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## RESPONSE TO SGX-ST QUERIES

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The Board of Directors of Compact Metal Industries Limited (“the Company”) refers to the queries raised by Singapore Exchange Securities Trading Limited (“SGX-ST”) and would like to provide further information in relation to the Third Quarter Results Announcement for the period ended 30 September 2015:

### SGX’s query no. 1

In paragraph 8 of the Company’s 3Q2015 Results Announcement (“Announcement”), the Company announced that there was “unrealised exchange loss of \$3.4 million in 3Q2015 and \$4.5 million in 9M2015 ... due to weakening of ringgit against SGD.”

We note that in the segmented reporting of the Company’s FY2014 results, the Malaysian operations contributed \$11.5 million to FY2014 revenue and non-current assets amounted to \$10.2 million. We note that the unrealised exchange loss booked in 3Q2015 of 3.4 million is approximately 34% of the non-current assets, whereas the ringgit against the SGD only weakened by less than 10% during the period. Please elaborate on reasons for this significant exchange loss and the underlying items.

### Company’s reply

The Company announced that there was “unrealised exchange loss of \$3.4 million in 3Q2015 and \$4.5 million in 9M2015 from our foreign currency subsidiaries resulted from the translation of intercompany balances due to the weakening of ringgit against the SGD.”

Intercompany balances were eliminated on consolidation, therefore the balances would not be in the segment reporting.

As at 30 September 2015, there was a net payable of approximately S\$35 million due to the holding company from the foreign currency subsidiaries. The net payable from the subsidiaries was translated to SGD at month end rate and were eliminated on consolidation. However, due to the weakening of ringgit against the SGD, this resulted in the unrealised exchange loss of \$3.4 million for 3Q2015 and \$4.5 million for 9M2015 on translation of the net payable.

#### Month end exchange rate used

	As at 30 June 2015	As at 30 September 2015
MYR to SGD1	2.781	3.046

## **SGX's query no. 2**

In paragraph 8 of the Announcement, the Company announced “a deposit of \$6.7 million placed with a contractor for purchase of property plant and equipment”.

Please provide details of this acquisition and the proposed timelines in implementing/commissioning the project.

## **Company's reply**

The Company had on 31 March 2015 obtained shareholders' approval during the EGM to the diversification of the core business to include the Cement business.

Alacem LLP, a subsidiary of the Company, was incorporated for the purpose of constructing a cement plant in Almaty Kazakhstan to carry out the business of production and sales of cement. The Company has placed \$6.7 million as deposit for the purchase of property and equipment and machinery for the cement plant. The new plant is expected to take about one and a half years to complete.

On behalf of the Board  
**COMPACT METAL INDUSTRIES LTD**

Chng Beng Hua  
Chief Executive Officer

18 November 2015