

METAX ENGINEERING CORPORATION LIMITED

(Company Registration No. 197500111H)

(the “Company”)

SUBSCRIPTION OF AN AGGREGATE OF 89,900,000 SHARES AND 40,000,000 WARRANTS TO RAISE GROSS PROCEEDS OF UP TO S\$13,390,000

1. INTRODUCTION

The board of directors of the Company (the “**Directors**”) wishes to announce that the Company has entered into the agreements set out below in relation to the subscription of an aggregate of 89,900,000 new ordinary shares in the capital of the Company (the “**Shares**”) and 40,000,000 non-listed and non-transferable warrants to be issued by the Company (the “**Warrants**”).

2. SHARE LENDING AGREEMENT

2.1 Share Lending Arrangement

Pursuant to a share lending and subscription agreement dated 22 September 2009 (the “**Share Lending Agreement**”) entered into between the Company, Bonaqua Investment Holdings Pte. Ltd.¹ (the “**Lender**”), Sunny Ong Keng Hua, Tan Tiong Beng and Ong King Sun (collectively, the “**Investors**”), the Investors wish to subscribe and the Company wishes to issue 15,700,000 new Shares. However, for the purposes of expediting the delivery of the Shares to the Investors:

- (a) the Company shall borrow and the Lender shall lend 15,700,000 Shares to be transferred from the Lender to the Investors, who shall pay to the Company the sum of S\$1,570,000, being the aggregate issue price of S\$0.10 for each Loan Share (as defined herein) (the “**Share Transfer**”); and
- (b) subject to the completion of the Share Transfer and the receipt of the consideration paid by the Investors, the Company shall allot and issue an equivalent number of new Shares (the “**Loan Shares**”) to the Lender (the “**Share Issue**”),

(the Share Transfer and the Share Issue are collectively, the “**Share Lending Arrangement**”).

The Company will be undertaking the Share Issue pursuant to the general share issue mandate granted by shareholders of the Company (the “**Shareholders**”) at the annual general meeting held on 30 October 2008 (the “**2008 Share Issue Mandate**”).

Notwithstanding any provisions contained in the Share Lending Agreement and in compliance with Rule 813 of the Listing Manual (Section B: Rules of Catalist) (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Lender shall not obtain any financial benefit, directly or indirectly, from the Share Lending Arrangement.

Each of the Investors has warranted that he is not a director or substantial shareholder of the Company or any other person specified under Rule 812(1) of the Listing Manual.

In addition, the Company has undertaken that it shall apply for the Loan Shares to be listed and quoted on the Official List of the SGX-ST, and it shall execute all documents and do all acts and things as may be reasonably necessary for such purpose, including submission of the additional listing application (“the **ALA**”) to the Company’s Sponsor.

¹ The Lender is a substantial shareholder of the Company. Mr. Tan Tze Wen, who is the managing director of the Company, is a substantial shareholder of the Lender.

2.2 Ranking and Issue Price

The Company shall allot and issue the Loan Shares to the Lender free from encumbrances, and the Loan Shares shall rank *pari passu* in all respects with and carry all rights similar to existing Shares, save that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the date of completion of the Share Issue.

The issue price of S\$0.10 for each Loan Share represents a discount of approximately 7.24% to the volume weighted average price of the S\$0.1078 for trades done on the Shares on the SGX-ST on 15 September 2009 (being the full market day preceding the execution of the Share Lending Agreement) up to the time of the trading halt on 16 September 2009.

2.3 Financial Effects of Share Issue

Pursuant to the allotment and issue of the Loan Shares, the existing issued and paid-up capital of the Company (excluding treasury shares) as at the date hereof (the “**Existing Share Capital**”) will increase from 133,508,576 Shares to 149,208,576 Shares. The Loan Shares represent approximately 11.76% of the Existing Share Capital, and approximately 10.52% of the enlarged issued and paid-up share capital of the Company (excluding treasury shares).

Based on the audited financial accounts of the Company and its subsidiaries (the “**Group**”) for the financial year ended 30 June 2009 and on the Existing Share Capital, the Share Issue will increase the net tangible assets per Share of the Company from 7.37 cents to 7.65 cents.

2.4 Conditions of Share Issue

Completion of the Share Issue is conditional upon, *inter alia*, the following:

- (a) approval in-principle in respect of the ALA being obtained from the Company’s Sponsor, and approval for the listing of and quotation for the Loan Shares on the Official List of the SGX-ST being obtained from the SGX-ST, such approvals not being revoked or amended as at the date of completion of the Share Issue and, where such approvals are subject to conditions, such conditions being reasonably acceptable to the Company and the Lender;
- (b) the completion of the Share Transfer and the due payment of the consideration from the Investors to the Company; and
- (c) the 2008 Share Issue Mandate being valid, subsisting and adequate for the allotment and issue of the Loan Shares as at the date of completion of the Share Issue; and
- (d) the allotment and issue of the Loan Shares not being prohibited by any statute, order, rule or regulation which is promulgated after the date of the Share Lending Agreement by any applicable legislative, executive or regulatory body or authority of Singapore.

The Company will be applying to the Company’s Sponsor for the listing of and quotation for the Loan Shares on the Official List of the SGX-ST, and it will make the necessary announcement upon the receipt of the approval in-principle from the Company’s Sponsor and the listing and quotation notice from the SGX-ST.

3. SHARE SUBSCRIPTION AGREEMENT

3.1 Subscription of Shares

Pursuant to a subscription agreement dated 22 September 2009 (the “**Share Subscription Agreement**”) entered into between the Company and the ten (10) investors set out below (the “**Share Subscribers**”), the Share Subscribers shall subscribe, and the Company shall allot and issue, 74,200,000 new Shares (the “**Subscription Shares**”) for the sum of S\$7,420,000, being the aggregate issue price of S\$0.10 for each Subscription Share.

The number of Subscription Shares and the proportion of the consideration payable in respect of each Share Subscriber are as follows:

Share Subscribers	No. of Subscription Shares	Consideration (S\$)
Ma Ong Kee	15,000,000	1,500,000
Cheng Fo Luyei	10,000,000	1,000,000
Sunny Ong Keng Hua	18,300,000	1,830,000
Tan Tiong Beng	4,500,000	450,000
Ong King Sun	8,300,000	830,000
Ho-Tan Whai Aun	8,000,000	800,000
Tan Jin Beng Winston	10,100,000	1,010,000

The Company will allot and issue the Subscription Shares pursuant to the general share issue mandate to be sought from Shareholders at the annual general meeting scheduled to be held around the end of October 2009 (the “**2009 Share Issue Mandate**”).

The Company has undertaken, *inter alia*, that:

- (a) the Company shall seek the approval of Shareholders for the 2009 Share Issue Mandate at the annual general meeting scheduled to be held around the end of October, and upon such approval being obtained, the 2009 Share Issue Mandate will remain valid, subsisting and adequate for the purpose of the allotment and issue of the Subscription Shares as at the date of completion of the Share Subscription; and
- (b) the Company shall apply for the Subscription Shares to be listed and quoted on the Official List of the SGX-ST, and it shall execute all documents and do all acts and things as may be reasonably necessary for such purpose, including the submission of the ALA to the Company’s Sponsor.

Further, Mr. Ma Ong Kee has undertaken that he shall not dispose or transfer the Subscription Shares which he may acquire under the Share Subscription Agreement for a period of six (6) months commencing on the date of issue of the Subscription Shares.

Each of the Share Subscribers has warranted that he is not a director or substantial shareholder of the Company or any other person specified under Rule 812(1) of the Listing Manual.

3.2 Ranking and Issue Price

The Company shall allot and issue the Subscription Shares free from all encumbrances, and the Subscription Shares shall rank *pari passu* in all respects with and carry all rights similar to existing Shares, save that they will not rank for dividend, right, allotment or other distributions, the record date of which falls on or after the date of completion of the Share Subscription.

The issue price of S\$0.10 for each Subscription Share represents a discount of approximately 7.24% to the volume weighted average price of the S\$0.1078 for trades done on the Shares on the SGX-ST on 15 September 2009 (being the full market day preceding the execution of the Share Lending Agreement) up to the time of the trading halt on 16 September 2009.

3.3 Financial Effects of Subscription

Upon completion of the Share Issue, the Existing Share Capital of the Company will increase from 133,508,576 Shares to 149,208,576 Shares (the "**Post Share Issue Capital**").

Pursuant to the allotment and issue of the Subscription Shares, the Post Share Issue Capital will increase further from 149,208,576 Shares to 223,408,576 Shares. The Subscription Shares represent approximately 49.73% of the Post Share Issue Capital, and approximately 33.21% of the enlarged issued and paid-up share capital of the Company (excluding treasury shares).

Based on the audited financial accounts of the Group for the financial year ended 30 June 2009 and the Post Share Issue Capital, the Share Subscription will increase the net tangible assets per Share of the Company from 7.65 cents to 8.43 cents.

3.4 Conditions of Subscription

Completion of the Share Subscription is conditional upon, *inter alia*, the following:

- (a) the 2009 Share Issue Mandate being approved by Shareholders at the annual general meeting scheduled to be held, and being valid, subsisting and adequate for the purpose of the allotment and issue of the Subscription Shares as at the date of completion of the Share Subscription;
- (b) approval in-principle in respect of the ALA being obtained from the Company's Sponsor, and approval for the listing of and quotation for the Subscription Shares on the Official List of the SGX-ST being obtained from the SGX-ST, such approvals not being revoked or amended as at the date of completion of the Share Subscription and, if such approvals are subject to conditions, such conditions being reasonably acceptable to the Company and the Share Subscribers; and
- (c) the allotment and issue of the Subscription Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the Share Subscription Agreement by any applicable legislative, executive or regulatory body or authority of Singapore.

The Company will be applying to the Company's Sponsor for the listing of and quotation for the Subscription Shares on the Official List of the SGX-ST, and it will make the necessary announcement upon the receipt of the approval in-principle from the Company's Sponsor and the listing and quotation notice from the SGX-ST.

4. WARRANTS SUBSCRIPTION AGREEMENT

4.1 Subscription of Warrants

Pursuant to a subscription agreement dated 22 September 2009 (the "**Warrants Subscription Agreement**") entered into between the Company, Mr. Lee Thiam Seng and Mr. Ma Ong Kee (collectively, the "**Warrant Subscribers**"), the Warrant Subscribers shall subscribe, and the Company shall issue, 40,000,000 Warrants for consideration of S\$200,000, being the aggregate issue price of S\$0.005 for each Warrant (the "**Warrant Subscription**").

Warrant Subscribers	No. of Warrants	Consideration (S\$)
Lee Thiam Seng	25,000,000	125,000
Ma Ong Kee	15,000,000	75,000

The Warrants will be issued in registered form and be governed by the terms and conditions (the “**Conditions**”) contained in the warrant certificate (the “**Warrant Certificate**”) to be issued to the Warrant Subscribers on completion of the Warrant Subscription.

Each Warrant shall carry the right to subscribe for one (1) new Share (the “**New Share**”) at the exercise price of S\$0.105 for each Warrant. Assuming that all the Warrants are exercised by the Warrant Subscribers, the Company will receive an additional \$4,200,000 in proceeds.

In compliance with Rule 829 of the Listing Manual, the Conditions provide for:

- (a) adjustment to the number and exercise price of the Warrants in the event of rights, bonus, or other capitalisation issues undertaken by the Company;
- (b) the expiry of the Warrants to be announced, and a notice of expiry to be sent to all the Warrant Subscribers at least one (1) month before the expiration date; and
- (c) no material alteration to the terms of the Warrants after the issue thereof to the advantage of the Warrant Subscribers to be made, unless it is pursuant to the Conditions or the prior approval of the Shareholders in general meeting has been sought.

The exercise period of the Warrants is three (3) years commencing on and including the date of issue of the Warrants (the “**Exercise Period**”), after which the Warrants lapse. Each Subscriber may only exercise up to 33.3% of his Warrants during the first year, up to 66.6% of his Warrants during the second year, and the remaining Warrants in the final year of the Exercise Period.

The Company will seek the approval of Shareholders for a specific share issue mandate at a extraordinary general meeting for the allotment and issue of the New Shares pursuant to the exercise of the Warrants (the “**Warrants Issue Mandate**”).

The Company has also undertaken that it shall make an application for the New Shares to be listed and quoted on the Official List of the SGX-ST, and it shall execute all documents and do all acts and things as may be reasonably necessary for such purpose, including the submission of the ALA to the Company’s Sponsor.

4.2 Ranking and Issue Price

The Company shall allot and issue the New Shares free from encumbrances, and the New Shares shall rank *pari passu* in all respects with and carry all rights similar to existing Shares, save that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the date of exercise of the Warrants.

The aggregate of the issue price and the exercise price for each Warrant of S\$0.11 represents a premium of approximately 2.04% to the volume weighted average price of S\$0.1078 for trades done on the Shares on the SGX-ST on 15 September 2009, being the full market day immediately preceding the execution of the Warrant Subscription Agreement, up to the time of the trading halt on 16 September 2009.

4.3 Financial Effects of Subscription

Upon completion of the Share Subscription, the Post Share Issue Capital of the Company will increase from 149,208,576 Shares to 223,408,576 Shares (the “**Post Share Subscription Capital**”).

Assuming that all the Warrants are exercised by the Warrant Subscribers and pursuant to the allotment and issue of the New Shares, the Post Share Subscription Capital will increase further from 223,408,576 Shares to 263,408,576 Shares. The New Shares represent approximately 17.90% of the Post Share Subscription Capital, and approximately 15.19% of the enlarged issued and paid-up share capital of the Company (excluding treasury shares).

Based on the audited financial accounts of the Group for the financial year ended 30 June 2009 and the Post Share Subscription Capital, the Warrant Subscription will increase the net tangible assets per Share of the Company from 8.43 cents to 8.78 cents.

4.4 Conditions for Subscription

Completion of the Warrant Subscription is conditional upon:

- (a) the Warrant Issue Mandate being approved by the Shareholders at the extraordinary general meeting to be held, and being valid, subsisting and adequate for the purpose of the allotment and issue of the New Shares as at the date of completion of the Warrant Subscription;
- (b) approval in-principle in respect of the ALA being obtained from the Company’s Sponsor, and approval for the listing of and quotation for the New Shares being obtained from the SGX-ST, such approvals not being revoked or amended as at the date of completion of the Warrant Subscription and, if such approvals are subject to conditions, such conditions being reasonably acceptable to the Company and the Warrants Subscribers; and
- (c) the issue of the Warrants not being prohibited by any statute, order, rule or regulation promulgated after the date of the Warrant Subscription Agreement by any legislative, executive or regulatory body or authority of Singapore applicable to the Company;

The Company will be applying to the Company’s Sponsor for the listing of and quotation for the New Shares on the Official List of the SGX-ST, and it will make the necessary announcement upon the receipt of the approval in-principle from the Company’s Sponsor and the listing and quotation notice from the SGX-ST.

5. PURPOSE AND USE OF PROCEEDS

The gross proceeds arising from the Share Lending Arrangement, the Share Subscription and the Warrant Subscription of up to S\$13,390,000 will, after deducting estimated expenses of S\$100,000 relating thereto, be used for financing projects relating to the Punggol Reservoir, the Marina Reservoir and the Punggol Waterway, the reduction of loans and bank borrowings, and for general working capital in the following estimated proportions:

Use of Proceeds	Estimated Proportion
Financing of projects	50% - 75%
Reduction of loans and bank borrowings	20% - 30%
General working capital	5% - 30%

6. GENERAL

The Directors are of the opinion that, after taking into consideration:

- (a) the present bank facilities of the Group, the working capital available to the Group is sufficient to meet its present requirements, and the purpose of the Share Issue, the Share Subscription and the Warrant Subscription is primarily for project financing;
- (b) the present bank facilities and net proceeds from the Share Issue, the Share Subscription and the Warrant Subscription, the working capital available to the Group is sufficient to meet its present requirements.

Save as disclosed in this announcement, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Share Lending Arrangement, the Share Subscription or the Warrant Subscription, other than in their respective capacity as the Director or substantial shareholder of the Company.

Shareholders are advised to exercise caution in the trading of their shares. The Share Lending Arrangement, the Share Subscription and the Warrant Subscription are subject to conditions, and there is no certainty or assurance that they will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements from the Company carefully. Shareholders should consult their stock brokers, solicitors or other professional advisers if they have doubts about the actions they should take.

By order of the Board
Metax Engineering Corporation Limited

Tan Tze Wen
Managing Director
22 September 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.

*The contact person for the Sponsor is Mr Ng Joo Khin:
Telephone number: 6389 3000 Email: jookhin.ng@stamfordlaw.com.sg*