



PROPOSED CONSOLIDATION OF EVERY FIVE (5) EXISTING ISSUED ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY SHAREHOLDERS OF THE COMPANY INTO ONE (1) ORDINARY SHARE IN THE CAPITAL OF THE COMPANY, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED

1. INTRODUCTION

The board of Directors (the "**Board**") of Hupsteel Limited (the "**Company**") wishes to announce that the Company is proposing to undertake a share consolidation exercise to consolidate every five (5) existing ordinary shares ("**Shares**") in the capital of the Company into one (1) ordinary share ("**Consolidated Share**") ("**Proposed Share Consolidation**").

As a result of the Proposed Share Consolidation, each shareholder of the Company ("**Shareholder**") will receive one (1) Consolidated Share for every five (5) Shares held prior to the Proposed Share Consolidation as at the books closure date to be determined by the Directors in their absolute discretion as they deem fit ("**Books Closure Date**"), fractional entitlements to be disregarded.

2. RATIONALE OF THE PROPOSED SHARE CONSOLIDATION

With effect from 2 March 2015, the SGX-ST implemented a minimum trading price requirement of S\$0.20 per share for shares of issuers listed on the Mainboard of the SGX-ST as a continuing listing requirement. A one-time transition period of twelve (12) months will be given to affected issuers to undertake the necessary corporate actions to meet this new requirement. Issuers who fail to meet such minimum trading price requirement after the transition period will be placed on the watch list and will be delisted after a thirty-six (36) months cure period. As such, the Directors believe that the Proposed Share Consolidation will generally be beneficial to the Company and Shareholders as the Proposed Share Consolidation would facilitate the Company's ability to satisfy and be in compliance with the minimum trading price requirement.

For the past six (6) calendar months prior to the date of this announcement, the absolute price of the Shares had traded in a range of between S\$0.196 and S\$0.148. As share trading may involve certain minimum fixed expenses (such as minimum brokerage fees), low traded Share prices translate to higher transaction costs, relative to the trading price, for each trading of one board lot of Shares. In addition, the low traded Share price may encourage speculation in the Shares, which may result in excessive Share price volatility. The Board therefore believes that the Proposed Share Consolidation may serve to reduce the fluctuation in magnitude of the Company's market capitalisation and reduce the percentage transaction cost for trading in each board lot of Shares.

The Proposed Share Consolidation will also rationalise the share capital of the Company by reducing the number of Shares outstanding. It is expected that, all other things being equal, the theoretical trading price and net tangible assets of each Consolidated Share would be higher than the trading price and net tangible assets of each existing Share following the decrease in the number of Shares in issue after the Proposed Share Consolidation. The Proposed Share Consolidation may also increase the profile of the Company amongst the institutional investors and the coverage of the Company amongst research houses and fund managers.

However, Shareholders should note that there is no assurance that the Proposed Share Consolidation will achieve the desired results, nor is there assurance that such results (if achieved) can be sustainable in the longer term.

3. INFORMATION ON THE PROPOSED SHARE CONSOLIDATION

Under the Proposed Share Consolidation, every five (5) Shares registered in the name, or standing to the credit of the securities account, of each Shareholder or Depositor (as defined in Section 130A of the Companies Act (Chapter 50) of Singapore) (as the case may be) as at the Books Closure Date will be consolidated into one (1) Consolidated Share, fractional entitlements to be disregarded. Each Consolidated Share will rank *pari passu* in all respects with each other. The Consolidated Shares will be traded in board lots of 100 Consolidated Shares.

As at the date of this announcement, the Company has an issued and paid-up share capital of 627,370,610 Shares (including 10,593,000 treasury Shares). Following the Proposed Share Consolidation, the Company will have an issued share capital of 125,474,122 Consolidated Shares (including 2,118,600 consolidated treasury Shares).

Shareholders should note that the number of Consolidated Shares which Shareholders will be entitled to pursuant to the Proposed Share Consolidation, based on their holdings of the existing Shares as at the Books Closure Date, will be rounded down to the nearest whole Consolidated Share and any fractions of a Share arising from the Proposed Share Consolidation shall be disregarded. Fractions of a Consolidated Share arising from the Proposed Share Consolidation will be aggregated and subject to specific Shareholders' approval, be re-purchased by the Company and cancelled in accordance with the Memorandum and Articles of Association.

Save for the re-purchase and cancellation of fractions of a Consolidated Share, the Proposed Share Consolidation will have no other impact on the issued and paid-up share capital of the Company. Save for the re-purchase and cancellation of fractions of a Consolidated Share, the Proposed Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no other effect on the shareholders' funds of the Company and its subsidiaries. Shareholders will not be required to make any payment to the Company in respect of the Proposed Share Consolidation. The Proposed Share Consolidation will not cause any changes to the percentage shareholding of each Shareholder, other than non-material changes due to rounding.

Subject to Shareholders' approval being obtained for the Proposed Share Consolidation at an extraordinary general meeting ("EGM"), Shareholders' holdings of the Consolidated Shares arising from the Proposed Share Consolidation will be based on their holdings of Shares as at the Books Closure Date.

Shareholders who hold physical share certificates may wish to deposit the same with the Central Depository (Pte) Limited ("CDP") and have their Shares credited to their securities accounts with CDP before the announcement of the Books Closure Date, as CDP will only accept for deposit of new share certificates of Consolidated Shares after the Books Closure Date.

4. APPROVALS AND CONDITIONS

4.1. The Proposed Share Consolidation is subject to, amongst other things:

- (a) the receipt of the approval of the SGX-ST for the dealing in, listing of and quotation for up to 125,474,122 Consolidated Shares; and
- (b) the approval of Shareholders by ordinary resolution at the EGM.

4.2. An application will be made to the SGX-ST for the admission to the Official List of the SGX-ST and for the dealing in, listing and quotation of up to 125,474,122 Consolidated Shares pursuant to the Proposed Share Consolidation.

5. DESPATCH OF CIRCULAR

Subject to receipt of the in-principle approval from the SGX-ST, a circular containing, inter alia, further information on the Proposed Share Consolidation will be despatched to Shareholders in due course.

Meanwhile, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. When in doubt, Shareholders and potential investors are advised to seek independent advice from their bankers, stockbrokers, solicitors or other professional advisers.

By order of the Board

Ong Kian Min
Chairman
7 September 2015