

**SALE OF FACTORIES LOCATED AT 75 & 77 JALAN RIANG 21, GEMBIRA INDUSTRIAL PARK IN JOHOR MALAYSIA OWNED BY COMPACT METAL INDUSTRIES SDN. BHD.**

The Board of Compact Metal Industries Limited (the "Company") wishes to announce that Compact Metal Industries Sdn. Bhd. (the "Vendor"), a company incorporated in Malaysia and wholly owned by the Company, has entered into a Sale and Purchase agreement with Stardime Resources Sdn. Bhd. (the "Purchaser") on 30th May 2006 (the "Agreement") for the sale of 2 freehold industrial land in the Mukim of Tebrau, District of Johor Bahru, Malaysia :-

- a) measuring an approximate area of 32,593 square feet (the "Land"), together with a factory erected thereon and known as "75 Jalan Riang 21, Taman Perindustrian Gembira, 81200 Johor Bahru, Johor" (the "Factory") (collectively, the Land and the Factory shall hereinafter be referred to as the "Property A") and
- b) measuring an approximate area of 41,866 square feet (the "Land"), together with a factory erected thereon and known as "77 Jalan Riang 21, Taman Perindustrian Gembira, 81200 Johor Bahru, Johor" (the "Factory") (collectively, the Land and the Factory shall hereinafter be referred to as the "Property B")

Property A and Property B are hereinafter collectively referred to as "the Properties".

Salient Details of the Agreement

The consideration for the sale of the Properties is Ringgit 3,900,000 (the "Purchase Price"), arrived on a "willing buyer willing seller" basis.

Upon the execution of the Agreement, the amount of Ringgit 390,000 shall be paid by the Purchaser to the Vendor's Solicitors, Messrs Leng & Co., Advocates & Solicitors, Johor Bahru as deposit.

The balance sum of Ringgit 3,510,000 of the Purchase Price shall be paid within three (3) months from the date hereof with an extension of one (1) month subject to payment of interest at 10% per annum (computed on a daily rest) on the unpaid amount.

The Purchaser will be purchasing the Properties on an "as is where is" basis and, subject to an existing lease over part of the Properties, free from all encumbrances and caveats.

On completion, the Purchaser shall let the Property B to the Vendor at a monthly rental of Ringgit 20,933 for a period of two (2) months from the completion date of this Agreement or up to 30 September 2006, whichever is later.

Rationale

A Malaysian subsidiary of the Compact Group (the "Group") is required to repay its bank loans against which the Properties had been mortgaged. The Properties had been on the market for a period of 2 years and the offer of Ringgit 3.9 million is the only firm offer received.

The coating plant housed in the Properties would be moved to the Group's main factory in Kulai and the sale of the Properties is in line with the Group's restructuring plans to consolidate all the Group's Malaysian operations in Kulai.

The Directors believe that the sale of the Properties is in the best interests of the Group as the factory operations will be consolidated under one roof and the proceeds of the sale will be applied to repay the Group's Malaysian subsidiary's outstanding bank loans, thus reducing indebtedness of the Group. The sale is not expected to have any material adverse effect on the Group's operations. The Properties were valued in February 2006 at Ringgit 5 million.

Clarification on Rule 1014 with the Singapore Exchange Securities Trading Ltd ("SGX-ST")

*Under Rule 1014 of the Listing Manual, shareholders' approval is required if any of the relative figures computed on the bases set out in Rule 1006 exceeds 20% as such a transaction is classified as a major transaction.*

*Based on the consideration of Ringgit 3,900,000 the relative figures calculated in accordance with Rule 1006 are as follows:-*

- |     |  |                           |
|-----|--|---------------------------|
| (a) | <i>The net asset value of the assets to be disposed of, compared with the Group's net asset value.</i>   | <i>N.M.<sup>(1)</sup></i> |
| (b) | <i>The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.</i>  | <i>N.M.<sup>(2)</sup></i> |
| (c) | <i>The aggregate value of the consideration given or received, compared with the Company's market capitalisation<sup>(3)</sup>.</i>                                  | <i>51.6%</i>              |
| (d) | <i>The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.</i> | <i>Nil</i>                |

Note

1. *This relative figure is not meaningful as the Group is in a negative net asset value position.*
2. *This relative figure is not meaningful as the Group is in a net loss position.*
3. *The Company's market capitalisation is based on the last transacted price of the Company's shares on 30 May 2006 being the most recent market day preceding the date of the Agreement on which there were transactions done.*

*As the Group is in a net loss position and the Company's market capitalization is very low and the Properties are non-core assets, the Company has sought the views of SGX-ST and based on the Company's representations to the SGX-ST, SGX-ST informed the Company that Rule 1014 of the Listing Manual does not apply to the sale of the Properties.*

Financials

Based on the audited financial statements of the Group as at 31 December 2005, the book value of the Properties was Ringgit 3.25 million. The sale of the Properties at Ringgit 3.9 million would result in a surplus of Ringgit 650,000 over their book value.

The gain on disposal of the Properties is approximately Ringgit 650,000.

Assuming the sale of the Properties had been effected at the end of financial year 2005, being the most recently completed financial year, and on the basis of 221,223,260 shares of the Company issued and outstanding as at 31 December 2005, the net tangible assets per share of the Company would be increased by 0.12 cents.

Assuming the sale of the Properties had been effected at the beginning of financial year 2006, and on the basis of 221,223,260 shares of the Company issued and outstanding as at 31 December 2005, the earnings per share would be reduced by 0.12 cents.

For the basis of the calculating the figures used in this Announcement, the Company adopted an exchange rate of S\$1 = Ringgit 2.2784.

#### Interests of Directors and Substantial Shareholders

None of the Directors or substantial shareholders of the Company have any interests or are deemed to be interested in the sale of the Properties.

#### Audit Committee's Statement

The Audit Committee, having reviewed the basis and rationale of the proposed sale of the Properties, is of the view that the sale of the Properties is not expected to have any material adverse effect on the Group's operations and is in the best interests of the Company and its shareholders, notwithstanding that the sale price falls below the market valuation.

#### Documents for Inspection

Copies of the following documents are available for inspection at the registered office of the Company at 120 Pioneer Road, #01-03, Singapore 639597:-

- a. the Sale and Purchase Agreement; and
- b. the valuation report dated 20 February 2006 relating to the Properties.

By Order of the Board

Tan Chin Eng  
Managing Director  
Date :