
RESPONSE TO SGX-ST QUERIES

The Board of Directors of Compact Metal Industries Limited (“the Group”) refers to the queries raised by Singapore Exchange Securities Trading Limited (“SGX-ST”) and would like to provide further information in relation to the Full Year Results Announcement for the year ended 31 December 2016:

SGX’s query no. 1

In the Company's Financial Statement, the Company recorded an amount of S\$189,000 under Reversal for Obsolete Inventories, please provide details as to what these obsolete inventories are, the reason for the reversal as well as how this amount for the obsolete inventories was determined.

Company’s reply

The Group reviews periodically its inventory for obsolescence. An allowance would be made against inventory where net realisable value had declined below its costs, was obsolete or slow moving.

The Group reversed an amount of \$189,000 of obsolete inventories as certain of its slow moving inventory previously provided for had been sold during the year.

SGX’s query no. 2

The Company reported Foreign Exchange Gain of S\$501,000 in its Income Statement. Please provide the details of the transactions, the underlying items which gave rise to the significant foreign exchange gain as well as the factors that resulted in the foreign exchange gain of S\$501,000.

Company’s reply

The Group had a foreign exchange gain of \$501,000 in the fourth quarter ended 31 December 2016 mainly due to depreciation of ringgit during the fourth quarter of the year. This resulted in a net monetary liabilities exposure measured in ringgit recording a gain in foreign exchange.

The full year foreign exchange gain for the Group is \$47,000.

Month end exchange rate used

	As at 30 September 2016	As at 31 December 2016
MYR to SGD1	2.99	3.07

SGX's query no. 3

In the Company's Balance Sheet, the Company recorded an amount of **S\$3.25** million under Long Term Receivables. Noting that revenue for FY2016 decreased by 26% to S\$26.6 million, please provide a breakdown of these Long Term Receivables and reasons for this significant figure

Company's reply

Breakdown of long term receivables for Company:

	Company	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Retention sums	2,660	3,138
Loan due from a subsidiary	594	577
Total	3,254	3,715

The long term receivables were made up of retention sums and loan to a subsidiary.

Retention sums are amounts withheld by main contractors until the successful completion of the project work. These amounts are only receivable upon completion of the construction contract and the defects liability period, which normally takes longer than a year to complete.

The amounts due from subsidiary are only repayable in 2021.

The long term receivables are still significant compared to revenue because:

- (i) the retention sums were related to revenue recorded for projects where the defects liability period have not yet expired and for ongoing projects yet to be completed.
- (ii) the amount due from subsidiary is not yet due

SGX's query no. 4

In Paragraph 8 of the Company's Financial Results, the Company disclosed that there was an increase of S\$1.6 million recorded under its Loans and Borrowings due to purchases of raw materials to be used in production. Please provide reason(s) for the increase in inventory in view of the 26% decrease in sales from projects and sale of aluminum and related products reported for FY2016.

Company's reply

The Company built up its inventory to take advantage of lower aluminum (raw material) prices. These raw materials were purchases in order to meet production and projects' needs. The raw materials will be utilised subsequently in production.

On behalf of the Board

COMPACT METAL INDUSTRIES LTD

Zhang Zengtao
Managing Director

22 March 2017