Redevelopment of 38 Genting Lane into an 8-storey Industrial Building

The Board of Directors of Hupsteel Limited (the "Company" and together with its subsidiaries, the "**Group"**) is pleased to announce that the Group has given a Letter of Award which was accepted for the redevelopment of its freehold property at 38 Genting Lane (the "Property") into an 8-storey industrial building with elevated car parks having a gross floor area of 5,259 square metres.

1.0 Information on the Property

The Property is located at 38 Genting Lane. It is classified as a Business 1 (B1) zone which is intended for industry, warehouse, utilities and telecommunication uses. It was multi-tenanted until recently. The site covers a land area of 2,103 square metres. The area is served by several major roads and enjoys convenient access to and from the Central and the Pan Island Expressways.

2.0 Rationale for the Project

The existing building was built in 1985 and renting the Property in its present condition generates only a meagre return. In redeveloping the Property into a new 8-storey industrial building capable of being strata subdivided for use by multiple users ("the **Project**"), the Group aims to enhance the capital value of the Property and also improve the rental yield. Upon completion, subject to the prevailing market conditions at that time, the Group may decide to rent out or sell the individual strata units.

3.0 Sources of Fund

The total cost of the Project is estimated to be S$9.3 million. Construction will take about 24 months to complete commencing from the issuance of building authorities' approval. The project cost represents about 5.9% of the net assets of the Group as at 30 September 2017.

The Group intends to use its cash holding to finance the construction of the property. The Group had a cash holding of S$63.9 million as at 30 September 2017.

4.0 Financial Impact

As the Project will take about 24 months to complete, it is not expected to have any impact on the net tangible asset value ("NTA") per ordinary share in the capital of the Company (the "Share") and earnings per Share ("EPS") of the Company for the financial year ending 30 June 2018.

As at 30 September 2017, existing structures with net book values amounting to $2.2M would need to be demolished. If this amount was accounted for in the results for the 3 months ended 30 September 2017, the net profit after tax would have been reduced to approximately $2.5M. The write off of these costs will be done in the quarter ending 31 December 2017 and will likely to result in the Group reporting a net loss for the quarter ending 31 December 2017.

5.0 Interests of Directors and Controlling Shareholders

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Letter of Award.

By order of the Board
Lim Boh Chuan
CEO
5 December 2017