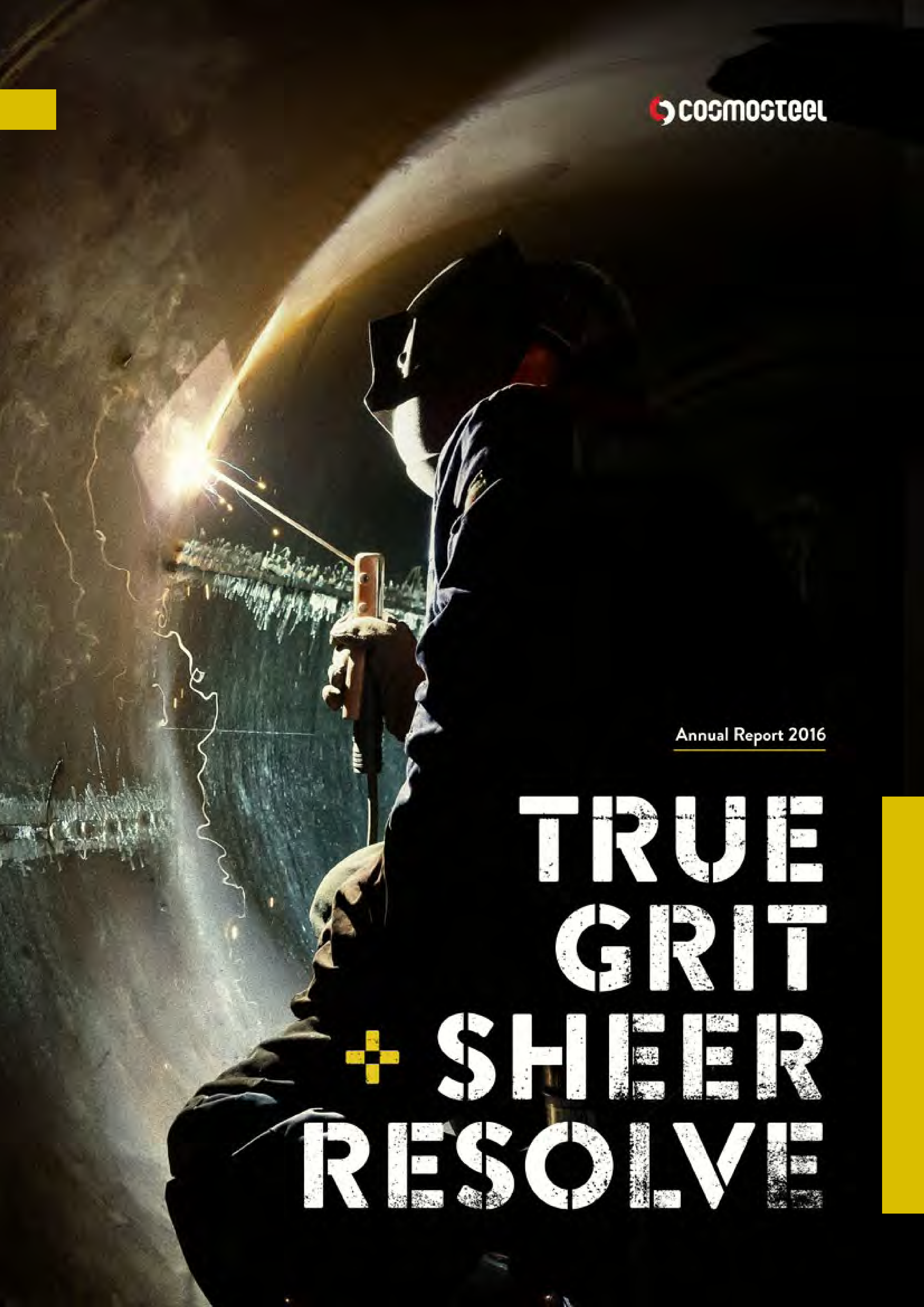


cosmosteel

Annual Report 2016

TRUE GRIT + SHEER RESOLVE

SOME PEOPLE DREAM OF SUCCESS, WHILE OTHERS WAKE UP + WORK HARD AT IT.

WINSTON CHURCHILL

CONTENTS

CORPORATE PROFILE

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

Headquartered in Singapore, the Group has over 411,000 sq feet of storage space across four warehouses. We carry a comprehensive range of high-quality products, sourced from major international manufacturers, which we are able to deliver just-in-time to our customers. Over the years, CosmoSteel has forged close ties with supply chain partners, ensuring our supply chain quality and continuity. Proving our capacity and capabilities to be a leader in our field, we have a diverse base of over 400 customers.

CosmoSteel has regularly received recognition for our best practices in corporate transparency and business operations. In 2016, the Group was ranked 45th out of 631 companies on the Singapore Governance and Transparency Index[1] ("**SGTI**"), the leading index for assessing corporate governance practices of Singapore-listed companies. In addition, we have also received numerous world-class certifications including ISO 9002:1994 in 2000; ISO 9001:2000 in 2003; ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 in 2009, bizSAFE STAR certification in 2012 and ISO 22301:2012 in 2015.

1 The SGTI succeeds the Governance and Transparency Index ("**GTI™**") in 2016 as an enhanced assessment to meet the market needs of the future and is a collaboration between CPA Australia, NUS Business School's Centre for Governance, Institutions and Organisations ("**CGIO**"), and Singapore Institute of Directors ("**SID**").

OUR MISSION

To be a world-class provider of industrial hardware and related services that surpasses expectations of our customers through consistent product quality, competitive pricing, reliable on-time delivery, and service excellence with a strong commitment to social and environmental responsibility.

OUR CORE VALUES

B

BUILD TRUST

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

E

EFFECT PROGRESS

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

S

SURPASS EXPECTATIONS

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

T

THINK FORWARD

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

I SET OUT TO BE THE BEST, + I AM.

ARNOLD SCHWARZENEGGER

OUR MILESTONES

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

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

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

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

>> 2012
- Achieved bizSAFE STAR certification

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

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

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

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

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

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

>> 2003
- Achieved ISO 9001:2000 certification

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

>> 2000
- Achieved ISO 9002:1994 certification

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

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

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

>> 1992
- Business operated from 5 warehouses in Singapore

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

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

OUR PRODUCTS & SERVICES

DIVERSE CUSTOMERS ACROSS MULTI-SECTORS

Our customers use our products as components mainly to construct piping systems for the conduit of liquids and gases in the production processes of the Energy, Marine and other industries. We have longstanding relationships with many of our blue-chip customers, making us their key trusted partner.

ENERGY INDUSTRY

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

MARINE INDUSTRY

Applications:
Shipbuilding and repair

TRADERS

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

OTHERS

Other industries include the manufacturing sector

IN THE END, PASSION + HARD WORK BEATS OUT NATURAL TALENT.

PETE DOCTER

INVENTORY SPECIALIST
WITH ONE OF THE LARGEST PRODUCT RANGE

With over 25,000 line items across three main product categories, CosmoSteel has one of the largest and most extensive inventories of steel pipes, fittings and flanges in Singapore. Our capabilities as an inventory specialist have placed us in a strong position to meet the steel product requirements of our customers readily and efficiently.

From carbon steel, low temp carbon steel, stainless steel, duplex steel, super duplex steel to high yield and low alloys, the Group's steel products come in a wide range of materials. Our products are also customisable and available in different product variations in accordance with customers' required design, size, chemical compositions, mechanical strength and testing requirements. With leading Japanese trading company, Hanwa Co., Ltd. ("**Hanwa**"), on board as a strategic partner, we have further expanded our product range to include structural steel, electrical products such as switching and distributing systems; terminal and junction boxes and switches; light fittings; and isolators amongst others as well as structural and cable products such as structural beams; channels; plates; flats and hollow sections of different steel grades.

Across the board, all our steel and structural products are mainly categorised based on international standards promulgated by API, ANSI, ASME, ASTM and/or EN. In addition, our cable products, mainly for offshore and marine and other uses, are in accordance to API, CSA, IEEE, IEC and UL.

MAKING A DIFFERENCE
WITH OUR SERVICES

Through our in-house machineries, CosmoSteel provides pipe roll grooving and product customisation services to modify the sizes and thread dimensions of our products to meet specific engineering and fabrication designs and requirements of our customers.

To ensure high product quality, we also provide in-house validation and testing services as well as third-party testing and inspection for materials that require Hydrogen Induction Cracking or Sulfide Stress Cracking. Our range of in-house Non-Destructive Testing includes alloy verification, dye penetrant testing, magnetic particle testing, UT testing for lamination and longitudinal or transverse defects, wall thickness check and ferrite content check, amongst others.

Tapping on our strategic alliances with international suppliers, CosmoSteel is able to offer expedited delivery services for time-sensitive projects and material grades that are difficult to source.

CosmoSteel also offers project management services to customers, a complementary set of value-adding service that propels our service excellence to the next level. As part of this suite of services, we provide procurement and expediting services for the specific materials required by customers as well as inventory management services to customers without warehouse or storage facilities. Our project management services also include just-in-time delivery according to customers' requirements and logistics arrangements for expedited deliveries, both of which yield significant time and storage cost savings for our customers.

JOINT MESSAGE FROM THE CHAIRMAN & CEO

LOW BENG TIN
CHAIRMAN &
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

ONG CHIN SUM
CEO &
EXECUTIVE
DIRECTOR

On behalf of the Board of Directors of CosmoSteel, we are pleased to present to you our Annual Report for the financial year ended 30 September 2016 ("**FY2016**").

FY2016 was another challenging year for the Group, as CosmoSteel was buffeted by a number of major factors which affected our performance for the year. First, the persistent weakness in the oil and gas sector since the middle of 2014 has continued to produce sluggish demand from our customers in the Energy industry. Also, the steel industry continues to be under pressure.

Last, but not least, global macroeconomic uncertainties have supressed businesses' appetite for investments. On the back of continued fragility in the Eurozone, Great Britain voted for "Brexit" and there remains doubts over economic policies in the United States of America.

This painted part of the year we have had to face and as such in FY2016, the Group posted a revenue and net loss of $68.8 million and $7.6 million respectively. Despite the loss incurred for the year, we have proposed a first and final cash dividend of 0.5 Singapore cents per share in FY2016, which works out to a dividend yield of 4.2% based on our stock price on 9 December 2016. This signals the continued confidence we hold in the Group's long-term business prospects and ability to see out the current downcycle.

FORGING A STRONGER BUSINESS

To navigate this patchy business landscape, we relied on the experience and resourcefulness of our management team, who have seen the peaks and troughs of our industry over close to three and a half decades, to manoeuvre the Group into a stronger position. We also continue to believe in our business philosophy – to be a one-stop inventory specialist offering over 25,000 line items on demand and with customisation services – to ride out the current downturn.

At the same time, we have sought improvements to provide greater value for our customers. We further boosted our inventory by forging a strategic alliance with Japan-listed Hanwa, our major shareholder since March 2015.

This year, our Australian business was the silver lining. Set up in 2009 to support our key customers in the region, our operations there turned in its first profitable year. Although a small part of our overall business currently, we are encouraged by the results and will continue to monitor the region for further business and growth opportunities.

GRIT + RESOLVE, WE HAVE THAT. THAT'S WHY I KNOW WE WILL WEATHER THIS TOGETHER.

ONG CHIN SUM / CEO

JOINT MESSAGE FROM THE CHAIRMAN & CEO (cont'd)

The current downcycle has freed up a small portion of our existing resources. We have made the most of the situation by using it as an opportunity to shore up our business and operations in several ways. We have focused on improving the efficiency and productivity of our workers by sending them for internal and external training programmes. The Group has also rolled out our Enterprise Risk Management ("**ERM**") and Business Continuity Management ("**BCM**") frameworks in recent times to put in place contingency plans to respond to emergency situations and minimise its impact on our operations. These frameworks also work to safeguard our business continuity by building up an integrated response and recovery function. To a certain extent, this has started paying off as the Group improved 111 places in the SGTI to come in at 45th out of 631 companies in 2016.

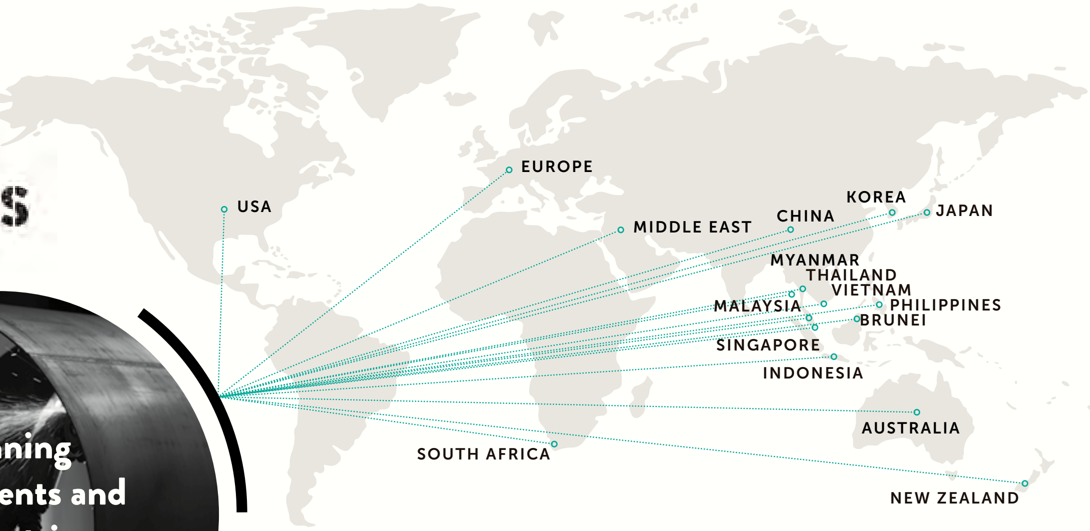
The Group has also embarked on the Inland Revenue Authority of Singapore's ("**IRAS**") GST Assisted Compliance Assurance Programme ("**ACAP**") in September 2016. To meet the ACAP requirements, we have established a more robust tax risk management framework and strengthened our internal control policies which will minimise errors and reduce our GST compliance costs for us.

OUTLOOK AND STRATEGIES

While the long-term outlook is positive for CosmoSteel, our customers are mainly in the Energy and Marine segments and will continue to be impacted by the flagging oil and gas sector. As such, we have to take a similarly sound approach to our operational activities in FY2017. To ensure we remain relevant and a preferred business partner to them, we have to continue to provide quality products and value-added services.

We are giving our customers more options for a larger range of products, customisation services and value-added services to maintain our industry-leading reputation as an inventory specialist.

OUR MARKETS



We have proposed a first and final cash dividend of 0.5 Singapore cents per share in FY2016, which works out to a dividend yield of 4.2%.

To achieve this, we work closely with our strategic partner, Hanwa, as well as our suppliers from overseas to leverage on their extensive facilities and network worldwide to provide rapid delivery of goods to our customers' projects which may be located worldwide. With over 42% of our sales coming from overseas locations, this will provide more muscle to our negotiation for business.

We are also giving our customers more options for a larger range of products, customisation services and value-added services to maintain our industry-leading reputation as an inventory specialist with extensive and ready stock for quick turnaround as well as stay relevant in the marketplace. In-house, we are already able to customise products in greater details, offer project management services and take on product inspection, validation and quality testing. We have now added the capabilities to offer logistics handling services to save time, space and costs for our customers.

By improving the value proposition of CosmoSteel's services, the Group is able to intensify our marketing drive in the Asia Pacific region to strengthen ties with existing and new customers as well as enable our breakthrough into new potential markets. We believe this will not only help us win more business to sustain our market share but to grow our overall pie by reaching out to more customer types.

In the short-term, we are taking conscious steps to ensure prudent financial management by staying vigilant to project risks, managing and minimising operating costs and improving productivity and efficiency. In the longer term, we are confident in CosmoSteel's ability to emerge stronger from this trying time and eventually pursue expansion and growth opportunities when they arise.

APPRECIATION

We are grateful to our loyal stakeholders who have stood by us in good times and bad. You, our shareholders, customers, suppliers, business partners and employees, make us the dynamic business we are today.

Your confidence in CosmoSteel spurs us to work harder and continue striving for more successes. With this, we embark on the new financial year with more experience and renewed vigour. As always, we look forward to meeting you again at our AGM on 25 January 2017.

LOW BENG TIN
CHAIRMAN &
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

ONG CHIN SUM
CEO &
EXECUTIVE
DIRECTOR

主席和总裁的联合序言

我们谨代表宇宙钢铁董事会，向各位呈交截至2016年9月30日（“2016财政年”）的财政年度报告。

对于集团而言，2016财政年又是充满挑战的一年，因为全年业绩受到几个主要因素的影响。首先，自2014年中以来，油气行业持续疲软，导致能源行业客户需求不景气。此外，钢铁行业继续受到压力。最后，全球宏观经济的不确定性影响了企业的投资意愿。欧元区局面尚未企稳，英国公投退出欧盟，美国经济政策依然存疑。

以上就是过去一年我们面临的状况。2016财政年集团录得营收6876万新元，净亏损760万新元。尽管出现了亏损，但我们提议2016财政年派发每股0.5分新元的第一期即终期现金股息，按2016年12月9日的股价计算，股息收益率为4.2%。这表明我们对集团的长期业务前景和安然渡过当前低迷时期的能力依然充满信心。

我们提议2016财政年派发每股0.5分新元的第一期即终期现金股息，按2016年12月9日的股价计算，股息收益率为4.2%。

增强集团实力

面对参差零落的经营环境，我们需要依靠管理团队过去35年历经行业起起落落所积累起来的丰富经验和杰出才能以让集团变得更强大。我们也相信集团的经营理念——成为提供超过25000个行项目以及按需定制服务的一站式库存专家——定能帮助我们渡过这次难关。

与此同时，我们积极寻求改良方针，为客户创造更多价值。2015年3月，日本上市公司阪和兴业成为集团的主要股东，并与我们达成战略合作协议。以此为契机，我们在进一步提高库存。

澳大利亚业务是今年的亮点。澳大利亚业务成立于2009年，旨在支持该地区的主要客户，今年首次实现盈利。虽然在集团总业务中占比较低，但我们深受鼓舞，将继续密切关注该地区的增长机遇。

当前的低迷时期让集团一小部分资源得到释放。我们借机通过多种方式增强集团的业务和运营。员工被送去参加内外部培训项目，从而提高工作效率和生产力。集团近期还推出了“企业风险管理”和“业务连续性管理”制度，制定紧急情况应对方案，尽量减少对业务运营的影响。按照这些制度，集团建立了统一应对方案及复原机能，以保障业务的连续性。上述举措开始初

我们拥有了奋斗的决心，绝对相信我们会一起度过这难关。

翁青山 / 总裁兼执行董事

见成效。2016年，集团在新加坡治理及透明度指数的631家公司中排名第45位，跃升111位。

2016年9月，集团开始参与申请新加坡税务局商品服务税合规保障计划（“ACAP”）。为满足相关要求，我们制定了更加完善的税务风险管理制度，强化内部管控政策，最大程度减少错误，降低商品服务税合规成本。

前景和战略

未来前景对宇宙钢铁而言是乐观的，但我们的客户主要来自能源和海事领域，将来会继续受到油气行业不景气的影响。因此，我们2017财政年的经营活动也要采取审慎策略。要维持集团作为客户首选业务伙伴的地位，我们必须继续提供优质产品和增值服务。

为了实现这个目的，我们与战略伙伴阪和兴业及海外供应商密切合作，借助它们的全球设施和网络，向遍布全球的客户项目提供快速便捷的产品配送服务。海外业务占集团销售额的42%以上，因此，这会显著增加我们在商业谈判中的筹码。

我们也为客户提供更丰富的产品、更个性化的服务和其它增值服务，扩大库存范围，加快周转速率，维护集团作为业界领先库存专家的地位，及时满足市场需求。在内部，我们已能够进行更细致的产品订制，提供项目管理服务，开展产品检验和质量检测。我们现在也能提供物流处理服务，帮助客户节省时间、空间和成本。

通过提升宇宙钢铁各项服务的价值，集团加大在亚太地区的市场营销力度，深化与新老客户的联系，同时进军潜在的新市场。这不仅能帮助我们赢得更多业务，维持集团的市场份额，还能对接更多客户类型，从而提高市场占有率。

短期内，我们会更审慎地管理财务，警惕项目风险，管控运营成本，提升生产力和效率。长期来看，我们相信宇宙钢铁经过困境的考验后，将更为坚韧强大，在机遇最终来临时，我们能把握时机并发展壮大。

致谢

感谢在顺境和逆境中一如继往给予我们支持的利益相关方。集团的发展离不开各位股东、客户、供应商、业务伙伴和员工。

各位对宇宙钢铁的信任激励着我们奋发进取，再创辉煌。我们正满怀活力和热情，迎接全新一年的挑战。期待在2017年1月25日的年度股东大会上与大家再见面。

刘明镇
董事长
兼独立非
执行董事

翁青山
总裁兼
执行董事

BOARD OF DIRECTORS

LOW BENG TIN

CHAIRMAN & INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of First Appointment / **9 November 2005**
Date of Last Re-election / **30 January 2015**
Member / **Audit Committee**

Mr Low is an Executive Director of SGX-ST listed OEL (Holdings) Limited, after relinquishing his role as Chairman and Managing Director on 1 March 2016. He is also an Independent Director of SGX-ST listed Lian Beng Group Ltd and J.P Nelson Holdings Ltd which is listed in Taiwan. Mr Low has close to 40 years of engineering experience in the oil and gas, petrochemical, chemical and marine industries. In recognition of his contribution to the community, he was conferred the Pingat Bakti Masyarakat (The Public Service Medal) in 2004 and the Bintang Bakti Masyarakat (The Public Service Star) in 2009 by the President of the Republic of Singapore. He holds a Diploma in Electrical Engineering from Singapore Polytechnic, a Diploma in Management Studies from Singapore Institute of Management and conferred a Masters in Business Administration (Chinese Programme) degree from the National University of Singapore.

ONG CHIN SUM

CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR

Date of First Appointment / **9 November 2005**
Date of Last Re-election / **30 January 2015**

A founding member of CosmoSteel in 1984, Mr Ong has been instrumental in growing the Group's business to its present scale. He is responsible for spearheading and driving CosmoSteel's corporate and business strategies. Mr Ong has around 40 years of experience in the hardware supply industry. His background includes considerable expertise and know-how in warehousing management, technical requirements and specifications and pricing of products and services, and a wide network of manufacturers and suppliers within the industry.

RESILIENCE SIMPLY MEANS TO BOUNCE BACK HIGHER + STRONGER AFTER EACH SETBACK.

PAUL TP WONG

ONG TONG YANG

EXECUTIVE DIRECTOR

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

Mr Ong joined CosmoSteel in 1999, and is responsible for developing and setting the strategic directions for the sales, marketing and purchasing functions. His area of focus and responsibility has largely been in sales and marketing, in particular for project-based contracts, as well as purchasing, quality control and certification processes. Since joining the Group, he has spearheaded the growth of CosmoSteel's customer base in Singapore and the region, and the Group's range of product offerings. Mr Ong holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic.

ONG TONG HAI

EXECUTIVE DIRECTOR

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

Mr Ong joined CosmoSteel in 1998 and spearheads the development and implementation of policies and procedures to enhance the effectiveness and efficiency of the Group's logistics and operations functions. Since joining the Group, he has been largely involved in inventory and warehousing logistics and management, information systems and technology management and administration. One of his key achievements is the implementation of the ERP system for CosmoSteel's subsidiary, Kim Seng Huat Hardware Pte. Ltd., which enables the Group to monitor and keep track of its inventory on a real-time basis. He holds a Bachelor of Business (Accountancy) from the Royal Melbourne Institute of Technology, Australia.

SEIJI USUI

EXECUTIVE DIRECTOR

Date of First Appointment / **1 June 2015**
Date of Last Re-election / **28 January 2016**

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

BOARD OF DIRECTORS (cont'd)

HIROSHI EBIHARA

NON-EXECUTIVE DIRECTOR

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

Mr Ebihara is currently the Senior Managing Executive Officer and General Representative for Asia (ASEAN and China, India, Middle East) of Tokyo Stock Exchange listed Hanwa, a trading company at which he rose through the ranks after joining in 1977. He has more than 39 years of experience in the steel trading business in Japan and Asia and approximately ten years of experience holding directorships at Hanwa. Mr Ebihara graduated from Tokyo Metropolitan University, with a Bachelor in Economics.

JOVENAL R. SANTIAGO

INDEPENDENT DIRECTOR

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

Retired as a Public Accountant since 1998, Mr Santiago is a Certified Public Accountant in the Philippines with more than 40 years of experience in the accounting and auditing profession in Singapore and the Philippines. From 1971 to 1998, he was an audit principal of Deloitte & Touche, Singapore, where he was in charge of audit engagements of a wide portfolio of clients including several publicly listed companies. He holds a Bachelor of Science degree in Commerce from the University of Santo Tomas, Philippines and a Master of Business Administration degree from New York University, USA. Mr Santiago is also an independent director of Willas-Array Electronics (Holdings) Limited listed on the SGX-ST and Hong Kong Stock Exchange.

TAN SIOK CHIN

INDEPENDENT DIRECTOR

Date of First Appointment / **28 March 2007**
Date of Last Re-election: / **30 January 2015**
Chairman / **Remuneration Committee & Nominating Committee**
Member / **Audit Committee**

Ms Tan is an Advocate and Solicitor of the Supreme Court of Singapore and a Director of ACIES Law Corporation, a firm of advocates and solicitors, heading its corporate practice group. Ms Tan has over 20 years of experience in legal practice. Her main areas of practice are corporate finance, mergers and acquisitions, capital markets and commercial matters. Ms Tan is also the Non-Executive Chairman of Design Studio Group Ltd and Non-Executive Director of Valuetronics Holdings Limited, both of which are listed on the SGX-ST. Ms Tan graduated from the National University of Singapore with a Bachelor of Law (Honours) degree.

IT'S NOT ABOUT HOW HARD YOU CAN HIT, BUT HOW HARD YOU CAN BE HIT + KEEP GETTING UP.

ROCKY BALBOA

CORPORATE INFORMATION

BOARD OF DIRECTORS

Low Beng Tin
Chairman and Independent Non-Executive Director

Ong Chin Sum
Chief Executive Officer and Executive Director

Ong Tong Yang
Executive Director

Ong Tong Hai
Executive Director

Seiji Usui
Executive Director

Hiroshi Ebihara
Non-Executive Director

Joveal R. Santiago
Independent Director

Tan Siok Chin
Independent Director

AUDIT COMMITTEE

Joveal R. Santiago
(Chairman)
Tan Siok Chin
Low Beng Tin

REMUNERATION COMMITTEE

Tan Siok Chin
(Chairman)
Hiroshi Ebihara
Joveal R. Santiago

NOMINATING COMMITTEE

Tan Siok Chin
(Chairman)
Hiroshi Ebihara
Joveal R. Santiago

COMPANY SECRETARY

Lee Pih Peng
MBA, LLB

REGISTERED OFFICE

14 Lok Yang Way
Singapore 628633

PRINCIPAL PLACE OF BUSINESS

14 Lok Yang Way
Singapore 628633

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

RSM Chio Lim LLP
8 Wilkie Road #03-08
Wilkie Edge
Singapore 228095
Partner in-Charge: Peter Jacob
(a member of the Institute of Singapore Chartered Accountants)

LEGAL ADVISORS

LPP Law Corporation
Level 39 Marina Bay Financial Centre
Tower 2
10 Marina Boulevard
Singapore 018983

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

Standard Chartered Bank
6 Battery Road
Singapore 049909

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

INVESTOR RELATIONS

CosmoSteel Holdings Limited
ir@cosmosteel.com.sg

August Consulting
Silvia Heng
silviaheng@august.com.sg

WEBSITE

www.cosmosteel.com

CORPORATE SOCIAL RESPONSIBILITY

THE EARTH IS OUR ENVIRONMENT TO PROTECT + THE GARDEN TO TEND TO.

POPE FRANCIS

BEST, our core values, together with our code of conduct, is one of many pillars that guide us as we pursue our business goals and drive our sustainability initiatives forward.

CosmoSteel believes sustainability is important for business – 91% of consumers globally expect companies to behave responsibly rather than just make profits and 84% of them said they would seek out sustainable products given the choice[1]. This shift in consumer behaviour is the main reason the most successful companies in the world today do not just embrace sustainability as a supporting function but ensure that it is integrated into every function of their operations.

We have always inculcated sustainable business practices within the Group, and throughout the years, we have constantly sought to build upon past accomplishments to strive for new successes. **BEST**, our core values, together with our code of conduct, is one of many pillars that guide us as we pursue our business goals and drive our sustainability initiatives forward. CosmoSteel also leans on four pillars to ensure we balance economic prosperity with corporate social responsibility.

COMMITMENT TO THE ENVIRONMENT: *ENVIRONMENTAL MANAGEMENT PROGRAMME*

CosmoSteel is committed to conducting our business in a manner that respects the environment by minimising the Group's carbon footprint, reducing its consumption of resources and expanding its recycling initiatives. The Group conducts an annual refresher for our employees to ensure our new and existing employees understand and contribute to the Group's efforts to conserve and reduce resources used in our operations, mainly energy, water and paper as well as our recycling directives.

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

Apart from this, the Group has, since 2013, obtained the Water Efficient Building Certification from PUB in recognition of its water saving efforts. Recognising our strong commitment to environmental management systems, we are ISO 14001:2004 certified since 2009.

KEY OBJECTIVES OF OUR ENVIRONMENTAL MANAGEMENT PROGRAMME	Targets FY2016	Our Performance FY2016	Targets FY2017
To reduce electricity consumption on a kilowatt per employee basis (kWh)	<=230	**207**	<=220
To reduce paper consumption on a copies used per $1,000 of sales revenue basis (No. of copies)	<= 14	**18**	<= 14
To reduce water consumption on a cubic centimetres per employee basis (Cu m)	<= 1.5	**2.6**	<= 2.0

[1] http://www.conecomm.com/research-blog/2015-cone-communications-ebiquity-global-csr-study

CORPORATE SOCIAL RESPONSIBILITY (cont'd)

COMMITMENT TO THE COMMUNITY: *CHARITABLE INITIATIVES*

As a corporate citizen, we have a responsibility to improve the lives of people in the communities around us. To this end, we have contributed $120,500 to charities and socially beneficial initiatives in the last three financial years including $41,000 in FY2016.

COMMITMENT TO OUR EMPLOYEES: *HEALTH AND SAFETY MANAGEMENT PROGRAMME AND WORKPLACE & STAFF WELFARE INITIATIVES*

Working with more than 120 employees and sub-contractors, we take our responsibility to provide a healthy and safe working environment seriously. We believe that all workplace incidents can be prevented through a company-wide adoption and acceptance of a detailed management system. To achieve this, we have introduced our Health and Safety Management programme since 2007 that goes beyond just compliance to safety regulations in Singapore.

KEY OBJECTIVES OF OUR HEALTH AND SAFETY MANAGEMENT PROGRAMME	Targets FY2016	Our Performance FY2016	Targets FY2017
To improve safety in general work operations by reducing the frequency of accidents per million man hours worked (Accident frequency rate) (Number)	4.0	**8.0**	3.6
To reduce the number of man days lost due to workplace accidents per million man hours worked (Accident severity rate) (Hours)	137	**242**	137
To reduce the number of medical visits by promoting healthy lifestyles for employees (Days/employee)	0.5	**0.6**	0.5

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

At CosmoSteel, we understand that our people are key to achieving long-term business success and delighting our customers. To create an engaging and holistic environment where our people are able to deliver their best work, we are committed to offering equal opportunities for personal and career development as well as ensuring they are well taken care of. The Group does this to attract and keep great people at our company.

To safeguard our relevance in the marketplace, CosmoSteel continuously upgrades the skillset of our people through comprehensive in-house training programme and refresher programme as well as by sending select leaders for specialised external training courses.

In 2016, the Group was heartened to be recognised for our best practices in corporate transparency. We improved by over 100 places on this year's Singapore Governance and Transparency Index, the leading index for assessing corporate governance practices of Singapore-listed companies.

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

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

COMMITMENT TO SHAREHOLDERS: *INVESTOR RELATIONS PROGRAMME*

The Group actively engages our shareholders and the investing community through our Investor Relations ("**IR**") programme. Our main intention is to keep them informed with the latest performance and strategic and corporate developments of the Group.

Key objectives of our IR Programme include:

- Providing accurate, relevant and transparent information to the marketplace in a timely manner that includes:
  - Detailed corporate announcements and presentation slides are released on the Singapore Exchange's SGXNET and on our corporate website simultaneously.
- A dedicated IR section within our corporate website, where investors can easily access up-to-date information relating to the Group.
- Maintaining proactive communication with investors and shareholders via
  - An email alert service on our website where investors can receive the latest IR news.
  - Direct connections to our IR team, whose contacts are listed in our website and annual report.
  - Face-to-face briefings, phone calls or emails with investors, analysts and the media in conjunction with our results and business updates.
  - Our Annual General Meeting.

In 2016, the Group was also heartened to be recognised for our best practices in corporate transparency. We improved by over 100 places to rank 45th out of 631 listed companies on this year's SGTI, the leading index for assessing corporate governance practices of Singapore-listed companies.

RISK MANAGEMENT

WORK HARD IN SILENCE + LET SUCCESS BE YOUR NOISE.

FRANK OCEAN

COMPLIANCE
Whistle Blowing Policy

FINANCIAL
Capital Management System

ENTERPRISE RISK MANAGMENT

ETHICS
Code of Conduct & Ethics for Employees

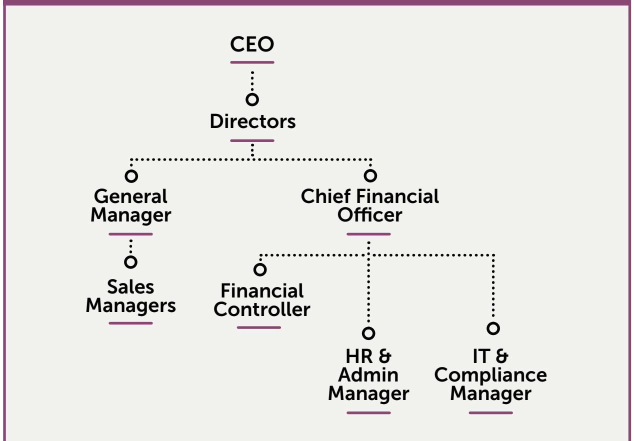
OPERATIONAL
Business Continuity Management

ENTERPRISE RISK MANAGEMENT

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

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

ORGANISATIONAL CHART
Risk Management Team



In addition, the Company has also requested its internal auditors, Nexia TS Public Accounting Corporation, to take such risk factors into consideration in drawing up the annual internal audit plan, in order to review and monitor the identified risk areas.

In the event that the Group intends to enter into any new markets, business venture or business sector, the Group may also appoint external professional parties to review or advise on additional areas of risk factors to consider in connection with such forays.

RISK REGISTER

Key Elements:

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

Key Areas of Risks:

RISK REGISTER

Compliance	Financial	Operational
Audit Quality	Finance-Internal	Corporate Assets
Corporate Governance	Finance-External Factors	Corporate Responsibility & Sustainability
Ethics		Human Resources
Geo-political		Information Technology
Health & Welfare Benefits		Legal
Laws & Regulations		Sales, Marketing & Communications
		Supply Chain Management

COMPLIANCE RISK

To ensure that it stays current and in compliance with the law and standards and/or requirements issued by regulators that are applicable to its business, the Group tracks regulatory developments on a regular basis.

The Group's Company Secretary advises the Board on changes in legal and regulatory issues while its external auditors provide changes in accounting standards to management for their consideration. The Group has engaged its external auditors to conduct at least one briefing per annum for the Board on changes in accounting standards with effect from Q12016. The most recent briefing was held on 11 May 2016.

RISK MANAGEMENT (cont'd)

To better manage compliance risk oversight, the Audit Committee has requested its internal auditors to assist the Management in evaluating and assessing the effectiveness of internal controls implemented by the Company to identify risks of non-compliance in various areas.

The Group is ISO 14001:2004 and OHSAS 18001:2007 certified. To ensure compliance with Environmental, Health and Safety laws and regulations, the Group subscribes to quarterly updates with Neville-Clark (Singapore) Pte Ltd and undergoes surveillance audits by BVQI annually and recertification audits every three years. The last recertification was in October 2015.

Terms and conditions of the Group's contractual agreements are reviewed by its Finance Department and/or external lawyers, where applicable, before acceptance to ensure adherence with internal policies, applicable laws and regulations.

In addition, as part of its ISO9001 policy, a customer satisfaction survey is done annually to determine customers' level of satisfaction with the Group's services.

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

Whistle Blowing Policy

The Company has implemented relevant procedures, as approved by the Audit Committee and adopted by the Board, for the purposes of handling complaints, concerns or issues relating to activities or affairs relating to the business, customers, suppliers, partners or associates, activities or affairs of the Group or conduct of any employee, officer or Management of the Group. Staff of the Group has access to the Company Secretary and may, in confidence and on an anonymous basis, raise concerns about possible improprieties in any such corporate matters by sending an email or a letter in writing to the Company Secretary, who would re-direct and/or send such email or letter in writing to the Audit Committee (in the event such concerns relates to any of the Directors or the Chief Financial Officer of the Company) or the whistle blowing committee (for all other concerns), as the case may be. During FY2016, there were no complaints, concerns or issues received.

OPERATIONAL RISKS

Business Continuity Management

The Group is ISO 22301:2012-certified for Business Continuity Management ("**BCM**"). As part of its BCM System ("**BCMS**"), the Group has committed to identifying potential operational risks which threaten its business processes and build integrated mitigating procedures that will increase its resilience and ensure rapid recovery of critical business functions. This will prepare the Group to handle adverse scenarios and safeguard the interests of its key stakeholders, reputation and brand. In meeting this commitment, the Group shall comply with all applicable legal and regulatory requirements and seek continual improvements to its BCMS.

Elements of BCMS:

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

Other operational risks are also managed on an ongoing basis. As the Group's business is generally space-intensive by nature, the Group's supply chain management is handled by the adequate sourcing of accredited suppliers in line with its ISO9001 policy as well as regular and effective management planning of its inventory stock and costs.

As part of its human resource efforts to add quality people to its workforce and retain its valued employees, the Group ensures it has training and development programmes beyond the scope required by authorities and has implemented rigorous health and safety management programmes. CosmoSteel also provides highly incentivised working benefits which include insurance, medical and dental coverage.

The Group also has a robust Sales, Marketing and Communication strategy in place to ensure its message to stakeholders are aligned and it delivers on its sales targets. To achieve this, it has a sales strategy based on regular management review and regular communication with customers.

The Group conducts regular customer satisfaction surveys to monitor overall level of quality work and services. Such feedback is evaluated and discussed at management reviews, providing opportunities for the Group to improve its Quality Management System. The selection for conducting customer satisfaction survey is based on the following criteria:

- Top 10% of customer by sales value over a period of 12 months from the last review,
- Five or more non-conformance reports reported by the customer within the year from the last review

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

CosmoSteel actively seeks to reduce its operational impact on the environment, and has stringent corporate responsibility and sustainability practices to manage its industrial waste by recycling and reusing where possible and engaging licensed waste collectors.

To safeguard its legal interests, CosmoSteel hires professionals such as lawyers and accountants who are able to provide their professional advice in relation to operational risks. For continuous operationality, the Group's IT infrastructure is partially outsourced to professional vendors ensuring reliability of its IT systems with stringent security measures installed to prevent information leaks or losses. In addition, the Group's inventories are protected by adequate insurance covering all industrial risks in addition to its utilisation of on-site security devices.

FINANCIAL RISKS

To mitigate its liquidity risks, the Group employs a tight capital management system to ensure that it has sufficient working capital to meet debt obligations and pays close attention to critical financial ratios such as inventory turnover, accounts receivable/payable, gearing and current ratio for the early detection of red flags. Information on the Group's Key Performance Indicators and ratios are reported regularly to the Board.

To remain resilient amidst changing and increasingly diverse customer demands and an uncertain global economy, the Group constantly keeps itself abreast of market conditions, and stays close to its customers through regular visits and tracking of their purchasing patterns. This is to ensure that CosmoSteel continues to stock inventory that is relevant to its existing and potential customers.

The Group also has a stringent credit policy that covers credit evaluation, approval and monitoring, as a safeguard to minimise all credit risks. The Group has trade credit insurance on its trade receivables which covers protracted default and insolvency, depending on the customer's credit worthiness and credit limit history.

In anticipation of unforeseen financial losses, the Group adopts hedging policies and is insured in relation to the following: workmen compensation; product liability; directors and executive officers' liability; loss of keyman insurance; industrial risks; marine insurance; vehicles insurance; trade credit insurance; as well as travel, health and personal accidents insurance for the Group.

As part of its on-going corporate governance efforts, the Group initiated its application for the Inland Revenue Authority of Singapore's ("**IRAS**") GST Assisted Compliance Assurance Programme ("**ACAP**") in September 2016. ACAP offers a holistic solution for companies to review the effectiveness of its GST control and establish effective tax risk management policies and internal control measures for better GST compliance.

Code of Conduct & Ethics for Employees

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

Accessible to Board members and employees of the Group as well as its agents, representatives and consultants, the principles and standards in the Code are intended to enhance investor confidence and rapport, and to ensure that decision-making is ethically and properly carried out in the best interests of the Group. The Code is reviewed from time to time and updated to reflect changes to the existing systems or the environment in which the Group operates.

The Code sets out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with fellow employees; customers; competitors; suppliers; government agencies and officials; and the community in general. Among others, key areas covered by the Code include workplace health and safety; workplace and business conduct; safeguarding of assets of the Group and other parties; handling of confidential information and trading policy; conflict of interest; personal data obligations; and compliance with laws including a whistle blowing policy.

The Group has developed compliance education as part of the regular education programmes it administers. Under the programme, employees are briefed on this Code and other compliance-related issues, either on its own or with the support of corporate function departments.

For easy access and reference, CosmoSteel maintains the Code on its intranet.

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

FINANCIAL HIGHLIGHTS

($)
68.8 m
REVENUE

(¢)
39.68
NAV PER SHARE

($)
14.9 m
GROSS PROFIT

(¢)
0.50
DIVIDEND PER SHARE

I AM A GREAT BELIEVER IN LUCK, + I FIND THE HARDER I WORK THE MORE I HAVE OF IT.

THOMAS JEFFERSON

REVENUE
S$m

FY2012	155.0
FY2013	155.7
FY2014	157.6
FY2015	109.9
FY2016	**68.8**

NET PROFIT / (LOSS)
S$m

FY2012	11.1
FY2013	6.4
FY2014	5.5
FY2015	(0.9)
FY2016	**(7.6)**

GROSS PROFIT
S$m

	Gross Profit Margin (%)	Gross Profit (S$m)
FY2012	21.4	33.2
FY2013	18.8	29.2
FY2014	19.5	30.7
FY2015	17.8	19.6
FY2016	**21.7**	**14.9**

GROSS PROFIT MARGIN (%)

DIVIDEND PER SHARE
(¢)

FY2012	1.25
FY2013	1.0
FY2014	0.5
FY2015	0.5
FY2016	**0.5**

EARNINGS / (LOSS) PER SHARE
(¢)

FY2012	4.19
FY2013	2.41
FY2014	2.10
FY2015	(0.32)
FY2016	**(2.61)**

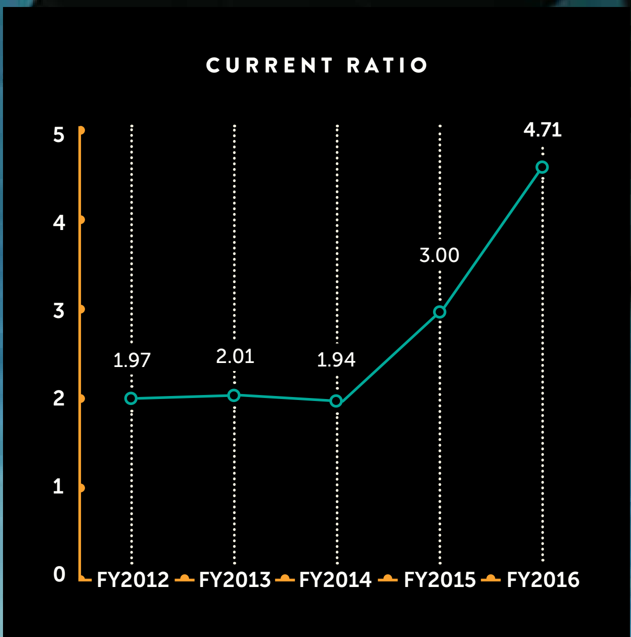
NET ASSET VALUE PER SHARE
(¢)

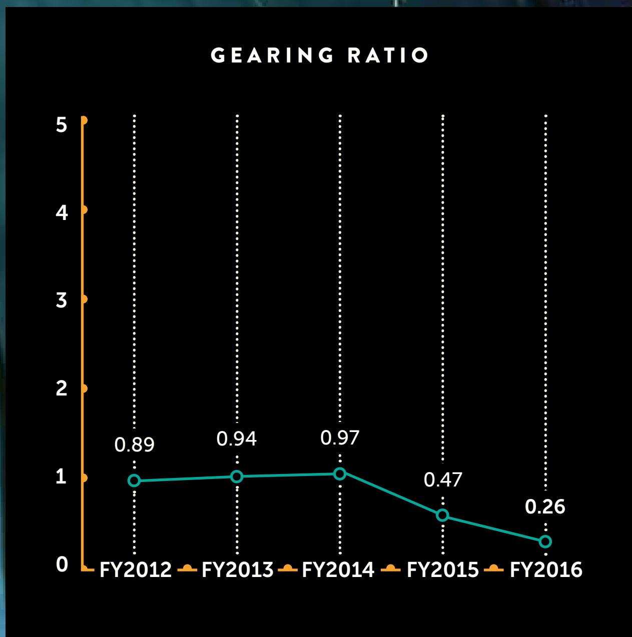
FY2012	35.40
FY2013	37.64
FY2014	40.56
FY2015	42.23[1]
FY2016	**39.68**

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

FINANCIAL HIGHLIGHTS (cont'd)

LIQUIDITY RATIOS (TIMES)





THE DIFFERENCE IN WINNING + LOSING IS MOST OFTEN NOT QUITTING.

WALT DISNEY

KEY PERFORMANCE INDICATORS

1 PRODUCTS + SERVICES

- New in-house logistics handling service
- New electrical, structural and cable products
- Expanded inventory range from over 20,000 to more than 25,000 line items

2 CERTIFICATIONS + ACCREDITATIONS

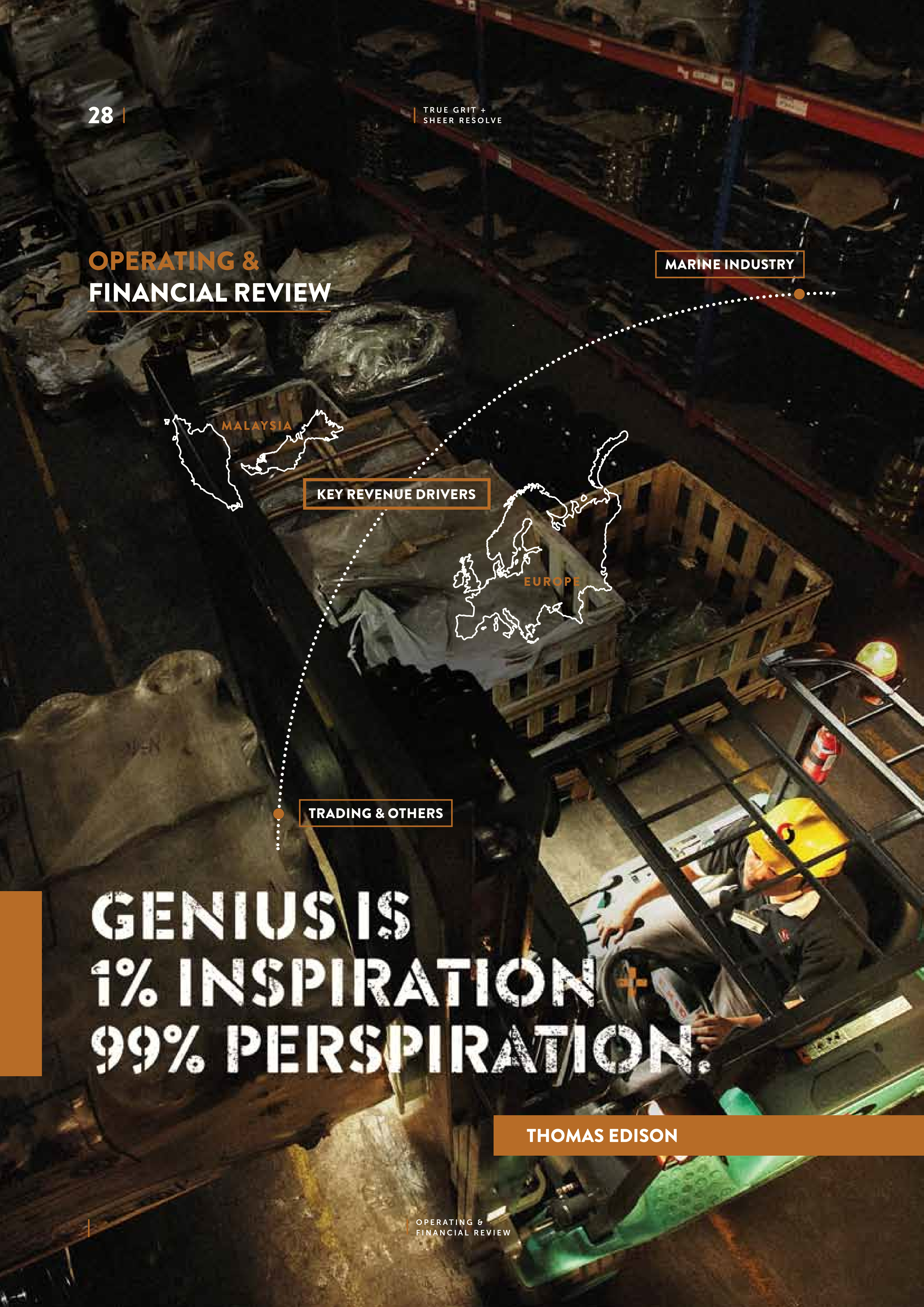
- ISO 22301:2012 for Business Continuity Management (December 2015)
- Accredited Training Organisation authorised to train Chartered Accountants (Singapore) under the Singapore Qualification Programme (March 2016)

3 OTHER PERFORMANCE INDICATORS

	FY2014		FY2015		FY2016	
Productivity						
Revenue per employee ($'000)	1,044		814		**559**	
Corporate Governance						
Overall SGTI score (Points)	57		56		**77**	
Overall SGTI ranking	92		157		**45**	
Customers						
Quality: Inaccuracy in sales order processing[2] (%)	3.8		4.4		**3.7**	
Efficiency: On-time deliveries (%)	84.9		99.7		**99.7**	
Average customer satisfaction rate[3] (%)	3.2		3.3		**3.3**	
People						
Employee turnover (%)	2.5		2.1		**4.6**	
Medical leave per employee (Days)	0.5		0.6		**0.6**	
Length of service (Number)						
(M: Managerial; N: Non-managerial)	M:	N:	M:	N:	**M:**	**N:**
• 1 to 5 years	16	87	15	71	**16**	**57**
• 5 to 10 years	13	16	16	15	**14**	**14**
• More than 10 years	9	10	9	9	**11**	**11**
Health and Safety						
Accident frequency rate[4] (Number)	6		0		**8**	
Accident severity rate[5] (Hours)	109		0		**242**	
Environment						
Electricity consumption per employee (kWh)	186.50		199.30		**206.87**	
Water consumption per employee (Cu M)	2.25		2.17		**2.64**	
Paper consumption per $1,000 of sales (Number of copies)	13		13		**18**	
Community						
Contributions to charitable initiatives ($'000)	36.5		43		**41**	

2 Calculated based on the number of customer non-conformance report (non-product related); lower score indicates lower rates of non-conformance
3 Based on annual surveys of our clients on 22 key areas including quality and efficiency; Rating system: 4 = excellent, 3 = good, 2 = fair, and 1 = poor
4 Number of workplace accidents per million man hours worked
5 Number of man days lost to workplace accidents per million man hours worked

OPERATING & FINANCIAL REVIEW



GENIUS IS 1% INSPIRATION + 99% PERSPIRATION.

THOMAS EDISON

Gross profit margin improved by 3.9 percentage points to 21.7% in FY2016 from 17.8% in FY2015, due to a reduction in value-added services requests by customers and stringent costs management.

INCOME STATEMENT REVIEW

INCOME STATEMENT	GROUP FY2016 S$'000	GROUP FY2015 S$'000	Change %
Revenue	**68,757**	**109,903**	**(37.4)**
Cost of Sales	(53,827)	(90,339)	(40.4)
Gross Profit	**14,930**	**19,564**	**(23.7)**
Other Items of Income			
Financial Income	55	15	266.7
Other Items of Expense			
Financial Expense	(673)	(1,359)	(50.5)
Distribution Costs	(6,137)	(8,145)	(24.7)
Administrative Expenses	(7,161)	(7,606)	(5.9)
Depreciation Expenses	(5,609)	(4,434)	26.5
Other (Losses) / Gains	(4,206)	603	NM
Loss Before Tax from Continuing Operations	**(8,801)**	**(1,362)**	**546.2**
Income Tax Income	1,226	478	156.5
Loss from Continuing Operations, Net of Tax	**(7,575)**	**(884)**	**756.9**

NM - Denotes "not meaningful"

Amidst a generally weak global energy market, CosmoSteel recorded a revenue and net loss of $68.8 million and $7.6 million respectively for the financial year ended 30 September 2016 ("**FY2016**"), compared to a revenue and net loss of $109.9 million and $0.9 million respectively in the preceding financial year ("**FY2015**").

This resulted in a 23.7% decline in the Group's gross profit to $14.9 million in FY2016 from $19.6 million in FY2015. Gross profit margin, nevertheless, improved by 3.9 percentage points to 21.7% in FY2016 from 17.8% in FY2015, due to a reduction in value-added services requests by its customers and the Group's stringent costs management.

During the year, financial income earned by the Group rose 266.7% to around $55,000 on the back of interest earned on fixed deposits and gains on investment in a financial asset, while financial expense was cut by 50.5% to $0.7 million in FY2016 from $1.4 million in FY2015. The latter was mainly from lower interest paid on reduced borrowings.

In tandem with the lower revenue, the Group's distribution costs decreased by 24.7% to $6.1 million in FY2016 from $8.1 million in FY2015. At the same time, the cost-cutting measures the Group adopted trimmed 5.9% off its administrative expenses to $7.2 million in FY2016 from $7.6 million in FY2015.

With higher depreciation on its properties, depreciation expense of the Group increased by 26.5% to $5.6 million in FY2016 from $4.4 million in FY2015. The Group also made a provision for slow-moving inventories that raised other losses by $4.8 million, resulting in a loss of $4.2 million in FY2016 compared to a gain of $0.6 million in FY2015.

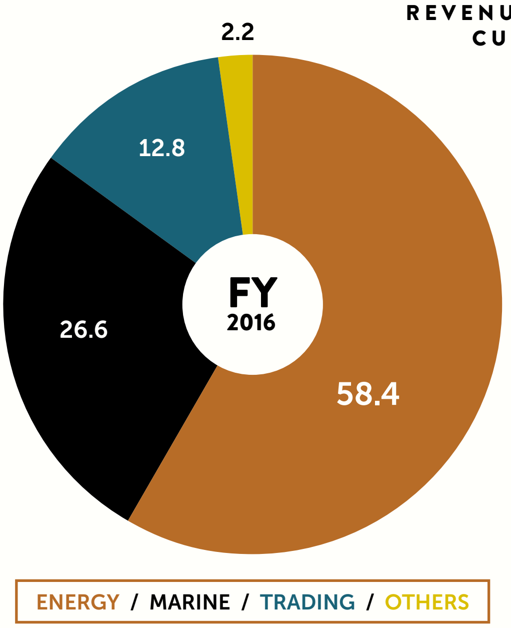
OPERATING & FINANCIAL REVIEW (cont'd)

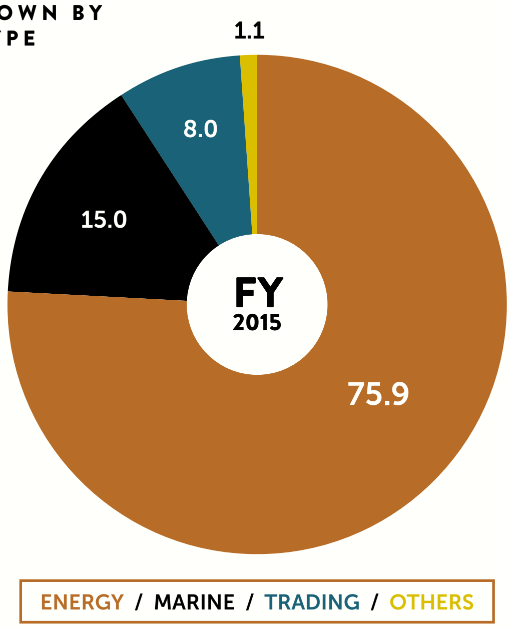
While sales from the Group's Marine, Trading and Others segments picked up in FY2016, sales from its clients in the Energy sector was halved to $40.2 million from $83.4 million a year ago largely due to an oil supply glut, and the intense competition the Group continued to face both locally and globally. In FY2016, revenue from the Marine sector improved 10.7% to $18.3 million, and that of Trading and Others segments rose 1.0% to $8.8 million and 19.8% to $1.5 million respectively. This compared with segment contributions of $16.5 million, $8.7 million and $1.2 million respectively in FY2015.

Based on this, the Energy, Marine Trading and Others sectors accounted for 58.4%, 26.6%, 12.8% and 2.2% of the Group's total revenue in FY2016 vis-à-vis 75.9%, 15.0%, 8.0% and 1.1% respectively in FY2015.

REVENUE ANALYSIS BY CUSTOMER TYPE

REVENUE BREAKDOWN BY CUSTOMER TYPE (%)





REVENUE BREAKDOWN BY CUSTOMER TYPE (S$'000)

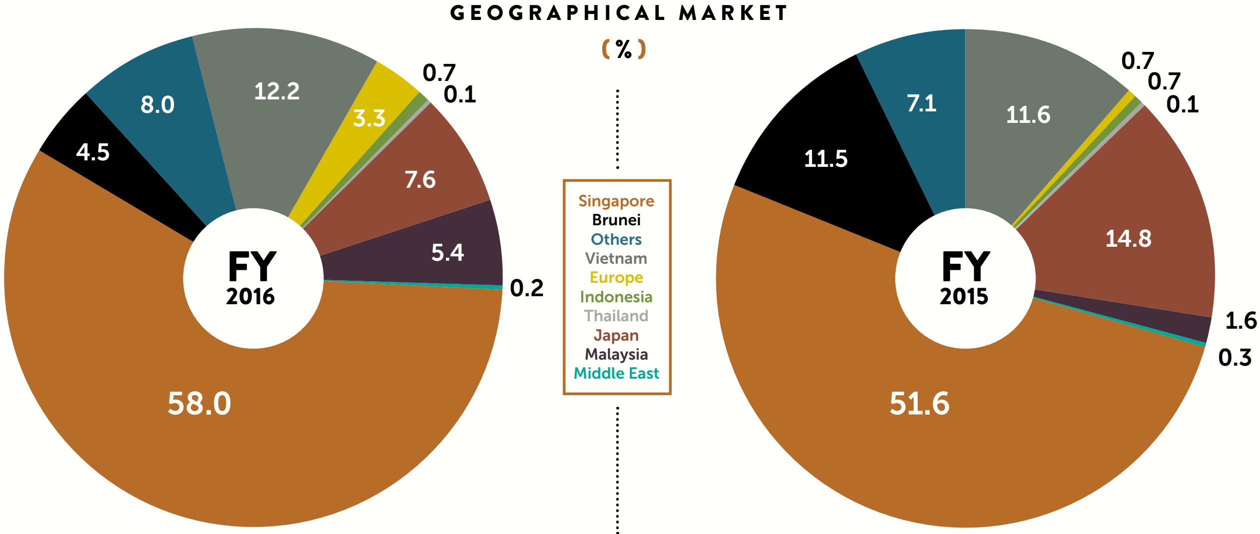
	FY2016 S$'000	FY2015 S$'000	Change S$'000	%
Energy	**40,172**	83,413	(43,241)	(51.8)
Marine	**18,266**	16,502	1,764	10.7
Trading	**8,826**	8,742	84	1.0
Others	**1,493**	1,246	247	19.8
Total Revenue	**68,757**	109,903	(41,146)	(37.4)

The Group's geographical revenue contribution is recorded based on the domicile of the customers and not where the products are ultimately put into use.

With the exception of Malaysia and Europe, revenue from all of the Group's other markets declined. Singapore, which was the Group's largest market, saw the steepest revenue decline of 29.6% to $39.9 million in FY2016 from $56.7 million a year ago. Sales in Malaysia and Europe improved by 120.3% and 220.3% to $3.8 million and $2.3 million respectively. Also, operations in Australia (classified under the Others market), which was set up in October 2009 mostly to support one of the Group's key customers there, reaped its maiden profit in FY2016, signalling the traction it has gained.

REVENUE ANALYSIS BY GEOGRAPHICAL MARKET

REVENUE BREAKDOWN BY GEOGRAPHICAL MARKET (%)



REVENUE BREAKDOWN BY GEOGRAPHICAL MARKET (S$'000)

	FY2016 S$'000	FY2015 S$'000	Change S$'000	Change %
Brunei	**3,067**	12,684	(9,617)	(75.8)
Europe	**2,283**	713	1,570	220.3
Indonesia	**488**	813	(325)	(40.0)
Japan	**5,248**	16,314	(11,066)	(67.8)
Malaysia	**3,750**	1,702	2,048	120.3
Middle East	**119**	325	(206)	(63.3)
Singapore	**39,883**	56,665	(16,782)	(29.6)
Thailand	**57**	152	(95)	(62.0)
Vietnam	**8,357**	12,724	(4,367)	(34.3)
Others	**5,505**	7,811	(2,306)	(29.5)
Total Revenue	**68,757**	109,903	(41,146)	(37.4)

Others include customers from Australia, China and the Philippines

OPERATING & FINANCIAL REVIEW (cont'd)

STATEMENT OF FINANCIAL POSITION	GROUP FY2016 S$'000	GROUP FY2015 S$'000	Change %
Assets			
Non-Current Assets			
Property, Plant and Equipment	28,361	30,863	(8.1)
Available-For-Sale Financial Assets	92	130	(29.2)
Trade and Other Receivables	2,139	2,214	(3.4)
Total Non-Current Assets	**30,592**	**33,207**	**(7.9)**
Current Assets			
Inventories	78,838	93,851	(16.0)
Trade and Other Receivables	16,768	25,958	(35.4)
Financial Assets at Fair Value Through Profit or Loss	1,557	1,606	(3.1)
Other Assets	411	517	(20.5)
Cash and Cash Equivalents	17,108	25,021	(31.6)
Total Current Assets	**114,682**	**146,953**	**(22.0)**
Total Assets	**145,274**	**180,160**	**(19.4)**
Equity and Liability			
Equity			
Share Capital	56,325	56,325	-
Retained Earnings	44,780	50,807	(11.9)
Other Reserves	14,116	15,502	(8.9)
Total Equity	**115,221**	**122,634**	**(6.0)**
Non-Current Liabilities			
Deferred Tax Liabilities	2,859	3,740	(23.6)
Provisions	70	88	(20.5)
Other Financial Liabilities	2,524	4,762	(47.0)
Finance Leases	226	-	NM
Total Non-Current Liabilities	**5,679**	**8,590**	**(33.9)**
Current Liabilities			
Income Tax Payable	32	85	(62.4)
Trade and Other Payables	8,801	11,879	(25.9)
Finance Leases	147	-	NM
Other Financial Liabilities	15,286	36,852	(58.5)
Other Liabilities	108	120	(10.0)
Total Current Liabilities	**24,374**	**48,936**	**(50.2)**
Total Liabilities	**30,053**	**57,526**	**(47.8)**
Total Equity and Liabilities	**145,274**	**180,160**	**(19.4)**

FINANCIAL POSITION ANALYSIS

To ensure it remains in a healthy financial position with adequate cashflow for the sound operation of its business, the Group closely monitors its balance sheet.

Total assets of the Group decreased by 19.4% to $145.3 million in FY2016 from $180.2 million in FY2015. Mainly due to depreciation charged in FY2016, non-current assets decreased by 7.9% to $30.6 million at 30 September 2016. At the same time, current assets decreased by 22.0% to $114.7 million as at 30 September 2016 because of declines in both trade and other receivables and inventories. Trade and other receivables decreased by 35.4% to $16.8 million as at 30 September 2016 in line with the decrease in revenue generated, while inventories decreased by 16.0% to $78.8 million from both a provision for slow-moving inventories and stricter inventory management controls instituted by the Group. Notwithstanding the decrease in current assets, the Group's current ratio has improved from 3.00 times as at 30 September 2015 to 4.71 times as at 30 September 2016.

Total liabilities of the Group decreased by 47.8% to $30.1 million in FY2016 from $57.5 million in FY2015. The Group's non-current liabilities was reduced by 33.9% to $5.7 million as at 30 September 2016 from repayments of long-term borrowings which decreased by 47.0% to $2.5 million as at 30 September 2016. Similarly, current liabilities was also cut by 50.2% to $24.4 million as at 30 September 2016 because of decreases in trade and other payables and other financial liabilities. Due to repayments, trade and other payables decreased by 25.9% to $8.8 million as at 30 September 2016 while other financial liabilities, consisting of short-term borrowings and current portion of long-term borrowings, fell 58.5% to $15.3 million as at 30 September 2016. With this, the Group's gearing ratio (defined as total liabilities to equity) has improved to 0.26 times as at 30 September 2016 compared to 0.47 times as at 30 September 2015.

Mainly from the loss it incurred in FY2016, total equity of the Group decreased by 6.0% to $115.2 million as at 30 September 2016 from $122.6 million as at 30 September 2015.

CASHFLOW ANALYSIS

Compared to a year ago, cash used by the Group in operating activities decreased by 94.3% to $0.5 million in FY2016 from $9.5 million in FY2015, mainly from comparatively lower repayments of borrowings.

At the same time, cash used in investing activities decreased by 91.6% from $7.2 million in FY2015, when the Group purchased the warehouse at 36 Tuas Crescent Singapore 638724, to $0.6 million in FY2016 which was incurred for the replacement of old commercial vehicles and purchase of overhead cranes.

From an inflow of $8.6 million in FY2015 from its new shares placement that was completed in March 2015, the Group recorded a net cash outflow from financing activities of $6.8 million in FY2016, which resulted from both repayments of bank borrowings and payment of dividends.

CASH FLOW ANALYSIS S$'000	GROUP FY2016	GROUP FY2015
Net cash flows (used in) / from operating activities	(538)	(9,516)
Net cash flows used in investing activities	(607)	(7,226)
Net cash flows (used in) / from financing activities	(6,769)	8,631
Net decrease in cash and cash equivalents	(7,914)	(8,111)
Cash at end of the year*	**17,082**	**24,996**

* Excluding cash restricted in use over three months

CORPORATE GOVERNANCE

The Company recognises the importance of upholding a high standard of corporate governance to ensure the long-term sustainability of the Group's business and performance and accountability to protect shareholders' interests.

The SGX-ST Listing Manual requires an issuer to describe its corporate governance practices with specific reference to the principles of the Code of Corporate Governance 2012 ("**the Code**") in its annual report, as well as disclose and explain any deviation from any guideline of the Code.

This statement outlines the policies adopted and practised by the Group during FY2016 with specific reference to the relevant provisions of the Code. The Company has generally adopted principles and practices of corporate governance in line with the recommendations of the Code, save as disclosed in relation to Principle 8 Guidelines 8.2 and 8.4, and Principle 14 Guideline 14.3.

BOARD MATTERS

Principle 1:
Board's Conduct of its Affairs

The board of directors of the Company (the "**Board**") works with the senior management of the Group (the "**Management**") to achieve the business and corporate objectives of the Group and Management remains accountable to the Board. *Guideline 1.1*

The Board's principal functions include:-

(a) to provide entrepreneurial leadership and set strategic objectives and to ensure that the necessary financial and human resources are in place for the Group to meet its objectives. The Board will also, where appropriate, consider sustainability issues, such as the environmental and social impact of the Group's business and operations as part of its strategic formulation;

(b) to establish a framework of prudent and effective controls for risk management, including safeguarding of shareholders' interests and the Group's assets;

(c) to review Management's performance; and

(d) to set the Group's values and standards (including ethical standards) and to provide guidance to Management to ensure that the Company's obligations to such key stakeholder groups such as shareholders, customers, suppliers, creditors and other stakeholders are understood and met so as to maintain and preserve the Company's reputation with such key stakeholder groups.

The Board has adopted a set of internal guidelines setting forth matters that require its approval. Matters which are specifically reserved to the Board for approval include but are not limited to the following: *Guideline 1.5*

(i) any proposed acquisitions and disposal of assets;

(ii) any proposed changes in the capital of the Company;

(iii) any interested person transaction (as defined under Chapter 9 of the Listing Manual);

(iv) dividends and other returns to shareholders; and

(v) capital expenditure or commitment exceeding S$1 million per transaction which is not considered to be in the ordinary course of business.

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

Guideline 1.7

Newly appointed Directors, if any, will be issued a letter of appointment or service contract setting out their duties and obligations when they are appointed.

Guideline 1.6

Directors are briefed by Management or, if necessary, by the appropriate professional advisers on salient industry trends or updates and changes or updates to relevant legal or regulatory or accounting requirements, where applicable. Directors are also encouraged to attend relevant training programmes, seminars and workshops organized by various professional bodies and organisations to equip themselves to effectively discharge their duties and to enhance their skills and knowledge, either as part of their own professional practice or skills upgrading, or through the Company.

Guideline 1.3

The Board is supported by three sub-committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee, each with specific terms of reference where their powers, functions and duties as well as procedures governing their operation and decision-making are described. The Board and sub-committees of the Board ("**Committees**") meet regularly throughout the year. Ad hoc meetings and/or discussions (including via email correspondences) are convened when circumstances require. Details relating to the number of Board and Committee meetings held during FY2016 and the attendance of the Directors are set out on page 41 of this Report.

The Company takes up directors' and officers' (D&O) liability insurance of an appropriate quantum to cover the Board in the discharge of their duties.

Principle 2:
Board Composition and Guidance

Guideline 1.2

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

Guideline 2.1 and Guideline 2.2

As at the date of this Report, the Board comprises eight Directors, three of whom are independent non-executive Directors ("**Independent Non-Executive Directors**"), one of whom is a non-executive Director ("**Non-Executive Director**") and the remainder are executive directors ("**Executive Directors**")

The Directors in office at the date of this Report are:

Name of Director	Role undertaken	Board Committee Membership	Date of First Appointment	Date of last Re-appointment	Present directorships and chairmanships in other listed companies and other principal commitments	Directorships and chairmanships in other listed companies and other principal commitments over the preceding 3 years
Low Beng Tin	Chairman & Independent Non-Executive Director	Audit Committee	9 November 2005	30 January 2015	SMF Centre For Corporate Learning Pte. Ltd SMF Global Pte. Ltd. Lian Beng Group Ltd JP Nelson Holdings	OEL (Holdings) Limited AA Vehicle Inspection Centre Pte. Ltd
Ong Chin Sum	Chief Executive Officer & Executive Director	–	9 November 2005	30 January 2015	Nil	Nil
Ong Tong Yang	Executive Director	–	9 November 2005	28 January 2016	Nil	Nil

CORPORATE GOVERNANCE (cont'd)

Name of Director	Role undertaken	Board Committee Membership	Date of First Appointment	Date of last Re-appointment	Present directorships and chairmanships in other listed companies and other principal commitments	Directorships and chairmanships in other listed companies and other principal commitments over the preceding 3 years
Ong Tong Hai	Executive Director	–	9 November 2005	28 January 2016	Nil	Nil
Seiji Usui	Executive Director	–	1 June 2015	28 January 2016	Nil	Nil
Hiroshi Ebihara	Non-Executive Director	Nominating Committee Remuneration Committee	1 June 2015	28 January 2016	Hanwa Singapore (Pte) Ltd Nippon EGalv Steel Sdn Bhd. Tianjin Bogang-Hanwa International Trading Co., Ltd Hanwa Trading (Shanghai) Co., Ltd Hanwa (Beijing) Co., Ltd Hanwa Co. (Hong Kong) Ltd	Hanwa Co., Ltd.
Jovenal R. Santiago	Independent Director	Audit Committee (Chairman) Remuneration Committee Nominating Committee	28 March 2007	28 January 2016	Willas-Array Electronics (Holdings) Limited	Nil
Tan Siok Chin	Independent Director	Audit Committee Remuneration Committee (Chairman) Nominating Committee (Chairman)	28 March 2007	30 January 2015	ACIES Law Corporation Design Studio Group Ltd Kauai Investments Pte Ltd Valuetronics Holding Limited	Nil

Apart from the foregoing, further information on each Director are set out on pages 12 to 14 of this Report. In addition, information on the shareholding held by each Director in the Company and its related corporations is found on page 59 of this Report.

Guideline 4.7

Guideline 2.3

The Nominating Committee determines on an annual basis whether or not a Director is independent. As and when circumstances require, the Nominating Committee will also assess and determine a Director's independence.

The guidelines for independence adopted by the Company is based on the Code. The Board considers an Independent Non-Executive Director as one who, *inter alia*, has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. In line with the guidance in the Code, the Board takes into account the existence of relationships or circumstances that are relevant in its determination as to whether a Director is independent, including the employment of a Director by the Company or any of its related corporations during the financial year in question or any of the previous three financial years; the employment of an immediate family member by the Company or any of its related corporations during the financial year in question or any of the past three financial years and whose remuneration is determined by the Remuneration Committee; the acceptance by a Director of any significant compensation from the Company or any of its related corporations for the provision of services during the financial year in question or the previous financial year, other than compensation for board service; and a Director being related to any organisation from which the Company or any of its subsidiaries received significant payments or material services during the financial year in question or the previous financial year; a Director who is a 10% shareholder of the Company or is an immediate family member of a 10% shareholder; and a Director who is or has been associated with a 10% shareholder of the Company in the financial year in question or the previous financial year.

The Nominating Committee carried out the review on the independence of each Independent Non-Executive Director in November 2016 based on the foregoing considerations, the respective Directors' self-declaration in the Director's Independence Checklist and their actual performance on the Board and Committees, and is satisfied that the Independent Non-Executive Directors are able to act with independent judgment.

Independence of Directors who have served more than nine years

Guideline 2.4

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

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

In view of this, apart from taking into consideration, *inter alia*, the guidelines for independence as provided for under the Code, the absence of potential conflicts of interest for the Independent Directors which may arise through, *inter alia*, a shareholding interest in the Company and/or business dealings directly or indirectly with the Group, as part of the process in the individual evaluation and assessment of Directors for FY2016, the other Directors have been asked to particularly review and assess the continued independence of each of the Independent Directors.

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

Notwithstanding the foregoing, the Board will continue to review the composition of the Board and consider the appropriateness of Board renewal should the opportunity arise.

CORPORATE GOVERNANCE (cont'd)

The Board is of the view that given the nature and scope of the Group's operations, the present Board size of eight members is appropriate to facilitate effective decision-making to meet the needs and demands of the Group's business. Given the diverse qualifications, experience, background, gender and profile of the Independent Non-Executive Directors, the Board collectively possesses core competencies in areas such as accounting or finance, legal and regulatory matters, risk management, business or management experience and industry knowledge. As such, the Board is of the opinion that the current Board members as a group provides an appropriate balance and diversity of the relevant skills, experience and expertise required for effective management of the Group.

Guideline 2.5 and Guideline 2.6

Management regularly puts up proposals or reports for the Board's consideration and approval (where appropriate), for instance, proposals on the annual budget of the Group, proposals relating to specific proposed transactions or general business direction or strategy of the Group, as well as regular reports or updates on the Group's inventory management and risk management. Independent Non-Executive Directors, when presented with these proposals or reports for their consideration, evaluate the proposals or reports made by Management and these Directors also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance and, where appropriate, provide guidance to Management on relevant aspects of the Group's business and assist in the development of proposals on the Group's business strategy. In addition, Independent Non-Executive Directors meet regularly without the presence of Management, in the meetings with the external auditors and internal auditors at least annually and on such other occasions as may be required.

Guideline 2.7 and Guideline 2.8

Principle 3:
Chairman and Chief Executive Officer

The Independent Non-Executive Chairman and the Chief Executive Officer of the Company are separate individuals. As the most senior executive in the Company, the Chief Executive Officer, Mr Ong Chin Sum, assumes executive responsibilities for the Group's performance and the Group's business. As the Chairman, Mr Low Beng Tin leads the Board, ensures that the Directors receive accurate, timely and clear information, encourages constructive relations between the Board and Management, as well as between Board members, facilitates contributions from Board members, including Non-Executive Directors, ensures effective communication with shareholders and endeavours to promote a high standard of corporate governance.

Guideline 3.1 and Guideline 3.2

The Chairman also ensures that Board meetings are held regularly and on an ad hoc basis where required and, when necessary, sets the Board meeting agendas in consultation with the Management and the Company Secretary. The Chairman presides over each Board meeting and ensures full discussion of agenda items. Management staff, as well as external experts who can provide additional insights into the matters to be discussed, are invited when necessary, to attend at the relevant time during the Board meetings.

Principle 4:
Board Membership

The Company has established a Nominating Committee. The Nominating Committee comprises three Directors, two of which, including its Chairman, are Independent Non-Executive Directors. As at the date of this Report, the members of the Nominating Committee are:

Guideline 4.1

Ms Tan Siok Chin .... Chairman
Mr Hiroshi Ebihara
Mr Jovenal R. Santiago

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

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

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

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

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

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

Guideline 4.2

i. the review of board succession plans for directors, in particular, the Chairman and for the CEO;

ii. the development of a process for evaluation of the performance of the Board, its board committees and directors;

iii. the review of training and professional development programs for the Board; and

iv. the appointment and re-appointment of directors (including alternate directors, if applicable).

The Company has established certain criteria to evaluate the performance of the Board, the Committees and the Directors. The performance criteria which has been adopted include the adequacy and timeliness of information provided to the Board and the Committees, adequacy of process for monitoring and reviewing Management's performance, timeliness and adequacy of disclosures and communications with shareholders and other stakeholders.

In addition, the Nominating Committee will have regard to whether a Director has adequate time and attention to devote to the Company, in the case of Directors with multiple board representations and other principal commitments. As a guide, Directors should not have more than six listed company board representations.

During FY2016, the following process was undertaken in relation to the evaluation of the performance of the Board, the Committees and the Directors:

(a) Evaluation process

Each of the Directors has completed a Board Performance Evaluation Checklist, giving their individual assessment and evaluation of the Board's ability and Committees' ability to meet the relevant criteria stated in the Board Performance Evaluation Checklist. In addition, each of the Directors has completed an Individual Directors' Evaluation Checklist, giving their assessment and review of other Directors' performance and, in the case of Independent Directors who have served more than 9 years, to consider their continued independence despite the tenure of their office.

The results of such assessment and evaluation were collated by the Company Secretary and reviewed and considered by the Nominating Committee, with the appropriate reports or recommendations (including on follow-up actions, if any) provided to the Board.

CORPORATE GOVERNANCE (cont'd)

(b) Determining Directors' independence

Guideline 4.3

Each Independent Non-Executive Director of the Company has completed a checklist to confirm his/her independence. The checklist is drawn up based on the guidelines provided in the Code. The Nominating Committee has reviewed and was satisfied with the independence of the Independent Non-Executive Directors as mentioned in relation to Guidelines 2.3 and 2.4 above.

(c) Commitments of Directors sitting on multiple boards

Guideline 4.4

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

Guideline 4.5

Currently, the Company does not have any alternate Director.

Guideline 4.6

The Company has in place a process for selecting and appointing new Directors, and nominating existing Directors for re-appointment. Such process includes, in the case of a new Director to be appointed, *inter alia*, an evaluation of a candidate's qualifications and experience with due consideration being given to ensure that the Board consists of members who as a whole will collectively possess the relevant core competencies in areas such as accounting or finance, legal and regulatory matters, risk management, business or management experience and industry knowledge. The search for new Directors, if any, will, if considered necessary, be made through executive search companies, contacts and recommendations and shortlisted persons will be evaluated by the Nominating Committee before being recommended to the Board for consideration.

The Company's Constitution ("**Constitution**") require at least one-third of the Directors, or if their number is not a multiple of three, the number nearest to but not less than one-third of the Directors, to retire from office by rotation once every three years and shall then be eligible for re-election at the meeting at which he retires.

Existing Directors are put up for retirement and re-election in accordance with the foregoing requirement, and the Nominating Committee will recommend the nomination of a Director for re-election after considering, *inter alia*, the Director's competencies, commitment, contribution and performance, as well as the need for progressive renewal of the Board.

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

Each member of the Nominating Committee will abstain from voting on any resolution (if applicable) in respect of the assessment of his/her performance or re-nomination as Director.

The Nominating Committee, working in conjunction with the Management, keeps a constant lookout for appropriate training and professional development programmes from time to time offered by professional bodies such as the Singapore Institute of Directors and external training institutes and service providers, and recommends them to Board members for attendance or participation. Individual Directors may from time to time attend separate training and professional development programmes, in connection with their own profession or work or other directorships which they may hold.

Principle 5:
Board Performance

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

Guideline 5.1 and Guideline 5.2

During FY2016, a peer to peer review was, for the first time, adopted by the Board in addition to evaluating the performance of the Board and the Committees as a whole. The performance of all Directors were individually reviewed by their fellow Directors, taking into consideration *inter alia*, the Director's competencies, commitment, contributions and performance at Board and Committee meetings and discussions, including attendance, preparedness, participation and candour.

Guideline 1.4 and Guideline 5.3

The record of the Directors' attendance at meetings of the Board and Committees in the financial year under review is set out below:

	Number of Meetings@							
	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings@	
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Low Beng Tin	4	3	4	3	1	-	2	1*
Ong Chin Sum	4	4	4	4*	1	1*	2	1*
Ong Tong Yang	4	4	4	4*	1	1*	2	1*
Ong Tong Hai	4	4	4	4*	1	1*	2	1*
Seiji Usui	4	4	4	4*	1	1*	2	1*
Hiroshi Ebihara	4	4	4	4*	1	1	2	2
Jovenal R. Santiago	4	4	4	4	1	1	2	2
Tan Siok Chin	4	4	4	4	1	1	2	2

Note:
* The Directors are not members of the respective Committees but have attended the meetings by invitation.
@ Regular Board and Committee meetings comprise four Board meetings, four Audit Committee meetings, one Nominating Committee meeting and one Remuneration Committee meeting. There were two Remuneration Committee meetings held in FY2016, which comprises one regular Remuneration Committee meeting and one ad-hoc Remuneration Committee meeting.

Principle 6:
Access to Information

Board papers for Board meetings were sent to Directors in advance in order for Directors to be adequately prepared for meetings including all relevant documents, materials, background or explanatory information relating to matters to be brought before the Board and copies of disclosure documents, budgets and forecasts. In addition to the annual budget submitted to the Board for approval, the Board was provided with regular reports and updates on specific matters such as inventory management, risk management and any material variance between the budgeted and actual results. The Board is informed and its approval sought on the matters which require its approval under the internal guidelines set by the Board, including material events and transactions. Requests for other information by the Board were also dealt with promptly. The Board, the Committees and the Directors have separate and independent access to Management of the Company and are entitled to request from Management such additional information or clarification as required.

Guideline 6.1 and Guideline 6.2

CORPORATE GOVERNANCE (cont'd)

The Company Secretary attends all Board and Committee meetings and is responsible for ensuring that Board procedures are followed and recording and the minutes of all Board and Committees meetings are recorded and circulated to the Board and the Committees and also advises the Board on all governance matters. *Guideline 6.3*

Under the direction of the Chairman, the Company Secretary facilitates the information flow within the Board and its Committees and between Management and Non-Executive Directors. The Board has independent access to the Company Secretary. The appointment and the removal of the Company Secretary are decisions taken by the Board as a whole. *Guideline 6.4*

Professional advisors may be invited to advise the Board, or any of its members, if the Board or any individual member thereof needs independent professional advice. *Guideline 6.5*

Principle 7:
Procedures for Developing Remuneration Policies

The Company has established a Remuneration Committee which comprises three Directors, all of whom are non-executive and the Chairman is an Independent Non-Executive Director. As at the date of this Report, the Remuneration Committee members are: *Guideline 7.1*

Ms Tan Siok Chin .... Chairman
Mr Jovenal R. Santiago
Mr Hiroshi Ebihara

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

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

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

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

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

(e) reviewing the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service;

(f) ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants;

(g) administering the employee share option scheme, share-incentive or award scheme from time to time established or implemented by the Company (collectively the "Schemes") with powers to determine, *inter alia*, the following:-

   (i) persons to be granted options, share incentives, awards and other benefits under the Schemes;

   (ii) number of options, share incentives, awards and other benefits under the Schemes to be offered;

   (iii) terms of such options, share incentives, awards and other benefits under the Schemes to be offered, including exercise price and vesting periods;

   (iv) recommendations for modifications to the Schemes;

   (v) generally, perform such other functions and duties as may be required by the relevant laws or provisions of the SGX-ST Listing Manual and the Code (as may be amended from time to time); and

(h) reviewing whether Executive directors, Non-executive and Independent Non-Executive Directors and key management personnel should be eligible for options, share incentives, awards and other benefits under the Schemes.

Guideline 7.3

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

Principle 8:
Level and Mix of Remuneration

Guideline 8.1

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

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

The Remuneration Committee's recommendations are submitted for approval by the Board. Each member of the Remuneration Committee will abstain from reviewing and approving his own remuneration and the remuneration packages of persons related to him.

Remuneration Structure of Executive Directors

The remuneration for the Executive Directors is based on the terms of their respective service contracts entered into with the Company. Based on the terms of their service contracts which were applicable for FY2016, the majority of the Executive Directors are entitled to (i) a basic monthly salary; (ii) a share of an annual incentive bonus pool ("**Incentive Bonus**"), which is based on a certain percentage of the consolidated net profit before tax of the Group (on a tiered basis and tied to the profitability of the Group, as further elaborated below); and (iii) a discretionary bonus, to be recommended by the Remuneration Committee and approved by the Board, while a remaining Executive Director's remuneration is based on a basic monthly salary and a fixed annual bonus.

CORPORATE GOVERNANCE (cont'd)

The aggregate Incentive Bonus is calculated and based on the consolidated net profit before tax, extraordinary items, exceptional items and minority interests and excluding any expenses to be incurred for the Incentive Bonus ("**NPBT**") of the Group (as shown in the audited consolidated accounts of the Company and its subsidiary or subsidiaries and/or associated companies from time to time) as follows:-

	NPBT Attained	Incentive Bonus (amount as determined below to be apportioned amongst the Company's Executive Directors entitled to the Incentive Bonus)
(i)	For the first S$5 million	8% of the NPBT
(ii)	More than S$5 million but up to and including S$7 million	8% of S$5 million plus 10% of the NPBT exceeding S$5 million
(iii)	More than S$7 million	8% of S$5 million plus 10% of S$2 million plus 12% of the NPBT exceeding S$7 million

The discretionary bonus payable to the eligible Executive Directors is generally awarded based on a certain number of months of their basic monthly salary, and will only be given if recommended by the Remuneration Committee and approved by the Board. It is intended as an additional remuneration tool, to recognise the efforts and contributions and performance of the Executive Directors, whether as a whole and/or on an individual basis, in particular where such efforts and contributions and/or performance may not be directly or immediately reflected in or attributable to the financial performance of the Company and the Group.

Remuneration Structure of Key Management Personnel

The remuneration of the key management personnel generally comprises primarily a basic salary component and a variable component which is the bonuses, based on the performance of the Company and the Group as a whole and individual performance.

The Company currently does not have any long-term incentive scheme(s) or contractual provisions to reclaim incentive components of remuneration from Executive Directors and key management personnel, as the Company has generally been profitable since its Listing, save for FY2015 and FY2016, but will review the feasibility of having such arrangements when appropriate.

Guideline 8.2 and Guideline 8.4

Remuneration Structure of Non-Executive Directors

Guideline 8.3

The Independent Non-Executive Directors receive directors' fees of varying amounts taking into account factors such as their respective roles and responsibilities, effort and time spent for serving on the Board and Committees. The Board may, if it considers it necessary, consult experts on the remuneration of Non-Executive Directors. Currently, the Non-Executive Directors' fees are determined based on the following fee structure:

Fee Structure for Non-Executive Directors

	$
Basic fee	45,000
Board chairmanship	25,000
AC chairmanship	20,000
Other committee chairmanship	10,000
AC membership	10,000
Other committee membership	5,000
Attendance fee [1]	1,500

[1] The attendance fee is applicable for attendance at Board and Board Committee meetings other than the regular Board and Board Committee meetings comprising four Board meetings, four Audit Committee meetings, one Nominating Committee and one Remuneration Committee meeting annually.

The payment of Directors' fees is subject to the approval of shareholders, and the Board will recommend the remuneration of the Non-Executive Directors for approval by shareholders at the Annual General Meeting ("**AGM**"). The Executive Directors do not receive directors' fees.

Principle 9:
Disclosure of Remuneration

Guideline 9.1 and Guideline 7.4

Details on the remuneration of Directors and key management personnel for the year under review are reported below. During the year, there was no termination, retirement or post-employment benefits granted to any Director or key management personnel.

Details of the remuneration paid to the Directors for the financial year ended 30 September 2016 are as follows.

Remuneration of Directors	Directors' Fees (%)	Salary [2] (%)	Bonus [1, 2] (%)	Allowances and Others (%)	Total Compensation (S$)
Executive Directors					
Mr Ong Chin Sum	-	74.4	6.2	19.4	613,306
Mr Ong Tong Yang	-	72.0	6.0	22.0	399,810
Mr Ong Tong Hai	-	72.0	6.0	22.0	399,810
Mr Seiji Usui	-	87.0	7.4	5.6	427,660
Non-Executive Director					
Mr Hiroshi Ebihara	100	-	-	-	55,000
Independent Non-Executive/ Independent Directors					
Mr Low Beng Tin	100	-	-	-	83,000
Mr Jovenal R. Santiago	100	-	-	-	83,000
Ms Tan Siok Chin	100	-	-	-	83,000

Guideline 9.2

Notes:

[1] There was no Incentive Bonus paid to the Executive Directors for FY2016, while a discretionary and fixed bonus amounting to 1 month and 2 months respectively of the relevant basic monthly salary were paid to the relevant Executive Directors (pro-rated, where applicable).

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

CORPORATE GOVERNANCE (cont'd)

For the financial year ended 30 September 2016, the top five key management personnel (who are not also Directors) (in terms of remuneration paid) of the Group are Mr Loh Ngiap Boon, Mr Lim Kim Seng, Ms Laura Ng Ying Shu, Ms Tan Bee Kheng and Ms Chong Siew Kuen.

Guideline 9.3

A breakdown of the remuneration of the top five key management personnel of the Group (in terms of remuneration paid) for the financial year ended 30 September 2016 is set out below:

Remuneration of Top Five Key Management Personnel	Salary [1] (%)	Bonus [1] (%)	Allowances and Others (%)	Total Compensation (%)
Below S$250,000				
Mr Loh Ngiap Boon	86.2	7.0	6.8	100
Mr Lim Kim Seng	69.2	5.6	25.2	100
Ms Chong Siew Kuen	69.0	5.6	25.4	100
Ms Tan Bee Kheng	82.9	6.8	10.3	100
Between S$250,000 and S$499,999				
Ms Laura Ng Ying Shu[2]	87.9	7.0	5.1	100

Notes:

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

2 Ms Laura Ng Ying Shu had resigned from her position with effect from 30 November 2016.

The annual aggregate remuneration paid to the top five key management personnel of the Group (who are not directors or the CEO) for FY2016 is S$898,995. As all of the top five key management personnel (in terms of remuneration paid) of the Group, other than Ms Laura Ng Ying Shu, drew remuneration of below S$250,000 and Ms Laura Ng Ying Shu drew remuneration between S$250,000 and S$499,000, and given the disclosure of the annual aggregate remuneration of the Company as aforesaid, the Company has accordingly not disclosed the specific remuneration of each of the top five key management personnel for confidentiality reasons.

Mr Ong Chin Sum is the father of Mr Ong Tong Yang and Mr Ong Tong Hai, and they are Executive Directors of the Company. Ms Teoh Bee Choo, the spouse of Mr Ong Chin Sum and the mother of Mr Ong Tong Yang and Mr Ong Tong Hai, is an employee of the Company whose remuneration was more than S$150,000 but below S$250,000 for FY2016. Further details of Ms Teoh's remuneration are set out below:

Guideline 9.4

Base Salary (%)	Bonus (%)	Allowances and Others (%)	Total Compensation (%)
88.6	7.0	4.4	100

Executive Directors are entitled to participate in the Cosmosteel Employee Share Option Scheme, the Company's employees' share option scheme which was approved by Shareholders in general meeting held on 28 March 2007 (the "**ESOS**").

Guideline 9.5 and Guideline 9.6

The objective of the ESOS is to motivate and retain employees to optimize their performance standards and efficiency to maintain a high level of contribution to the Group. It was therefore intended that the Executive Directors and their immediate family members be excluded from participating in the ESOS. Where the options granted under the ESOS have exercise prices that are set at a price equal to the average of the last dealt prices for the Shares on the Official List of the SGX-ST for the five consecutive market days immediately preceding the relevant date of grant of the relevant option, such options may be exercised after the first anniversary of the date of grant of that option. Alternatively, where options granted under the ESOS have exercise prices that are set at a discount to the market price (subject to a maximum discount of 20%), these options may only be exercised after the second anniversary from the date of grant of the option. In determining whether to give a discount and the quantum of the discount, the Remuneration Committee shall be at liberty to take into consideration factors including the performance of the Company, the Group, the performance of the participant concerned, the contribution of the participant to the success and development of the Group and the prevailing market conditions as a means of aligning the grant of options under the ESOS to the financial performance of the Company and the Group and the individual's performance. More details on the ESOS may be found on pages 60 to 61 of the Report. During FY2016, no option to take up unissued shares of the Company or any corporation in the Group was granted to the Executive Directors.

Save for the ESOS, the Company does not have any employee share schemes.

As at the date hereof, there are no options granted by the Company which are not in line with the relevant rules of the SGX-ST as set out in Chapter 8 of the SGX-ST Listing Manual.

Principle 10:
Accountability

Guideline 10.1, Guideline 10.2 and Guideline 10.3

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects. Management provides the Board with regular updates and as and when the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements.

Principles 11:
Risk Management and Internal Controls

Guideline 11.1 and Guideline 11.2

The Company carries out its risk management by working within the framework of a series of identified risks or risk factors, as set out in a risk register ("**Risk Register**"). The Risk Register of the Group sets out (i) the key risk factors that are faced by the Company and the Group in its business and operations and categorised according to compliance, financial and operational risks (including information technology); (ii) ranking of the risk factors in terms of their relative importance or implications for the Company and the Group should such risks materialise; and (iii) the risk mitigating practices (where applicable) which may be in place to address such risks.

A risk management team comprising members from Management (the "**Risk Management Team**") is responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business plans and goals within the risk tolerance set by the Board. The Risk Management Team provides quarterly updates to the Audit Committee and the Board where there may be areas of concern arising in relation to any of the identified key risks factors, if any, which the Audit Committee and the Board should take note of. All members of the Risk Management Team are required to submit an Annual Statement of Compliance, confirming the Group's compliance with the policies and procedures in place.

Guideline 11.4

The responsibility of overseeing the Company's risk management framework and policy is undertaken by the Audit Committee with the assistance of the internal auditors.

CORPORATE GOVERNANCE (cont'd)

The Company has requested its internal auditors to take such risk factors into consideration in drawing up the annual internal audit plan, so that there is a system and process review on the identified key risk areas. In the event that the Company intends to enter into any new markets, business venture or business sector, the Company may, where necessary or appropriate, appoint and commission the appropriate professional parties to review or advise on, *inter alia*, any additional areas of risk factors to consider in connection with such forays.

The Chief Executive Officer and Chief Financial Officer have at the financial year-end provided a letter of assurance to the Audit Committee confirming, *inter alia*, that:-

Guideline 11.3

(i) the financial statements of the Company for FY2016 have been prepared in accordance with the provisions of the Act and Singapore Financial Standards so as to give a true, accurate and complete view of the state of business and financial affairs of the Group and of the Company as at 30 September 2016, and the results and changes in equity of the Group and of the Company and cash flows of the Group for FY2016;

(i) the accounting and other records required by the Act to be kept by the Company have been maintained in accordance with the provisions of the Act; and

(iii) the Company and the Group have put in place and will continue to maintain an effective, reliable, comprehensive and sound system of risk management, internal controls (addressing financial, operational, compliance and information technology risks).

Based on the internal controls established and maintained by the Group, work performed by external auditors and internal auditors and reviews performed by Management, the various Board Committees and the Board, the Audit Committee and the Board are of the opinion, pursuant to Rule 1207(10) of the SGX-ST Listing Manual, that the Group's internal controls, addressing financial, operational, compliance and information technology risks, were adequate as at 30 September 2016.

The Board notes that the system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

Principle 12:
Audit Committee

The Audit Committee comprises three Directors, all of whom, including its Chairman, are Independent Non-Executive directors. As at the date of this Report, the Audit Committee members are:

Guideline 12.1

Mr Jovenal R. Santiago .... Chairman
Ms Tan Siok Chin
Mr Low Beng Tin

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

Guideline 12.2

Guideline 12.1 and Guideline 12.4

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

(a) reviewing the audit plan of the external auditors, including the nature and scope of the audit, before the audit commences;

(b) reviewing the results of external audit, in particular:

  (i) their audit report; and

  (ii) their management letter and Management's response thereto;

(c) reviewing the co-operation given by the Company's officers to the external auditors;

(d) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and the Group and any announcements relating to the Company's financial performance. The Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts. In this regard, the Committee should focus particularly on: -

  (i) major judgmental areas; and

  (ii) significant adjustments resulting from audit;

  and give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(e) reviewing the independence of the external auditors annually and where the external auditors also provide a substantial volume of non-audit services to the Company, keep the nature and extent of such service under review, seeking to maintain objectivity;

(f) making recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of the engagement of the external auditors;

(g) reviewing the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters (whistle-blowing policy);

(h) reviewing and reporting to the Board at least annually, the adequacy and effectiveness of the Company's internal controls. Review of the Company's internal controls can be carried out with the assistance of externally appointed professionals;

(i) monitoring the establishment, appointments, staffing, qualifications and experience of the Company's internal audit function, including approval of the appointment and compensation terms of the head of the internal audit function, review of whether the internal audit function is adequately resourced, is independent of the activities it audits, and has appropriate standing within the Company. The internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff;

(j) reviewing, at least annually, the adequacy and effectiveness of the Company's internal audit function;

(k) meeting with (a) the external auditors, and (b) the internal auditors, in each case without the presence of Management, at least annually;

CORPORATE GOVERNANCE (cont'd)

(l) to discuss problems and concerns, if any, arising from the internal and external audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);

commissioning and reviewing the findings of internal investigations into matters where there is suspicion of fraud or irregularity or failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on the Company and the Group's operating results and/or financial position; and

(n) generally, performing such other functions and duties as may be required by the relevant laws or provisions of the SGX-ST Listing Manual and the Code (as may be amended from time to time).

The duties and responsibilities of the Audit Committee in relation to interested person transactions shall be as follows:-

(a) review, at least annually, any interested person transactions;

(b) monitor that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the SGX-ST Listing Manual and accounting and financial reporting standards, are complied with;

(c) monitor that the guidelines and procedures established to monitor interested person transactions have been complied with; and

(d) review, from time to time, such guidelines and procedures established to monitor interested person transactions to determine if they are adequate and/or commercially practicable in ensuring that transactions between the Company and interested persons are conducted at arm's length and on normal commercial terms.

Guideline 12.3 and Guideline 12.5

The Audit Committee has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation from Management and has full discretion to invite any director or executive officer to attend its meetings to enable it to discharge its functions properly. The Audit Committee meets with the external and internal auditors of the Company, in each case, without the presence of Management, at least once a year.

In the event that a member of the Audit Committee is interested in any matter being considered by the Audit Committee, he will abstain from reviewing or voting on that particular resolution.

Guideline 12.6

The Group's existing external auditors, Messrs RSM Chio Lim LLP, have been the auditors of the Group since 30 September 2006 and Mr Peter Jacob is the current audit partner in charge, effective from the financial year ended 30 September 2013.

The aggregate amount of fees paid to the external auditors of the Company for FY2016 is S$213,000, of which S$147,000 is paid for audit services and S$66,000 is paid for non-audit services. The Audit Committee, having reviewed the range and value of non-audit services performed by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

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

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

Guideline 12.7

The Company has put in place a whistle blowing policy and has implemented relevant procedures, as approved by the Audit Committee and adopted by the Board, for the purposes of handling complaints, concerns or issues relating to activities or affairs relating to the business, customers, suppliers, partners or associates, activities or affairs of the Group or conduct of any officer, Management or employee of the Group. Staff of the Group has access to the Company Secretary and may, in confidence, raise concerns about possible improprieties in any such corporate matters by sending an email or a letter in writing to the Company Secretary, who would re-direct and/or send such email or letter in writing to the Audit Committee (in the event such concerns relates to any of the Directors or the chief financial officer of the Company) or the whistle blowing committee (for all other concerns), as the case may be. During FY2016, there were no complaints, concerns or issues received.

Guideline 12.8

The Audit Committee is kept abreast by Management, the external and internal auditors on changes and updates to accounting standards, and other issues which could have a direct impact on the financial statements of the Group, if any. During the financial year in question, the Audit Committee has, inter alia, undertaken reviews of the financial statements, the results of the internal and external audit of the Company, and the Group, with particular focus on significant areas such as inventory policy and inventory management controls.

Guideline 12.9

None of the members of the Audit Committee is a former partner or director of the Company's external or internal auditors.

Principles 13:
Internal Audit

Guideline 13.1 and Guideline 13.2

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

The Company has outsourced its internal audit function to Nexia TS Public Accounting Corporation ("**IA**"). The IA is a corporate member of the Institute of Internal Auditors Singapore, and staffed with professionals with relevant qualifications and experience. The IA's primary line of reporting would be to the Chairman of the Audit Committee, although the IA would also report administratively to the CEO.

Guideline 13.3 and Guideline 13.4

The IA performs the internal audit functions in accordance with standards set by internationally and locally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The IA carries out its internal audit functions based on a pre-determined cyclical work plan, where different aspects of internal controls are rotated for review every three years, and also take into consideration key risk factors identified under the Risk Register. The Internal Auditors have submitted a report dated 27 April 2016 to the Audit Committee, reporting, *inter alia*, that (i) having performed the system review procedures of the Company's internal controls and (ii) save for certain matters highlighted to the Company which have been duly noted by Management, based on their review of the adequacy and effectiveness of the Company's system of internal controls and measures, they did not identify any significant deficiencies or non-compliance of controls or measures implemented by Management under such procedures and systems.

CORPORATE GOVERNANCE (cont'd)

The Audit Committee reviews the adequacy of the internal audit function to ensure that the internal audits are conducted effectively and that Management provides the necessary cooperation to enable the Internal Auditor to perform its function. The Audit Committee also reviews the internal audit reports as well as the remedial measures recommended by the Internal Auditor and adopted by Management to addresses any issues or inadequacies identified. *Guideline 13.5*

Principles 14, 15 and 16:
Communication with Shareholders

Shareholders are informed of general meetings through reports/circulars sent to all shareholders in addition to notices published in the newspapers, the Company's announcements via SGXNET and the Company's website. In conjunction with the notices of general meetings included in the circulars sent to all shareholders, shareholders are also provided with the proxy forms which include the instructions on voting. In addition, shareholders are also provided with instructions on voting during the general meetings, where voting is conducted by poll. *Guideline 14.1 and Guideline 14.2*

The Company has reviewed its Constitution and has proposed to make relevant amendments to said Constitution including, *inter alia*, to remove the limit on the number of proxies which may be appointed by nominee companies in conjunction with the corresponding proposed amendments to the Companies Act (Cap. 50) in relation thereto. *Guideline 14.3*

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

At general meetings, shareholders are given the opportunity to air their views and ask Directors or Management questions regarding the Company and the Group. *Guideline 15.3 and Guideline 16.1*

The Board and Management are present at these meetings to address any questions that shareholders may have. External auditors are also present to assist the Board in addressing queries by shareholders. *Guideline 16.3*

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

Management also holds briefings with analysts to coincide with the release of the Group's financial results announcements, and related presentation slides and press releases are also made available on SGXNET. *Guideline 15.2 and Guideline 15.4*

Separate resolutions on each distinct issue are tabled at general meetings. All resolutions at general meetings of the Company are put to vote by poll so as to better reflect shareholders' shareholding interest and ensure greater transparency. The results of the poll voting on each resolution tabled at general meetings are announced after the said meetings via SGXNET. *Guideline 16.2 and Guideline 16.5*

Guideline 15.5

The Company has formalised its dividend policy which aims to provide its shareholders with a target annual dividend payout of at least 10% of the net profit attributable to shareholders of the Company in any financial year, whether as interim and/or final dividends, provided always that such dividend payout for any financial year is subject to and conditional upon (a) the net profit attributable to shareholders of the Company for such financial year being equal to at least S$3 million, and (b) if the net profit referred to in (a) is less than S$3 million, the declaration and payment of dividends being determined at the sole discretion of the Board.

The total dividend recommended, declared or paid in any financial year shall not exceed 50% of the total net profit attributable to shareholders, unless otherwise approved by the Board.

In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will also take into account, *inter alia*, the Group's financial position, retained earnings, results of operation and cash flow, the ability of the Company's subsidiaries to make dividend payments to the Company, the Group's expected working capital requirements, the Group's expected capital expenditure and future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time.

The Board is recommending a final dividend payout of S$0.005 per share, to be approved by shareholders in the forthcoming AGM, despite the loss in FY2016. This is in view of the Company's healthy financial position with adequate cashflow for the sound operation of its business and to show the Company's appreciation for its shareholders' long term support.

DEALINGS IN SECURITIES

In line with the rules of the SGX-ST Listing Manual, the Company has adopted a policy prohibiting its Directors and officers from dealing in the Company's shares whilst they are in possession of unpublished material price sensitive information and during the period commencing two weeks before the announcement of the Company's financial statements for the first and third quarters of its financial year and one month before the announcement for each of its full year and half year financial statements.

The Company also discourages trading on short-term considerations.

CORPORATE GOVERNANCE (cont'd)

DISCLOSURE ON USE OF PROCEEDS FROM PLACEMENT

	In circular		Actual	
Use of Proceeds	Estimated percentage allocation of net proceeds as set out in the Circular %	Allocation of net proceeds S$'000	Proceeds utilised as at the date of this report S$'000	Balance of the proceeds as at the date of this report S$'000
Financing the construction of a new building and acquisition of machinery and equipment at 90 Second Lok Yang Way	24.0%	3,400	–	3,400
Acquisition of machinery and equipment at 36 Tuas Crescent	8.0%	1,100	318	782
Repayment of short term loans	35.0%	5,000	3,500	1,500
General working capital purposes	33.0%	4,800	4,800	–
Total	**100.0%**	**14,300**	**8,618**	**5,682**

MATERIAL CONTRACTS

There were no material contracts of the Company or any of its subsidiaries involving the interests of the Chief Executive Officer or any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

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

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

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

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

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

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

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

Guidelines and Review Procedures for the Mandated Interested Person Transactions

(a) Review Procedures

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

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

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

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

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

CORPORATE GOVERNANCE (cont'd)

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

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

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

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

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

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

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

(b) Approval Threshold

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

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

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

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

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

Disclosure according to Rule 907 of the SGX-ST Listing Manual in respect of interested person transactions for FY2016 are stated in the following table:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholder's mandate pursuant to Rule 920 of the SGX-ST Listing Manual)	Aggregate value of all interested person transactions during the financial year conducted under shareholder's mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S$100,000)
Hanwa Co., Ltd	-	S$10,827,233

YOU CAN NEVER QUIT. WINNERS NEVER QUIT, + QUITTERS NEVER WIN.

TED TURNER

FINANCIAL CONTENTS

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 30 September 2016.

1. OPINIONS OF THE DIRECTORS

In the opinion of the directors,

(a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and

(b) at the date of the statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. DIRECTORS IN OFFICE AT DATE OF STATEMENT

The directors of the company in office at the date of this statement are:

Ong Chin Sum
Ong Tong Yang
Ong Tong Hai
Seiji Usui
Low Beng Tin
Hiroshi Ebihara
Jovenal R Santiago
Tan Siok Chin

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the reporting year were not interested in shares or debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 (the "**Act**") except as follows:

Name of directors and companies in which interests are held	**At beginning of the reporting year**	**At end of the reporting year**
CosmoSteel Holdings Limited	**Number of shares of no par value**	
Ong Tong Yang	19,954,396	19,954,396
Ong Tong Hai	28,411,996	28,411,996
Tan Siok Chin	125,000	125,000

The directors' interests as at 21 October 2016 were the same as those at the end of the reporting year.

STATEMENT BY DIRECTORS (cont'd)

4. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate except for the options rights and other rights mentioned below.

5. OPTIONS

The company has an employee share option scheme known as the "CosmoSteel Employee Share Option Scheme" ("**ESOS**"). The ESOS complies with the rules of the SGX-ST as set out in Chapter 8 of the Listing Manual. The ESOS provides eligible participants with an opportunity to participate in the equity of the company and to motivate them towards better performance through increased dedication and loyalty. The ESOS, which forms an integral and important component of its employee compensation plan, is designed to primarily reward and retain Executive Directors, Non-Executive Directors and employees of the group whose services are vital to its well being and success.

Under the rules of the ESOS, Executive Directors, Non-Executive Directors (including Independent Directors) and employees of the group, who are not Controlling Shareholders or their Associates, are eligible to participate in the ESOS.

Under the terms of the Service Agreements of the Chief Executive Officer, Mr Ong Chin Sum, and the Executive Directors, Mr Ong Tong Yang and Mr Ong Tong Hai, they are entitled to participate in an annual profit-sharing incentive bonus. As such, they have volunteered to be excluded from participating in the ESOS.

In addition, in order to minimise any potential conflict of interest, all immediate family members (as defined in the Listing Manual) of Mr Ong Chin Sum, Mr Ong Tong Yang and Mr Ong Tong Hai, will also not be eligible to participate in the ESOS.

The ESOS is administered by the remuneration committee with powers to determine, *inter alia*, the following:

(a) persons to be granted Options;

(b) number of Options to be offered; and

(c) recommendations for modifications to the ESOS.

The remuneration committee comprises Ms Tan Siok Chin, Mr Jovenal R Santiago and Mr Hiroshi Ebihara. The remuneration committee consists of directors who may be participants of the ESOS. A member of the remuneration committee who is also a participant of the ESOS must not be involved in its deliberation in respect of Options granted or to be granted to him.

The aggregate number of shares over which the remuneration committee may grant Options on any date, when added to the number of shares issued and issuable in respect of all options granted under the ESOS shall not exceed 15.0% of the issued share capital of the company on the day immediately preceding the date of the relevant grant.

STATEMENT BY DIRECTORS (cont'd)

5. **OPTIONS (CONT'D)**

The aggregate number of shares comprised in any Option to be offered to a participant under the ESOS shall be determined at the absolute discretion of the remuneration committee, which shall take into account (where applicable) criteria such as rank, past performance, years of service, and potential for future development of that participant.

The options that are granted under the ESOS may have exercise prices that are, at the remuneration committee's discretion, set at a price (the "**Market Price**") equal to the average of the last dealt prices for the shares on the Official List of the SGX-ST for the five consecutive Market Days immediately preceding the relevant date of grant of the relevant Option; or at a discount to the Market Price (subject to a maximum discount of 20.0%). Options which are fixed at the Market Price ("**Market Price Option**") may be exercised after the first anniversary of the date of grant of that Option while Options exercisable at a discount to the Market Price ("**Discounted Option**") may only be exercised after the second anniversary from the date of grant of the Option. Options granted under the ESOS will have a life span of 10 years.

The ESOS shall continue in operation for a maximum duration of 10 years and may be continued for any further period thereafter with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

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

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

6. **INDEPENDENT AUDITOR**

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

7. **REPORT OF AUDIT COMMITTEE**

The members of the audit committee at the date of this report are as follows:

Jovenal R Santiago	(Chairman of audit committee and Independent Director)
Low Beng Tin	(Independent Non-Executive Director)
Tan Siok Chin	(Independent Director)

The audit committee performs the functions specified by section 201B (5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditors their audit plan.
- Reviewed with the independent external auditors their evaluation of the company's internal accounting control relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them.

STATEMENT BY DIRECTORS (cont'd)

7. REPORT OF AUDIT COMMITTEE (CONT'D)

- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor.

- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption.

- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditor provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next annual general meeting of the company.

8. DIRECTORS' OPINION ON THE ADEQUACY OF INTERNAL CONTROLS

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

9. SUBSEQUENT DEVELOPMENTS

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 16 November 2016 which would materially affect the group's and the company's operating and financial performance as of the date of this statement.

On behalf of the directors

Ong Chin Sum
Director

Ong Tong Hai
Director

1 December 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSMOSTEEL HOLDINGS LIMITED
(REGISTRATION NO: 200515540Z)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of CosmoSteel Holdings Limited (the "**company**") and its subsidiaries (the "**group**"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 30 September 2016, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (cont'd)

TO THE MEMBERS OF COSMOSTEEL HOLDINGS LIMITED (REGISTRATION NO: 200515540Z)

OPINION

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the group and of the company as at 30 September 2016 and of the financial performance, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

1 December 2016

Partner in-charge of audit: Peter Jacob
Effective from year ended 30 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2016

	Notes	Group 2016 $'000	Group 2015 $'000
Revenue	5	68,757	109,903
Cost of sales		(53,827)	(90,339)
Gross profit		14,930	19,564
Interest income		55	15
Other gains	6	1,730	1,340
Depreciation expenses	13	(5,609)	(4,434)
Marketing and distribution costs		(6,137)	(8,145)
Administrative expenses	7	(7,161)	(7,606)
Finance costs	8	(673)	(1,359)
Other losses	6	(5,936)	(737)
Loss before tax from continuing operations		(8,801)	(1,362)
Income tax income	10	1,226	478
Loss from continuing operations, net of tax		(7,575)	(884)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation, net of tax	22	1,679	3,311
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets, net of tax	22	(38)	–
Exchange differences on translating foreign operations, net of tax	22	(27)	180
Other comprehensive income for the year, net of tax		1,614	3,491
Total comprehensive (loss) income for the year		(5,961)	2,607
Loss per share			
Loss per share currency unit		**Cents**	**Cents**
Basic and diluted			
Continuing operations	11	(2.61)	(0.32)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Notes	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	28,361	30,863	–	–
Investments in subsidiaries	14	–	–	60,107	60,107
Trade and other receivables	17	2,139	2,214	–	–
Available-for-sale financial assets	15	92	130	–	–
Total non-current assets		30,592	33,207	60,107	60,107
Current assets					
Inventories	16	78,838	93,851	–	–
Trade and other receivables	17	16,768	25,958	1,156	2,010
Financial assets at fair value through profit or loss	18	1,557	1,606	–	–
Other assets	19	411	517	32	34
Cash and cash equivalents	20	17,108	25,021	701	1,211
Total current assets		114,682	146,953	1,889	3,255
Total assets		145,274	180,160	61,996	63,362
EQUITY AND LIABILITIES					
Equity					
Share capital	21	56,325	56,325	56,325	56,325
Retained earnings		44,780	50,807	5,208	6,546
Other reserves	22	14,116	15,502	–	–
Total equity		115,221	122,634	61,533	62,871
Non-current liabilities					
Deferred tax liabilities	10	2,859	3,740	–	–
Provisions	23	70	88	–	–
Other financial liabilities	25	2,750	4,762	–	–
Total non-current liabilities		5,679	8,590	–	–
Current liabilities					
Income tax payable		32	85	9	35
Trade and other payables	24	8,801	11,879	454	456
Other financial liabilities	25	15,433	36,852	–	–
Other non-financial liabilities	26	108	120	–	–
Total current liabilities		24,374	48,936	463	491
Total liabilities		30,053	57,526	463	491
Total equity and liabilities		145,274	180,160	61,996	63,362

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 30 SEPTEMBER 2016

Group	Total equity $'000	Share capital $'000	Retained earnings $'000	Revaluation reserve $'000	Translation reserve $'000
Current year:					
Opening balance at 1 October 2015	122,634	56,325	50,807	15,221	281
Movements in equity:					
Total comprehensive (loss) income for the year	(5,961)	–	(7,575)	1,641	(27)
Dividends paid (Note 12)	(1,452)	–	(1,452)	–	–
Transfer to retained earnings of difference between depreciation on carrying revalued amount and depreciation based on original cost	–	–	3,000	(3,000)	–
Closing balance at 30 September 2016	115,221	56,325	44,780	13,862	254
Previous year:					
Opening balance at 1 October 2014	107,084	42,062	50,642	14,279	101
Movements in equity:					
Total comprehensive income (loss) for the year	2,607	–	(884)	3,311	180
Dividends paid (Note 12)	(1,320)	–	(1,320)	–	–
Transfer to retained earnings of difference between depreciation on carrying revalued amount and depreciation based on original cost	–	–	2,369	(2,369)	–
Issue of new shares pursuant to private placement (Note 21)	15,312	15,312	–	–	–
Placement issue expenses (Note 21)	(1,049)	(1,049)	–	–	–
Closing balance at 30 September 2015	122,634	56,325	50,807	15,221	281

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

STATEMENTS OF CHANGES IN EQUITY (cont'd)

YEAR ENDED 30 SEPTEMBER 2016

Company	Total equity $'000	Share capital $'000	Retained earnings $'000
Current year:			
Opening balance at 1 October 2015	62,871	56,325	6,546
Movements in equity:			
Total comprehensive income for the year	114	–	114
Dividends paid (Note 12)	(1,452)	–	(1,452)
Closing balance at 30 September 2016	61,533	56,325	5,208
Previous year:			
Opening balance at 1 October 2014	49,434	42,062	7,372
Movements in equity:			
Total comprehensive income for the year	494	–	494
Dividends paid (Note 12)	(1,320)	–	(1,320)
Issue of new shares pursuant to private placement (Note 21)	15,312	15,312	–
Placement issue expenses (Note 21)	(1,049)	(1,049)	–
Closing balance at 30 September 2015	62,871	56,325	6,546

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2016

	Group 2016 $'000	Group 2015 $'000
Cash flows from operating activities		
Loss before tax	(8,801)	(1,362)
Adjustments for:		
Interest income	(55)	(15)
Interest expense	673	1,359
Depreciation of property, plant and equipment	5,609	4,434
Losses (gains) on disposal of property, plant and equipment	2	(4)
Net effect of exchange rate changes in consolidating foreign operations	(27)	180
Fair value losses (gains) on financial assets at fair value through profit or loss	49	(152)
Fair value gains on derivative financial instruments	–	(95)
Operating cash flows before changes in working capital	(2,550)	4,345
Inventories	15,013	15,363
Trade and other receivables	9,265	12,999
Other assets	106	851
Bills payable	(19,230)	(25,463)
Trade and other payables	(3,078)	(14,097)
Other non-financial liabilities	(12)	(2,070)
Provisions	–	24
Net cash flows used in operations	(486)	(8,048)
Income taxes paid	(52)	(1,468)
Net cash flows used in operating activities	(538)	(9,516)
Cash flows from investing activities		
Purchase of property, plant and equipment (Note 20B)	(700)	(7,268)
Proceeds from disposal of property, plant and equipment	38	27
Interest received	55	15
Net cash flows used in investing activities	(607)	(7,226)
Cash flows from financing activities		
Dividends paid to equity owners	(1,452)	(1,320)
Proceeds from issue of shares (net of expenses)	–	14,263
Cash restricted in use over 3 months	(1)	45
Decrease in other financial liabilities	(7,574)	(8,438)
Increase from new borrowings	3,000	5,440
Finance lease repayments	(69)	–
Interest paid	(673)	(1,359)
Net cash flows (used in) from financing activities	(6,769)	8,631
Net decrease in cash and cash equivalents	(7,914)	(8,111)
Cash and cash equivalents, statement of cash flows, beginning balance	24,996	33,107
Cash and cash equivalents, statement of cash flows, ending balance (Note 20A)	17,082	24,996

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

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

1. GENERAL

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the company (referred to as "**parent**") and the subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The company is an investment holding company. It is listed on the Singapore Exchange Securities Trading Limited.

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

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

Accounting convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("**FRS**") and the related Interpretations to FRS ("**INT FRS**") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs may not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

1. GENERAL (CONT'D)

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries.

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

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income is not presented.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are not significant transactions is recognised as the services are provided or when the significant acts have been completed. Interest income is recognised using the effective interest method. Dividend from equity instruments is recognised as income when the entity's right to receive payment is established.

Government grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants in recognition of specific expenses are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

2A. Significant accounting policies (cont'd)

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

2A. Significant accounting policies (cont'd)

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Business combinations

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

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

2A. Significant accounting policies (cont'd)

Property, plant and equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold properties	–	Over the terms of lease that are from 4 years to 17 years
Leasehold properties improvements	–	10% to 66.7%
Plant and equipment	–	10% to 33.3%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses except for the revalued items as described below. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. See Note 23 on non-current provisions.

If fair value can be measured reliably, after the initial recognition as an asset at cost, an item of property, plant and equipment (such as land, property, buildings, etc) is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be measured using fair value at the end of the reporting year and the entire class of property, plant and equipment to which that asset belongs is revalued. When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve except that the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. When an asset's carrying amount is decreased, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the asset revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of asset revaluation reserve. The revaluation surplus included in equity is transferred directly to retained earnings when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

However, some of the surplus is realised as the asset is used as the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost and these transfers from asset revaluation reserve to retained earnings are not made through the other comprehensive income.

When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount of the asset. At the date of the revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

2A. Significant accounting policies (cont'd)

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

However, an impairment loss on a revalued asset is recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

2A. Significant accounting policies (cont'd)

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: Assets are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to assets at fair value through profit or loss are recognised directly in profit or loss.

2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

Subsequent measurement: (cont'd)

3. Held-to-maturity financial assets: As at end of the reporting year date there were no financial assets classified in this category.

4. Available-for-sale financial assets: These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading revaluation reserves. Such reserves are reclassified to profit or loss when realised through disposal. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. A significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against revaluation reserves and is not subsequently reversed through profit or loss. However for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. For non-equity instruments classified as available-for-sale the reversal of impairment is recognised in profit or loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. The financial assets are classified as non-current assets unless management intends to dispose of the investments within 12 months of the end of the reporting year. Usually non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates. Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and management is unable to establish fair value by using valuation techniques except that where management can establish fair value by using valuation techniques the relevant unquoted investments are stated at fair value. For unquoted equity instruments impairment losses are not reversed.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management. Other financial assets and financial liabilities at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

2A. Significant accounting policies (cont'd)

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount measured in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

2. Other financial liabilities: All liabilities, which have not been classified in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

2A. Significant accounting policies (cont'd)

Fair value measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

2B. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Net realisable value of inventories:

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the Note on inventories.

Allowance for doubtful trade accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note on trade and other receivables.

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for property, plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or non-strategic assets that have been abandoned or sold. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific assets affected by the assumption is $28,361,000 (2015: $30,863,000).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

3A. Related party transactions:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and any financial guarantees are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

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

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

Significant related party transactions:

Group	Other related parties 2016 $'000	2015 $'000
Revenue from sales of goods to a substantial shareholder and its subsidiaries [a]	(443)	(443)
Purchases of goods from a substantial shareholder and its subsidiaries [a]	11,751	4,826
Legal expenses	9	250

[a] Hanwa Co., Ltd became the substantial shareholder of the company on 6 March 2015. It has significant influence over the company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

3B. Key management compensation:

Group	2016 $'000	2015 $'000
Salaries and other short-term employee benefits	2,554	2,429

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

Group	2016 $'000	2015 $'000
Remuneration of directors of the company	1,833	1,574
Fees to directors of the company	297	329
Fees to a director of the company from a subsidiary	5	5

Key management personnel include directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

Further information about the remuneration of individual directors is provided in the report on corporate governance.

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

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS

4A. Information about reportable segment profit or loss, assets and liabilities

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

Revenue generated is derived from the sale, supply and machining of flanges, steel fittings, tubings and pipes for the following main industries which form the basis on which the group reports its primary segment information.

The main industries of the customers are as follows:

Energy – Oil and gas, engineering and construction, petrochemical and power.
Marine – Shipbuilding and repair.
Trading – Traders who purchase goods and on-sell to end-user customers.
Others – Other industries such as the manufacturing and pharmaceutical sectors.

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

4B. Profit or loss from continuing operations and reconciliations

	Energy $'000	Marine $'000	Trading $'000	Others $'000	Group $'000
Continuing operations 2016					
Revenue by segment					
Total revenue	40,172	18,266	8,826	1,493	68,757
Segment results	8,031	3,844	2,854	201	14,930
Unallocated expenses					(18,907)
Loss from operations					(3,977)
Interest income					55
Finance costs					(673)
Other losses (net)					(4,206)
Loss before income tax					(8,801)
Income tax income					1,226
Loss from continuing operations					(7,575)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

4B. Profit or loss from continuing operations and reconciliations (cont'd)

	Energy $'000	Marine $'000	Trading $'000	Others $'000	Group $'000
Continuing operations 2015					
Revenue by segment					
Total revenue	83,413	16,502	8,742	1,246	109,903
Segment results	15,279	3,051	1,156	78	19,564
Unallocated expenses					(20,185)
Loss from operations					(621)
Interest income					15
Finance costs					(1,359)
Other gains (net)					603
Loss before income tax					(1,362)
Income tax income					478
Loss from continuing operations					(884)

4C. Assets, liabilities and reconciliations

Assets and liabilities of the group are considered as unallocatable.

4D. Other material items and reconciliations

	Group $'000
Expenditures for non-current assets	
2016	1,142
2015	7,268

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

4E. Geographical information

The following table provides an analysis of the revenue and non-current assets by geographical market, irrespective of the origin of the goods/services:

	Revenue		Non-current assets	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Brunei	3,067	12,684	–	–
Europe	2,283	713	80	26
Indonesia	488	813	–	–
Japan	5,248	16,314	191	–
Malaysia	3,750	1,702	159	–
Middle East	119	325	–	–
Singapore	39,883	56,665	28,447	31,419
Thailand	57	152	–	–
Vietnam	8,357	12,724	–	–
Others [(1)]	5,505	7,811	1,715	1,762
	68,757	109,903	30,592	33,207

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

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

The group has not identified profit before tax by industries or by geographical markets as the allocation of costs cannot be allocated in a similar manner with reasonable accuracy. This is because the operating expenses and administrative expenses incurred for industries or geographical markets such as marketing expenses, remuneration and facilities-related costs are general costs which are accounted for on a group-wide basis. It is not meaningful to track operating costs and administrative expenses by industries or geographical markets.

4F. Information about major customers

	2016 $'000	2015 $'000
Revenue from:		
Top 1 customer in Marine segment (FY2015: Energy)	9,900	12,618
Top 2 customers in Energy segment	15,699	21,155
Top 3 customers in Energy segment	21,340	29,630

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

5. REVENUE

	Group	
	2016 $'000	2015 $'000
Sale of goods	67,779	109,555
Other	978	348
	68,757	109,903

6. OTHER GAINS AND (OTHER LOSSES)

	Group	
	2016 $'000	2015 $'000
Reversal for impairment on trade receivables (Note 17)	6	177
Bad debts (written off) recovered trade receivables (net)	(59)	162
Fair value (losses) gains on financial assets at fair value through profit or loss (Note 28C)	(49)	152
Foreign exchange adjustment gains	56	96
Fair value gains on derivative financial instruments (Note 27)	–	95
(Losses) gains on disposal of property, plant and equipment	(2)	4
(Allowance) reversal for slow-moving inventories and decline in net realisable values (Note 16)	(5,826)	654
Reversal (allowance) for inventories written off (Note 16)	1,668	(737)
Net	(4,206)	603
Presented in profit or loss as:		
Other gains	1,730	1,340
Other losses	(5,936)	(737)
Net	(4,206)	603

7. ADMINISTRATIVE EXPENSES

The major components and other selected components include the following:

	Group	
	2016 $'000	2015 $'000
Employee benefits expense (Note 9)	3,708	3,843
Rental expense	821	749

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

8. FINANCE COSTS

	Group 2016 $'000	Group 2015 $'000
Interest expense	673	1,359

9. EMPLOYEE BENEFITS EXPENSE

	Group 2016 $'000	Group 2015 $'000
Short term employee benefits expense	7,704	8,099
Contributions to defined contribution plan	531	554
Other benefits	116	265
Total employee benefits expense	8,351	8,918
The employee benefits expense is charged as follows:		
Marketing and distribution costs	4,643	5,075
Administrative expenses	3,708	3,843
Total employee benefits expense	8,351	8,918

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

10. INCOME TAX

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

	Group 2016 $'000	Group 2015 $'000
Current tax (income) expense		
Current tax expense	6	80
Over adjustments to current tax in respect of previous period	(8)	(63)
Subtotal	(2)	17
Deferred tax (income) expense		
Deferred tax income	(1,224)	(495)
Total income tax income	(1,226)	(478)

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2015: 17%) to profit before income tax as a result of the following differences:

	Group 2016 $'000	Group 2015 $'000
Loss before tax	(8,801)	(1,362)
Income tax income at the above rate	(1,496)	(232)
Not deductible (taxable) items	541	(127)
Productivity and innovation credit claims	(39)	(57)
Tax exemptions	(19)	(86)
(Realisation of deferred tax assets) deferred tax asset not recognised	(286)	78
Over adjustments to tax in respect of prior period	(8)	(63)
Effect of different tax rates in different countries	63	(70)
Translation differences	15	83
Other minor items	3	(4)
Total income tax income	(1,226)	(478)

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

10. INCOME TAX (CONT'D)

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

	Group	
	2016 $'000	2015 $'000
Excess of book over tax depreciation on plant and equipment and revalued property	(604)	(495)
Tax losses carryforwards	(620)	–
Total deferred income tax income recognised in profit or loss	(1,224)	(495)

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

	Group	
	2016 $'000	2015 $'000
Deferred tax:		
Gains on property revaluation	343	679
Total deferred tax expense recognised in other comprehensive income	343	679

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

	Group	
	2016 $'000	2015 $'000
Deferred tax liabilities:		
Excess of net book value of plant and equipment over tax values	(123)	(106)
Amount on revalued depreciable assets	(5,010)	(4,667)
Depreciation on revalued property	1,655	1,040
Tax losses carryforwards	1,123	527
Other timing differences	(30)	226
Deferred tax asset not recognised	(474)	(760)
Net balance	(2,859)	(3,740)

It is impracticable to estimate the amount expected to be settled or used within one year.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

No deferred tax asset has been recognised as the future profit streams for one of the subsidiaries are not probable. The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

11. LOSS PER SHARE

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

	Group 2016 $'000	Group 2015 $'000
The calculation of the earnings per share is based on the following:		
Loss for the year attributable to the equity holders of the company for the purposes of basic and diluted earnings per share	(7,575)	(884)

	Group Number	Group Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	290,399,997	279,116,709
Loss figures are calculated as follows:		
Loss per share – cents	(2.61)	(0.32)

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

12. DIVIDENDS ON EQUITY SHARES

	Group 2016 $'000	Group 2015 $'000
Final exempt (1-tier) dividend paid of 0.50 cent (2015: 0.50 cent) per share	1,452	1,320

In respect of the current year, the directors propose that a final exempt (1-tier) dividend of 0.5 cent (2015: 0.5 cent) per share totalling $1,452,000 (2015: $1,452,000) be paid to shareholders after the annual general meeting. There are no income tax consequences. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend for 2016 is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties and improvements $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
Cost or valuation:				
At 1 October 2014	23,929	5,447	–	29,376
Additions	6,996	272	–	7,268
Disposals	–	(79)	–	(79)
Revaluation increase	400	–	–	400
At 30 September 2015	31,325	5,640	–	36,965
Additions	–	1,044	98	1,142
Disposals	–	(336)	–	(336)
Adjustment (Note 23)	(18)	–	–	(18)
Revaluation decrease	(3,000)	–	–	(3,000)
At 30 September 2016	28,307	6,348	98	34,753
Represented by:				
Cost	–	6,348	98	6,446
Valuation	28,307	–	–	28,307
Total	28,307	6,348	98	34,753
Accumulated depreciation and impairment losses:				
At 1 October 2014	966	4,347	–	5,313
Depreciation for the year	4,040	394	–	4,434
Disposals	–	(56)	–	(56)
Elimination of depreciation on revaluation	(3,589)	–	–	(3,589)
At 30 September 2015	1,417	4,685	–	6,102
Depreciation for the year	5,199	410	–	5,609
Disposals	–	(296)	–	(296)
Elimination of depreciation on revaluation	(5,023)	–	–	(5,023)
At 30 September 2016	1,593	4,799	–	6,392
Carrying value:				
At 1 October 2014	22,963	1,100	–	24,063
At 30 September 2015	29,908	955	–	30,863
At 30 September 2016	26,714	1,549	98	28,361

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

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

	Group	
	2016	**2015**
	$'000	**$'000**
Leasehold properties and improvements:		
Cost	15,217	15,235
Net book value	7,430	9,428

Certain items are under finance lease agreements (Note 25A).

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

There were provisions for dismantling taken up by a subsidiary as shown in Note 23, due to the reinstatement conditions required at the end of the leasehold tenure for the properties at 21A Neythal Road and 36 Tuas Crescent as well as the demolition costs for the property at 90 Second Lok Yang Road.

On 29 May 2014, a subsidiary accepted a letter of offer issued by JTC Corporation to extend the lease term for one of the leasehold properties for a further term of 13 years and 3 months from 16 March 2019. As consideration for the extension, the subsidiary is required to satisfy certain investment criteria with a minimal investment amount of $11,830,000 within three years.

The fair value of leasehold properties located at 14 Lok Yang Way, 21A Neythal Road, 90 Second Lok Yang Road and 36 Tuas Crescent was measured in August 2016 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on desktop valuations made by Jones Lang LaSalle Property Consultants Pte Ltd, a firm of independent valuers on a systematic basis. The full valuations and desktop valuations will be done yearly on an alternate year basis respectively. If there are material changes to the property or market conditions, a full valuation will be performed.

In relying on the valuation reports, the management is satisfied that the independent valuers have appropriate professional qualifications, are independent and have recent experience in the location and category of the properties being valued. There has been no change to the valuation techniques during the year. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

The fair value measurements for the properties are catergorised within Level 2 of the fair value hierarchy. The valuation was based on the comparison method that considers the sales of similar properties that have been transacted in the open market with adjustment made for differences in factors that affect value.

The surplus net of applicable deferred income tax on revaluation of $1,679,000 (2015: $3,311,000) has been credited to asset revaluation reserve in other comprehensive income. The increase is due to better market conditions for such properties.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

Valuation policies and procedures:

It is the group's policy to engage external valuation experts to perform the valuation. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113: Fair value measurement.

For fair value measurements categorised within Level 2 of the fair value hierarchy, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Asset:	Leasehold property at 14 Lok Yang Way
Fair Value $'000 and Fair value hierarchy – Level:	$12,500 (2015: $13,000). Level 2 (2015: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range (weighted average):	Price per square metre. $905 – $3,192 ($1,465). (2015: $1,978 – $2,205 ($2,046)).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $1,250,000; higher by $1,250,000.

Asset:	Leasehold property at 21A Neythal Road
Fair Value $'000 and Fair value hierarchy – Level:	$3,000 (2015: $3,900). Level 2 (2015: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range (weighted average):	Price per square metre. $729 – $2,221 ($868). (2015: $596 – $2,221 ($831)).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $300,000; higher by $300,000.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

Asset:	Leasehold property at 90 Second Lok Yang Road
Fair Value $'000 and Fair value hierarchy – Level:	$6,500 (2015: $7,000). Level 2 (2015: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range (weighted average):	Price per square metre. $1,226 – $1,971 ($1,560). (2015: $1,482 – $2,205 ($1,736)).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $650,000; higher by $650,000.

Asset:	Leasehold property at 36 Tuas Crescent
Fair Value $'000 and Fair value hierarchy – Level:	$5,500 (2015: $6,600). Level 2 (2015: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range (weighted average):	Price per square metre. $729 – $2,221 ($868). (2015: $729 – $2,221 ($902)).
Relationship of unobservable inputs to fair value:	NA
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $550,000; higher by $550,000.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

14. INVESTMENTS IN SUBSIDIARIES

	Company 2016 $'000	Company 2015 $'000
Movements during the year. At cost:		
Balance at beginning of the year	60,107	46,107
Increase in shares	–	14,000
Cost at the end of the year	60,107	60,107

	Company 2016 $'000	Company 2015 $'000
Unquoted shares at cost	58,789	58,789
Allowance for impairment in investment	(1,422)	(1,422)
Capitalised income from fair value of corporate guarantee	2,740	2,740
	60,107	60,107
Net book value of subsidiaries	112,568	118,141

The subsidiaries held by the company are listed below:

Name of subsidiary, country of incorporation, place of operations and principal activities	Cost in books of company 2016 $'000	Cost in books of company 2015 $'000	Effective percentage of equity held by company 2016 %	Effective percentage of equity held by company 2015 %
Kim Seng Huat Hardware Pte Ltd [(a)] Singapore Sales, supply and machining of flanges, steel fittings, tubings and pipes for the shipbuilding and repairing industry, manufacturing, petrochemical industry and power plants	60,107	60,107	100	100
Cosmosteel (Australia) Pty Ltd [(b)] Australia Sales, supply and machining of flanges, steel fittings, tubings and pipes for the shipbuilding and repairing industry, manufacturing, petrochemical industry and power plants	1,422	1,422	100	100

[(a)] Audited by RSM Chio Lim LLP in Singapore.
[(b)] Audited by RSM Australia Partners in Australia, a member firm of RSM International, of which RSM Chio Lim LLP in Singapore is a member.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

	Group	
	2016	2015
	$'000	$'000
Club memberships, at fair value	92	130

The fair value of club memberships is based on current bid prices in an active market (Level 1) at the end of the reporting year. The change in fair value is included in other comprehensive income.

16. INVENTORIES

	Group	
	2016	2015
	$'000	$'000
Goods for resale	78,838	93,851
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of the year	5,070	5,752
Charged (reversed) to profit or loss included in other (losses) gains – net (Note 6)	5,826	(654)
Foreign exchange adjustments	6	(28)
Balance at end of the year	10,902	5,070

	Group	
	2016	2015
	$'000	$'000
Reversal of write-down of inventories credited to profit or loss included in other gains (Note 6)	1,668	–
Write-down of inventories charged to profit or loss included in other losses (Note 6)	–	737
Amount of inventories included in cost of sales	50,397	84,071

There are no inventories pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade receivables, non-current				
Outside parties	2,139	2,214	–	–
Total trade receivables, non-current	2,139	2,214	–	–
Trade receivables, current				
Outside parties	16,073	25,494	–	–
Less allowance for impairment	(5)	(11)	–	–
Related parties (Note 3)	167	157	–	–
Subsidiaries (Note 3)	–	–	1,156	2,010
Net trade receivables – subtotal	16,235	25,640	1,156	2,010
Other receivables:				
Advances to suppliers	352	100	–	–
Other receivables	181	218	–	–
Net other receivables – subtotal	533	318	–	–
Total trade and other receivables, current	16,768	25,958	1,156	2,010

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Movements in above allowance:				
Balance at beginning of the year	11	188	–	–
Reversed to profit or loss included in other gains (Note 6)	(6)	(177)	–	–
Balance at end of the year	5	11	–	–

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2016 $'000	2015 $'000
Financial assets with embedded derivatives	1,557	1,606

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

To secure the issuance of bank guarantees, an investment of US$1 million was made in an equity-linked structured investment which is capital-guaranteed in lieu of placing such amount in a non-interest bearing deposit.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

19. OTHER ASSETS

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Deposits	92	196	–	2
Prepayments	319	321	32	32
	411	517	32	34

20. CASH AND CASH EQUIVALENTS

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Not restricted in use	17,082	24,996	701	1,211
Cash pledged for bank facilities [#a]	26	25	–	–
Cash at end of the year	17,108	25,021	701	1,211

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

The rates of interest for the cash on interest earning balances ranged between 0.90% and 2.17% (2015: Nil).

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

	Group 2016 $'000	Group 2015 $'000
Amount as shown above	17,108	25,021
Cash pledged for bank facilities	(26)	(25)
Cash and cash equivalents for statement of cash flows purposes at end of the year	17,082	24,996

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

20B. Non-cash transactions:

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

	Group 2016 $'000	Group 2015 $'000
Additions of property, plant and equipment	1,142	7,268
Less: acquisitions by means of finance leases	(442)	–
Purchase of property, plant and equipment per statement of cash flows	700	7,268

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

21. SHARE CAPITAL

Group and company	Number of shares issued	Share capital $'000
Ordinary shares of no par value:		
Balance at beginning of the year 1 October 2014	263,999,997	42,062
Issue of shares at $0.58 each	26,400,000	15,312
Placement issue expenses	–	(1,049)
Balance at beginning of the year 1 October 2015 and end of the year 30 September 2016	290,399,997	56,325

On 6 March 2015, 26,400,000 new ordinary shares were issued by the company pursuant to a private placement to Hanwa Co., Ltd.

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

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

Capital management:

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

21. SHARE CAPITAL (CONT'D)

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

	Group	
	2016 $'000	2015 $'000
Net debt:		
All current and non-current borrowings including finance leases	18,183	41,614
Less cash and cash equivalents	(17,108)	(25,021)
Net debt	1,075	16,593
Net capital:		
Equity	115,221	122,634
Net capital	115,221	122,634
Debt-to-adjusted capital ratio	0.9%	13.5%

The improvement as shown by the decrease in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the decrease in borrowings.

22. OTHER RESERVES

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

The translation reserve accumulates all foreign exchange differences.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

23. PROVISIONS

	Group	
	2016 $'000	2015 $'000
Provision, non -current:		
Provision for dismantling, removing and restoring the site relating to leased property	70	88
Movements in above provision:		
Balance at beginning of the year	88	64
(Reductions) additions	(18)	24
Balance at end of the year	70	88

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

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade payables:				
Outside parties and accrued liabilities	6,968	10,362	454	406
Subsidiary (Note 3)	–	–	–	50
Related parties (Note 3)	1,829	1,517	–	–
Trade payables – subtotal	8,797	11,879	454	456
Other payables:				
Outside parties	4	–*	–	–
Other payables – subtotal	4	–	–	–
Total trade and other payables	8,801	11,879	454	456

* Less than $500.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

25. OTHER FINANCIAL LIABILITIES

	Group 2016 $'000	Group 2015 $'000
Non-current:		
Financial instruments with floating interest rates:		
Bank loans (secured)	2,524	4,762
Financial instruments with fixed interest rates:		
Finance leases (Note 25A)	226	–
Total non-current portion	2,750	4,762
Current:		
Financial instruments with floating interest rates:		
Bank loans (secured)	2,254	4,590
	2,254	4,590
Financial instruments with fixed interest rates:		
Bank loans (secured)	6,000	6,000
Bills payable to bank (secured)	7,032	26,262
Finance leases (Note 25A)	147	–
	13,179	32,262
Total current portion	15,433	36,852
Total non-current and current	18,183	41,614
The non-current portion is payable as follows:		
Due within 2 to 5 years	2,750	4,762
Total non-current portion	2,750	4,762

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

25. OTHER FINANCIAL LIABILITIES (CONT'D)

	Group	
	2016	**2015**
The range of floating interest rates paid were as follows:		
Bank loans (secured)	2.20% - 3.12% p.a.	2.09% - 3.04% p.a.
The range of fixed interest rates paid were as follows:		
Bank loans (secured)	2.63% - 3.80% p.a.	2.67% - 2.89% p.a.
Bills payable to bank (secured)	2.01% - 2.55% p.a.	1.30% - 2.75% p.a.
Finance leases (Note 25A)	2% p.a.	–

All borrowings are interest bearing.

The bills payable to banks are for bills for purchases of inventories.

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

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

2. Corporate guarantee by the company.

3. Negative pledge over the assets of the company.

25A. Finance leases

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

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

	2016	2015
Average lease term, in years	3	–
Average effective borrowing rate per year	3.83%	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

26. OTHER NON-FINANCIAL LIABILITIES

	Group	
	2016	2015
	$'000	$'000
Advance billings	108	120

27. DERIVATIVE FINANCIAL INSTRUMENTS

The table below summarises the fair value of derivatives at end of year.

	Group	
	2016	2015
	$'000	$'000
Liabilities – Derivatives with negative fair values:		
Derivatives not designated as hedging instruments:		
Interest rate swap	–	–
Current portion	–	–
The movements during the year were as follows:		
Fair value at beginning of the year	–	95
Gains included in profit or loss under other gains (Note 6)	–	(95)
Total net balance at end of the year	–	–

The fair values of the derivatives are estimated based on market values of equivalent instruments at the end of the reporting year (Level 2).

The contract for interest rate swap was designed to convert floating rate borrowings to fixed rate exposure for five years from 5 May 2010 at 2.25% per year. The contract matured on 5 May 2015.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK

28A. Categories of financial assets and liabilities

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

	Group	
	2016 $'000	2015 $'000
Financial assets:		
Cash and cash equivalents	17,108	25,021
Trade and other receivables	18,555	28,072
Financial assets at fair value through profit or loss	1,557	1,606
Available-for-sale financial assets	92	130
At end of the year	37,312	54,829
Financial liabilities:		
Borrowings and finance leases at amortised cost	18,183	41,614
Trade and other payables at amortised cost	8,801	11,879
At end of the year	26,984	53,493

	Company	
	2016 $'000	2015 $'000
Financial assets:		
Cash and cash equivalents	701	1,211
Trade and other receivables	1,156	2,010
At end of the year	1,857	3,221
Financial liabilities:		
Trade and other payables at amortised cost	454	456
At end of the year	454	456

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

28B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposure to the financial risks on the financial instruments such as credit risk, interest risk, liquidity risk, market price risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. Enter into derivatives or any other similar instruments solely for hedging purposes.
4. All financial risk management activities are carried out and monitored by senior management staff.
5. All financial risk management activities are carried out following acceptable market practices.
6. May consider investing in shares or similar instruments only in the case of temporary excess of liquidity and such transactions have to be authorised by the board of directors.

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

28C. Fair value of financial instruments

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

	Group Level 3 $'000
As at 30 September 2016	
Financial assets at fair value through profit or loss:	1,557
Total	1,557
As at 30 September 2015	
Financial assets at fair value through profit or loss	1,606
Total	1,606

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

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

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

	Group	
	Financial assets at fair value through profit or loss $'000	Total $'000
2016:		
Balance at beginning of the year	1,606	1,606
Losses recognised in profit or loss under other losses (Note 6)	(49)	(49)
Total net balance at end of the year	1,557	1,557
2015:		
Balance at beginning of the year	1,454	1,454
Gains recognised in profit or loss under other gains (Note 6)	152	152
Total net balance at end of the year	1,606	1,606

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

Analysis of effect of changing inputs on fair value measurements in Level 3 of the fair value hierarchy

The following table shows the effect of the changes of the inputs to reasonably possible alternative assumptions:

Group	Carrying amount $'000	Favourable change $'000	Unfavourable change $'000
2016:			
Unquoted other investment reflected in profit or loss. 10% change	192	19	(19)
Unquoted equity-linked investment reflected in profit or loss. 10% change	1,365	137	(137)
2015:			
Unquoted other investment reflected in profit or loss. 10% change	167	17	(17)
Unquoted equity-linked investment reflected in profit or loss. 10% change	1,439	144	(144)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

28D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitment at the end of the reporting year. Credit risk on cash balances with banks and any derivative financial instruments is limited because the counterparties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk on receivables, as the exposure is spread over a large number of counter-parties and debtors unless otherwise disclosed in the notes to the financial statements below.

Note 20 discloses the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is between 30 to 90 days (2015: 30 to 90 days). But some customers take a longer period to settle the amounts.

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade receivables:				
Less than 60 days overdue	3,266	8,089	245	273
61-90 days overdue	584	389	308	437
91-120 days overdue	1,366	295	3	229
Over 120 days overdue	2,506	1,016	54	646
At end of year	7,722	9,789	610	1,585

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

	Group	
	2016 $'000	2015 $'000
Allowance for impairment:		
Over 180 days	5	11
Total	5	11

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling $5,000 (2015: $11,000) that are determined to be impaired at the end of the reporting year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

28E. Liquidity risk – financial liabilities maturity analysis

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

Group Non-derivative financial liabilities:	Less than 1 year $'000	1 – 5 years $'000	Total $'000
2016:			
Trade and other payables	8,801	–	8,801
Gross borrowings commitments	15,552	2,831	18,383
At end of the year	24,353	2,831	27,184

Non-derivative financial liabilities:	Less than 1 year $'000	1 – 5 years $'000	Total $'000
2015:			
Trade and other payables	11,879	–	11,879
Gross borrowings commitments	37,135	4,908	42,043
At end of the year	49,014	4,908	53,922

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

Non-derivative financial liabilities:	Less than 1 year $'000	Total $'000
2015:		
Trade and other payables	456	456
At end of the year	456	456

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

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

Financial guarantee contracts - At the end of the reporting year, no claims on the financial guarantees are expected. The following table shows the maturity analysis of the contingent liabilities based on the maximum earliest period in which the guarantee could be called:

Company	Less than 1 year $'000	1 – 3 years $'000	3 – 5 years $'000	Total $'000
2016:				
Corporate guarantee in favour of a subsidiary	15,869	834	–	16,703
2015:				
Corporate guarantee in favour of a subsidiary	36,974	2,495	–	39,469

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 150 days (2015: 30 to 120 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows.

Bank facilities:

	Group 2016 $'000	Group 2015 $'000
Letters of credit	143	2,367
Bankers' guarantees	51	50
Performance guarantees	3,106	3,783
Undrawn borrowing facilities	77,426	126,041

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

28F. Interest rate risk

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

	Group	
	2016	2015
	$'000	$'000
Financial liabilities with interest:		
Fixed rates	13,405	32,262
Floating rates	4,778	9,352
Total at end of year	18,183	41,614

The interest rates are disclosed in the respective notes.

Sensitivity analysis:

	Group	
	2016	2015
	$'000	$'000
Financial liabilities:		
A hypothetical variation in interest rates by 100 basis points with all other variables held constant, would have an increase in pre-tax loss for the year by	48	94

The analysis has been performed for floating interest rate over a year for financial instruments. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses. The hypothetical changes in basis points are not based on observable market data (unobservable inputs). The impact of a change in interest rates on fixed interest rate financial instruments has not been assessed in terms of changing of their fair value.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

28G. Foreign currency risks

Analysis of amounts denominated in non-functional currency:

Group	USD $'000	EUR $'000	Others [#a] $'000	Total $'000
2016:				
Financial assets:				
Cash	7,784	232	682	8,698
Trade and other receivables	8,346	282	1,862	10,490
Other financial assets	1,365	–	–	1,365
Total financial assets	17,495	514	2,544	20,553
Financial liabilities:				
Other financial liabilities	1,127	–	–	1,127
Trade and other payables	5,383	241	40	5,664
Total financial liabilities	6,510	241	40	6,791
Net financial assets (liabilities) at end of year	10,985	273	2,504	13,762
2015:				
Financial assets:				
Cash	5,234	116	643	5,993
Trade and other receivables	12,824	110	–	12,934
Other financial assets	1,404	–	–	1,404
Total financial assets	19,462	226	643	20,331
Financial liabilities:				
Other financial liabilities	8,354	206	–	8,560
Trade and other payables	6,673	285	85	7,043
Total financial liabilities	15,027	491	85	15,603
Net financial assets (liabilities) at end of year	4,435	(265)	558	4,728

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

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

28G. Foreign currency risks (cont'd)

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

Sensitivity analysis:

	Group	
	2016 $'000	2015 $'000
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the USD with all other variables held constant would have an adverse effect on pre-tax loss of	(999)	(403)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the EUR with all other variables held constant would have (an adverse) a favourable effect on pre-tax loss of	(25)	24
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against other currencies with all other variables held constant would have an adverse effect on pre-tax loss of	(228)	(51)

The above table shows sensitivity to a hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction on the profit or loss.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out without taking into consideration hedged transactions.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

29. ITEMS IN PROFIT OR LOSS

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

	Group 2016 $'000	Group 2015 $'000
Audit fees to the independent auditor of the company	147	142
Audit fees to the other independent auditor	30	27
Other fees to the independent auditor of the company	66	71
Other fees to the other independent auditor	9	16

30. OPERATING LEASE PAYMENT COMMITMENTS – AS LESSEE

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group 2016 $'000	Group 2015 $'000
Not later than one year	894	886
Later than one year and not later than five years	1,970	2,563
Later than five years	2,056	2,131
Rental expense for the year	916	2,453

Operating lease payments represent rentals payable for certain equipment rental and leasehold properties. The leases for the leasehold properties are for 27 years from 9 September 2005, 12 years from 13 December 2007, 22 years [a] from 27 September 2010 and 5 years from 29 December 2014 respectively. The lease rental terms are negotiated for an average term of one to three years. Rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

[a] On 29 May 2014, a subsidiary accepted a letter of offer issued by JTC Corporation to extend the lease term for 90 Second Lok Yang Road for a further term of 13.3 years from 16 March 2019. As consideration for the extension, the subsidiary is required to satisfy certain investment criteria with a minimal investment amount of $11,830,000 within three years.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 SEPTEMBER 2016

31. CAPITAL COMMITMENTS

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

	Group	
	2016	**2015**
	$'000	**$'000**
Commitment to purchase property, plant and equipment (Also see Note 13)	–	206

32. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

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

FRS No.	Title
FRS 1	Amendments to FRS 1: Disclosure Initiative (early application)
Various	Improvements to FRSs (Issued in January 2014). Relating to FRS 108 Operating Segments FRS 113 Fair Value Measurement FRS 24 Related Party Disclosures
Various	Improvements to FRSs (Issued in February 2014). Relating to FRS 113 Fair Value Measurement

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

For the future reporting years new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("**INT FRS**") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 116	Leases	1 January 2019

SHAREHOLDERS' INFORMATION

AS AT 9 DECEMBER 2016

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Class of shares : Ordinary shares
Voting rights : One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	11	0.74	351	0.00
100 - 1,000	119	7.96	60,549	0.02
1,001 - 10,000	451	30.19	2,275,200	0.78
10,001 - 1,000,000	886	59.30	67,218,263	23.15
1,000,001 AND ABOVE	27	1.81	220,845,634	76.05
TOTAL	1,494	100.00	290,399,997	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DAIWA CAPITAL MARKETS SINGAPORE LIMITED	82,617,982	28.45
2	ONG TONG HAI	28,411,996	9.78
3	ONG TONG YANG (WENG DONGYANG)	19,954,396	6.87
4	RAFFLES NOMINEES (PTE) LIMITED	9,954,500	3.43
5	OCBC SECURITIES PRIVATE LIMITED	8,279,250	2.85
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,806,800	2.34
7	HO SU CHIN	6,502,041	2.24
8	CHOW KOK KEE	6,124,991	2.11
9	HONG LEONG FINANCE NOMINEES PTE LTD	5,822,500	2.00
10	ANG SEAU TEE (HONG XIUDI)	5,363,698	1.85
11	DBS NOMINEES (PRIVATE) LIMITED	5,043,532	1.74
12	TEO CHING CHING (ZHAO QIANQIAN)	4,765,698	1.64
13	ANG KONG MENG	3,978,500	1.37
14	ABN AMRO CLEARING BANK N.V.	3,094,500	1.07
15	CHOO KHIAN HYONG	3,000,000	1.03
16	TEO BEE YEN	2,932,100	1.01
17	CHAN HOCK LYE	2,741,800	0.94
18	CITIBANK NOMINEES SINGAPORE PTE LTD	2,146,100	0.74
19	RHB SECURITIES SINGAPORE PTE. LTD.	2,050,000	0.71
20	LAU KIN HONG	1,682,000	0.58
	TOTAL	211,272,884	72.75

SHAREHOLDERS' INFORMATION (cont'd)

AS AT 9 DECEMBER 2016

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

NAME OF SHAREHOLDERS	NUMBER OF SHARES	DIRECT INTEREST %	DEEMED INTEREST %
Daiwa Capital Markets Singapore Limited	82,617,982	28.45	–
Ong Tong Hai	28,411,996	9.78	–
Ong Tong Yang (Weng DongYang)	19,954,396	6.87	–

Note:-
Mr Ong Tong Hai and Mr Ong Tong Yang are brothers.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 9 December 2016, approximately 55% of the Company's shares were held by the public. Accordingly, the Company is in compliance with Rule 723 of the SGX-ST Listing Manual.

TREASURY SHARES

As at 9 December 2016, there are no treasury shares held by the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of CosmoSteel Holdings Limited (the "**Company**") will be held at Raffles Country Club, 450 Jalan Ahmad Ibrahim, Singapore 639932 on Wednesday, 25 January 2017 at 10.00 a.m. to transact the following business:-

ORDINARY BUSINESS

AS ORDINARY RESOLUTIONS

1. To receive and adopt the Directors' Report, the Auditors' Report and the Audited Financial Statements of the Company for the financial year ended 30 September 2016. **(Resolution 1)**

2. To declare a final dividend of 0.50 Singapore cent per ordinary share for the financial year ended 30 September 2016. **(Resolution 2)**

3. To approve the payment of S$12,000 as additional Directors' Fees for the financial year ended 30 September 2016. **(Resolution 3)**

4. To approve the payment of S$285,000 as Directors' Fees for the financial year ending 30 September 2017. **(Resolution 4)**

5. To re-elect Mr Low Beng Tin, the Director retiring by rotation pursuant to Article 99 of the Constitution of the Company. **(Resolution 5)**

6. To re-elect Mr Ong Chin Sum, the Director retiring by rotation pursuant to Article 99 of the Constitution of the Company. **(Resolution 6)**

7. To re-elect Ms Tan Siok Chin, the Director retiring by rotation pursuant to Article 99 of the Constitution of the Company. **(Resolution 7)**

8. To re-appoint RSM Chio Lim LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

SPECIAL BUSINESS

AS ORDINARY RESOLUTIONS

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

9. Authority to issue and allot shares pursuant to Share Issue Mandate

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company (the "**Share Issue Mandate**") to:

(A) (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures, convertible securities or other instruments convertible into Shares; and/or

(iii) notwithstanding that such authority conferred by this Resolution may have ceased to be in force at the time the Instruments are to be issued, issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or other capitalisation issues, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(B) issue Shares in pursuance of any Instrument made or granted by the Directors pursuant to (A)(ii) and/or (A)(iii) above, notwithstanding that such authority may have ceased to be in force at the time the Shares are to be issued,

provided that:

(I) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (II) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed ten per cent. (10%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (II) below);

(II) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (I) above, the percentage of issued Shares shall be based on the Company's total number of issued Shares (excluding treasury shares) at the time of the passing of this Resolution after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(III) in exercising such authority, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(IV) unless revoked or varied by the Company in general meeting by ordinary resolution, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Companies Act, Chapter 50, and every other legislation for the time being in force concerning companies and affecting the Company, whichever is the earliest.

(Resolution 9)

10. Authority to issue and allot shares pursuant to CosmoSteel Employee Share Option Scheme

That authority be and is hereby given to the Directors of the Company to offer and grant share options in accordance with the provisions of the Cosmosteel Employee Share Option Scheme approved by shareholders in general meeting held on 28 March 2007 (the "**Scheme**") and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the share options under the Scheme (notwithstanding that such allotment and issue may occur after the conclusion of the next or any ensuing Annual General Meeting of the Company).

(Resolution 10)

11. Renewal of IPT Mandate

That:

(a) authority be and is hereby given for the Company, its subsidiaries and associated companies (if any) which fall within the definition of "entities at risk" under Chapter 9 of the Listing Manual of the SGX-ST or any of them to enter into any transaction falling within the categories of interested person transactions set out in the Addendum, with any party who is of the class or classes of interested persons described in the Addendum, provided that such transaction is made on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders, and is entered into in accordance with the review procedures for interested person transactions as set out in the Addendum (such shareholders' general mandate hereinafter called the "**IPT Mandate**");

(b) the IPT Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier;

(c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of the procedures and/or modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST, which may be prescribed by the SGX-ST from time to time; and

(d) the directors of the Company and each of them be and are hereby authorised, empowered to complete and do and execute all such things and acts as they or he may consider necessary or appropriate to give effect to these resolutions and the IPT Mandate, with such modifications thereto (if any) as they or he may think fit in the interests of the Company.

(Resolution 11)

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

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS ALSO HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 1 February 2017 for determining the shareholders' entitlements to the proposed final dividends. Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 31 January 2017 will be registered to determine shareholders' entitlements to the proposed final dividends. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 31 January 2017 will be entitled to the dividends.

The proposed final dividends, if approved by shareholders at the Annual General Meeting of the Company, will be paid on 14 February 2017.

BY ORDER OF THE BOARD

Lee Pih Peng
Company Secretary
3 January 2017
Singapore

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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

Ordinary Business

(i) Ordinary Resolution 3, if passed will allow the Company to pay additional Directors' fees to Directors in respect of the financial year ended 30 September 2016 in relation to additional meetings held during the course of the financial year ended 30 September 2016. This amount is in excess of the Directors' fees (S$285,000) in respect of FY2016, which was approved at the last annual general meeting of the Company.

(ii) Ordinary Resolution 4, if passed, will allow the Company to pay Directors' Fees to Directors (on a quarterly basis in arrears) as services are rendered by Directors during the course of the financial year ending 30 September 2017. This will facilitate Directors' compensation for services rendered in a timely manner. In the event of unforeseen circumstances, such as the appointment of an additional Director, additional unscheduled Board meetings and the formation of additional Board Committees, resulting in the amount proposed being insufficient, approval will be sought at the next Annual General Meeting for payments to meet the shortfall.

(iii) Ordinary Resolution 5, if passed, will re-appoint Mr Low Beng Tin as Director of the Company. Mr Low Beng Tin, upon re-appointment, will be a member of the Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. In addition, as Mr Low Beng Tin, who was appointed to the Board on 9 November 2005, has served on the Board for more than nine years, the Board has reviewed his independence taking into consideration, *inter alia*, the criterion for independence as provided for under the Code of Corporate Governance 2012, and is satisfied that Mr Low Beng Tin has, and will continue to exercise independent business judgement with a view to the best interests of the Company, notwithstanding the length of tenure of his service.

(iv) Ordinary Resolution 6, if passed, will re-appoint Mr Ong Chin Sum as Director of the Company. Mr Ong Chin Sum is an Executive Director of the Company.

(v) Ordinary Resolution 7, if passed, will re-appoint Ms Tan Siok Chin as Director of the Company. Ms Tan Siok Chin, upon re-appointment, will remain as the chairperson of the Remuneration Committee and Nominating Committee, and a member of the Audit Committee. She will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. In addition, as Ms Tan Siok Chin, who was appointed to the Board on 28 March 2007 has served on the Board for more than nine years, the Board has reviewed her independence taking into consideration, inter alia, the criterion for independence as provided for under the Code of Corporate Governance 2012, and is satisfied that Ms Tan Siok Chin has, and will continue to exercise independent business judgement with a view to the best interests of the Company, notwithstanding the length of tenure of his service.

Special Business

(vi) Ordinary Resolution 9, if passed, will empower the Directors of the Company to, from the date of the above Annual General Meeting of the Company until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Companies Act, Chapter 50, and every other legislation for the time being in force concerning companies and affecting the Company, whichever is the earliest, allot and issue Shares, to make or grant Instruments, and to issue Shares in pursuance of such Instruments for such purposes as they consider in the interests of the Company.

The aggregate number of Shares that the Directors may allot and issue under this Resolution (including Shares to be issued in pursuance of Instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares), of which the aggregate number of Shares to be issued other than on a pro rata basis shall not exceed ten per cent. (10%) of the total number of issued Shares (excluding treasury shares) (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution), to shareholders.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be calculated based on the total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:

(1) new Shares arising from the conversion or exercise of any convertible securities;

(2) new Shares arising from exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(3) any subsequent bonus issue, consolidation or sub-division of Shares.

(vii) Ordinary Resolution 10, if passed, will empower the Directors of the Company to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the share options under the Scheme, notwithstanding that such allotment and issue may occur after the conclusion of the next or any ensuing Annual General Meeting of the Company.

This authority is in addition to the general authority to issue Shares sought under Resolution 9.

(viii) Ordinary Resolution 11, if passed, will renew the IPT Mandate first given by the Shareholders at the Company's extraordinary general meeting held on 3 March 2015 ("**EGM**") to allow the Company, and its subsidiaries and associated companies or any of them to enter into interested person transactions (details of which are set out in the Addendum).

The Company's Audit Committee has confirmed (pursuant to Rule 920(1) of the Listing Manual of the SGX-ST) that the methods or review procedures set out in the Addendum for determining the transaction prices in respect of the interested person transactions have not changed since the Shareholders' approval at the EGM.

Note:-

*A member of the Company (a "**Member**") entitled to attend and vote at the Annual General Meeting of the Company ("**AGM**") is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a Member. The instrument appointing the proxy must be deposited at the registered office of the Company at 14 Lok Yang Way, Singapore 628633, not less than forty-eight (48) hours before the time set for holding the AGM.*

Personal Data Privacy

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

PROXY FORM

ANNUAL GENERAL MEETING

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

IMPORTANT:
1. For investors who have used their CPF monies to buy shares in the capital of CosmoSteel Holdings Limited, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominee.

I/We, ____ (Name) _____________________________________(NRIC/Passport No.)
of ____ (Address)
being a member/members of COSMOSTEEL HOLDINGS LIMITED (the "**Company**") hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Raffles Country Club, 450 Jalan Ahmad Ibrahim, Singapore 639932 on 25 January 2017 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Ordinary Resolution	For	Against
1	To adopt Directors' Report, Auditors' Report and Audited Financial Statements		
2	To declare a final dividend of 0.50 Singapore cent per ordinary share		
3.	To approve additional Directors' fees for the financial year ended 30 September 2016		
4	To approve Directors' fees for the financial year ended 30 September 2017		
5	To re-elect Mr Low Beng Tin, the Director retiring pursuant to Article 99 of the Company's Constitution		
6	To re-elect Mr Ong Chin Sum, the Director retiring pursuant to Article 99 of the Company's Constitution		
7	To re-elect Ms Tan Siok Chin, the Director retiring pursuant to Article 99 of the Company's Constitution		
8	To re-appoint RSM Chio Lim LLP as Auditors of the Company and to authorize the Directors to fix their remuneration		
9	To authorize the Directors to allot and issue shares		
10	To authorize the Directors to offer and grant share options and to allot and issue shares under the CosmoSteel Employee Share Option Scheme		
11	To authorize the Directors to enter into interested person transactions pursuant to the Interested Person Transactions Mandate		

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

Dated this ____________ day of ____________________ 2017.

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

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

Important: Please read notes overleaf

Notes:-

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

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

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

   "Relevant intermediary" means

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

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

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

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

4. The instrument appointing the proxy or proxies must be deposited at the Company's registered office at 14 Lok Yang Way, Singapore 628633, not less than 48 hours before the time appointed for the meeting.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have Shares entered against his name in the Depository Register 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

This page has been intentionally left blank.

This page has been intentionally left blank.

THE DIFFERENCE BETWEEN THE IMPOSSIBLE + THE POSSIBLE LIES IN A MAN'S DETERMINATION.

TOMMY LASORDA

COSMOSTEEL HOLDINGS LIMITED

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