



COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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>3QFY2013</u>	<u>3QFY2012</u>	%	<u>1-Oct-12</u>	<u>1-Oct-11</u>	%
	S\$'000	S\$'000		30-Jun-13	30-Jun-12	
			+ / (-)	S\$'000	S\$'000	+ / (-)
Revenue	33,326	41,176	-19.1	122,087	128,002	-4.6
Cost of sales	(26,015)	(34,590)	-24.8	(99,272)	(101,833)	-2.5
Gross profit	7,311	6,586	11.0	22,815	26,169	-12.8
Financial income	4	4	0.0	21	19	10.5
Financial expense	(378)	(376)	0.5	(1,067)	(1,065)	0.2
Distribution costs	(2,628)	(2,456)	7.0	(7,628)	(7,007)	8.9
Administrative expenses	(2,427)	(2,241)	8.3	(7,442)	(7,657)	-2.8
Other credits/ (charges)	(270)	(764)	-64.7	(343)	(74)	363.5
Profit before income tax	1,612	753	114.1	6,356	10,385	-38.8
Income tax expense	(330)	(161)	105.0	(1,152)	(1,811)	-36.4
Profit for the period	1,282	592	116.6	5,204	8,574	-39.3

Other Comprehensive Income:

Exchange differences on translating foreign operations, net of tax	66	10	-1600.0	60	4	1400.0
Total Comprehensive Income for the period, net of tax	1,348	602	-48.7	5,264	8,578	-38.6

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

	Group			
	<u>3QFY2013</u>	<u>3QFY2012</u>	<u>1-Oct-12</u>	<u>1-Oct-11</u>
	S\$'000	S\$'000	30-Jun-13	30-Jun-12
Allowance for impairment on trade receivables	(10)	(820)	(87)	(863)
Allowance for slow-moving stock	(66)	(144)	(199)	(769)
Bad debts (written off)/recovered	(34)	(42)	5	(176)
Depreciation of property, plant and equipment	(528)	(519)	(1,576)	(1,512)
Foreign exchange (loss)/gain	(240)	88	(294)	812
Interest on borrowings	(378)	(376)	(1,067)	(1,065)
(Write-off)/Reversal for stock obsolescence	(208)	(13)	(353)	43



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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 30/06/13 S\$'000	As at 30/09/12 S\$'000	As at 30/06/13 S\$'000	As at 30/09/12 S\$'000
ASSETS				
Non-Current Assets				
Investments in Subsidiaries	-	-	46,107	46,107
Property, Plant and Equipment, Total	17,715	19,128	-	-
Other Assets	329	296	-	-
Total Non-Current Assets	18,044	19,424	46,107	46,107
Current Assets				
Inventories	113,520	110,049	-	-
Trade and Other Receivables, Current	27,143	25,625	1,843	5,041
Other Financial Assets	1,257	1,273	-	-
Other Assets	827	422	28	28
Cash and Cash Equivalents	21,029	20,076	450	1,105
Total Current Assets	163,776	157,445	2,321	6,174
Total Assets	181,820	176,869	48,428	52,281
EQUITY AND LIABILITIES				
Equity				
Share Capital	42,062	42,062	42,062	42,062
Retained Earnings	45,285	43,381	5,061	7,927
Other Reserves, Total	8,064	8,004	-	-
Total Equity	95,411	93,447	47,123	49,989
Non-Current Liabilities				
Other Financial Liabilities, Non-current	-	-	5	19
Deferred Tax Liabilities	2,287	2,287	-	-
Long-Term Borrowings	3,680	1,878	-	-
Finance Leases	3	46	-	-
Total Non-Current Liabilities	5,970	4,211	5	19
Current Liabilities				
Income Tax Payable, Current	1,690	2,602	207	118
Trade and Other Payables, Current	15,813	17,034	1,071	2,115
Other Liabilities	723	2,142	-	-
Other Financial Liabilities, Current	129	351	22	40
Short-Term Borrowings, Current	59,097	48,948	-	-
Current Portion of Long-Term Borrowings	2,922	8,035	-	-
Current Portion of Finance Leases	65	99	-	-
Total Current Liabilities	80,439	79,211	1,300	2,273
Total Liabilities	86,409	83,422	1,305	2,292
Total Equity and Liabilities	181,820	176,869	48,428	52,281



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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 30/06/13		As at 30/09/12	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
62,084	-	57,082	-

Amount repayable after one year

As at 30/06/13		As at 30/09/12	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,683	-	1,924	-

Details of any collateral

As at 30 June 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 loans for the properties 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.

The above loans for the properties as well as other debt securities are 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>3QFY2013</u>	<u>3QFY2012</u>	<u>1-Oct-12</u>	<u>1-Oct-11</u>
	S\$'000	S\$'000	30-Jun-13 S\$'000	30-Jun-12 S\$'000
Cash flows from operating activities :				
Profit before tax	1,612	753	6,356	10,385
Adjustments for :				
Depreciation expense	528	519	1,576	1,512
Interest income	(4)	(4)	(21)	(19)
Interest expense	378	376	1,067	1,065
Loss on translation	66	-	60	-
Fair value on insurance contracts	(11)	-	(33)	-
Fair value on investment in financial asset	(7)	-	16	-
Foreign exchange contracts adjustment	(13)	34	(222)	(39)
Operating profit before working capital changes	<u>2,549</u>	<u>1,678</u>	<u>8,799</u>	<u>12,904</u>
Trade and other receivables	12,175	6,481	(1,518)	(13,299)
Other assets	(43)	(7)	(405)	(33)
Inventories	(3,871)	3,473	(3,471)	(17,271)
Bills payable	(7,400)	5,541	10,149	21,157
Trade and other payables	1,036	(21,339)	(1,221)	1,749
Other liabilities	52	-	(1,419)	-
Cash from operations	<u>4,498</u>	<u>(4,173)</u>	<u>10,914</u>	<u>5,207</u>
Income tax paid	(775)	(404)	(2,064)	(1,245)
Net cash from/(used in) operating activities	<u>3,723</u>	<u>(4,577)</u>	<u>8,850</u>	<u>3,962</u>
Cash flows from investing activities :				
Purchase of property, plant and equipment	(90)	(109)	(163)	(239)
Investment in financial assets	-	(1,273)	-	(1,273)
Interest received	4	4	21	19
Net cash used in investing activities	<u>(86)</u>	<u>(1,378)</u>	<u>(142)</u>	<u>(1,493)</u>
Cash flows from financing activities :				
Cash restricted in use over 3 months	81	614	71	564
Increase in new short-term borrowings	-	1,000	-	1,000
Increase in new long-term borrowings	-	4,493	-	4,493
Short-term borrowings repayments	(1,000)	-	-	(2,000)
Long-term borrowings repayments	(1,107)	(2,605)	(3,311)	(4,646)
Decrease in finance leases	(22)	(40)	(77)	(127)
Dividends paid	-	-	(3,300)	(2,640)
Interest paid	(378)	(376)	(1,067)	(1,065)
Net cash (used in)/from financing activities	<u>(2,426)</u>	<u>3,086</u>	<u>(7,684)</u>	<u>(4,421)</u>
Net increase/(decrease) in cash and cash equivalents				
	1,211	(2,869)	1,024	(1,952)
Cash and Cash Equivalents, Statement of Cash Flows at beginning of financial period	<u>19,383</u>	<u>18,115</u>	<u>19,570</u>	<u>17,198</u>
Cash and Cash Equivalents, Statement of Cash Flows at end of financial period	<u>20,594</u>	<u>15,246</u>	<u>20,594</u>	<u>15,246</u>



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Non-cash transactions:

	<u>3QFY2013</u>	<u>3QFY2012</u>	<u>1-Oct-10</u>	<u>1-Oct-11</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>30-Jun-13</u>	<u>30-Jun-12</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Cash and Cash Equivalents	21,029	15,968	21,029	15,968
Cash restricted in use over 3 months	(435)	(722)	(435)	(722)
Cash and cash equivalents for cash flow statement purposes at end of financial period	20,594	15,246	20,594	15,246

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 2011	42,062	(30)	6,771	34,503	83,306
Dividends paid	-	-	-	(2,640)	(2,640)
Total Comprehensive Income for 3QFY2012	-	4	-	8,574	8,578
Balance at 30 June 2012	42,062	(26)	6,771	40,437	89,244
Balance at 1 October 2012	42,062	(24)	8,028	43,381	93,447
Dividends paid	-	-	-	(3,300)	(3,300)
Total Comprehensive Income for 3QFY2013	-	60	-	5,204	5,264
Balance at 30 June 2013	42,062	36	8,028	45,285	95,411

<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 2011	42,062	7,739	49,801
Dividends paid	-	(2,640)	(2,640)
Total Comprehensive Income for 3QFY2012	-	553	553
Balance at 30 June 2012	42,062	5,652	47,714
Balance at 1 October 2012	42,062	7,927	49,989
Dividends paid	-	(3,300)	(3,300)
Total Comprehensive Income for 3QFY2013	-	434	434
Balance at 30 June 2013	42,062	5,061	47,123



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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 2012. There were no outstanding convertibles and treasury shares as at 30 June 2012 and 30 June 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 30/06/13	As at 30/09/12
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.

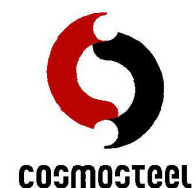
The figures have not been audited or reviewed.

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 2012.



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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.

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			
	3QFY2013	3QFY2012	3QFY2013 TODATE	3QFY2012 TODATE
Earnings per ordinary share of the Company (in cents):				
(a) Based on weighted average number of ordinary shares in issue	0.49	0.22	1.97	3.25
(b) On a fully diluted basis	0.49	0.22	1.97	3.25
Weighted average number of ordinary shares in issue	263,999,997	263,999,997	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:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 30/06/13	As at 30/09/12	As at 30/06/13	As at 30/09/12
Net asset value per ordinary share based on issued share capital at the end of the financial year (in cents):	36.14	35.40	17.85	18.94
Number of ordinary shares in issue	263,999,997	263,999,997	263,999,997	263,999,997



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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 had decreased by \$7.9 million or 19.1%, from \$41.2 million in 3QFY2012 to \$33.3 million in 3QFY2013. The decrease was mainly attributed to lower sales to customers in the Energy Sector. Revenue from such customers had decreased by \$8.8 million or 25.8% from \$34.3 million in 3QFY2012 to \$25.5 million in 3QFY2013. The same reason accounted for the year-on-year decrease in revenue of \$5.9 million or 4.6% from \$128.0 million in FY2012 to \$122.1 million in FY2013. Year on year, revenue from the Energy Sector had decreased by \$7.6 million or 7.0% from \$108.8 million in FY2012 to \$101.2 million in FY2013.

Notwithstanding a decline in revenue for the quarter, gross profit had increased by \$0.7 million or 11.0% from \$6.6 million in 3QFY2012 to \$7.3 million in 3QFY2013. Gross profit margin had also increased by 5.9 percentage points from 16.0% in 3QFY2012 to 21.9% in 3QFY2013. However, year-on-year, gross profit had decreased by \$3.4 million from \$26.2 million in FY2012 to \$22.8 million in FY2013. Similarly, year-to-date gross profit margin had decreased by 1.7 percentage points from 20.4% in FY2012 to 18.7% in FY2013.

Financial income stayed at the same level in 3QFY2013 as in 3QFY2012. Year on year, financial income had increased marginally by \$2 thousand from \$19 thousand in FY2012 to \$21 thousand in FY2013. Likewise, financial expense had remained relatively stable at \$0.4 million in both quarters. Year on year, financial expense amounted to \$1.1 million in both FY2012 and FY2013.

Distribution costs had increased by \$0.1 million or 7.0% from \$2.5 million in 3QFY2012 to \$2.6 million in 3QFY2013. Similarly, on a year on year basis, distribution costs had increased by \$0.6 million or 8.9% from \$7.0 million in FY2012 to \$7.6 million in FY2013. The increase was due to higher manpower costs and marketing expenditure.

Administrative expenses had increased by \$0.2 million or 8.3% from \$2.2 million in 3QFY2012 to \$2.4 million in 3QFY2013 which resulted from a general increase in a myriad of expenses. However, year on year, administrative expenses had decreased by \$0.3 million or 2.8% from \$7.7 million in FY2012 to \$7.4 million in FY2013 primarily from a decrease in the provision of remuneration payable to directors (arising from the profit sharing arrangements under their service agreements).

Other credits/(charges) had decreased by \$0.5 million or 64.7% from \$0.8 million in 3QFY2012 to \$0.3 million in 3QFY2013 mainly due to lower impairment allowance for doubtful debts. On the other hand, on a year on year basis, other credits/(charges) had increased by \$0.2 million from \$0.1 million in FY2012 to \$0.3 million in FY2013 which was mainly attributable to unrealised foreign exchange losses.

Our profit before income tax had increased by \$0.8 million or 114.1% from \$0.8 million in 3QFY012 to \$1.6 million in 3QFY2013. However, year on year, profit before income tax had decreased by \$4.0 million or 38.8% from \$10.4 million in FY2012 to \$6.4 million in FY2013 due to aforementioned reasons.



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Statement of Financial Position

Non-current assets had decreased by \$1.4 million or 7.1% from \$19.4 million as at 30 September 2012 to \$18.0 million as at 30 June 2013 from depreciation charged and minimal capital expenditure in the first nine months of the current financial year.

Current assets had increased by \$6.4 million or 4.0% from \$157.4 million as at 30 September 2012 to \$163.8 million as at 30 June 2013 from an increase in nearly all categories of current assets. Inventories had increased by \$3.5 million or 3.2% from \$110.0 million as at 30 September 2012 to \$113.5 million as at 30 June 2013. Generally, we need to maintain our inventories at a certain level in order to enhance our competitiveness in our delivery turnaround time. Trade and other receivables had also increased by \$1.5 million or 5.9% from \$25.6 million as at 30 September 2012 to \$27.1 million as at 30 June 2013. Despite the increase, trade receivable turnover had improved from 64 days as at 30 September 2012 to 59 days as at 30 June 2013. Similarly, cash and cash equivalents had increased, albeit to a smaller extent, by \$0.9 million or 4.8% from \$20.1 million as at 30 September 2012 to \$21.0 million as at 30 June 2013 from positive operating cash flows.

Non-current liabilities had increased by \$1.8 million or 41.8% from \$4.2 million as at 30 September 2012 to \$6.0 million as at 30 June 2013 from a reclassification of current portion of long-term borrowings.

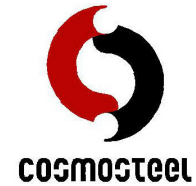
Current liabilities had also increased marginally by \$1.2 million or 1.6% from \$79.2 million as at 30 September 2012 to \$80.4 million as at 30 June 2013, primarily from an increase in short-term borrowings to finance purchases of inventories which was partially offset by a decrease in both trade and other payables and current portion of long-term borrowings. Short-term borrowings had increased by \$10.2 million or 20.7% from \$48.9 million as at 30 September 2012 to \$59.1 million as at 30 June 2013 while trade and other payables had decreased by \$1.2 million or 7.2% from \$17.0 million as at 30 September 2012 to \$15.8 million as at 30 June 2013. Current portion of long-term borrowings has decreased by \$5.1 million or 63.6% from \$8.0 million as at 30 September 2012 to \$2.9 million as at 30 June 2013 from both loan repayments and a reclassification as aforementioned.

Statement of Cash Flows

Cash from operating activities had increased by \$8.3 million or 181.3% from a negative position of \$4.6 million in 3QFY2012 to a positive position of \$3.7 million in 3QFY2013 mainly from a reduction in payment for trade and payables which saw an outflow of \$21.3 million in 3QFY2012 as compared to an inflow of \$1.0 million in 3QFY2013. Year on year, cash from operating activities had increased by \$4.9 million or 123.4% from \$4.0 million in FY2012 to \$8.9 million in FY2013 which resulted mainly from lower payments made for purchases of inventories and higher receipts from trade and other receivables.

Cash used in investing activities had decreased by \$1.3 million or 93.8% from \$1.4 million in 3QFY2012 to \$0.1 million in 3QFY2013. Similarly, year on year, cash used in investing activities had decreased by \$1.4 million or 90.5% from \$1.5 million in FY2012 when there was an investment of \$1.3 million made in a capital-guaranteed financial asset, to \$0.1 million in FY2013.

Cash used in financing activities had increased by \$5.5 million or 178.6% from an inflow of \$3.1 million in 3QFY2012 to an outflow of \$2.4 million in 3QFY2013 mainly from repayments and zilch short and long term borrowings. The same reason as well as higher dividends paid had accounted for the year on year increase in cash used in financing activities which saw an increase of \$3.3 million or 73.8% from \$4.4 million in FY2012 to \$7.7 million in FY2013.



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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.**

As we had experienced in the first half of the financial year, market conditions were highly competitive for the current quarter and will likely remain the same until the end of the financial year. We will continue with our on-going efforts in marketing activities as well as cost management.

We will continue to closely assess and balance the volume and returns from future orders with the aim of maintaining the Group's overall profitability. Barring unforeseen circumstances, we expect the 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.

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

No dividend has been declared/recommendeded.



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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 3QFY2013 to be false or misleading in any material aspect.

By order of the Board

Ong Chin Sum
Chief Executive Officer

Ong Tong Hai
Director

7 August 2013