

COSMOSTEEL HOLDINGS LIMITED
(THE "COMPANY")
(Company Registration Number: 200515540Z)

**PROPOSED PLACEMENT OF UP TO 35,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF
COSMOSTEEL HOLDINGS LIMITED (THE "PLACEMENT")**

1. Introduction

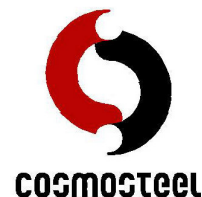
The Board of Directors of CosmoSteel Holdings Limited (the "**Company**") wishes to announce that the Company has today entered into a placement agreement (the "**Placement Agreement**") with Kim Eng Securities Pte. Ltd. ("**Kim Eng**" or the "**Placement Agent**") pursuant to which the Company has agreed to issue up to 35,000,000 new ordinary shares in the capital of the Company (the "**Placement Shares**") and Kim Eng has agreed to use its best efforts to procure the subscription and payment for the Placement Shares, at an issue price of S\$0.494 per Placement Share (the "**Issue Price**"), amounting to an aggregate consideration of up to approximately S\$17.29 million, and on the terms and conditions of the Placement Agreement. The Placement will be carried out by way of a private placement in Singapore pursuant to Section 272B of the Securities and Futures Act (Cap.289) of Singapore. As such, no prospectus or offer information statement will be lodged by the Company with the Monetary Authority of Singapore in connection with the Placement.

The Issue Price represents a discount of approximately 9.94% to the volume-weighted average market price ("**VWAP**") of S\$0.5485 for each ordinary share in the capital of the Company ("**Share**"), based on trades done on the Main Board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 16 September 2009, being the preceding full market day prior to the signing of the Placement Agreement and up to the time of the trading halt of its Shares on 17 September 2009.

The Company will pay to the Placement Agent a placement commission of 1.0% of the Issue Price (and Goods and Services Tax thereon) for each Placement Share for which the Placement Agent procures subscription and payment.

The Placement Shares, when issued and delivered, shall be free from all claims, charges, liens and other encumbrances and shall rank *pari passu* in all respects with the Shares existing as at the date of issue of the Placement Shares except for any dividends, rights, distributions, allotments or other entitlements the record date of which falls before such date of issue.

The Placement Shares will be issued pursuant to the general mandate authorising the Directors of the Company to issue new Shares and convertible securities, which was granted by the shareholders of the Company by way of an ordinary resolution at the annual general meeting of the Company held on 20 January 2009. The Placement Shares represent approximately 19.86% of the total number of issued Shares of 176,200,000 Shares as at the date of this Announcement.



Pursuant to the Placement Agreement, the Placement Agent has undertaken, *inter alia*, that it will not offer the Placement Shares for sale to, or procure subscriptions of or make an invitation for the Placement Shares to any person who (to the best of the Placement Agent's knowledge, information and belief and after having made due and careful enquiries) fall within Rule 812(1) of the Listing Manual unless such subscription is otherwise agreed to by the SGX-ST.

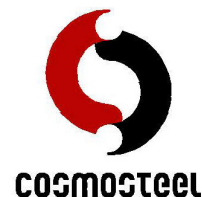
2. Conditions precedent to Completion

Completion of the Placement is conditional upon, amongst others:-

- (a) in-principle approval being obtained from the SGX-ST for the listing and quotation of the Placement Shares on the Main Board of the SGX-ST and such approval not having been revoked or amended and, where such approval is subject to conditions (which are not normally imposed by the SGX-ST for a transaction of a similar nature), such conditions being acceptable to the Placement Agent and, to the extent that any conditions for such approval are required to be fulfilled on or before the completion date, they are so fulfilled;
- (b) the allotment, issue and subscription of the Placement Shares not being prohibited by any statute, order, rule, regulation, ruling, directive or request promulgated or issued after the date of the Placement Agreement by any legislative, executive or regulatory body or authority (including the SGX-ST, the Monetary Authority of Singapore and the Securities Industry Council) which is applicable to the Company or the Placement Agent; and
- (c) there having been, as at the completion date, no change or any development likely to result in a material adverse change in the condition or prospects, financial or otherwise, of the Company and/or the Group as a whole since 31 March 2009 nor any material breach of, nor the occurrence of any event nor the discovery of any fact rendering untrue and incorrect in any material respect, any of the representations, warranties or undertakings contained in the Placement Agreement if they were repeated on and as of the completion date and the Company having performed in all material respects all of its obligations under the Placement Agreement to be performed on or before the completion date.

Pursuant to the Placement Agreement, the Company has undertaken, *inter alia*, that it will not within 180 days from the date of the Placement Agreement, without the prior written consent of the Placement Agent (such consent not to be unreasonably withheld), undertake any capital reduction, bonus issue, stock split or do anything to its share capital or reserve or allot any Shares or other marketable securities or grant any options over Shares (save for any options to be granted pursuant to the CosmoSteel Employee Share Option Scheme or any Shares to be issued pursuant to the exercise of any options granted under the CosmoSteel Employee Share Option Scheme) or marketable securities or enter into any agreement or undertaking to do the same (otherwise than in accordance with the Placement Agreement).

Completion of the Placement is to take place on the date falling three (3) business days after the date on which the in-principle approval of the SGX-ST is granted (or such other date as the Company and the Placement Agent may agree in writing) but in any event being a date not later than 30 days after the date of the Placement Agreement. In the event that any of the



conditions to the completion of the Placement is not satisfied within 30 days after the date of the Placement Agreement, the Placement Agreement will terminate and neither party shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise.

The Company will be making an application to the SGX-ST for the listing and quotation of the Placement Shares on the Main Board of the SGX-ST.

3. Use of Net Proceeds

The Placement will allow the Company to raise estimated net proceeds (the "**Net Proceeds**") of up to approximately S\$16.58 million (after deducting expenses incurred in connection with the Placement).

The Company intends to use the Net Proceeds for working capital.

Pending the deployment of the Net Proceeds, such proceeds may be placed as deposits with banks and financial institutions or invested in short term money markets or debt instruments or for any other purpose on a short-term basis as the Directors of the Company may in their absolute discretion deem fit from time to time.

4. Financial Effects

Based on the issued share capital of the Company of approximately S\$25.49 million comprising 176,200,000 Shares as at the date of this Announcement and assuming that all the Placement Shares are issued, on completion of the Placement, the issued share capital of the Company will increase to approximately S\$42.07 million comprising 211,200,000 Shares. The Placement Shares represent approximately 19.86% of the present issued share capital of 176,200,000 Shares of the Company and approximately 16.57% of the enlarged issued share capital of the Company immediately after the completion of the Placement (assuming all the Placement Shares are issued).

Based on the unaudited consolidated financial statements of the Group for the six months ended 31 March 2009 (as announced by the Company on 6 May 2009), the Group's net asset value per Share and earnings per Share was approximately 29.67 cents and 5.31 cents respectively. Assuming that the Placement had been effected on 31 March 2009 and that all the Placement Shares are issued on the same date, the Group's net asset value per Share and earnings per Share, after adjusting for the issue of the Placement Shares, would be approximately 24.75 cents and 4.43 cents respectively.

5. General

Save as disclosed in this Announcement, none of the Directors of the Company nor (in so far as the Directors of the Company are aware) any substantial shareholder of the Company or their respective associates has any interest, whether direct or indirect, in the Placement.



In view of the Placement, shareholders of the Company and potential investors should exercise caution when trading in the Shares, and where in doubt as to the action they should take, they should consult their financial, tax or other advisors.

The Company will make the necessary announcements once the approval-in-principle for the listing and quotation of the Placement Shares has been obtained from the SGX-ST.

BY ORDER OF THE BOARD

Ong Chin Sum
Chief Executive Officer and Executive Director
17 September 2009