

Compact Metal Industries Ltd
(Company Registration No. 197500009H)
(Incorporated in the Republic of Singapore)

The board of directors of Compact Metal Industries Ltd (the **Company**) wishes to inform its shareholders (the **Shareholders**) that, at a general meeting of its subsidiary, AEL Enviro (Asia) Pte Ltd (**AEL**), held on 6 May 2014, it was agreed by shareholders of AEL that the Proposed Project be put on hold and that the shareholders of AEL, that is, the Company and Mr. Tan Hiang Mong (**THM**), be given a three (3)-month period to look for a potential buyer for their shares in AEL or to consider a buy-out of each other's shares in AEL (the **Development**).

The events leading up to the above decision are set out below.

Currently, the Company is bearing the full amount of the funding needs of the Proposed Project while THM assumes no funding obligation for the Proposed Project (other than his contribution to the capital of AEL).

After the close of the Rights Issue in November 2013, the Company proceeded to review the overall costs and the progress achieved for the Proposed Project. This was carried out as a matter of prudence before incurring any material costs for the AEL Plant. To date, no material amount of the Rights Issue proceeds have been disbursed by the Company.

Following the review, the Company had concerns of the greater likelihood of project delay and overruns in project costs for the AEL Plant. As THM is overall operationally in charge of the Proposed Project, the Company sought to manage the risks of costs overruns and project delay by requesting THM bear the funding of the Proposed Project proportionate to his shareholding in AEL.

If the funding required for the Proposed Project continues to be borne solely by the Company, any returns from the Proposed Project may not be commensurate with the risks assumed by the Company.

Moreover, as the Proposed Project is a start-up project, the Company is also trying to lower the project risks through its proposal for THM to assume his proportionate share of the funding required for the Proposed Project. Despite several discussions, the Company and THM were unable to agree on the foregoing. The Company and THM finally agreed on the proposal set out in the first paragraph of this announcement.

Shareholders should however note that notwithstanding the Development, there is no certainty that any transaction will result from it. Shareholders should exercise care in their dealing with shares in the Company. If and when there are any further developments on the above, the Company will make the appropriate announcement and inform the Shareholders accordingly.

All capitalised terms in this announcement (unless expressly defined herein) shall have the meaning ascribed to it in the circular to the Shareholders dated 9 September 2013.

BY ORDER OF THE BOARD

Chng Beng Hua
Executive Director and Chief Executive Officer
8 May 2014