

COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011

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

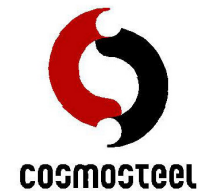
1(a)(i) A consolidated statement of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group					
	<u>2QFY2011</u>	<u>2QFY2010</u>	<u>%</u>	<u>1HY2011</u>	<u>1HY2010</u>	<u>%</u>
	S\$'000	S\$'000	+ / (-)	S\$'000	S\$'000	+ / (-)
Revenue	49,376	20,216	144.2	68,298	40,045	70.6
Cost of sales	(40,548)	(16,290)	148.9	(55,069)	(30,046)	83.3
Gross profit	8,828	3,926	124.9	13,229	9,999	32.3
Financial income	3	20	-85.0	5	35	-85.7
Financial expense	(331)	(351)	-5.7	(695)	(757)	-8.2
Distribution costs	(2,362)	(1,706)	38.5	(4,218)	(3,126)	34.9
Administrative expenses	(2,560)	(1,859)	37.7	(4,335)	(3,888)	11.5
Other credits / (charges)	(108)	(442)	-75.6	(46)	(1,027)	-95.5
Profit / (loss) before income tax	3,470	(412)	942.2	3,940	1,236	218.8
Income tax (expense)/income	(590)	70	942.9	(670)	(209)	220.6
Profit / (loss) for the period	2,880	(342)	942.1	3,270	1,027	218.4
Other Comprehensive Income:						
Exchange differences on translating foreign operations, net of tax	12	4	NM	-	(1)	NM
Total comprehensive income for the period, net of tax	2,892	(338)	955.6	3,270	1,026	218.7

NM - Not meaningful

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

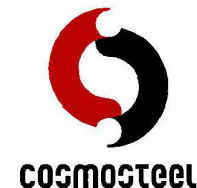
	Group			
	<u>2QFY2011</u>	<u>2QFY2010</u>	<u>1HY2011</u>	<u>1HY2010</u>
	S\$'000	S\$'000	S\$'000	S\$'000
(Allowance)/reversal for stock	(81)	(105)	(224)	172
Allowance for impairment on trade receivables	(277)	141	(286)	(48)
Bad debts recovered / (written off)	2	(60)	83	(346)
Depreciation of property, plant and equipment	(394)	(329)	(786)	(641)
Foreign exchange gain/(loss)	167	(520)	157	(631)
Loss on disposal of plant and equipment	-	(2)	-	(2)
Interest on borrowings	(331)	(352)	(695)	(757)
Write-off for stock obsolescence	18	(16)	10	(90)



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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 31/03/11 S\$'000	As at 30/09/10 S\$'000	As at 31/03/11 S\$'000	As at 30/09/10 S\$'000
ASSETS				
Non-Current Assets				
Other Receivables, Non-Current	-	-	24,944	24,944
Investments in Subsidiaries	-	-	20,464	20,039
Property, Plant and Equipment, Total	14,473	15,188	-	-
Other Assets	126	126	-	-
Total Non-Current Assets	14,599	15,314	45,408	44,983
Current Assets				
Inventories	81,696	74,047	-	-
Trade and Other Receivables, Current	41,679	21,776	5,297	5,511
Other Assets	1,690	2,280	37	27
Cash and Cash Equivalent	14,806	16,761	889	1,861
Total Current Assets	139,871	114,864	6,223	7,399
Total Assets	154,470	130,178	51,631	52,382
EQUITY AND LIABILITIES				
Equity				
Share Capital	42,062	42,062	42,062	42,062
Retained Earnings	32,149	30,199	5,007	5,536
Other Reserves, Total	2,827	2,827	-	-
Total Equity	77,038	75,088	47,069	47,598
Non-Current Liabilities				
Other Financial Liabilities	-	-	85	78
Deferred Tax Liabilities	1,226	1,226	-	-
Long-Term Borrowings	6,766	7,829	1,873	2,503
Finance Leases	178	253	-	-
Total Non-Current Liabilities	8,170	9,308	1,958	2,581
Current Liabilities				
Income Tax Payable, Current	1,364	1,226	230	129
Trade and Other Payables, Current	13,600	5,113	1,108	826
Other Financial Liabilities, Current	268	670	37	63
Short-Term Borrowings, Current	50,410	34,223	-	-
Current Portion of Long-Term Borrowings	3,435	4,173	1,229	1,185
Current Portion of Finance Leases	185	377	-	-
Total Current Liabilities	69,262	45,782	2,604	2,203
Total Liabilities	77,432	55,090	4,562	4,784
Total Equity and Liabilities	154,470	130,178	51,631	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 31/03/2011		As at 30/09/2010	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
54,030	-	38,773	-

Amount repayable after one year

As at 31/03/2011		As at 30/09/2010	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
6,944	-	8,082	-

Details of any collateral

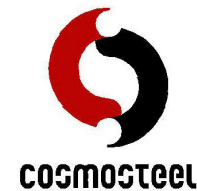
As at 31 March 2011, the Group's borrowings and debt securities consist of bills payable, bridging loans under the Local Enterprise Finance scheme, term loan and loans for the properties at 14 Lok Yang Way Singapore 628633, 21A Neythal Road Singapore 628587, 90 Second Lok Yang Road Singapore 628166, 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.

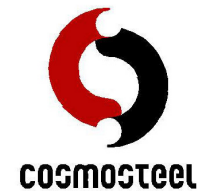
The obligations under finance leases are secured by the lessor's charge over the leased assets and covered by joint and several personal guarantees of certain directors of the Group.



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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>2QFY2011</u>	<u>2QFY2010</u>	<u>1HY2011</u>	<u>1HY2010</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities :				
Profit/(loss) for the year	3,470	(412)	3,940	1,236
Adjustments for :				
Depreciation expense	394	329	786	641
Interest income	(3)	(20)	(5)	(35)
Interest expense	331	351	695	757
Gain on translation	12	4	-	-
Loss on disposal of plant and equipment	-	2	-	2
Foreign exchange forward contract (gain)/loss	(112)	399	(402)	391
Operating profit before working capital changes	4,092	653	5,014	2,992
Trade and other receivables	(23,883)	1,264	(19,903)	6,472
Other assets	387	21	590	(783)
Inventories	3,778	(2,462)	(7,649)	(4,355)
Bills payable	11,948	6,214	16,187	1,485
Trade and other payables	8,250	854	8,487	(1,064)
Cash generated from operations	4,572	6,544	2,726	4,747
Income tax paid	(366)	(1,076)	(532)	(1,766)
Net cash from operating activities	4,206	5,468	2,194	2,981
Cash flows from investing activities :				
Disposal of plant and equipment	-	23	-	23
Purchase of plant and equipment	(66)	(27)	(71)	(302)
Interest received	3	20	5	35
Net cash (used in)/from investing activities	(63)	16	(66)	(244)
Cash flows from financing activities :				
Cash restricted in use over 3 months	(279)	182	(201)	-
Increase from new short-term borrowings	-	1,000	-	-
Increase from new long-term borrowings	3,049	-	5,549	-
Long-term borrowings repayments	(4,142)	(1,076)	(7,350)	(2,139)
Decrease in finance leases	(118)	(162)	(267)	(310)
Dividends paid	(1,320)	(2,112)	(1,320)	(2,112)
Interest paid	(331)	(352)	(695)	(757)
Net cash used in financing activities	(3,141)	(2,520)	(4,284)	(5,318)
Net increase/(decrease) in cash	1,002	2,964	(2,156)	(2,581)
Cash at beginning of financial period	12,501	18,939	15,659	24,484
Cash at end of financial period	13,503	21,903	13,503	21,903



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Non-cash transactions:

(a) Additions to property, plant and equipment during the period amounting to nil (HY2010: S\$355,850) were financed.

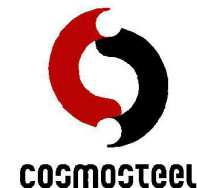
	Group			
	<u>2QFY2011</u> S\$'000	<u>2QFY2010</u> S\$'000	<u>1HY2011</u> S\$'000	<u>1HY2010</u> S\$'000
Cash	14,806	22,018	14,806	22,018
Cash restricted in use over 3 months	(1,303)	(115)	(1,303)	(115)
Cash and cash equivalents for cash flow statement purposes at end of period	13,503	21,903	13,503	21,903

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 2009	42,062	-	1,561	28,853	72,476
Dividends paid	-	-	-	(2,112)	(2,112)
Total Comprehensive Income for 1HY2010	-	(1)	-	1,027	1,026
Balance at 31 March 2010	42,062	(1)	1,561	27,768	71,390

Balance at 1 October 2010	42,062	(16)	2,843	30,199	75,088
Dividends paid	-	-	-	(1,320)	(1,320)
Total Comprehensive Income for 1HY2011	-	-	-	3,270	3,270
Balance at 31 March 2011	42,062	(16)	2,843	32,149	77,038

<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 2009	42,062	4,843	46,905
Dividends paid	-	(2,112)	(2,112)
Total Comprehensive Income for 1HY2010	-	674	674
Balance at 31 March 2010	42,062	3,405	45,467
Balance at 1 October 2010	42,062	5,536	47,598
Dividends paid	-	(1,320)	(1,320)
Total Comprehensive Income for 1HY2011	-	791	791
Balance at 31 March 2011	42,062	5,007	47,069



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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 31 March 2010 and 31 March 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 31/03/11	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.

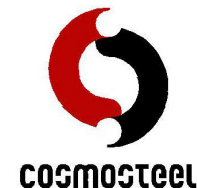
3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

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			
	2QFY2011	2QFY2010	1HY2011	1HY2010
(a) Based on weighted average number of ordinary shares in issue	1.09	(0.13)	1.24	0.39
(b) On a fully diluted basis	1.09	(0.13)	1.24	0.39
Weighted average number of ordinary shares in issue	263,999,997	263,999,997	263,999,997	263,999,997

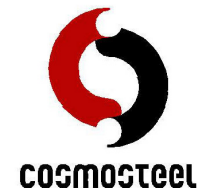
The basic and fully diluted earnings per ordinary share for the periods ended 31 March 2010 and 2011 are calculated based on the number of ordinary shares after the issuance of the bonus shares on 5 March 2010.

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 31/03/2011	As at 30/09/2010	As at 31/03/2011	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):	29.18	28.44	17.83	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 \$29.2 million or 144.2%, from \$20.2 million in 2QFY2010 to \$49.4 million in 2QFY2011. The increase in revenue was mainly attributable to sales orders received from new customers in the Energy industry who we are able to serve with our wide range of inventory.

Revenue from the Energy sector has increased by \$28.7 million or 181.3% from \$15.8 million in 2QFY2010 to \$44.5 million in 2QFY2011.

Gross profit has increased by \$4.9 million from \$3.9 million in 2QFY2010 to \$8.8 million in 2QFY2011 in tandem with the increase in revenue. However, gross profit margin has decreased by 1.5 percentage points from 19.4% in 2QFY2010 to 17.9% in 2QFY2011. The decrease was due to the nature of orders secured in 2QFY2011. A significant portion of the sales revenue generated in 2QFY2011 are contributed by orders which are open to international bidders and that we are able to secure only with highly competitive prices, thereby resulting in reduced gross profit margins.

Financial income decreased by \$17,000 from lesser interest earned and financial expense has also decreased by \$20,000 or 5.7% from \$351,000 in 2QFY2010 to \$331,000 in 2QFY2011. The decrease was due to less interest paid on outstanding loans whose balances reduced with monthly repayments.

Distribution cost has increased by \$0.7 million or 38.5% from \$1.7 million in 2QFY2010 to \$2.4 million in 2QFY2011. The increase is mainly due to increase in employees' remuneration as well as marketing expenditure to develop new businesses.

Administrative expenses have also increased by \$0.7 million or 37.7% from \$1.9 million in 2QFY2010 to \$2.6 million in 1QFY2011. The increase resulted primarily from an increase in the remuneration of administrative employees and bank charges.

Other credits/(charges) have decreased by nearly \$334,000 or 75.6% from a loss of \$442,000 in 2QFY2010 to \$108,000 in 2QFY2011. The decrease was due to unrealised foreign exchange gains which arose from a reversal of fair value adjustments for outstanding foreign exchange contracts in the previous periods. These foreign exchange contracts have since been utilised.

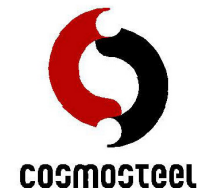
Our profit before income tax has increased by \$3.9 million or 942.2% from a loss of \$0.4 million in 2QFY010 to \$3.5 million in 2QFY2011 due to a significant increase in revenue coupled with less than proportionate incurrence of expenses.

Statement of Financial Position

Non-current assets decreased by \$0.7 million of 4.7% from \$15.3 million in September 2010 to \$14.6 million in 1HY2011 from depreciation charged and minimal capital expenditure in the first six months of the current financial year.

Current assets increased by \$25.0 million or 21.8% from \$114.9 million in September 2010 to \$139.9 million in 1HY2011. This increase is mainly contributed by trade and other receivables which have increased significantly by \$19.9 million from \$21.8 million in September 2010 to \$41.7 million in 1HY2011. Bulk of the trade and other receivables as at March 2011 are made up by sales delivered in March 2011 in accordance with customers' requirements and which will be due end of May 2011. On the other hand, inventories have increased by a lesser degree of \$7.7 million or 9.4% from \$74.0 million in September 2010 to \$81.7 million in 1HY2011 from increased purchases for forthcoming orders.

Non-current liabilities have decreased by \$1.1 million from \$9.3 million in September 2010 to \$8.2 million in 1HY2011 from repayment of long term loans.



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Conversely, current liabilities have increased by \$23.5 million or 51.3% from \$45.8 million in September 2010 to \$69.3 million in 1HY2011. Short-term borrowings have increased to finance purchases for generation of sales as well as for forthcoming orders as aforesaid. Similarly, trade and other payables have increased by \$8.5 million or 166.0% from \$5.1 million in September 2010 to \$13.6 million in 1HY2011 from increased purchases bought on credit.

Statement of Cash Flows

Cash from operating activities has decreased by \$1.3 million from \$5.5 million in 2QFY2010 to \$4.2 million in 2QFY2011. The decrease was mainly attributable to an increase in trade and other receivables.

Cash disbursed for investing activities was \$63,000 as compared to an inflow of \$16,000 from disposal of plant and equipment as well as interest received in 2QFY2010.

Cash disbursed for financing activities amounted to \$3.1 million in 2QFY2011, an increase of \$0.6 million from \$2.5 million in 2QFY2010 due to higher repayments of long-term borrowings.

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.

The recent spate of calamities that occurred in different parts of the globe such as Japan and America, amongst others, have resulted in the fluctuations of both energy and steel prices. These fluctuations inevitably affect our costs of purchases as well as the demands of our customers especially in the Energy industry where a substantial part of our revenue is derived from.

In view of the above, 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 2QFY2011.

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 2QFY2011 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 May 2011