

COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

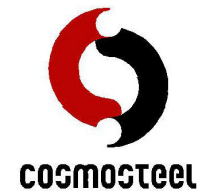
PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, & Q3), HALF-YEAR RESULTS

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

	Group		
	<u>1QFY2011</u>	<u>1QFY2010</u>	<u>Increase/(Decrease)</u>
	S\$'000	S\$'000	%
Revenue	18,922	19,829	-4.6
Cost of sales	(14,521)	(13,756)	5.6
Gross profit	4,401	6,073	-27.5
Financial income	2	15	-86.7
Financial expense	(364)	(406)	-10.3
Distribution costs	(1,856)	(1,420)	30.7
Administrative expenses	(1,775)	(2,029)	-12.5
Other credits/ (charges)	62	(585)	-110.6
Profit before income tax	470	1,648	-71.5
Income tax expense	(80)	(280)	-71.4
Profit for the period	390	1,368	-71.5
<u>Other Comprehensive Income:</u>			
Exchange differences on translating foreign operations, net of tax	(12)	-	NM
Total Comprehensive Income for the period, net of tax	378	1,368	-72.4

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

	Group	
	<u>1QFY2011</u>	<u>1QFY2010</u>
	S\$'000	S\$'000
Allowance for impairment on trade receivables	(9)	(189)
(Allowance)/reversal for slowing-moving stock	(143)	277
Bad debts recovered/(written off)	81	(286)
Depreciation of property, plant and equipment	(392)	(312)
Foreign exchange gain/(loss)	(33)	(111)
Interest on borrowings	(364)	(405)
Write-off for stock obsolescence	(8)	(74)

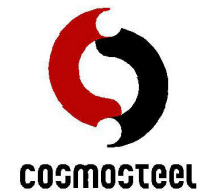


COSMOSTEEL HOLDINGS LIMITED

Co. Reg. No. 200515540Z

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>31/12/10</u> S\$'000	<u>As at</u> <u>30/09/10</u> S\$'000	<u>As at</u> <u>31/12/10</u> S\$'000	<u>As at</u> <u>30/09/10</u> S\$'000
<u>ASSETS</u>				
<u>Non-Current Assets</u>				
Other Receivables, Non-current	-	-	24,944	24,944
Investment in Subsidiaries	-	-	20,177	20,039
Property, Plant and Equipment, Total	14,802	15,188	-	-
Other Assets	126	126	-	-
Total Non-Current Assets	14,928	15,314	45,121	44,983
<u>Current Assets</u>				
Inventories	85,474	74,047	-	-
Trade and Other Receivables, Current	17,764	21,776	6,509	5,511
Other Assets	2,109	2,280	21	27
Cash	13,525	16,761	966	1,861
Total Current Assets	118,872	114,864	7,496	7,399
Total Assets	133,800	130,178	52,617	52,382
<u>EQUITY AND LIABILITIES</u>				
<u>Equity</u>				
Share Capital	42,062	42,062	42,062	42,062
Retained Earnings	30,589	30,199	5,937	5,536
Other Reserves, Total	2,815	2,827	-	-
Total Equity	75,466	75,088	47,999	47,598
<u>Non-Current Liabilities</u>				
Other Financial Liabilities, Non-current	-	-	35	78
Deferred Tax Liabilities	1,226	1,226	-	-
Long-Term Borrowings	7,208	7,829	2,186	2,503
Finance Leases	214	253	-	-
Total Non-Current Liabilities	8,648	9,308	2,221	2,581
<u>Current Liabilities</u>				
Income Tax Payable, Current	1,140	1,226	186	129
Trade and Other Payables, Current	5,350	5,113	960	826
Other Financial Liabilities, Current	380	670	40	63
Short-Term Borrowings, Current	38,462	34,223	-	-
Current Portion of Long-Term Borrowings	4,086	4,173	1,211	1,185
Current Portion of Finance Leases	268	377	-	-
Total Current Liabilities	49,686	45,782	2,397	2,203
Total Liabilities	58,334	55,090	4,618	4,784
Total Equity and Liabilities	133,800	130,178	52,617	52,382



COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

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 31/12/10		As at 30/09/10	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
42,816	-	38,773	-

Amount repayable after one year

As at 31/12/10		As at 30/09/10	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
7,422	-	8,082	-

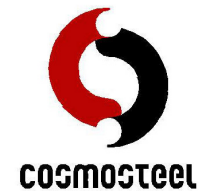
Details of any collateral

As at 31 December 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, 21A Neythal Road Singapore 628587, 90 Second Lok Yang Road Singapore 628166, loan on 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;
- (e) Corporate guarantees issued by the Company.

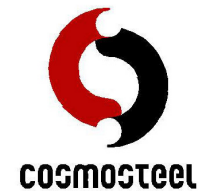
The obligations under finance leases are secured by the lessor's charge over the leased assets and joint and several personal guarantees of certain directors of the Group.



COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

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>1QFY2011</u> S\$'000	<u>1QFY2010</u> S\$'000
Cash flows from operating activities :		
Profit before tax	470	1,648
Adjustments for :		
Depreciation expense	392	312
Interest income	(2)	(15)
Interest expense	364	406
Gain on translation	(12)	(4)
Foreign exchange forward contract gain	(290)	(8)
Operating profit before working capital changes	922	2,339
Trade and other receivables	3,980	5,208
Other assets	203	(804)
Inventories	(11,427)	(1,893)
Bills payable	4,239	(4,729)
Trade and other payables	237	(1,918)
Cash generated from operations	(1,846)	(1,797)
Income tax paid	(165)	(690)
Net cash used in operating activities	(2,011)	(2,487)
Cash flows from investing activities :		
Purchase of property, plant and equipment	(5)	(275)
Interest received	2	15
Net cash used in investing activities	(3)	(260)
Cash flows from financing activities :		
Cash restricted in use over 3 months	(1,024)	(297)
(Decrease)/ increase in short-term borrowings	-	(1,000)
(Decrease)/ increase in long-term borrowings	(709)	(1,063)
Decrease in finance leases	(149)	(148)
Interest paid	(364)	(405)
Net cash used in financing activities	(2,246)	(2,913)
Net (decrease)/increase in cash	(4,260)	(5,660)
Cash at beginning of year	16,761	24,599
Cash at end of period	12,501	18,939
Non-cash transactions:		
	<u>1QFY2011</u> S\$'000	<u>1QFY2010</u> S\$'000
Cash	13,525	19,236
Cash restricted in use over 3 months	(1,024)	(297)
Cash and cash equivalents for cash flow statement purposes at end of period	12,501	18,939



COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

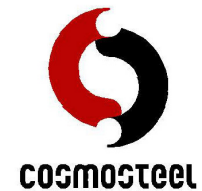
1(d)(i) A statement (for the issuer) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share Capital	Revaluation Reserve	Translation Reserve	Retained Earnings	Total Equity
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 30 September 2009	42,062	1,561	-	28,853	72,476
Total Comprehensive Income for the Year	-	-	(5)	1,368	1,363
Balance at 31 December 2009	42,062	1,561	(5)	30,221	73,839
Balance at 30 September 2010	42,062	2,843	(16)	30,199	75,088
Total Comprehensive Income for the Year	-	-	(12)	390	378
Balance at 31 December 2010	42,062	2,843	(28)	30,589	75,466

Company	Share Capital S\$'000	Retained Earnings S\$'000	Total Equity S\$'000
Balance at 30 September 2009	42,062	4,843	46,905
Total Comprehensive Income for the Year	-	247	247
Balance at 31 December 2009	42,062	5,090	47,152
Balance at 30 September 2010	42,062	5,536	47,598
Total Comprehensive Income for the Year	-	401	401
Balance at 31 December 2010	42,062	5,937	47,999

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 31 December 2009 and 31 December 2010.



COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

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 31/12/10	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).

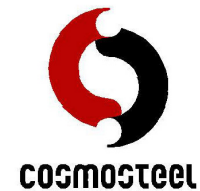
Not applicable.

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 compared with the 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.

Save as disclosed in paragraph 4 above, there were no changes in the accounting policies and methods of computation.



COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

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	
	1QFY2011	1QFY2010
Earnings per ordinary share of the Group (in cents):		
(a) Based on weighted average number of ordinary shares in issue	0.15	0.57
(b) On a fully diluted basis	0.15	0.57
Weighted average number of ordinary shares in issue	263,999,997	238,109,586

The basic and fully diluted earnings per ordinary share for the periods ended 31 December 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.

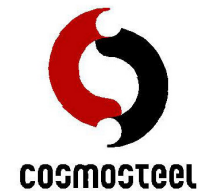
	Group		Company	
	As at 31/12/2010	As at 30/09/2010	As at 31/12/2010	As at 30/09/2010
Net asset value per ordinary share based on issued share capital at the end of the financial year (in cents):	28.59	28.44	18.18	18.03
Number of ordinary shares in issue	263,999,997	263,999,997	263,999,997	263,999,997

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.

Statement of Comprehensive Income

Revenue decreased by \$0.9 million or 4.6% from \$19.8 million in 1QFY2010 to \$18.9 million in 1QFY2011 which is attributable to lower sales from our existing customers.

Gross profit has decreased by \$1.7 million from \$6.1 million in 1QFY2010 to \$4.4 million in 1QFY2011 which resulted from an increase in expenses such as freight inward expenses and provision for slow moving inventory included under cost of sales. Freight inward expenses has increased from a higher level of inventory purchases in 1QFY2011 (\$24.2 million) as compared to



COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

1QFY2010 (\$14.6 million) whilst provision for slowing moving inventory was provided in 1QFY2011 as compared to a write back of provision in 1QFY2010. Gross profit margin decreased by 7.3% from 30.6% in 1QFY2010 to 23.3% in 1QFY2011 from the aforementioned.

Financial expenses decreased marginally by \$42,000 or 10.3% from \$0.41 million in 1QFY2010 to \$0.36 million in 1QFY2011 mainly due to less interest paid on borrowings.

Distribution costs have increased by \$0.5 million or 30.1% from \$1.4 million in 1QFY2010 to \$1.9 million in 1QFY2011. The increase is mainly due to warehouse rental charges and manpower costs.

Administrative expenses decreased by \$0.2 million or 12.5% from S\$2.0 million in 1QFY2010 to S\$1.8 million in 1QFY2011. The decrease resulted primarily from overall cost-cutting measures in general operating expenses.

Other credit/(charges) was an inflow of \$62,000 in 1QFY2011 as compared to a outflow of \$0.6 million in 1QFY10 from lower bad debts written off and lower provision for doubtful debts.

Our profit before income tax has decreased by \$1.1 million or 71.5% from \$1.6 million in 1QFY2010 to \$0.5 million in 1QFY2011.

Statement of Financial Position

Non-current assets decreased by \$0.4 million or 2.5% from \$15.3 million in September 2010 to \$14.9 million in 1QFY2011 from depreciation charged.

Current assets increased by \$4.0 million or 3.5% from \$114.9 million in September 2010 to \$118.9 million in 1QFY2011. Inventories have increased by \$11.5 million from \$74.0 million in September 2010 to \$85.5 million in 1QFY2011 from new purchases made for forthcoming orders. On the other hand, trade and other receivables have decreased by \$4.0 million or 18.4% from \$21.8 million in September 2010 to \$17.8 million in 1QFY2011 from better collection efforts.

Non-current liabilities have decreased by \$0.7 million from \$9.3 million in September 2010 to \$8.6 million in 1QFY2011 from repayment of long term loans.

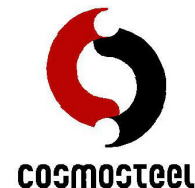
Current liabilities have increased by \$3.9 million or 8.5% from \$45.8 million in September 2010 to \$49.7 million in 1QFY2011 from increase in short-term borrowings made to finance purchases for forthcoming orders as aforementioned.

Statement of Cash Flows

Cash disbursed for operating activities has decreased by \$0.5 million from \$2.5 million in 1QFY2010 to \$2.0 million in 1QFY2011. The decrease was mainly attributable to lower income tax paid as the reduction in bills and trade and other payables were offset by an outflow of cash paid for inventories in 1QFY2011.

Cash disbursed for investing activities decreased by \$0.3 million from \$0.3 million in 1QFY2010 to \$3 thousand in 1QFY2011 from reduction in capital expenditure.

Cash disbursed for financing activities decreased by \$0.7 million from \$2.9 million in 1QFY2010 to \$2.2 million in 1QFY2011 from a lower repayment of long-term loans.



COSMOSTEEL HOLDINGS LIMITED

Co. Reg. No. 200515540Z

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 Group expects to continue to experience a challenging business environment for the current financial year. While our Group may not be able to achieve comparable profit margins as in past years, barring unforeseen circumstances, we remain cautiously optimistic about the profitability of the Group 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

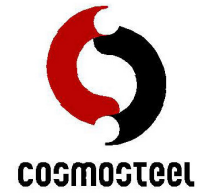
Not applicable.

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

No dividend has been declared/recommendeded for

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 1QFY2011 to be false or misleading in any material aspect.



COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

By order of the Board

A handwritten signature in blue ink, consisting of stylized, cursive letters.

Ong Chin Sum
Chief Executive Officer

A handwritten signature in black ink, consisting of stylized, cursive letters.

Ong Tong Hai
Director

9 February 2011