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

RESPONSE TO QUESTIONS FROM SHAREHOLDERS FOR ANNUAL GENERAL MEETING ON 28 JANUARY 2022

The Board of Directors (the "**Board**") of CosmoSteel Holdings Limited (the "**Company**") refers to the announcement dated 6 January 2022 in relation to the Notice of Annual General Meeting to be held by electronic means on Friday, 28 January 2022, at 9.30 a.m. ("**AGM**").

The Company would like to express its appreciation to its shareholders for submitting their questions in advance of the AGM. The Company would also like to inform shareholders that the substantial and relevant questions received by the Company by the deadline, i.e. 9.30 a.m. on 14 January 2022, have been responded to and are published in this announcement. Please refer to the Appendix A of this announcement for details of the questions and responses of the Company.

BY ORDER OF THE BOARD

Ong Tong Hai
Chief Executive Officer and Executive Director
22 January 2022

APPENDIX A

RESPONSE TO QUESTIONS FROM SHAREHOLDERS

Question 1:

The annual report mentioned that the new range of cable and cable management systems did not gain much traction. Which industries are the customers for the cable products from? What are CosmoSteel's plans for the cable products business going forward?

Company's Response:

Our main target market for the cables and cables management products we had introduced is the energy industry, in particular for offshore projects, but initial sales were slow as there were not that many offshore projects available in the market after the launch of our products.

Since the customers we target for this new products range are largely the same customers we serve in the industry in the supply of our existing range of pipes, fittings and flanges products, we will continue to market our new products to them as and when opportunities arise.

Question 2:

Which industries are the customers for the structural products from?

Company's Response:

Customers for our structural products are largely the same as the customers we serve in the supply of our existing range of pipes, fittings and flanges products, and come from the same industries, namely, energy and marine industries.

Question 3:

What are CosmoSteel's plans to mitigate the impact of higher steel prices on its business & profitability?

Company's Response:

The Group takes a multi-pronged approach to mitigate the impact of higher steel prices on its business and profitability: it tries to balance new inventory purchases with the amount of expected orders in mind, *inter alia*, to avoid being lumbered with a high-cost inventory should steel prices drop subsequently, and at the same time, higher steel prices mean that there is room for the Group to enjoy higher margins on the sale some of its existing inventory which were acquired at a lower cost.

Question 4:

Does CosmoSteel expect to remain profitable in FY2022?

Company's Response:

The Company has provided a commentary in paragraph 11 of its financial results announcement dated 25 November 2021, *inter alia*, on the likely operating environment and conditions that the Group will face in the next 12 months, and Shareholders should refer to that, as well as the Chairman's message in the Company' annual report dated 6 January 2022.

Question 5:

How does the Board plan to meet the SGX Watchlist Exit Criteria for 6-month average market capitalisation of S$40 million, by the cure date of 4 June 2022?

Company's Response:

Please refer to the Company' announcement dated 26 November 2021 for the latest update on the status of the Company's plans to meet the SGX Watchlist Exit Criteria. The Company will update shareholders by way of further announcement(s) as and when there are no further developments or updates which the Company can share in this connection.

Question 6:

How much space will the redevelopment of 14 Lok Yang Way add to the company's total warehouse capacity?

Company's Response:

The volume will increase from approximately 13,000 m^3 to approximately 29,000 m^3.

Question 7:

a) **Out of the inventories of 30.8m written off by the company in FY 2018. How much of it has been written back over the past 3 years?**

b) **Several years ago, the Company made certain revisions to its existing inventory provisioning policy which resulted in $30million additional inventory provision. Over the past few years there are some write back of inventory provisions. Kindly advise what amount of write back of inventory provisions is related to this category of inventories subjected to the revisions to its existing inventory provisioning policy. Can we know these write back is of what % of the original inventory provisioning amount, and out of the $30 million, how much of these inventories still have not had any write back yet, all this will allow us to better understand the stories behind all related financial numbers. And if all these information is not readily available, kindly provide shareholders a status update of the $30 million additional inventory provision, noting that it was a significant % of the NAV at the point in time, and it is significant in reference to the current market cap of $27 million.**

c) **Can RSM help shareholders understand the current status in respect of the $30 million additional inventory provision in FY2018? This will help shareholders better understand the**

financial situation of the company. Shareholders need auditors' help in very critical aspect of the financials of the company.

Company's Response:

a) The cumulative inventories written down (including the provision of $30.8 million as described in the Company's response to Q7(b) below) of the Group was approximately $44.3 million as at 30 September 2018 ("**FY2018**"). Out of $44.3 million, approximately $16.3 million was reversed over the subsequent three financial years. The reversal of the allowance for goods was mainly due to inventories sold and an estimated increase in net realisable value as a result of increase in steel prices.

b) As previously announced in the Company's announcement dated 2 November 2018, the review of the Group's inventory provisioning policy has led to changes in the Company's assessment of the net realisable value of inventories. While this was previously determined based on the sales/movement of inventory, it is now to be determined based on the age of the inventory, effective from FY2018.

Following the revision of the assessment of the net realisable value of the Company's inventory, the Group made the provision of approximately $30.8 million in its accounts in FY2018.

c) RSM has reviewed the group's policy and management's methodology and process of assessing the write-down of inventories for the financial year ended 30 September 2021, which took into consideration a number of factors including physical deterioration, functional and economic obsolescence, business environment and market demand. There has been no change in the group's policy and methodology for inventories write-down since FY2018.

Question 8:

a) Will the company consider a meaningful buyback of shares given the huge discount of share price (9c) to its NAV (27c)? (& cash levels at 11c)

b) Given the company has $0.112 cash per share and $0.073 net cash (cash less financial borrowings) per shares for the current share price of $0.095. And it is trading way below the current NAV of $0.2837 at 0.33 time NAV. Why the company did not perform any share buyback in 2021?

Company's Response:

a) This is something the Company will not rule out, assuming Shareholders approve the renewal of the Share Buyback Mandate at the forthcoming annual general meeting of the Company to be held on 28 January 2022 ("**AGM**").

b) In considering whether to perform any share buyback, the Company has to take into account various considerations, including the reasons mentioned in Paragraph 7.2 of the Addendum and subject to the terms and limits described in Paragraph 7.3 of the Addendum, and the Company did not undertake any share buy back in 2021, *inter alia*, after taking some of these considerations into account

Question 9:

Why did the Board decide not to appoint new independent directors to the Board to replace Ms Tan Siok Chin and Mr Low Beng Tin? What are the Board's plans for Board renewal and what is the timeline for these plans?

Company's Response:

Following Ms Tan Siok Chin's re-designation as an Non-Executive Non-Independent Director on 24 August 2020, the Board did not take steps to appoint a new independent director, *inter alia*, as the then resulting composition of the Board, comprising 2 Independent Directors, 2 Executive Directors and 2 Non-Executive Directors (including Ms Tan Siok Chin), still met the relevant requirements under the Listing Manual and the 2018 Code of Corporate Governance*, inter alia*, as at least one third of the Board and the Chairman of the Board was then independent.

As for Mr Low Beng Tin, it has been proposed that Shareholders approve the continuation of Mr Low's appointment as Independent Director pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing Manual under the Two-Tier Voting Regime at the forthcoming AGM, *inter alia*, to allow the Company more time and flexibility to search for suitable candidate(s) to be appointed to the Board as Independent Director(s).

However, as stipulated in Ordinary Resolutions 8A and 8B as set out in the Notice of AGM dated 6 January 2022, Shareholders' approval of the continuation of Mr Low's appointment as Independent Director pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing, if given, will only be valid for the period until the earlier of (i) his retirement or his resignation or the (ii) the conclusion of the Company' s first annual general meeting following the passing of such resolutions.

The Board recognises and supports the principle of Board renewal, and intends to search for suitable candidate(s) to be appointed to the Board as Independent Director(s), on or prior to the expiry of Mr Low Beng Tin's tenure as Independent Director.

In this connection, the Board has set itself a timeline of one year to do so, *inter alia,* by reason of voluntarily setting a tenure of up to one year from the conclusion of the AGM for Mr Low Beng Tin's appointment as Independent Director pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing Manual, rather than the period of three years from the conclusion of the AGM as permitted under such listing rule.

Question 10:

Will the company consider increasing its dividends or capital reduction, given its large cash hoard? (32.5m or 11c cash per share)

Company's Response:

Subject to Shareholders' approval to be obtained at the forthcoming AGM, the Company has declared a final cash dividend of S$0.005 per share for FY2021, reflecting a pay-out ratio of 61.7% of the Group's net profit after tax. Any decision on whether to declare dividends and how much dividends to declare has to be subject to the Company's dividend policy as well as considerations such as the need to set aside cash for the Company's working capital and other funding requirements, particularly in view of the current challenging conditions and economic uncertainty.

Question 11:

As a supportive shareholder who is concerned with corporate development of Cosmosteel, I am inclined to vote against or abstain fm this resolution in line with the spirit of corporate governance and renewal/refreshing of the board. However I would like to hear Mr Low's thinking on what he intends to bring forth to Cosmosteel in this new term as an Indepedent Director. Does Mr Low has any plans or objectives that he endeavour to achieve in this new term? Hopefully with Mr Low sharing his thinking, this can help shareholders make a good decisions that is beneficial to Cosmosteel!

Company's Response:

As earlier mentioned, the Board too recognises and supports the principle of Board renewal, and has demonstrated this, *inter alia,* by voluntarily setting a tenure of up to one year from the conclusion of the AGM for Mr Low Beng Tin's appointment as Independent Director pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing Manual, rather than the period of three years from the conclusion of the AGM as permitted under such listing rule.

In the coming months in FY2022, Mr Low Beng Tin, together with the other Directors on the Board, will be focusing their efforts on working with Management to consider and explore the options available to the Company to meet the SGX Watchlist Exit Criteria in view of the impending deadline of 4 June 2022. Moreover, Mr Low has over 40 years of engineering experience in the oil and gas, petrochemical, chemical and marine industries, and it will be beneficial for the Company and the Group to tap on or leverage upon such experience as we continue to see how we can diversify or expand our business in these industries.

The Company will be making the necessary announcement(s) as and when there are material updates or developments to share in connection with the Company's plans in relation to meeting the SGX Watchlist Exit Criteria.