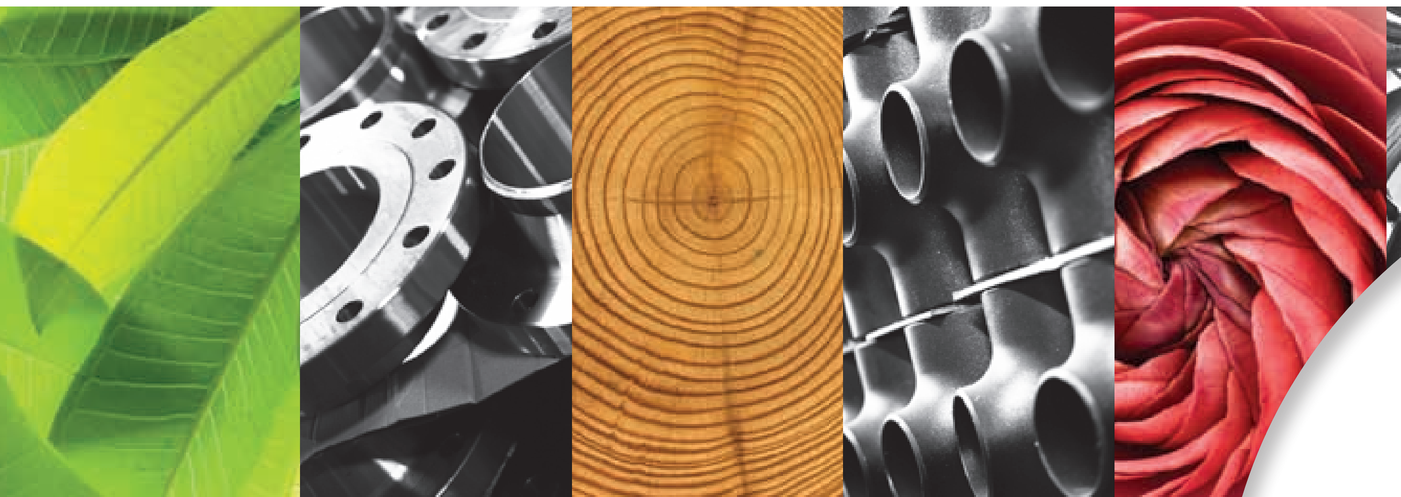
ANNUAL REPORT 2011

cosmosteel



CONTENTS

OUR MISSION

To be a world-class provider of industrial hardware and related services that surpasses expectations of our customers through consistent product quality, competitive pricing, reliable on-time delivery, and service excellence with a strong commitment to social and environmental responsibility.

CORPORATE PROFILE

Backed by a track record of almost 30 years, SGX Mainboard-listed CosmoSteel Holdings Limited ("CosmoSteel Group"), has a strong reputation as a supplier and distributor of piping system components to the Energy, Marine, Water infrastructure and other industries. Product quality, timeliness and reliable customer deliveries are the foundation of our business.

Through years of business, CosmoSteel Group has built strong working relationships and received reliable support from major manufacturers in Europe, US, Japan and the PRC to supply consistent quality products to our customers. CosmoSteel Group dedicates our business to the pursuit of achieving total customer satisfaction by offering quality products and services at competitive prices and seeking continuous improvement in our quality, environmental and occupational health and safety integrated management system.

Over the years, CosmoSteel Group has developed strategic alliances with both suppliers and customers, regionally and internationally, and has successfully established our reputation as a service-oriented and reliable solution provider in the sourcing and distribution of piping system components.

Today, CosmoSteel Group's strength lies in our commitment to exceed customer's expectations and requirements, placing focus on quality and reliability as our service beacon. Attesting to our unwavering commitment to these values, our Group has received numerous world-class certifications over the years including ISO 9002:1994 in 2000; ISO 9001:2000 in 2003; and in 2009, ISO9001:2008, ISO14001:2004 and OHSAS 18001:2007.

OUR PRODUCTS

With more than 20,000 line items across three main product categories, CosmoSteel Group has one of the most extensive inventories of steel pipes, fittings and flanges in Singapore, placing us in a strong position to meet the steel product requirements of our customers readily and efficiently.

From carbon steel, low temp carbon steel, stainless steel, duplex steel, super duplex steel to high yield and low alloys, our steel products come in a wide range of materials to suit the diverse needs of our customers. Apart from material range, our products are also available in different product variations in accordance with customers' required design, size, chemical compositions, mechanical strength and testing requirements. Across the board, our steel products are mainly categorised based on international standards promulgated by API, ANSI, ASME, ASTM and/or EN.

Further expanding our product offerings, CosmoSteel Group supplies spiral welded pipes up to dimensions of OD 2500mm for the water and construction industries. We also offer seamless or welded constructed pipes, which are widely used today in cross country line pipes requirements.

OUR SERVICES

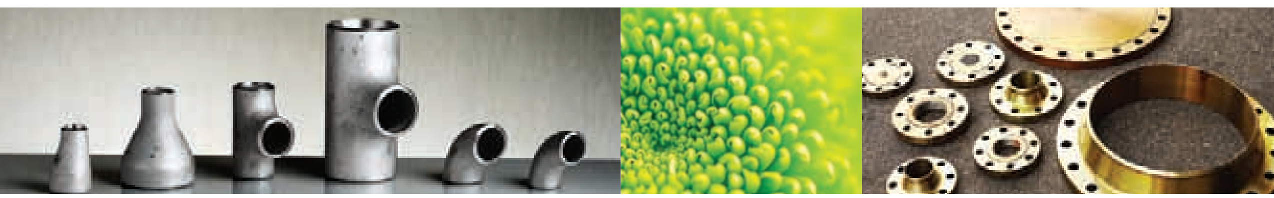
Service excellence is always a top priority for CosmoSteel Group, and to this end, we offer a range of complementary and value-added services to our customers. With our in-house fabrication capabilities, we are able to provide product customisation services to modify the size and thread dimensions of our products in order to meet the specific engineering and fabrication designs of our customers.

To ensure quality assurance, we provide validation and testing services as well. Our range of Non-Destructive Testing includes alloy verification, dye penetrant testing, magnetic particle testing, hydrotesting, UT testing for lamination and longitudinal or transverse defects, wall thickness check and ferrite content check amongst others. We also provide third party testing and inspection for materials that require Hydrogen Induction Cracking or Sulfide Stress Cracking.

We also offer expedited delivery services for material grades that are difficult to source with an international network of suppliers with whom we have strategic alliances from years of partnership and cooperation.

Over and above all these, CosmoSteel Group offers project management services to our customers, an additional set of value-add services that propels our service excellence to the next level. As part of this suite of services, we are able to provide procurement and expediting services for the specific materials required by our customers as well as inventory management services to customers without warehouse or storage facilities. Our project management services also includes just-in-time delivery according to our customers' requirements and logistics arrangements for expedited deliveries, both of which yield significant time and storage cost savings for our customers.

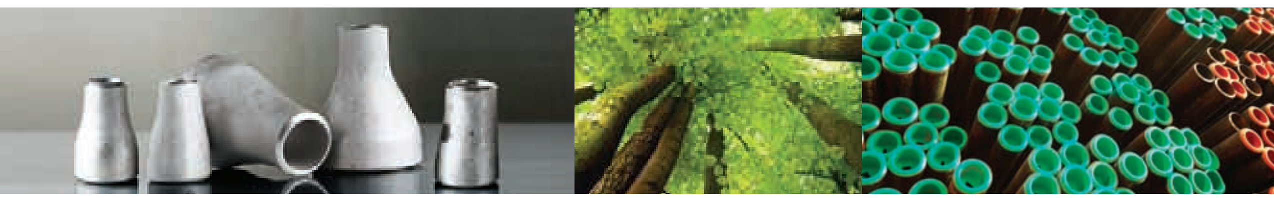

PROFIT*ABILITY*



Since our inception, CosmoSteel Group has expanded in operations and stature and 29 years later in 2011, our financial results reflect our growth story…

Revenue	↑43.3%	S$127.9 million
Gross Profit	↑19.5%	S$26.2 million
Net Profit	↑64.5%	S$5.4 million

SUSTAIN*ABILITY*



The measure of a company's success lies beyond its financial performance. In CosmoSteel Group, we believe in conducting our business in a socially, economically and environmentally responsible manner toward our stakeholders. Our Quality, Environmental and Occupational Health and Safety (QEHS) policies, which integrate and manage the issues of sustainability and social responsibility within our operations, guide us in the way we conduct our business.

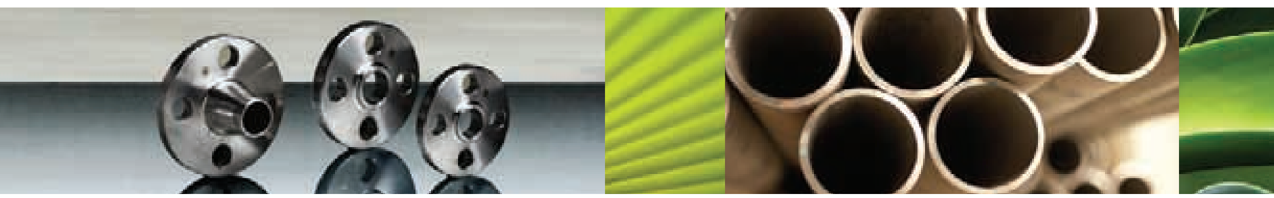
As part of these QEHS policies, we have put in place management programmes pegged to performance indicators which include the following:

- To reduce electricity consumption on a kilowatt per employee basis;
- To reduce paper consumption on a copies used per S$1,000 of sales basis;
- To reduce water consumption on a cubic centimetres per employee basis;
- To improve safety in general work operations by reducing the frequency and severity rate of accidents per million man hours; and
- To reduce the percentage of medical visits associated with work by promoting healthy life-style of employees.

Testifying to our commitment to QEHS, we have been awarded ISO and OHSAS accreditations including ISO 9002:1994 in 2000, ISO 9001:2000 in 2003, and ISO9001:2008, ISO14001:2004 and OHSAS 18001:2007 in 2009.

Closely linked to sustainability is productivity. And enhancing productivity is always a top priority for CosmoSteel Group as we believe that it is essential to our ability to deliver sustainable and dependable business growth.


ACCOUNTABILITY



CosmoSteel Group understands the need for a robust set of internal controls to govern legal compliance, accountability and ethical conduct when dealing with stakeholders in an organisation.

We believe that ethical conduct and business success are inseparable and as such, we have established a Code of Conduct for all employees and officers in August 2011 with the below fundamental principle:

"The Group and each of its directors and employees (i) will endeavour in good faith to comply with all material laws that apply to the Company, its personnel and its and their activities, both in letter and spirit, (ii) will strive to adhere to the highest standards of ethical conduct and (iii) will attempt in good faith to avoid even the appearance of improper conduct."

This fundamental principle governs all of our activities and we believe that no important business objective can be achieved without adhering to it. With its guidelines and framework of checks and controls, this Code is intended to be a tool to help the Group police legal compliance and ascertain accountability and in the process, enable better ethical decision-making by the Group in the conduct of its business.

MESSAGE FROM THE CEO

Dear Shareholders and Stakeholders,

On behalf of the Board of Directors of CosmoSteel Holdings Limited ("CosmoSteel" or the "Group"), I would like to present our annual report for fiscal year 2011.

Throughout fiscal year 2011, the Group confronted the on-going challenges posed by an uncertain global economy brought about by the European debt crisis and a faltering US economy. Indeed, threats to financial stability have grown in the second half of the year with the escalation of the European debt crisis[1].

In Singapore, the Ministry of Trade and Industry announced on 21 November 2011 that it expects the local economy to grow by around 5% in 2011 and by 1% to 3% in 2012 as global economic conditions remain subdued[2]. This is barring any further unravelling of the sovereign debt woes in Europe or a full-blown economic crisis beyond the continent in the event of a break-up of the euro bloc[3].

Against the backdrop of one of the worst economic downturns in memory, the Group has stayed focused to deliver results.

GROUP PERFORMANCE AND DIVIDEND

For the 12 months ended 30 September 2011 ("FY2011"), I am pleased to report that our financial and operating results showed improvement over the last financial year with revenue rising 43.3% from S$89.2 million to S$127.9 million and net profit soaring 64.5% from S$3.3 million to S$5.4 million.

In view of our robust results in FY2011, our Board of Directors is pleased to propose a final cash dividend of S$0.01 per share, subject to approval by shareholders in the forthcoming Annual General Meeting.

PROGRESSING IN AN EVOLVING LANDSCAPE

Over the years, we have received accolades and growing recognition from our peers and industry leaders. This year, the Group is proud to be recognised at the prestigious 2011 Fastest Growing 50 ("FG50") Awards, organised by DP Information Group, a provider of business and credit information, to honour companies that have delivered double-digit revenue growth three years in a row.

CosmoSteel was ranked 3rd in the Top 10 Internationalising Award, a category that recognises the top 10 companies with the fastest revenue growth from overseas markets. Over the last three years, the Group registered a compounded annual growth rate of 94.51% in terms of overseas revenue. I am honoured to receive this award as it reflects the Group's sound fundamentals, innate resilience and tireless efforts to develop our regional markets amidst challenging global economic conditions. Moving forward, we will continue to review our growth strategies to adapt to changing conditions and to seize opportunities in today's ever-changing landscape to deliver results.

STRIVING FOR SUSTAINABLE GROWTH

As we move into the new fiscal year, we are well aware of the uncertain global economic environment and the challenges it presents for businesses everywhere. We will, as always, tackle these tests head-on and are confident of our resilience in the face of adversity.

As part of our strategies to achieve business sustainability, we are reviewing our business plans regularly to maximise market opportunities. This includes ongoing efforts to expand our product range so as to secure new customers and to serve our existing customers more comprehensively.

At the same time, Quality, Environmental, Occupational Health and Safety are issues that the Group holds close to its heart and we will continue to improve our practices and policies in these areas to meet world-class standards.

IN APPRECIATION

On behalf of the Board of Directors, I would like to express our deep appreciation to our stakeholders. To our shareholders - thank you for your continued support and confidence. To our Board of Directors, management team and employees - thank you for your hard work and dedication. To our customers, suppliers and business partners - we are grateful for your trust and confidence in us and look forward to many more years of support.

Looking ahead, while the pace of recovery remains uncertain, we are cautiously optimistic that global economic conditions will continue to improve. We are also confident that our balanced and responsible approach to managing our company, which has characterised our 29-year market presence in Southeast Asia, will continue to serve our stakeholders well as we work through this difficult period.

Ong Chin Sum
Chief Executive Officer

[1] Business Times, "Economy on even keel but key risks lurk", 19 November 2011
[2] Ministry of Trade and Industry, "MTI forecasts growth of 5% in 2011 and 1-3% in 2012", 21 November 2011
[3] Business Times, "Figures signal a slowdown in 2012", 18 November 2011

执行总裁的话

各位宇宙钢铁的股东们大家好！

我感到非常荣幸代表宇宙钢铁的董事会和管理层，向大家呈上我们2011财政年度的年报。

2011年的经济局势在受到欧盟债务危机和美国经济持续出现衰退迹象的双重打击下，依旧是黯然无光的局面。尤其是欧盟的债务危机在后半年的急速蔓延[1]，更是威胁了全球的金融体系。

在新加坡，新加坡贸易和工业局在2011年11月21日所发布的文告中[2]，也对新加坡的经济增长预测做出了相应的调整。根据新的预测，新加坡2011年的全年增长将介于5%左右，而受到全球经济环境持续低迷的影响，2012年的增长幅度预料将介于1%至3%之间。新加坡贸易和工业局的增长预测将取决于欧元区的形势发展[3]。

集团业绩和股息

尽管，2011年严峻的经商环境为我们添加了不少新的挑战，但是我们仍然坚守着原先所定下的发展策略，迎接所有的挑战。我很欣慰，我们的这份坚持，让宇宙钢铁在2011财政年里取得令人鼓舞的业绩。

在此，我很高兴地向大家报告，集团截至2011年9月30日全年业绩与去年同一时期相比有了显著的改善。集团的营业额与去年相比上升了43.3%，从8920万新元上升到1亿2790万新元。净利则上升了64.5%从330万新元上升到540万新元。

由于集团在2011财政年取得良好的业绩，董事局今年将建议派发每普通股一分的一次过年终股息，有待在2012 年1 月13 日的股东周年大会通过。

在一个不断变化的行业里精益求精

这一路走来，我们获得了不少奖项和业界的肯定。今年，能够在由DP资讯集团（DP Information Group）所主办的“50家增长最快企业”奖（Fastest Growing 50）中，获得“十大国际化企业”（the Top 10 Internationalising Award）类别的第三名更是肯定了我们的努力。

在过去三年，宇宙钢铁的海外收入取得了94.81%的年均增长率。我很荣幸能获得这个奖项，因为它除了反映我们集团稳健的基础和在逆境中的适应能力外，更是肯定了我们在如此动荡不安的经济环境中开拓海外市场所付出的努力。接下来，我们会继续密切注视市场局势的发展并在决策上做出相应的调整。同时，我们也会把握时机和抓紧商机继续取得良好的业绩稳健地发展。

继续保持增长势头

挑战无所不在和经商环境瞬息万变是我们无法避免的考验。但是，我对宇宙钢铁的经营模式在逆境的适应能力非常有信心，并且我向大家保证，宇宙钢铁在面临任何考验时，我们定会全力以赴。

为了确保我们能够保持持续的增长，我们其中的策略便是定期检讨我们的业务经营模式，充分利用所掌握的商机，这包括不断扩大我们的产品范围来争取新的客户，和为我们现有的客户提供更多更完善的服务。

当然，我们也不会忽视与我们息息相关的品质，环境，职业健康和安全课题。我们将继续改善现有的政策继续推动宇宙钢铁成为一家对环境和社会负责任的世界级机构。

感谢股东们的支持

在这里，我代表所有的董事和管理层人员，对各位忠于宇宙钢铁的股东们表示由衷的感激。此外，我非常感谢所有的董事，管理人员和员工们为公司所付出的努力与奉献。当然也少不了一直支持我们的客户，供应商还有业务伙伴。谢谢你们赋予我们的信心和支持。

展望未来，我相信，我们所定下的发展策略加上积极和乐观的态度定能够帮助我们继续取得良好的业绩来回报所有股东们的支持，并且带领我们走过这段艰难的时期。

翁青山
执行总裁

[1] 新加坡商业时报，“Economy on even keel but key risks lurk”，2011年11月19日
[2] 新加坡贸易及工业局，“MTI forecasts growth of 5% in 2011 and 1-3% in 2012”，2011年11月21日
[3] 新加坡商业时报，“Figures signal a slowdown in 2012”，2011年11月18日

OPERATING & FINANCIAL REVIEW

INCOME STATEMENT

REVENUE

↑ by S$38.7 million or 43.3% from higher revenue generated by customers in the Energy and Marine sectors, which together contributed S$119.8 million, 62.5% more than FY2010.

GROSS PROFIT

↑ by S$4.3 million or 19.5% in tandem with revenue increase while gross profit margin was 20.5%, compared to 24.6% a year ago.

FINANCIAL EXPENSE

↓ by S$0.1 million or 6.7% from a reduction in interest on loans.

DISTRIBUTION COSTS

↑ by S$1.9 million or 27.6% due mainly to an increase in employees' remuneration. Apart from manpower costs, distribution costs also include fixed overheads such as warehouse rental charges and vehicles upkeep.

ADMINISTRATIVE EXPENSES

↑ by S$0.6 million or 8.1% due collectively to employees' remuneration and depreciation charged on properties.

OTHER CREDITS/(OTHER CHARGES)

↓ by S$0.2 million or 24.4% from a reduction in foreign exchange losses.

PROFIT BEFORE TAX

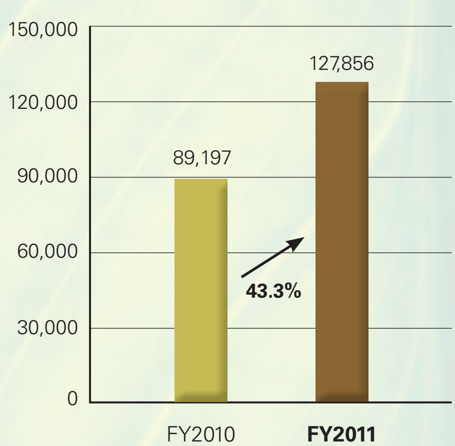
↑ by S$2.0 million or 40.4% as increases in costs and expenses were lower relative to the increase in gross profit.

PROFIT FOR THE YEAR

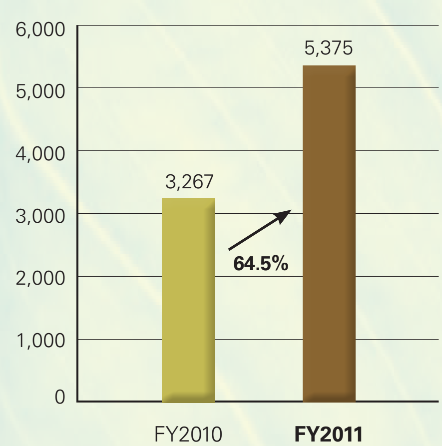
↑ by S$2.1 million or 64.5% due to the above reasons and lower tax expenses.

	FY2011 (S$'000)	FY2010 (S$'000)	Change (%)
Revenue			
– Energy	**102,858**	63,635	61.6
– Marine	**16,930**	10,089	67.8
– Water	**46**	1,053	(95.6)
– Trading	**6,396**	13,694	(53.3)
– Others	**1,626**	726	124.0
Total revenue	**127,856**	89,197	43.3
Cost of sales	**(101,676)**	(67,294)	51.1
Gross profit	**26,180**	21,903	19.5
Financial income	**16**	40	(60.0)
Financial expense	**(1,365)**	(1,463)	(6.7)
Distribution costs	**(8,803)**	(6,898)	27.6
Administrative expenses	**(8,726)**	(8,073)	8.1
Other credits/(Other charges)	**(506)**	(669)	(24.4)
Profit before income tax	**6,796**	4,840	40.4
Income tax expense	**(1,421)**	(1,573)	(9.7)
Profit for the year	**5,375**	3,267	64.5

Total Revenue (S$'000)



Profit for the Year (S$'000)



OPERATING & FINANCIAL REVIEW

SEGMENT ANALYSIS

REVENUE BY CUSTOMER TYPE

ENERGY

Segment revenue rose by S$39.2 million or 61.6% due to strong demand for the Group's steel products from an increased level of projects in the offshore oil and gas industry in FY2011. This segment accounted for 80.4% of the Group's revenue in FY2011.

MARINE

Segment revenue increased by S$6.8 million or 67.8% year-on-year, accounting for 13.3% of the Group's total revenue.

WATER

Revenue contribution from the Water segment was insignificant at S$46,000 during the year. Currently, the Group is focusing on the buoyant Energy and Marine segments while at the same time, exploring opportunities in the Water infrastructure projects in Singapore and overseas.

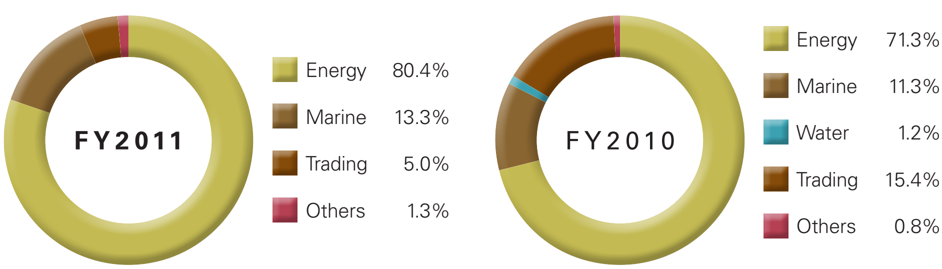
TRADING

This business involves the sale of steel products to traders who, in turn, on-sell the products to their customers who may include end-user customers from the Energy and Marine industries. In FY2011, Trading accounted for 5.0% of total revenue as sales from this segment fell 53.3% to S$6.4 million.

OTHERS

Revenue from this segment, which comprised customers from industries such as manufacturing and pharmaceutical, surged 124% to S$1.6 million and accounted for 1.3% of total revenue in FY2011.

Revenue Breakdown by Customer Type (%)



	FY2011 (S$'000)	FY2010 (S$'000)	Change (S$'000)	(%)
Energy	**102,858**	63,635	39,223	61.6
Marine	**16,930**	10,089	6,841	67.8
Water	**46**	1,053	(1,007)	(95.6)
Trading	**6,396**	13,694	(7,298)	(53.3)
Others	**1,626**	726	900	124.0
Total revenue	**127,856**	89,197	38,659	43.3

REVENUE BY GEOGRAPHICAL MARKET

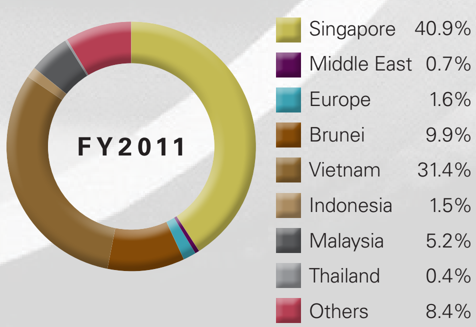
SINGAPORE
Singapore remained the main market for the Group and accounted for 40.9% of total revenue in FY2011. Sales from this market rose S$2.5 million or 4.9% to S$52.3 million mainly due to strong demand from the Group's Energy and Marine customers, most of whom are based in Singapore, during the year.

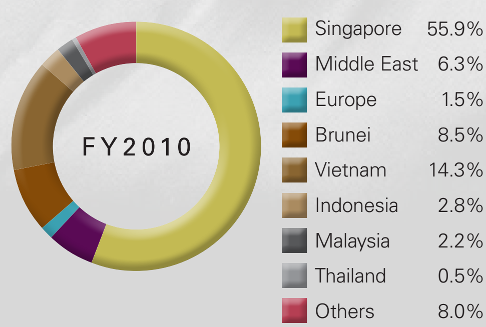
VIETNAM
Sales to Vietnam soared S$27.4 million or 215% to S$40.2 million, making it the Group's second largest market by contribution in FY2011.

BRUNEI
Accounting for 9.9% of total revenue, this market has grown to be the third largest for the Group by revenue contribution. Brunei sales was up by S$5.0 million or 65.7% to S$12.6 million.

MALAYSIA
Sales to Malaysia amounted to S$6.7 million in FY2011, S$4.7 million or 242.5% higher than a year ago. At 5.2% of total revenue, Malaysia is the fourth largest market for the Group by sales.

Revenue Breakdown by Geographical Market (%)





	FY2011 (S$'000)	FY2010 (S$'000)	Change (S$'000)	(%)
Singapore	**52,262**	49,806	2,456	4.9
Middle East	**911**	5,656	(4,745)	(83.9)
Europe	**2,001**	1,355	646	47.7
Brunei	**12,608**	7,608	5,000	65.7
Vietnam	**40,180**	12,754	27,426	215.0
Indonesia	**1,969**	2,523	(554)	(22.0)
Malaysia	**6,659**	1,944	4,715	242.5
Thailand	**571**	398	173	43.5
Others	**10,695**	7,153	3,542	49.5
Total revenue	**127,856**	89,197	38,659	43.3

OPERATING & FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION

	FY2011 (S$'000)	FY2010 (S$'000)	Change (%)
Non-current assets	**18,961**	15,314	23.8
– Property, plant and equipment	**18,831**	15,188	24.0
– Other assets	**130**	126	3.2
Current assets	**134,545**	114,864	17.1
– Inventories	**86,611**	74,047	16.9
– Trade and other receivables	**28,856**	21,776	32.5
– Other assets	**594**	2,280	(73.9)
– Cash and cash equivalents	**18,484**	16,761	10.3
Total assets	**153,506**	130,178	17.9
Non-current liabilities	**7,553**	9,308	(18.9)
– Deferred tax liabilities	**2,035**	1,226	66.0
– Long-term borrowings	**5,376**	7,829	(31.3)
– Finance leases	**142**	253	(43.9)
Current liabilities	**62,647**	45,782	36.8
– Income tax payable	**1,662**	1,226	35.6
– Trade and other payables	**15,061**	5,113	194.6
– Other financial liabilities	**286**	670	(57.3)
– Short-term borrowings	**39,691**	34,223	16.0
– Current portion of long-term borrowings	**5,780**	4,173	38.5
– Current portion of finance leases	**167**	377	(55.7)
Total liabilities	**70,200**	55,090	27.4
Total shareholders' funds	**83,306**	75,088	10.9

NON-CURRENT ASSETS

↑ by S$3.7 million or 23.8% from an upward revaluation of the Group's three properties, namely 14 Lok Yang Way, 21A Neythal Road and 90 Second Lok Yang Road, and less depreciation charged.

CURRENT ASSETS

↑ by S$19.6 million or 17.1% mainly attributable to a S$12.6 million increase in inventories to meet on-going and forthcoming orders while trade and other receivables rose S$7.1 million from higher revenue.

NON-CURRENT LIABILITIES

↓ by S$1.7 million or 18.9% from the repayment of long-term borrowings offset by a rise in deferred tax from the upward revaluation of the Group's three properties.

CURRENT LIABILITIES

↑ by S$16.8 million or 36.8% to support the Group's higher revenue. Trade and payables rose 194.6% from increased purchases bought on credit while short-term borrowings to finance purchases also rose, however, by a lesser extent of 16%.

TOTAL SHAREHOLDERS' FUND

↑ by S$8.2 million or 10.9% boosted by retained earnings and other reserves from a robust FY2011.

STATEMENT OF CASH FLOWS

CASH FLOW FOR OPERATING ACTIVITIES

Cash from operating activities increased by S$3.1 million to S$3.9 million and was largely attributable to lower taxes paid in FY2011.

CASH FLOW FOR INVESTING ACTIVITIES

Cash disbursed for investing activities decreased by S$0.8 million to S$0.3 million as capital expenditure of the Group was minimal in FY2011.

CASH FLOW FOR FINANCING ACTIVITIES

Cash disbursed for financing activities decreased by S$6.4 million to S$2.1 million as a result of new loans taken out after the repayment of existing loans.

CASH AT THE END OF THE YEAR

Increased by S$1.5 million to S$17.2 million in FY2011 after taking into account repayment of loans and the S$1.3 million of dividends paid.

	FY2011 (S$'000)	FY2010 (S$'000)
Net cash from operating activities	3,925	835
Net cash used in investing activities	(286)	(1,140)
Net cash used in financing activities	(2,100)	(8,520)
Net increase / (decrease) in cash	1,539	(8,825)
Cash at end of the year	17,198	15,659

BOARD OF DIRECTORS

Left to Right:
Low Beng Tin, Ong Tong Yang, Ong Chin Sum, Tan Siok Chin,
Tatsuro Mori, Geraldine Ong, Ong Tong Hai, Jovenal R.Santiago

LOW BENG TIN
Chairman and Non-Executive Director

Our Non-Executive Chairman since the incorporation of CosmoSteel, Mr Low is also the Executive Chairman and Managing Director of Oakwell Engineering Limited, a SGX Catalist listed company which he founded in 1984. Mr Low has more than 30 years of engineering experience in the oil and gas, petrochemical, chemical and marine industries. In recognition of his contribution to the community, he was conferred the Pingat Bakti Masyarakat (The Public Service Medal) in 2004 and the Bintang Bakti Masyarakat (The Public Service Star) in 2009 by the President of Singapore. He holds a Diploma in Electrical Engineering from Singapore Polytechnic, a Diploma in Management Studies from Singapore Institute of Management and a Master in Business Administration (Chinese Programme) from the National University of Singapore.

ONG CHIN SUM
Chief Executive Officer and Executive Director

A founding member of CosmoSteel in 1984, Mr Ong has been instrumental in growing the business to our present scale. He is responsible for spearheading and driving CosmoSteel's corporate and business strategies. Mr Ong has more than 30 years of experience in the hardware supply industry. His background includes considerable expertise and know-how in warehousing management, technical requirements and specifications and pricing of products and services, and a wide network of manufacturers and suppliers within the industry.

ONG TONG YANG
Executive Director

Mr Ong Tong Yang, who joined CosmoSteel in 1999, is responsible for developing and setting the strategic directions for our sales, marketing and purchasing functions. His area of focus and responsibility has largely been in sales and marketing, in particular for projects-based contracts, as well as purchasing and quality control and certification processes. Since joining the Group, he has spearheaded the growth of CosmoSteel's customer base in Singapore and the region, and our range of product offerings. Mr Ong Tong Yang holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic.

ONG TONG HAI
Executive Director

Mr Ong Tong Hai, who joined CosmoSteel in 1998, spearheads the development and implementation of policies and procedures to enhance the effectiveness and efficiency of the Group's logistics and operation functions. Since joining the Group, he was largely involved in inventory and warehousing logistics and management, information systems and technology management and administration. One of his key achievements was the implementation of the ERP system for our subsidiary, Kim Seng Huat, which enabled the Group to monitor and keep track of its inventory on a real-time basis. He holds a Bachelor of Business (Accountancy) from the Royal Melbourne Institute of Technology, Australia.

BOARD OF DIRECTORS

TATSURO MORI
Executive Director

Mr Mori joined CosmoSteel in 2006 and was appointed as an Executive Director on 28 March 2007. With more than 25 years of experience in the steel manufacturing and supply industry, he is responsible for the business development and strategic planning of our Group. Mr Mori comes from a strong steel industry background having held key managerial positions in steel related companies such as Benkan Corporation, Canadoil Asia Limited and Dana Spicer (Thailand) Limited. Mr Mori graduated with a Bachelor of Arts degree in English from the Takushoku University in Japan.

JOVENAL R. SANTIAGO
Independent Director

Mr Santiago was appointed as our Independent Director on 28 March 2007. Retired since 1998, Mr Santiago is a Certified Public Accountant in the Philippines with more than 40 years of experience in the accounting and auditing profession in Singapore and the Philippines. From 1971 to 1998, he was an audit principal of Deloitte & Touche, Singapore, where he was in charge of audit engagements of a wide portfolio of clients including several publicly listed companies. He holds a Bachelor of Science degree in Commerce from the University of Santo Tomas, Philippines and a Master of Business Administration degree from New York University, USA. Mr Santiago is also an independent director of another company listed in Singapore.

GERALDINE ONG
Independent Director

Appointed as our Independent Director on 28 March 2007, Ms Ong is an Advocate and Solicitor of the Supreme Court of Singapore and is currently a Consultant with M/s KhattarWong. Ms Ong has over 20 years experience in the legal field spanning corporate, conveyancing and commercial practice areas and has represented clients in cross border transactions. Ms Ong is an independent director and audit committee member in another Singapore publicly listed company and is also the legal advisor to The Singapore Glass Association of Singapore. Ms Ong graduated from the National University of Singapore with a Bachelor of Laws (Honours) degree.

TAN SIOK CHIN
Independent Director

Ms Tan Siok Chin was appointed as an Independent Director of our Company on 28 March 2007. Ms Tan is an advocate and solicitor in Singapore. She is a Director of ACIES Law Corporation, a firm of advocates and solicitors, heading its corporate practice group. Prior to joining ACIES Law Corporation, she practised as a partner in Messrs Rajah & Tann (now known as Rajah & Tann LLP), a firm of advocates and solicitors. Ms Tan has over 18 years of experience in legal practice. Her main areas of practice are corporate finance, mergers and acquisitions, capital markets and commercial matters. Ms Tan is also an independent director of several other public companies listed on the SGX-ST. Ms Tan graduated from the National University of Singapore with a Bachelor of Law (Honours) degree.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Low Beng Tin
Chairman and Non-Executive Director

Ong Chin Sum
Chief Executive Officer and Executive Director

Ong Tong Yang
Executive Director

Ong Tong Hai
Executive Director

Tatsuro Mori
Executive Director

Jovenal R. Santiago
Independent Director

Geraldine Ong Siew Ting
Independent Director

Tan Siok Chin
Independent Director

AUDIT COMMITTEE

Jovenal R. Santiago (Chairman)
Geraldine Ong Siew Ting
Tan Siok Chin

REMUNERATION COMMITTEE

Geraldine Ong Siew Ting (Chairman)
Jovenal R. Santiago
Tan Siok Chin

NOMINATING COMMITTEE

Tan Siok Chin (Chairman)
Geraldine Ong Siew Ting
Jovenal R. Santiago

COMPANY SECRETARY

Lee Pih Peng, MBA, LLB

REGISTERED OFFICE

50 Raffles Place
#06-00 Singapore Land Tower
Singapore 048623

PRINCIPAL PLACE OF BUSINESS

14 Lok Yang Way, Singapore 628633

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

RSM Chio Lim LLP
8 Wilkie Road #03-08 Wilkie Edge
Singapore 228095
Partner-in-Charge: Paul Lee Seng Meng
(a member of the Institute of Certified Public Accountants of Singapore)

LEGAL ADVISORS

Lee & Lee
5 Shenton Way #07-00 UIC Building
Singapore 068808

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

Standard Chartered Bank
6 Battery Road
Singapore 049909

United Overseas Bank Limited
80 Raffles Place
UOB Plaza I
Singapore 048624

CORPORATE GOVERNANCE

The Company is committed to good standards of corporate governance to enhance corporate performance and accountability. The Company has adopted principles and practices of corporate governance in line with the recommendations of the Code of Corporate Governance 2005 (the "Code") issued by the Corporate Governance Committee, details of which are as set out below.

BOARD MATTERS
Principle 1: Board's Conduct of its Affairs

The board of directors of the Company (the "Board") effectively leads the Company, working together with Management to achieve success for the Company and its subsidiaries (the "Group"). Management remains accountable to the Board.

In addition to its statutory duties, the Board's principal functions are:-

(a) to provide guidance and entrepreneurial leadership for the purposes of the Group's strategic plans, key operational initiatives, major investments and divestments and funding requirements and to ensure that the necessary financial and human resources are in place for the Group to meet its objectives;

(b) to approve the budget, review the performance of the business and the release of the financial results of the Group to shareholders;

(c) to provide guidance in the overall management of the business and affairs of the Group and to review Management's performance;

(d) to establish a framework of prudent and effective controls to assess, manage and oversee processes for risk management, financial reporting and compliance;

(e) to set and adopt, from time to time, internal guidelines for the relevant matters and the type of material transactions that require Board approval, on a case by case basis as applicable;

(f) to set the Company's values and standards and to provide guidance to Management to ensure that the Company's obligations to its shareholders and the public are met; and

(g) to approve the recommended framework of remuneration for the Board and key executives proposed by the Remuneration Committee.

No new Directors have been appointed to the Board since the initial public offering of the Company's shares in June 2007. Newly appointed Directors, if any, will be briefed on the history and business operations and corporate governance practices of the Group. All Directors will, if necessary, be briefed on or memoranda will be circulated to the Directors to update them from time to time on regulatory changes, where such changes have a material bearing on the Company. The Company will issue a formal letter of appointment to new Directors setting out their duties and obligations when they are appointed.

The Board and sub-committees of the Board ("Committees") meet regularly throughout the year. Ad hoc meetings are convened when circumstances require. Details relating to the number of Board and Committee meetings held during the financial year and the attendance of the Directors are set out on page 27 of this Report.

CORPORATE GOVERNANCE

Principle 2: Board Composition and Guidance

The Board exercises objective judgment independently from Management on corporate affairs of the Group and no individual or small group of individuals dominate the decisions of the Board.

As at the date of this Report, the Board comprises eight Directors, four of whom are non-executive Directors ("Non-Executive Directors"). Of the four Non-Executive Directors, three are independent Directors ("Independent Directors"), representing at least one-third of the Board. The criterion for independence is based on the definition given in the Code. The Board considers an Independent Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company. The Nominating Committee reviews the independence of each Director annually and applies the Code's definition of who qualifies as an Independent Director in its review.

Non-Executive Directors, when presented with proposals for their consideration, evaluate the proposals made by Management and these Directors also provide guidance to Management on different aspects of the Group's business. The Board is supported by three Committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee, whose powers, functions and duties are described below.

The Directors in office at the date of this Report are:

Executive Directors	Non-Executive Director	Independent Directors
Mr Ong Chin Sum	Mr Low Beng Tin	Ms Geraldine Ong Siew Ting
Mr Ong Tong Yang		Mr Jovenal R. Santiago
Mr Ong Tong Hai		Ms Tan Siok Chin
Mr Tatsuro Mori		

There are no permanent alternate Directors. Key information about each Director is detailed under the section on "Board of Directors" on page 20 of this Report.

The Board is of the view that given the nature and scope of the Group's operations the present Board size of eight members is appropriate for the Company and to provide for effective decision-making. The Board is also of the opinion that the current Board members possess the relevant skills, experience and expertise for effective direction for the Group. As a team, the Board collectively provides core competencies, qualifications, skills and experience in the areas of strategic business decision-making, finance and accounting, risk management, legal and regulatory matters.

Principle 3: Chairman and Chief Executive Officer

The Non-Executive Chairman and the Chief Executive Officer of the Company are separate individuals. As the most senior executive in the Company, the Chief Executive Officer, Mr Ong Chin Sum, assumes executive responsibilities for the Group's performance and the Group's business. As the Chairman, Mr Low Beng Tin leads the Board, ensures that the Directors receive accurate, timely and clear information, encourages constructive relations between the Board and Management, as well as between Board members, ensures effective communication with shareholders and promotes high standards of corporate governance.

The Chairman also ensures that Board meetings are held regularly and, when necessary, sets the Board meeting agendas in consultation with the Chief Executive Officer. The Chairman presides at each Board meeting and ensures full discussion of agenda items. Management staff, as well as external experts who can provide additional insights into the matters to be discussed, are invited when necessary, to attend at the relevant time during the Board meetings. In assuming their roles and responsibilities, the Chairman and the Chief Executive Officer consult with the Board and the Committees on major issues.

CORPORATE GOVERNANCE

Principle 4: Board Membership

The Company has established a Nominating Committee. The Nominating Committee comprises three Directors, all of whom, including its Chairman, are Independent Directors. As at the date of this Report, the members of the Nominating Committee are:

Ms Tan Siok Chin	Chairman
Ms Geraldine Ong Siew Ting	
Mr Jovenal R. Santiago	

The Nominating Committee is governed by written terms of reference under which it is responsible for:

(a) making recommendations to the Board on all board appointments, including re-nomination of Directors, having regard to each Director's contribution and performance. All Directors are required to submit themselves for re-nomination and re-election at least once every three years;

(b) determining annually whether or not a Director is independent;

(c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director;

(d) deciding on how the Board's performance may be evaluated and to propose objective criteria for evaluation and assessment of the effectiveness and performance of the Board as a whole and for evaluation and assessment of the contribution by each individual Director to the effectiveness of the Board; and

(e) reviewing any new employment of employees related to the Directors and substantial shareholders and the proposed terms of their employment.

The Board has implemented performance criteria and process recommended by the Nominating Committee for evaluation and assessment of the effectiveness and performance of the Board as a whole and for evaluation and assessment of the contribution by each individual Director. Each member of the Nominating Committee will abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as Director.

The Nominating Committee has decided that, given the current size of the Board, the background, experience and expertise of each Director and their general participation in Board and Committee Meetings and matters arising, it would not be necessary to evaluate the individual performance of each Director. However, the Nominating Committee has evaluated the performance of the Board as a whole. The performance criteria which the Nominating Committee has used include the Board's ability to discharge their duties in terms of timeliness and effective communications with third parties such as shareholders and the regulatory authorities and each individual Director's commitment of time to attending Board and Committee meetings and the discharge of his duties in relation to the affairs of the Group.

The search for new Directors, if any, will be made through executive search companies, contacts and recommendations and shortlisted persons will be evaluated by the Nominating Committee before being recommended to the Board for consideration.

The Company's Articles of Association ("Articles") require at least one-third of the Directors, or if their number is not a multiple of three, the number nearest to but not less than one-third of the Directors, to retire from office by rotation once every three years and shall then be eligible for re-election at the meeting at which he retires.

Principle 5: Board Performance

The Nominating Committee has, with the approval of the Board, established performance criteria and evaluation procedures for evaluation and assessment of the effectiveness and performance of the Board collectively on the basis of accountability as a whole, as the Board is of the opinion that the financial indicators or performance criteria such as return on equity or return on assets as set out in the Code are less appropriate for assessment of non-executive Directors and the Board's performance as a whole.

The Nominating Committee will recommend to the Board performance criteria and evaluation procedures for evaluation and assessment of the contribution by each individual Director to the effectiveness of the Board, including any recommendation in respect of a Director's re-nomination (if applicable). Each Director will be evaluated on the basis of his attendance at Board and Committee meetings and contribution to discussions at such meetings and the discharge of his duties in relation to the affairs of the Group. In addition, the Nominating Committee will have regard to whether a Director has adequate time and attention to devote to the Company, in the case of Directors with multiple board representations. Although some of the Directors have other board representations, the Nominating Committee is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company.

The record of the Directors' attendance at meetings of the Board and Committees in the financial year under review is set out below:

	Number of Meetings							
	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Low Beng Tin	4	4	4	4*	2	2*	1	1*
Ong Chin Sum	4	4	4	4*	2	2*	1	1*
Ong Tong Yang	4	4	4	4*	2	2*	1	–
Ong Tong Hai	4	4	4	4*	2	2*	1	–
Tatsuro Mori	4	4	4	4*	2	2*	1	–
Geraldine Ong Siew Ting	4	2	4	3	2	1	1	1
Jovenal R. Santiago	4	4	4	4	2	2	1	1
Tan Siok Chin	4	3	4	4	2	2	1	1

Note:

* The Directors are not members of the respective Committees but have attended the meetings by invitation.

Principle 6: Access to Information

As a general rule, Board papers are sent to Directors in advance in order for Directors to be adequately prepared for meetings. The Board has separate and independent access to senior Management of the Company ("Senior Management"). Requests for the Company's information by the Board are dealt with promptly. The Board is informed on all material events and transactions as and when they occur. Professional advisors may be invited to advise the Board, or any of its members, if the Board or any individual member thereof needs independent professional advice.

The Company Secretary attends all Board and Committee meetings and is responsible for ensuring that Board procedures are followed and recording and circulating to the Board and the Committees the minutes of all Board and Committees meetings.

CORPORATE GOVERNANCE

Under the direction of the Chairman, the Company Secretary facilitates the information flow within the Board and its Committees and between Senior Management and Non-Executive Directors. The Company Secretary also advises the Board on legal and regulatory issues when required. The appointment and the removal of the Company Secretary are decisions taken by the Board as a whole.

Principles 7, 8 and 9: Procedures for Developing Remuneration Policies, Level and Mix of Remuneration, and Disclosure of Remuneration

The Company has established a Remuneration Committee which comprises three Directors, all of whom, including its Chairman, are independent. As at the date of this Report, the Remuneration Committee members are:

Ms Geraldine Ong Siew Ting	Chairman
Ms Tan Siok Chin	
Mr Jovenal R. Santiago	

The Remuneration Committee is governed by written terms of reference under which it is responsible for:

(a) reviewing annually the remuneration of each of the Directors and key executives and making recommendations to the Board; and

(b) recommending to the Board a framework of remuneration for the Directors and key executives.

In setting the remuneration framework, the Remuneration Committee takes into account the performance of the Group as well as the Directors and key executives. As part of its review, the Remuneration Committee ensures that the remuneration packages are comparable within the industry and that the remuneration packages of Executive Directors and controlling shareholders of the Group and employees who are related to such persons are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotions for any employees who are related to the Directors and substantial shareholders will also be subject to the review and approval of the Remuneration Committee. If required, the Remuneration Committee will seek expert professional advice.

All aspects of remuneration of the Directors, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are considered by the Remuneration Committee.

Each member of the Remuneration Committee will abstain from reviewing and approving his own remuneration and the remuneration packages of persons related to him.

The Remuneration Committee's recommendations are submitted for endorsement by the Board. The payment of Directors' fees is subject to the approval of shareholders. The framework for Directors' fees is basic fees which are commensurate with the duties and responsibilities of the Directors.

Details of the remuneration paid to the Directors disclosed in bands of S$250,000 for the financial year ended 30 September 2011 are as follows.

	For the financial year ended 30 September 2011 (Number of Directors)
Below S$250,000	4
Between S$250,000 and S$499,999	3
S$500,000 and above	1
Total	8

For the financial year ended 30 September 2011, the top five key executives (who are not also Directors) of the Group are Mr Hor Siew Fu, Mr Ong Kong Hoe Bernard, Mr Lim Kim Seng, Ms Laura Ng Ying Shu and Ms Chong Siew Kuen.

A breakdown of the remuneration of each of the Directors and the top five key executives of the Group for the financial year ended 30 September 2011 is set out below:

Remuneration of Directors	Directors' Fees (%)	Salary (%)	Bonus (%)	Allowances and Others (%)	Total Compensation (%)
Below S$250,000					
Ms Geraldine Ong Siew Ting	100	–	–	–	100
Mr Jovenal R. Santiago	100	–	–	–	100
Mr Low Beng Tin	100	–	–	–	100
Ms Tan Siok Chin	100	–	–	–	100
Between S$250,000 and S$499,999					
Mr Ong Tong Yang	–	64	33	3	100
Mr Ong Tong Hai	–	64	33	3	100
Mr Tatsuro Mori	–	64	34	2	100
S$500,000 and above					
Mr Ong Chin Sum	–	56	43	1	100

Remuneration of Top Five Key Executives	Salary (%)	Bonus (%)	Allowances and Others (%)	Total Compensation (%)
Below S$250,000				
Mr Hor Siew Fu	80	16	4	100
Mr Ong Kong Hoe Bernard	65	31	4	100
Mr Lim Kim Seng	56	33	11	100
Ms Chong Siew Kuen	56	34	10	100
Between S$250,000 and S$499,999				
Ms Laura Ng Ying Shu	62	34	4	100

CORPORATE GOVERNANCE

Mr Ong Chin Sum is the father of Mr Ong Tong Yang and Mr Ong Tong Hai, and they are Executive Directors of the Company. One of the Company's employees, who draws an annual salary of more than S$150,000 but below S$250,000, is an immediate family member of Mr Ong Chin Sum, Mr Ong Tong Yang and Mr Ong Tong Hai. Salary details of this employee are set out below:

Base Salary (%)	Bonus (%)	Allowances and Others (%)	Total Compensation (%)
63	33	4	100

Save for the CosmoSteel Employee Share Option Scheme, the Company's employees' share option scheme approved by Shareholders in general meeting held on 28 March 2007, the Company does not have any employee share schemes.

Principle 10: Accountability

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects. In this respect, Management provides the Board with balanced and understandable accounts of the Company's performance, position and prospects on a regular basis.

Principle 11: Audit Committee

The Audit Committee comprises three Directors, all of whom, including its Chairman, are independent. As at the date of this Report, the Audit Committee members are:

Mr Jovenal R. Santiago	Chairman
Ms Geraldine Ong Siew Ting	
Ms Tan Siok Chin	

The Audit Committee is governed by written terms of reference under which it is responsible for:

(a) reviewing the audit plans of external auditors;

(b) reviewing external auditors' reports;

(c) reviewing the co-operation given by the Company's officers to external auditors;

(d) reviewing the financial statements of the Company and the Group before their submission to the Board;

(e) reviewing the independence and objectivity of external auditors and nominate external auditors for re-appointment and approving the remuneration and terms of engagement of external auditors;

(f) reviewing and ratifying all interested person transactions, if any, to ensure that they comply with the approved internal control procedures and have been conducted on an arm's length basis;

(g) reviewing, together with externally appointed internal audit professionals, the Group's internal control procedures;

(h) regularly advising the Board on whether to commission reviews by external auditors or a suitable accounting firm to review the adequacy and effectiveness of the Group's system of internal controls, including the procedures and systems for selection and evaluation of suppliers and sub-contractors;

(i) reviewing and approving the procedures put in place in relation to the Group's policy in relation to hedging transactions; and

(j) generally, perform such other functions and duties as may be required by the relevant laws or provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited (as may be amended from time to time) (the "Listing Manual").

Apart from the above functions, the Audit Committee will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position, as well as the procedures of such arrangements to ensure independent investigations of such matters and appropriate follow-up action. In the event that a member of the Audit Committee is interested in any matter being considered by the Audit Committee, he will abstain from reviewing or voting on that particular resolution.

Principles 12 and 13: Internal Controls and Internal Audit

The Audit Committee has appointed and commissioned Nexia TS Public Accounting Corporation as internal auditors to assist Management in evaluating and assessing the effectiveness of internal controls implemented by the Company, including review of the adequacy and effectiveness of the Group's systems of internal controls, including the procedures and systems for (i) selection and evaluation of suppliers and sub-contractors; (ii) controls to ensure no potential infringement of intellectual property rights of third parties; and (iii) controls over inventory identification and traceability and physical inventory (including quality of inventory).

The internal auditors have submitted a report dated 11 March 2011 to the Audit Committee, reporting, inter alia, that (i) having performed the system review procedures of the Company's internal controls, they did not identify any deficiencies or non-compliance of controls or measures implemented by Management under such procedures and systems and (ii) save for certain matters highlighted to the Company which have been duly noted by Management, based on their review of the adequacy and effectiveness of the Company's system of internal controls and measures, they did not identify any deficiencies or non-compliance of controls or measures implemented by Management under such system. Based on the internal auditors' report, it is the opinion of the Board with the concurrence of the Audit Committee is satisfied that the internal controls of the Group, addressing financial, operational and compliance risks, are reasonably adequate.

The Company has also put in place a whistle blowing policy and has implemented relevant procedures, as approved by the Audit Committee and adopted by the Board, for the purposes of handling complaints, concerns or issues relating to activities or affairs relating to the business, customers, suppliers, partners or associates, activities or affairs of the Group or conduct of any officer, Senior Management or employee of the Group. Staff of the Group may, in confidence, raise concerns about possible improprieties in any such corporate matters.

Principles 14 and 15: Communication with Shareholders

The Company's results are published through the SGXNET. Results and annual reports are announced or issued within the mandatory period. All shareholders of the Company with an address in Singapore will be able to receive a copy of the Company's annual report and notices of general meetings. At general meetings, shareholders are given the opportunity to air their views and ask Directors or Management questions regarding the Company and the Group.

The Board and Management are present at these meetings to address any questions that shareholders may have. External auditors are also present to assist the Board in addressing queries by shareholders.

CORPORATE GOVERNANCE

The Articles allow a member of the Company to appoint a proxy to attend and vote at general meetings. For the time being, the Board is of the view that this is adequate to enable shareholders to participate in general meetings of the Company. Separate resolutions on each distinct issue are tabled at general meetings.

DEALINGS IN SECURITIES

In line with the rules of the Listing Manual, the Company has adopted a policy prohibiting its officers from dealing in the Company's shares whilst they are in possession of unpublished material price sensitive information and during the period commencing one month before the release of the Company's half year and full year results and two weeks before the release of quarterly results.

The Company also discourages trading on short-term considerations.

MATERIAL CONTRACTS

There were no material contracts of the Company or any of its subsidiaries involving the interests of the Chief Executive Officer or any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors of the company are pleased to present their report together with the audited financial statements of the company and of the group for the reporting year ended 30 September 2011.

1. DIRECTORS AT DATE OF REPORT

The directors of the company in office at the date of this report are:

Ong Chin Sum
Ong Tong Yang (Weng Dongyang)
Ong Tong Hai (Weng Donghai)
Low Beng Tin
Tatsuro Mori
Geraldine Ong Siew Ting
Jovenal R Santiago
Tan Siok Chin

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the reporting year nor at any time during the reporting year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate except for the option rights mentioned below.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the reporting year had no interests in the share capital and options of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Cap. 50 except as follows:

Name of directors and companies in which interests are held	At beginning of the reporting year	At end of the reporting year
CosmoSteel Holdings Limited	**Number of shares of no par value**	
Ong Chin Sum	55,329,982	55,329,982
Ong Tong Yang (Weng Dongyang)	16,449,996	16,449,996
Ong Tong Hai (Weng Donghai)	16,449,996	16,449,996
Geraldine Ong Siew Ting	125,000	125,000
Tan Siok Chin	125,000	125,000

By virtue of section 7 of the Companies Act, Cap. 50, Mr Ong Chin Sum is deemed to have an interest in the subsidiaries of the company.

The directors' interests as at 21 October 2011 were the same as those at the end of the year.

4. CONTRACTUAL BENEFITS OF DIRECTORS

Since the beginning of the reporting year, no director of the company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Companies Act, Cap. 50, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

There were certain transactions (shown in the financial statements under related party transactions) with corporations in which certain directors have an interest.

5. OPTIONS TO TAKE UP UNISSUED SHARES

The company has an employee share option scheme known as the "CosmoSteel Employee Share Option Scheme" ("the ESOS"). The ESOS complies with the rules of the SGX-ST as set out in Chapter 8 of the Listing Manual. The ESOS provides eligible participants with an opportunity to participate in the equity of the company and to motivate them towards better performance through increased dedication and loyalty. The ESOS, which forms an integral and important component of its employee compensation plan, is designed to primarily reward and retain Executive Directors, Non-Executive Directors and employees of the group whose services are vital to its well being and success.

Under the rules of the ESOS, Executive Directors, Non-Executive Directors (including Independent Directors) and employees of the group, who are not Controlling Shareholders or their Associates, are eligible to participate in the ESOS.

Under the terms of the Service Agreements of the Chief Executive Officer, Mr Ong Chin Sum, and the Executive Directors, Mr Ong Tong Yang and Mr Ong Tong Hai, they are entitled to participate in an annual profit sharing incentive bonus. As such, they have volunteered to be excluded from participating in the ESOS.

In addition, in order to minimise any potential conflict of interest, all immediate family members (as defined in the Listing Manual) of Mr Ong Chin Sum, Mr Ong Tong Yang and Mr Ong Tong Hai, will also not be eligible to participate in the ESOS.

The ESOS is administered by the Remuneration Committee with powers to determine, *inter alia*, the following:

(a) persons to be granted Options;

(b) number of Options to be offered; and

(c) recommendations for modifications to the ESOS.

The Remuneration Committee comprises Ms Geraldine Ong Siew Ting, Mr Jovenal R Santiago and Ms Tan Siok Chin. The Remuneration Committee consists of directors (including directors who may be participants of the ESOS). A member of the Remuneration Committee who is also a participant of the ESOS must not be involved in its deliberation in respect of Options granted or to be granted to him.

The aggregate number of shares over which the Remuneration Committee may grant Options on any date, when added to the number of shares issued and issuable in respect of all Options granted under the ESOS shall not exceed 15.0% of the issued share capital of the company on the day immediately preceding the date of the relevant grant.

DIRECTORS' REPORT

5. OPTIONS TO TAKE UP UNISSUED SHARES (CONT'D)

The aggregate number of shares comprised in any Option to be offered to a participant under the ESOS shall be determined at the absolute discretion of the Remuneration Committee, which shall take into account (where applicable) criteria such as rank, past performance, years of service, potential for future development of that participant.

The Options that are granted under the ESOS may have exercise prices that are, at the Remuneration Committee's discretion, set at a price (the "Market Price") equal to the average of the last dealt prices for the shares on the Official List of the SGX-ST for the five consecutive Market Days immediately preceding the relevant date of grant of the relevant Option; or at a discount to the Market Price (subject to a maximum discount of 20.0%). Options which are fixed at the Market Price ("Market Price Option") may be exercised after the first anniversary of the date of grant of that Option while Options exercisable at a discount to the Market Price ("Discounted Option") may only be exercised after the second anniversary from the date of grant of the Option. Options granted under the ESOS will have a life span of 10 years.

The ESOS shall continue in operation for a maximum duration of 10 years and may be continued for any further period thereafter with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted.

6. OPTIONS EXERCISED

During the reporting year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

7. UNISSUED SHARES UNDER OPTION

At the end of the reporting year, there were no unissued shares under option.

8. AUDIT COMMITTEE

The members of the Audit Committee at the date of this report are as follows:

Joveral R Santiago	(Chairman of Audit Committee and Independent Director)
Geraldine Ong Siew Ting	(Independent Director)
Tan Siok Chin	(Independent Director)

The Audit Committee performs the functions specified by section 201B(5) of the Companies Act. Among other functions, it performed the following:

- Reviewed with the independent external auditors their audit plan;
- Reviewed with the independent external auditors their evaluation of the company's internal accounting control, and their report on the financial statements and the assistance given by the company's officers to them;
- Reviewed with the internal auditors the scope and results of the internal audit procedures;

DIRECTORS' REPORT

8. AUDIT COMMITTEE (CONT'D)

- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX).

Other functions performed by the Audit Committee are described in the report on corporate governance included in the annual report. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditors provide non-audit services.

The Audit Committee has recommended to the board of directors that the independent auditors, RSM Chio Lim LLP, be nominated for re-appointment as independent auditors at the next annual general meeting of the company.

9. INDEPENDENT AUDITORS

The independent auditors, RSM Chio Lim LLP, have expressed their willingness to accept re-appointment.

10. SUBSEQUENT DEVELOPMENTS

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 23 November 2011, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On Behalf of The Directors

Ong Chin Sum
Director

Ong Tong Hai
Director

6 December 2011

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the accompanying consolidated statement of comprehensive income, statements of financial position, statements of changes in equity, consolidated statement of cash flows, and notes thereto are drawn up so as to give a true fair view of the state of affairs of the company and of the group as at 30 September 2011 and of the results and cash flows of the group and changes in equity of the company and of the group for the financial year then ended; and

(b) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

On Behalf of The Directors

Ong Chin Sum
Director

Ong Tong Hai
Director

6 December 2011

INDEPENDENT AUDITORS' REPORT

To the Members of COSMOSTEEL HOLDINGS LIMITED (Registration No: 200515540Z)

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying financial statements of CosmoSteel Holdings Limited and its subsidiaries (the group) set out on pages 41 to 87, which comprise the statements of financial position of the group and the company as at 30 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statement of comprehensive income and statements of financial position and to maintain accountability of assets.

INDEPENDENT AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

To the Members of COSMOSTEEL HOLDINGS LIMITED (Registration No: 200515540Z)

OPINION

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at 30 September 2011 and the results, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the company and by the subsidiary incorporated in Singapore of which we are the independent auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP
Public Accountants and
Certified Public Accountants
Singapore

6 December 2011

Partner in charge of audit: Paul Lee Seng Meng
Effective from year ended 30 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 30 September 2011

	Notes	Group 2011 $'000	Group 2010 $'000
Revenue	5	**127,856**	89,197
Cost of Sales		**(101,676)**	(67,294)
Gross Profit		**26,180**	21,903
Other Items of Income			
Interest Income		**16**	40
Other Credits	6	**391**	2,020
Other Items of Expense			
Marketing and Distribution Costs		**(8,803)**	(6,898)
Administrative Expenses	7	**(8,726)**	(8,073)
Finance Costs	8	**(1,365)**	(1,463)
Other Charges	6	**(897)**	(2,689)
Profit Before Tax from Continuing Operations		**6,796**	4,840
Income Tax Expense	10	**(1,421)**	(1,573)
Profit from Continuing Operations, Net of Tax		**5,375**	3,267
Other Comprehensive Income			
Gains on Properties Revaluation, Net of Tax	21	**4,173**	1,477
Gains/(Losses) on Other Assets, Net of Tax	21	**4**	(4)
Exchange Differences on Translating Foreign Operations, Net of Tax	21	**(14)**	(16)
Other Comprehensive Income for the Year, Net of Tax		**4,163**	1,457
Total Comprehensive Income for the Year		**9,538**	4,724
Earnings Per Share			
Earnings per Share Currency Unit		**Cents**	Cents
Basic and Diluted			
Continuing Operations	11	**2.04**	1.24

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
ASSETS					
Non-Current Assets					
Properties, Plant and Equipment	13	**18,831**	15,188	**–**	–
Investments in Subsidiaries	14	**–**	–	**46,828**	20,039
Other Receivables	17	**–**	–	**–**	24,944
Other Assets	15	**130**	126	**–**	–
Total Non-Current Assets		**18,961**	15,314	**46,828**	44,983
Current Assets					
Inventories	16	**86,611**	74,047	**–**	–
Trade and Other Receivables	17	**28,856**	21,776	**3,778**	5,511
Other Assets	18	**594**	2,280	**28**	27
Cash and Cash Equivalents	19	**18,484**	16,761	**487**	1,861
Total Current Assets		**134,545**	114,864	**4,293**	7,399
Total Assets		**153,506**	130,178	**51,121**	52,382
EQUITY AND LIABILITIES					
Equity					
Share Capital	20	**42,062**	42,062	**42,062**	42,062
Retained Earnings		**34,503**	30,199	**7,739**	5,536
Other Reserves	21	**6,741**	2,827	**–**	–
Total Equity		**83,306**	75,088	**49,801**	47,598
Non-Current Liabilities					
Deferred Tax Liabilities	10	**2,035**	1,226	**–**	–
Finance Leases	24	**142**	253	**–**	–
Other Financial Liabilities	23	**5,376**	7,829	**77**	2,581
Total Non-Current Liabilities		**7,553**	9,308	**77**	2,581
Current Liabilities					
Income Tax Payable		**1,662**	1,226	**110**	129
Trade and Other Payables	22	**15,061**	5,113	**1,043**	826
Finance Leases	24	**167**	377	**–**	–
Other Financial Liabilities	23	**45,757**	39,066	**90**	1,248
Total Current Liabilities		**62,647**	45,782	**1,243**	2,203
Total Liabilities		**70,200**	55,090	**1,320**	4,784
Total Equity and Liabilities		**153,506**	130,178	**51,121**	52,382

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 September 2011

	Total Equity $'000	Share Capital $'000	Retained Earnings $'000	Revaluation Reserve $'000	Translation Reserve $'000
Group					
Current Year:					
Opening Balance at 1 October 2010	75,088	42,062	30,199	2,843	(16)
Movements in Equity:					
Total Comprehensive Income for the Year	9,538	–	5,375	4,177	(14)
Dividends Paid (Note 12)	(1,320)	–	(1,320)	–	–
Transfer to Retained Earnings of Difference Between Depreciation on Carrying Revalued Amount and Depreciation Based on Original Cost	–	–	249	(249)	–
Closing Balance at 30 September 2011	83,306	42,062	34,503	6,771	(30)
Previous Year:					
Opening Balance at 1 October 2009	72,476	42,062	28,853	1,561	–
Movements in Equity:					
Total Comprehensive Income for the Year	4,724	–	3,267	1,473	(16)
Dividends Paid (Note 12)	(2,112)	–	(2,112)	–	–
Transfer to Retained Earnings of Difference Between Depreciation on Carrying Revalued Amount and Depreciation Based on Original Cost	–	–	191	(191)	–
Closing Balance at 30 September 2010	75,088	42,062	30,199	2,843	(16)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 September 2011

	Total Equity $'000	Share Capital $'000	Retained Earnings $'000
<u>Company</u>			
Current Year:			
Opening Balance at 1 October 2010	47,598	42,062	5,536
Movements in Equity:			
Total Comprehensive Income for the Year	3,523	–	3,523
Dividends Paid (Note 12)	(1,320)	–	(1,320)
Closing Balance at 30 September 2011	49,801	42,062	7,739
Previous Year:			
Opening Balance at 1 October 2009	46,905	42,062	4,843
Movements in Equity:			
Total Comprehensive Income for the Year	2,805	–	2,805
Dividends Paid (Note 12)	(2,112)	–	(2,112)
Closing Balance at 30 September 2010	47,598	42,062	5,536

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 30 September 2011

	Group	
	2011	2010
	$'000	$'000
Cash Flows From Operating Activities		
Profit Before Tax	**6,796**	4,840
Adjustments for:		
Interest Income	**(16)**	(40)
Interest Expense	**1,365**	1,463
Depreciation of Properties, Plant and Equipment	**1,747**	1,432
Reversal of Impairment Loss on Property	**–**	(765)
Impairment Losses on Plant and Equipment	**–**	941
Losses on Disposal of Plant and Equipment	**4**	2
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	**(14)**	(16)
Fair Value Losses on Derivative Financial Instruments	**(384)**	657
Operating Cash Flows before Changes in Working Capital	**9,498**	8,514
Inventories	**(12,564)**	(2,797)
Trade and Other Receivables	**(7,080)**	3,988
Other Assets	**1,686**	(1,726)
Bills Payable	**3,468**	(925)
Trade and Other Payables	**9,948**	(2,988)
Net Cash Flows from Operations Before Interest and Tax	**4,956**	4,066
Income Taxes Paid	**(1,031)**	(3,231)
Net Cash Flows From Operating Activities	**3,925**	835
Cash Flows From Investing Activities		
Purchase of Plant and Equipment (Note 19B)	**(302)**	(1,204)
Disposal of Plant and Equipment	**–**	24
Interest Received	**16**	40
Net Cash Flows Used in Investing Activities	**(286)**	(1,140)
Cash Flows From Financing Activities		
Dividends Paid to Equity Owners	**(1,320)**	(2,112)
Cash Restricted in Use Over 3 Months	**(184)**	(987)
Decrease in Other Financial Liabilities	**(13,362)**	(4,525)
Increase from New Borrowings	**14,516**	1,197
Decrease in Finance Leases	**(385)**	(630)
Interest Paid	**(1,365)**	(1,463)
Net Cash Flows Used in Financing Activities	**(2,100)**	(8,520)
Net Increase (Decrease) in Cash and Cash Equivalents	**1,539**	(8,825)
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	**15,659**	24,484
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance (Note 19A)	**17,198**	15,659

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

1. GENERAL

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the parent and the group's subsidiaries.

The board of directors approved and authorised these financial statements for issue on 6 December 2011.

The company is an investment holding company. It is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are described in Note 14 below.

The registered office is: 50 Raffles Place #06-00 Singapore Land Tower Singapore 048623. The company is domiciled in Singapore.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Cap 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

Basis of Presentation

The consolidation accounting method is used for the consolidated financial statements that include the financial statements made up to the end of the reporting year each year of the company and all of its directly and indirectly controlled subsidiaries. Consolidated financial statements are the financial statements of the group presented as those of a single economic entity. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and dividends, are eliminated in full on consolidation. The proportionate consolidation accounting method is used for the joint ventures whereby the group's share of each of the assets, liabilities, income and expense is combined on a line-by-line basis with similar items in the financial statements. The results of the investees acquired or disposed of during the financial year are accounted for from the respective dates of acquisition or up to the dates of disposal which is the date on which effective control is obtained of the acquired business until that control ceases. On disposal the attributable amount of goodwill if any is included in the determination of the gain or loss on disposal.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (Cont'd)

The company's financial statements have been prepared on the same basis, and as permitted by the Companies Act, Cap. 50, no statement of comprehensive income is presented for the company.

Basis of Preparation of the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Revenue Recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes, estimated returns and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are of short duration is recognised when the services are completed. Interest is recognised using the effective interest method. Dividend from equity instruments is recognised as income when the entity's right to receive payment is established.

Employee Benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund which is the Central Provident Fund in Singapore (a government managed retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Share-Based Compensation

For the equity-settled share-based compensation transactions, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed on a straight-line basis over the vesting period is determined by reference to the fair value of the options granted excluding the effect of non-market conditions such as profitability and sales growth targets. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Fair value is measured using the Black-Scholes pricing model. The expected lives used in the model are adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. At each end of the reporting year, a revision is made of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss. There were none during the year.

Income Tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the company is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign Currency Transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

Translation of Financial Statements of Other Entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the entity operates. In translating the financial statements of an investee for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items are translated at average rates of exchange for the year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that investee.

Borrowing Costs

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are recognised as an expense in the period in which they are incurred. The interest expense is calculated using the effective interest rate method.

Property, Plant and Equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold properties	–	Over the remaining terms of respective leases that are 4.6% to 11.8%
Leasehold properties improvements	–	10% to 66.7%
Plant and equipment	–	10% to 33.3%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment (Cont'd)

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses except for revalued items as described below. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent cost are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

If fair value can be measured reliably, after the initial recognition as an asset at cost, an item of property is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year and the entire class of property, plant and equipment to which that asset belongs is revalued. When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus except that the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. When an asset's carrying amount is decreased, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus. The revaluation surplus included in equity is transferred directly to retained earnings when the asset is derecognised. However, some of the surplus is realised as the asset is used as the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost and these transfers from revaluation surplus to retained earnings are not made through the other comprehensive income.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases

Whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Segment Reporting

The group discloses financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights or the ability to appoint or remove the majority of the members of the board of directors or to cast the majority of votes at meetings of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

In the company's own separate financial statements, the investments in subsidiaries are stated at cost less any provision for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The net book values of the subsidiaries are not necessarily indicative of the amounts that would be realised in a current market exchange.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations

Business combinations are accounted for by applying the purchase method of accounting. There were none during the year.

Impairment of Non-Financial Assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

However, an impairment loss on a revalued asset is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Financial Assets

Initial recognition and measurement and derecognition of financial assets:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following four categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at end of the reporting year date there were no financial assets classified in this category.

2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

3. Held-to-maturity financial assets: As at end of the reporting year date there were no financial assets classified in this category.

4. Available for sale financial assets: As at end of the reporting year date there were no financial assets classified in this category.

Cash and Cash Equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management. Other financial assets and financial liabilities at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the statement of cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Hedging

The entity is exposed to currency and interest rate risks. The policy is to reduce currency and interest rate exposures through derivatives and other hedging instruments. From time to time, there may be borrowings and foreign exchange arrangements or interest rate swap contracts or similar instruments entered into as hedges against changes in interest rates, cash flows or the fair value of the financial assets and liabilities. These arrangements are not used for trading or speculative purposes. The gain or loss from remeasuring these hedging or other arrangement instruments at fair value are recognised in the profit or loss. The derivatives and other hedging instruments used are described below in the notes to the financial statements.

Derivatives

All derivatives are initially recognised and subsequently carried at fair value. Certain derivatives are entered into in order to hedge some transactions and all the strict hedging criteria prescribed by FRS 39 are not met. In those cases, even though the transaction has its economic and business rationale, hedge accounting cannot be applied. As a result, changes in the fair value of those derivatives are recognised directly in the profit or loss and the hedged item follows normal accounting policies.

Financial Liabilities

Initial recognition and measurement:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Liabilities (Cont'd)

2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Financial Guarantees

A financial guarantee contract requires that the issuer makes specified payments to reimburse the holder for a loss when a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18.

Fair Value of Financial Instruments

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments. Disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes. The maximum exposure to credit risk is the fair value of the financial instruments at the end of the reporting year. The fair value of a financial instrument is derived from an active market or by using an acceptable valuation technique. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price without any deduction for transaction costs that may be incurred on sale or other disposal and, for an asset to be acquired or for liability held, the asking price. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique. The fair value measurements are classified using a fair value hierarchy of 3 levels that reflects the significance of the inputs used in making the measurements, that is, Level 1 for the use of quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 for the use of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and Level 3 for the use of inputs for the asset or liability that are not based on observable market data (unobservable inputs). The level is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Where observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Equity

Equity instruments are contracts that give a residual interest in the net assets of the company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Critical Judgements, Assumptions and Estimation Uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Allowance for doubtful trade accounts:
An allowance is made for doubtful accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses trade accounts receivables and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful trade accounts. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year.

Net realisable value of inventories:
A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year was $86,611,000 (2010: $74,047,000).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Critical Judgements, Assumptions and Estimation Uncertainties (Cont'd)

Useful lives of plant and equipment:
The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or non-strategic assets that have been abandoned or sold. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific assets affected by the assumption is $1,803,000 (2010: $2,102,000).

Estimated impairment of subsidiary:
Where a subsidiary is in net equity deficit and has suffered losses a test is made whether the investment in and receivables from the investee has suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. The amount of the relevant investment and receivable is $1,422,000 and $11,000 respectively (2010: $639,000 and $588,000 respectively) at the end of the reporting year. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset affected. The carrying amount of the specific asset at the end of the reporting year affected by the assumption is $732,000 (2010: $1,227,000).

Determination of functional currency:
The group measures foreign currency transactions in the respective functional currencies of the company and its subsidiaries. In determining the functional currency of the entities in the group, judgment is required to determine the currency that mainly influences sales prices for services and of the country whose competitive forces and regulations mainly determines the sales prices of its services. The functional currency of the company is determined based on management's assessment of the economic environment in which the entity operates and the entity's process of determining sale prices.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 24 defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the reporting entity if any of the following conditions applies: (i) The entity and the reporting entity are members of the same group. (ii) One entity is an associate or joint venture of the other entity. (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

The ultimate controlling party is Mr Ong Chin Sum.

3.1. Related companies:

Related companies in these financial statements include the members of the parent company's group of companies.

There are transactions and arrangements between the reporting entity and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances if significant, an interest is imputed unless stated otherwise based on the prevailing market interest rate for similar debt less the interest rate if any provided in the agreement for the balance. For financial guarantees an amount is imputed and is recognised accordingly if significant where no charge is payable.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

3.2. Other related parties:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related party balances are unsecured without fixed repayment terms and interest unless stated otherwise.

Significant related party transactions:

In addition to transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Other related parties	
	2011 $'000	2010 $'000
Group		
Revenue	**(1,109)**	(14)

3.3. Key management compensation:

	2011 $'000	2010 $'000
Group		
Salaries and other short-term employee benefits	**2,883**	2,581

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	2011 $'000	2010 $'000
Group		
Remuneration of directors of the company	**2,157**	1,904
Fees to directors of the company	**240**	200
Fees to a director of the company from a subsidiary	**6**	6

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

3.3. Key management compensation: (Cont'd)

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

Further information about the remuneration of individual directors is provided in the report on corporate governance.

3.4. Other receivables from and other payables to related parties:

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS

4A. Information about Reportable Segment Profit or Loss, Assets and Liabilities

FRS 108 requires the disclosure of information about operating segments, products and services, the geographical areas, and the major customers. It is a disclosure standard which results in a redesignation of the group's reportable segments, but has no impact on the reported results or financial position of the group.

For management purposes, revenue generated is derived from the sale, supply and machining of flanges, steel fittings, tubings and pipes for the following five main industries – Energy, Marine, Trading, Water and Others which form the basis on which the group reports its primary segment information.

The five main industries are as follows:
Energy – Oil and gas, engineering and construction, petrochemical and power.
Marine – Shipbuilding and repair.
Trading – Traders who purchase goods to on-sell to their customers who are end-users.
Water – Water industry.
Others – Other industries such as the manufacturing and pharmaceutical sectors.

Unallocated items comprise cash and cash equivalents, trade and other receivables, properties, plant and equipment, other financial liabilities, trade and other payables, current tax payable, finance leases, deferred tax liabilities, interest income, marketing and distribution costs, administrative expenses, finance costs, other credits/(charges) and income tax expense. It is not meaningful to allocate these amounts by business segments.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

4B. Profit or Loss from Continuing Operations and Reconciliations

Continuing Operations 2011	Energy $'000	Marine $'000	Trading $'000	Water $'000	Others $'000	Consolidated $'000
Revenue by Segment						
Total revenue	102,858	16,930	6,396	46	1,626	127,856
Segment results	21,638	3,519	749	10	264	26,180
Unallocated expenses						(17,529)
Profit from operations						8,651
Interest income						16
Finance costs						(1,365)
Other (charges) / credits						(506)
Profit before income tax						6,796
Income tax expense						(1,421)
Profit from continuing operations						5,375

Continuing Operations 2010	Energy $'000	Marine $'000	Trading $'000	Water $'000	Others $'000	Consolidated $'000
Revenue by Segment						
Total revenue	63,635	10,089	13,694	1,053	726	89,197
Segment results	15,626	2,477	3,363	259	178	21,903
Unallocated expenses						(14,971)
Profit from operations						6,932
Interest income						40
Finance costs						(1,463)
Other (charges) / credits						(669)
Profit before income tax						4,840
Income tax expense						(1,573)
Profit from continuing operations						3,267

4C. Assets, Liabilities and Reconciliations

Assets and liabilities of the group are considered as unallocatable by management.

4D. Other Material Items and Reconciliations

	Consolidated $'000
Impairment of assets:	
2011	–
2010	941
Expenditures for non-current assets	
2011	366
2010	2,890

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

4E. Geographical Information

The following table provides an analysis of the revenue and non-current assets by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical market Total		Non-current assets	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Singapore	**52,262**	49,806	**18,923**	15,250
Middle East	**911**	5,656	**–**	–
Europe	**2,001**	1,355	**–**	–
Brunei	**12,608**	7,608	**–**	–
Vietnam	**40,180**	12,754	**–**	–
Indonesia	**1,969**	2,523	**–**	–
Malaysia	**6,659**	1,944	**–**	–
Thailand	**571**	398	**–**	–
Others (1)	**10,695**	7,153	**38**	64
	127,856	89,197	**18,961**	15,314

(1) Customers in others are primarily located in Australia, Europe and Japan (2010: Australia, Japan and Philippines). Non-current assets in others are located in Australia.

Revenue is attributed to countries on the basis of the customer's location. The non-current assets are analysed by the geographical area in which the assets are located.

The group has not identified profit before tax by industries or by geographical markets as the allocation of costs cannot be allocated in a similar manner with reasonable accuracy. This is because the operating expenses and administrative expenses incurred for industries or geographical markets such as marketing expenses, remuneration and facilities-related costs are general costs which are accounted for on a group-wide basis. It is not meaningful to track operating costs and administrative expenses by industries or geographical markets.

4F. Information about Major Customers

	2011 $'000	2010 $'000
Revenue from:		
Top 1 customer in Energy segment	**21,967**	12,547
Top 2 customers in Energy segment	**33,459**	24,383
Top 3 customers in Energy segment	**42,149**	34,344

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

5. REVENUE

	Group	
	2011 $'000	2010 $'000
Sale of goods	**126,628**	88,145
Other	**1,228**	1,052
Total	**127,856**	89,197

6. OTHER CREDITS AND (OTHER CHARGES)

	Group	
	2011 $'000	2010 $'000
Reversal/(allowance) for impairment on trade receivables	**7**	(11)
Bad debts written off trade receivables	**(158)**	(91)
Foreign exchange adjustments losses	**(735)**	(987)
Forward contract gains / (losses): transactions not qualifying as hedges (Note 25)	**384**	(657)
Losses on disposal of plant and equipment	**(4)**	(2)
Reversal of impairment loss on property	**–**	765
Impairment losses on plant and equipment	**–**	(941)
Reversal of inventories written down	**–**	1,255
Net	**(506)**	(669)
Presented in profit or loss as:		
Other Credits	**391**	2,020
Other Charges	**(897)**	(2,689)
Net	**(506)**	(669)

7. ADMINISTRATIVE EXPENSES

The major components including the following:

	Group	
	2011 $'000	2010 $'000
Depreciation of properties, plant and equipment	**1,460**	1,178
Employee benefits expense	**4,232**	3,682

8. FINANCE COSTS

	Group	
	2011 $'000	2010 $'000
Interest expense	**1,365**	1,463

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2011 $'000	2010 $'000
Employee benefits expense	**7,283**	5,787
Contributions to defined contribution plan	**414**	279
Other benefits	**354**	273
Total employee benefits expense	**8,051**	6,339

10. INCOME TAX

10A. Components of Tax Expense (Income) Recognised in Profit or Loss include:

	Group	
	2011 $'000	2010 $'000
Current tax expense (income)		
Current tax expense	**1,476**	1,172
(Over) Under adjustments to tax in respect of previous periods	**(9)**	427
Subtotal	**1,467**	1,599
Deferred tax expense (income)		
Deferred tax income	**(46)**	(26)
Total income tax expense	**1,421**	1,573

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2010: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2011 $'000	2010 $'000
Profit before tax	**6,796**	4,840
Income tax expense at the above rate	**1,155**	822
Not deductible items	**220**	83
Tax exemptions	**(52)**	(52)
Deferred tax asset valuation allowance	**194**	294
(Over) Under adjustments to tax in respect of previous periods	**(9)**	427
Effect of different tax rates in different countries	**(81)**	(122)
Other minor items	**(6)**	121
Total income tax expense	**1,421**	1,573

There are no income tax consequences of dividends to owners of the company.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

10. INCOME TAX (CONT'D)

10B. Deferred Tax Expense (Income) Recognised in Profit or Loss include:

	Group	
	2011 $'000	2010 $'000
Excess of net book value of plant and equipment over tax values	**5**	13
Depreciation on revalued assets	**(51)**	(39)
Total deferred income tax income recognised in profit or loss	**(46)**	(26)

10C. Tax Expense (Income) Recognised in Other Comprehensive Income include:

	Group	
	2011 $'000	2010 $'000
Gains on properties revaluation	**855**	303
Total deferred income tax expense recognised in other comprehensive income	**855**	303

10D. Deferred Tax Balance in the Statement of Financial Position:

	Group	
	2011 $'000	2010 $'000
Excess of net book value of plant and equipment over tax values	**(130)**	(128)
Amount on revalued depreciable assets (a)	**(2,091)**	(1,236)
Depreciation on revalued assets	**195**	144
Tax losses carry forwards	**457**	281
Other timing differences	**22**	7
Deferred tax asset valuation allowance	**(488)**	(294)
Net balance	**(2,035)**	(1,226)

(a) Movement of $855,000 (2010: $303,000) has been included in other comprehensive income.

It is impracticable to estimate the amount expected to be settled or used within one year.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

11. EARNINGS PER SHARE

The earnings per share is calculated by dividing the group's profit attributable to shareholders by the weighted number of shares of no par value in issue during the year.

	Group	
	2011 $'000	2010 $'000
The calculation of the earnings per share is based on the following:		
Profit for the year attributable to the equity holders of the company for the purposes of basic and diluted earnings per share	**5,375**	3,267

	Group	
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	263,999,997	263,999,997
Earnings figures are calculated as follows:		
Earnings per share – cents	2.04	1.24

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 reporting year.

12. DIVIDENDS ON EQUITY SHARES

	Group	
	2011 $'000	2010 $'000
Final exempt (1-tier) dividend paid of 0.5 cent (2010: 1 cent)	**1,320**	2,112

In respect of the current year, the directors propose that a final exempt (1-tier) dividend of $0.01 per share totalling $2,640,000 be paid to shareholders after the annual general meeting. There are no income tax consequences. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend for 2011 is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

13. PROPERTIES, PLANT AND EQUIPMENT

Group	Leasehold properties and improvements $'000	Plant and equipment $'000	Total $'000
Cost or valuation:			
At 1 October 2009	9,870	5,691	15,561
Additions	1,742	1,148	2,890
Disposals	(192)	(281)	(473)
Revaluation gain	2,040	–	2,040
At 30 September 2010	13,460	6,558	20,018
Additions	–	366	366
Disposals	–	(55)	(55)
Revaluation gain	4,100	–	4,100
At 30 September 2011	17,560	6,869	24,429
Represented by :			
Cost	–	6,869	6,869
Valuation	17,560	–	17,560
Total	17,560	6,869	24,429
Accumulated depreciation and impairment:			
At 1 October 2009	381	3,027	3,408
Depreciation for the year	690	742	1,432
Impairment loss	–	941	941
Disposals	(193)	(254)	(447)
Reversal of depreciation on revaluation	(504)	–	(504)
At 30 September 2010	374	4,456	4,830
Depreciation for the year	1,086	661	1,747
Disposals	–	(51)	(51)
Reversal of depreciation on revaluation	(928)	–	(928)
At 30 September 2011	532	5,066	5,598
Net book value :			
At 1 October 2009	9,489	2,664	12,153
At 30 September 2010	13,086	2,102	15,188
At 30 September 2011	17,028	1,803	18,831

For each revalued class of properties, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model:

	2011 $'000	2010 $'000
Leasehold properties and improvements:		
Cost	**8,170**	8,170
Net book value	**5,962**	6,628

13. PROPERTIES, PLANT AND EQUIPMENT (CONT'D)

The depreciation expense and impairment loss is charged as follows:

	Marketing and distribution costs $'000	Administrative expenses $'000	Other credits/ (other charges) $'000	Total $'000
2011	287	1,460	–	1,747
2010	254	1,178	176	1,608

Certain items are under finance lease agreements (see Note 24).

The leasehold properties are pledged to banks to secure bank loans in relation to the properties granted to the company (Note 23).

In August 2011, leasehold properties located at 14 Lok Yang Way, 21A Neythal Road and 90 Second Lok Yang Road were revalued by Jones Lang LaSalle Property Consultants Pte Ltd, a firm of independent professional valuers. The fair values were based on reference to market evidence of transaction prices for similar properties. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year and the entire class of property, plant and equipment to which that asset belongs is revalued. The respective gains on revaluation net of applicable deferred income tax on revaluation of $2,517,000, $513,000 and $1,143,000 totalling $4,173,000 have been credited to asset revaluation reserve and included in other comprehensive income.

In the financial year ended 30 September 2010, part of the increase in value of the property at 21A Neythal Road of $765,000 has been recognised in the profit or loss as it reversed the revaluation loss previously recognised in profit or loss.

The fair value is regarded as the lowest level for fair value measurement as the valuation includes inputs for the asset that are not based on observable market data (unobservable inputs).

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 $'000	2010 $'000
Unquoted shares at cost	**44,789**	18,133
Allowance for impairment in investment	**(701)**	–
Income from fair value of corporate guarantee	**2,740**	1,906
	46,828	20,039
Net book value of subsidiaries	**80,333**	47,841

14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The subsidiaries held by the company are listed below:

Name of subsidiary, country of incorporation, place of operations and principal activities	Cost in books of company		Effective percentage of equity held by company	
	2011 $'000	2010 $'000	2011 %	2010 %
Kim Seng Huat Hardware Pte Ltd [(a)] Singapore Sales, supply and machining of flanges, steel fittings, tubings and pipes for the shipbuilding and repairing industry, manufacturing, petrochemical industry and power energy plants	**43,367**	17,494	**100**	100
CosmoSteel (Australia) Pty Ltd [(b)] Australia Sales, supply and machining of flanges, steel fittings, tubings and pipes for the shipbuilding and repairing industry, manufacturing, petrochemical industry and power energy plants	**1,422**	639	**100**	100

(a) Audited by RSM Chio Lim LLP in Singapore.
(b) Audited by RSM Bird Cameron in Australia, a member firm of RSM International, of which RSM Chio Lim LLP in Singapore is a member.

15. OTHER ASSETS, NON-CURRENT

	Group	
	2011 $'000	2010 $'000
Club memberships at fair value	**130**	126

The fair value of club memberships is based on current bid prices in an active market. The change in fair value is included in other comprehensive income.

16. INVENTORIES

	Group	
	2011 $'000	2010 $'000
Goods for resale	**86,611**	74,047
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of year	**480**	1,927
Charge / (reversed) to profit or loss included in cost of sales	**1,297**	(192)
Reversed to profit or loss included in other (credits) / charges	**–**	(1,255)
Balance at end of year	**1,777**	480

16. INVENTORIES (CONT'D)

The reversal of the allowance is for goods with an estimated increase in net realisable value.

	Group	
	2011 $'000	2010 $'000
The write-down of inventories charged to profit or loss included in cost of sales	**5**	69
The write-down (reversal) of inventories charged to profit or loss included in other (credits) / charges	**–**	(1,255)
The amount of inventories included in cost of sales	**93,241**	62,600

There are no inventories pledged as security for liabilities.

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Trade receivables:				
Outside parties	**28,330**	21,787	**–**	–
Less allowance for impairment	**(4)**	(11)	**–**	–
Related parties (Note 3)	**530**	–	**–**	–
Subsidiaries (Note 3)	**–**	–	**978**	4,011
Subtotal	**28,856**	21,776	**978**	4,011
Other receivables:				
Subsidiaries (Note 3)	**–**	–	**2,800**	26,444
Subtotal	**–**	–	**2,800**	26,444
Total trade and other receivables	**28,856**	21,776	**3,778**	30,455
Presented in the statements of financial position as follows:				
Current	**28,856**	21,776	**3,778**	5,511
Non-current portion of other receivables due from subsidiaries	**–**	–	**–**	24,944
	28,856	21,776	**3,778**	30,455
Movements in above allowance:				
Balance at beginning of year	**11**	–	**–**	–
(Reversed)/charge for trade receivables to profit or loss included in other credits/ (charges)	**(7)**	11	**–**	–
Balance at end of year	**4**	11	**–**	–

The loans to the subsidiaries bear interest at 5.5% per annum.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

18. OTHER ASSETS, CURRENT

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Advance payments to suppliers	**266**	1,966	–	–
Deposits to secure services	**130**	106	–	–
Prepayments	**198**	208	28	27
	594	2,280	28	27

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Not restricted in use	**17,198**	15,659	**487**	1,861
Restricted in use over 3 months[#a]	**1,286**	1,102	–	–
Cash at end of year	**18,484**	16,761	**487**	1,861

#a. This is for amounts held by bankers to cover the bank guarantees issued.

The interest earning balances are not significant.

19A. Cash and Cash Equivalents in the Statement of Cash Flows:

	Group	
	2011 $'000	2010 $'000
Amount as shown above	**18,484**	16,761
Cash restricted in use over 3 months	**(1,286)**	(1,102)
Cash and cash equivalents for statement of cash flows purposes at end of the year	**17,198**	15,659

19B. Non-cash Transactions:

During the reporting year, there were acquisitions of plant and equipment with a total cost of $64,000 (2010: $489,000) acquired by means of finance leases.

20. SHARE CAPITAL

	Group and company	
	Number of shares issued	Share capital $'000
Ordinary shares of no par value:		
Balance at beginning of year 1 October 2009	211,200,000	42,062
Issue of bonus shares	52,799,997	–
Balance at end of year 30 September 2010	263,999,997	42,062
Balance at end of year 30 September 2011	263,999,997	42,062

The ordinary shares of no par value which are fully paid carry no right to fixed income. The company is not subject to any externally imposed capital requirements.

In order to maintain its listing on the Singapore Stock Exchange, the company has to have at least a free float of 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the year. Management receive a report from the registrars monthly on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the reporting year.

Capital Management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

On 5 March 2010, the company issued 52,799,997 ordinary shares of no par value by way of a bonus share issue.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, other reserves and retained earnings).

20. SHARE CAPITAL (CONT'D)

	Group	
	2011 $'000	2010 $'000
Net debt:		
All current and non-current borrowings including finance leases	**51,156**	46,855
Less cash and cash equivalents	**(18,484)**	(16,761)
Net debt	**32,672**	30,094
Net capital:		
Equity	**83,306**	75,088
Net capital	**83,306**	75,088
Debt-to-adjusted capital ratio	**39.2%**	40.1%

21. OTHER RESERVES

The revaluation of properties reserve arises from the annual revaluation of properties and club memberships held respectively under properties, plant and equipment and other assets net of deferred tax (Note 10C). It is not distributable until it is released to retained earnings.

The currency translation reserve accumulates all foreign exchange differences.

All the reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Trade payables:				
Outside parties and accrued liabilities	**14,954**	5,109	**1,041**	824
Subsidiary (Note 3)	**–**	–	**2**	2
Subtotal	**14,954**	5,109	**1,043**	826
Other payables:				
Other payables	**107**	4	**–**	–
Subtotal	**107**	4	**–**	–
Total trade and other payables	**15,061**	5,113	**1,043**	826

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

23. OTHER FINANCIAL LIABILITIES

	Group 2011 $'000	Group 2010 $'000
Non-current:		
Bank loans (secured)	**5,376**	7,829
Non-current, total	**5,376**	7,829
Current:		
Bank loans (secured)	**5,780**	4,173
Short-term loan (secured)	**4,000**	2,000
Bills payable to bank (secured)	**35,691**	32,223
Derivative financial instruments (Note 25)	**286**	670
Current, total	**45,757**	39,066
Total	**51,133**	46,895
The non-current portion is payable as follows:		
Due within 2 to 5 years	**5,376**	7,756
After 5 years	**–**	73
Total non-current portion	**5,376**	7,829

	Company 2011 $'000	Company 2010 $'000
Non-current:		
Bank loans (secured)	**–**	2,503
Financial guarantee liability	**77**	78
Non-current, total	**77**	2,581
Current:		
Bank loans (secured)	**–**	1,185
Financial guarantee liability	**90**	63
Current, total	**90**	1,248
Total	**167**	3,829
The non-current portion is payable as follows:		
Due within 2 to 5 years	**77**	2,581
After 5 years	**–**	–
Total non-current portion	**77**	2,581

	Group 2011	Group 2010
All the amounts are at fixed interest rates except the following that are at floating interest rates:		
Bank loans (secured)	1.56% - 2.82%	2.28% - 5.25%
The range of fixed interest rates paid were as follows:		
Bank loans (secured)	2.80% - 2.85%	1.88% - 5.50%
Short-term loan (secured)	1.87% - 2.22%	1.96% - 2.23%
Bills payable to bank (secured)	1.56% - 3.27%	1.59% - 2.41%

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

23. OTHER FINANCIAL LIABILITIES (CONT'D)

	Company	
	2011	2010
Fixed rate:		
Bank loans (secured)	–	5.50%

All borrowings are interest bearing. The borrowings are measured using the effective interest method.

The bills payable to banks represent bills for purchases of inventories.

The bank loan agreements for certain of the bank loans and other credit facilities provide among other matters for the following:

1. Legal mortgage on the leasehold properties (Note 13).
2. Corporate guarantee by the company.
3. Compliance with certain financial covenants.

The bank loans are repayable by equal monthly instalments over the following periods:

i) Ten years commencing on 10 October 2005.

ii) Four years commencing on 1 October 2010.

iii) Four years commencing on 23 December 2010.

iv) Three years commencing on 5 January 2011.

v) Four years commencing on 1 May 2011.

vi) Four years commencing on 1 May 2011.

vii) Two years commencing on 1 August 2011.

24. FINANCE LEASES

Group

2011	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	185	(18)	167
Due within 2 to 5 years	159	(17)	142
Total	344	(35)	309
Net book value of plant and equipment under finance leases			551

24. FINANCE LEASES (CONT'D)

Group (Cont'd)

2010	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	421	(44)	377
Due within 2 to 5 years	283	(30)	253
Total	704	(74)	630
Net book value of plant and equipment under finance leases			1,396

It is the group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 3 – 5 years. The rate of interest for finance leases is about 2.5% to 4.5% (2010: 2.6% to 4.5%) per year. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in S$. 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 company.

25. DERIVATIVES FINANCIAL INSTRUMENTS

The table below summarises the fair value of derivatives engaged in cash flow hedge relationships at end of year.

	Group	
	2011 $'000	2010 $'000
Liabilities - Derivatives with (positive)/ negative fair values:		
Non-hedging instruments – Forward foreign exchange contracts (Note 25A)	**(8)**	466
Cash flow hedges – Interest rate swap (Note 25B)	**294**	204
Current portion	**286**	670

The movements during the year were as follows:

	2011 $'000	2010 $'000
Fair value at beginning of year	**670**	13
(Gains) / losses included in profit or loss (Note 6)	**(384)**	657
Total net balance at end of year	**286**	670

The fair values of the derivatives are estimated based on market values of equivalent instruments at the end of the reporting year (Level 2).

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

25. DERIVATIVES FINANCIAL INSTRUMENTS (CONT'D)

25A. Forward Currency Contracts

This includes the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

	Principal $	Reference currency	Maturity	Fair value $'000
Forward currency contract	3,895,200	USD	27 December 2011	5
Forward currency contract	2,593,200	USD	27 March 2012	3
	6,488,400			8

The purpose of these contracts is to mitigate the fluctuations of receivables denominated in USD.

25B. Interest Rate Swap

The notional amount of the interest rate swap is $5,000,000. The interest rate swap was taken up to convert floating rate borrowings to fixed rate exposure for the next five years from 5 May 2010 at 2.25%.

25C. Fair Values of Derivative Financial Instruments

Both forward currency contracts and the interest rate swap are not traded in an active market. As a result, their fair values are based on valuation techniques currently consistent with generally accepted valuation methodologies for pricing financial instruments, and incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price.

The fair value of forward currency contracts is based on the current value of the difference between the contract exchange rate and the market rate at the end of the reporting year. The fair value of interest rate swap is determined on the basis of the current value of the difference between the contractual interest rate and the market rate at the end of the reporting year. The fair value is regarded as a level 2 fair value measurement for financial instruments (Note 26C).

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

26A. Classification of Financial Assets and Liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting year by FRS 39 categories:

	Group	
	2011 $'000	**2010 $'000**
Financial assets:		
Cash and cash equivalents	**18,484**	16,761
Trade and other receivables	**28,856**	21,776
At end of year	**47,340**	38,537
Financial liabilities:		
Borrowings at amortised cost	**51,156**	46,855
Derivative financial instruments at fair value through the profit or loss	**286**	670
Trade and other payables at amortised cost	**15,061**	5,113
At end of year	**66,503**	52,638

	Company	
	2011 $'000	**2010 $'000**
Financial assets:		
Cash and cash equivalents	**487**	1,861
Trade and other receivables	**3,778**	30,455
At end of year	**4,265**	32,316
Financial liabilities:		
Financial guarantee liability at amortised cost	**167**	141
Borrowings at amortised cost	**–**	3,688
Trade and other payables at amortised cost	**1,043**	826
At end of year	**1,210**	4,655

Further quantitative disclosures are included throughout these financial statements.

26B. Financial Risk Management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk, foreign currency risk and market price risk comprising interest rate and currency risk exposures. The management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

26B. Financial Risk Management (Cont'd)

3. Enter into derivatives or any other similar instruments solely for hedging purposes.
4. All financial risk management activities are carried out and monitored by senior management staff.
5. All financial risk management activities are carried out following good market practices.
6. May consider investing in shares or similar instruments only in the case of temporary excess of liquidity and such transactions have to be authorised by the board of directors.

There has been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

26C. Fair Value of Financial Instruments

26C.1. Fair value of financial instruments stated at amortised cost in the statement of financial position

The financial assets and financial liabilities at amortised cost are at a carrying amount that is a reasonable approximation of fair value.

26C.2. Fair value measurements recognised in the statement of financial position

The fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are: Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The quantitative disclosures for the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements are disclosed below:

	Level 2	
Group	**2011 $'000**	**2010 $'000**
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	**286**	670

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

26D. Credit Risk on Financial Assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial instruments; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any loan payable commitment at the end of the reporting year. Credit risk on cash balances with banks and any derivative financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements below.

As disclosed in Note 19, cash and cash equivalents balances represent amounts with a less than 90 day maturity other than the amounts held by bankers to cover the bank guarantees issued.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is between 30 - 90 days (2010: 30 - 90 days). But some customers take a longer period to settle the amounts.

(a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Trade receivables:				
Less than 60 days	**10,061**	9,493	**446**	640
61-90 days	**987**	2,172	**24**	363
91-120 days	**249**	2,360	**–**	282
Over 120 days	**1,474**	835	**–**	2,233
At end of year	**12,771**	14,860	**470**	3,518

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group	
	2011 $'000	2010 $'000
Allowance for impairment		
Over 180 days	**4**	11
Total	**4**	11

The allowance of $4,000 (2010: $11,000) which is disclosed in Note 17 on trade receivables is based on individual accounts that are determined to be impaired at the end of the reporting year. These are not secured.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

26D. Credit Risk on Financial Assets (Cont'd)

Other receivables are normally with no fixed terms and therefore there is no maturity.

Concentration of trade receivable customers as at the end of reporting year:

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Top 1 customer	**3,618**	338	**1,021**	3,863
Top 2 customers	**6,735**	1,077	**1,032**	3,954
Top 3 customers	**7,999**	5,953	–	–

26E. Liquidity Risk

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

Group Non-derivative financial liabilities:	Less than 1 year $'000	1 – 5 years $'000	Over 5 years $'000	Total $'000
2011:				
Borrowings	46,167	5,758	–	51,925
Trade and other payables	15,061	–	–	15,061
At end of the year	61,228	5,758	–	66,986

Group Non-derivative financial liabilities:	Less than 1 year $'000	1 – 5 years $'000	Over 5 years $'000	Total $'000
2010:				
Borrowings	39,507	8,663	74	48,244
Trade and other payables	5,113	–	–	5,113
At end of the year	44,620	8,663	74	53,357

Company Non-derivative financial liabilities:	Less than 1 year $'000	1 – 5 years $'000	Total $'000
2011:			
Borrowings	–	–	–
Trade and other payables	1,043	–	1,043
Financial guarantee contracts	–	–	–
At end of the year	1,043		1,043

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

26E. Liquidity Risk (Cont'd)

Company Non-derivative financial liabilities:	Less than 1 year $'000	1 – 5 years $'000	Total $'000
2010:			
Borrowings	1,345	2,787	4,132
Trade and other payables	826	–	826
Financial guarantee contracts	–	–	–
At end of the year	2,171	2,787	4,958

The following table analyses the derivative financial liabilities by remaining contractual maturity:

Group Derivative financial liabilities:	Less than 1 year $'000	1 – 5 years $'000	Over 5 years $'000	Total $'000
2011:				
Interest rate swap gross receipts	113	337	–	450
Foreign currency forward contracts gross payments	6,488	–	–	6,488
At end of the year	6,601	337	–	6,938

Group Derivative financial liabilities:	Less than 1 year $	1 – 5 years $	Over 5 years $	Total $
2010:				
Interest rate swap gross receipts	113	450	–	563
Foreign currency forward contracts gross payments	4,338	–	–	4,338
At end of the year	4,451	450	–	4,901

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

26E. Liquidity Risk (Cont'd)

Financial guarantee contracts - At the end of the reporting year, no claims on the financial guarantees are expected. The following table shows the maturity analysis of the contingent liabilities based on the maximum earliest period in which the guarantee could be called:

Company	Less than 1 year $'000	1 – 3 years $'000	3 – 5 years $'000	Over 5 years $'000	Total $'000
2011:					
Bank guarantee in favour of a subsidiary	63,556	4,335	5,000	–	72,891
2010:					
Bank guarantee in favour of a subsidiary	51,537	6,783	5,038	–	63,358

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities. The average credit period taken to settle trade payables is about 30 to 60 days (2010: 30 to 60 days). The other payables are with short-term durations. Apart from the classification of the liabilities in the statement of financial position, no further analysis is deemed necessary.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows.

Bank facilities:

	Group	
	2011 $'000	2010 $'000
Undrawn borrowing facilities	**134,820**	142,880

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the budgeted operations. A monthly schedule showing the maturity of financial liabilities and unused bank facilities is provided to management to assist them in monitoring the liquidity risk.

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

26F. Interest Rate Risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments (excluding derivatives) by type of interest rate:

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Financial liabilities:				
Fixed rates	**42,024**	42,849	**–**	3,688
Floating rates	**9,132**	4,006	**–**	–
Non-interest bearing	**15,061**	5,113	**1,043**	826
At end of year	**66,217**	51,968	**1,043**	4,514

The interest rates are disclosed in the respective notes. In order to manage the interest rate risk, interest rate swaps are entered into to mitigate the fair value risk relating to fixed-interest assets or liabilities and the cash flow risk related to variable interest rate assets and liabilities, when considered appropriate.

Sensitivity analysis: The effect on pre-tax profit is not significant.

26G. Foreign Currency Risks

Analysis of amounts denominated in non-functional currency.

Financial assets:	Cash $'000	Receivables $'000	Total $'000
2011:			
AUD	116	–	116
USD	4,294	9,021	13,315
EUR	1,114	80	1,194
YEN	–	430	430
At end of the year	5,524	9,531	15,055

Financial assets:	Cash $'000	Receivables $'000	Total $'000
2010:			
AUD	114	–	114
USD	8,040	13,151	21,191
EUR	3,995	831	4,826
At end of the year	12,149	13,982	26,131

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

26G. Foreign Currency Risks (Cont'd)

Financial liabilities:	Borrowings $'000	Trade and other payables $'000	Total $'000
2011:			
USD	11,354	6,358	17,712
EUR	2,826	2,619	5,445
GBP	–	115	115
At end of the year	14,180	9,092	23,272

Financial liabilities:	Borrowings $'000	Trade and other payables $'000	Total $'000
2010:			
USD	2,449	889	3,338
EUR	–	256	256
GBP	–	6	6
At end of the year	2,449	1,151	3,600

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis:

	Group	
	2011 $'000	2010 $'000
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the USD would have a favourable/(adverse) effect on profit before tax of	**510**	(1,669)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the AUD would have an adverse effect on profit before tax of	**(11)**	(12)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the EUR would have a favourable/(adverse) effect on profit before tax of	**395**	(443)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Brunei dollar would have a favourable effect on profit before tax of	**3**	8
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against other currencies would have an (adverse)/favourable effect on profit before tax of	**(29)**	1

The sensitivity analysis is disclosed for each currency to which the entity has significant exposure. The analysis above has been carried out without taking into consideration hedged transactions.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs).

27. ITEMS IN PROFIT OR LOSS

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges (credits):

	Group	
	2011 $'000	**2010 $'000**
Audit fees to the independent auditors of the company	**111**	98
Audit fees to the other independent auditors	**10**	7
Other fees to the independent auditors of the company	**36**	27
Other fees to the other independent auditors	**4**	15

28. BANK FACILITIES

	Group	
	2011 $'000	**2010 $'000**
Letters of credit	**10,058**	5,421
Banker's guarantees	**1,468**	1,471
Performance guarantees	**5,721**	4,125

The above facilities are covered by a corporate guarantee of the company.

29. COMMITMENTS

Estimated amounts committed at the end of the reporting year for future expenditure but not recognised in the financial statements are as follows:

	Group	
	2011 $'000	**2010 $'000**
Commitments to purchase goods	**396**	6,643

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 2011

30. OPERATING LEASE PAYMENT COMMITMENTS

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group	
	2011 $'000	2010 $'000
Not later than one year	**747**	1,152
Later than one year and not later than five years	**1,584**	1,723
Later than five years	**2,856**	3,398
Rental expense for the year	**1,963**	1,865

Operating lease payments represent rentals payable for certain staff accommodation and leasehold properties. The leases from Jurong Town Corporation for the leasehold properties are for 27 years from 9 September 2005, 12 years from 19 September 2007 and 8.5 years from 31 July 2010 respectively. The lease rental terms are negotiated for an average term of three years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

31. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the reporting year ended 30 September 2011 the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Presentation of Financial Statements (Amendments to)
FRS 7	Statement of Cash Flows (Amendments to)
FRS 17	Leases (Amendments to)
FRS 27	Consolidated and Separate Financial Statements (Revised)
FRS 28	Investments in Associates (Revised) (*)
FRS 32	Classification Of Rights Issues (Amendments to) (*)
FRS 36	Impairment of Assets (Amendments to)
FRS 38	Intangible Assets (Amendments to) (*)
FRS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Item (Amendments to)
FRS 39	Financial Instruments: Recognition and Measurement (Amendments to)
FRS 102	Share-based Payment (Amendments to)
FRS 103	Business Combinations (Revised) (*)
FRS 103	Business Combinations (Amendments to) (*)
FRS 105	Non-current Assets Held for Sale and Discontinued Operations (Amendments to) (*)
FRS 108	Operating Segments (Amendments to)
INT FRS 109	Reassessment of Embedded Derivatives (Amendments to) (*)
INT FRS 116	Hedges of a Net Investment in a Foreign Operation (Amendments to) (*)
INT FRS 117	Distributions of Non-cash Assets to Owners (*)
INT FRS 118	Transfers of Assets from Customers (*)
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments (*)

(*) Not relevant to the entity.

32. FUTURE CHANGES IN FINANCIAL REPORTING STANDARDS

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 1	Presentation of Financial Statements Disclosures (Amendments to)	1 Jan 2011
FRS 1	Presentation of Items of Other Comprehensive Income (Amendments to)	1 Jul 2012
FRS 12	Deferred Tax (Amendments to) – Recovery of Underlying Assets (*)	1 Jan 2012
FRS 19	Employee Benefits	1 Jan 2013
FRS 24	Related Party Disclosures (revised)	1 Jan 2011
FRS 27	Consolidated and Separate Financial Statements (Amendments to)	1 Jul 2011
FRS 27	Separate Financial Statements	1 Jan 2013
FRS 28	Investments in Associates and Joint Ventures (*)	1 Jan 2013
FRS 34	Interim Financial Reporting (Amendments to)	1 Jan 2011
FRS 101	First-time Adoption of Financial Reporting Standards: Amendments to FRS 101 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (*)	1 Jul 2011
FRS 107	Financial Instruments: Disclosures (Amendments to)	1 Jan 2011
FRS 107	Financial Instruments: Disclosures (Amendments to) - Transfers of Financial Assets (*)	1 Jul 2011
FRS 107	Financial Instruments: Disclosures (Amendments to)	1 Jan 2011
FRS 110	Consolidated Financial Statements	1 Jan 2013
FRS 111	Join Arrangements (*)	1 Jan 2013
FRS 112	Disclosure of Interests in Other Entities	1 Jan 2013
FRS 113	Fair Value Measurement	1 Jan 2013
INT FRS 113	Customer Loyalty Programmes (Amendments to)	1 Jan 2011
INT FRS 114	Prepayments of a Minimum Funding Requirement (revised) (*)	1 Jan 2011
INT FRS 115	Agreements for the Construction of Real Estate (*)	1 Jan 2011

(*) Not relevant to the entity.

SHAREHOLDERS' INFORMATION

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

As at 1 December 2011

Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

STATISTICS OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	52	2.83	25,960	0.01
1,000 - 10,000	457	24.85	2,086,516	0.79
10,001 - 1,000,000	1,306	71.02	79,410,124	30.08
1,000,001 AND ABOVE	24	1.30	182,477,397	69.12
TOTAL	**1,839**	**100.00**	**263,999,997**	**100.00**

LIST OF TOP 20 MAJOR SHAREHOLDERS

As at 1 December 2011

	NAME	NO. OF SHARES	%
1	ONG CHIN SUM	55,329,982	20.96
2	ONG TONG HAI	16,449,996	6.23
3	ONG TONG YANG	16,449,996	6.23
4	PHILLIP SECURITIES PTE LTD	13,584,750	5.15
5	KIM ENG SECURITIES PTE. LTD.	7,846,992	2.97
6	DBS NOMINEES PTE LTD	7,831,907	2.97
7	TEO CHING CHING (ZHAO QIANQIAN)	6,147,698	2.33
8	CHOW KOK KEE	6,124,991	2.32
9	ANG SEAU TEE (HONG XIUDI)	5,363,698	2.03
10	TEO BOK MING	5,363,698	2.03
11	TEO LING LING SUE-ANN	5,363,698	2.03
12	TEO PEI PEI (ZHAO PEIPEI)	5,363,698	2.03
13	HONG LEONG FINANCE NOMINEES PTE LTD	4,685,750	1.77
14	HO SU CHIN	4,515,041	1.71
15	TAN ENG PHENG	3,934,000	1.49
16	NG CHIT TONG PETER	3,867,250	1.46
17	LIM CHWEE KIM	2,687,500	1.02
18	OCBC SECURITIES PRIVATE LTD	2,497,750	0.95
19	NG BOON TECK	2,181,250	0.83
20	TIMOTHY SEAH HOW MING (TIMOTHY XIE XIAOMING)	1,625,000	0.62
	TOTAL	**177,214,645**	**67.13**

SHAREHOLDERS' INFORMATION

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Shareholders	Number of Shares	Direct Interest %	Deemed Interest %
Ong Chin Sum	55,329,982	20.96	–
Ong Tong Yang	16,449,996	6.23	–
Ong Tong Hai	16,449,996	6.23	–

Notes:-

Mr Ong Chin Sum is the father of Mr Ong Tong Yang and Mr Ong Tong Hai.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 1 December 2011, approximately 66% of the Company's shares were held by the public. Accordingly, the Company is in compliance with Rule 723 of the SGX-ST Listing Manual.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of CosmoSteel Holdings Limited (the "Company") will be held at Shan Shui Palace, 450 Jalan Ahmad Ibrahim, Raffles Country Club, Singapore 639932 on Friday, 13 January 2012 at 10 a.m. to transact the following business:-

ORDINARY BUSINESS

AS ORDINARY RESOLUTIONS

1. To receive and adopt the Directors' Report, the Auditors' Report and the Audited Accounts of the Company for the financial year ended 30 September 2011. **(Resolution 1)**

2. To declare a final dividend of 1 cent per ordinary share for the financial year ended 30 September 2011. **(Resolution 2)**

3. To approve the payment of S$240,000 as Directors' Fees for the financial year ending 30 September 2012, to be paid quarterly in arrears. **(Resolution 3)**

4. To re-elect Mr Ong Tong Yang, the Director retiring by rotation pursuant to Article 99 of the Articles of Association of the Company. **(Resolution 4)**

5. To re-elect Mr Ong Tong Hai, the Director retiring by rotation pursuant to Article 99 of the Articles of Association of the Company. **(Resolution 5)**

6. To re-elect Mr Tatsuro Mori, the Director retiring by rotation pursuant to Article 99 of the Articles of Association of the Company. **(Resolution 6)**

7. To re-appoint Mr Jovenal R. Santiago, the Director retiring to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company pursuant to Section 153(6) of the Companies Act, Chapter 50. **(Resolution 7)**

8. To re-appoint RSM Chio Lim LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

SPECIAL BUSINESS

AS ORDINARY RESOLUTIONS

To consider and, if thought fit, to pass the following Ordinary Resolutions, with or without modifications:-

9. That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company (the "Share Issue Mandate") to:

(A) (i) issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures, convertible securities or other instruments convertible into Shares; and/or

(iii) notwithstanding that such authority conferred by this Resolution may have ceased to be in force at the time the Instruments are to be issued, issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or other capitalisation issues, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(B) issue Shares in pursuance of any Instrument made or granted by the Directors pursuant to (A)(ii) and/or (A)(iii) above, notwithstanding that such authority may have ceased to be in force at the time the Shares are to be issued,

provided that:

(I) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (II) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (II) below);

(II) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (I) above, the percentage of issued Shares shall be based on the Company's total number of issued Shares (excluding treasury shares) at the time of the passing of this Resolution after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(III) in exercising such authority, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(IV) unless revoked or varied by the Company in general meeting by ordinary resolution, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Companies Act, Chapter 50, and every other legislation for the time being in force concerning companies and affecting the Company, whichever is the earliest. **(Resolution 9)**

10. That authority be and is hereby given to the Directors of the Company to offer and grant share options in accordance with the provisions of the CosmoSteel Employee Share Option Scheme approved by shareholders in general meeting held on 28 March 2007 (the "Scheme") and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the share options under the Scheme (notwithstanding that such allotment and issue may occur after the conclusion of the next or any ensuing Annual General Meeting of the Company). **(Resolution 10)**

11. To transact any other ordinary business of an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS ALSO HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 1 March 2012 for determining the shareholders' entitlements to the proposed final dividends. Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 29 February 2012 will be registered to determine shareholders' entitlements to the proposed final dividends. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 29 February 2012 will be entitled to the dividends.

The proposed final dividends, if approved by shareholders at the Annual General Meeting of the Company, will be paid on 14 March 2012.

BY ORDER OF THE BOARD

Lee Pih Peng
Company Secretary
29 December 2011
Singapore

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESSES TO BE TRANSACTED:-

ORDINARY BUSINESS

(i) Ordinary Resolution 3, if passed, will allow the Company to pay Directors' Fees to Directors (on a quarterly basis in arrears) as services are rendered by Directors during the course of the financial year ending 30 September 2012. This will facilitate Directors' compensation for services rendered in a timelier manner.

(ii) Ordinary Resolution 7, if passed, will re-appoint Mr Jovenal R. Santiago as Director of the Company to hold office until the next Annual General Meeting of the Company. Mr Santiago will, upon the re-appointment, remain as the chairperson of the Audit Committee, and a member of each of the Remuneration Committee and the Nominating Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

SPECIAL BUSINESS

(iii) Ordinary Resolution 9, if passed, will empower the Directors of the Company to, from the date of the above Annual General Meeting of the Company until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Companies Act, Chapter 50, and every other legislation for the time being in force concerning companies and affecting the Company, whichever is the earliest, allot and issue Shares, to make or grant Instruments, and to issue Shares in pursuance of such Instruments for such purposes as they consider in the interests of the Company.

The aggregate number of Shares that the Directors may allot and issue under this Resolution (including Shares to be issued in pursuance of Instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares), of which the aggregate number of Shares to be issued other than on a pro rata basis shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares) (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution), to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be calculated based on the total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:

(1) new Shares arising from the conversion or exercise of any convertible securities;

(2) new Shares arising from exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(3) any subsequent bonus issue, consolidation or sub-division of Shares.

(iv) Ordinary Resolution 10, if passed, will empower the Directors of the Company to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the share options under the Scheme, notwithstanding that such allotment and issue may occur after the conclusion of the next or any ensuing Annual General Meeting of the Company.

This authority is in addition to the general authority to issue Shares sought under Resolution 9.

Note:

A member of the Company (a "Member") entitled to attend and vote at the Annual General Meeting of the Company ("AGM") is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a Member. The instrument appointing the proxy must be deposited at the registered office of the Company at 50 Raffles Place, #06-00, Singapore Land Tower, Singapore 048623, not less than forty-eight (48) hours before the time set for holding the AGM.

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PROXY FORM
ANNUAL GENERAL MEETING

COSMOSTEEL HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 200515540Z)

IMPORTANT:

For investors who have used their CPF monies to buy ordinary shares in the capital of CosmoSteel Holdings Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

This Proxy Form is not valid for use by such CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ________________________ (Name) ____________________ (NRIC/Passport No.)

of ____ (Address)

being a shareholder/shareholder(s) of CosmoSteel Holdings Limited (the "Company"), hereby appoint:

Name	Address	NRIC / Passport No.	Proportion of My / Our Shareholding (%) to be Represented by Proxy

and/or (delete as appropriate)

Name	Address	NRIC / Passport No.	Proportion of My/ Our Shareholding (%) to be Represented by Proxy

as my/our proxy/proxies to attend and to vote on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held at Shan Shui Palace, 450 Jalan Ahmad Ibrahim, Raffles Country Club, Singapore 639932 on Friday, 13 January 2012 at 10 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, my/our proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
	ORDINARY BUSINESS		
1	To adopt Directors' Report, Auditors' Report and Audited Accounts		
2	To declare a final dividend		
3	To approve Directors' fees for the financial year ending 30 September 2012		
4	To re-elect Mr Ong Tong Yang, the Director retiring pursuant to Article 99 of the Company's Articles of Association		
5	To re-elect Mr Ong Tong Hai, the Director retiring pursuant to Article 99 of the Company's Articles of Association		
6	To re-elect Mr Tatsuro Mori, the Director retiring pursuant to Article 99 of the Company's Articles of Association		
7	To re-appoint Mr Jovenal R. Santiago, the Director retiring pursuant to Section 153(6) of the Companies Act, Chapter 50		
8	To re-appoint RSM Chio Lim LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
9	To authorise the Directors to allot and issue ordinary shares		
10	To authorise the Directors to offer and grant share options		

(Please indicate your vote 'For' or 'Against' with an 'X' within the box provided.)

Dated this ____________ day of ______________ 2012

____
Signature(s) of Shareholder(s) or Common Seal
Important: Please read notes overleaf

Total Number of Shares Held

Notes:

A shareholder of the Company ("Shareholder") entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a Shareholder appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

A Shareholder should insert the total number of shares in the capital of the Company ("Shares") held by him. If he has Shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), he should insert that number of Shares. If he has Shares registered in his name in the Register of Members, he should insert that number of Shares. If he has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members, he should insert the aggregate number of Shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, the instrument of proxy shall be deemed to relate to all the Shares held by him.

The instrument of proxy must be under the hand of the Shareholder or of his attorney duly authorised in writing. Where the Shareholder is a corporation, the instrument of proxy must be executed under its common seal or under the hand of its attorney duly authorised in writing.

The instrument of proxy (together with the power of attorney, if any, under which it is signed or a duly certified copy thereof) must be deposited at the registered office of the Company at 50 Raffles Place, #06-00, Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for the AGM.

A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

The Company shall be entitled to reject an instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the Shareholder are not ascertainable from the instructions specified in the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument of proxy lodged if the Shareholder, being the appointor, is not shown to have Shares entered against his name in the Depository Register forty-eight (48) hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

A METAFUSION DESIGN

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