
Net book value of plant and equipment under finance leases			150

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 2020	Group 2019
Average lease term, in years	–	3
Average effective borrowing rate per year	–	3.83%

25. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

The leases are for land of the leasehold properties, warehouse and some equipment. The lease contracts are usually for fixed periods of 1 to 13. Lease terms contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At the date of transition to the new standard on leases, management elected to measure the right-of-use assets at an amount equal to the lease liability above adjusted for any prepaid or accrued lease payments that existed at the date of transition (applied to leases previously classified as finance leases or operating leases). The lease above liability does not include the short-term leases and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-of-use assets. Also see Note 13 on property, plant and equipment.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

25. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS (CONT'D)

The right-of-use assets and lease liabilities in the statement of financial position are as follows: The movements are as follows:

Group	Leasehold land and building \$'000	Plant and equipment \$'000	Total \$'000	Lease liabilities \$'000
<u>Cost or valuation:</u>				
At 1 October 2019	5,269	97	5,366	5,366
Accretion of interest	–	–	–	115
Additions	28	–	28	28
Disposals	(127)	–	(127)	–
Lease payments – principal portion paid	–	–	–	(1,343)
Interest paid	–	–	–	(115)
Rental rebate	–	–	–	(195)
<u>Accumulated depreciation:</u>				
At 1 October 2019	–	–	–	–
Foreign currency adjustment	(2)	–	(2)	–
Depreciation for the year	(1,355)	(31)	(1,386)	–
Disposals	127	–	127	–
Rental rebate	(195)	–	(195)	–
<u>Carrying value:</u>				
At 1 October 2019	5,269	97	5,366	5,366
At 30 September 2020	3,745	66	3,811	3,856

Lease liabilities are presented in the statement of financial position as follows:

	Group	
	2020 \$'000	2019 \$'000
Lease liabilities, current	1,237	–
Lease liabilities, non-current	2,619	–
Total	3,856	–

The new standard on leases has been applied using the modified retrospective transition approach. Therefore no comparative amounts for the year ended 30 September 2019 are presented.

On transition to the new standard on leases the incremental borrowing rate applied to lease liabilities recognised was a range from 1.87% to 7.6%. The finance leases, the right-of-use asset and lease liability before the date of initial application are measured at the same amounts as under the new standard.

The obligations under finance leases are secured by a legal charge over the leased assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

25. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS (CONT'D)

Reconciliation of lease commitments and lease liability at the date of initial application:

	Group 2020 \$'000
Operating lease commitments as at 30 September 2019	4,910
Other minor adjustments	5
Subtotal – Operating lease liabilities before discounting	4,915
Discounted using incremental borrowing rate	(661)
Operating lease liabilities, net	4,254
Reasonably certain extension options	1,112
Total lease liabilities recognised at 1 October 2019	5,366

A summary of the maturity analysis of lease liabilities that shows the remaining contractual maturities is as follows:

Group	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
2020			
Minimum lease payments payable:			
Not later than 1 year	1,332	(95)	1,237
Between 2 and 5 years	1,169	(273)	896
Later than 5 years	1,912	(189)	1,723
At end of the year	4,413	(557)	3,856

The cash outflow for the leases for the year ended 30 September 2020 are shown in the statement of cash flows.

At reporting year date there were no commitments on leases which had not commenced.

26. OTHER NON-FINANCIAL LIABILITIES

	Group	
	2020 \$'000	2019 \$'000
Advance billings	–	477

27. CAPITAL COMMITMENTS

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

	Group	
	2020 \$'000	2019 \$'000
Commitments to purchase plant and equipment	22	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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	
	2020	2019
	\$'000	\$'000
Financial assets:		
Financial assets at amortised cost	41,993	37,377
Financial assets at fair value through profit or loss	119	107
At end of the year	42,112	37,484
Financial liabilities:		
Financial liabilities at amortised cost	29,770	26,842
At end of the year	29,770	26,842

	Company	
	2020	2019
	\$'000	\$'000
Financial assets:		
Financial assets at amortised cost	3,530	2,644
At end of the year	3,530	2,644
Financial liabilities:		
Financial liabilities at amortised cost	378	255
At end of the year	378	255

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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 exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate and currency 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 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. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following acceptable market practices.

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

28C. Fair value of financial instruments

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

	Group Level 3	
	2020	2019
	\$'000	\$'000
Financial assets at fair value through profit or loss	119	107
Total	119	107

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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	
	2020 \$'000	2019 \$'000
Balance at beginning of the year	107	199
Gains recognised in profit or loss under other gains (Note 6)	12	20
Surrender value on keyman insurance	–	(112)
Total net balance at end of the year	119	107

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
2020:			
Unquoted other investment reflected in profit or loss. 10% change	119	12	(12)
2019:			
Unquoted other investment reflected in profit or loss. 10% change	107	11	(11)

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. These arise principally from 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 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 expected credit losses (ECL) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 36 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 19 discloses the maturity of the cash and cash equivalents balances of less than 90 days. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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

28E. Liquidity risk – financial liabilities maturity analysis

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 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 (2019: 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.

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

Group	Less than 1 year \$'000	1 – 5 years \$'000	Over 5 years \$'000	Total \$'000
Non-derivative financial liabilities:				
2020:				
Trade and other payables	3,841	–	–	3,841
Gross loans and borrowings	17,039	3,294	2,190	22,523
Gross lease liabilities	1,332	1,169	1,912	4,413
At end of the year	22,212	4,463	4,102	30,777
2019:				
Trade and other payables	9,039	–	–	9,039
Gross loans and borrowings	12,143	3,504	3,196	18,843
At end of the year	21,182	3,504	3,196	27,882
Company				
Non-derivative financial liabilities:			Less than 1 year \$'000	Total \$'000
2020:				
Trade and other payables			378	378
At end of the year			378	378
2019:				
Trade and other payables			255	255
At end of the year			255	255

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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

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

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
2020:				
Corporate guarantee in favour of a subsidiary	18,000	509	–	18,509
2019:				
Corporate guarantee in favour of a subsidiary	12,973	2,256	–	15,229

Bank facilities:

	Group	
	2020 \$'000	2019 \$'000
Used letters of credit	–	1,217
Used performance guarantees	2,353	2,404
Undrawn borrowing facilities	52,991	61,285

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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

28F. Interest rate risk

Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position and on some financial instruments not recognised in the statement of financial position. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group	
	2020	2019
	\$'000	\$'000
<u>Financial liabilities with interest:</u>		
Fixed rates	16,157	10,907
Floating rates	5,916	6,896
Total at end of the year	22,073	17,803

The interest rates are disclosed in the respective notes.

Sensitivity analysis:

	Group	
	2020	2019
	\$'000	\$'000
<u>Financial liabilities:</u>		
A hypothetical variation in interest rates by 100 basis points with all other variables held constant, would have a decrease in pre-tax profit for the year by	59	69

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 2020

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

28G. Foreign currency risks

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts denominated in non-functional currency:

Group	USD \$'000	EUR \$'000	Others [#] \$'000	Total \$'000
2020:				
<u>Financial assets:</u>				
Cash	10,326	53	2,125	12,504
Trade and other receivables	20,197	–	50	20,247
Total financial assets	30,523	53	2,175	32,751
<u>Financial liabilities:</u>				
Trade and other payables	1,793	(407)	70	1,456
Total financial liabilities	1,793	(407)	70	1,456
Net financial assets/ (liabilities) at end of the year	28,730	460	2,105	31,295
2019:				
<u>Financial assets:</u>				
Cash	3,583	122	2,158	5,863
Trade and other receivables	18,230	–	507	18,737
Total financial assets	21,813	122	2,665	24,600
<u>Financial liabilities:</u>				
Trade and other payables	4,568	282	92	4,942
Total financial liabilities	4,568	282	92	4,942
Net financial assets/ (liabilities) at end of the year	17,245	(160)	2,573	19,658

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

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

28G. Foreign currency risks (cont'd)

Sensitivity analysis:

	Group	
	2020	2019
	\$'000	\$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the USD with all other variables held constant would have an adverse effect on pre-tax loss of	(2,612)	(1,568)
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)/favourable effect on pre-tax loss of	(42)	15
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	(191)	(234)

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.

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	
	2020	2019
	\$'000	\$'000
Audit fees to the independent auditor of the company	138	133
Audit fees to the other independent auditor	10	9
Other fees to the independent auditor of the company	31	46
Other fees to the other independent auditor	16	9

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

30. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements except as disclosed in Note 32.

SFRS(I) No.	Title
SFRS(I) 16	Leases (and Leases – Illustrative Examples & Amendments to Guidance on Other Standards)
SFRS(I) INT 23	Uncertainty over Income Tax Treatments
SFRS(I) 1-12	Improvements (2017) – Amendments: Income Taxes
SFRS(I) 1-23	Improvements (2017) – Amendments: Borrowing Costs

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

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 3	Definition of a Business – Amendments	1 January 2020
SFRS(I) 1-1 and 1-8	Definition of Material – Amendments to The Conceptual Framework for Financial Reporting	1 January 2020

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 September 2020

32. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS OF COMPARATIVE FIGURES

Leases:

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessee almost all leases are 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. Thus, the entity has recognised 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) which might have a material impact on the amounts recognised in the financial statements. The amount by which each financial statement line item is impacted (debits / (credits)) in the current reporting year 2019 by the application of the new standard on leases are disclosed in the Note 25 to the financial statements. The reporting entity elected to apply the modified retrospective approach for this new standard on leases. Under the modified retrospective approach the comparative information is not restated and therefore there is no presentation of a third column for the statement of financial position.

SHAREHOLDERS' INFORMATION

As at 9 December 2020

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	19	1.44	816	0.00
100 – 1,000	115	8.70	56,647	0.02
1,001 – 10,000	401	30.33	1,937,448	0.67
10,001 – 1,000,000	758	57.34	62,972,902	21.68
1,000,001 and above	29	2.19	225,432,184	77.63
TOTAL	1,322	100.00	290,399,997	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Hanwa Co., Ltd. ¹	82,617,982	28.45
2	Ong Tong Hai	35,142,096	12.10
3	Ong Tong Yang (Weng Dongyang)	19,954,396	6.87
4	ABN Amro Clearing Bank N.V.	9,504,762	3.27
5	DBS Nominees (Private) Limited	8,995,668	3.10
6	DB Nominees (Singapore) Pte Ltd	6,827,400	2.35
7	Ho Su Chin	6,502,041	2.24
8	Chow Kok Kee	6,124,991	2.11
9	Phillip Securities Pte Ltd	5,443,998	1.87
10	Goh Guan Siong (Wu Yuanxiang)	5,309,200	1.83
11	Teo Ching Ching (Zhao Qianqian)	4,765,698	1.64
12	Ong Chin Sum	4,192,400	1.44
13	Citibank Nominees Singapore Pte Ltd	3,452,100	1.19
14	Raffles Nominees (Pte.) Limited	3,269,800	1.13
15	Chan Hock Lye	2,529,700	0.87
16	Lim Mee Hwa	2,500,000	0.86
17	Eng Chiaw Koon	2,038,200	0.70
18	UOB Kay Hian Private Limited	2,017,500	0.69
19	Lau Kin Hong	1,682,000	0.58
20	Tan Cheng Guan	1,535,000	0.53
	Total	214,404,932	73.82

Note:

¹ Held through Daiwa Capital Markets Singapore Limited.

SHAREHOLDERS' INFORMATION (CONT'D)

As at 9 December 2020

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Shareholders	Number of Shares	Direct Interest %	Deemed Interest %
Hanwa Co., Ltd. ¹	82,617,982	28.45	–
Ong Tong Hai ²	35,142,096	12.10	–
Ong Tong Yang (Weng DongYang) ³	19,954,396	6.87	–

Note:

¹ Held through Daiwa Capital Markets Singapore Limited.

² Mr Ong Tong Hai is the brother of Mr Ong Tong Yang, a substantial shareholder of the Company.

³ Mr Ong Tong Yang is the brother of Mr Ong Tong Hai, the CEO and Executive Director of the Company and the Director of Kim Seng Huat Hardware Pte Ltd, the Company's principal subsidiary.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 9 December 2020, approximately 53% 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 9 December 2020, there are no treasury shares held by the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of CosmoSteel Holdings Limited (the "**Company**") will be held by way of electronic means at on Wednesday, 27 January 2021 at 9.00 a.m. to transact the following business:-

ORDINARY BUSINESS

AS ORDINARY RESOLUTIONS

1. To receive and adopt the Statement By Directors, the Independent Auditors' Report and the Audited Financial Statements of the Company for the financial year ended 30 September 2020. **(Resolution 1)**
2. To declare a final one-tier tax exempt dividend of S\$0.0050 per share for the financial year ended 30 September 2020. **(Resolution 2)**
3. To approve the payment of S\$295,000 as Directors' Fees for the financial year ending 30 September 2021. **(Resolution 3)**
4. To re-elect Mr Jack Ong Tong Hai, the Director retiring by rotation pursuant to Article 117 of the Constitution of the Company. **(Resolution 4)**
5. To re-elect Mr Hor Siew Fu, the Director retiring by rotation pursuant to Article 117 of the Constitution of the Company. **(Resolution 5)**
6. To re-appoint RSM Chio Lim LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

SPECIAL BUSINESS

AS ORDINARY RESOLUTIONS

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

7. **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
- (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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- (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 percent (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 twenty percent (20%) 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 7)

8. 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**");

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- (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 8)**

9. **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:
 - (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;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(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 9)**

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

BY ORDER OF THE BOARD

Lee Pih Peng
Joint Company Secretary
5 January 2021
Singapore

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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

Ordinary Business

- (i) Ordinary Resolution 3, if passed, will allow the Company to pay Directors' Fees to Directors (on a quarterly basis in arrears) as services are rendered by Directors for the financial year ending 30 September 2021 including unscheduled meeting(s) held after the close of the financial year ended 30 September 2020. 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 4, if passed, will re-appoint Mr Jack Ong Tong Hai as Director of the Company. Mr Jack Ong Tong Hai 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 Jack Ong Tong Hai is set out in pages 143 to 148 of the Company's annual report.
- (iii) Ordinary Resolution 5, 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 Nominating Committee and a member of the Remuneration Committee. Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, further information on Mr Ho Siew Fu is set out in pages 143 to 148 of the Company's annual report.

Special Business

- (iv) Ordinary Resolution 7, 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 percent (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 twenty percent (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution), to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

- (1) new Shares arising from the conversion or exercise of any convertible securities;
- (2) new Shares arising from exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
- (3) any subsequent bonus issue, consolidation or sub-division of Shares.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- (v) Ordinary Resolution 8, 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.

- (vi) Ordinary Resolution 9, 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 for additional information in relation to the proposed renewal of the Share Buyback Mandate.

Important notice on AGM arrangements in light of COVID-19

This notice of AGM ("**Notice**") has been published on SGXNET and the Company's website at www.cosmosteel.com. A printed copy of this Notice, the proxy form and other documents related to the AGM will NOT be despatched to members.

This notice sets out the Company's arrangements relating to, among others, attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and/or voting by appointing the Chairman of the AGM as proxy for the AGM.

Notes:

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Due to the current COVID-19 restriction orders in Singapore, Members will not be able to attend the AGM in person. Members will be able to watch the proceedings of the AGM through a "live" audio-visual webcast ("**LIVE WEBCAST**") via their mobile phones, tablets or computers or listen to these proceedings through a "live" audio feed ("**AUDIO ONLY MEANS**"). In order to do so, Members who wish to watch the LIVE WEBCAST or listen via the AUDIO ONLY MEANS must pre-register at <https://agm.conveneagm.com/cosmosteelagm2020> by no later than 9.00 a.m. on 24 January 2021 ("**Registration Cut-Off Time**").

Following verification, an email containing instructions on how to access the LIVE WEBCAST and AUDIO ONLY MEANS of the proceedings of the AGM will be sent to authenticated members by 12.00 p.m. on 26 January 2021. Members who do not receive an email by 12.00 p.m. on 26 January 2021, but have registered by the Registration Cut-Off Time, should contact the Company's share registrar, BoardRoom Corporate & Advisory Services Pte Ltd at +65 6536 5355 or via email at AGM.TeamE@boardroomlimited.com.

Persons holding shares through relevant intermediaries, who wish to participate in the AGM via LIVE WEBCAST or through the AUDIO ONLY MEANS, should contact their relevant intermediaries through which they hold such shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

3. Members who pre-register to watch the LIVE WEBCAST or listen via the AUDIO ONLY MEANS may also submit questions relating to the resolutions to be tabled for approval at the AGM. Please note that Members will not be able to ask questions at the AGM "live" during the webcast and the audio feed. All questions must be submitted in the following manner:
 - a. if sent personally or by post, be received by the Company's Share Registrar, BoardRoom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower Singapore 048623;
 - b. if submitted by email, be sent as a clearly readable image via email to the Company's Share Registrar, BoardRoom Corporate & Advisory Services Pte Ltd at AGM.TeamE@boardroomlimited.com; or
 - c. via the pre-registration website at <https://agm.conveneagm.com/cosmosteelagm2020>.

in either case no later than 9.00 a.m. on 24 January 2021 ("**Questions Cut-Off Date**").

The Company will address substantial questions relevant to the resolutions to be tabled for approval at the AGM as received from Members before the Questions Cut-Off Date, by publishing the answers on SGXNET and the Company's website at www.cosmosteel.com. The Company will, within one month after the date of the AGM, publish the minutes of the AGM on SGXNET and the Company's website at www.cosmosteel.com.

4. Members (whether individuals or corporates) who wish to exercise their voting rights at the AGM must appoint the Chairman of the AGM as their proxy to attend, speak and vote on their behalf at the AGM. In appointing the Chairman of the AGM as proxy, Members (whether individuals or corporates) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
5. The Chairman of the AGM, as proxy, need not be a member of the Company.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

6. The proxy form appointing the Chairman of the AGM must be downloaded, printed, completed and signed by Members and sent to the Company in the following manner:
 - a. if sent personally or by post, be received by the Company's Share Registrar, BoardRoom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower Singapore 048623; or
 - b. if submitted by email, be sent as a clearly readable image via email to the Company's Share Registrar, BoardRoom Corporate & Advisory Services Pte Ltd at AGM.TeamE@boardroomlimited.com,in either case no later than 9.00 a.m. on 24 January 2021 and in default the proxy form shall not be treated as valid.
7. The proxy form appointing the Chairman of the AGM as proxy must be signed by the appointor or his attorney duly authorised in writing. Where the proxy form appointing the Chairman of the AGM as proxy is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney.
8. Where the proxy form appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be attached to the proxy form, failing which the proxy form may be treated as invalid.
9. The Company shall be entitled to reject the proxy form appointing the Chairman of the AGM as proxy 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 proxy form appointing the Chairman of the AGM as proxy.
10. In the case of shares entered in the Depository Register, the Company may reject the proxy form if the member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

IMPORTANT REMINDERS:

Due to the constantly evolving COVID-19 situation, the Company may be required to change its AGM arrangements at short notice. Members are advised to regularly check the Company's website or announcements released on SGXNET for updates on the AGM. Further, in view of the current COVID-19 measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

PERSONAL DATA PRIVACY:

By (a) submitting a proxy form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, (b) completing the pre-registration in accordance with this Notice, or (c) submitting any question prior to the AGM in accordance with this Notice, a Member of the Company consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing, administration and analysis by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the AGM as proxy for the AGM (including any adjournment thereof);
- (ii) processing of the pre-registration for purposes of granting access to Members to the LIVE WEBCAST or AUDIO ONLY MEANS of the AGM proceedings and providing them with any technical assistance where necessary;
- (iii) addressing substantial and relevant questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;
- (iv) preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

In addition, the personal data of a Member (such as name, presence at the AGM and any questions raised or motions proposed/seconded) may be recorded by the Company during sounds and/or video recordings of the AGM which may be made by the Company for record keeping and to ensure the accuracy of the minutes of the AGM and a Member of the Company consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents or service providers) for such purpose.

ADDITIONAL INFORMATION

Additional Information on Directors seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST

Mr Jack Ong Tong Hai and Mr Hor Siew Fu are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 27 January 2021 ("**AGM**") under Ordinary Resolutions 4 and 5, as set out in the Notice of AGM dated 5 January 2021 (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the SGX Listing Rules, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the SGX Listing Rules is set out below:

Name of Director	Jack Ong Tong Hai	Hor Siew Fu
Date of Appointment	9 November 2005	26 October 2018
Date of Last Re-Appointment	24 January 2018	28 January 2019
Age	43	69
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	N.A.	N.A.
Whether appointment is executive, and if so, the area of responsibility	Yes Mr Jack Ong Tong Hai is the Chief Executive Officer and Executive Director of the Group and is responsible for steering the Group's corporate and business strategies.	No
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chief Executive Officer / Executive Director	Independent Director Audit Committee Chairman Nominating Committee Chairman Remuneration Committee Member

ADDITIONAL INFORMATION (CONT'D)

Name of Director	Jack Ong Tong Hai	Hor Siew Fu
Working experience and occupation(s) during the past 10 years	<p>November 2005 – Current Executive Director CosmoSteel Holdings Limited</p> <p>September 2000 – Current Director of Kim Seng Huat Hardware Pte Ltd</p>	<p>January 2007 – September 2013 Chief Financial Officer Cosmosteel Holdings Limited</p> <p>May 2014 – February 2016 Chief Financial Officer Albedo Limited</p> <p>June 2016 – Current Independent Director Edition Limited</p> <p>October 2018 – Current Independent Director Cosmosteel Holdings Limited</p> <p>May 2019 – Current Independent Director Plastoform Holdings Limited</p> <p>December 2019 – Current Independent Director Memiontec Holdings Ltd.</p>
Shareholding interest in the listed issuer and its subsidiaries	35,142,096	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Jack Ong Tong Hai is the brother of Mr Andy Ong Tong Yang, a substantial shareholder of the Company	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Past Directorships or Principal Commitments (for the last 5 years)	Nil	<p>Director of Sandav Business Solutions Pte Ltd</p> <p>Director of Q Industries & Trade Pte Ltd</p> <p>Chief Financial Controller of Albedo Limited</p>

ADDITIONAL INFORMATION (CONT'D)

Name of Director	Jack Ong Tong Hai	Hor Siew Fu
Present Directorships or Principal Commitments	CosmoSteel Holdings Limited	Independent Director of Edition Limited Independent Director Cosmosteel Holdings Limited Independent Director Plastoform Holdings Limited Independent Director Memiontec Holdings Ltd
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No

ADDITIONAL INFORMATION (CONT'D)

Name of Director	Jack Ong Tong Hai	Hor Siew Fu
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

ADDITIONAL INFORMATION (CONT'D)

Name of Director	Jack Ong Tong Hai	Hor Siew Fu
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

ADDITIONAL INFORMATION (CONT'D)

Name of Director	Jack Ong Tong Hai	Hor Siew Fu
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere	No	No
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the Nominating Committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Yes CosmoSteel Holdings Limited	Yes Edition Limited Cosmosteel Holdings Limited Plastoform Holdings Limited Memiontec Holdings Ltd

COSMOSTEEL HOLDINGS LIMITED

(Incorporated in The Republic of Singapore)

Company Registration No. 200515540Z

**ANNUAL GENERAL MEETING
PROXY FORM**

(Please see notes overleaf before completing this Form)

This proxy form has been made available on SGXNET and the Company's website at www.cosmosteel.com. A printed copy of this proxy form will NOT be despatched to members.

IMPORTANT

- Due to the current COVID-19 restriction orders in Singapore, members of the Company ("**Members**") will not be able to attend the AGM in person. Members will be able to watch the proceedings of the AGM through a "live" audio-visual webcast via their mobile phones, tablets or computers or listen to these proceedings through a "live" audio feed. In order to do so, Members must pre-register by 9.00 a.m. on 24 January 2021.

Members will receive an email verification authenticating their status as Members by 12.00 p.m. on 26 January 2021, along with the accompanying instructions on accessing the webcast and audio feed of the proceedings. Members who do not receive an email by 12.00 p.m. on 26 January 2021 may contact the Company's share registrar, BoardRoom Corporate & Advisory Services Pte Ltd at +65 6536 5355 or via email at AGM.TeamE@boardroomlimited.com.
- This Proxy Form is forwarded to CPF Investors at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY. CPF Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks to submit their voting instructions by 9.00 a.m. on 18 January 2021, being seven (7) working days before the AGM.
- By submitting a proxy form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, a Member (and his appointed proxy(ies)) consents to the collection, use and disclosure of their personal data by the Company (or its agents or service providers) for such purposes and/or otherwise with the personal data privacy terms set out in the Notice of AGM dated 5 January 2021.

I/We, _____ NRIC/Passport/Company Registration No. _____

of _____ (Address)

being a member/members of COSMOSTEEL HOLDINGS LIMITED (the "**Company**") hereby appoint the Chairman of the fortieth annual general meeting of the Company ("**AGM**"), as my/our* proxy to vote for me/us* on my/our* behalf at the AGM to be held by way of electronic means on Wednesday, 27 January 2021 at 9.00 a.m. and at any adjournment thereof. I/We* appoint the Chairman of the AGM to vote for or against, or abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the appointment of the Chairman of the AGM as my/our* proxy will be treated as invalid.

No.	Ordinary Resolution	For	Against	Abstain
1	To adopt Statement By Directors', Independent Auditors' Report and Audited Financial Statements			
2	To declare a final one-tier tax exempt dividend			
3	To approve Directors' fees for the financial year ending 30 September 2021			
4	To re-elect Mr Jack Ong Tong Hai as Director of the Company			
5	To re-elect Mr Hor Siew Fu as Director of the Company			
6	To re-appoint RSM Chio Lim LLP as Auditors of the Company and to authorize the Directors to fix their remuneration			
7	To authorize the Directors to allot and issue shares			
8	To authorize the Directors to enter into interested person transactions pursuant to the Interested Person Transactions Mandate			
9	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", "Against" or "Abstain", please tick within the box provided. Alternatively, please indicate the number of shares the Chairman of the AGM, as your proxy, is directed to vote "For", "Against" or "Abstain".

* Delete where inapplicable

Dated this _____ day of _____ 2021.

Total number of Shares in	Number of Shares
CDP Register	

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 no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. Due to the current COVID-19 restriction orders in Singapore, a Member will not be able to attend the AGM in person. A member will also not be able to vote online on the Resolutions to be tabled for approval at the AGM. If a Member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a Member (whether individual or corporate) must give specific instructions as to voting), or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
3. The proxy form appointing the Chairman of the AGM as proxy must be downloaded, printed, completed and signed by Members and sent to the Company in the following manner:
 - a. if submitted by post, be deposited at the office of the Company's Share Registrar, BoardRoom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623;
 - b. if submitted electronically, be submitted via email to the Company's Share Registrar, BoardRoom Corporate & Advisory Services Pte Ltd at AGM.TeamE@boardroomlimited.com.

in either case no later than 9.00 a.m. on 24 January 2021 and in default the proxy form shall not be treated as valid.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for Members to submit completed proxy forms by post, Members are strongly encouraged to submit completed proxy forms electronically via email.

4. 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.
5. 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.
6. 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.
7. 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 the Chairman as its proxy 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

14 Lok Yang Way Singapore 628633

Tel: (65) 6863 1828

Fax: (65) 6861 2191

email: general@cosmosteel.com.sg

www.cosmosteel.com

COSMOS HOLDINGS LIMITED **STRENGTH**



PERSERVERANCE
ANNUAL REPORT 2020