

## **ADDENDUM DATED 6 JANUARY 2020 TO ANNUAL REPORT 2019**

This Addendum is issued by **COSMOSTEEL HOLDINGS LIMITED** (the “**Company**”) together with the Company’s annual report in respect of the financial year ended 30 September 2019 (the “**Annual Report 2019**”). Its purpose is to provide the shareholders with relevant information relating to, and to seek shareholders’ approvals for the proposed renewal of the mandate for interested person transactions and the proposed renewal of the share buyback mandate, to be tabled at the Annual General Meeting to be held on Wednesday, 22 January 2020 at 10.30 a.m. at 90 Second Lok Yang Road, Singapore 628166.

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Addendum.



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

**ADDENDUM TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF THE GENERAL MANDATE  
FOR INTERESTED PERSON TRANSACTIONS (“IPT MANDATE”) AND THE PROPOSED RENEWAL OF THE SHARE BUYBACK  
MANDATE (“SHARE BUYBACK MANDATE”)**

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## Definitions

In this Addendum, the following definitions shall apply unless the context otherwise requires:

<b>“Act”</b>	:	The Companies Act (Chapter 50 of Singapore), as amended or modified from time to time.
<b>“AGM” or “Annual General Meeting”</b>	:	Annual general meeting of the Company.
<b>“approved exchange”</b>	:	A stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9 of the Listing Manual.
<b>“associate”</b>	:	In relation to any director, chief executive officer, substantial shareholder or controlling shareholder means:- <ul style="list-style-type: none"> <li>(i) his immediate family (that is, his spouse, child, adopted child, step-child, sibling or parent);</li> <li>(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and</li> <li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more,</li> </ul> <p>and, in relation to a substantial shareholder or a controlling shareholder which is a company, means its subsidiary or holding company or a subsidiary of such holding company or a company in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.</p>
<b>“associated company”</b>	:	A company in which at least 20% but not more than 50% of its shares are held by the listed company or the group.
<b>“Audit Committee”</b>	:	The audit committee of the Company for the time being.
<b>“Board”</b>	:	The board of Directors of the Company for the time being.
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Chief Financial Officer”</b>	:	The chief financial officer of the Company for the time being.
<b>“Company”</b>	:	Cosmosteel Holdings Limited
<b>“Constitution”</b>	:	The existing constitution of the Company, as amended or modified from time to time.

## Definitions

<b>“controlling shareholder”</b>	:	A person who holds (directly or indirectly) 15% or more of the total number of issued shares excluding treasury shares in the company or one who in fact exercises control over the company.
<b>“entity at risk”</b>	:	<p>(a) the listed company;</p> <p>(b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or</p> <p>(c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has or have control over the associated company.</p>
<b>“Executive Directors”</b>	:	The executive Directors of the Company for the time being.
<b>“FY2019 Audited Financial Statements”</b>	:	The audited financial statements of the Group for the financial year ended 30 September 2019.
<b>“Group”</b>	:	The Company and its subsidiaries, and (where applicable) its associated companies.
<b>“Hanwa”</b>	:	Hanwa Co., Ltd
<b>“Hanwa Group”</b>	:	Hanwa and its associates, excluding the Group.
<b>“Interested Directors”</b>	:	The directors appointed to the Board as representatives of Hanwa.
<b>“interested person”</b>	:	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.
<b>“interested person transaction” or “IPT”</b>	:	A transaction between an entity at risk and an interested person.
<b>“IPT Mandate”</b>	:	The general mandate to authorise the Company and its subsidiaries or any of them to enter into any of the transactions falling within the categories of interested person transactions described within this Addendum, provided that such transactions are made on normal commercial terms in accordance with the guidelines and procedures for review and administration of the interested person transactions as described in the Addendum.
<b>“Latest Practicable Date”</b>	:	12 December 2019
<b>“Listing Manual”</b>	:	The Listing Manual of the SGX-ST.
<b>“Mandated Interested Person Transactions”</b>	:	Has the meaning ascribed to it in Paragraph 3.1 of this Addendum.
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading in securities

## Definitions

<b>“Proposed Renewals”</b>	:	The proposed renewal of the IPT Mandate and the proposed renewal of the Share Buyback Mandate.
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Shareholders”</b>	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the persons whose direct securities accounts maintained with CDP are credited with the Shares.
<b>“Shares”</b>	:	Ordinary shares in the capital of the Company.
<b>“Share Buyback Mandate”</b>	:	The general mandate to authorise the Directors to purchase, on behalf of the Company, Shares in accordance with the terms set out in this Addendum as well as the rules and regulations set forth in the Companies Act and the Listing Manual.
<b>“SIC”</b>	:	Securities Industry Council
<b>“subsidiary”</b>	:	Has the meaning ascribed to it in Section 5 of the Act.
<b>“Substantial Shareholder”</b>	:	Has the meaning ascribed to it in Section 81 of the Act.
<b>“Take-over Code”</b>	:	The Singapore Code on Take-overs and Mergers.
<b>“S\$”</b>	:	Singapore dollars, the lawful currency of the Republic of Singapore.
<b>“%”</b>	:	Per centum or percentage.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter gender and vice versa. References to persons shall, where applicable, include corporations.

The headings in this Addendum are inserted for convenience only and shall be ignored in construing this Addendum.

Any reference in this Addendum to any enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any term defined under the Act, the Securities and Futures Act or the Listing Manual or any statutory modification thereof and used in this Addendum shall, where applicable, have the meaning assigned to it under the Act, the Securities and Futures Act or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day in this Addendum shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in figures included in this Addendum between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables in this Addendum may not be an arithmetic aggregation of the figures that precede them.

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

## Letter To Shareholders

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

### Directors

Mr Low Beng Tin, *Chairman of the Board and Independent Director*  
Mr Ong Tong Hai, *Chief Executive Officer and Executive Director*  
Mr Osamu Murai, *Executive Director*  
Ms Tan Siok Chin, *Independent Director*  
Mr Hor Siew Fu, *Independent Director*  
Mr Hiromasa Yamamoto, *Non-Executive Director*

### Registered Office:

14 Lok Yang Way  
Singapore 628633

6 January 2020

To: The Shareholders of CosmoSteel Holdings Limited

Dear Sir/Madam

### **ADDENDUM RELATING TO THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS AND THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUYBACKS**

#### **1. INTRODUCTION**

- 1.1 The Company has on 6 January 2020 issued a Notice convening the Fourteenth Annual General Meeting of the Shareholders of the Company to be held on 22 January 2020 (the "**Fourteenth AGM**").
- 1.2 The proposed Ordinary Resolutions 10 and 11 in the Notice of the Fourteenth AGM relates respectively to the renewal of (i) the general mandate (the "**IPT Mandate**") to authorise the Company and its subsidiaries or any of them to enter into any of the transactions falling within the categories of interested person transactions described within this Addendum, provided that such transactions are made on normal commercial terms in accordance with the guidelines and procedures for review and administration of the interested person transactions as described in this Addendum and (ii) the general mandate (the "**Share Buyback Mandate**") to authorise the Directors to purchase, on behalf of the Company, Shares in accordance with the terms set out in this Addendum as well as the rules and regulations set forth in the Companies Act and the Listing Manual. Details pertaining to the IPT Mandate and the Share Buyback Mandate are set out below in **Paragraph 3 and Paragraph 7** respectively.
- 1.3 The purpose of this Addendum is to provide information relating to and to explain the rationale for the proposed renewal of the IPT Mandate and the proposed renewal of the Share Buyback Mandate.
- 1.4 The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Addendum. If a Shareholder is in any doubt as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

## Letter To Shareholders

### 2. THE PROPOSED RENEWAL OF THE IPT MANDATE

#### 2.1 Background

Hanwa became a controlling shareholder and an interested person of the Group with effect from 6 March 2015 following the completion of a placement of new Shares to, and the purchase of certain existing Shares by Hanwa.

The Group and the Hanwa Group have a trading relationship comprising the sale and purchase of steel plates, pipes and fittings, which constitute interested person transactions.

At the annual general meeting of the Company held on 28 January 2019, approval of the shareholders of the Company was obtained for, *inter alia*, authorising the Group to enter into certain interested person transactions of a revenue or trading nature with the Hanwa Group, as more particularly set out in **Paragraph 3.1(c)** of this Addendum (the "**Existing IPT Mandate**").

The Existing IPT Mandate was expressed to take effect, unless revoked or varied by the Company in general meeting, 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. Therefore, the Directors are seeking approval from Shareholders for the proposed renewal of the IPT Mandate at the Fourteenth AGM of the Company.

The rationale and benefits for, the scope, the review procedures and the classes of interested persons in respect of the IPT Mandate are set out below. The proposed IPT Mandate, if adopted, will be subject to the validity period as set out in **Paragraph 3.2**.

#### 2.2 Information on Hanwa

The information in this paragraph relating to Hanwa is based on information provided by and/or representations made by Hanwa. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.

Hanwa is incorporated in Japan and is listed on the Tokyo Stock Exchange. Hanwa is one of the leading trading companies in Japan, supplying a broad range of products, including steel, metals and alloys, nonferrous metals, food products, petroleum and chemicals, lumber, machinery and many other items to an equally diverse range of customers. Steel is Hanwa's major product, accounting for about half of its total sales. Hanwa sells steel bars, building materials, sheets, pipes, wires, and many other steel products. With some of Japan's largest steel distribution centres and a network of overseas coil centres, Hanwa ranks among the leaders in terms of inventories and steel processing volume.

Further information on Hanwa is available on the website of the Tokyo Stock Exchange (<http://www.jpx.co.jp/>) for the Japanese language website and (<http://www.jpx.co.jp/english>) for the English language website, and Hanwa's website (<http://www.hanwa.co.jp>) for the Japanese language website and (<http://www.hanwa.co.jp/en/>) for the English language website.

## Letter To Shareholders

### 2.3 General Information on Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual applies to transactions which a company listed on the SGX-ST or any of its subsidiaries or associated companies, which is considered to be an entity at risk within the meaning of Rule 904(2) of the Listing Manual, proposes to enter into with a counter-party who is an interested person of the listed corporation within the meaning of Rule 904(4) of the Listing Manual.

#### (a) General Requirements

Rule 905 of the Listing Manual states that a listed company must make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of the group's latest audited consolidated net tangible assets, or if the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group's latest audited consolidated net tangible assets, the listed company must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.

Rule 906 of the Listing Manual states that a listed company must also obtain shareholder approval for any interested person transaction of a value equal to, or more than (i) 5% of the group's latest audited consolidated net tangible assets; or (ii) 5% of the group's latest audited consolidated net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

#### (b) Excluded Transactions

In line with the rules set out in Chapter 9 of the Listing Manual, a transaction with a value of less than S\$100,000 is not considered material and is not taken into account for the purposes of this Addendum.

#### (c) Shareholders' General Mandate

Rule 920 of the Listing Manual also permits a listed company to seek a mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses, that may be carried out with the interested persons. Transactions conducted under such a mandate are not subject to Rules 905 and 906 of the Listing Manual. The general mandate is subject to annual renewal.

## Letter To Shareholders

### 3. THE IPT MANDATE

#### 3.1 Scope of the IPT Mandate

##### (a) Entity at risk

For the purposes of the IPT Mandate, an "entity at risk" means:-

- (i) the Company;
- (ii) each of the Group companies; or
- (iii) an associated company of the Company, provided that the Group, or the Group and its interested person(s), has control over the associated company.

##### (b) Class of interested persons

The IPT Mandate will apply to the transactions that are proposed to be carried out between an entity at risk and the Hanwa Group (the "**Interested Persons**").

The Interested Persons will be deemed to be interested persons pursuant to Chapter 9 of the Listing Manual and any transaction between an entity at risk and the Hanwa Group, subject to the exceptions provided in Chapter 9 of the Listing Manual, will be deemed an interested person transaction.

##### (c) Categories of interested person transactions

The IPT Mandate will cover the following categories of interested person transactions:

- (i) the purchase of materials and products by the Group from Hanwa Group;
- (ii) 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
- (iii) the sale of materials and products by the Group to Hanwa Group.

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

The Mandated Interested Person Transactions are transactions of a revenue or a trading nature or those necessary for the Group's day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. Non-mandated interested person transactions will remain subject to the requirements under Chapter 9 of the Listing Manual, in particular, Rules 905 and 906 of the Listing Manual.

## Letter To Shareholders

### 3.2 Validity Period of the IPT Mandate

If approved at the forthcoming Fourteenth AGM, the IPT Mandate will take effect from the date of the passing of the Ordinary Resolution in respect of the renewal of the IPT Mandate and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the subsequent AGM, or the expiration of the period within which the next AGM is required by law to be held, whichever is the earlier. The Company intends to seek the approval of Shareholders for the renewal of the IPT Mandate annually. The renewal of such general mandate shall be subject to the satisfactory review by the Audit Committee of its continued application to any transactions with the Interested Persons.

### 3.3 Guidelines and Review Procedures for the Mandated Interested Person Transactions

#### (a) Review Procedures

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

- (i) The guiding principle is that all Mandated Interested Person Transactions shall be conducted in accordance with the Group's usual business practices and pricing policies, consistent with the usual profit margins or prices extended to or received by the Group for the same or substantially similar type of transactions between the Group and unrelated third parties, and the terms are not more favourable to the Interested Person compared to those extended to or received from unrelated third parties and/or are in accordance with published or prevailing rates/prices or applicable industry norms. The Company will use its reasonable endeavours to make comparisons with at least two other quotes from unrelated third parties, wherever possible for the same or substantially similar type of transactions;
- (ii) in relation to the purchase of materials and products by the Group from an Interested Person:-
  - (aa) subject to and in accordance with **Paragraph 3.3(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 3.3(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.

## Letter To Shareholders

- (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 3.3(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 3.3(b)** below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transaction are in accordance with applicable industry norms and/or are not prejudicial to the Company, taking into account factors such as, but not limited to, the nature of the materials, products or services procured, standard of services, experience and expertise, the price competitiveness of the Group's products and/or services (after incorporating such mark-up or fee), and the Group's profit margin from the transaction;
- (iv) In relation to the sale of materials and products by the Group to the Hanwa Group:-
  - (aa) subject to and in accordance with **Paragraph 3.3(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 3.3(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 3.3(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 3.3(a)(i) to 3.3(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.

## Letter To Shareholders

### (b) Approval Threshold

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

- (i) any transactions amounting from S\$100,000 to 3% of the latest audited consolidated net tangible assets of the Company will be reviewed and approved by a Director or the Chief Financial Officer;
- (ii) any transactions amounting from above 3% to 10% of the latest audited consolidated net tangible assets of the Company will be reviewed and approved by the Audit Committee; and
- (iii) any transactions exceeding 10% of the latest audited consolidated net tangible assets of the Company will be reviewed and approved by the Board.

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

Any of the persons referred to in **Paragraphs 3.3(b)(i), 3.3(b)(ii) and 3.3(b)(iii)** above may, as he deems fit, request for additional information pertaining to the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. If any of the persons referred to in **Paragraphs 3.3(b)(i), 3.3(b)(ii) and 3.3(b)(iii)** above:

- (aa) is an interested person in respect of that particular Mandated Interested Person Transaction to be reviewed;
- (bb) has an interest, whether direct or indirect, in relation to that particular Mandated Interested Person Transaction; and/or
- (cc) is otherwise not considered independent in relation to that particular Mandated Interested Person Transaction, he will, and will undertake to ensure that his associates will, abstain from any decision-making in respect of that particular Mandated Interested Person Transaction.

### (c) Other Review Procedures

- (i) The Audit Committee will also review, on a quarterly basis, all interested person transactions, including the Mandated Interested Person Transactions to ensure that the prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Listing Manual) are complied with. Interested person transactions which are not within the ambit of the IPT Mandate will be subject to Rules 905 and 906 of the Listing Manual.
- (ii) The Group has implemented the following procedures for the identification of interested person transactions (including the Mandated Interested Person Transactions) and interested persons (including the Interested Persons) and the recording of all interested person transactions:
  - (aa) the Company will maintain a list of Interested Persons (which will be reviewed on a quarterly basis and updated as necessary) and will disclose the list to the relevant staff of the Group to enable the identification of the Interested Persons;

## Letter To Shareholders

- (bb) the Chief Financial Officer and/or Financial Controller of the Company (the “**IPT Committee**”) will maintain two registers of all transactions (including all transactions below S\$100,000) carried out with interested persons including the Interested Persons (recording the basis and the quotations, if any, obtained to support such basis on which these transactions are entered into, whether mandated or non-mandated). One register shall be maintained to record Mandated Interested Person Transactions and the other register shall be maintained to record interested person transactions which are not classified as Mandated Interested Person Transactions. The registers shall be submitted to the Audit Committee for review on a quarterly basis;
  - (cc) by the end of each month, each member of the Group will submit details of all interested person transactions entered into or existing interested person transactions that are renewed or revised during that month to the IPT Committee. The IPT Committee will reconcile the registers of interested person transactions based on the submissions by the various members of the Group. On a quarterly basis, the IPT Committee will submit a report to the Audit Committee of all recorded interested person transactions, and the basis of such transactions, entered into by the Group. The Audit Committee shall review such interested person transactions at its quarterly meetings subject to the requirement under the review procedures for any such interested person transactions to be approved by the Audit Committee prior to the entry thereof. The outcome of such review shall be documented and filed in the registers of interested person transactions; and
  - (dd) the Company’s annual internal controls plan shall incorporate a review of all interested person transactions, including the established review procedures for the monitoring of all such transactions including transactions with Interested Persons, whether they are new interested person transactions or existing interested person transactions that have been renewed or revised during the relevant financial year pursuant to the IPT Mandate.
- (iii) The Audit Committee shall review from time to time such internal controls and review procedures for interested person transactions to determine if they are adequate and/or commercially practicable in ensuring that the transactions between the Group and interested persons are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. In conjunction with such review, the Audit Committee will also ascertain whether the established review procedures have been complied with. Further, if during these reviews the Audit Committee is of the view that the internal controls and review procedures for interested person transactions are inappropriate or are not sufficient to ensure that the interested person transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, the Audit Committee will take such actions as it deems appropriate and/or institute additional procedures as necessary (including seeking, pursuant to Rule 920(1)(b) (vii) of the Listing Manual, a fresh Shareholders’ mandate based on new internal controls and review procedures for transactions with the Interested Persons) to ensure that the interested person transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, and pursuant to Rule 920(1)(b) (vii) of the Listing Manual, seek a fresh Shareholders’ mandate based on new internal controls and review procedures for transactions with the Interested Persons. The Board and the Audit Committee will have overall responsibility for determining the review procedures with the authority to delegate to individuals or committees within the Group as they deem appropriate.
- (iv) In the event that any member of the Audit Committee has an interest in a transaction, he shall abstain from participating in the review and approval process in relation to that transaction.

## Letter To Shareholders

### 4. RATIONALE FOR AND BENEFITS OF THE IPT MANDATE

The Mandated Interested Person Transactions as set out in **Paragraph 3.1(c)** above are transactions which the Group has entered into or will enter into in the ordinary course of business. They are recurring transactions which are likely to occur with some degree of frequency or arise at any time and from time to time. The IPT Mandate and any subsequent renewal on an annual basis will eliminate the need for the Company to convene separate general meetings from time to time to seek Shareholders' approval as and when potential interested person transactions arise, thereby reducing substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

The IPT Mandate is intended to facilitate these transactions, provided that they are carried out on normal commercial terms and are not prejudicial to the Company and its minority Shareholders. The Board is of the view that the Group will be able to benefit from such transactions with the Interested Persons. The Group will benefit from having access to competitive quotes from, or transacting with, the Interested Persons in respect of services and products procured. The IPT Mandate will also allow the Group to enjoy economies of scale in the procurement of services and products as the Company would be able to procure services and products from Hanwa on a larger scale without the restrictive thresholds in terms of values imposed by Chapter 9 of the Listing Manual. By acquiring products and services on a larger scale, it would be able to achieve better terms including better and more competitive pricing through economies of scale. Further, it will facilitate a leaner and more efficient administrative set-up as the Group will be able to utilise the personnel of the Interested Persons for certain corporate services. Hanwa has sourcing and procurement expertise with its global network. It also has an experienced team of dedicated personnel. As the Company taps into its network of customers, the Company will be able to tap onto these resources without having to expand its administrative operations.

### 5. DISCLOSURE TO SHAREHOLDERS

Pursuant to Rule 920(1)(a) of the Listing Manual:-

- (a) disclosure will be made in the annual report of the Company, giving details of the aggregate value of all interested person transactions conducted with interested persons pursuant to the IPT Mandate during the financial year under review and in the annual reports for the subsequent financial years during which the IPT Mandate is in force, as required by the provisions of the Listing Manual;
- (b) announcements will be made with regard to the aggregate value of interested person transactions conducted pursuant to the IPT Mandate for the financial periods which the Company is required to report on pursuant to Rule 705 of the Listing Manual within the time required for the announcement of such report; and
- (c) the names of the interested persons and the corresponding aggregate value of the interested person transactions will be presented in the following format (pursuant to Rule 907 of the Listing Manual):

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the IPT Mandate)	Aggregate value of all interested person transactions conducted under the IPT Mandate (excluding transactions less than S\$100,000)

## Letter To Shareholders

### 6. AUDIT COMMITTEE'S STATEMENT

The Audit Committee having considered, *inter alia*, the review procedures for the interested person transactions and the reviews to be made periodically by the Audit Committee in relation thereto, has confirmed that the methods or review procedures set out in **Paragraph 3.3** above for determining transaction prices in respect of the Mandated Interested Person Transactions have not changed since the annual general meeting of the Company held on 28 January 2019. It is of the view that the current methods or review procedure are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If the Audit Committee is of the view that the established guidelines, method, procedures and/or review procedures in **Paragraph 3.3** become inappropriate or insufficient to ensure that the Mandated Interested Person Transactions are carried out on normal commercial terms and may be prejudicial to the Company and its minority Shareholders, the Company will obtain a fresh mandate from Shareholders based on new internal controls and review procedures for transactions with the Interested Persons. In the meantime, all interested person transactions are to be approved by the Audit Committee.

As such, an independent financial adviser's opinion is not required for the renewal of the IPT Mandate under Rule 920(1)(c) of the Listing Manual.

### 7. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

- 7.1 Shareholders approved the renewal of the Share Buyback Mandate at the AGM of the Company held on 28 January 2019. The authority and limitations on the Share Buyback Mandate were set out in the addendum to the Company's annual report for the financial year ended 30 September 2018 and the notice of the AGM of the Company held on 28 January 2019.

The Share Buyback Mandate was expressed to take effect on the date of the passing of Ordinary Resolution 10 at the AGM of the Company held on 28 January 2019 and will expire on the date of the forthcoming AGM. Accordingly, Shareholders' approval is being sought for the renewal of the Share Buyback Mandate at the forthcoming AGM.

#### 7.2 Rationale for the Share Buyback Mandate

The approval of the renewal of the Share Buyback Mandate will give the Company flexibility to undertake purchases or acquisitions of its own Shares subject to the terms and limits described in Paragraph 7.3 of this Addendum.

The Directors constantly seek to increase Shareholders' value and to improve, *inter alia*, the return on equity of the Group. A share buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced.

## Letter To Shareholders

The Share Buyback Mandate would provide the Company with the flexibility to purchase or acquire Shares if and when circumstances permit, during the period when the Share Buyback Mandate is in force. Shares purchased pursuant to the Share Buyback Mandate will either be cancelled or held as treasury shares as may be determined by the Directors. This will provide the Directors with greater flexibility over the Company's share capital structure, *inter alia*, with a view to enhancing the earnings and/or net tangible asset value per Share or to maintain a pool of Shares to be deployed for future purposes as deemed appropriate by the Directors. It is currently contemplated by the Company that the Shares purchased pursuant to the Share Buyback Mandate will be held as treasury shares which may be used as (i) consideration for the acquisition of shares in or assets of another company or assets of a person, (ii) to be sold in the event of future share placements and/or (iii) to be transferred for the purposes of or pursuant to an employee's share scheme. The Directors further believe that share buybacks by the Company will help to mitigate short term share price volatility or trading trends which, in the reasonable opinion of the Company, are not otherwise caused by general market factors or sentiments and/or the fundamentals of the Company and offset the effects of short-term speculation (as and when they may occur), and bolster Shareholder confidence.

If and when circumstances permit, the Directors will decide whether to effect the share buybacks via Market Purchases (as defined in Paragraph 7.3.3(a) below) or Off-Market Purchases (as defined in Paragraph 7.3.3(b) below), after taking into account, *inter alia*, the amount of surplus cash available, the prevailing market conditions and the most cost-effective and efficient approach.

### 7.3 Terms of the Mandate

The authority and limitations placed on purchases and acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:

#### 7.3.1 Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired by the Company pursuant to the Share Buyback Mandate is limited to that number of Shares representing not more than ten percent (10%) of the issued ordinary share capital of the Company as at the date of the approval of the Share Buyback Mandate (the "**Approval Date**"). Treasury shares and subsidiary holdings will be disregarded for the purposes of computing the ten percent (10%) limit.

For illustrative purposes only, on the basis 290,399,997 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and disregarding treasury shares and subsidiary holdings on or prior to the Approval Date, the purchase by the Company of up to the maximum limit of ten percent (10%) of its issued Shares will result in the purchase of approximately 29,039,999 Shares.

#### 7.3.2 Duration of authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the Approval Date, up to the earliest of:

- (a) the date on which the next AGM is held or required by law to be held, whichever is the earlier;
- (b) the date on which the purchases or acquisition of Shares pursuant to the Share Buyback Mandate are carried out to the full extent authorized under the Share Buyback Mandate; or
- (c) the effective date on which the authority conferred in the Share Buyback Mandate is varied (as to the duration of the Share Buyback Mandate) or revoked by the Shareholders in general meeting.

## Letter To Shareholders

### 7.3.3 Manner of purchase or acquisition

Purchase or acquisitions of Shares may be made by way of:

- (a) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST 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
- (b) off-market purchases ("**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 may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual.

Under the Companies Act, an equal access scheme must satisfy all of the following conditions:

- (a) offers for the purchase or acquisition of issued Shares shall be made to every person who holds issued Shares to purchase or acquire the same percentage of their issued Shares;
- (b) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (c) the terms of all the offers are the same, except that there shall be disregarded:
  - (i) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
  - (ii) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and
  - (iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed share buyback;
- (d) the consequences, if any, of share buybacks by the Company that will arise under the Takeover Code or other applicable take-over rules;
- (e) whether the share buyback, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (f) details of any share buyback made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

## Letter To Shareholders

### 7.3.4 Maximum purchase price

The purchase price (excluding brokerage, stamp duty, applicable goods and services tax, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price to be paid for the Shares as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined herein) of the Shares; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 105% of the Average Closing Price of the Shares,

(the "**Maximum Price**") in each case, excluding related expenses of the purchase or acquisition.

For the above purposes:

"**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.

### 7.4 Source of Funds from Share Buyback

In purchasing Shares pursuant to the Share Buyback Mandate, the Company may only apply funds legally available for such purchases as is provided in the Existing Constitution and in accordance with the applicable laws in Singapore.

The Companies Act permits the Company to purchase or acquire its Shares out of capital, as well as from its distributable profits, so long as the Company is solvent. Pursuant to Section 76F(4) of the Companies Act, a Company is solvent if at the date of the payment made by the Company in consideration of acquiring any right with respect to the purchase or acquisition of its own Shares:

- (a) there is no ground on which the Company could be found to be unable to pay its debts;
- (b) if:
  - (i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
  - (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due within the period of 12 months immediately after the date of the payment; and

## Letter To Shareholders

- (c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase, acquisition, variation or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal sources of funds to finance its purchase or acquisition of the Shares. To effect the purchase of Shares pursuant to the Share Buyback Mandate, the Directors will consider, *inter alia*, the availability of internal resources and the rationale for the purchase or acquisition of Shares.

The Directors do not propose to exercise the Share Buyback Mandate to such an extent as would have a material adverse effect on the financial position of the Company or the Group. The purchase or acquisition of Shares pursuant to the Share Buyback Mandate will only be undertaken if, in the reasonable opinion of the Directors, it can benefit the Company, the Group and Shareholders.

### 7.5 Status of purchased Shares under the Share Buyback Mandate

A Share purchased or acquired by the Company pursuant to the Share Buyback Mandate is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

### 7.6 Treasury shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

#### 7.6.1 Maximum holdings

The aggregate number of Shares held as treasury shares cannot at any time exceed ten percent (10%) of the total number of issued Shares. Any Shares in excess of this limit shall be disposed of or cancelled within six (6) months from the day the aforesaid limit is first exceeded or such further periods as Accounting & Corporate Regulatory Authority of Singapore ("ACRA") may allow.

#### 7.6.2 Voting and other rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members of the Company on a winding up) may be made, to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus Shares in respect of treasury shares is allowed. Also, a subdivision of any treasury share into treasury shares of a larger amount or consolidation of treasury shares into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

## Letter To Shareholders

### 7.6.3 Disposal and cancellation

Where Shares are held as treasury shares, the Company may at any time, but subject always to the Take-Over Code:

- (a) sell the treasury shares (or any of them) for cash;
- (b) transfer the treasury shares (or any of them) for the purposes of or pursuant to an employee's share scheme;
- (c) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares (or any of them); or
- (e) sell, transfer or otherwise use the treasury shares (or any of them) for such other purposes as may be prescribed by the Minister for Finance of Singapore.

### 7.7 Financial Effects of the Share Buyback Mandate

The financial effects on the Company and the Group arising from purchases or acquisition of Shares which may be made pursuant to the Share Buyback Mandate, based on the FY2019 Audited Financial Statements, are based on the assumptions set out below. Such financial effects will depend on, *inter alia*, whether the Shares are purchased or acquired out of capital and/or profits of the Company, the number of Shares purchased or acquired, the consideration paid for such Shares and whether the Shares purchased or acquired are held as treasury shares or cancelled.

#### 7.7.1 Purchase or acquisition out of capital or profits

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital and/or profits so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, such consideration (including any expenses (including brokerage or commission) incurred directly in the purchase or acquisition) will not affect the amount available for the distribution of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (including any expenses (including brokerage or commission) incurred directly in the purchase or acquisition) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

#### 7.7.2 Number of Shares acquired or purchased

The financial effects set out below are based on the FY2019 Audited Financial Statements and, accordingly, are based on a purchase or acquisition of Shares by the Company of up to a maximum limit of ten percent (10%) of the 290,399,997 Shares in issue as at the Latest Practicable Date.

Purely for illustrative purposes, on the basis of the 290,399,997 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and disregarding any Shares held by the Company as treasury shares on or prior to the annual general meeting of the Company held on 22 January 2020, the purchase by the Company of up to the maximum limit of ten percent (10%) of its issued Shares will result in the purchase of approximately 29,039,999 (the "**Maximum Number of Shares**").

## Letter To Shareholders

### 7.7.3 Maximum price for Shares acquired or purchased

In the case of Market Purchases by the Company and assuming that the Company purchases the Maximum Number of Shares at the Maximum Price of S\$0.088 per Share (being the price equivalent to 105% of the Average Closing Price of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase is S\$2.543 million (excluding ancillary expenses such as related brokerage, goods and services tax, stamp duties and clearance fees).

In the case of Off-Market Purchases by the Company and assuming that the Company purchases the Maximum Number of Shares at the Maximum Price of S\$0.088 per Share (being the price equivalent to 105% of the Average Closing Price of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase is S\$2.543 million (excluding ancillary expenses such as related brokerage, goods and services tax, stamp duties and clearance fees).

### 7.7.4 Illustrative financial effects

**For illustrative purposes only**, on the basis of the assumptions set out in Paragraphs 7.7.2 and 7.7.3 above, and assuming that the Company had on the Latest Practicable Date purchased the Maximum Number of Shares pursuant to the Share Buyback Mandate, the financial effects of:

- (a) the purchase of the Maximum Number of Shares by the Company at the Maximum Price pursuant to the Share Buyback Mandate by way of purchases made out of capital and profits and held as treasury shares; and
- (b) the purchase of the Maximum Number of Shares by the Company at the Maximum Price pursuant to the Share Buyback Mandate by way of purchases made out of capital and profits and cancelled,

on the FY2019 Audited Financial Statements are set out below.

**The illustrations set out below are based on audited historical figures for the financial year ended 30 September 2019 and are purely for illustrative purposes only. Accordingly, such illustrations are not representative or otherwise indicative of future financial performance of the Company and/ or the Group.**

Prior to any purchase or acquisition of Shares, the Company will consider financial factors (for instance, cash surplus, debt position and working capital requirements of the Company) and non-financial factors (for instance, market conditions and trading performance of the Shares) in assessing the impact on the Company and the Group of such purchase or acquisition.

## Letter To Shareholders

### (A) Purchases made out of capital/profits and held as treasury shares

#### Market / Off-Market Purchases

	GROUP			COMPANY		
	Before Share Buyback (S\$'000)	After Share Buyback assuming Market Purchase (S\$'000)	After Share Buyback assuming Off-Market Purchase (S\$'000)	Before Share Buyback (S\$'000)	After Share Buyback assuming Market Purchase (S\$'000)	After Share Buyback assuming Off-Market Purchase (S\$'000)
Share capital	56,325	53,782	53,782	56,325	53,782	53,782
Reserves	9,100	9,100	9,100	–	–	–
Retained earnings	10,847	10,847	10,847	6,219	6,219	6,219
Net tangible assets	76,272	73,729	73,729	62,544	60,001	60,001
Current assets	78,463	75,920	75,920	2,692	149	149
Current liabilities	21,386	21,386	21,386	255	255	255
Working capital	57,077	54,534	54,534	2,437	(106)	(106)
Total borrowings <sup>(1)</sup>	17,803	17,803	17,803	–	–	–
Cash and cash equivalents	8,583	6,040	6,040	177	(2,366)	(2,366)
Profit after tax and minority interest	2,808	2,808	2,808	907	907	907
Number of Shares	290,399,997	261,359,998	261,359,998	290,339,997	261,359,998	261,359,998
Treasury shares	–	29,039,999	29,039,999	–	29,039,999	29,039,999
<b>Financial Ratios</b>						
NTA per share (cents)	26.26	28.21	28.21	21.54	22.96	22.96
Basic earnings per share (cents) <sup>(2)</sup>	0.97	1.07	1.07	0.31	0.35	0.35
Gearing ratio (times) <sup>(3)</sup>	0.23	0.24	0.24	–	–	–
Current ratio (times) <sup>(4)</sup>	3.67	3.55	3.55	10.56	0.58	0.58

#### Notes:

<sup>(1)</sup> Total borrowings refer to borrowings from financial institutions.

<sup>(2)</sup> Basic earnings per share equals profit after tax and minority interest divided by the weighted average number of shares.

<sup>(3)</sup> Gearing ratio represents the ratio of total borrowings to net tangible assets.

<sup>(4)</sup> Current ratio represents the ratio of current assets to current liabilities.

## Letter To Shareholders

### (B) Purchases made out of capital/profits and cancelled

#### Market / Off-Market Purchases

	GROUP			COMPANY		
	Before Share Buyback (S\$'000)	After Share Buyback assuming Market Purchase (S\$'000)	After Share Buyback assuming Off-Market Purchase (S\$'000)	Before Share Buyback (S\$'000)	After Share Buyback assuming Market Purchase (S\$'000)	After Share Buyback assuming Off-Market Purchase (S\$'000)
Share capital	56,325	53,782	53,782	56,325	53,782	53,782
Reserves	9,100	9,100	9,100	–	–	–
Retained earnings	10,847	10,847	10,847	6,219	6,219	6,219
Net tangible assets	76,272	73,729	73,729	62,544	60,001	60,001
Current assets	78,463	75,920	75,920	2,692	149	149
Current liabilities	21,386	21,386	21,386	255	255	255
Working capital	57,077	54,534	54,534	2,437	(106)	(106)
Total borrowings <sup>(1)</sup>	17,803	17,803	17,803	–	–	–
Cash and cash equivalents	8,583	6,040	6,040	177	(2,366)	(2,366)
Profit after tax and minority interest	2,808	2,808	2,808	907	907	907
Number of Shares	290,399,997	261,359,998	261,359,998	290,399,997	261,359,998	261,359,998
Treasury shares	–	–	–	–	–	–
<b>Financial Ratios</b>						
NTA per share (cents)	26.26	28.21	28.21	21.54	22.96	22.96
Basic earnings per share (cents) <sup>(2)</sup>	0.97	1.07	1.07	0.31	0.35	0.35
Gearing ratio (times) <sup>(3)</sup>	0.23	0.24	0.24	–	–	–
Current ratio (times) <sup>(4)</sup>	3.67	3.55	3.55	10.56	0.58	0.58

#### Notes:

<sup>(1)</sup> Total borrowings refer to borrowings from financial institutions.

<sup>(2)</sup> Basic earnings per share equals profit after tax and minority interest divided by the weighted average number of shares.

<sup>(3)</sup> Gearing ratio represents the ratio of total borrowings to net tangible assets.

<sup>(4)</sup> Current ratio represents the ratio of current assets to current liabilities.

## Letter To Shareholders

**Shareholders should note that the financial effects set out above are for illustrative purposes only. Although the Share Buyback Mandate will authorise the Company to purchase or acquire up to ten percent (10%) of the issued Shares (excluding any treasury shares and subsidiary holdings) as at the Approval Date, the Company may not necessarily purchase or be able to purchase the entire ten percent (10%) of the issued Shares (excluding any treasury shares and subsidiary holdings). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.**

### 7.8 Listing Rules

The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m., (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such announcement (which must be in the form of Appendix 8.3.1 of the Listing Manual) must include the details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, and the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held after the purchase.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buyback Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company would not purchase or acquire any Shares through Market Purchases during the period of two (2) weeks and one (1) month immediately preceding the announcement of the Company's interim results and the annual (full-year) results respectively.

The Listing Manual requires a listed company to ensure that at least ten percent (10%) of any class of its listed securities must be held by public shareholders. As at the Latest Practicable Date, approximately 52.53% of the issued Shares are held by public Shareholders.

The Company will not carry out any share buyback unless at least ten percent (10%) of its listed securities can be maintained in the hands of public Shareholders and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

## Letter To Shareholders

### 7.9 Take-over Obligations

Appendix 2 of the Take-over Code contains the Share Buyback Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

#### 7.9.1 Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code.

#### 7.9.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert:

- (a) the following companies:
  - (i) a company;
  - (ii) the parent company of (i);
  - (iii) the subsidiaries of (i);
  - (iv) the fellow subsidiaries of (i);
  - (v) the associated companies of any of (i), (ii), (iii) or (iv);
  - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v);
  - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the directors, their close relatives and related trusts); and
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

The circumstances under which shareholders of a company (including directors of the company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of shares by the company are set out in Appendix 2 of the Take-over Code.

## Letter To Shareholders

### 7.9.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one percent (1%) in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than one percent (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

**Shareholders who are in doubt are advised to consult their professional advisers and/or the SIC and/or the relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases or acquisitions by the Company pursuant to the Share Buyback Mandate.**

### 7.9.4 Exemption under Appendix 2 of the Take-over Code

Section 3(a) of Appendix 2 of the Take-over Code provides, *inter alia*, that for a market acquisition under Section 76E of the Companies Act or an off-market acquisition on an equal access scheme under Section 76C of the Companies Act by a listed company, directors and persons acting in concert with them who would otherwise be required to make a general offer for the Company under Rule 14.1 of the Take-over Code will be exempted from the requirement, subject to the fulfilment of the following conditions:

- (a) the addendum to the Annual Report 2019 to shareholders on the resolution to authorise a buyback to contain advice to the effect that by voting for the buyback resolution, shareholders are waiving their right to a general offer at the Required Price (as defined hereinafter) from directors and parties acting in concert with them who, as a result of the Company buying back its Shares, would increase their voting rights to 30% or more, or, if they together hold between 30% and 50% of the Company's voting rights, would increase their voting rights by more than one percent (1%) in any period of six (6) months; and the names of such directors and persons acting in concert with them, their voting rights at the time of the resolution and after the proposed buyback to be disclosed in the same addendum;
- (b) the resolution to authorise a share buyback to be approved by a majority of those shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the share buyback;
- (c) such directors and/or persons acting in concert with them to abstain from voting for and/ or recommending shareholders to vote in favour of the resolution to authorise the share buyback;
- (d) within seven (7) days after the passing of the resolution to authorise a buyback, each of such directors to submit to the SIC a duly signed form as prescribed by the SIC;

## Letter To Shareholders

- (e) such directors and/or persons acting in concert with them not to have acquired and not to acquire any shares between the date on which they know that the announcement of the Share Buyback Mandate is imminent and the earlier of;
- (i) the date on which the authority of the share buyback expires; and
  - (ii) the date on which the Company announces it has bought back such number of Shares as authorised by shareholders at the latest general meeting or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the buyback, would cause their aggregate voting rights to increase to 30% or more;

- (f) such directors and/or persons acting in concert with them, together holding between 30% and 50% of the company's voting rights, not to have acquired and not to acquire any shares between the date on which they know that the announcement of the Share Buyback Mandate is imminent and the earlier of:
- (i) the date on which the authority of the Share Buyback Mandate expires; and
  - (ii) the date on which the Company announces it has bought back such number of Shares as authorised by shareholders at the latest general meeting or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the buyback, would cause their aggregate voting rights to increase by more than one percent (1%) in the preceding six (6) months. It follows that where aggregate voting rights held by a director and persons acting in concert with him increase by more than one percent (1%) solely as a result of the share purchase and none of them has acquired any shares during the relevant period defined above, then such director and/or persons acting in concert with him would be eligible for SIC's exemption from the requirement to make a general offer under Rule 14, or where such exemption had been granted, would continue to enjoy the exemption.

### 7.9.5 Exemption for Hanwa and Hanwa Directors

Mr Hiromasa Yamamoto, our Non-Executive Director, and Mr Osamu Murai, our Executive Director, are appointed to the Board as nominees of Hanwa ("**Hanwa Directors**") following the entry of the Strategic Alliance Agreement dated 1 December 2014 between Hanwa and the Company in conjunction with a placement of new Shares by the Company to Hanwa.

As at the Latest Practicable Date, Hanwa holds 82,617,982 Shares, representing approximately 28.45% of the total issued share capital of the Company. None of the Hanwa Directors holds any Shares as at the Latest Practicable Date.

Under the Take-over Code, Hanwa and the Hanwa Directors would, unless exempted, become obliged to make a general offer under the Take-over Code for the Shares not owned by them, if as a result of the exercise of the Share Buyback Mandate, their interests in the voting rights of the Company increases to 30% or more.

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Based on 290,399,997 Shares in issue as at the Latest Practicable Date and assuming the exercise in full of the Share Buyback Mandate which would result in the purchase or acquisition of 29,039,999 Shares, the shareholding and voting rights of Hanwa may be increased from approximately 28.45% to approximately 31.61%.

However, pursuant to Section 3(a) of Appendix 2 of the Take-over Code, the Hanwa Directors and parties acting in concert with them will be exempted from the requirement to make a general offer for the Company under Rule 14 of the Take-over Code as a result of the Company acquiring the Shares pursuant to the Share Buyback Mandate, subject to satisfaction of the conditions set out in Section 7.9.4 above.

As such, if, *inter alia*, the aggregate voting rights held by the Hanwa Directors and parties acting in concert with them increase to 30% or more solely as a result of the acquisition of Shares by the Company pursuant to the Share Buyback Mandate, and none of them has acquired any Shares during the relevant six (6)-month period, then the Hanwa Directors and parties acting in concert with them would be eligible for the exemption from the requirement to make a general offer under Rule 14 of the Take-over Code, or where such exemption had been granted, would continue to enjoy the exemption.

**Shareholders should therefore note that by voting in favour of Ordinary Resolution 11 to approve the Share Buyback Mandate, they will be waiving their rights to a general offer at the Required Price by Hanwa and the Hanwa Directors in the circumstances set out above.**

“**Required Price**” means in relation to the offer required to be made under the provisions of Rule 14.1 of the Take-over Code, the highest of the highest price paid by the offerors and/or person(s) acting in concert with them for the Company’s Shares (i) during the offer period and within the preceding six (6) months, (ii) acquired through the exercise of instruments convertible into securities which carry voting rights within six (6) months of the offer and during the offer period, or (iii) acquired through the exercise of rights to subscribe for, and options in respect of, securities which carry voting rights within six (6) months of the offer or during the offer period; or at such price as determined by SIC under Rule 14.3 of the Take-over Code.

Save as disclosed herein, based on the Register of Directors’ Shareholdings and the Register of Substantial Shareholders of the Company as at the Latest Practicable Date, the Directors are not aware of any other Director and/or Shareholder who may become obligated to make a mandatory offer in the event that share buybacks are undertaken by the Company pursuant to the Share Buyback Mandate. Further details of the interests of the Directors and Substantial Shareholders of the Company in the Shares as at the Latest Practicable Date are set out in Paragraph 8 of this Addendum.

**The statements herein do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate are advised to consult their professional advisers and/or the SIC at the earliest opportunity.**

### 7.10 Shares purchased by the Company

The Company has not made any share buyback on or in the 12 months preceding the Latest Practicable Date.

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### 8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and Substantial Shareholders (both direct and indirect) in the Shares as at the Latest Practicable Date, as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders' kept by the Company are set out below:

	Direct Interest		Indirect Interest		Total Interest	
	Number of Shares <sup>(1)</sup>	%	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>
<b>Directors</b>						
Low Beng Tin	–	–	–	–	–	–
Ong Tong Hai	35,142,096	12.10	–	–	35,142,096	12.10
Osamu Murai	–	–	–	–	–	–
Tan Siok Chin	125,000	0.04	–	–	125,000	0.04
Hor Siew Fu	–	–	–	–	–	–
Hikomasa Yamamoto	–	–	–	–	–	–
<b>Substantial Shareholders</b>						
Daiwa Capital Markets						
Singapore Limited <sup>(2)</sup>	82,617,982	28.45	–	–	82,617,982	28.45
Ong Tong Hai <sup>(3)</sup>	35,142,096	12.10	–	–	35,142,096	12.10
Ong Tong Yang <sup>(4)</sup>	19,954,396	6.87	–	–	19,954,396	6.87

Other than through their respective shareholdings in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company) in the Proposed Renewals.

Notes:

<sup>(1)</sup> Based on the issued share capital of 290,399,997 Shares as at the Latest Practicable Date.

<sup>(2)</sup> Held for and on behalf of Hanwa Co., Ltd.

<sup>(3)</sup> Mr Ong Tong Hai is the brother of Mr Ong Tong Yang, a substantial shareholder of the Company.

<sup>(4)</sup> 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.

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### 9. APPROVALS AND RESOLUTIONS

Shareholders' approval for the Proposed Renewals is sought at the Fourteenth AGM. The Ordinary Resolutions relating to the proposed renewal of the IPT Mandate and the proposed renewal of the Share Buyback Mandate is contained in the Notice of the Fourteenth AGM as Ordinary Resolutions 10 and 11 respectively.

### 10. HANWA & ITS ASSOCIATES TO ABSTAIN FROM VOTING

Rules 919 and 920(1)(b)(viii) of the Listing Manual state that interested persons shall abstain and undertake that their associates shall abstain from voting on the resolution approving interested person transactions involving themselves and the Group. Such interested persons and their associates also shall not act as proxies in relation to such resolutions unless voting instructions have been given by the relevant Shareholder.

Hanwa and/or any of its associates who are Shareholders shall abstain from voting in respect of each of their shareholdings in the Company on the Ordinary Resolution in relation to the proposed renewal of the IPT Mandate as set out in the Notice of the Fourteenth AGM.

In addition, Hanwa and/or any of its associates who are Shareholders shall abstain from voting at the Fourteenth AGM in respect of Ordinary Resolution 11 relating to the proposed renewal of the Share Buyback Mandate, for reasons as elaborated in Paragraph 7.9.5 above.

Hanwa and/or any of its associates who are Shareholders will not accept appointments as proxies for voting on Ordinary Resolutions 10 and 11 relating to the Proposed Renewals at the Fourteenth AGM unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for the said Resolutions.

### 11. DIRECTORS' RECOMMENDATION

The Directors of the Company (other than the Interested Directors as stated below) have considered the scope, rationale for and benefit of, the compliance and review procedure of (i) the IPT Mandate and the statement of the Audit Committee in respect thereof, and (ii) the Share Buyback Mandate. The Directors of the Company (other than the Interested Directors as stated below) believe that the Proposed Renewals is in the interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolutions 10 and 11 relating to the Proposed Renewals as set out in the Notice of the Fourteenth AGM.

The Interested Directors, being the Directors appointed to the Board as representatives of Hanwa, have abstained from making any recommendation on the Proposed Renewals.

The Interested Directors will not accept appointments as proxies for voting on Ordinary Resolutions 10 and 11 relating to the Proposed Renewals at the Fourteenth AGM unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for the said Resolutions.

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### 12. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and who wish to appoint a proxy or proxies to attend and vote on their behalf should complete, sign and return the Proxy Form attached to the Notice of AGM in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the registered office of the Company at 14 Lok Yang Way, Singapore 628633, not later than 72 hours before the time fixed for the AGM. The appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the AGM if he so wishes in place of the proxy.

A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by CDP not less than 72 hours before the time fixed for the AGM or any adjournment thereof.

### 13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Addendum and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Addendum constitutes full and true disclosure of all material facts about the Proposed Renewals, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Addendum misleading. Where information in this Addendum has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources and/or reproduced in this Addendum in its proper form and context.

### 14. DOCUMENTS FOR INSPECTION

The Constitution of the Company and the Annual Report 2019 may be inspected at the registered office at 14 Lok Yang Way, Singapore 628633, during normal business hours from the date of this Addendum to the date of the Fourteenth AGM.

Yours faithfully  
For and on behalf of the Board

**Ong Tong Hai**  
Chief Executive Officer and Executive Director  
**COSMOSTEEL HOLDINGS LIMITED**

