

FOR IMMEDIATE RELEASE

CosmoSteel posts 4.4% growth in earnings to S\$2.2 million for 2QFY2014

- *Gross profit margin grew to 20.7% in 2QFY2014, from 18.6% in 2QFY2013*
 - *Revenue impacted by highly competitive market conditions*
- *Expects FY2014 to remain profitable; on-going global exploration and production activities in the energy sector to continue supporting the Group's revenue for FY2014*

Summary of Financial Results for the period ended 31 March:

S\$' million	2QFY2014	2QFY2013	% Chg	1HY2014	1HY2013	% Chg
Revenue	42.7	43.5	(1.8)	77.4	88.8	(12.8)
Gross Profit	8.8	8.1	8.9	14.9	15.5	(3.9)
Gross Profit Margin (%)	20.7	18.6	2.1 pts	19.3	17.5	1.8 pts
Profit before tax	2.7	2.6	4.4	3.2	4.7	(32.2)
Net Profit	2.2	2.1	4.4	2.6	3.9	(32.7)
EPS (cents)	0.84	0.81	3.7	1.00	1.49	(32.9)

SINGAPORE – 7 May 2014 – CosmoSteel Holdings Limited (“CosmoSteel” or the “Group”), a leading supplier and distributor of piping system components to the Energy and Marine industries in Southeast Asia and other regions, recorded a 4.4% increase in net profit to S\$2.2 million for the three months ending 31 March 2014 (“2QFY2014”) even as its revenue dipped 1.8% to S\$42.7 million from S\$43.5 million in the corresponding period a year ago (“2QFY2013”).

The decline in topline came as the Group strived to win orders in an increasingly competitive marketplace, particularly within the Energy Sector. In spite of this, its gross profit margin saw a 2.1 percentage points upswing to 20.7% in 2QFY2014, compared to 18.6% in 2QFY2013, as a result of tight control over cost of sales. Consequently, gross profit for the quarter grew 8.9% to S\$8.8 million, translating to a 4.4% increase in net profit to S\$2.2 million.

1HY2014 Performance

For the six months ended 31 March 2014 (“1HY2014”), revenue fell 12.8% year-on-year (“y-o-y”) to S\$77.4 million, as Energy Sector sales declined 16.7% to S\$63.1 million due to heightened competition in the market. Compensating partially for the slowdown in the Energy Sector, the Group saw a 36.7% y-o-y improvement in its Marine Sector revenue to S\$11.4 million in 1HY2014 from S\$8.3 million in the same period a year ago (“1HY2013”). Notwithstanding this, the Energy sector remained highly relevant to the Group, contributing 81.5% of 1HY2014 revenue.

Operationally, gross profit dipped by 3.9% to S\$14.9 million in 1HY2014 compared to \$15.5 million in 1HY2013. Despite this, the Group managed to keep cost of sales in check and improved its gross profit margin to 19.3% in 1HY2014 from 17.5% a year ago.

At the bottomline, the Group reported a 32.7% drop in net profit to S\$2.6 million compared to S\$3.9 million in 1HY2013, largely attributed to higher employee benefits expense.

With this set of results, the Group’s earnings per share (“EPS”) for 1HY2014 was slightly lower at 1.0 Singapore cent, while net asset value (“NAV”) stood at 37.65 Singapore cents per share as at 31 March 2014. This is compared to EPS of 1.49 Singapore cents for 1HY2013 and NAV of 37.64 Singapore cents per share as at 30 September 2013.

Commenting on the Group’s latest financial performance and outlook, Mr Ong Chin Sum (翁青山), Chief Executive Officer of CosmoSteel, said, “Even though market conditions have become increasingly competitive, we managed to keep our gross margins up and healthy. For the rest of FY2014, we expect sales to still hail from customers in the Energy Sector given their on-going exploration and production activities.”

Looking ahead, despite intense market competition, the Group intends to continue driving volume sales in the regional upstream energy sector given the significant order sizes in the sector. The Group is also still pursuing its efforts to penetrate Myanmar with dedicated personnel overseeing developments in this market. Given the healthy activity levels driven by energy-related projects in China and the Philippines, the Group plans to continue focusing its sales and marketing efforts in these markets in order to capture new opportunities.

Summarised Mr Ong, “Our business strategy remains unchanged - the pursuit of measured growth in the Energy and Marine sectors in the region. To achieve this, we will continue to sharpen CosmoSteel’s competitive edge through productivity improvements and cost management measures. Rest assured that we will do our best to protect our margins even as we seek to grow our top-line and bottom-line.”

Barring unforeseen circumstances, the Group expects to remain profitable in FY2014.

About CosmoSteel Holdings Limited

Backed by over 30 years of stellar track record, CosmoSteel Holdings Limited, the holding company of Kim Seng Huat Hardware Pte Ltd, has a strong reputation as a supplier and distributor of piping system components to the Energy, Marine and other industries in Southeast Asia and other regions. It has built a strong customer base which includes blue-chip companies such as Shell, Exxon-Mobil and Alstom.

CosmoSteel carries an extensive inventory of over 20,000 line items across its three main product categories of pipes, fittings and flanges, comprising mainly of carbon steel or stainless steel products. It also provides value-added services to customise its products according to customers’ specific requirements. CosmoSteel sources its products from a wide network of manufacturers and suppliers from Europe, US and Asia including Japan and the PRC, who have a proven track record in product quality and delivery capabilities. Product quality, timeliness and reliable customer deliveries are the foundation to the success of its business. The Group has received the following certifications: ISO 9002:1994 in 2000; ISO 9001:2000 in 2003; and in 2009, ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007, and bizSAFE STAR certification in 2012.

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