



COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL 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.

	<u>Group</u>		
	<u>1QFY2017</u>	<u>1QFY2016</u>	%
	S\$'000	S\$'000	+ / (-)
Revenue	14,813	17,137	(13.6)
Cost of sales	(11,351)	(13,834)	(17.9)
Gross profit	3,462	3,303	4.8
Financial income	11	3	266.7
Financial expense	(105)	(206)	(49.0)
Distribution costs	(1,493)	(1,653)	(9.7)
Administrative expenses	(1,760)	(1,735)	1.4
Depreciation expense	(1,532)	(1,363)	12.4
Other credits/(charges)	471	(183)	(357.4)
Loss before income tax	(946)	(1,834)	(48.4)
Income tax expense	(8)	(48)	(83.3)
Loss for the period	(954)	(1,882)	(49.3)
<u>Other Comprehensive Income:</u>			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Exchange differences on translating foreign operations, net of tax	(39)	(10)	290.0
Other comprehensive loss for the period, net of tax	(39)	(10)	290.0
Total comprehensive loss for the period, net of tax	(993)	(1,892)	(47.5)

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

	<u>Group</u>	
	<u>1QFY2017</u>	<u>1QFY2016</u>
	S\$'000	S\$'000
(Allowance)/reversal for impairment on trade receivables	(15)	6
Allowance for slow-moving inventories and decline in net realisable values	(160)	(301)
Bad debts recovered	8	6
Foreign exchange gain	562	96
Gain on disposal of plant and equipment	1	4
Interest on borrowings	(105)	(206)



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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>31/12/16</u> S\$'000	<u>As at</u> <u>30/09/16</u> S\$'000	<u>As at</u> <u>31/12/16</u> S\$'000	<u>As at</u> <u>30/09/16</u> S\$'000
<u>ASSETS</u>				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	27,005	28,361	-	-
Investments in Subsidiaries	-	-	60,107	60,107
Trade and Other Receivables	580	2,139	-	-
Available-For-Sale Financial Assets	92	92	-	-
Total Non-Current Assets	27,677	30,592	60,107	60,107
<u>Current Assets</u>				
Inventories	78,490	78,838	-	-
Trade and Other Receivables	22,197	16,768	1,226	1,156
Financial Assets at Fair Value Through Profit or Loss	1,598	1,557	-	-
Other Assets	319	411	22	32
Cash and Cash Equivalents	13,576	17,108	586	701
Total Current Assets	116,180	114,682	1,834	1,889
Total Assets	143,857	145,274	61,941	61,996
<u>EQUITY AND LIABILITIES</u>				
<u>Equity</u>				
Share Capital	56,325	56,325	56,325	56,325
Retained Earnings	43,826	44,780	5,245	5,208
Other Reserves	14,077	14,116	-	-
Total Equity	114,228	115,221	61,570	61,533
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	2,859	2,859	-	-
Provisions	70	70	-	-
Other Financial Liabilities	2,526	2,750	-	-
Total Non-Current Liabilities	5,455	5,679	-	-
<u>Current Liabilities</u>				
Income Tax Payable	-	32	13	9
Trade and Other Payables	9,209	8,801	358	454
Other Financial Liabilities	14,777	15,433	-	-
Other Non-Financial Liabilities	188	108	-	-
Total Current Liabilities	24,174	24,374	371	463
Total Liabilities	29,629	30,053	371	463
Total Equity and Liabilities	143,857	145,274	61,941	61,996



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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 31/12/2016		As at 30/9/2016	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
14,777	-	15,433	-

Amount repayable after one year

As at 31/12/2016		As at 30/9/2016	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
2,526	-	2,750	-

Details of any collateral

As at 31 December 2016, the Group's borrowings and debt securities consist of bills payable, finance leases, term loans and loans for the properties at 14 Lok Yang Way Singapore 628633 and 36 Tuas Crescent Singapore 638724.

The borrowings are 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 36 Tuas Crescent Singapore 638724;
- (c) Negative pledge over the assets of the Group;

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>1QFY2017</u> S\$'000	<u>1QFY2016</u> S\$'000
Cash Flows From Operating Activities :		
Loss Before Tax	(946)	(1,834)
Adjustments for :		
Interest Income	(11)	(3)
Interest Expense	105	206
Depreciation of Property, Plant and Equipment	1,532	1,363
Gain on Disposal of Plant and Equipment	(1)	(4)
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	(39)	(10)
Fair Value Gain on Financial Assets at Fair Value through Profit or Loss	(75)	(4)
Fair Value Gain on Derivative Financial Instruments	-	(5)
Operating Cash Flows before Changes in Working Capital	565	(291)
Inventories	348	(1,691)
Trade and Other Receivables	(3,858)	7,603
Other Assets	92	203
Bills Payable	1,968	(7,328)
Trade and Other Payables	408	(428)
Other Non-Financial Liabilities	80	87
Net Cash Flows Used in Operations	(397)	(1,845)
Income Taxes Paid	(52)	(17)
Net Cash Flows Used in Operating Activities	(449)	(1,862)
Cash Flows From Investing Activities :		
Purchase of Property, Plant and Equipment	(78)	(369)
Disposal of Property, Plant and Equipment	43	4
Surrender Payment Received	34	-
Interest Received	11	3
Net Cash Flows From/(Used in) Investing Activities	10	(362)
Cash Flows From Financing Activities :		
Cash Restricted in Use Over 3 Months	1	-
Decrease in Other Financial Liabilities	(2,950)	(1,155)
Finance Leases Repayments	(40)	-
Interest Paid	(105)	(206)
Net Cash Flows Used in Financing Activities	(3,094)	(1,361)
Net Decrease in Cash and Cash Equivalents	(3,533)	(3,585)
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	17,082	24,996
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance	13,549	21,411



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	<u>1QFY2017</u> S\$'000	<u>1QFY2016</u> S\$'000
Cash and Cash Equivalents	13,576	21,436
Cash Restricted in Use Over 3 Months	(27)	(25)
Cash and Cash Equivalents for Statement of Cash Flows purposes at end of the period	13,549	21,411

Non-cash transactions:

There were acquisitions of certain assets under property, plant and equipment with a total cost of \$142,000 (1QFY2016: Nil) acquired by means of finance leases.

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 2015	56,325	281	15,221	50,807	122,634
Total Comprehensive Loss for 1QFY2016	-	(10)	-	(1,882)	(1,892)
Balance at 31 December 2015	56,325	271	15,221	48,925	120,742
Balance at 1 October 2016	56,325	254	13,862	44,780	115,221
Total Comprehensive Loss for 1QFY2017	-	(39)	-	(954)	(993)
Balance at 31 December 2016	56,325	215	13,862	43,826	114,228

<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 2015	56,325	6,546	62,871
Total Comprehensive Income for 1QFY2016	-	62	62
Balance at 31 December 2015	56,325	6,608	62,933
Balance at 1 October 2016	56,325	5,208	61,533
Total Comprehensive Income for 1QFY2017	-	37	37
Balance at 31 December 2016	56,325	5,245	61,570

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 2016. There were no outstanding convertibles and treasury shares as at 31 December 2015 and 31 December 2016.



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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 31/12/16	As at 30/09/16
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.

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current financial period as in the most recently audited financial statements for the financial year ended 30 September 2016.

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.



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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	
	1QFY2017	1QFY2016
Earnings per ordinary share of the Group (in cents):		
(a) Based on weighted average number of ordinary shares in issue	(0.33)	(0.65)
(b) On a fully diluted basis	(0.33)	(0.65)
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 31/12/2016	As at 30/9/2016	As at 31/12/2016	As at 30/9/2016
Net asset value per ordinary share based on issued share capital at the end of the financial period (in cents):	39.33	39.68	21.20	21.19
Number of ordinary shares in issue	290,399,997	290,399,997	290,399,997	290,399,997

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.

Statement of Comprehensive Income Review

Revenue

Revenue decreased by \$2.3 million or 13.6% from \$17.1 million in 1QFY2016 to \$14.8 million in 1QFY2017. The decrease was mainly due to decrease in revenue from customers in the Marine Sector, partly offset by an increase in revenue from Trading Sector. Revenue from Marine Sector had decreased by \$4.2 million or 74.7% from \$5.6 million in 1QFY2016 to \$1.4 million in 1QFY2017. Meanwhile, revenue from Trading Sector had increased by \$2.4 million or 285.9% from \$0.8 million in 1QFY2016 to \$3.2 million in 1QFY2017.



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Geographically, despite being the main contributor at 38.2% of the revenue generated in 1QFY2017, the Singapore market saw the largest decline in revenue by \$5.8 million or 50.8% from \$11.5 million in 1QFY2016 to \$5.7 million in 1QFY2017. Meanwhile, revenue from Middle East, Europe and Japan increased by \$5.2 million or 682.0% from \$0.8 million in 1QFY2016 to \$6.0 million in 1QFY2017.

Gross Profit and Gross Profit Margin

Despite the decrease in revenue, gross profit margin increased by 4.1 percentage point from 19.3% in 1QFY2016 to 23.4% in 1QFY2017 due to lower cost of sales. Gross profit increased by \$0.2 million or 4.8% from \$3.3 million in 1QFY2016 to \$3.5 million in 1QFY2017.

Financial Income and Expense

Financial income in 1QFY2017 increased by \$8 thousand from interest earned on fixed deposits. Financial expense decreased by \$0.1 million or 49.0% from \$0.2 million in 1QFY2016 to \$0.1 million in 1QFY2017 mainly due to lower interest paid on reduced borrowings.

Operating Expenses

In tandem with the decrease in revenue, distribution costs had decreased by \$0.2 million or 9.7% from \$1.7 million in 1QFY2016 to \$1.5 million in 1QFY2017.

Administrative expenses remained relatively stable at \$1.7 million in both 1QFY2016 and 1QFY2017 due to fixed overheads.

Depreciation expense had increased by \$0.1 million or 12.4% from \$1.4 million in 1QFY2016 to \$1.5 million in 1QFY2017 mainly from higher depreciation on properties.

Other (Charges)/Credits

Other credits had increased by \$0.6 million from a charge of \$0.1 million in 1QFY2016 to a credit of \$0.5 million in 1QFY2017 mainly due to foreign exchange currency gains.

Loss Before Income Tax

Loss before tax had decreased by \$0.9 million or 48.4% from \$1.8 million in 1QFY2016 to \$0.9 million in 1QFY2017 due to the reasons as aforementioned.

Other Comprehensive Loss

Other comprehensive loss had increased by \$29 thousand or 290.0% from exchange differences on translating foreign operations.



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Statement of Financial Position Review

Non-Current Assets

Non-current assets had decreased by \$2.9 million or 9.5% from \$30.6 million as at 30 September 2016 to \$27.7 million as at 31 December 2016 mainly due to depreciation charged in the current financial period and decrease in non-current portion of trade and other receivables.

Current Assets

Current assets had increased by \$1.5 million or 1.3% from \$114.7 million as at 30 September 2016 to \$116.2 million as at 31 December 2016. The increase was mainly due to an increase in trade and other receivables. Trade and other receivables increased by \$5.4 million or 32.4% from \$16.8 million as at 30 September 2016 to \$22.2 million as at 31 December 2016. Conversely, cash and cash equivalent had decreased by \$3.5 million or 20.7% from \$17.1 million as at 30 September 2016 to \$13.6 million as at 31 December 2016.

Non-Current Liabilities

Non-current liabilities remained relatively stable at \$5.5 million as at 31 December 2016 as compared to \$5.7 million as at 30 September 2016.

Current Liabilities

Similarly, current liabilities remained relatively stable at \$24.2 million as at 31 December 2016 as compared to \$24.4 million as at 30 September 2016. Trade and other payables had increased by \$0.4 million or 4.6% from \$8.8 million as at 30 September 2016 to \$9.2 million as at 31 December 2016. Other financial liabilities, which consist of short-term borrowings and current portion of long-term borrowings and finance leases, had decreased by \$0.6 million or 4.3% from \$15.4 million as at 30 September 2016 to \$14.8 million as at 31 December 2016.

Equity

Total equity decreased by \$1.0 million or 0.86% from \$115.2 million as at 30 September 2016 to \$114.2 million as at 31 December 2016 mainly from the loss incurred in 1QFY2017.

Statement of Cash Flows Review

Cash Flows Used in Operating Activities

Cash used in operating activities had decreased by \$1.5 million from \$1.9 million in 1QFY2016 to \$0.4 million in 1QFY2017 mainly due to increase in bills payable and decrease in customers' receipts.



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Cash Flows From/(Used In) Investing Activities

Cash used in investing activities had decreased by \$0.4 million from an outflow of \$0.4 million in 1QFY2016 to an inflow of \$10 thousand in 1QFY2017 due to minimal capital expenditure for the financial period and the receipts from the disposal of plant and equipment and the insurance surrender payment.

Cash Flows Used In Financing Activities

Cash from financing activities had increased by \$1.7 million from \$1.4 million in 1QFY2016 to \$3.1 million in 1QFY2017 from the repayment of bank borrowings.

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.

We expect the weak demand from the energy industry to continue affecting our ability in generating sufficient revenue to cover our fixed operating costs, thereby may result in a continuing loss for 1HY2017.

We will continue to manage our cost more effectively and continue to actively identify new potential markets and suitable opportunities for growth to attempt to mitigate the adverse financial performance in FY2017.

11. Dividend

(a) Current Financial Period Reported On

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

(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.



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12. If no dividend has been declared/recommended, 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.

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)
	S\$'000	S\$'000
Hanwa Group *	-	1,312

* 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 1QFY2017 to be false or misleading in any material aspect.

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

Ong Chin Sum
Chief Executive Officer

Ong Tong Hai
Director

7 February 2017