



**CosmoSteel Holdings Limited**  
(Co. Reg. No. 200515540Z)  
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**FOR IMMEDIATE RELEASE**

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## **CosmoSteel rides boom in marine and energy sectors; Posts 24.9% gain in earnings to S\$7.6 m**

- **Revenue surged 30% to S\$72.4 m, as core segments deliver sterling results**
- **Shareholders enjoy dividend payout of 1 Singapore cent per share**

<b>12 months ended 30 September</b>	<b>FY2007</b>	<b>FY2006</b>	<b>% Change</b>
Revenue (S\$'m)	72.4	55.9	+29.6
Gross profit (S\$'m)	17.8	15.0	+19.1
Net profit (S\$'m)	7.6	6.1	+24.9

**SINGAPORE – 28 November 2007 – 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, today reported strong top- and bottom-line growth for the 12 months ended 30 September 2007 (“FY2007”).



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The Singapore-based company, which successfully listed on the Main Board of the SGX in June 2007, achieved 24.9% surge in net profit to S\$7.6 million in FY2007, compared to S\$6.1 million in the previous corresponding period ("FY2006").

Revenue for the year rose by an impressive 29.6% to reach S\$72.4 million, from S\$55.9 million in FY2006, boosted by robust growth from its marine and energy sectors.

Cumulatively, the marine and energy sectors, the key contributors to the Group, saw S\$58.9 million in orders for FY2007, notching up 22.0% against S\$48.3 million achieved last year.

"Our latest results clearly demonstrate that the boom in the marine and energy sectors has certainly benefited and will continue to benefit CosmoSteel's businesses tremendously. During the year, we intensified our marketing efforts and expanded our inventory range – specifically targeted at the marine and energy sectors. Our strategy is bearing fruit, as evidenced by the strong results," stated Mr Ong Chin Sum, CEO of CosmoSteel.

"While we already have a broad range of more than 10,000 line items covering pipes, flanges and fittings, further widening our inventory range extensively to include low alloy and high yield pipes has provided a strong boost to CosmoSteel's revenue for 2007. By so doing, we have seen a



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significant increase in the number of orders received as well as secured a number of new customers."

For year ended 30 September 2007, Earnings Per Share (EPS) was 9.29 Singapore cents (based on weighted average number of 81,743,015 ordinary shares in issue). Net Asset Value (NAV) per ordinary share was 19.06 Singapore cents (based on 176,200,000 ordinary shares in issue) as at 30 September 2007.

### **Dividends**

In view of its FY2007 financial performance, the Group's Board of Directors has proposed a final cash dividend of S\$0.01 per share.

### **Segment analysis**

<b>Revenue by customer type</b>	<b>FY2007</b>	<b>FY2006</b>	<b>% Change</b>
Energy	42.6	38.7	+10.1
Marine	16.3	9.5	+70.2
Trading	7.8	7.0	+12.2
Others (incl Manufacturing and pharmaceutical sectors)	5.7	0.6	+791.2

In terms of revenue breakdown, the Group's Energy and Marine customers accounted for the lion's share – amounting to 58.9% and 22.5%, respectively, of FY2007 revenue - while Trading and Other customers accounted for 10.8% and 7.8%, respectively.



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For FY2007, the Marine industry provided a big push to the Group's growth, with revenue from this segment rising 70.2% to reach S\$16.3 million in FY2007.

The increase was mainly from CosmoSteel's major customers, two of the largest offshore and marine groups in the world, who have benefited from the current shipbuilding boom with resultant strong order books.

Revenue derived from CosmoSteel's Others-customer segment also improved considerably due to orders from new customers in the manufacturing industries.

In line with the Group's revenue growth, gross profit rose by 19.1% to S\$17.8 million in FY2007, from S\$15.0 million previously. Margins, however, dipped slightly from 26.8% to 24.6% as a result of increased purchases of inventories, specifically pipes, which were more costly as compared to the previous year.

"While lower than the previous years', our FY2007 gross profit margin of 24.6% is very respectable and very much within the healthy range. In addition, we have kept a continuous and firm control over our expenses, thereby ensuring that our cost increases are in line with our revenue growth," noted Mr Ong.

He added, "Moreover, our strategy to scale up our growth through an expansion in product range requires significant investments in inventories



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on our part, as can be seen from our balance sheet. Not only will this enable us to better cater to customers' requirements, but in the longer-run, it will serve to enhance CosmoSteel's reputation as a leading supplier and distributor of a wide of range piping system components."

### **Prospects and future plans**

Over the past few years, CosmoSteel's growth has principally been driven by the growth in the Energy and Marine industries in Singapore and in the region.

The rising trend in oil prices and world oil demand, and positive developments in the Energy and Marine sectors in Asia are expected to continue to boost the demand for CosmoSteel's products. Offshore oil and gas exploration activities have, in recent years, increased in countries such as Malaysia, Indonesia and Vietnam, leading to an increase in the demand for offshore rigs in the region. This in turn is expected to lead to a positive impact on the prospects and order books for CosmoSteel's customers.

Underpinning its business in fiscal 2008 and beyond, CosmoSteel has as announced on 23 November 2007, through its subsidiary, entered into a 50/50 joint venture with the subsidiary of Federal International (2000) Ltd to set up an investment vehicle to target energy projects in the Asia Pacific region.



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From the complementary nature of the business operations, CosmoSteel expects synergies to arise from the strategic partnership which will allow the two parties to combine resources, skill sets and market contacts to jointly explore investment opportunities in energy and energy-related projects in the Asia Pacific region.

Furthermore, as part of its growth strategy, CosmoSteel intends to increase and widen its product range to include pipes for the water and construction industries. The move will position the Group to tap on the increasing infrastructure developments in these two industries in Singapore and the region.

To accommodate business growth, CosmoSteel has, on 12 September 2007, exercised an option to acquire a property located at 21A Neythal Road for \$4.0 million. The property, with a land area of approximately 111,747 square feet ("sq ft") and a built-up area of about 61,806 sq ft is expected to be ready for use in December 2007. The facility comprises of a covered warehouse to accommodate the surge in product range and inventory since the Group's initial public offering in June this year. CosmoSteel's existing facility at Lok Yang Way will continue to serve as the Group's office and main warehouse.

Said Mr Ong, "Right now, CosmoSteel is busy laying the groundwork for our future growth. We have in place, and indeed have started implementing, a multi-pronged strategy to achieve that growth. This includes expanding our geographical presence; significantly widening our product range; and enhancing our service capabilities. Over and above that, we are also exploring opportunities for further growth."



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Mr Ong looks to the next financial year with confidence, "Barring any unforeseen circumstances, we are confident of our future prospects. The continued high prices of oil have maintained the buoyancy of the industry we operate in. In addition, we are hopeful that the local government's push for more biomedical and precision engineering start-ups will create more opportunities for CosmoSteel."

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#### **About CosmoSteel**

*Backed by a 23-year 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.*

*End-users for its products are typically companies engaged in the design, engineering and/or fabrication works mainly in the Energy, Marine and other industries in Southeast Asia.*

*CosmoSteel carries an extensive inventory of approximately 10,000 line items across its three main product categories of pipes, fittings and flanges, comprising mainly of carbon steel or stainless steel products. As part of its value-added services, it also provides machining 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 product quality and delivery capabilities.*

*Product quality, timeliness and reliable customer deliveries are the foundation to the success of its business. As an endorsement of its quality assurance, Kim Seng Huat was awarded ISO 9002:1994 certification for sales, supply and machining of*



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*flanges, steel fittings, tubings and pipes by Bureau Veritas Quality International ("BVQI") in 2000, which was replaced with ISO 9001:2000 certification in 2003.*

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