



COSMOSTEEL HOLDINGS LIMITED
Co. Reg. No. 200515540Z

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

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>1QFY2019</u> | <u>1QFY2018</u> | % |
| | S\$'000 | S\$'000 | + / (-) |
| Revenue | 22,219 | 18,462 | 20.3 |
| Cost of sales | (18,604) | (15,839) | 17.5 |
| Gross profit | 3,615 | 2,623 | 37.8 |
| Financial income | 8 | 4 | 100.0 |
| Financial expense | (231) | (125) | 84.8 |
| Distribution costs | (1,150) | (1,202) | (4.3) |
| Administrative expenses | (1,492) | (1,458) | 2.3 |
| Depreciation expense | (1,017) | (1,422) | (28.5) |
| Other gains / (losses) | 126 | (1,075) | (111.7) |
| Loss before income tax | (141) | (2,655) | (94.7) |
| Income tax expense | - * | (6) | (100.0) |
| Loss for the year | (141) | (2,661) | (94.7) |
| <u>Other Comprehensive Income / (Loss):</u> | | | |
| <u>Items that may be reclassified subsequently to profit or loss:</u> | | | |
| Exchange differences on translating foreign operations, net of tax | - * | 34 | (100.0) |
| Other comprehensive income for the period, net of tax | - * | 34 | (100.0) |
| Total comprehensive loss for the year, net of tax | (141) | (2,627) | (94.6) |

* Amount less than \$500.

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

| | Group | |
|---|-----------------|-----------------|
| | <u>1QFY2019</u> | <u>1QFY2018</u> |
| | S\$'000 | S\$'000 |
| Allowance for impairment on trade receivables - reversal / (loss) | 19 | (1) |
| Inventories value written back / (written down) | 173 | (960) |
| Bad debts written off | (15) | - |
| Foreign exchange adjustment losses | (62) | (142) |
| Interest on borrowings | (231) | (125) |



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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>31/12/18</u> S\$'000 | <u>As at</u> <u>30/09/18</u> S\$'000 | <u>As at</u> <u>31/12/18</u> S\$'000 | <u>As at</u> <u>30/09/18</u> S\$'000 |
| <u>ASSETS</u> | | | | |
| <u>Non-Current Assets</u> | | | | |
| Property, Plant and Equipment | 28,140 | 29,119 | - | - |
| Investments in Subsidiaries | - | - | 60,107 | 60,107 |
| Trade and Other Receivables | 25 | - | - | - |
| Total Non-Current Assets | 28,165 | 29,119 | 60,107 | 60,107 |
| <u>Current Assets</u> | | | | |
| Inventories | 46,869 | 41,317 | - | - |
| Trade and Other Receivables | 28,028 | 26,903 | 1,679 | 1,561 |
| Financial Assets at Fair Value Through Profit or Loss | 210 | 199 | - | - |
| Other Assets | 245 | 319 | 19 | 32 |
| Cash and Cash Equivalents | 11,105 | 14,150 | 95 | 177 |
| Total Current Assets | 86,457 | 82,888 | 1,793 | 1,770 |
| Total Assets | 114,622 | 112,007 | 61,900 | 61,877 |
| <u>EQUITY AND LIABILITIES</u> | | | | |
| <u>Equity</u> | | | | |
| Share Capital | 56,325 | 56,325 | 56,325 | 56,325 |
| Retained Earnings | 6,919 | 7,060 | 5,356 | 5,312 |
| Other Reserves | 10,072 | 10,072 | - | - |
| Total Equity | 73,316 | 73,457 | 61,681 | 61,637 |
| <u>Non-Current Liabilities</u> | | | | |
| Provisions | 40 | 40 | - | - |
| Other Financial Liabilities | 6,234 | 6,781 | - | - |
| Total Non-Current Liabilities | 6,274 | 6,821 | - | - |
| <u>Current Liabilities</u> | | | | |
| Income Tax Payable | - | - | 6 | 7 |
| Trade and Other Payables | 12,104 | 9,088 | 213 | 233 |
| Other Financial Liabilities | 22,631 | 22,331 | - | - |
| Other Non-Financial Liabilities | 297 | 310 | - | - |
| Total Current Liabilities | 35,032 | 31,729 | 219 | 240 |
| Total Liabilities | 41,306 | 38,550 | 219 | 240 |
| Total Equity and Liabilities | 114,622 | 112,007 | 61,900 | 61,877 |



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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 31/12/2018 | | As at 30/9/2018 | |
|------------------|-----------|-----------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| \$'000 | \$'000 | \$'000 | \$'000 |
| 22,631 | - | 22,331 | - |

Amount repayable after one year

| As at 31/12/2018 | | As at 30/9/2018 | |
|------------------|-----------|-----------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| \$'000 | \$'000 | \$'000 | \$'000 |
| 6,234 | - | 6,781 | - |

Details of any collateral

As at 31 December 2018, the Group's borrowings and debt securities consist of bills payable, finance leases and loans for the properties at 90 Second Lok Yang Road Singapore 628166 and 36 Tuas Crescent Singapore 638724.

The borrowings are secured by:

- (a) Legal mortgage on the Group's leasehold properties at 90 Second Lok Yang Road Singapore 628166 and 36 Tuas Crescent Singapore 638724;
- (b) Negative pledge over the assets of the Group;

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 | |
|---|-----------------|-----------------|
| | 1QFY2019 | 1QFY2018 |
| | S\$'000 | S\$'000 |
| Cash Flows From Operating Activities : | | |
| Loss Before Tax | (141) | (2,655) |
| Adjustments for : | | |
| Interest Income | (8) | (4) |
| Interest Expense | 231 | 125 |
| Depreciation of Property, Plant and Equipment | 1,017 | 1,422 |
| Operating Cash Flows before Changes in Working Capital | 1,099 | (1,112) |
| Inventories | (5,552) | 46 |
| Trade and Other Receivables | (1,149) | 2,203 |
| Financial Assets at Fair Value through Profit or Loss | (11) | (27) |
| Other Assets | 74 | 248 |
| Trade and Other Payables | 3,016 | 7,768 |
| Other Non-Financial Liabilities | (13) | (513) |
| Net Cash Flows (Used in) / From Operations | (2,536) | 8,613 |
| Income Taxes (Paid) / Refunded | (1) | 227 |
| Net Cash Flows (Used in) / From Operating Activities | (2,537) | 8,840 |
| Cash Flows From Investing Activities : | | |
| Purchase of Property, Plant and Equipment | (38) | (3,354) |
| Interest Received | 8 | 4 |
| Net Cash Flows Used in Investing Activities | (30) | (3,350) |
| Cash Flows From Financing Activities : | | |
| Cash Restricted in Use Over 3 Months | - | 1 |
| Decrease in Other Financial Liabilities | (197) | (8,776) |
| Increase from New Borrowings | - | 1,311 |
| Finance Leases Repayments | (53) | (53) |
| Interest Paid | (228) | (122) |
| Net Cash Flows Used in Financing Activities | (478) | (7,639) |
| Net Decrease in Cash and Cash Equivalents | (3,045) | (2,149) |
| Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance | 12,778 | 21,299 |
| Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance | 9,733 | 19,150 |



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| | <u>Group</u> | |
|--|----------------------------|----------------------------|
| | <u>1QFY2019</u> S\$'000 | <u>1QFY2018</u> S\$'000 |
| Cash and Cash Equivalents | 11,105 | 19,176 |
| Cash Restricted in Use Over 3 Months | (1,372) | (26) |
| Cash and Cash Equivalents for Statement of Cash Flows purposes at end of the period | 9,733 | 19,150 |

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 2017 | 56,325 | 194 | 9,930 | 37,192 | 103,641 |
| Total Comprehensive Loss for 1QFY2018 | - | 34 | - | (2,661) | (2,627) |
| Balance at 31 December 2017 | 56,325 | 228 | 9,930 | 34,531 | 101,014 |
| Balance at 1 October 2018 | 56,325 | 272 | 9,800 | 7,060 | 73,457 |
| Total Comprehensive Loss for 1QFY2019 | - | - | - | (141) | (141) |
| Balance at 31 December 2018 | 56,325 | 272 | 9,800 | 6,919 | 73,316 |

| <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 2017 | 56,325 | 5,224 | 61,549 |
| Total Comprehensive Income for 1QFY2018 | - | 28 | 28 |
| Balance at 31 December 2017 | 56,325 | 5,252 | 61,577 |
| Balance at 1 October 2018 | 56,325 | 5,312 | 61,637 |
| Total Comprehensive Income for 1QFY2019 | - | 44 | 44 |
| Balance at 31 December 2018 | 56,325 | 5,356 | 61,681 |



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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 2018. There were no outstanding convertibles and treasury shares as at 31 December 2017 and 31 December 2018.

- 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 31/12/18 | As at 30/09/18 |
|-----------------------|-----------------------|
| 290,399,997 | 290,399,997 |

The Company did not have any treasury shares at the end of the current financial period and as at the end of the immediately preceding year.

- 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 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.**

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 30 September 2018.



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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.**

The Accounting Standards Council (Singapore) has introduced a new financial reporting framework, Singapore Financial Reporting Standards (International) (“SFRS(I)”), that is identical to the International Financial Reporting Standards issued by the International Accounting Standards Board, for the financial year beginning on or after 1 January 2018.

The Group has adopted SFRS(I) on 1 October 2018 and as a result, the Group’s financial statements for the financial year ending 30 September 2019 will be prepared in accordance with SFRS(I).

The adoption of SFRS(I) will have no material impact on the Group’s financial statements in this year of initial application.

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 | |
|--|-------------|-------------|
| | 1QFY2019 | 1QFY2018 |
| Earnings per ordinary share of the Group (in cents): | | |
| (a) Based on weighted average number of ordinary shares in issue | (0.05) | (0.92) |
| (b) On a fully diluted basis | (0.05) | (0.92) |
| Weighted average number of ordinary shares in issue | 290,399,997 | 290,399,997 |

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 31/12/2018 | As at 30/9/2018 | As at 31/12/2018 | As at 30/9/2018 |
| Net asset value per ordinary share based on issued share capital at the end of the financial period (in cents): | 25.25 | 25.30 | 21.24 | 21.22 |
| Number of ordinary shares in issue | 290,399,997 | 290,399,997 | 290,399,997 | 290,399,997 |



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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 Review

Revenue

Revenue had increased by \$3.7 million or 20.3% from \$18.5 million in 1QFY2018 to \$22.2 million in 1QFY2019. The main increase was the revenue from customers in the Energy Sector. Revenue from Energy Sector had increased by \$2.5 million or 16.8% from \$15.0 million in 1QFY2018 to \$17.5 million in 1QFY2019. Collectively, revenue from Marine and Trading Sectors had increased by \$1.2 million or 37.5% from \$3.2 million in 1QFY2018 to \$4.4 million in 1QFY2019.

Geographically, Japan market was the main contributor at 33.9% of the revenue generated in 1QFY2019. The revenue from Japan market had increased by \$2.6 million or 52.4% from \$4.9 million in 1QFY2018 to \$7.5 million in 1QFY2019. Revenue had increased in all markets with the exception of Malaysia, Thailand, Brunei and Middle East.

Gross Profit and Gross Profit Margin

Gross profit margin had improved by 2.1 percentage point from 14.2% in 1QFY2018 to 16.3% in 1QFY2019. Gross profit increased by \$1.0 million or 37.8% from \$2.6 million in 1QFY2018 to \$3.6 million in 1QFY2019.

Financial Income and Expense

Financial income in 1QFY2019 had increased by \$4 thousand from interest earned on fixed deposits. Financial expense had increased by \$0.1 million or 84.8% from \$0.1 million in 1QFY2018 to \$0.2 million in 1QFY2019 mainly due to higher interest rates.

Operating Expenses

Distribution costs and administrative expenses remained relatively stable at \$1.2 million and \$1.5 million respectively.

Depreciation expense had decreased by \$0.4 million or 28.5% from \$1.4 million in 1QFY2018 to \$1.0 million in 1QFY2019 mainly from lower depreciation on properties.

Other Gains/ (Losses)

Other losses had decreased by \$1.2 million from a loss of \$1.1 million or 111.7% in 1QFY2018 to a gain of \$0.1 million in 1QFY2019 mainly from written back of inventories value.

Loss Before Income Tax

Loss before tax had decreased by \$2.6 million or 94.7% from \$2.7 million in 1QFY2018 to \$0.1 million in 1QFY2019 due to the reasons as aforementioned.



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Other Comprehensive Income/ (Loss)

Other comprehensive income had decreased by \$34 thousand or 100.0% from exchange differences on translating foreign operations.

Statement of Financial Position Review

Non-Current Assets

Non-current assets had decreased by \$0.9 million or 3.3% from \$29.1 million as at 30 September 2018 to \$28.2 million as at 31 December 2018 mainly due to the depreciation charged in the current financial period.

Current Assets

Current assets had increased by \$3.6 million or 4.3% from \$82.9 million as at 30 September 2018 to \$86.5 million as at 31 December 2018. The increase was mainly due to increase in inventories and trade and other receivables, partly offset by decrease in cash and cash equivalent. Inventories had increased by \$5.6 million or 13.4% from \$41.3 million as at 30 September 2018 to \$46.9 million as at 31 December 2018. Trade and other receivables had increased by \$1.1 million or 4.2% from \$26.9 million as at 30 September 2018 to \$28.0 million as at 31 December 2018. On the other hand, cash and cash equivalent had decreased by \$3.1 million or 21.5% from \$14.2 million as at 30 September 2018 to \$11.1 million as at 31 December 2018.

Non-Current Liabilities

Non-current liabilities had decreased by \$0.5 million or 8.0% from \$6.8 million as at 30 September 2018 to \$6.3 million as at 31 December 2018 from repayment of bank borrowings.

Current Liabilities

Current liabilities had increased by \$3.3 million or 10.4% from \$31.7 million as at 30 September 2018 to \$35.0 million as at 31 December 2018 mainly from increase in trade and other payables. Trade and other payables had increased by \$3.0 million or 33.2% from \$9.1 million as at 30 September 2018 to \$12.1 million as at 31 December 2018.

Equity

Total equity had decreased by \$0.2 million or 0.2% from \$73.5 million as at 30 September 2018 to \$73.3 million as at 31 December 2018 mainly from the loss incurred in 1QFY2019.

Statement of Cash Flows Review

Cash Flows (Used in)/ From Operating Activities

Cash from operating activities had decreased by \$11.3 million from an inflow of \$8.8 million in 1QFY2018 to an outflow of \$2.5 million in 1QFY2019 mainly from the working capital changes.

Cash Flows Used In Investing Activities

Cash used in investing activities had decreased by \$3.4 million from \$3.4 million in 1QFY2018 to \$30 thousand in 1QFY2019 due to minimal capital expenditure for the financial period.



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Cash Flows Used In Financing Activities

Cash used in financing activities had decreased by \$7.1 million from \$7.6 million in 1QFY2018 to \$0.5 million in 1QFY2019 from the changes in financial liabilities.

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 expect market conditions to remain challenging and profit margins to continue to be under pressure. We will continue to keep up our marketing efforts to improve revenue generation including focusing on sales of its existing inventories as well as cost management.

Barring unforeseen circumstances, we remain cautiously optimistic of an improvement in revenue generation in FY2019.

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.

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the IPT Mandate) | Aggregate value of all interested person transactions conducted under the IPT Mandate (excluding transactions less than S\$100,000) |
|---------------------------|---|---|
| | S\$'000 | S\$'000 |
| Hanwa Group * | - | 5,794 |

* Hanwa Co., Ltd and its subsidiaries, and (where applicable) its associated companies.

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 1QFY2019 to be false or misleading in any material aspect.

15. **Confirmation pursuant to Rule 720 (1) of the Listing Manual**

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720 (1) of the Listing Manual.

By order of the Board

Ong Chin Sum
Chief Executive Officer

Ong Tong Hai
Director

8 February 2019