

## **ADDENDUM DATED 3 JANUARY 2017 to ANNUAL REPORT 2016**

This Addendum is issued by **COSMOSTEEL HOLDINGS LIMITED** (the “**Company**”) together with the Company’s annual report in respect of the financial year ended 30 September 2016 (the “**Annual Report**”). Its purpose is to provide the shareholders with relevant information relating to, and to seek shareholders’ approval for the proposed renewal of the mandate for interested person transactions, to be tabled at the Annual General Meeting to be held on 25 January 2017 at 10.00 a.m. at Raffles Country Club, 450 Jalan Ahmad Ibrahim, Singapore 639932.

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



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

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

# TABLE OF CONTENTS

	Page
DEFINITIONS .....	1
1 INTRODUCTION .....	4
2 THE PROPOSED RENEWAL OF THE IPT MANDATE .....	5
3 THE IPT MANDATE .....	7
4 RATIONALE FOR AND BENEFITS OF THE IPT MANDATE .....	12
5 DISCLOSURE TO SHAREHOLDERS .....	12
6 AUDIT COMMITTEE'S STATEMENT .....	13
7 APPROVALS AND RESOLUTIONS .....	13
8 HANWA & ITS ASSOCIATES TO ABSTAIN FROM VOTING .....	13
9 DIRECTORS' RECOMMENDATION .....	14
10 DIRECTORS' RESPONSIBILITY STATEMENT .....	14
11 DOCUMENTS FOR INSPECTION .....	14

## DEFINITIONS

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

<b>“Act”</b>	:	The Companies Act (Chapter 50 of Singapore), as amended or modified from time to time.
<b>“AGM” or “Annual General Meeting”</b>	:	Annual general meeting of the Company.
<b>“approved exchange”</b>	:	A stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9 of the Listing Manual.
<b>“associate”</b>	:	In relation to any director, chief executive officer, substantial shareholder or controlling shareholder means:- <ul style="list-style-type: none"> <li>(i) his immediate family (that is, his spouse, child, adopted child, step-child, sibling or parent);</li> <li>(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and</li> <li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more,</li> </ul> <p>and, in relation to a substantial shareholder or a controlling shareholder which is a company, means its subsidiary or holding company or a subsidiary of such holding company or a company in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.</p>
<b>“associated company”</b>	:	A company in which at least 20% but not more than 50% of its shares are held by the listed company or the group.
<b>“Audit Committee”</b>	:	The audit committee of the Company for the time being.
<b>“Board”</b>	:	The board of Directors of the Company for the time being.
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Chief Financial Officer”</b>	:	The chief financial officer of the Company for the time being.
<b>“Company”</b>	:	CosmoSteel Holdings Limited
<b>“Constitution”</b>	:	The existing constitution of the Company which was previously known as the memorandum and articles of association of the Company immediately before 3 January 2016 (being the effective date of Phase 2 of the Companies (Amendment) Act 2014).

## DEFINITIONS

<b>"controlling shareholder"</b>	:	A person who holds (directly or indirectly) 15% or more of the total number of issued shares excluding treasury shares in the company or one who in fact exercises control over the company.
<b>"EGM"</b>	:	Has the meaning as defined at <b>Paragraph 2.1</b> below.
<b>"entity at risk"</b>	:	<ul style="list-style-type: none"> <li>(a) the listed company;</li> <li>(b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or</li> <li>(c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has or have control over the associated company.</li> </ul>
<b>"Executive Directors"</b>	:	The executive Directors of the Company for the time being.
<b>"Group"</b>	:	The Company and its subsidiaries, and (where applicable) its associated companies.
<b>"Hanwa"</b>	:	Hanwa Co., Ltd
<b>"Hanwa Group"</b>	:	Hanwa and its associates, excluding the Group.
<b>"interested person"</b>	:	A director, chief executive officer or controlling shareholder of the listed company or an associate of any such director, chief executive officer or controlling shareholder.
<b>"interested person transaction" or "IPT"</b>	:	A transaction between an entity at risk and an interested person.
<b>"Listing Manual"</b>	:	The Listing Manual of the SGX-ST.
<b>"IPT Mandate"</b>	:	Has the meaning defined at <b>Paragraph 1.2</b> below.
<b>"SGX-ST"</b>	:	Singapore Exchange Securities Trading Limited
<b>"Shareholders"</b>	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the persons whose direct securities accounts maintained with CDP are credited with the Shares.

## **DEFINITIONS**

<b>"Shares"</b>	:	Ordinary shares in the capital of the Company.
<b>"subsidiary"</b>	:	Has the meaning ascribed to it in Section 5 of the Act.
<b>"Substantial Shareholder"</b>	:	Has the meaning ascribed to it in Section 81 of the Act.
<b>"S\$"</b>	:	Singapore dollars, the lawful currency of the Republic of Singapore.
<b>"%"</b>	:	Per centum or percentage.

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

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

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

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

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

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

## LETTER TO SHAREHOLDERS

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

### Directors

Mr Low Beng Tin, *Chairman of the Board and Independent Non-Executive Director*  
Mr Ong Chin Sum, *Chief Executive Officer and Executive Director*  
Mr Ong Tong Yang, *Executive Director*  
Mr Ong Tong Hai, *Executive Director*  
Mr Seiji Usui, *Executive Director*  
Mr Hiroshi Ebihara, *Non-Executive Director*  
Mr Jovenal Santiago, *Independent Non-Executive Director*  
Ms Tan Siok Chin, *Independent Non-Executive Director*

### Registered Office:

14 Lok Yang Way  
Singapore 628633

**3 January 2017**

To: The Shareholders of CosmoSteel Holdings Limited

Dear Sir/Madam

### ADDENDUM RELATING TO THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

#### 1. INTRODUCTION

- 1.1 The Company has on 3 January 2017 issued a Notice convening the eleventh Annual General Meeting of the Shareholders of the Company to be held on 25 January 2017 (the "**Eleventh AGM**").
- 1.2 The proposed Ordinary Resolution [TBA] in the Notice of the Eleventh AGM related to the renewal of the general mandate (the "**IPT Mandate**") to authorise the Company and its subsidiaries or any of them to enter into any of the transactions falling within the categories of interested person transactions described within this Addendum, provided that such transactions are made on normal commercial terms in accordance with the guidelines and procedures for review and administration of the interested person transactions as described in the addendum. Details pertaining to the IPT Mandate are set out in **Paragraph 3** below.
- 1.3 The purpose of this Addendum is to provide information relating to and to explain the rationale for the proposed renewal of the IPT Mandate.
- 1.4 The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Addendum. If a Shareholder is in any doubt as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

# LETTER TO SHAREHOLDERS

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## 2. THE PROPOSED RENEWAL OF THE IPT MANDATE

### 2.1 Background

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

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

At the extraordinary general meeting of the Company held on 3 March 2015 (the "EGM"), approval of the shareholders of the Company (the "Original IPT Mandate") was obtained for, *inter alia*, authorising the Group to enter into certain interested person transactions of a revenue or trading nature with the Hanwa Group, as more particularly set out in Paragraph 3.1(c) of this Addendum.

The Original IPT Mandate was expressed to take effect, unless revoked or varied by the Company in general meeting, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier. Therefore, the Directors are seeking approval from Shareholders for the proposed renewal of the IPT Mandate at the Eleventh AGM of the Company.

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

### 2.2 Information on Hanwa

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

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

Further information on Hanwa is available on the website of the Tokyo Stock Exchange (<http://www.tse.or.jp/>) for the Japanese language website and (<http://www.tse.or.jp/english>) for the English language website, and Hanwa's website (<http://www.hanwa.co.jp>) for the Japanese language website and ([http://www.hanwa.co.jp/hanwa\\_e](http://www.hanwa.co.jp/hanwa_e)) for the English language website.

## LETTER TO SHAREHOLDERS

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

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

#### (a) General Requirements

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

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

#### (b) Excluded Transactions

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

#### (c) Shareholders' General Mandate

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



# LETTER TO SHAREHOLDERS

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## 3. THE IPT MANDATE

### 3.1 Scope of the IPT Mandate

#### (a) Entity at risk

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

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

#### (b) Class of interested persons

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

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

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

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

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

(collectively, the “**Mandated Interested Person Transactions**”)

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

## LETTER TO SHAREHOLDERS

### 3.2 Validity Period of the IPT Mandate

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

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

#### (a) Review Procedures

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

- (i) The guiding principle is that all Mandated Interested Person Transactions shall be conducted in accordance with the Group's usual business practices and pricing policies, consistent with the usual profit margins or prices extended to or received by the Group for the same or substantially similar type of transactions between the Group and unrelated third parties, and the terms are not more favourable to the Interested Person compared to those extended to or received from unrelated third parties and/or are in accordance with published or prevailing rates/prices or applicable industry norms. The Company will use its reasonable endeavours to make comparisons with at least two other quotes from unrelated third parties, wherever possible for the same or substantially similar type of transactions;
- (ii) In relation to the purchase of materials and products by the Group from an Interested Person:-
  - (aa) subject to and in accordance with **Paragraph 3.3(a)(i)** above, the Company will make comparisons against the quotations obtained from at least two other comparative offers from unrelated third parties that are reasonably contemporaneous in time, to ensure that such purchase price is no less favourable to the Group. Comparisons will be made taking into consideration, *inter alia*, the purchase price, order quantity, product quality, standard of services, experience and expertise, customer requirements, product specifications, delivery schedule, track record, potential for future repeat business, contract duration, credit term and fluctuations in foreign exchange rates; and
  - (bb) in the event where it is impractical or impossible to obtain comparable prices of similar transactions reasonably contemporaneous in time due to the nature of the materials or products to be purchased, such transaction may only be entered into with approval from at least one of the Executive Directors of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction. Such Executive Director(s) will, subject to the approval thresholds as set out in **Paragraph 3.3(b)** below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transaction are in accordance with applicable industry norms and/or are not prejudicial to the Company, taking into account factors such as, but not limited to, the nature of the materials or products, order quantity, product quality, standard of services, experience and expertise, customer requirements, product specifications, delivery schedule, track record, contract duration, credit terms and fluctuations in foreign exchange rates.

## LETTER TO SHAREHOLDERS

- (iii) In relation to the engagement or utilisation of an Interested Person as a procurement source to procure materials, products and services on behalf of the Group:-
  - (aa) subject to and in accordance with **Paragraph 3.3(a)(i)** above, the mark-up or fee (where applicable) payable by the Group to the Interested Person shall be determined by at least one of the Executive Directors of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction; and
  - (bb) such Executive Director(s) will, subject to the approval thresholds as set out in **Paragraph 3.3(b)** below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transaction are in accordance with applicable industry norms and/or are not prejudicial to the Company, taking into account factors such as, but not limited to, the nature of the materials, products or services procured, standard of services, experience and expertise, the price competitiveness of the Group's products and/or services (after incorporating such mark-up or fee), and the Group's profit margin from the transaction;
- (iv) In relation to the sale of materials and products by the Group to the Hanwa Group:-
  - (aa) subject to and in accordance with **Paragraph 3.3(a)(i)** above, in the case of the sale of materials and products in the ordinary course of business of the Group, the sale price and/or rates shall be no more favourable to the Interested Person than the usual commercial terms extended by the Group to unrelated third parties and/or in accordance with applicable industry norms, taking into account factors such as, but not limited to, the nature of the materials or products, order quantity, product quality, standard of services, experience and expertise, customer requirements, product specifications, delivery schedule, track record, credit standing, credit terms, potential for future repeat business, contract duration and fluctuations in foreign exchange rates, subject to the Group being able to obtain a positive gross profit margin from the transaction; and
  - (bb) in cases of adverse market conditions when the Group considers it necessary to enter into a transaction which will result in no or a negative gross profit margin, such transaction shall be subject to and in accordance with **Paragraph 3.3(a)(i)** above and may only be entered into with the approval from at least one of the Executive Directors of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction. Such Executive Director(s) will, subject to the approval thresholds as set out in **Paragraph 3.3(b)** below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transaction are in accordance with applicable industry norms and/or are not prejudicial to the Company, taking into account factors such as, but not limited to, the nature of the materials or products, order quantity, product quality, standard of services, experience and expertise, customer requirements, product specifications, delivery schedule, track record, credit standing, credit terms, potential for future repeat business, contract duration and fluctuations in foreign exchange rates.

The considerations in **Paragraphs 3.3(a)(i) to 3.3(a)(iv)** above will allow for variations in prices and terms of the comparative offers or sales so long as the volume of trade, credit-worthiness of the buyer, differences in service, reliability or such other relevant factors justify such variations and so long as such comparative offer or sale incorporates modifications that account for volatility of the market for the goods and services in question.

## LETTER TO SHAREHOLDERS

### (b) Approval Threshold

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

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

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

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

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

### (c) Other Review Procedures

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

## **LETTER TO SHAREHOLDERS**

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

## LETTER TO SHAREHOLDERS

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

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

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

#### 5. DISCLOSURE TO SHAREHOLDERS

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

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

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

# LETTER TO SHAREHOLDERS

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## 6. AUDIT COMMITTEE'S STATEMENT

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

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

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

## 7. APPROVALS AND RESOLUTIONS

Shareholders' approval for the proposed renewal of the IPT Mandate is sought at the Eleventh AGM. The Ordinary Resolution relating to the proposed renewal of the IPT Mandate is contained in the Notice of the Eleventh AGM as Ordinary Resolution [TBA].

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

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

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

The above-mentioned persons will not accept appointments as proxies for voting on the Ordinary Resolution [•] relating to the proposed renewal of the IPT Mandate at the Eleventh AGM unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for the said Resolution.

## **LETTER TO SHAREHOLDERS**

### **9. DIRECTORS' RECOMMENDATION**

The Directors of the Company (other than the Interested Directors as stated below) have considered the scope, rationale for and benefit of, the compliance and review procedure of the IPT Mandate and the statement of the Audit Committee in respect thereof, and believe that the renewal of the IPT Mandate is in the interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution [TBA] relating to the proposed renewal of the IPT Mandate as set out in the Notice of the Eleventh AGM.

The Interested Directors, Mr Seiji Usui and Mr Hiroshi Ebihara, being the Directors appointed to the Board as representatives of Hanwa, have abstained from making any recommendation on the proposed renewal of the IPT Mandate.

The Interested Directors will not accept appointments as proxies for voting on the Ordinary Resolution [I] relating to the proposed renewal of the IPT Mandate at the Eleventh AGM unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for the said Resolution.

### **10. DIRECTORS' RESPONSIBILITY STATEMENT**

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

### **11. DOCUMENTS FOR INSPECTION**

The Constitution of the Company may be inspected at the registered office at 14 Lok Yang Way, Singapore 628933, during normal business hours from the date of this Addendum to the date of the Eleventh AGM.

Yours faithfully  
For and on behalf of the Board

Ong Chin Sum  
Chief Executive Officer and Executive Director  
**COSMOSTEEL HOLDINGS LIMITED**