



COSMOSTEEL HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200515540Z)
(the “**Company**”)

**GRANT OF AN OPTION TO PURCHASE IN RESPECT OF THE PROPOSED SALE OF
PROPERTY AT 90 SECOND LOK YANG ROAD**

1. Introduction

- 1.1. The Board of Directors of CosmoSteel Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcement dated 11 June 2024 in relation to the acceptance of an offer (“**Offer**”) from Tenda Equipment & Services Pte Ltd (the “**Buyer**”) by its wholly-owned subsidiary, Kim Seng Huat Hardware Pte Ltd (“**KSH Singapore**” or the “**Vendor**”), in respect of the proposed purchase of KSH Singapore’s warehouse located at 90 Second Lok Yang Road (the “**Property**”) at a selling price of S\$9,000,000 (“**Consideration**”), subject to the terms and conditions of the Letter of Offer from the Buyer dated 10 June 2024 (“**LO**”) (the “**Proposed Disposal**”).
- 1.2. The Company wishes to announce that pursuant to the terms of the LO, KSH Singapore has on 3 September 2024 granted an option to purchase (“**OTP**”) to the Buyer in relation to the Proposed Disposal at an option fee of S\$90,000, amounting to one percent (1%) of the Consideration (“**Option Fee**”), on such terms as elaborated in paragraph 2 below. The Option Fee has been paid by the Buyer to KSH Singapore upon the acceptance of the Offer on 11 June 2024.

2. Terms of OTP

- 2.1. The OTP will expire at 4.00 p.m. on 17 September 2024, being the day falling two (2) weeks from the date of the OTP, unless validly accepted in the manner as set out in the OTP, whereupon the Option Fee shall be forfeited by the Vendor absolutely.
- 2.2. Upon the exercise of the OTP, the Buyer shall place a deposit of an amount equal to five percent (5%) of the Consideration (“**Deposit**”), less the Option Fee, which shall be held by the Vendor’s solicitors as stakeholder pending completion of the Proposed Disposal.
- 2.3. Under the terms of the OTP, subject to the Buyer exercising the OTP, the Proposed Disposal shall be on such salient terms and conditions as elaborated in paragraph 4 below.

3. Consideration

- 3.1. The Consideration is excluding goods and services tax (GST) thereon which shall be borne by the Buyer.
- 3.2. The Consideration was arrived at on a willing-buyer willing-seller basis, taking into account, *inter alia*, an independent valuation of the Property conducted by Jones Lang Lasalle Property Consultants Pte Ltd (“**Independent Valuer**”) which appraised the Property as at 9 May 2024 to have an open market value of S\$8,700,000, *inter alia*, on a special assumption as further elaborated below (“**Independent Valuation**”).

- 3.3. The Property is a JTC lease and the expiry date of the lease is 15 June 2032, and accordingly had a remaining tenure of approximately 8.3 years as at the date of its last valuation prior to the Independent Valuation and a remaining tenure of approximately 8.1 years as at the date of the Independent Valuation. The Independent Valuer had appraised the Property on the special assumption that the balance tenure of the Property would only be approximately 7.1 years, and such assumption was made, *inter alia*, given that completion of the Proposed Disposal (“**Completion**”) is expected to take place approximately one (1) year from the date of exercise of the OTP by the Buyer, by which time the remaining tenure of the lease on the Property will have been further reduced accordingly.
- 3.4. The Group’s leasehold properties and improvements are measured at revalued amount under its accounting policy and the Proposed Disposal is not expected to result in any gain or loss on disposal. The book value of the Property will be revalued to S\$9,000,000 upon the exercise of the OTP with the corresponding adjustment to asset revaluation reserves under “Other Comprehensive Income” in the Group’s financial statements.

4. Terms of Proposed Disposal

- 4.1. The Property shall be sold with vacant possession on an “as-is-where-is” basis as at Completion (as defined below) and shall include all fixtures and fitting in the Property.
- 4.2. Subject to the Buyer exercising the OTP, the Proposed Disposal is subject to, *inter alia*, the following conditions:
- (a) JTC granting consent to the sale, transfer and/or assignment of the Property and the unexpired leasehold interest in the Property now vested in the Vendor to the Buyer (the “**Written Consent**”) and JTC giving their approval in writing to the use of the Property by the Buyer for repair, maintenance, servicing, modification, re-conditioning and storage of construction machinery and equipment or such similar use (the “**Intended Use**” and collectively with the Written Consent, the “**JTC Approvals**”);
 - (b) JTC confirming in writing, subsequent to the issue of the JTC Approvals, that (1) all terms and conditions set out in the JTC Approvals have been complied with; and (2) it has no objection to the execution of the transfer instrument/assignment in respect of the Property in favour of the Buyer and the assignment/transfer may be proceeded with (the “**JTC Final Approval**”); and
 - (c) the construction, erection and/or reinstatement of the boundary wall between the Property and the adjoining property at 14 Lok Yang Way by the Vendor in accordance with regulatory requirements (if applicable) within six (6) months from the date of exercise of the OTP or such other extended date as shall be mutually agreed between the parties, but in any event no later than the Completion Date (as defined below).
- 4.3. In addition to the foregoing, the Proposed Disposal is subject to the Vendor’s conditions, including, *inter alia*, the approval of the shareholders of the Company (“**Shareholders’ Approval**”) and subject to any other requirements under any rules or regulations of any relevant regulatory body (including without limitation the listing rules of SGX-ST) that the Vendor must comply with.
- 4.4. In the event that:
- (a) the JTC Approvals are not obtained within six (6) months from the date of exercise of the OTP or such other later date as to be mutually agreed between the parties or is not approved or is rejected or refused by the relevant authorities and provided that such non-approval or rejection is not due to any act, default, refusal, omission, neglect or failure of the Buyer or the Vendor; or
 - (b) any conditions precedent stated in the OTP are not met or complied with,

the Proposed Disposal shall be null and void, and the Deposit paid, as the case may be, shall be refunded to the Buyer in full and without interest and in exchange all documents will be returned to the Vendor.

- 4.5. Completion of the Proposed Disposal (“**Completion**”) shall take place on the latest of the following dates (“**Completion Date**”):
- (a) Six (6) months from the date of the Written Consent;
 - (b) Four (4) weeks from the date of receipt of the JTC Final Approval;
 - (c) Four (4) weeks from the date of Shareholders’ Approval;
 - (d) where the Environmental Site Assessment Report (“**ESA Report**”) shows the presence of contaminants at the Property and decontamination works are required by JTC to be carried out, the date falling four (4) weeks from the date when JTC confirms that the decontamination works carried out are satisfactory to JTC or the relevant authorities;
 - (e) where the ESA Report shows the presence of contaminants at the Property but no decontamination works are required by JTC to be carried out, the date falling four (4) weeks from the date when notification in writing is received from JTC or the relevant authorities confirming that no decontamination works are required to be carried out;
 - (f) where the Vendor is required by JTC to regularise or remove or rectify (as the case may be) unauthorised works, the date falling four (4) weeks from the date of receipt by the Vendor of JTC’s confirmation that the unauthorised works have been regularised, removed or rectified; or
 - (g) such other date as shall be mutually agreed between the parties.

5. Information on the Property and the Buyer

- 5.1. The Property is a leasehold property located at No. 90 Second Lok Yang Road, Singapore 628166 with a land area of approximately 69,998.79 sqft. The Property is leased from Jurong Town Corporation (“**JTC**”) and the lease on the Property will expire on 15 June 2032.
- 5.2. The Property is currently being used as part of the Group’s existing warehouse facilities in Singapore.
- 5.3. The Buyer is a private limited company incorporated in Singapore. The Buyer and its directors and shareholders are not related to the Company, its directors or substantial shareholders.

6. Rationale of the Proposed Disposal

- 6.1. As previously communicated to Shareholders during the Group’s acquisition of the warehouse in Johor Bahru, Malaysia, the Company has been looking for a suitable opportunity to sell the Property as the Property is mainly used to store the Group’s inventory in Singapore and the Group will have excess or surplus warehouse capacity after relocating part of its inventory to the Group’s newly acquired Malaysian warehouse.
- 6.2. The Directors are of the view that the Proposed Disposal presents a timely opportunity for the Group to dispose of the Property at a reasonably attractive price, after taking into consideration the Independent Valuation and the remaining tenure of the lease on the Property.

7. Use of Proceeds

- 7.1. The Group expects to receive net sale proceeds of approximately S\$5,904,000 from the Proposed Disposal (the “**Net Sale Proceeds**”), assuming that Completion takes place in the third quarter of 2025. The Company plans to utilise the Net Sale Proceeds for general working capital requirements of the Group.

8. Financial Effects of the Proposed Disposal

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

8.2. The illustrative financial effects of the Proposed Disposal are as follows:

(a) Net Tangible Assets ("**NTA**")

Assuming the Proposed Disposal has been completed on 30 September 2023 and based on the audited financial statements of the Group for the financial year ended 30 September 2023 ("**FY2023**"), the financial effects on the consolidated NTA of the Group for FY2023 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	80,441	78,924
Number of Shares ⁽¹⁾	261,360,097	261,360,097
NTA per Share (in cents)	30.78	30.20

Notes:

(1) Total number of issued shares (excluding treasury shares) as at 30 September 2023.

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

Assuming the Proposed Disposal had been completed on 1 October 2022 and based on the audited financial statements of the Group for FY2023, the financial effects on the EPS of the Group for FY2023 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net profit attributable to owners of the Company (S\$'000)	2,805	4,403 ⁽¹⁾
Weighted average numbers of shares	261,360,097	261,360,097
Earnings per share (in cents)	1.07	1.68

Notes:

(1) The increase in net profits attributable to owners of the Company after the Proposed Disposal is due to, *inter alia*, the add back of depreciation expenses which would otherwise have to be incurred in connection with the Property and finance costs which would otherwise have to be incurred in connection with the continued financing of the Property, and has not taken into account the adjustment to asset revaluation reserves under "Other Comprehensive Income" in the Group's financial statements which will be required as mentioned in paragraph 3.4 above.

(c) Gearing

Assuming the Proposed Disposal had been completed on 30 September 2023, the Proposed Disposal would have the following impact on the gearing of the Group:

	Before the Proposed Disposal	After the Proposed Disposal
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Total borrowings (S\$'000)	12,454	7,168
Total equity (S\$'000)	80,441	78,924
Gearing ratio (times)	0.15	0.09

“Gearing” refers to the ratio of total borrowings to total equity. “Total borrowings” refers to the aggregate amount of credit facilities secured from banks and financial institution, including hire purchase and finance leases, and “Total equity” refers to the aggregate amount of issued and paid-up share capital, assets revaluation and reserve and retained earnings of the Group.

9. Relative Figures

- 9.1. As at 29 August 2024, being the last day on which Shares were traded on the Mainboard of the SGX-ST immediately prior to the grant of the OTP, the relative figures in relation to the Proposed Disposal computed on the applicable bases set out in Rule 1006 of the Listing Manual of the SGX-ST (the "**Listing Manual**"), based on the Group's unaudited consolidated financial statements as at 31 March 2024, being the latest announced unaudited consolidated financial statements of the Group 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 2024 (being the date of the latest announced consolidated accounts of the Group)	12.86% ⁽¹⁾
Rule 1006(b) – Net profits attributable to the Property (the asset to be acquired or disposed of, as at 31 March 2024 (being the date of the latest announced unaudited consolidated accounts of the Group), compared with the Group's net profits	Not Applicable ⁽²⁾
Rule 1006(c) – Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	34.09% ⁽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⁾
Rule 1006(e) – Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves	Not Applicable ⁽⁵⁾

Notes:

- (1) Based on the net asset value of the Group of approximately S\$77,738,000 as at 31 March 2024 and the net carrying value of the Property of S\$10,000,000 as at 31 March 2024.
- (2) Not applicable as there is no net profit attributable to the Property.
- (3) Computed based on the Consideration (and not including the stamp duty, professional fees and other incidental costs related to the Proposed Disposal) divided by the Company's market capitalisation of S\$26,397,370, which is determined by multiplying

the total number of issued shares of 261,360,097 (excluding treasury shares as at the date of the announcement, being, 29,039,900) by the weighted average price of such shares transacted on 29 August 2024, being the last day on which Shares were traded on the Mainboard of the SGX-ST preceding the date of the grant of the OTP.

- (4) Not applicable as no equity securities are proposed to be issued by the Company as consideration for the Proposed Disposal.
- (5) Not applicable as this transaction does not relate to a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

9.2. Based on the foregoing table, as the relative figures under Rule 1006 of the Listing Manual exceed 20% but does not exceed 100% as at the last day on which Shares were traded on the Mainboard of the SGX-ST immediately prior to the date of the grant of the OTP, the Proposed Disposal constitutes a “major transaction” under Chapter 10 of the Listing Rules.

9.3. Following consultations with SGX RegCo, the Proposed Disposal will be subject to Shareholders’ approval when the option under the OTP is exercised by the Buyer.

10. Interest of Directors and Controlling Shareholders

10.1. None of the Directors and the controlling shareholders of the Company have any interest or are deemed to be interested in the Proposed Disposal.

11. Service Contracts

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

12. Documents for Inspection

12.1. The following documents are available for inspection during normal business hours at the registered office of the Company at 14 Lok Yang Way, Singapore 628633 for a period of three (3) months commencing from the date of this announcement:

- (a) the OTP; and
- (b) the Independent Valuation.

13. Circular to Shareholders

13.1. If the Buyer exercises the OTP by 17 September 2024, the Company will be calling for an Extraordinary General Meeting (“**EGM**”) to seek Shareholders’ approval for the Proposed Disposal pursuant to Rule 1014(2) of the Listing Rules and a Circular to Shareholders containing, *inter alia*, further information on the Proposed Disposal and enclosing the notice of the EGM will be released to Shareholders in due course.

14. Cautionary Statement

14.1. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. The Proposed Disposal is subject to the exercise of the OTP by the Buyer and the fulfilment of conditions precedent under the OTP. There is no certainty or assurance that the Proposed Disposal will be completed or that no changes will be made to the terms thereof. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Ong Tong Hai
Chief Executive Officer and Executive Director
3 September 2024