



COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, & Q3), HALF-YEAR RESULTS

1(a)(i) A consolidated statement of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	<u>1HY2020</u>	<u>1HY2019</u>	%
	S\$'000	S\$'000	+ / (-)
Revenue	41,096	49,654	(17.2)
Cost of sales	(31,826)	(40,480)	(21.4)
Gross profit	9,270	9,174	1.0
Financial income	2	16	(87.5)
Financial expense	(310)	(454)	(31.7)
Distribution costs	(2,154)	(2,296)	(6.2)
Administrative expenses	(2,101)	(3,480)	(39.6)
Depreciation expense	(3,010)	(2,037)	47.8
Other gains	2,358	363	549.6
Profit before income tax	4,055	1,286	215.3
Income tax (expense)/ income	-	-	-
Profit for the year	4,055	1,286	215.3
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Exchange differences on translating foreign operations, net of tax	128	33	287.9
Other comprehensive Income for the year, net of tax	128	33	287.9
Total comprehensive income for the year, net of tax	4,183	1,319	217.1

1(a)(ii) The consolidated statement of comprehensive income is arrived after crediting / (charging) the following:

	Group	
	<u>1HY2020</u>	<u>1HY2019</u>
	S\$'000	S\$'000
Allowance for impairment on trade receivables - (loss)/ reversal	(28)	12
Inventories value written back	1,976	650
Bad debts (written off)/ recovered	(30)	9
Foreign exchange adjustment gains/ (losses)	432	(322)
Interest on borrowings	(310)	(454)



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1(b)(i) Statements of financial position together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	<u>As at</u>	<u>As at</u>	<u>As at</u>	<u>As at</u>
	<u>31/3/2020</u>	<u>30/9/2019</u>	<u>31/3/2020</u>	<u>30/9/2019</u>
	S\$'000	S\$'000	S\$'000	S\$'000
<u>ASSETS</u>				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	24,746	26,778	-	-
Right-of-Use Assets	3,431	-	-	-
Investments in Subsidiaries	-	-	60,107	60,107
Total Non-Current Assets	28,177	26,778	60,107	60,107
<u>Current Assets</u>				
Inventories	33,970	37,426	-	-
Trade and Other Receivables	30,702	31,977	1,572	2,467
Financial Assets at Fair Value Through Profit or Loss	115	107	-	-
Other Assets	342	370	43	48
Cash and Cash Equivalents	14,690	8,583	217	177
Total Current Assets	79,819	78,463	1,832	2,692
Total Assets	107,996	105,241	61,939	62,799
<u>EQUITY AND LIABILITIES</u>				
<u>Equity</u>				
Share Capital	56,325	56,325	56,325	56,325
Retained Earnings	14,176	10,847	5,463	6,219
Other Reserves	9,228	9,100	-	-
Total Equity	79,729	76,272	61,788	62,544
<u>Non-Current Liabilities</u>				
Provisions	1,522	1,650	-	-
Loans and Borrowings	5,581	5,933	-	-
Financial Liabilities - Lease Liabilities	2,744	-	-	-
Total Non-Current Liabilities	9,847	7,583	-	-
<u>Current Liabilities</u>				
Trade and Other Payables	9,578	9,039	151	255
Loans and Borrowings	7,992	11,870	-	-
Financial Liabilities - Lease Liabilities	714	-	-	-
Other Non-Financial Liabilities	136	477	-	-
Total Current Liabilities	18,420	21,386	151	255
Total Liabilities	28,267	28,969	151	255
Total Equity and Liabilities	107,996	105,241	61,939	62,799



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1(b)(ii) Aggregate amount of the Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31/3/2020		As at 30/9/2019	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
7,992	-	11,870	-

Amount repayable after one year

As at 31/3/2020		As at 30/9/2019	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
5,581	-	5,933	-

Details of any collateral

As at 31 March 2020, the Group's borrowings and debt securities consist of bills payable and loans for the property at 90 Second Lok Yang Road Singapore 628166.

The borrowings are secured by:

- (a) Legal mortgage on the Group's leasehold property at 90 Second Lok Yang Road Singapore 628166;
- (b) Negative pledge over the assets of the Group;

and covered by corporate guarantees issued by the Company.



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1(c) **A consolidated statement of cash flows together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<u>Group</u>	
	<u>1HY2020</u>	<u>1HY2019</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Cash Flows From Operating Activities :		
Profit Before Tax	4,055	1,286
Adjustments for :		
Interest Income	(2)	(16)
Interest Expense	310	454
Depreciation of Property, Plant and Equipment	2,195	2,037
Depreciation of Right-of-Use Assets	815	-
Operating Cash Flows before Changes in Working Capital	7,373	3,761
Inventories	3,456	(2,223)
Trade and Other Receivables	1,403	(7,474)
Financial Assets at Fair Value through Profit or Loss	(8)	(15)
Other Assets	28	115
Trade and Other Payables	539	(569)
Other Non-Financial Liabilities	(341)	(34)
Net Cash Flows From/ (Used in) Operations	12,450	(6,439)
Income Taxes Refunded	-	6
Net Cash Flows From/ (Used in) Operating Activities	12,450	(6,433)
Cash Flows From Investing Activities :		
Purchase of Property, Plant and Equipment	(169)	(128)
Proceeds From Disposal of Property, Plant and Equipment	6	-
Interest Received	2	16
Net Cash Flows Used in Investing Activities	(161)	(112)
Cash Flows From Financing Activities :		
Cash Restricted in Use Over 3 Months	58	19
Loan and Borrowings Paid	(4,215)	1,008
Increase from New Borrowings	-	223
Finance Leases Repayments	(16)	(106)
Lease Liabilities - Principal Portion Paid	(788)	-
Provisions, Non-Current	(128)	-
Dividends Paid	(726)	-
Interest Paid	(309)	(448)
Net Cash Flows (Used in)/ From Financing Activities	(6,124)	696
Net Increase/ (Decrease) in Cash and Cash Equivalents	6,165	(5,849)
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	8,525	12,778
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance	14,690	6,929



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	<u>Group</u>	
	<u>1HY2020</u>	<u>1HY2019</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Cash and Cash Equivalents	14,690	8,282
Cash Restricted in Use Over 3 Months	-	(1,353)
Cash and Cash Equivalents for Statement of Cash Flows Purposes at End of the Period	14,690	6,929

1(d)(i) A statement (for the issuer) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

<u>Group</u>	<u>Share Capital</u>	<u>Currency Translation Reserve</u>	<u>Revaluation Reserve</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Balance at 1 October 2018	56,325	272	9,800	7,060	73,457
Total Comprehensive Income for 1HY2019	-	33	-	1,286	1,319
Balance at 31 March 2019	56,325	305	9,800	8,346	74,776
Balance at 1 October 2019	56,325	339	8,761	10,847	76,272
Total Comprehensive Income for 1HY2020	-	128	-	4,055	4,183
Dividends Paid	-	-	-	(726)	(726)
Balance at 31 March 2020	56,325	467	8,761	14,176	79,729

<u>Company</u>	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Balance at 1 October 2018	56,325	5,312	61,637
Total Comprehensive Income for 1HY2019	-	56	56
Balance at 31 March 2019	56,325	5,368	61,693
Balance at 1 October 2019	56,325	6,219	62,544
Total Comprehensive Loss for 1HY2020	-	(30)	(30)
Dividends Paid	-	(726)	(726)
Balance at 31 March 2020	56,325	5,463	61,788



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- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the Company's share capital since 30 September 2019. There were no outstanding convertibles and treasury shares as at 31 March 2020 and 31 March 2019.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 31/3/2020	As at 30/9/2019
290,399,997	290,399,997

The Company did not have any treasury shares at the end of the current financial period and as at the end of the immediately preceding year.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 30 September 2019.



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5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

On 1 October 2019, the Group adopted the new / revised Singapore Financial Reporting Standards (International) (“SFRS(I)”) that are effective for annual periods beginning on or after 1 January 2019. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I), SFRS(I) Interpretations and amendments to SFRS(I).

Other than the adoption of SFRS(I) 16, as disclosed below. The adoption of these new / revised SFRS(I), SFRS(I) Interpretations and amendments to SFRS(I) did not result in substantial changes to the Group’s and Company’s accounting policies and had no material effect on the amounts reports for the current or prior financial years.

The right-of-use assets as at 31 March 2020 were mainly related to the land rental of the leasehold properties, the leases of warehouse and certain office equipment. Accordingly, there was a corresponding increase in lease liabilities of \$3.5 million as at 31 March 2020.

6. **Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings per ordinary share of the Group (in cents):	Group	
	1HY2020	1HY2019
(a) Based on weighted average number of ordinary shares in issue	1.40	0.44
(b) On a fully diluted basis	1.40	0.44
Weighted average number of ordinary shares in issue	290,399,997	290,399,997

The fully diluted earnings per ordinary share is the same as the basic earnings per ordinary share as there were no options granted or outstanding during the financial period.

7. **Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 31/3/2020	As at 30/9/2019	As at 31/3/2020	As at 30/9/2019
Net asset value per ordinary share based on issued share capital at the end of the financial period (in cents):	27.45	26.26	21.28	21.54
Number of ordinary shares in issue	290,399,997	290,399,997	290,399,997	290,399,997



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8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Statement of Comprehensive Income Review

Revenue

Revenue had decreased by \$8.6 million or 17.2% from \$49.7 million in 1HY2019 to \$41.1 million in 1HY2020. Revenue from Energy Sector had decreased by \$12.9 million or 34.0% from \$38.0 million in 1HY2019 to \$25.1 million in 1HY2020. Likewise, revenue from Trading Sector had decreased by \$3.0 million or 35.6% from \$8.4 million in 1HY2019 to \$5.4 million in 1HY2020. The decrease was offset by an increase in revenue from Marine and Other Sector. Revenue from Marine Sector had increased by \$1.9 million or 65.9% from \$2.9 million in 1HY2019 to \$4.8 million in 1HY2020. And, revenue from Other Sector had increased by \$5.4 million or 1,455.7% from \$0.4 million in 1HY2019 to \$5.8 million in 1HY2020.

Geographically, Singapore market was the main contributor at 48.4% of the revenue generated in 1HY2020. The revenue from Singapore market had increased by \$3.5 million or 21.0% from \$16.4 million in 1HY2019 to \$19.9 million in 1HY2020. Revenue had decreased in all markets with the exception of Singapore, Brunei, Canada, Korea, Middle East, Philippines and Taiwan.

Gross Profit and Gross Profit Margin

Gross profit margin had improved by 4.1 percentage point from 18.5% in 1HY2019 to 22.6% in 1HY2020. Gross profit increased by \$0.1 million or 1.0% from \$9.2 million in 1HY2019 to \$9.3 million in 1HY2020.

Financial Income and Expense

Financial income in 1HY2020 had decreased by \$14 thousand from interest earned on fixed deposits.

Financial expense had decreased by \$0.2 million or 31.7% from \$0.5 million in 1HY2019 to \$0.3 million in 1HY2020 mainly from lesser bank borrowings.

Operating Expenses

Distribution costs had decreased by \$0.1 million or 6.2% from \$2.3 million in 1HY2019 to \$2.2 million in 1HY2020 mainly from decrease in overseas travelling expenses.

Administrative expenses had decreased by \$1.4 million or 39.6% from \$3.5 million in 1HY2019 to \$2.1 million in 1HY2020 mainly from lower employee benefits expense and there was no land rental expense due to the adoption of SFRS(I) 16 in FY2020.

Depreciation expense had increased by \$1.0 million or 47.8% from \$2.0 million in 1HY2019 to \$3.0 million in 1HY2020 mainly from the depreciation of right-of-use assets due to the adoption of SFRS(I) 16 in FY2020.



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Other Gains

Other gains had increased by \$2.0 million or 549.6% from \$0.4 million in 1HY2019 to \$2.4 million in 1HY2020 mainly from write back of inventories value and foreign exchange adjustments gains.

Profit before Income Tax

Profit before income tax had increased by \$2.8 million or 215.3% from \$1.3 million in 1HY2019 to \$4.1 million in 1HY2020 due to the aforementioned reasons.

Other Comprehensive Income

Other comprehensive income had increased by \$0.1 million or 287.9% from \$33 thousand in 1HY2019 to \$0.1 million in 1HY2020 from the exchange differences on translating foreign operations.

Statement of Financial Position Review

Non-Current Assets

Non-current assets had increased by \$1.4 million or 5.2% from \$26.8 million as at 30 September 2019 to \$28.2 million as at 31 March 2020 mainly from the recognition of right-of-use assets due to the adoption of SFRS(I) 16 in FY2020, partly offset by the depreciation charged in the current financial period.

Current Assets

Current assets had increased by \$1.3 million or 1.7% from \$78.5 million as at 30 September 2019 to \$79.8 million as at 31 March 2020. The increase was mainly due to increase in cash and cash equivalents, partly offset by decrease in inventories and trade and other receivables. Cash and cash equivalent had increased by \$6.1 million or 71.2% from \$8.6 million as at 30 September 2019 to \$14.7 million as at 31 March 2020. Other hand, inventories had decreased by \$3.4 million or 9.2% from \$37.4 million as at 30 September 2019 to \$34.0 million as at 31 March 2020. Trade and other receivables had decreased by \$1.3 million or 4.0% from \$32.0 million as at 30 September 2019 to \$30.7 million as at 31 March 2020.

Non-Current Liabilities

Non-current liabilities had increased by \$2.2 million or 29.9% from \$7.6 million as at 30 September 2019 to \$9.8 million as at 31 March 2020 mainly from the lease liabilities arising from right-of-use assets amounting to \$2.7 million as at 31 March 2020 due to the adoption of SFRS(I) 16 in FY2020.

Current Liabilities

Current liabilities had decreased by \$3.0 million or 13.9% from \$21.4 million as at 30 September 2019 to \$18.4 million as at 31 March 2020 mainly from the decrease in loans and borrowings, partly offset by lease liabilities arising from right-of-use assets amounting to \$0.7 million due to the adoption of SFRS(I) 16 in FY2020. Loan and borrowings had decreased by \$3.9 million or 32.7% from \$11.9 million as at 30 September 2019 to \$8.0 million as at 31 March 2020.

Equity

Total equity had increased by \$3.4 million or 4.5% from \$76.3 million as at 30 September 2019 to \$79.7 million as at 31 March 2020 mainly from the profit generated in 1HY2020, partly offset by dividends paid.



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Statement of Cash Flows Review

Cash Flows From/ (Used in) Operating Activities

Cash used in operating activities had decreased by \$18.9 million from an outflow of \$6.4 million in 1HY2019 to an inflow of \$12.5 million in 1HY2020 mainly from the profit generated in 1HY2020 and the working capital changes.

Cash Flows Used In Investing Activities

Cash used in investing activities remained relatively stable at \$0.2 million.

Cash Flows (Used In)/ From Financing Activities

Cash from financing activities had decreased by \$6.8 million from an inflow of \$0.7 million in 1H2019 to an outflow of \$6.1 million in 1HY2020 mainly from the repayment of loan and borrowings, lease liabilities and dividends paid.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement was previously disclosed.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

While the Group was profitable in the first half of FY2020 despite the recent plunge in oil prices and the current COVID-19 global pandemic, revenue generation in the second half of FY2020 will be adversely impacted due to, *inter alia*, supply chain disruptions resulting from the global COVID-19 pandemic and slower order book growth. Further, if the decreased oil prices continues to persist, there may be adverse implications or impact arising therefrom on the Group's customers who are operating in the oil and gas or energy industry, and that may in turn have an impact on the Group's business or operations, although the Company is unable to provide an accurate assessment or quantification of the impact at this juncture due to the fluid nature of the current circumstances.

To address the above, the Company will continue to improve its competitiveness in the market and explore measures to strengthen its revenue generation, including an expansion of our product offerings. Cost management continues to be a priority. The Company remains cautiously optimistic of maintaining its profitability for FY2020. However, the Company would like to caution Shareholders that due to the fluidity of the existing situation due to the current COVID-19 global pandemic, the Group may face more challenges in the second half of FY2020 from what is currently envisaged. The Company endeavours to keep Shareholders duly informed of any subsequent material developments.

11. Dividend

(a) Current Financial Period Reported On

No dividend is declared by the Company for the current financial period reported on.



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(b) Corresponding Period of the Immediately Preceding Financial Year

No dividend has been declared by the Company for the corresponding period of the immediately preceding financial year.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended.

13. If the Group has obtained a general mandate from shareholders for IPTS, the aggregate value of such transactions as required under Rule 920(1)(a)(ii), If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	1 Oct 2019 to 31 Mar 2020	
	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)
	S\$'000	S\$'000
Hanwa Group *	-	7,098

* Hanwa Co., Ltd and its subsidiaries, and (where applicable) its associated companies.

14. Confirmation by the Board of Directors

Pursuant to Rule 705 (5) of the Listing Manual, we, the undersigned, on behalf of the Board of Directors of the Company, confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for 1HY2020 to be false or misleading in any material aspect.



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15. Confirmation pursuant to Rule 720 (1) of the Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720 (1) of the Listing Manual.

By order of the Board

A handwritten signature in black ink, appearing to read "Ong Tong Hai", is written over a horizontal line.

Ong Tong Hai
Chief Executive Officer

11 May 2020