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

ENTRY INTO SALE AND PURCHASE AGREEMENT TO PURCHASE A WAREHOUSE IN THE STATE OF JOHOR, MALAYSIA

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1. Introduction

1.1. The Board of Directors of CosmoSteel Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that Kim Seng Huat (Malaysia) Sdn. Bhd. ("**KSH Malaysia**"), a wholly-owned subsidiary of Kim Seng Huat Hardware Pte Ltd ("**KSH Singapore**"), has on 9 May 2023 entered into a Sale and Purchase Agreement ("**SPA**") to purchase a warehouse located in Mukim Senai, District of Kulai, State of Johor, Malaysia (the "**Property**") from Khng Huat Network Services Sdn. Bhd. (the "**Vendor**") for a purchase price of RM21,000,000 or approximately S$6,300,000 ("**Consideration**") (the "**Proposed Acquisition**").

2. Purchase Consideration

2.1. The Consideration was arrived on a willing-buyer willing-seller basis, taking into account, *inter alia*, an independent valuation of the Property conducted by Appraisal (Malaysia) Sdn. Bhd. which appraised the Property as at 4 January 2023 to have an open market value of RM21,560,000 or approximately S$6,400,000.

2.2. The payment terms for the purchase of the Property are as follows:

(a) a deposit of a sum of RM2,100,000 representing 10% of the Consideration ("**Deposit**") shall be payable by KSH Malaysia upon the execution of the SPA; and

(b) The balance 90% of the Consideration shall be payable by the Completion Date (as defined below), failing which interest at the rate of six (6)% per annum calculated on a daily basis on the balance of the Consideration then outstanding will be charged by the Vendor from the commencement of the Extended Completion Date (as defined below) until full payment.

3. Conditions Precedent and Completion of the SPA

3.1. Completion of the sale and purchase of the Property is subject to the following conditions precedent being fulfilled within six (6) months from the date of the SPA or such other extended period as may be mutually agreed upon by KSH Malaysia and the Vendor ("**Conditions Precedent**"), and include but are not limited to the following:

(a) the obtaining of all necessary approval for the purchase of the Property from the shareholders of the Company under the laws of Singapore and requirements of SGX Listing Rules, if required; and

(b) the approval of Johor State Authority to the sale and transfer of the Property (by reason of KSH Malaysia being a foreign company as defined by the National Land Code of Malaysia).

3.2. The SPA shall become unconditional on the date on which the Conditions Precedent are fulfilled ("**Unconditional Date**"). Completion of the SPA shall take place within four (4) months from the Unconditional Date ("**Completion Date**"), extendable for another two (2) months ("**Extended Completion Date**").

4. Information on the Property and the Vendor

4.1. The Property is a single storey detached warehouse with an annexed three-storey office building located in the industrial region of Johor, Malaysia and the Property has a land area measuring approximately 2.653 hectares. The Property is a freehold property.

4.2. The Vendor is a limited company incorporated in Malaysia. The Vendor and its shareholders are not related to the Company, its directors or its executive management.

5. Rationale of the Proposed Acquisition

5.1. The Group intends to acquire the Property for use as warehouse facilities in connection with the relocation of a warehouse in Singapore and the proposed expansion of the Group's operations in Malaysia.

6. Source of Funds

6.1. The Consideration will be wholly satisfied in cash and will be funded through a combination of internal resources and bank financing.

6.2. KSH Singapore, a wholly-owned subsidiary of the Company, had on 17 January 2023 incorporated KSH Malaysia in Malaysia for the purpose of the Proposed Acquisition. As at the date of this announcement, KSH Malaysia has an issued and paid-up share capital of RM15,000,000 representing 15,000,000 ordinary shares.

6.3. Save as aforesaid, the Proposed Acquisition is not expected to have any material impact on the earnings per share and net tangible assets per share of the Group for the current financial year ending 30 September 2023.

7. Financial Effects of the Proposed Acquisition

7.1. The pro forma financial effects of the Proposed Acquisition presented below are strictly for illustrative purposes only, and do not reflect the actual financial position and/or results of the Group's operations following the completion of the Proposed Acquisition and are not indicative of the future financial position and performance of the Group.

7.2. The illustrative financial effects of the Proposed Acquisition are as follows:

(a) Net Tangible Assets ("**NTA**")

Assuming the Proposed Acquisition has been completed on 30 September 2022 and based on the audit financial statements of the Group for the financial year ended 30 September 2022 ("**FY2022**"), the financial effects on the consolidated NTA of the Group for FY2022 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S$'000)	77,884	77,884
Number of Shares[(1)]	261,360,097	261,360,097
NTA per Share (in cents)	29.80	29.80

Notes:

(1) Total number of issued shares (excluding treasury shares) as at 30 September 2022.

(b) Earnings per Share ("**EPS**")

Assuming the Proposed Acquisition had been completed on 1 October 2021 and based on the financial statements of the Group for FY2022, the financial effects on the EPS of the Group for FY2022 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to owners of the Company (S$'000)	2,279	2,039
Weighted average numbers of shares	280,653,987	280,653,987
Earnings per share (in cents)	0.81	0.73

(c) Gearing

Assuming the Proposed Acquisition had been completed on 30 September 2022, the Proposed Acquisition would have the following impact on the gearing of the Group:

	Before the Proposed Acquisition	After the Proposed Acquisition
Total borrowings (S$'000)	10,614	15,156
Total equity (S$'000)	77,884	77,884
Gearing ratio (times)	0.14	0.19

"Gearing" refers to the ratio of total borrowings to total equity. "Total borrowings" refers to the aggregate amount of credit facilities secured from banks and financial institution, including hire purchase and finance leases, and "Total equity" refers to the aggregate amount of issued and paid-up share capital, assets revaluation and reserve and retained earnings of the Group.

8. Relative Figures

8.1. As at 8 May 2023, being the last trading day immediately prior to the entry into the SPA, the relative figures in relation to the Proposed Acquisition computed on the applicable bases set out in Rule 1006 of the Listing Manual of the SGX-ST (the "**Listing Manual**"), based on the Group's audited consolidated financial statements for the FY2022, being the latest announced audited consolidated financial statements of the Group are as follows:-

Bases	**Relative Figures**
Rule 1006(a) – Net asset value of the assets to be disposed of, compared with the Group's net asset value as at 30 September 2022 (being the date of the latest announced consolidated accounts of the Group)	Not Applicable
Rule 1006(b) – Net profits attributable to the Property (the asset to be acquired or disposed of, as at 30 September 2022 (being the date of the latest announced consolidated accounts of the Group), compared with the Group's net profits	Not Applicable[(2)]

Rule 1006(c) – Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	21.06%(3)
Rule 1006(d) – Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable(4)
Rule 1006(e) – Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves	Not Applicable(5)

Notes:

(1) Not applicable as this transaction relates to an acquisition.
(2) Not applicable as there is no net profit attributable to the Property.
(3) Computed based on the Consideration (and not including the stamp duty, professional fees and other incidental costs related to the Proposed Acquisition) divided by the Company's market capitalisation of approximately S$29,795,000, which is determined by multiplying the total number of issued shares of 261,360,097 (excluding treasury shares as at the date of the announcement, being, 29,039,900) by the weighted average price of such shares transacted on 8 May 2023, the market day preceding the date of entry into the SPA.
(4) Not applicable as no equity securities are proposed to be issued by the Company as consideration for the Proposed Acquisition.
(5) Not applicable as this transaction does not relate to a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

8.2. Based on the foregoing table, as the relative figures under Rule 1006 of the Listing Manual exceed 20% but does not exceed 100% as at the last trading day immediately prior to the date of entry into the SPA, the Proposed Acquisition constitutes a "major transaction" under Chapter 10 of the Listing Rules and the Company will be calling for an Extraordinary General Meeting ("**EGM**") to seek Shareholders' approval for the Proposed Acquisition pursuant to Rule 1014(2) of the Listing Rules.

9. Interest of Directors and Controlling Shareholders

9.1. None of the Directors and the controlling shareholders of the Company have any interest or are deemed to be interested in the Proposed Acquisition.

10. Service Contracts

10.1. No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11. Documents for Inspection

11.1. The following documents are available for inspection during normal business hours at the registered office of the Company at 14 Lok Yang Way, Singapore 628633 for a period of three (3) months commencing from the date of this announcement:

(a) the SPA; and

(b) the independent valuation report issued by Appraisal (Malaysia) Sdn. Bhd. on the Property dated 18 January 2023.

12. Circular to Shareholders

12.1. A Circular to Shareholders containing, *inter alia*, further information on the SPA and Proposed Acquisition and enclosing the notice of the EGM will be released to Shareholders in due course.

13. Cautionary Statement

13.1. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. The Proposed Acquisition is subject to the fulfilment of conditions precedent under the SPA. There is no certainty or assurance that the Proposed Acquisition will be completed or that no changes will be made to the terms thereof. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Ong Tong Hai
Chief Executive Officer and Executive Director
9 May 2023