



METAX ENGINEERING CORPORATION LIMITED

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METAX ENGINEERING CORPORATION LIMITED

(Incorporated in the Republic of Singapore under Registration Number 197500111H)

ARBITRATION PROCEEDINGS

The Board of Directors of Metax Engineering Corporation Limited (the "Company") refers to the announcement dated 13 April 2006, in which it was announced that the Company had been awarded a contract to build, operate and maintain reverse-osmosis plants at the Mangalam and Eastern common effluent treatment plants in India (the "Contract"). The award also included a five-year operation and maintenance contract. The Contract had been awarded to the Company and its consortium partner, Nuchem Limited ("Nuchem").

Reference is also made to the announcement dated 4 May 2009, in which it was announced that in order to limit cost overruns and based on the mutual agreement of Tamil Nadu Water Investment Company Limited and the Company, the Company will not continue with the five-year operation and maintenance contract.

The Company wishes to announce that proceedings have been initiated in India to appoint an arbitrator to resolve a dispute between the Company and Nuchem concerning the performance of the Contract. It is expected that an arbitrator will be appointed by the High Court in India in June 2009 and arbitration proceedings will commence thereafter. The Company will provide an update when there is further information available or when there are material developments in the arbitration proceedings.

The arbitration proceedings and result thereof are not expected to have any material adverse impact on the financial performance of the Company for the current financial year ending 30 June 2009 ("FY2009"). The additional costs incurred by the Company for the Contract, due to having to take over from Nuchem to complete the Contract, had contributed to the gross loss of the Company in the financial year ended 30 June 2008 ("FY2008") (please refer to page 8 of the Company's financial results announcement for FY2008 dated 28 August 2008 for further details). The Company expects to incur additional costs in relation to the Contract and further details will be disclosed in the financial results announcement for FY2009. The Company intends to claim the additional costs incurred as damages in the aforesaid arbitration proceedings but there is no assurance that such claims will be successful.

By order of the Board

Tan Tze Wen
Managing Director
25 May 2009

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Stamford Corporate Services Pte Ltd, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange"). The Company's Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

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