

**FOR IMMEDIATE RELEASE**

## **CosmoSteel reports earnings of S\$2.1 million in 2QFY2013; Adopts dividend policy**

- *On-going strategy to expand into the high-volume upstream oil and gas market*
- *Lower profitability due to highly competitive nature of the upstream oil and gas market*
  - *Expects to remain profitable in FY2013*
- *Targets an annual dividend payout of at least 10% of the net profit attributable to Shareholders, subject to conditions*

**Summary of Financial Results for the period ended 31 March:**

<b>S\$' million</b>	<b>2QFY2013</b>	<b>2QFY2012</b>	<b>% Chg</b>	<b>1HY2013</b>	<b>1HY2012</b>	<b>% Chg</b>
<b>Revenue</b>	43.5	47.5	(8.6)	88.8	86.8	2.2
<b>Gross Profit</b>	8.1	10.1	(19.8)	15.5	19.6	(20.8)
<b>GP Margin (%)</b>	18.6	21.3	(2.7) % pts	17.5	22.6	(5.1) % pts
<b>Profit before tax</b>	2.6	5.2	(50.4)	4.7	9.6	(50.7)
<b>Net Profit</b>	2.1	4.3	(50.2)	3.9	8.0	(50.9)
<b>EPS (cents)</b>	0.81	1.62	(50.0)	1.49	3.02	(50.7)

**SINGAPORE – 8 May 2013 – CosmoSteel Holdings Limited (“CosmoSteel” or the “Group”),** a leading supplier and distributor of piping system components to the Energy and Marine industries in Southeast Asia and other regions, today reported a net profit of S\$2.1 million on the back of revenue totalling S\$43.5 million for the three months ended 31 March 2013 (“2QFY2013”), supported mainly by the Group’s Energy Sector business. This compared to a net profit and revenue of S\$4.3 million and S\$47.5 million respectively in the same period a year ago.

The decline in the Group’s profitability came amidst its expansion strategy to further penetrate the upstream market in the oil and gas value chain. This target market comprises exploration and production players such as oil majors, national oil companies as well as oilfield support companies.

Mr Ong Chin Sum (翁青山), Chief Executive Officer of CosmoSteel said, “The mainstay of our business has always been our customers in the downstream energy segment. To propel CosmoSteel to the next level, we are expanding our business into the upstream market, which we believe has many opportunities given the number of active oil and gas fields in the region. Though the business volume in the upstream market is substantial, it is also a highly competitive market and our profit margins in our latest results reflect this. With this in mind, we will continue to closely assess and balance the volume and returns from future orders with the aim of maintaining CosmoSteel’s overall profitability.”

In 2QFY2013, the Group’s gross profit decreased by 19.8% to S\$8.1 million with gross profit margin dipping 2.7 percentage points to 18.6% from 21.3% in 2QFY2012.

#### **Year-to-date Performance**

On a six-month basis, the Group’s revenue rose 2.2% to S\$88.8 million in 1HY2013 compared to S\$86.8 million a year ago. Net profit for the period, however, decreased to S\$3.9 million, from S\$8.0 million in 1HY2012, due to a competitively priced project which contributed 30.5% or S\$27.1 million of the Group’s revenue in 1HY2013.

#### **Dividend Policy**

The Group today also announced that it has adopted a dividend policy with a target annual dividend payout of at least 10% of the net profit attributable to Shareholders, provided always that such dividend payout for any financial year is subject to and conditional upon (a) the net profit attributable to Shareholders of the Group for such financial year being equal to at least S\$3 million, and (b) if the net profit referred to in (a) is less than S\$3 million, the declaration and payment of dividends being determined at the sole discretion of the Board of Directors of the Group.

The total dividends recommended, declared or paid in any financial year shall not exceed 50% of the net profit attributable to Shareholders of the Group, unless otherwise approved by the Board.

“Our decision to adopt a dividend policy reflects the continued confidence the Board has in the future growth of CosmoSteel. While our goal is to grow our business in a sustainable way, it is also our intention to return value to our loyal shareholders on a regular basis,” said Mr Ong.

### **Outlook**

The Group expects market conditions to remain highly competitive for the rest of FY2013. To mitigate the challenges ahead, CosmoSteel will continue its efforts to boost its marketing activities as well as keep operating costs under control.

Said Mr Ong, “We have proven ourselves to be a trusted supplier to our existing customers. Without compromising on service quality, our team is working tirelessly to market CosmoSteel to new upstream customers. We have the necessary product range and capabilities to establish a solid track record in the upstream market and we will strive to build from strength to strength in this as well as other markets.”

Barring unforeseen circumstances, the Group expects to remain profitable in FY2013.

---

### ***About CosmoSteel Holdings Limited***

Backed by over 30 years of stellar track record, CosmoSteel Holdings Limited, the holding company of Kim Seng Huat Hardware Pte Ltd, has a strong reputation as a supplier and distributor of piping system components to the Energy, Marine and other industries in Southeast Asia and other regions. It has built a strong customer base which includes blue-chip companies such as Shell, Exxon-Mobil and Alstom.

CosmoSteel carries an extensive inventory of approximately 20,000 line items across its three main product categories of pipes, fittings and flanges, comprising mainly of carbon steel or stainless steel products. It also provides value-added services to customise its products according to customers’ specific requirements. CosmoSteel sources its products from a wide network of manufacturers and suppliers from Europe, US and Asia including Japan and the PRC, who have a proven track record in



**CosmoSteel Holdings Limited**

(Co. Reg. No. 200515540Z)

14 Lok Yang Way, Singapore 628633

T: +65 6863 1828 • F: +65 6861 2191

product quality and delivery capabilities. Product quality, timeliness and reliable customer deliveries are the foundation to the success of its business. The Group has received the following certifications: ISO 9002:1994 in 2000; ISO 9001:2000 in 2003; and in 2009, ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007, and bizSAFE STAR certification in 2012.

CosmoSteel was listed on the Mainboard of the SGX-ST in 2007 (Stock code: B9S) and was ranked Number 55 (out of 674 listed companies assessed) in the Governance and Transparency Index 2012. For more information about the Group, please visit <http://www.cosmosteel.com>.

---

# # #

**For more information, please contact:**

August Consulting

Tel: 65 6733 8873

Silvia Heng, [silvia@august.com.sg](mailto:silvia@august.com.sg)

Ho Lily, [lily@august.com.sg](mailto:lily@august.com.sg)