

COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011

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

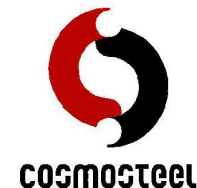
1(a)(i) A consolidated statement of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group					
	<u>3QFY2011</u>	<u>3QFY2010</u>	<u>%</u>	<u>1-Oct-10</u>	<u>1-Oct-09</u>	<u>%</u>
	S\$'000	S\$'000	+ / (-)	<u>30-Jun-11</u>	<u>30-Jun-10</u>	+ / (-)
Revenue	27,945	25,796	8.3	96,243	65,841	46.2
Cost of sales	(22,868)	(18,979)	20.5	(77,937)	(49,025)	59.0
Gross profit	5,077	6,817	-25.5	18,306	16,816	8.9
Financial income	6	2	200.0	11	37	-70.3
Financial expense	(386)	(358)	7.8	(1,081)	(1,115)	-3.0
Distribution costs	(2,280)	(1,881)	21.2	(6,498)	(5,007)	29.8
Administrative expenses	(1,935)	(2,060)	-6.1	(6,270)	(5,948)	5.4
Other credits / (charges)	14	(990)	-101.4	(32)	(2,017)	-98.4
Profit before income tax	496	1,530	-67.6	4,436	2,766	60.4
Income tax expense	(85)	(261)	-67.4	(755)	(470)	60.6
Profit for the period	411	1,269	-67.6	3,681	2,296	60.3
Other Comprehensive Income:						
Exchange differences on translating foreign operations, net of tax	(15)	(2)	NM	(15)	(3)	NM
Total comprehensive income for the period, net of tax	396	1,267	-68.7	3,666	2,293	59.9

NM - Not meaningful

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

	Group			
	<u>3QFY2011</u>	<u>3QFY2010</u>	<u>1-Oct-10</u>	<u>1-Oct-09</u>
	S\$'000	S\$'000	<u>30-Jun-11</u>	<u>30-Jun-10</u>
(Allowance)/reversal for slowing-moving stock	(456)	26	(680)	198
Reversal/(Allowance) for impairment on trade receivables	296	35	10	(13)
Bad debts (written off) / recovered	(16)	146	67	(200)
Depreciation of property, plant and equipment	(460)	(337)	(1,246)	(978)
Foreign exchange loss	(266)	(1,170)	(109)	(1,801)
Loss on disposal of plant and equipment	-	-	-	(2)
Interest on borrowings	(386)	(358)	(1,081)	(1,115)
Write-off for stock obsolescence	(10)	(77)	-	(167)

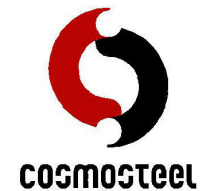


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1(b)(i) Statements of financial position together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at	As at	As at	As at
	30/06/11	30/09/10	30/06/11	30/09/10
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-Current Assets				
Other Receivables, Non-Current	-	-	24,944	24,944
Investments in Subsidiaries	-	-	20,670	20,039
Property, Plant and Equipment, Total	14,206	15,188	-	-
Other Assets	126	126	-	-
Total Non-Current Assets	14,332	15,314	45,614	44,983
Current Assets				
Inventories	84,687	74,047	-	-
Trade and Other Receivables, Current	29,122	21,776	5,159	5,511
Other Assets	1,685	2,280	17	27
Cash and Cash Equivalent	12,254	16,761	597	1,861
Total Current Assets	127,748	114,864	5,773	7,399
Total Assets	142,080	130,178	51,387	52,382
EQUITY AND LIABILITIES				
Equity				
Share Capital	42,062	42,062	42,062	42,062
Retained Earnings	32,560	30,199	5,313	5,536
Other Reserves, Total	2,812	2,827	-	-
Total Equity	77,434	75,088	47,375	47,598
Non-Current Liabilities				
Other Financial Liabilities	-	-	86	78
Deferred Tax Liabilities	1,226	1,226	-	-
Long-Term Borrowings	8,101	7,829	1,553	2,503
Finance Leases	182	253	-	-
Total Non-Current Liabilities	9,509	9,308	1,639	2,581
Current Liabilities				
Income Tax Payable, Current	1,083	1,226	257	129
Trade and Other Payables, Current	7,647	5,113	792	826
Other Financial Liabilities, Current	203	670	76	63
Short-Term Borrowings, Current	41,959	34,223	-	-
Current Portion of Long-Term Borrowings	4,068	4,173	1,248	1,185
Current Portion of Finance Leases	177	377	-	-
Total Current Liabilities	55,137	45,782	2,373	2,203
Total Liabilities	64,646	55,090	4,012	4,784
Total Equity and Liabilities	142,080	130,178	51,387	52,382



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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 30/06/2011		As at 30/09/2010	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
46,204	-	38,773	-

Amount repayable after one year

As at 30/06/2011		As at 30/09/2010	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
8,283	-	8,082	-

Details of any collateral

As at 30 June 2011, the Group's borrowings and debt securities consist of bills payable, bridging loan under the Local Enterprise Finance scheme, term loan and loans for the properties at 14 Lok Yang Way Singapore 628633, 21A Neythal Road Singapore 628587, 90 Second Lok Yang Road Singapore 628166, loan for spiral welded pipe mill line 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;
- (d) First fixed charge on the Group's spiral welded pipe mill line;

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>3QFY2011</u>	<u>3QFY2010</u>	<u>1-Oct-10</u>	<u>1-Oct-09</u>
	S\$'000	S\$'000	30-Jun-11 S\$'000	30-Jun-10 S\$'000
Cash flows from operating activities :				
Profit for the year	496	1,530	4,436	2,766
Adjustments for :				
Depreciation expense	460	337	1,246	978
Interest income	(6)	(2)	(11)	(37)
Interest expense	386	358	1,081	1,115
Gain on translation	(15)	(4)	(15)	(4)
(Gain)/loss on disposal of plant and equipment	-	-	-	2
Foreign exchange forward contract gain	(65)	-	(467)	391
Operating profit before working capital changes	1,256	2,219	6,270	5,211
Trade and other receivables	12,557	(10,097)	(7,346)	(3,625)
Other assets	5	783	595	-
Inventories	(2,991)	1,354	(10,640)	(3,001)
Bills payable	(8,451)	1,348	7,736	2,833
Trade and other payables	(5,953)	(2,879)	2,534	(3,943)
Cash generated from operations	(3,577)	(7,272)	(851)	(2,525)
Income tax paid	(366)	(1,015)	(898)	(2,781)
Net cash used in operating activities	(3,943)	(8,287)	(1,749)	(5,306)
Cash flows from investing activities :				
Disposals of plant and equipment	-	1	-	24
Purchase of plant and equipment	(129)	(62)	(200)	(364)
Interest received	6	2	11	37
Net cash used in investing activities	(123)	(59)	(189)	(303)
Cash flows from financing activities :				
Cash restricted in use over 3 months	2	(917)	(199)	(917)
Increase in long-term borrowings	3,040	-	8,589	-
Decrease in long-term borrowings	(1,072)	(87)	(8,422)	(2,226)
Decrease in finance leases	(68)	(162)	(335)	(472)
Dividends paid	-	-	(1,320)	(2,112)
Interest paid	(386)	(358)	(1,081)	(1,115)
Net cash from/(used in) financing activities	1,516	(1,524)	(2,768)	(6,842)
Net decrease in cash	(2,550)	(9,870)	(4,706)	(12,451)
Cash at beginning of financial period	13,503	21,903	15,659	24,484
Cash at end of financial period	10,953	12,033	10,953	12,033

Non-cash transactions:

- (a) Additions to property, plant and equipment during the period amounting to S\$64,000 (3QFY2010: S\$489,050) were under finance leases.

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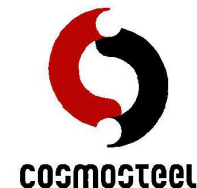
(b)

	<u>3QFY2011</u>	<u>3QFY2010</u>	<u>1-Oct-10</u>	<u>1-Oct-09</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>30-Jun-11</u>	<u>30-Jun-10</u>
			<u>S\$'000</u>	<u>S\$'000</u>
Cash	12,254	13,065	12,254	13,065
Cash restricted in use over 3 months	(1,301)	(1,032)	(1,301)	(1,032)
Cash and cash equivalents for cash flow statement purposes at end of period	10,953	12,033	10,953	12,033

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>	<u>Currency Translation Reserve</u>	<u>Revaluation Reserve</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Balance at 1 October 2009	42,062	-	1,561	28,853	72,476
Dividends paid	-	-	-	(2,112)	(2,112)
Total Comprehensive Income for 3QFY2010	-	(3)	-	2,296	2,293
Balance at 30 June 2010	42,062	(3)	1,561	29,037	72,657
Balance at 1 October 2010	42,062	(16)	2,843	30,199	75,088
Dividends paid	-	-	-	(1,320)	(1,320)
Total Comprehensive Income for 3QFY2011	-	(15)	-	3,681	3,666
Balance at 30 June 2011	42,062	(31)	2,843	32,560	77,434

<u>Company</u>	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Balance at 1 October 2009	42,062	4,843	46,905
Dividends paid	-	(2,112)	(2,112)
Total Comprehensive Income for 3QFY2010	-	869	869
Balance at 30 June 2010	42,062	3,600	45,662
Balance at 1 October 2010	42,062	5,536	47,598
Dividends paid	-	(1,320)	(1,320)
Total Comprehensive Income for 3QFY2011	-	1,097	1,097
Balance at 30 June 2011	42,062	5,313	47,375



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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 2010. There were no outstanding convertibles and treasury shares as at 30 June 2010 and 30 June 2011.

- 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 30/06/11	As at 30/09/10
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.

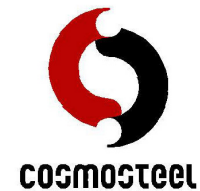
3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

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 in the most recently audited financial statements for the financial year ended 30 September 2010.

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.**



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Save as disclosed in paragraph 4 above, 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 Group (in cents):	Group			
	3QFY2011	3QFY2010	3QFY2011 TODATE	3QFY2010 TODATE
(a) Based on weighted average number of ordinary shares in issue	0.16	0.48	1.39	0.87
(b) On a fully diluted basis	0.16	0.48	1.39	0.87
Weighted average number of ordinary shares in issue	263,999,997	263,999,997	263,999,997	263,999,997

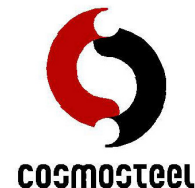
The basic and fully diluted earnings per ordinary share for the periods ended 30 June 2010 and 2011 are calculated based on the number of ordinary shares after the issuance of the bonus shares on 5 March 2010.

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 30/06/2011	As at 30/09/2010	As at 30/06/2011	As at 30/09/2010
Net asset value per ordinary share based on issued share capital at the end of the financial year (in cents):	29.33	28.44	17.95	18.03
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 increased by \$2.1 million or 8.3%, from \$25.8 million in 3QFY2010 to \$27.9 million in 3QFY2011 which is mainly contributed by customers in the Energy sector and Marine Sector. Revenue from Energy sector has increased by \$4.3 million or 24.4% from \$17.2 million in 3QFY2010 to \$21.5 million in 3QFY2011, whereas revenue from Marine sector has increased by \$1.7 million or 65.1% from \$2.6 million in 3QFY2010 to \$4.3 million in 3QFY2011. However, the increase was offset by a reduction in revenue from the Trading sector where revenue has decreased by \$4.0 million or 78.7% from \$5.1 million in 3QFY2010 to \$1.1 million in 3QFY2011.

Despite an increase in revenue, gross profit for the quarter has decreased by \$1.7 million from \$6.8 million in 3QFY2010 to \$5.1 million in 3QFY2011 from reduced margins that resulted from stiff competition encountered in project biddings. Gross profit margins decreased by 8.2 percentage points from 26.4% in 3QFY2010 to 18.2% in 3QFY2011. However, on a year to date basis, gross profit has increased by \$1.5 million or 8.9% from \$16.8 million in FY2010 to \$18.3 million in FY2011.

Financial income increased marginally by \$4,000 from interest earned and financial expense has also increased slightly by \$28,000 or 7.8% from \$358,000 in 3QFY2010 to \$386,000 in 3QFY2011.

Distribution cost has increased by \$0.4 million or 21.2% from \$1.9 million in 3QFY2010 to \$2.3 million in 3QFY2011. The increase is mainly due to increase in employees' remuneration as well as marketing expenditure to develop new businesses.

On the other hand, administrative expenses have decreased by \$0.2 million or 6.1% from \$2.1 million in 3QFY2010 to \$1.9 million in 3QFY2011 from a reduction in bank charges incurred from a decrease in letter of credits issued. However, on a year to date basis, administrative expenses have increased by \$0.4 million or 5.4% from \$5.9 million in FY2010 to \$6.3 million in FY2011 from an overall increase in employees' remuneration as well as depreciation charged on properties.

Other credits/(charges) have decreased by \$1.0 million or 101.4% from a charge of \$0.9 million in 3QFY2010 to a credit of \$14,000 in 3QFY2011. The decrease was due to unrealised foreign exchange and capital foreign exchange losses in 3QFY2010.

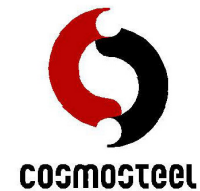
Our profit before income tax has decreased by \$1.0 million or 67.6% from a profit of \$1.5 million in 3QFY010 to \$0.5 million in 3QFY2011 mainly due to a decrease in gross profit margins for the reason mentioned above.

Statement of Financial Position

Non-current assets decreased by \$1.0 million of 6.5% from \$15.3 million in September 2010 to \$14.3 million in 3QFY2011 from depreciation charged and minimal capital expenditure in the first nine months of the current financial year.

Current assets increased by \$12.8 million or 11.2% from \$114.9 million in September 2010 to \$127.7 million in 3QFY2011. This increase is mainly contributed by inventories which have increased significantly by \$10.7 million from \$74.0 million in September 2010 to \$84.7 million in 3QFY2011. The level of purchases has increased to meet the obligations of on-hand orders as well as forthcoming orders. On the other hand, trade and other receivables have also increased by \$7.3 million from \$21.8 million in September 2010 to \$29.1 million in 3QFY2011 from the increase in sales revenue.

Non-current liabilities have increased marginally by \$0.2 million from \$9.3 million in September 2010 to \$9.5 million in 3QFY2011 from new loan taken out for working capital purposes.



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Similarly, current liabilities have increased by \$9.3 million or 20.4% from \$45.8 million in September 2010 to \$55.1 million in 3QFY2011. Short-term borrowings have increased to finance purchases for generation of sales as well as for forthcoming orders as aforesaid. Trade and other payables have also increased by \$2.5 million or 49.6% from \$5.1 million in September 2010 to \$7.6 million in 3QFY2011 from increased purchases bought on credit.

Statement of Cash Flows

Cash used in operating activities has decreased by \$4.4 million from \$8.3 million in 3QFY2010 to \$3.9 million in 3QFY2011. The decrease was mainly attributable to an increase in cash flows received from trade and other receivables.

Cash disbursed for investing activities has increased by \$129,000 from \$59,000 in 3QFY2010 to \$188,000 in 3QFY2011 for purchases of commercial vehicle and forklift.

Cash from financing activities amounted to \$1.6 million in 3QFY2011 as compared to an outflow of \$1.5 million in 3QFY2010 due to loan taken out for working capital requirements.

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.

In view of the European sovereign debt crisis and downgrade of US credit rating, we expect to operate in very challenging market conditions. However, we will continue to manage our business vigilantly.

Barring unforeseen circumstances, the Group expects to remain 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



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Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommendeded for 3QFY2011.

13. 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 3QFY2011 to be false or misleading in any material aspect.

By order of the Board

A handwritten signature in blue ink, appearing to read 'ON 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

10 August 2011