



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

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**RESPONSE TO QUESTIONS FROM SHAREHOLDERS  
FOR ANNUAL GENERAL MEETING ON 31 JANUARY 2023**

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The Board of Directors (the “**Board**”) of CosmoSteel Holdings Limited (the “**Company**”) refers to the announcement dated 9 January 2023 in relation to the Notice of Annual General Meeting to be held on Tuesday, 31 January 2023, at 9.30 a.m. at Raffles Marina, 10 Tuas West Drive, Singapore 638404 (“**AGM**”).

The Company would like to express its appreciation to its shareholders for submitting their questions in advance of the AGM. The Company would also like to inform shareholders that the substantial and relevant questions received by the Company by the deadline, i.e., 9.30 a.m. on 17 January 2023, have been responded to and are published in this announcement. Please refer to the **Appendix A** of this announcement for details of the questions and responses of the Company.

**BY ORDER OF THE BOARD**

Ong Tong Hai  
Chief Executive Officer and Executive Director  
20 January 2023

## Appendix A

### RESPONSE TO QUESTIONS FROM SHAREHOLDERS

#### Question 1:

**The company failed to exit from the SGX watchlist despite putting in an application to exit. As this issue is of paramount importance and involves an existential risk to the company as a listed company. Can the board address this issue? Especially the new Independent directors, can we hear their thoughts on how they view this critical matter and how they plan to address this.**

#### Company's Response:

By way of clarification, the Company has up to 4 June 2023 to meet the exit criteria under Rule 1314 of the SGX Listing Manual. Notwithstanding, the Company had decided to make an earlier application on 7 September 2022 to exit the SGX watch-list, *inter alia*, as the Company's then market capitalisation had met the requisite market capitalisation requirement for purposes of exiting the watch-list as provided under Rule 1314 of the SGX Listing Manual. Although the attempt was not successful, the Board (including the new independent directors appointed to the Board) will continue to explore various options to meet such exit criteria along with other means of maintaining the listing of the Company.

#### Question 2:

- a) **Given the improvement/changes to the oil/gas/energy industry landscape, can the company help shareholders appreciate the immediate outlook of the company, in term of profitability, order visibility and others.**
- b) **Company said it “foresee a challenging operating landscape due to on-going macroeconomic uncertainties”, and “our margins could come under pressure”, can the company explain how engaging in “its marketing strategy that focus on volume growth” is going to help in its margins and profitability going forward?**

#### Company's Response:

Operating conditions in 2023 will remain challenging due to global economic uncertainty and the threat of recession with continued volatility and competition in the Oil & Gas and Marine industries. However, we are of the view that there are fresh opportunities with the global transition to renewable energy.

We cautiously expect improved revenue generation but with compressed margins in FY2023. Our main objective will be to maintain our profitability, and improve our cashflow and dividends.

Our strategy will focus on revenue generation through more marketing efforts. We will continue to maintain our prudent cost management measures. We have digitalised processes across our operations since 2021 which we expect to improve efficiency levels across our operations.

Due to commercial sensitivity and our confidentiality obligations to our customers, we are not able to disclose order visibility or any information of customers.

#### Question 3:

**In the 2022 AR, company noted “an acceleration in the transition to renewable energy and infrastructure”, how is the company preparing to engage this business segment?**

#### Company's Response:

We have begun marketing efforts to the renewable energy industry.

**Question 4:**

**Is the company engaging more sales and marketing staff to engage new and existing markets and expanding its revenue?**

Company's Response:

Our current Sales and Marketing team headcount is sufficient to handle our requirements going forward. We have no immediate plans to expand our headcount but will do so when the need arises.

**Question 5:**

**Noted that Japan revenue has expanded, could the company share more details if this is sustainable? Has its business relation with Hanwa expanded in 2022 and in any new areas?**

Company's Response:

By way of clarification, the Group's revenues are attributed to countries based on where customers are located irrespective of the origins of the products or where the products are put to use. Please refer to page 15 of the Annual Report under "*Revenue by Geographical Markets*" and page 97 (Note 4E (Geographical Information) to Financial Statements for year ended 30 September 2022) for a detailed explanation of the revenue attribution by geographical markets. For FY2022, the Group had several orders from customers located in Japan. Accordingly, the revenue attributable to Japan was relatively higher. Our marketing efforts for revenue generation is focused on where demands for our products reside. Revenue generation is not limited by geographical markets or customer centricity.

We have maintained good business relationship with Hanwa. Transactions with Hanwa are recorded under Interested Persons Transactions on page 95 of the Annual Report.

**Question 6:**

**In engaging the new markets and new business segments (like renewable energy), does it mean that company's product offerings has expanded and therefore require more working capital to be tied up?**

Company's Response:

Our current product range is widely applicable across diverse industries, including the renewable energy sector.

**Question 7:**

**Noted that the company engaged in a very aggressive share buyback ("SBB") campaign last year and the move has been very NAV-accretive since the shares purchased is way below company's NAV per share.**

- a) **Why isn't the company cancelling the purchased shares (or treasury shares) so that a new (additional) 10% shares can be purchased under the renewed SBB mandate this coming AGM**
- b) **In 2023, if there is no cancellation of the purchased shares (bought in 2022), will the SBB capacity of the company be limited to less than 1% of total shares?**

**c) Isn't buying back another new 10% of company's shares in 2023 more accretive to shareholders?**

Company's Response:

The Board is deliberating over the appropriate manner to deal with the treasury shares which the Company currently holds. The current treasury shares held by the Company represent 10.00% of the total issued share capital of the Company. At this point, the Board has not ruled out the option of cancelling these shares.

In the meanwhile, the Company is seeking shareholders' approval for a fresh SBB mandate at the upcoming AGM to be held on 31 January 2023. If the Company were to acquire further shares pursuant to the SBB mandate (on the assumption that shareholders' approval were obtained at the upcoming AGM), due to the restriction under the Companies Act 1967 of Singapore that limits the aggregate number of shares that can be held as treasury shares at any time to a maximum limit of 10% of the total number of shares of the Company at that time, any treasury shares held by the Company in excess of such maximum limit will have to be disposed of or cancelled within six (6) months from the day the aforesaid limit is first exceeded or such further periods as Accounting & Corporate Regulatory Authority of Singapore may allow.

We believe that our share price is trading significantly lower than our net asset value per share. The Company's shares are significantly undervalued. We will assess and consider all our options before exercising the SBB mandate.

**Question 8:**

**Current inventory is \$30.15m, it is noted that there are some old inventory written off in 2018 due to a change in inventory provision policy and the company provided a good update in its response to shareholders in a reply dated 22 Jan 2022 on what has been written back to date (Q7 - Out of \$44.3 million, approximately \$16.3 million was reversed over the subsequent three financial years). Could the company provide a new update on the remaining inventory that has been written off but could still be used if business returns for those old inventory?**

Company's Response:

The cumulative inventories written down (including the provision of \$30.8 million in FY2018) of the Group was approximately \$44.3 million as at 30 September 2018. Out of \$44.3 million, approximately \$20.0 million of written-down inventory remains (physically) in the Group's warehouses as at 30 September 2022.

**Question 9:**

**Could the company share with shareholders if new shipbuilding demand eg FPSO would have a meaningful impact on the company business?**

Company's Response:

There will be more opportunities for us if the demand for new builds continues. As it is, the financial impact is marginal for now.

**Question 10:**

**Has higher oil prices and higher capex spent by O&G or other companies impacted the company positively and how has or will the company respond to such changes in demand?**

Company's Response:

Higher oil prices and higher capex spend would lead to an increase in opportunities for the Company. We will continue to focus on our marketing efforts to capture more projects and orders.