

COSMOSTEEL HOLDINGS LIMITED

Co. Reg. No. 200515540Z

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013

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

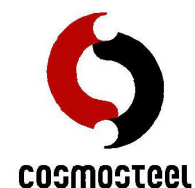
1(a)(i) A consolidated statement of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	<u>1QFY2014</u> S\$'000	<u>1QFY2013</u> S\$'000	<u>Increase/(Decrease)</u> %
Revenue	34,676	45,307	(23.5)
Cost of sales	(28,599)	(37,903)	(24.5)
Gross profit	6,077	7,404	(17.9)
Financial income	2	10	(80.0)
Financial expense	(358)	(348)	2.9
Distribution costs	(2,691)	(2,487)	8.2
Administrative expenses	(2,260)	(2,457)	(8.0)
Other credits/(charges)	(240)	49	(589.8)
Profit before income tax	530	2,171	(75.6)
Income tax expense	(114)	(379)	(69.9)
Profit for the period	416	1,792	(76.8)
Other Comprehensive Income:			
Exchange differences on translating foreign operations, net of tax	49	-	NM
Total Comprehensive Income for the period, net of tax	465	1,792	(74.1)

NM: Not meaningful

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

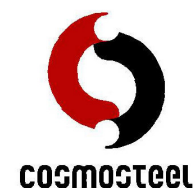
	Group	
	<u>1QFY2014</u> S\$'000	<u>1QFY2013</u> S\$'000
Reversal/(Allowance) for impairment on trade receivables	5	(80)
(Allowance)/Reversal for slow-moving inventories and decline in net realisable values	(283)	2
Bad debts (written off)/recovered	(124)	29
Depreciation of property, plant and equipment	(599)	(523)
Foreign exchange (loss)/gain	(53)	90
Interest on borrowings	(358)	(348)
Write-off for inventory obsolescence	(194)	(124)



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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>31/12/13</u> S\$'000	<u>As at</u> <u>30/09/13</u> S\$'000	<u>As at</u> <u>31/12/13</u> S\$'000	<u>As at</u> <u>30/09/13</u> S\$'000
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	20,005	20,502	-	-
Investments in Subsidiaries	-	-	46,107	46,107
Available-For-Sale Financial Assets	130	130	-	-
Total Non-Current Assets	20,135	20,632	46,107	46,107
Current Assets				
Inventories	119,746	119,819	-	-
Trade and Other Receivables	33,533	29,503	5,068	4,466
Financial Assets at Fair Value Through Profit or Loss	1,420	1,492	-	-
Other Assets	368	486	24	48
Cash and Cash Equivalents	17,023	20,444	391	686
Total Current Assets	172,090	171,744	5,483	5,200
Total Assets	192,225	192,376	51,590	51,307
EQUITY AND LIABILITIES				
Equity				
Share Capital	42,062	42,062	42,062	42,062
Retained Earnings	47,416	47,000	8,178	8,063
Other Reserves	10,351	10,302	-	-
Total Equity	99,829	99,364	50,240	50,125
Non-Current Liabilities				
Deferred Tax Liabilities	2,735	2,735	-	-
Finance Leases	-	-	-	-
Other Financial Liabilities	7,690	5,064	3	4
Total Non-Current Liabilities	10,425	7,799	3	4
Current Liabilities				
Income Tax Payable	1,132	1,289	108	98
Trade and Other Payables	20,481	23,905	1,227	1,064
Finance Leases	27	46	-	-
Other Financial Liabilities	59,616	59,618	12	16
Other Liabilities	715	355	-	-
Total Current Liabilities	81,971	85,213	1,347	1,178
Total Liabilities	92,396	93,012	1,350	1,182
Total Equity and Liabilities	192,225	192,376	51,590	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 31/12/13		As at 30/09/13	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
59,504	-	59,454	-

Amount repayable after one year

As at 31/12/13		As at 30/09/13	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
7,690	-	5,064	-

Details of any collateral

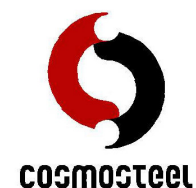
As at 31 December 2013, the Group's borrowings and debt securities consist of bills payable, term loans and loans for the properties at 14 Lok Yang Way Singapore 628633, 21A Neythal Road Singapore 628587, 90 Second Lok Yang Road Singapore 628166 and obligations under finance leases.

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>1QFY2014</u> S\$'000	<u>1QFY2013</u> S\$'000
Cash Flows From Operating Activities :		
Profit Before Tax	530	2,171
Adjustments for :		
Interest Income	(2)	(10)
Interest Expense	358	348
Depreciation of Property, Plant and Equipment	599	523
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	49	-
Fair Value Loss on Financial Assets at Fair Value through Profit or Loss	72	42
Fair Value Gains on Derivative Financial Instruments	(71)	(247)
Operating Cash Flows before Changes in Working Capital Inventories	1,535	2,827
Trade and Other Receivables	73	(425)
Other Assets	(4,030)	(210)
Bills Payable	118	(396)
Trade and Other Payables	1,725	1,358
Other Liabilities	(3,424)	350
Net Cash Flows (Used in)/From Operations Before Tax	360	(1,016)
Income Taxes Paid	(3,643)	2,488
Net Cash Flows (Used in)/From Operating Activities	(271)	(516)
	<u>(3,914)</u>	<u>1,972</u>
Cash Flows from Investing Activities :		
Purchase of Property, Plant and Equipment	(103)	(40)
Interest Received	2	10
Net Cash Flows Used in Investing Activities	<u>(101)</u>	<u>(30)</u>
Cash Flows From Financing Activities :		
Cash Restricted in Use Over 3 Months	2	1
Decrease in Other Financial Liabilities	(4,029)	(99)
Increase from New Borrowings	5,000	-
Decrease in Finance Leases	(19)	(34)
Interest Paid	(358)	(348)
Net Cash Flows From/(Used in) Financing Activities	<u>596</u>	<u>(480)</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(3,419)	1,462
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	20,389	19,570
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance	<u>16,970</u>	<u>21,032</u>



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Non-cash transactions:

	<u>1QFY2014</u> S\$'000	<u>1QFY2013</u> S\$'000
Cash and Cash Equivalents	17,023	21,537
Cash restricted in use over 3 months	(53)	(505)
Cash and cash equivalents for cash flow statement purposes at end of period	16,970	21,032

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
Total Comprehensive Income for 1QFY2013	-	-	-	1,792	1,792
Balance at 31 December 2012	42,062	(24)	8,028	45,173	95,239
Balance at 1 October 2013	42,062	53	10,249	47,000	99,364
Total Comprehensive Income for 1QFY2014	-	49	-	416	465
Balance at 31 December 2013	42,062	102	10,249	47,416	99,829

<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
Total Comprehensive Income for 1QFY2013	-	135	135
Balance at 31 December 2012	42,062	8,062	50,124
Balance at 1 October 2013	42,062	8,063	50,125
Total Comprehensive Income for 1QFY2014	-	115	115
Balance at 31 December 2013	42,062	8,178	50,240



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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 December 2012 and 31 December 2013.

- 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 31/12/13	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.**

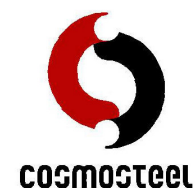
The figures have not been audited or reviewed.

- 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.

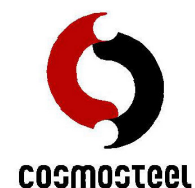
	Group	
	1QFY2014	1QFY2013
Earnings per ordinary share of the Group (in cents):		
(a) Based on weighted average number of ordinary shares in issue	0.16	0.68
(b) On a fully diluted basis	0.16	0.68
Weighted average number of ordinary shares in issue	263,999,997	263,999,997

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:
- current financial period reported on; and
 - immediately preceding financial year.

	Group		Company	
	As at 31/12/2013	As at 30/09/2013	As at 31/12/2013	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):	37.81	37.64	19.03	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:
- 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
 - 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 decreased by \$10.6 million or 23.5%, from \$45.3 million in 1QFY2013 to \$34.7 million in 1QFY2014 which is mainly due to a decrease in revenue from customers in the Energy Sector. Despite the decrease of \$11.3 million or 28.5% from \$39.8 million in 1QFY2013 to \$28.5 million in 1QFY2014, the Energy Sector remains the main contributor of revenue generated, which constitutes 82.2% of the revenue generated in 1QFY2014. Revenue from the other sectors has also decreased with the exception of the Marine Sector which saw an increase of \$1.2 million or 30.3% in 1QFY2014, from \$3.8 million in 1QFY2013 to \$5.0 million in 1QFY2014.

Corresponding to a decrease in revenue, gross profit has decreased by \$1.3 million from \$7.4 million in 1QFY2013 to \$6.1 million in 1QFY2014. Notwithstanding the decline in gross profit, gross profit margin has increased by 1.2 percentage points from 16.3% in 1QFY2013 to 17.5% in 1QFY2014.

Financial income has decreased marginally by \$8 thousand while financial expense remains relatively stable at \$0.4 million in 1QFY2014 as in 1QFY2013.

Distribution cost has increased by \$0.2 million or 8.2% from \$2.5 million in 1QFY2013 to \$2.7 million in 1QFY2014. The increase was due to higher manpower costs resulting from a 14.4% increase in the headcount of our sales and distribution personnel.

Administrative expenses have decreased by \$0.2 million or 8.0% from \$2.5 million in 1QFY2013 to \$2.3 million in 1QFY2014 which resulted primarily from a decrease in the provision of remuneration (arising from the profit sharing arrangements under their service agreements) payable to directors.

Other credits/(charges) have increased by \$0.3 million from a credit of \$49 thousand in 1QFY2013 to a charge of \$0.2 million in 1QFY2014. The increase was due to bad debts written off.

Our profit before income tax has decreased by \$1.7 million or 75.6% from \$2.2 million in 1QFY013 to \$0.5 million in 1QFY2014 due to reasons as aforementioned.

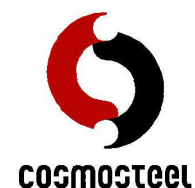
Statement of Financial Position

Non-current assets decreased by \$0.5 million or 2.4% from \$20.6 million as at 30 September 2013 to \$20.1 million as at 31 December 2013 from depreciation charged and minimal capital expenditure in the first quarter of the current financial year.

Current assets increased by \$0.4 million or 0.2% from \$171.7 million as at 30 September 2013 to \$172.1 million as at 31 December 2013. This increase was contributed mainly by the \$4.0 million or 13.7% increase in trade and other receivables from \$29.5 million as at 30 September 2013 to \$33.5 million as at 31 December 2013, offset by a decrease of \$3.4 million in cash and cash equivalents.

Non-current liabilities have increased by \$2.6 million or 33.7% from \$7.8 million as at 30 September 2013 to \$10.4 million as at 31 December 2013 from drawdown of new long term loan.

Current liabilities have decreased by \$3.2 million or 3.8% from \$85.2 million as at 30 September 2013 to \$82.0 million as at 31 December 2013 primarily from a decrease in trade and other payables. Trade and other payables have decreased by \$3.4 million or 14.3% from \$23.9 million as at 30 September 2013 to \$20.5 million as at 31 December 2013.



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Statement of Cash Flows

Cash from operating activities has decreased by \$5.9 million from an inflow of \$2.0 million in 1QFY2013 to an outflow of \$3.9 million in 1QFY2014. The decrease was mainly attributable to increase in trade receivables.

Cash used in investing activities increased by \$71 thousand from \$30 thousand in 1QFY2013 to \$101 thousand in 1QFY2014 due to higher capital expenditure.

Cash from financing activities has increased by \$1.1 million from an outflow of \$0.5 million in 1QFY2013 to an inflow of \$0.6 million in 1QFY2014 mainly from drawdown of a new 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.

Our gross profit margin has improved slightly as compared to 1QFY2013, although there was a decrease in volume of business in 1QFY2014.

We expect market conditions to remain challenging and profit margins to continue to be under pressure. In view of this, we will continue to keep up our marketing efforts as well as cost management.

The Management will remain cautious and prudent in the business activities of the Group and 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.

(b) Corresponding Period of the Immediately Preceding Financial Year

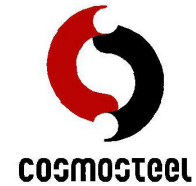
No dividend has been declared by the Company for the corresponding period of the immediately preceding financial year.

(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/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.**

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 1QFY2014 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

13 February 2014