

**FOR IMMEDIATE RELEASE**

## **CosmoSteel to raise S\$15.3 million via share placement; Enters into strategic alliance with Japan-listed Hanwa**

- *Issues 26.4 million new ordinary shares to Hanwa at S\$0.58/share at a premium of 48.7%*
- *CosmoSteel's CEO also sells approximately 56.2 million shares to Hanwa at S\$0.58/ share*
- *Hanwa will hold, in aggregate, an interest of approximately 28.45% in CosmoSteel upon completion of the two transactions*
- *Strategic alliance will create synergies and enable both companies to tap on respective strengths for the marketing and sales of products*

**SINGAPORE – 1 December 2014 – CosmoSteel Holdings Limited** (“**CosmoSteel**” and, together with its subsidiaries, the “**Group**”, 宇宙钢铁), a leading supplier and distributor of piping system components to the energy and marine industries in Southeast Asia and other regions, today announced that it plans to raise S\$15.3 million to strengthen the financial position of the Group.

CosmoSteel has entered into a conditional subscription agreement with Hanwa Co. Ltd. (“**Hanwa**”), a leading Japanese trading company listed on the Tokyo Stock Exchange that is involved mainly in steel products, for the issuance of 26.4 million new ordinary shares, representing approximately 10% of the existing issued share capital of CosmoSteel (“**Shares**”), to Hanwa, at a subscription price of S\$0.58 per Share, representing a premium of approximately 48.7% to the volume weighted average trading price of S\$0.3901 per Share on the Main Board of the Singapore Exchange Securities Trading Limited on 28 November 2014 (the “**Proposed Subscription**”). Completion of the Proposed Subscription is conditional upon, *inter alia*, approval of the CosmoSteel shareholders for the Proposed Subscription at an extraordinary general meeting (“**EGM**”) to be convened.

Mr Ong Chin Sum (翁青山), CosmoSteel's Chief Executive Officer and Executive Director, has also entered into a conditional sale and purchase agreement to sell approximately 56,217,982

Shares, representing 21.29% of the existing issued share capital of CosmoSteel, to Hanwa at S\$0.58 per Share on 1 December 2014, conditional on the completion of the Proposed Subscription (the "**Proposed Sale by OCS**").

Upon completion of the above two transactions, Hanwa will hold, in aggregate, approximately 28.45% of the enlarged share capital of CosmoSteel which amounts to 290,399,997 Shares.

At the same time, CosmoSteel has entered into a strategic alliance agreement with Hanwa to create synergies and reinforce marketing and sales efforts relating to their products (the "**Proposed Strategic Alliance**"). As part of the Proposed Strategic Alliance, Hanwa will be entitled, *inter alia*, to two board seats comprising one non-executive director and one executive director on the Board of CosmoSteel. The strategic alliance agreement shall be subject, to CosmoSteel shareholders' approval and shall take effect upon the completion of the Proposed Subscription and the Proposed Sale by OCS. The Company intends to seek specific approval for the Proposed Strategic Alliance from the CosmoSteel shareholders at the EGM.

Elaborating on the rationale of the Proposed Subscription and Proposed Strategic Alliance with Hanwa, Mr Ong said, "I am honoured to welcome Hanwa on board as a strategic partner and shareholder. Their vote of confidence in CosmoSteel will give us the necessary resources to boost the Group's financial position by reducing bank leverage and improving cash flow as we embark on our growth plans in the region. Given that the subscription price is at a significant premium to our last traded price, there will also be a positive impact on CosmoSteel's stock performance and enterprise value."

Mr Hironari Furukawa (古川 弘成), the Representative Director and the President of Hanwa, commented, "We are very excited to become a strategic partner of CosmoSteel that has highly complementary strengths to us. We believe our wide range of steel products and our global network will surely accelerate CosmoSteel's growth while CosmoSteel's experienced

management team in the steel pipe business and established customer base in the oil and marine industry will contribute to our steel business, particularly in the ASEAN region.”

With Hanwa as a strategic partner, the Group is also now better-positioned to explore future organic and inorganic growth as and when opportunities arise. Mr Ong explained, “CosmoSteel and Hanwa each have complementary strengths as we have different focus in terms of specific markets and products. We plan to tap on Hanwa’s customer network, global outreach and expertise as a “distribution specialist” to further grow our business. With our interests aligned, I very much look forward to working closely with them to drive the future growth of the Group.”

Of the estimated net proceeds of S\$14.2 million, the Group plans to utilise 24% to finance the construction of a new building and acquisition of machinery and equipment at 90 Second Lok Yang Way, 8% to finance the acquisition of machinery and equipment at 36 Tuas Crescent, 35% for the repayment of short term loans and 33% for general working capital purposes.

Please refer to the SGX announcement dated 1 December 2014 for further information on the transactions. In addition, a circular together with a notice of the EGM to be convened will be despatched to CosmoSteel shareholders in due course.

**About Hanwa Co. Ltd.**

*Incorporated in Japan and listed on the Tokyo Stock Exchange, Hanwa is one of the leading trading companies in Japan, supplying a broad range of products, including steel, metals and alloys, non-ferrous metals, food products, petroleum and chemicals, lumber, machinery and many other items to an equally diverse range of customers. Steel is Hanwa's major product, accounting for about half of its total sales. Hanwa sells steel bars, building materials, sheets, pipes, wires, and many other steel products. With some of Japan's largest steel distribution centres and a network of overseas coil centres, Hanwa ranks among the leaders in terms of inventories and steel processing volume.*

**About CosmoSteel Holdings Limited**

*Established in 1984 and listed on the Singapore Stock Exchange in 2007, CosmoSteel Holdings Limited is a leading supplier and distributor of piping system components to the energy, marine*



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*and other industries in Southeast Asia and other regions. CosmoSteel stocks over 25,000 line items across its three main product categories of pipes, fittings and flanges (comprising mainly carbon steel or stainless steel products) and also provides value-added product customisation services. Product quality, timeliness and reliable customer deliveries are the pillars of the Group's success. The Group is ISO 9002:1994; ISO 9001:2000, ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007, and bizSAFE STAR certified.*

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