

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

RESPONSE TO SGX QUERIES

The Board of Directors (the “Board”) of CosmoSteel Holdings Limited (the “Company”) has received certain queries from the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 19 June 2020 in relation to the Company’s half year financial statements for the financial period ended 31 March 2020 and reproduce below, such queries, and the Company’s responses thereto.

Query 1:

It is noted that revenue has decreased by approximately 17.2% from S\$49,654,000 in 1HY2019 to S\$41,096,000 in 1HY2020. Please explain the reason(s) for the decrease.

In this regard, we also note on page 8 of the announced financial results that:

“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.”

Response:

As explained in the announcement on the unaudited financial results for the half year ended 31 March 2020 (“1HY2020”), there was an overall decrease in revenue in 1HY2020 due to decreased revenue from our customers in the Energy Sector and Trading Sector, although this was partially offset by an increase in revenue from our customers in the Marine Sector and Other Sector. The revenue which we obtain from these sectors would depend on the demand for our products from customers in these sectors which may depend on a variety of reasons including, as far as we are aware, their own supply requirements for the pipeline of new or existing projects which they may have on hand.

Query 2:

Please provide a breakdown of “Other gains” amounting to S\$2,358,000 in 1HY2020. It is stated on page 9 of the announced financial results: “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.” Please clarify the basis for the write back of inventories value.

Response:

Breakdown of “Other gains” recorded in 1HY2020 as follows:

	<u>1HY2020</u>
<u>Breakdown of Other Gains:</u>	S\$'000
Allowance for impairment on trade receivables – loss	(28)
Inventories value written back	1,976
Bad debts written off	(30)
Foreign exchange adjustment gains	432
Fair value gains on financial assets at fair value through profit or loss	8
Net	2,358

The Company has an inventory policy, *inter alia*, where it makes provision for inventory which are not sold by a certain period, and the write-back of inventories was made in respect of inventories which were subsequently sold or disposed of pursuant to being provided for under such policy.

Query 3:

Please clarify the nature of “Other Non-Financial Liabilities” amounting to approximately S\$136,000 as at 31 March 2020.

Response:

The “Other Non-Financial Liabilities” amounting to approximately S\$136,000 as at 31 March 2020 refers to advance billings to customers which has not yet been recognized as revenue.

BY ORDER OF THE BOARD

Ong Tong Hai
Chief Executive Officer and Executive Director
23 June 2020