

COSMOSTEEL HOLDINGS LIMITED
(Company Registration No. 200515540Z)
(Incorporated in the Republic of Singapore)

PROPOSED BONUS SHARE ISSUE

1 INTRODUCTION

The Board of Directors of Cosmosteel Holdings Limited (the “**Company**”) wishes to announce that the Company is proposing a bonus issue to its shareholders on the basis of one (1) bonus share for every four (4) existing ordinary shares in the capital of the Company (“**Shares**”), fractional entitlements to be disregarded (the “**Proposed Bonus Share Issue**”).

Fractional entitlements to the Proposed Bonus Share Issue will be disposed of or dealt with in such manner as the Directors may in their absolute discretion deem fit for the benefit of the Company.

2 TERMS OF THE PROPOSED BONUS SHARE ISSUE

Based on the existing issued and paid-up share capital of the Company comprising 211,200,000 Shares as at the date of this announcement, up to 52,800,000 new Shares (the “**Bonus Shares**”) will be issued pursuant to the Proposed Bonus Share Issue.

The Directors have agreed to issue and allot the Bonus Shares at nil consideration without capitalisation of the Company’s reserves.

As the Shares currently have no par or nominal value and there is no authorised share capital for the Company, there is now no statutory limit on the issue of new shares and no minimum statutory issue price of new shares. The provisions in the Companies Act restricting the issue of shares at a discount to par value and the notion of share premium have also been deleted. All amounts standing to the credit of a company’s share premium account and capital redemption reserves (if any) have now become part of the company’s share capital.

Accordingly, the Bonus Shares will be issued at no cost to entitled shareholders without capitalisation of the Company’s reserves and when allotted and issued, will rank *pari passu* in all respects with the existing issued Shares and with each other, except that the Bonus Shares will not be entitled to any dividends, rights, allotments or other distributions before the record date which falls before the date of issue of the Bonus Shares.

The issue of the Bonus Shares will be made based on the Company’s share issue mandate approved by shareholders at the Company’s annual general meeting held on 25 January 2010.



3 RATIONALE FOR THE PROPOSED BONUS SHARE ISSUE

The Company is considering the Proposed Bonus Share Issue to increase the issued share capital base of the Company to reflect the growth and expansion of the Group's business, and to give due recognition to its shareholders for their continuing support for the Company at the same time. The Proposed Bonus Share Issue, if carried out, will also increase the accessibility of an investment in the Company to more investors, thereby encouraging trading liquidity and greater participation by investors and broadening the shareholder base of the Company.

4 CONDITIONS FOR THE PROPOSED BONUS SHARE ISSUE

The Proposed Bonus Share Issue is subject to the in-principle approval of the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the dealing in, listing of and quotation for the Bonus Shares on the Official List of the SGX-ST being obtained. The Company will make an application to the SGX-ST for the dealing in, listing of and quotation for the new Bonus Shares arising from the Proposed Bonus Share Issue in due course.

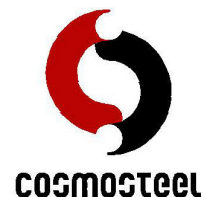
5 FINANCIAL EFFECTS

The financial effects of the Proposed Bonus Issue based on the audited consolidated financial statements of the Group for the financial year ended 30 September 2009 ("FY2009") are set out below. It should be noted that the financial effects are for illustration purposes only and should not be taken to represent the actual financial situation of the Group immediately after the Proposed Bonus Share Issue or the future financial situation of the Group.

5.1 Share Capital

The effects on the share capital of the Company as at 30 September 2009 as if the Proposed Bonus Issue had been effected on 30 September 2009 are summarised below:-

Issued and paid-up share capital as at 30 September 2009	Number of Shares ('000)	Amount (S\$ '000)
Before the Proposed Bonus Share Issue	211,200	42,062
Maximum Number of Bonus Shares to be Issued	52,800	Nil
After the Proposed Bonus Share Issue	264,000	42,062



5.2 Net Tangible Assets per Share

The effects on the net tangible assets (“**NTA**”) per Share of the Group as at 30 September 2009 as if the Proposed Bonus Share Issue had been effected on 30 September 2009 are summarised below:-

	NTA per Share (cents)
Before the Proposed Bonus Issue	34.32
After the Proposed Bonus Issue	27.45

5.3 Earnings per Share

The effects on the earnings per Share of the Group (“**EPS**”) for FY2009 as if the Proposed Bonus Share Issue had been effected on 1 October 2008 are summarised below:-

	EPS (cents)
Before the Proposed Bonus Issue	7.75
After the Proposed Bonus Issue	5.97

5.4 Gearing

The Proposed Bonus Share Issue will not have any effect on the gearing of the Group.

5.5 Dividends

The Company declared a final dividend of 1 cent per Share (one-tier tax-exempt) for FY2009. The payment for the said dividend will be made on 15 March 2010.

Barring unforeseen circumstances, the Directors are of the opinion that the Company will be able to maintain the quantum of the dividend paid in respect of FY2009 on the enlarged share capital for the financial year ending 30 September 2010.

6 CONSENT FROM KIM ENG SECURITIES PTE. LTD.

Kim Eng Securities Pte. Ltd., the placement agent in relation to the Company’s placement exercise carried out in September 2009, has given its written consent to the Company for the purpose of the Proposed Bonus Share Issue.



7 DIRECTORS' RESPONSIBILITY STATEMENT

This announcement has been reviewed and approved by the Directors, and the Directors collectively and individually accept full responsibility for the full and true disclosure and accuracy of the information given in this announcement. The Directors also confirm that after making all reasonable enquiries, and that to the best of their knowledge and belief, the statements and opinions expressed in this announcement are fair and accurate in all material respects as at the date hereof and that there are no material facts the omission of which would make this announcement misleading in any material respect.

8 ADDITIONAL INFORMATION

Persons registered in the register of The Central Depository (Pte) Limited or the Register of Members of the Company and depositors whose securities accounts are credited with Shares as at the books closure date for the Proposed Bonus Share Issue to be announced will be included for the purpose of the Proposed Bonus Share Issue on the basis of the number of such Shares registered in their names or standing to the credit of their securities accounts as at the books closure date. The Company will make a further announcement on the books closure date, subject to the said approval by the SGX-ST.

BY ORDER OF THE BOARD

ONG CHIN SUM
CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR
Date: 29 January 2010