

COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

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

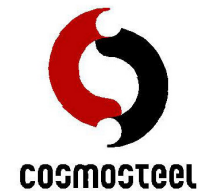
1(a)(i) A consolidated statement of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group					
	<u>2QFY2014</u>	<u>2QFY2013</u>	%	<u>1HY2014</u>	<u>1HY2013</u>	%
	S\$'000	S\$'000	+ / (-)	S\$'000	S\$'000	+ / (-)
Revenue	42,680	43,454	(1.8)	77,356	88,761	-12.8
Cost of sales	(33,862)	(35,354)	(4.2)	(62,461)	(73,257)	-14.7
Gross profit	8,818	8,100	8.9	14,895	15,504	-3.9
Financial income	3	7	(57.1)	5	17	-70.6
Financial expense	(341)	(341)	-	(699)	(689)	1.5
Distribution costs	(2,918)	(2,513)	16.1	(5,609)	(5,000)	12.2
Administrative expenses	(2,986)	(2,558)	16.7	(5,246)	(5,015)	4.6
Other credits/(charges)	111	(122)	(191.0)	(129)	(73)	76.7
Profit before income tax	2,687	2,573	4.4	3,217	4,744	-32.2
Income tax expense	(463)	(443)	4.5	(577)	(822)	-29.8
Profit for the period	2,224	2,130	4.4	2,640	3,922	-32.7
Other Comprehensive Income:						
Exchange differences on translating foreign operations, net of tax	(24)	(6)	NM	25	(6)	NM
Total Comprehensive Income for the period, net of tax	2,200	2,124	3.6	2,665	3,916	-31.9

NM: Not meaningful

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

	Group			
	<u>2QFY2014</u>	<u>2QFY2013</u>	<u>1HY2014</u>	<u>1HY2013</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Reversal/(Allowance) for impairment on trade receivables	118	3	123	(77)
Allowance for slow-moving inventories and decline in net realisable values	(387)	(135)	(670)	(133)
Bad debts recovered/(written off)	3	10	(121)	39
Depreciation of property, plant and equipment	(648)	(525)	(1,247)	(1,048)
Foreign exchange loss	(16)	(144)	(69)	(54)
Interest on borrowings	(341)	(341)	(699)	(689)
Write-off for inventory obsolescence	(79)	(21)	(273)	(145)



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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>31/03/14</u>	<u>30/09/13</u>	<u>31/03/14</u>	<u>30/09/13</u>
	S\$'000	S\$'000	S\$'000	S\$'000
<u>ASSETS</u>				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	19,529	20,502	-	-
Investments in Subsidiaries	-	-	46,107	46,107
Available-For-Sale Financial Assets	130	130	-	-
Total Non-Current Assets	19,659	20,632	46,107	46,107
<u>Current Assets</u>				
Inventories	112,034	119,819	-	-
Trade and Other Receivables	47,705	29,503	2,238	4,466
Financial Assets at Fair Value Through Profit or Loss	1,427	1,492	-	-
Other Assets	278	486	54	48
Cash and Cash Equivalents	19,696	20,444	497	686
Total Current Assets	181,140	171,744	2,789	5,200
Total Assets	200,799	192,376	48,896	51,307
<u>EQUITY AND LIABILITIES</u>				
<u>Equity</u>				
Share Capital	42,062	42,062	42,062	42,062
Retained Earnings	47,000	47,000	5,654	8,063
Other Reserves	10,327	10,302	-	-
Total Equity	99,389	99,364	47,716	50,125
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	2,735	2,735	-	-
Finance Leases	-	-	-	-
Other Financial Liabilities	6,608	5,064	2	4
Total Non-Current Liabilities	9,343	7,799	2	4
<u>Current Liabilities</u>				
Income Tax Payable	1,190	1,289	113	98
Trade and Other Payables	21,219	23,905	1,060	1,064
Finance Leases	13	46	-	-
Other Financial Liabilities	68,895	59,618	5	16
Other Liabilities	750	355	-	-
Total Current Liabilities	92,067	85,213	1,178	1,178
Total Liabilities	101,410	93,012	1,180	1,182
Total Equity and Liabilities	200,799	192,376	48,896	51,307



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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 31/03/14		As at 30/09/13	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
68,766	-	59,454	-

Amount repayable after one year

As at 31/03/14		As at 30/09/13	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
6,608	-	5,064	-

Details of any collateral

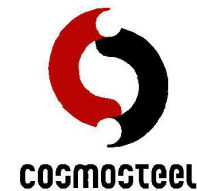
As at 31 March 2014, the Group's borrowings and debt securities consist of bills payable, term loans and loans for the properties at 14 Lok Yang Way Singapore 628633, 21A Neythal Road Singapore 628587, 90 Second Lok Yang Road Singapore 628166 and obligations under finance leases.

The borrowings were secured by:

- (a) Legal mortgage on the Group's leasehold property at 14 Lok Yang Way Singapore 628633;
- (b) Legal mortgage on the Group's leasehold property at 21A Neythal Road Singapore 628587;
- (c) Legal mortgage on the Group's leasehold property at 90 Second Lok Yang Road Singapore 628166;

and covered by corporate guarantees issued by the Company.

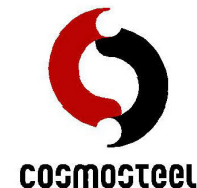
The obligations under finance leases are secured by the lessor's charge over the leased assets.



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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.**

	Group			
	<u>2QFY2014</u>	<u>2QFY2013</u>	<u>1HY2014</u>	<u>1HY2013</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Cash Flows From Operating Activities :				
Profit Before Tax	2,687	2,573	3,217	4,744
Adjustments for :				
Interest Income	(3)	(7)	(5)	(17)
Interest Expense	341	341	699	689
Depreciation of Property, Plant and Equipment	648	525	1,247	1,048
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	(24)	(6)	25	(6)
Fair Value Loss on Financial Assets at Fair Value through Profit or Loss	(34)	(41)	38	1
Fair Value Losses/(Gains) on Derivative Financial Instruments	30	38	(41)	(209)
Operating Cash Flows before Changes in Working Capital	3,645	3,423	5,180	6,250
Inventories	7,712	825	7,785	400
Trade and Other Receivables	(14,631)	(13,483)	(18,202)	(13,693)
Other Assets	90	34	208	(362)
Bills Payable	3,456	16,191	5,181	17,549
Trade and Other Payables	1,197	(2,607)	(2,686)	(2,257)
Other Liabilities	35	(455)	395	(1,471)
Net Cash Flows From/(Used in) Operations Before Tax	1,504	3,928	(2,139)	6,416
Income Taxes Paid	(405)	(773)	(676)	(1,289)
Net Cash Flows From/(Used in) Operating Activities	1,099	3,155	(2,815)	5,127
Cash Flows from Investing Activities :				
Purchase of Property, Plant and Equipment	(171)	(33)	(274)	(73)
Interest Received	3	7	5	17
Net Cash Flows Used in Investing Activities	(168)	(26)	(269)	(56)
Cash Flows From Financing Activities :				
Cash Restricted in Use Over 3 Months	(1)	(10)	1	(10)
Increase/(Decrease) in Other Financial Liabilities	1,737	(1,105)	(2,292)	(1,204)
Increase from New Borrowings	3,000	-	8,000	-
Decrease in Finance Leases	(14)	(22)	(33)	(55)
Dividends Paid	(2,640)	(3,300)	(2,640)	(3,300)
Interest Paid	(341)	(341)	(699)	(689)
Net Cash Flows From/(Used in) Financing Activities	1,741	(4,778)	2,337	(5,258)
Net Increase/(Decrease) in Cash and Cash Equivalents				
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	16,970	21,032	20,389	19,570
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance	19,642	19,383	19,642	19,383



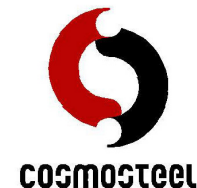
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	<u>2QFY2014</u>	<u>2QFY2013</u>	<u>1HY2014</u>	<u>1HY2013</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Cash and Cash Equivalents	19,696	19,899	19,696	19,899
Cash Restricted in Use Over 3 Months	(54)	(516)	(54)	(516)
Cash and Cash Equivalents for Statement of Cash Flows purposes at end of the period	19,642	19,383	19,642	19,383

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> S\$'000	<u>Currency Translation Reserve</u> S\$'000	<u>Revaluation Reserve</u> S\$'000	<u>Retained Earnings</u> S\$'000	<u>Total Equity</u> S\$'000
Balance at 1 October 2012	42,062	(24)	8,028	43,381	93,447
Dividends paid	-	-	-	(3,300)	(3,300)
Total Comprehensive Income for 1HY2013	-	(6)	-	3,922	3,916
Balance at 31 March 2013	42,062	(30)	8,028	44,003	94,063
Balance at 1 October 2013	42,062	53	10,249	47,000	99,364
Dividends paid	-	-	-	(2,640)	(2,640)
Total Comprehensive Income for 1HY2014	-	25	-	2,640	2,665
Balance at 31 March 2014	42,062	78	10,249	47,000	99,389

<u>Company</u>	<u>Share Capital</u> S\$'000	<u>Retained Earnings</u> S\$'000	<u>Total Equity</u> S\$'000
Balance at 1 October 2012	42,062	7,927	49,989
Dividends paid	-	(3,300)	(3,300)
Total Comprehensive Income for 1HY2013	-	287	287
Balance at 31 March 2013	42,062	4,914	46,976
Balance at 1 October 2013	42,062	8,063	50,125
Dividends paid	-	(2,640)	(2,640)
Total Comprehensive Income for 1HY2014	-	231	231
Balance at 31 March 2014	42,062	5,654	47,716



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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 2013. There were no outstanding convertibles and treasury shares as at 31 March 2013 and 31 March 2014.

- 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 31/03/14	As at 30/09/13
263,999,997	263,999,997

- 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.**

The company does not have treasury shares.

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.**

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current financial period as compared with the audited financial statements for the financial year ended 30 September 2013.

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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.**

There were no changes in the accounting policies and methods of computation.

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.**

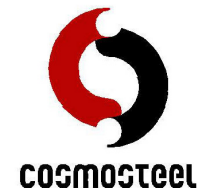
	Group			
	2QFY2014	2QFY2013	1HY2014	1HY2013
Earnings per ordinary share of the Company (in cents):				
(a) Based on weighted average number of ordinary shares in issue	0.84	0.81	1.00	1.49
(b) On a fully diluted basis	0.84	0.81	1.00	1.49
Weighted average number of ordinary shares in issue	263,999,997	263,999,997	263,999,997	263,999,997

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 31/03/2014	As at 30/09/2013	As at 31/03/2014	As at 30/09/2013
Net asset value per ordinary share based on issued share capital at the end of the financial year (in cents):	37.65	37.64	18.07	18.99
Number of ordinary shares in issue	263,999,997	263,999,997	263,999,997	263,999,997

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.



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Statement of Comprehensive Income

Revenue has decreased by \$0.8 million or 1.8%, from \$43.5 million in 2QFY2013 to \$42.7 million in 2QFY2014. Year on year, revenue has decreased by \$11.4 million or 12.8% from \$88.8 million in 1HY2013 to \$77.4 million in 1HY2014. The decrease was mainly due to a decrease in revenue from customers in the Energy Sector which saw a decrease of \$12.6 million or 16.7% from \$75.7 million in 1HY2013 to \$63.1 million in 1HY2014. Notwithstanding the decrease in revenue from the Energy Sector, the Energy Sector contributed 81.5% of the total revenue generated for 1HY2014. Revenue from the Trading Sector has also decreased while revenue from the Marine and Others Sectors had increased. Revenue from the Marine Sector saw an increase of \$3.1 million or 36.7% in 1HY2014, from \$8.3 million in 1HY2013 to \$11.4 million in 1HY2014.

Despite the decrease in revenue, gross profit has increased by \$0.7 million or 8.9% from \$8.1 million in 2QFY2013 to \$8.8 million in 2QFY2014 from a higher gross profit margin. Gross profit margin increased by 2.1 percentage points from 18.6% in 2QFY2013 to 20.7% in 2QFY2014. Year on year, despite an improvement of 1.8 percentage points in gross profit margin from 17.5% in 1HY2013 to 19.3% in 1HY2014, gross profit has decreased by \$0.6 million from \$15.5 million in 1HY2013 to \$14.9 million in 1HY2014.

Financial expense remained at similar levels of \$0.3 million in both 2QFY2014 and 2QFY2013 and \$0.7 million in both 1HY2014 and 1HY2013.

Distribution costs had increased by \$0.4 million or 16.1% from \$2.5 million in 2QFY2013 to \$2.9 million in 2QFY2014. Year on year, distribution costs had increased by \$0.6 million or 12.2% from \$5.0 million in 1HY2013 to \$5.6 million in 1HY2014 which resulted from an increase in employee benefits expense.

Similarly, administrative expenses had increased by \$0.4 million or 16.7% from \$2.6 million in 2QFY2013 to \$3.0 million in 2QFY2014 which resulted mainly from an increase in employee benefits expense. The same reason accounted for the year on year increase in administrative costs of \$0.2 million or 4.6% from \$5.0 million in 1HY2013 to \$5.2 million in 1HY2014.

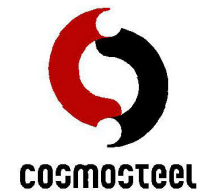
Other credits/(charges) had increased by \$0.2 million from a charge of \$0.1 million in 2QFY2013 to a credit of \$0.1 million in 2QFY2014 from a reversal of impairment on trade receivables. Year on year, other credits/(charges) had increased marginally by \$56 thousand from a charge of \$73 thousand in 1HY2013 to \$129 thousand in 1HY2014 which was mainly attributable to unrealised foreign exchange losses.

Our profit before income tax has increased by \$0.1 million or 4.4% from \$2.6 million in 2QFY013 to \$2.7 million in 2QFY2014. Year on year, profit before income tax has decreased by \$1.5 million or 32.2% from \$4.7 million in 1HY2013 to \$3.2 million in 1HY2014 due to aforementioned.

Statement of Financial Position

Non-current assets had decreased by \$0.9 million or 4.7% from \$20.6 million as at 30 September 2013 to \$19.7 million as at 31 March 2014 from depreciation charged and minimal capital expenditure in the first six months of the current financial year.

Current assets had increased by \$9.4 million or 5.5% from \$171.7 million as at 30 September 2013 to \$181.1 million as at 31 March 2014 from an increase in trade and other receivables which was partly offset by a decrease in inventories. Trade and other receivables saw an increase of \$18.2 million or 61.7% from \$29.5 million as at 30 September 2013 to \$47.7 million as at 31 March 2014 whilst inventories decreased by \$7.8 million or 6.5% from \$119.8 million as at 30 September 2013 to \$112.0 million as at 31 March 2014.



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Non-current liabilities had increased by \$1.5 million or 19.8% from \$7.8 million as at 30 September 2013 to \$9.3 million as at 31 March 2014 from drawdown of a long term loan facility in 1QFY2014.

Current liabilities had also increased by \$6.9 million or 8.0% from \$85.2 million as at 30 September 2013 to \$92.1 million as at 31 March 2014, primarily from an increase in other financial liabilities which includes short-term borrowings and current portion of long-term borrowings. Trade and other payables have decreased by \$2.7 million from \$23.9 million as at 30 September 2013 to \$21.2 million as at 31 March 2014 from utilisation of short-term borrowings to repay outstanding payments.

Statement of Cash Flows

Cash from operating activities had decreased by \$2.1 million or 65.2% from \$3.2 million in 2QFY2013 to \$1.1 million in 2QFY2014 from lower receipts of payments from customers. Year on year, cash from operating activities had decreased by \$7.9 million or 154.9% from an inflow of \$5.1 million in 1HY2013 to an outflow of \$2.8 million in 1HY2014 for the same reason as aforementioned coupled with repayments to trade suppliers.

Cash used in investing activities had increased by \$142 thousand from \$26 thousand in 2QFY2013 to \$168 thousand in 2QFY2014 from capital expenditure. Similarly, cash used in investing activities had increased by \$213 thousand year on year, from \$56 thousand in 1HY2013 to \$269 thousand in 1HY2014.

Cash from financing activities had increased by \$6.5 million from an outflow of \$4.8 million in 2QFY2013 to an inflow of \$1.7 million in 2QFY2014 mainly from increase in short-term borrowings. Year on year, cash from financing activities had increased by \$7.6 million from an outflow of \$5.3 million in 1HY2013 to an inflow of \$2.3 million in 1HY2014 from an increase in short-term borrowings and drawdown of a long term loan as aforementioned.

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.

As the result of the ongoing global exploration and production activities, we expect the Energy sector to continue to be our main revenue contributor for the rest of the financial year.

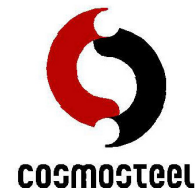
Market conditions are expected to remain highly competitive and our Group will continue to strengthen our competitive edge through improving productivity and managing operating costs.

Barring unforeseen circumstances, we expect our Group to continue to be profitable for the current financial year.

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/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded.

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.

An IPT mandate is not required.

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 2QFY2014 to be false or misleading in any material aspect.

By order of the Board

A handwritten signature in blue ink, appearing to read 'Ong Chin Sum', written over a horizontal line.

Ong Chin Sum
Chief Executive Officer

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

Ong Tong Hai
Director

7 May 2014