

COMPACT METAL INDUSTRIES LTD
(the "Company")
(Company Registration No. 197500009H)
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF 65% EQUITY INTEREST IN A JOINT VENTURE COMPANY ESTABLISHED IN TAJIKISTAN OPERATING A CEMENT PLANT

PROPOSED ISSUE OF NEW CONSIDERATION SHARES BY COMPACT METAL INDUSTRIES LTD FOR THE PROPOSED ACQUISITION

RECEIPTS OF APPROVALS-IN-PRINCIPLE FROM SGX-ST

Unless otherwise defined, all terms used herein shall bear the same meaning as in the Company's announcement dated 27 April 2017.

The Board of Directors (the "**Board**") of the Company (and together with its subsidiaries, the "**Group**") refer to the following announcements:

- (a) its announcement on 27 April 2017 in relation to the Proposed Acquisition;
- (b) its announcement on 30 June 2017 in relation to the confirmation from the Securities and Industry Council ("**SIC**") that the SIC will waive the requirement for the Vendor to make a mandatory general offer in the event that the Vendor acquires and consolidates effective control as a result of the Proposed Acquisition, subject to the conditions stipulated in the confirmation from the SIC; and
- (c) its announcement on 14 August 2017 in relation to the submission to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") of a draft circular to shareholders on the Proposed Acquisition and an additional listing application in relation to up to 4,500,000,000 Consideration Shares to be issued on completion of the Proposed Acquisition.

The Board wishes to announce that on 15 September 2017, the Company has received the in-principle approval from the SGX-ST on the Proposed Acquisition as a very substantial acquisition under Chapter 10 of the Listing Manual ("**VSA - AIP**") as well as the in-principle approval from the SGX-ST on the additional listing of, and quotation of up to 4,500,000,000 Consideration Shares to be issued under the Proposed Acquisition ("**ALA - AIP**").

The ALA-AIP and the VSA-AIP are subject to, *inter alia*, the following conditions:

- (a) compliance with the SGX-ST's listing requirements and guidelines; and
- (b) Shareholders' approval being obtained for the Proposed Acquisition, including the issuance of Consideration Shares, the Whitewash Resolution and for all necessary and relevant proposals to be put forth at the forthcoming extraordinary general meeting ("**EGM**") of the Company.

Further, the VSA-AIP is subject to, *inter alia*, the following additional conditions:

- (a) the Audit Committee of the Company ("**AC**") commissioning an accredited reputable valuer (the "**Independent Valuer**") acceptable to the SGX-ST to conduct another valuation of the 100% equity interest in JVCo. The valuation must be undertaken in compliance with international valuation standards. In the event the Valuation Amount is below S\$180 million, the Purchase Consideration must be adjusted to reflect the lower

valuation in accordance with the terms of the SPA. In assessing the suitability of the Independent Valuer, amongst others, the SGX-ST will take into consideration whether the Independent Valuer has sufficient experience in performing valuation of significant assets of at least S\$180 million in value;

- (b) the termination of the Technical and Ancillary Services Agreement entered into by JVCo and Asian and African Business Management (Xi'an) Co., Ltd dated 12 August 2017 on Completion;
- (c) Disclosure of the following in the circular to be despatched to Shareholders on the Proposed Acquisition (the "**Circular**"):
 - (i) whether the failure to receive (1) approval for mining projects (being the extraction of raw materials from the limestone, clay and siltstone quarries) ("**Mining Projects**") and (2) licence to operate the cement plant being a hazardous production object will adversely affect the Sale Group's operations;
 - (ii) why the Board is of the view that in the event the investment agreement between the JVCo and the government of Tajikistan is terminated, there will be no material adverse impact on the Sale Group;
 - (iii) how the Sale Group is able to pay the US\$2.5 million owing to Shaanxi Hengyuda Building Materials Co., Ltd (the "**Loan**") when the outstanding amount is due and to confirm that this will not have a material adverse impact on the Sale Group, and that the working capital available to the Sale Group as at Completion is sufficient for the present requirements including repayment of the Loan and for at least 12 months after Completion;
 - (iv) the terms of reference of the AC on an ongoing basis will include monitoring and reviewing the implementation of the auditors' and internal auditors' recommendations on internal controls;
- (d) Undertaking from the Board that they will provide regular updates via SGXNet disclosure on:
 - (i) the status of approval for Mining Projects;
 - (ii) licence to operate the Cement Plant being a hazardous production object; and
 - (iii) when approval has been received for the Mining Project and receipt of licence to operate the Cement Plant being a hazardous production object;
- (e) Undertaking from the Company that the terms of reference of the AC will include the AC requiring external auditors to review and provide recommendations on the Enlarged Group's cash management procedures on an annual basis;
- (f) Submission of the following:
 - (i) pursuant to Listing Rule 1015(3)(c), the moratorium undertakings in compliance with Listing Rules 227, 228 and 229;
 - (ii) written confirmation from the Financial Adviser that the signed moratorium agreements with the relevant parties pursuant to Listing Rule 227 are in accordance with the requirements of Listing Rules 228 and 229;

- (iii) written confirmation from the Company that the Proposed Acquisition will not result in a change of control of the Company;
- (iv) written confirmation by the Financial Adviser that the Proposed Acquisition has complied with Listing Rule 210(4)(a);
- (v) written undertaking from the AC and Board that so long as the Company operates in Kazakhstan, Tajikistan and/or any other developing jurisdictions, the Company will:
 - (1) Commission an annual internal controls audit by a reputable, suitable and qualified professional accounting firm to satisfy the AC that the Company's internal controls are robust and effective. Prior to the decommissioning of this annual audit, the Board is required to report to the SGX-ST on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal controls audit;
 - (2) thereafter, such audits may be initiated by the AC as and when it deems fit to satisfy itself that the Company's internal controls remain robust and effective; and
 - (3) upon completion of the internal controls audit, appropriate disclosure must be made via SGXNet on any material, price-sensitive internal controls weaknesses and any follow-up to be taken by the Board;
- (vi) submission of the Independent Auditor's confirmation that they are satisfied that the Company has implemented recommendations by the Independent Auditor's and the internal controls rectifications have adequately addressed all the points raised in the management letter relating to the Sale Group and the JVCo.

Each of the VSA-AIP and ALA-AIP granted by the SGX-ST is not to be taken as an indication of the merits of the Proposed Acquisition, the Consideration Shares to be issued to the Vendor for the Proposed Acquisition and the Company, its subsidiaries and associated companies following completion of the Proposed Acquisition.

The Circular, containing, among others, information on the Proposed Acquisition, the advice from the IFA, the recommendation by the Independent Directors and notice of EGM will be despatched to Shareholders in due course.

Shareholders and potential investors are advised to exercise caution in the dealing or trading of their Shares in the Company, as there is no assurance as at the date of this announcement that the Proposed Acquisition will be completed or that there will be no changes to the terms thereof.

On behalf of the Board
COMPACT METAL INDUSTRIES LTD

Zhang Zengtao
Executive Director and Managing Director

Dated: 18 September 2017