

COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

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

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

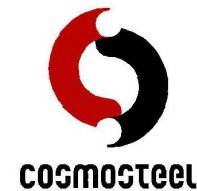
1(a)(i) A consolidated statement of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group					
	<u>2QFY2016</u>	<u>2QFY2015</u>	%	<u>1HY2016</u>	<u>1HY2015</u>	%
	S\$'000	S\$'000	+ / (-)	S\$'000	S\$'000	
Revenue	21,631	33,241	(34.9)	38,768	59,679	(35.0)
Cost of sales	(16,781)	(27,689)	(39.4)	(30,615)	(49,123)	(37.7)
Gross profit	4,850	5,552	(12.6)	8,153	10,556	(22.8)
Financial income	4	2	100.0	7	7	NM
Financial expense	(200)	(341)	(41.3)	(406)	(743)	(45.4)
Distribution costs	(1,569)	(2,174)	(27.8)	(3,222)	(4,363)	(26.2)
Administrative expenses	(1,967)	(2,119)	(7.2)	(3,702)	(3,847)	(3.8)
Depreciation expense	(1,371)	(1,065)	28.7	(2,734)	(1,909)	43.2
Other credits	1,833	483	279.5	1,650	1,039	58.8
Profit/(Loss) before income tax	1,580	338	367.5	(254)	740	(134.3)
Income tax expense	(48)	(71)	(32.4)	(96)	(162)	(40.7)
Profit/(Loss) for the period	1,532	267	473.8	(350)	578	(160.6)
Other Comprehensive Income/(Loss):						
Exchange differences on translating foreign operations, net of tax	(33)	-	NM	(43)	77	(155.8)
Total Comprehensive Income/(Loss) for the period, net of tax	1,499	267	461.4	(393)	655	(160.0)

NM: Not meaningful

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

	Group			
	<u>2QFY2016</u>	<u>2QFY2015</u>	<u>1HY2016</u>	<u>1HY2015</u>
	S\$'000	S\$'000	S\$'000	S\$'000
(Allowance)/Reversal for impairment on trade receivables	(41)	56	(35)	157
Reversal for slow-moving inventories and decline in net realisable values	1,931	202	1,630	398
Bad debts recovered	23	9	29	18
Foreign exchange (loss)/gain	(93)	206	3	450
Gain on disposal of plant and equipment	3	-	7	-
Interest on borrowings	(200)	(341)	(406)	(743)



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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>31/03/16</u> S\$'000	<u>As at</u> <u>30/09/15</u> S\$'000	<u>As at</u> <u>31/03/16</u> S\$'000	<u>As at</u> <u>30/09/15</u> S\$'000
<u>ASSETS</u>				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	28,514	30,863	-	-
Investments in Subsidiaries	-	-	60,107	60,107
Trade and Other Receivables	2,050	2,214	-	-
Available-For-Sale Financial Assets	130	130	-	-
Total Non-Current Assets	30,694	33,207	60,107	60,107
<u>Current Assets</u>				
Inventories	91,743	93,851	-	-
Trade and Other Receivables	21,167	25,958	1,201	2,010
Financial Assets at Fair Value Through Profit or Loss	1,580	1,606	-	-
Other Assets	269	517	40	34
Cash and Cash Equivalents	19,794	25,021	459	1,211
Total Current Assets	134,553	146,953	1,700	3,255
Total Assets	165,247	180,160	61,807	63,362
<u>EQUITY AND LIABILITIES</u>				
<u>Equity</u>				
Share Capital	56,325	56,325	56,325	56,325
Retained Earnings	49,005	50,807	5,162	6,546
Other Reserves	15,459	15,502	-	-
Total Equity	120,789	122,634	61,487	62,871
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	3,740	3,740	-	-
Provisions	88	88	-	-
Other Financial Liabilities	3,320	4,762	-	-
Total Non-Current Liabilities	7,148	8,590	-	-
<u>Current Liabilities</u>				
Income Tax Payable	143	85	31	35
Trade and Other Payables	12,329	11,879	289	456
Other Financial Liabilities	24,680	36,852	-	-
Other Non-Financial Liabilities	158	120	-	-
Total Current Liabilities	37,310	48,936	320	491
Total Liabilities	44,458	57,526	320	491
Total Equity and Liabilities	165,247	180,160	61,807	63,362



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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 31/03/16		As at 30/09/15	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
24,666	-	36,852	-

Amount repayable after one year

As at 31/03/16		As at 30/09/15	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,320	-	4,762	-

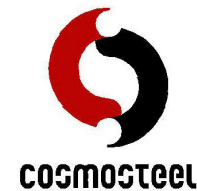
Details of any collateral

As at 31 March 2016, 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 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;

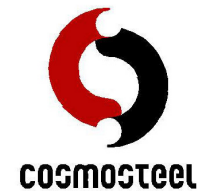
and covered by corporate guarantees issued by the Company.



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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.**

	Group			
	<u>2QFY2016</u> S\$'000	<u>2QFY2015</u> S\$'000	<u>1HY2016</u> S\$'000	<u>1HY2015</u> S\$'000
Cash Flows From Operating Activities :				
Profit/(Loss) Before Tax	1,580	338	(254)	740
Adjustments for :				
Interest Income	(4)	(2)	(7)	(7)
Interest Expense	200	341	406	743
Depreciation of Property, Plant and Equipment	1,371	1,065	2,734	1,909
Gain on Disposal of Plant and Equipment	(3)	-	(7)	-
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	(33)	-	(43)	77
Fair Value Loss/(Gain) on Financial Assets at Fair Value through Profit or Loss	30	(98)	26	(184)
Fair Value Loss/(Gain) on Derivative Financial Instruments	19	(24)	14	(72)
Operating Cash Flows before Changes in Working Capital	3,160	1,620	2,869	3,206
Inventories	3,799	507	2,108	3,734
Trade and Other Receivables	(2,648)	(5,249)	4,955	7,212
Other Assets	45	54	248	907
Bills Payable	(568)	(5,465)	(7,896)	(10,504)
Trade and Other Payables	878	60	450	(10,785)
Other Non-Financial Liabilities	(49)	(1,416)	38	111
Net Cash Flows From/(Used in) Operations Before Tax	4,617	(9,889)	2,772	(6,119)
Income Taxes Paid	(21)	(442)	(38)	(737)
Net Cash Flows From/(Used in) Operating Activities	4,596	(10,331)	2,734	(6,856)
Cash Flows From Investing Activities :				
Purchase of Property, Plant and Equipment	(39)	(174)	(408)	(7,078)
Disposal of Property, Plant and Equipment	26	-	30	-
Interest Received	4	2	7	7
Net Cash Flows Used in Investing Activities	(9)	(172)	(371)	(7,071)
Cash Flows From Financing Activities :				
Cash Restricted in Use Over 3 Months	-	-	-	43
Proceeds from Issue of Shares	-	14,263	-	14,263
Decrease in Other Financial Liabilities	(4,577)	(1,382)	(5,732)	(3,499)
(Decrease)/Increase from New Borrowings	-	(1,500)	-	5,440
Dividends Paid	(1,452)	(1,320)	(1,452)	(1,320)
Interest Paid	(200)	(341)	(406)	(743)
Net Cash Flows (Used in)/From Financing Activities	(6,229)	9,720	(7,590)	14,184
Net (Decrease)/Increase in Cash and Cash Equivalents	(1,642)	(783)	(5,227)	257
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	21,411	34,147	24,996	33,107
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance	19,769	33,364	19,769	33,364



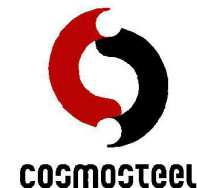
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	<u>2QFY2016</u>	<u>2QFY2015</u>	<u>1HY2016</u>	<u>1HY2015</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Cash and Cash Equivalents	19,794	33,391	19,794	33,391
Cash Restricted in Use Over 3 Months	(25)	(27)	(25)	(27)
Cash and Cash Equivalents for Statement of Cash Flows purposes at end of the period	19,769	33,364	19,769	33,364

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>Asset Revaluation Reserve</u> S\$'000	<u>Retained Earnings</u> S\$'000	<u>Total Equity</u> S\$'000
Balance at 1 October 2014	42,062	101	14,279	50,642	107,084
Issue of new shares pursuant to private placement	15,312	-	-	-	15,312
Placement expense	(1,049)	-	-	-	(1,049)
Dividends paid	-	-	-	(1,320)	(1,320)
Total Comprehensive Income for 1HY2015	-	77	-	578	655
Balance at 31 March 2015	56,325	178	14,279	49,900	120,682
Balance at 1 October 2015	56,325	281	15,221	50,807	122,634
Dividends paid	-	-	-	(1,452)	(1,452)
Total Comprehensive Loss for 1HY2016	-	(43)	-	(350)	(393)
Balance at 31 March 2016	56,325	238	15,221	49,005	120,789

<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 2014	42,062	7,372	49,434
Issue of new shares pursuant to private placement	15,312	-	15,312
Placement expense	(1,049)	-	(1,049)
Dividends paid	-	(1,320)	(1,320)
Total Comprehensive Income for 1HY2015	-	300	300
Balance at 31 March 2015	56,325	6,352	62,677
Balance at 1 October 2015	56,325	6,546	62,871
Dividends paid	-	(1,452)	(1,452)
Total Comprehensive Income for 1HY2016	-	68	68
Balance at 31 March 2016	56,325	5,162	61,487



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

- 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 31/03/16	As at 30/09/15
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 financial 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 compared with the audited financial statements for the financial year ended 30 September 2015.

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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.**

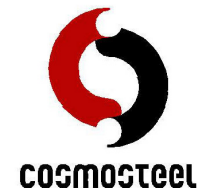
Earnings per ordinary share of the Company (in cents):	Group			
	2QFY2016	2QFY2015	1HY2016	1HY2015
(a) Based on weighted average number of ordinary shares in issue	0.53	0.10	(0.12)	0.22
(b) On a fully diluted basis	0.53	0.10	(0.12)	0.22
Weighted average number of ordinary shares in issue	290,399,997	267,761,093	290,399,997	267,761,093

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 31/03/2016	As at 30/09/2015	As at 31/03/2016	As at 30/09/2015
Net asset value per ordinary share based on issued share capital at the end of the financial year (in cents):	41.59	42.23	21.17	21.65
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.



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Statement of Comprehensive Income

Revenue

Revenue had decreased by \$11.6 million or 34.9%, from \$33.2 million in 2QFY2015 to \$21.6 million in 2QFY2016 which was mainly attributable to a decrease in revenue from customers in the Energy Sector. The same reason accounted for the year on year decrease in revenue of \$20.9 million or 35.0% from \$59.7 million in 1HY2015 to \$38.8 million in 1HY2016. The decrease in revenue was in part offset by an increase in revenue from the Marine Sector which saw an increase of \$4.4 million or 134.2% quarter on quarter and \$5.8 million or 77.9% year on year due to new orders secured. The Energy and Marine Sectors collectively accounted for \$35.3 million or 91.1% of the revenue generated in 1HY2016.

Geographically, revenue had decreased in all markets with the exception of Singapore, Malaysia, Indonesia and Thailand, quarter on quarter whilst revenue had increased only in Malaysia and Indonesia, year on year. Collectively, Singapore and Vietnam accounts for the majority of the revenue generated in 1HY2016 of \$31.7 million or 81.9%.

Gross Profit and Gross Profit Margin

In tandem to the decrease in revenue, gross profit had decreased by \$0.7 million or 12.6% from \$5.6 million in 2QFY2015 to \$4.9 million in 2QFY2016. Despite the decrease, gross profit margin had increased by 5.7 percentage points from 16.7% in 2QFY2015 to 22.4% in 2QFY2016. Likewise, year on year, gross profit had decreased by \$2.4 million or 22.8% from \$10.6 million in 1HY2015 to \$8.2 million in 1HY2016 while gross profit margin had increased by 3.3 percentage points from 17.7% in 1HY2015 to 21.0% in 1HY2016.

Financial Income and Expense

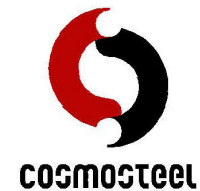
Financial income had increased marginally by \$2 thousand quarter on quarter and remained the same at \$7 thousand year on year.

On the other hand, financial expense had decreased by \$0.1 million from \$0.3 million in 2QFY2015 to \$0.2 million in 2QFY2016 from a reduction in bank borrowings. Similarly, financial expense had decreased by \$0.3 million from \$0.7 million in 1HY2015 to \$0.4 million in 1HY2016 as per the reason contributing to the quarter on quarter decline.

Operating Expenses

Distribution costs had decreased by \$0.6 million or 27.8% from \$2.2 million in 2QFY2015 to \$1.6 million in 2QFY2016 mainly due to a decrease in warehouse rental cost. Year on year, distribution costs had decreased by \$1.2 million or 26.2% from \$4.4 million in 1HY2015 to \$3.2 million in 1HY2016 which was attributable to both decreases in warehouse rental cost and employee costs.

On the other hand, administrative expenses had decreased only marginally by \$0.1 million or 7.2% from \$2.1 million in 2QFY2015 to \$2.0 million in 2QFY2016 due to certain fixed administrative costs. The slight decrease had resulted from lower employee costs which also accounted for the year on year decrease in administrative costs of \$0.1 million or 3.8% from \$3.8 million in 1HY2015 to \$3.7 million in 1HY2016.



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Depreciation expense had increased by \$0.3 million or 28.7% from \$1.1 million in 2QFY2015 to \$1.4 million in 2QFY2016 mainly from higher depreciation on properties which also resulted in the year on year increase of \$0.8 million or 43.2% from \$1.9 million in 1HY2015 to \$2.7 million in 1HY2016.

Other Charges/Credits

Other credits had increased by \$1.3 million from \$0.5 million in 2QFY2015 to \$1.8 million in 2QFY2016 mainly from a reversal of provision for slow moving inventories. Year on year, other credits had increased by \$0.7 million from \$1.0 million in 1HY2015 to \$1.7 million in 1HY2016 due to the same reason as abovementioned.

Profit/Loss Before Income Tax

Our profit before income tax had increased by \$1.3 million or 367.5% from \$0.3 million in 2QFY015 to \$1.6 million in 2QFY2016. However, year on year, profit before income tax had decreased by \$1.0 million or 134.3% from a profit of \$0.7 million in 1HY2015 to a loss of \$0.3 million in 1HY2016 due to reasons as aforementioned.

Other Comprehensive Income/Loss

Other comprehensive income had decreased by \$33 thousand quarter on quarter and \$120 thousand or 155.8%, year on year, from exchange differences on translating foreign operations.

Statement of Financial Position

Non-Current Assets

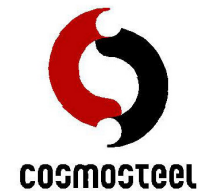
Non-current assets had decreased by \$2.5 million or 7.6% from \$33.2 million as at 30 September 2015 to \$30.7 million as at 31 March 2016 mainly due to depreciation charged in the first half of the current financial year.

Current Assets

Current assets had decreased by \$12.4 million or 8.4% from \$147.0 million as at 30 September 2015 to \$134.6 million as at 31 March 2016. The decrease was mainly due to lower trade and other receivables which saw a decline of \$4.8 million or 18.5% from \$26.0 million as at 30 September 2015 to \$21.2 million as at 31 March 2016. Cash and cash equivalents had also decreased by \$5.2 million or 20.9% from \$25.0 million as at 30 September 2015 to \$19.8 million as at 31 March 2016 from repayment of bank borrowings.

Non-Current Liabilities

Non-current liabilities had decreased by \$1.5 million or 16.8% from \$8.6 million as at 30 September 2015 to \$7.1 million as at 31 March 2016 from repayment of bank borrowings.



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Current Liabilities

Similarly, current liabilities had also decreased by \$11.6 million or 23.8% from \$48.9 million as at 30 September 2015 to \$37.3 million as at 31 March 2016 from a decrease in other financial liabilities. Other financial liabilities had decreased by \$12.2 million or 33.0% from \$36.9 million as at 30 September 2015 to \$24.7 million as at 31 March 2016 from both bank repayments and reduction in bank borrowings.

Equity

Total equity decreased by \$1.8 million or 1.5% from \$122.6 million as at 30 September 2015 to \$120.8 million as at 31 March 2016 from the total comprehensive loss of \$0.4 million which resulted from the reasons as aforesaid and dividends paid of \$1.4 million.

Statement of Cash Flows

Cash Flows from/used in Operating Activities

Cash from operating activities had increased by \$14.9 million from an outflow of \$10.3 million in 2QFY2015 to an inflow of \$4.6 million in 2QFY2016 mainly from lower payments for bills payable and reduction in inventories. Year on year, cash from operating activities had increased by \$9.6 million from an outflow of \$6.9 million in 1HY2015 to an inflow of \$2.7 million in 1HY2016 which resulted from an increase in trade and other payables where longer credit purchases were extended by suppliers.

Cash Flows used in Investing Activities

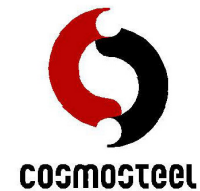
Cash used in investing activities had decreased by \$163 thousand from \$172 thousand in 2QFY2015 to \$9 thousand in 2QFY2016. Year on year, cash used in investing activities had decreased by \$6.7 million from \$7.1 million in 1HY2015 to \$0.4 million in 1HY2016 due to minimal capital expenditure in the first half of the current financial year.

Cash Flows used in/from Financing Activities

Cash used in financing activities had increased by \$15.9 million from an inflow of \$9.7 million in 2QFY2015 that arose from a placement of new shares which was completed in March 2015, to an outflow of \$6.2 million in 2QFY2016 mainly from repayments of bank borrowings and payment of dividends. Similarly, year on year, cash used in financing activities had increased by \$21.8 million from an inflow of \$14.2 million in 1HY2015 to an outflow of \$7.6 million in 1HY2016 as per the reason contributing to the quarter on quarter increase.

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.



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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.**

The persisting volatility of the energy industry is expected to have a continuing detrimental effect on our ability to generate sufficient revenue to cover our fixed operating costs, thereby exacerbating the possibility of an adverse financial performance in FY2016.

To mitigate this, we will continue our focus on rigorous cost management of our operations and to identify new potential markets or suitable opportunities for growth while remaining vigilant in the management of the Group's business activities.

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.

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	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 *	-	9,036

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



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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 2QFY2016 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

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

11 May 2016