

HUPSTEEL LIMITED
(Registration No. 197301452D)
(Incorporated in the Republic of Singapore)

PROPOSED BONUS CASH DIVIDEND AND RIGHTS ISSUE

1. INTRODUCTION

- 1.1 **Bonus Dividend and Rights Issue.** The Board of Directors of HUPSteel Limited ("**Company**") wishes to announce the following exercises ("**Exercises**") to be undertaken by the Company:-
- (a) a bonus cash dividend for the financial year ended 30 June 2007 ("**FY2007**") of 3.049 cents less tax of 18% (or 2.50 cents net) ("**Bonus Dividend**") per ordinary share of the company ("**Share**") to be declared and paid to shareholders of the Company ("**Shareholders**") as at a books closure date to be announced by the Company ("**Books Closure Date**") in proportion to their respective shareholdings of the Company; and
 - (b) a proposed renounceable non-underwritten rights issue of 125,474,122 new ordinary shares of the company ("**Rights Shares**") at an issue price of S\$0.10 for each rights share ("**Issue Price**"), on the basis of one (1) Rights Share for every four (4) existing Shares held by Entitled Shareholders (defined below) as at the Books Closure Date, fractional entitlements to be disregarded and availability of option to elect to utilise Net Bonus Dividend (defined below) to subscribe for rights shares ("**Rights Issue**").
- 1.2 The Company has appointed Oversea-Chinese Banking Corporation Limited ("**OCBC Bank**") as the Manager for the Rights Issue.

2. RATIONALE FOR THE EXERCISES

- 2.1 **Bonus Dividend.** The purpose of the Bonus Dividend is to reward Shareholders with a bonus cash dividend and allow the Company to pass on its tax credits under Section 44A of the Income Tax Act (Cap. 134) of Singapore to Shareholders. At the same time, the Bonus Dividend will provide Entitled Shareholders with an option to re-invest their Net Bonus Dividend by subscribing for the Rights Shares.
- 2.2 **Rights Issue.** The Rights Issue has been proposed to strengthen the capital base of the Company following the payment of the Net Bonus Dividend. Together with the Bonus Dividend, the Rights Issue will in effect transform a portion of the Company's retained earnings into permanent share capital.

3. BONUS DIVIDEND AND RIGHTS ISSUE

Bonus Dividend and Election Option

- 3.1 **Terms.** Under the terms of the Bonus Dividend, all Shareholders as at the Books Closure Date will receive a bonus cash dividend of 3.049 cents less tax of 18% (or 2.50 cents

net) per Share. The Bonus Dividend is subject to the approval of Shareholders at the annual general meeting ("**Annual General Meeting**") to be held on 26 October 2007.

- 3.2 **Election Option.** Entitled Shareholders will have an option to elect to utilise all or part of the net amount of Bonus Dividend which they are entitled to receive based on the Shares held by them as at the Book Closure Date ("**Net Bonus Dividend**"), to subscribe for the Rights Shares. For Entitled Shareholders who elect to utilise all of their Net Bonus Dividends to subscribe for the Rights Shares that are provisionally allotted to them, no cash outlay is required of them. Further details are set out in Section 3.5 below. For the avoidance of doubt, Foreign Shareholders (defined below) will not be offered the Rights Shares but will qualify for the Bonus Dividend, based on the number of Shares held by them as at the Books Closure Date.
- 3.3 Shareholders whose names appear in the records of The Central Depository (Pte) Limited ("**CDP**") or the Register of Members of the Company, as the case may be, as at the Books Closure Date and in the case of Entitled Shareholders, who have not elected to utilise in full their Net Bonus Dividend towards the subscription of the Rights Shares provisionally allotted to them, will have the cheques for payment of their entitlements to the Net Bonus Dividend, less the amount of Net Bonus Dividend utilised to subscribe for the Rights Shares, if applicable, despatched to them by ordinary post at their own risk to their respective addresses as they appear in the records of CDP or in the Register of Members of the Company, as the case may be, and in the case where such Shareholders have designated their bank accounts for direct crediting of their dividends and other distributions, will have the payment directly credited by CDP to their designated bank accounts.

Rights Issue

- 3.4 **Terms.** The Company is proposing the Rights Issue to be offered on a renounceable basis to Entitled Shareholders on the basis of one (1) Rights Share for every four (4) existing Shares held by Entitled Shareholders as at the Books Closure Date at the Issue Price, being S\$0.10, fractional entitlements to be disregarded.

Entitled Shareholders will be entitled to participate in the Rights Issue and receive the Offer Information Statement (defined below) together with the appropriate application forms and accompanying documents at their respective Singapore addresses.

The Issue Price represents a discount of approximately 83.5% to the closing price of S\$0.605 per Share on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 7 September 2007, being the last trading day of the Shares on SGX-ST prior to the date of this Announcement.

- 3.5 **Availability of Election Option.** Entitled Shareholders may elect to utilise all or part of their Net Bonus Dividend (to the extent it is sufficient) to subscribe for the Rights Shares that are provisionally allotted to them. Entitled Depositors (defined below) may elect to utilise all or part of their Net Bonus Dividend (to the extent it is sufficient) to make payment for any excess Rights Shares application while Entitled Scripholders (defined below) will not be able to utilise any part of their Net Bonus Dividend to make payment for any excess Rights Shares application. There is no cash outlay from Entitled Shareholders if they elect to utilise all their Net Bonus Dividend to which they are entitled to subscribe for the Rights Shares provisionally allotted to them.

For illustrative purposes only, an Entitled Shareholder who holds 10,000 Shares as at the Books Closure Date is entitled:-

- (a) to accept his provisional allotment of 2,500 Rights Shares at S\$0.10 for each Rights Share, which amounts to S\$250 that is payable by such Entitled Shareholder; and
- (b) to the Net Bonus Dividend of 2.50 cents in respect of each Share, which amounts to S\$250 that is receivable by such Entitled Shareholder.

Such Shareholder may elect to utilise the whole of the S\$250 of Net Bonus Dividend to subscribe for his provisional allotment of Rights Shares, in which event he will receive 2,500 Rights Shares and there will be no cash outlay required of him.

3.6 **Size of Bonus Dividend and Rights Issue.** For illustrative purposes only, based on the issued share capital of the Company as at the date hereof and assuming that there is no change in the issued share capital of the Company as at the Books Closure Date:-

- (a) the aggregate amount of the Net Bonus Dividend is approximately S\$12.5 million; and
- (b) 125,474,122 Rights Shares would be issued.

3.7 **Eligibility of Shareholders to Participate in the Rights Issue.** The Company proposes to provisionally allot Rights Shares to all Shareholders who are eligible to participate in the Rights Issue ("**Entitled Shareholders**"), who comprise Entitled Depositors and Entitled Scripholders.

3.8 **Entitled Depositors.** Shareholders with Shares standing to the credit of their Securities Accounts and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who have, at least five (5) Market Days prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents.

3.9 **Entitled Scripholders.** Shareholders whose share certificates are not deposited with CDP and who have tendered to Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) ("**Share Registrar**") valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date and whose registered addresses with the Company are in Singapore as at the Books Closure Date or who have, at least five (5) Market Days prior to the Books Closure Date, provided the Share Registrar with addresses in Singapore for the service of notices and documents.

3.10 **Foreign Shareholders.** For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Rights Issue is only made in Singapore and the Rights Shares will **NOT** be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least five (5) market days prior to the Books Closure Date, provided the CDP or Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents ("**Foreign Shareholders**"). The offer information statement ("**Offer Information Statement**") to be issued in relation to and for the purposes of the Rights Issue and the accompanying documents will not be mailed outside Singapore.

If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Rights Shares, which would otherwise have been provisionally allotted to Foreign Shareholders, to be sold "nil-paid" on the SGX-ST as soon as practicable after dealings in the provisional allotments of Rights Shares commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account the expenses expected to be incurred. The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their

respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register as at the Books Closure Date and sent to them at their own risk by ordinary post, provided that where the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit and no Foreign Shareholder shall have any claim whatsoever against the Company, OCBC Bank or CDP and their respective officers in connection therewith. Where such provisional allotments of Rights Shares are sold "nil-paid" on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, OCBC Bank or CDP in respect of such sales or the proceeds thereof, the provisional allotments of Rights Shares or the Rights Shares represented by such provisional allotments.

- 3.11 **Provisional Allotments.** Entitled Shareholders will be at liberty to accept, decline, or otherwise renounce or trade their provisional allotments of the Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue. Fractional entitlements to the Rights Shares will be disregarded in arriving at the Shareholders' entitlements and will, together with the provisional allotments which are not taken up for any reason, be aggregated and used to satisfy excess applications (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. In the allotment of excess Rights Shares, preference will be given to Shareholders for rounding of odd lots, and substantial Shareholders and Directors will rank last in priority.
- 3.12 **Offer Information Statement.** The terms and conditions of the Rights Issue may be subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights Issue (including the option to elect to utilise the Net Bonus Dividend to subscribe for the Rights Shares) will be contained in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course.
- 3.13 **Ranking.** The Rights Shares are payable in full upon acceptance and/or application and will, upon allotment and issue, rank *pari passu* in all respects with the then existing issued Shares, except that the Rights Shares will not be entitled to the final dividend of 0.5 cent less tax of 18% (or 0.41 cent net) per Share and special dividend of 1.00 cent less tax of 18% (or 0.82 cent net) per Share declared by the Company for FY2007.
- 3.14 **Non-Underwritten Rights Issue.** The Rights Issue will not be underwritten as the Issue Price represents an attractive discount to the current traded price of the Shares.
- 3.15 **Odd Lots.** Shareholders should note that they are able to trade odd lots of Shares in board lots of one Share on the Unit Share Market of the SGX-ST.

4. APPROVALS

- 4.1 **Shareholders' Approval.** (a) The Bonus Dividend is subject to the approval of Shareholders at the Annual General Meeting. (b) The directors of the Company propose to issue the Rights Shares out of the general share issue mandate resolution ("**Share Issue Mandate**") under Section 161 of the Companies Act, Chapter 50, of Singapore, to be put forth for approval by Shareholders at the Annual General Meeting. Therefore, the Rights Issue is subject to the approval of the Share Issue Mandate at the Annual General Meeting.

- 4.2 **SGX-ST's Approval for Rights Issue.** The Rights Issue is subject to the in-principle approval of SGX-ST for the listing of and quotation for the Rights Shares on the Official List of the SGX-ST and the lodgment of the Offer Information Statement with the Monetary Authority of Singapore. An application will be made by the Company to obtain the SGX-ST's approval for the listing of and quotation for the Rights Shares in due course. The Offer Information Statement will be lodged with the Monetary Authority of Singapore and despatched to Entitled Shareholders in due course after in-principle approval of the SGX-ST is obtained.

BY ORDER OF THE BOARD

Lim Kim Thor
Chief Executive Officer
10 September 2007