



COSMOSTEEL HOLDINGS LIMITED

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

PROPOSED EXTENSION OF LEASE OF WAREHOUSE AT 90 SECOND LOK YANG ROAD

1. Introduction

The Board of Directors of CosmoSteel Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement of 21 May 2010 on the acquisition of the warehouse located at 90 Second Lok Yang Road, Singapore 628166 (the “**Property**”) by Kim Seng Huat Hardware Pte Ltd (the “**Subsidiary**”), a wholly-owned subsidiary of the Company (the “**Acquisition**”).

Further to the Acquisition, the Board of Directors of the Company wishes to announce that the Subsidiary has applied for and accepted the letter of offer (the “**Letter of Offer**”) issued by JTC Corporation (“**JTC**”) on 29 May 2014 (the “**Offer Date**”) in respect of the extension of the Existing Term (as defined below) of the Property for a further term of 13 years and 3 months (the “**Further Term**”) from 16 March 2019 (the “**Proposed Extension of Lease**”).

2. Information on the Property

The Property is a JTC leasehold property and the Property has a site area of approximately 6,503.1 square metres. Pursuant to the Acquisition, the Subsidiary was granted a balance lease term of 8 years and 8 months from 16 July 2010 and there is as at the date hereof a remaining tenure of approximately 4 years and 9 months (the “**Existing Term**”). The Property is currently used as a warehouse for the purposes of business operations of the Group.

3. Fixed Investment Criteria

As consideration for the Proposed Extension of Lease, the Subsidiary is required to satisfy certain investment criteria (including but not limited to investment in plant and machinery) (collectively, the “**Fixed Investment Criteria**”) within three (3) years from the Offer Date (the “**Development Period**”), amounting in aggregate to S\$11,830,000 (the “**Minimal Investment Amount**”).

The Fixed Investment Criteria will be wholly satisfied in cash and will be funded through a combination of internal resources and bank financing.

4. Material Conditions

The grant of the Extension of Lease is subject to the fulfilment of the following material conditions which include but are not limited to:

- (a) the satisfaction of the Fixed Investment Criteria;

- (b) the development of the Property in accordance with the proposal submitted by the Subsidiary to JTC;
- (c) the entry by the Subsidiary into an agreement to lease and a variation of lease/supplemental deed with JTC;
- (d) the authorised use of the Property during the Existing Term and the Further Term being warehousing purposes for piping system components only, unless otherwise approved by JTC; and
- (e) the land rent for the Further Term, if granted, shall be at an initial rate based on the market rate prevailing on or about the commencement of the Further Term as determined by JTC, and shall be subject to annual revision to market rent.

5. Rationale and Benefit of the Proposed Extension of Lease

The Company intends to extend the Existing Term for the purposes of maintaining the Group's warehouse capacity.

6. Financial Effects of the Proposed Extension of Lease

The Proposed Extension of Lease 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 2014.

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

The illustrative financial effects of the Proposed Extension of Lease are as follows:

(a) Net tangible assets ("**NTA**")

Assuming the Proposed Extension of Lease had been completed on 30 September 2013 and based on the audited financial statements of the Group for the financial year ended 30 September 2013 ("**FY2013**"), the financial effects on the consolidated NTA of the Group for FY2013 are as follows:

	Before the Proposed Extension of Lease	After the Proposed Extension of Lease
NTA (S\$)	99,363,548	99,363,548
Number of Shares	263,999,997	263,999,997
NTA per Share (S\$)	0.376	0.376

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

Assuming the Proposed Extension of Lease had been completed on 1 October 2012 and based on the audited financial statements of the Group for FY2013, the financial effects on the EPS of the Group for FY2013 are as follows:

	Before the Proposed Extension of Lease	After the Proposed Extension of Lease
Net profit attributable to owners of the Company (S\$)	6,363,421	5,735,269
Weighted average number of shares	263,999,997	263,999,997
Earning per stock unit (S\$)	0.024	0.022

7. Relative Figures

Based on the latest announced unaudited financial statements of the Group for the second quarter ended 31 March 2014, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") 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 31 March 2014 (being the date of the latest announced consolidated accounts of the Group)	Not Applicable ⁽¹⁾
Rule 1006(b) – Net profits attributable to the Property (the asset) to be acquired as at 31 March 2014 (being the date of the latest announced consolidated accounts of the Group), compared with the Group's net profits for the same period	Not Applicable ⁽²⁾
Rule 1006(c) – Aggregate value of the purchase consideration to be given, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares	10.1% ⁽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⁾

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 Minimal Investment Amount, divided by the Company's market capitalisation of S\$116,582,399 as at 30 July 2014. The Company does not have any treasury shares.
- (4) Not applicable as no equity securities are proposed to be issued by the Company as consideration for the Proposed Extension of Lease.

As the relative figure set out above exceeds 5% but does not exceed 20%, the Proposed Extension of Lease constitutes a "Discloseable Transaction" under Chapter 10 of the Listing Manual.

8. Interest of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Extension of Lease (other than through their shareholdings in the Company).

9. Service Contracts

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

10. Documents for Inspection

The following documents are available for inspection during normal business hours at the registered office of the Company at 50 Raffles Place, #06-00, Singapore Land Tower, Singapore 048623 for a period of three (3) months commencing from the date of this announcement:

- (a) the Letter of Offer.

By Order of the Board

Ong Chin Sum

Chief Executive Officer and Executive Director
31 July 2014