

**COSMOSTEEL HOLDINGS LIMITED**  
Co. Reg. No. 200515540Z

**FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2010**

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

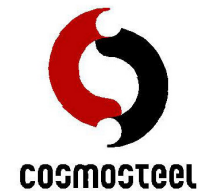
1(a)(i) A consolidated statement of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year.

	<b>Group</b>		
	<u><b>HY2010</b></u> <b>S\$'000</b>	<u><b>HY2009</b></u> <b>S\$'000</b>	<u><b>Increase/Decrease</b></u> <b>%</b>
<b>Revenue</b>	40,045	85,888	-53.4
Cost of sales	(30,046)	(62,378)	-51.8
<b>Gross profit</b>	9,999	23,510	-57.5
Financial income	35	986	-96.5
Financial expense	(1,782)	(1,201)	48.4
Distribution costs	(3,126)	(2,502)	24.9
Administrative expenses	(3,888)	(4,694)	-17.2
Other credits / (charges)	(2)	(4,835)	-100.0
<b>Profit before income tax</b>	1,236	11,264	-89.0
Income tax expense	(209)	(1,915)	-89.1
<b>Profit for the period</b>	1,027	9,349	-89.0
<b><u>Other Comprehensive Income:</u></b>			
Exchange differences on translating foreign operations, net of tax	(1)	-	NM
<b>Total comprehensive income for the period, net of tax</b>	1,026	9,349	-89.0

NM - Not meaningful

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

	<b>Group</b>	
	<u><b>HY2010</b></u> <b>S\$'000</b>	<u><b>HY2009</b></u> <b>S\$'000</b>
Allowance for doubtful debts	(48)	(306)
Reversal for slowing-moving stock	172	15
Bad debts (written off) / recovered	(346)	94
Depreciation of property, plant and equipment	(641)	(684)
Foreign exchange (loss) / gain	(631)	874
Interest on borrowings	(757)	(895)
Write-off for stock obsolescence	(90)	(31)
Stock impairment	-	(4,835)
Losses on disposal of plant and equipment	(2)	-



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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>31/03/10</u> S\$'000	<u>As at</u> <u>30/09/09</u> S\$'000	<u>As at</u> <u>31/03/10</u> S\$'000	<u>As at</u> <u>30/09/09</u> S\$'000
<b><u>ASSETS</u></b>				
<b><u>Non-Current Assets</u></b>				
Other Receivables, Non-Current	-	-	20,038	17,510
Investments in Subsidiaries	-	-	19,757	18,811
Property, Plant and Equipment, Total	12,144	12,153	-	-
Other Assets	130	130	-	-
<b>Total Non-Current Assets</b>	<b>12,274</b>	<b>12,283</b>	<b>39,795</b>	<b>36,321</b>
<b><u>Current Assets</u></b>				
Inventories	75,605	71,250	-	-
Trade and Other Receivables, Current	20,629	26,318	2,346	3,601
Cash and Cash Equivalent	22,018	24,599	10,228	15,172
<b>Total Current Assets</b>	<b>118,252</b>	<b>122,167</b>	<b>12,574</b>	<b>18,773</b>
<b>Total Assets</b>	<b>130,526</b>	<b>134,450</b>	<b>52,369</b>	<b>55,094</b>
<b><u>EQUITY AND LIABILITIES</u></b>				
<b><u>Equity</u></b>				
Share Capital	42,062	42,062	42,062	42,062
Retained Earnings	27,768	28,853	3,405	4,843
Other Reserves, Total	1,560	1,561	-	-
<b>Total Equity</b>	<b>71,390</b>	<b>72,476</b>	<b>45,467</b>	<b>46,905</b>
<b><u>Non-Current Liabilities</u></b>				
Other Financial Liabilities	-	-	84	107
Deferred Tax Liabilities	949	949	-	-
Long-Term Borrowings	8,539	10,786	3,101	3,688
Finance Leases	252	231	-	-
<b>Total Non-Current Liabilities</b>	<b>9,740</b>	<b>11,966</b>	<b>3,185</b>	<b>3,795</b>
<b><u>Current Liabilities</u></b>				
Income Tax Payable, Current	1,301	2,858	180	83
Trade and Other Payables, Current	7,037	8,101	2,312	3,106
Other Financial Liabilities, Current	391	14	67	81
Short-Term Borrowings, Current	35,647	34,148	-	-
Current Portion of Long-Term Borrowings	4,455	4,347	1,158	1,124
Current Portion of Finance Leases	565	540	-	-
<b>Total Current Liabilities</b>	<b>49,396</b>	<b>50,008</b>	<b>3,717</b>	<b>4,394</b>
<b>Total Liabilities</b>	<b>59,136</b>	<b>61,974</b>	<b>6,902</b>	<b>8,189</b>
<b>Total Equity and Liabilities</b>	<b>130,526</b>	<b>134,450</b>	<b>52,369</b>	<b>55,094</b>



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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 31/03/10		As at 30/09/09	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
41,058	-	39,049	-

**Amount repayable after one year**

As at 31/03/10		As at 30/09/09	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
8,791	-	11,017	-

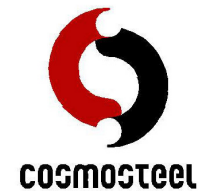
**Details of any collateral**

As at 31 March 2010, the Group's borrowings and debt securities consist of bills payable, bridging loans under the Local Enterprise Finance scheme, term loan and loans on the properties at 14 Lok Yang Way Singapore 628633 and 21A Neythal Road Singapore 628587 and obligations under finance leases.

The bank 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 21A Neythal Road Singapore 628587;
- (c) Corporate guarantees issued by the Company.

The obligations under finance leases are secured by the lessor's charge over the leased assets and joint and several personal guarantees of certain directors of the Group.



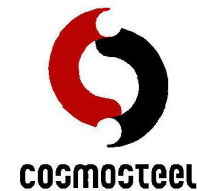
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1(c) **A consolidated statement of cash flows together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group	
	<u>HY2010</u> S\$'000	<u>HY2009</u> S\$'000
<b>Cash flows from operating activities :</b>		
Profit for the year	1,236	11,264
Adjustments for :		
Depreciation expense	641	684
Interest income	(35)	(18)
Interest expense	757	895
Losses on disposal of plant and equipment	2	-
Fair value losses / (gains) on forward contracts	391	(431)
Operating profit before working capital changes	<u>2,992</u>	<u>12,394</u>
Trade and other receivables	5,689	(17,390)
Inventories	(4,355)	(27,955)
Other financial liabilities	1,485	27,015
Trade and other payables	(1,064)	8,097
Cash generated from operations	<u>4,747</u>	<u>2,161</u>
Income tax paid	(1,766)	(1,126)
Net cash from operating activities	<u>2,981</u>	<u>1,035</u>
<b>Cash flows from investing activities :</b>		
Disposals of plant and equipment	23	-
Purchase of plant and equipment	(302)	(70)
Interest received	35	18
Net cash used in investing activities	<u>(244)</u>	<u>(52)</u>
<b>Cash flows from financing activities :</b>		
Cash restricted in use over 3 months	115	-
Increase in short-term borrowings	-	1,000
Decrease in long-term borrowings	(2,139)	(240)
Decrease in finance leases	(310)	(287)
Dividends paid	(2,112)	(881)
Interest paid	(757)	(895)
Net cash used in financing activities	<u>(5,203)</u>	<u>(1,303)</u>
<b>Net decrease in cash</b>	<u>(2,466)</u>	<u>(320)</u>
Cash at beginning of period	24,484	8,797
<b>Cash at end of period</b>	<u>22,018</u>	<u>8,477</u>

**Non-cash transactions:**

(a) Additions to property, plant and equipment during the period amounting to S\$355,850 (HY2009: S\$82,000) were financed.

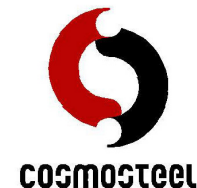


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1(d)(i) A statement (for the issuer) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding 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
<b>Balance at 1 October 2008</b>	25,489	-	2,776	15,541	43,806
Dividends paid	-	-	-	(881)	(881)
Total comprehensive income for the period	-	-	-	9,349	9,349
<b>Balance at 31 March 2009</b>	25,489	-	2,776	24,009	52,274
<b>Balance at 1 October 2009</b>	42,062	-	1,561	28,853	72,476
Dividends paid	-	-	-	(2,112)	(2,112)
Total comprehensive income for the period	-	(1)	-	1,027	1,026
<b>Balance at 31 March 2010</b>	42,062	(1)	1,561	27,768	71,390

<u>Company</u>	<u>Share Capital</u> S\$'000	<u>Retained Earnings</u> S\$'000	<u>Total Equity</u> S\$'000
<b>Balance 1 October 2008</b>	25,489	2,690	28,179
Dividends paid	-	(881)	(881)
Total comprehensive income for the period	-	326	326
<b>Balance at 31 March 2009</b>	25,489	2,135	27,624
<b>Balance 1 October 2009</b>	42,062	4,843	46,905
Dividends paid	-	(2,112)	(2,112)
Total comprehensive income for the period	-	674	674
<b>Balance at 31 March 2010</b>	42,062	3,405	45,467



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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.**

On 5 March 2010, 52,799,997 new ordinary shares were issued pursuant to a bonus share issue. There were no outstanding convertibles and treasury shares as at 31 March 2010 and 31 March 2009.

- 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.**

<b>As at 31/03/10</b>	<b>As at 30/09/09</b>
263,999,997	211,200,000

- 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 for both periods have not been audited or reviewed.

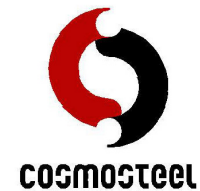
3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

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 2009.

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.**

	Group	
	HY2010	HY2009
Earnings per ordinary share of the Group (in cents):		
(a) Based on weighted average number of ordinary shares in issue	0.39	4.08
(b) On a fully diluted basis	0.39	4.08
Weighted average number of ordinary shares in issue	263,999,997	228,999,997

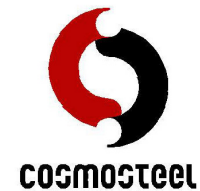
The basic and fully diluted earnings per ordinary share for the periods ended 31 March 2009 and 2010 are calculated based on the number of ordinary shares after the issuance of the bonus shares on 5 March 2010.

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 31/03/2010	As at 30/09/2009	As at 31/03/2010	As at 30/09/2009
Net asset value per ordinary share based on issued share capital at the end of the financial year (in cents):	27.04	27.45	17.22	17.77
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 decreased by \$45.8 million or 53.4%, from \$85.9 million in HY2009 to \$40.0 million in HY2010. The decrease in revenue was attributable to significantly lower demand from our existing customers.

Gross profit has decreased by \$13.5 million from \$23.5 million in HY2009 to \$10.0 million in HY2010 in tandem with the reduction in revenue. Gross profit margin has decreased marginally by 2.4% from 27.4% in HY2009 to 25.0% in HY2010.

Financial income has decreased by \$1.0 million as the financial income in HY2009 which arose from a reversal of fair value adjustments for outstanding foreign exchange contracts in the previous financial year and foreign currency gains did not recur in the current period. Financial expenses increased by \$0.6 million or 48.4% from \$1.2 million in HY2009 to \$1.8 million in HY2010 mainly due to recognition of unrealised loss in the fair value of outstanding foreign exchange contracts at the end of the current period

Distribution cost has increased by \$0.6 million or 25.0% from \$2.5 million in HY2009 to \$3.1 million in HY2010. The increase is mainly due to warehouse rental charges and marketing expenditure to develop new businesses. Other expenditure such as manpower costs and vehicles upkeep is relatively unchanged despite a reduction in revenue as these are fixed overheads.

Administrative expenses decreased by \$0.8 million or 17.2% from S\$4.7 million in HY2009 to S\$3.9 million in HY2010. The decrease resulted primarily from lesser incurrence of bank charges with reduced financing needs and lower provision in tandem with the reduction in profits in the current period.

Our profit before income tax has decreased by \$10.1 million or 89.0% from \$11.3 million in HY2009 to \$1.2 million in HY2010 due to a significant reduction in revenue and incurrence of mostly fixed overheads.

**Statement of Financial Position**

Non-current assets remained at around \$12.3 million as there is minimal capital expenditure.

Current assets decreased by \$3.9 million from \$122.2 million in HY2009 to \$118.3 million in HY2010. Inventories have increased by \$4.3 million from \$71.3 million in September 2009 to \$75.6 million in HY2010 from new purchases made in anticipation of future price increases. On the other hand, trade and other receivables have decreased by \$5.7 million from \$26.3 million in September 2009 to \$20.6 million in HY2010 from lower generation of revenue.

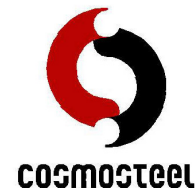
Non-current liabilities have decreased by \$2.3 million from \$12.0 million in September 2009 to \$9.7 million in HY2010 from repayment of long term loans.

Similarly, current liabilities have decreased marginally by \$0.6 million from \$50.0 million in September 2009 to S\$49.4 million in HY2010. Short-term borrowings have increased to finance purchases made in anticipation of future price increases as aforesaid.

**Statement of Cash Flows**

Cash from operating activities has increased by \$2.0 million from \$1.0 million in HY2009 to \$3.0 million in HY2010. The increase was attributable to collection of trade and other receivables.





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Cash disbursed for investing activities increased by \$0.1 million from \$0.1 million in HY2009 to \$0.2 million in HY2010 from capital expenditure.

Cash disbursed for financing activities amounted to \$5.2 million in HY2010, from \$1.3 million in HY2009, for repayment of long-term loans and dividends paid.

**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 refer to the Profit Guidance announcement dated 21 April 2010.

Our Group expects to experience continuing challenging business environment for the next six months. Barring unforeseen circumstances, our Group is cautiously optimistic that we will remain profitable for the full year but with significantly lower revenue and profits as compared to the last 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.

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

No dividend has been declared/recommended for HY2010.



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**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 HY2010 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

12 May 2010