

## Unionmet (Singapore) Limited

(Incorporated in Singapore)  
(Co. Reg. No: 200409104W)

### UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE QUARTER ENDED 29 FEBRUARY 2008

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF 1<sup>st</sup> QUARTER RESULTS

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group Income Statement for the period ended 29 February 2008. These figures have not been audited.

	Group		
	US\$'000		%
	Unaudited		
	3 months ended		
	29/2/2008	28/2/2007	Increase/ (Decrease)
Revenue	3,970	13,047	(69.6)
Cost of sales	(6,305)	(11,211)	(43.8)
<b>Gross (loss)/profit</b>	<b>(2,335)</b>	<b>1,836</b>	<b>(227.2)</b>
Other income	336	123	173.2
Selling and distribution expenses	(48)	(57)	(15.8)
General and administrative expenses	(698)	(675)	3.4
Other expenses	(235)	(24)	879.2
<b>(Loss)/profit from operations</b>	<b>(2,980)</b>	<b>1,203</b>	<b>(347.7)</b>
Finance costs	(2)	(48)	(95.8)
<b>(Loss)/profit before tax</b>	<b>(2,982)</b>	<b>1,155</b>	<b>(358.2)</b>
Income tax	449	(130)	(445.4)
<b>Net (loss)/profit for the period attributable to equity holders of the parent</b>	<b>(2,533)</b>	<b>1,025</b>	<b>(347.1)</b>

**Note:**

(Loss)/profit from ordinary activities is stated after charging/(crediting):

	<b>Group</b>	
	<b>US\$'000</b>	
	<b>Unaudited</b>	
	<b>3 months ended</b>	
	<b>29/2/2008</b>	<b>28/2/2007</b>
Depreciation of property, plant and equipment	59	55
Exchange (gain)/loss, net	(91)	18
Derivative financial instruments:		
- Net realised gains on derivative financial instruments	(124)	-
- Net unrealized losses on derivative financial instruments	235	-
Interest expense	2	48
Interest income	(121)	(119)
Inventories write down	1,990	-
Machinery rental expenses	90	125
Rental expenses	37	3
Research and development expenses	1	25

Breakdown of other income

	<b>Group</b>	
	<b>US\$'000</b>	
	<b>Unaudited</b>	
	<b>3 months ended</b>	
	<b>29/2/2008</b>	<b>28/2/2007</b>
Exchange gain, net	91	-
Interest income	121	119
Net realised gains on derivative financial instruments	124	-
Subsidies income	-	4
<b>Total other income</b>	<b>336</b>	<b>123</b>

Breakdown of other expenses

	<b>Group</b>	
	<b>US\$'000</b>	
	<b>Unaudited</b>	
	<b>3 months ended</b>	
	<b>29/2/2008</b>	<b>28/2/2007</b>
Exchange loss, net	-	18
Net unrealised losses on derivative financial instruments	235	-
Others	-	6
<b>Total other expenses</b>	<b>235</b>	<b>24</b>

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	US\$'000		US\$'000	
	Unaudited	Audited	Unaudited	Audited
	29/2/2008	30/11/2007	29/2/2008	30/11/2007
<b>Non-current assets</b>				
Property, plant and equipment	1,780	1,496	37	41
Goodwill on consolidation	29	29	-	-
Deferred tax assets	388	14	358	-
Investments in subsidiaries	-	-	10,738	9,538
	<b>2,197</b>	<b>1,539</b>	<b>11,133</b>	<b>9,579</b>
<b>Current assets</b>				
Cash on hand and at bank	15,947	18,082	10,788	10,086
Trade receivables	961	343	-	-
Other receivables and prepayments	4,745	3,054	1,855	4,537
Derivative financial instruments	-	134	-	-
Inventories	21,251	20,721	9,664	9,247
	<b>42,904</b>	<b>42,334</b>	<b>22,307</b>	<b>23,870</b>
<b>Current liabilities</b>				
Trade payables	2,364	172	526	3
Other payables	1,806	1,280	123	304
Derivative financial instruments	99	-	-	-
Tax payable	105	66	-	-
	<b>4,374</b>	<b>1,518</b>	<b>649</b>	<b>307</b>
<b>Net current assets</b>	<b>38,530</b>	<b>40,816</b>	<b>21,658</b>	<b>23,563</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	34	55	4	4
<b>Net assets</b>	<b>40,693</b>	<b>42,300</b>	<b>32,787</b>	<b>33,138</b>
<b>Shareholders' equity</b>				
Share capital	29,524	29,524	29,524	29,524
Reserves	11,169	12,776	3,263	3,614
	<b>40,693</b>	<b>42,300</b>	<b>32,787</b>	<b>33,138</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

<b>As at 29/2/2008</b>		<b>As at 30/11/2007</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
-	-	-	-

**Amount repayable after one year**

<b>As at 29/2/2008</b>		<b>As at 30/11/2007</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
-	-	-	-

**Details of any collateral**

Not applicable.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	<b>Group</b>	
	<b>US\$'000</b>	
	<b>Unaudited</b>	
	<b>3 months ended</b>	
	<b>29/2/2008</b>	<b>28/2/2007</b>
<b>Cash flows from operating activities:</b>		
(Loss)/profit before tax	(2,982)	1,155
Adjustments for:		
Depreciation of property, plant and equipment	59	55
Net unrealized losses on derivative financial instruments	239	-
Interest expense	2	48
Interest income	(121)	(119)
Inventories write down	1,990	-
Foreign currency translation	850	(25)
<b>Operating cash flows before working capital changes</b>	<b>37</b>	<b>1,114</b>
Increase in trade receivables	(617)	(3,060)
Increase in other receivables and prepayments	(1,565)	(608)
Increase in inventories	(2,520)	(8,037)
Increase in trade payables	2,191	2,524
Increase/(decrease) in other payables	526	(936)
<b>Cash flows used in operations</b>	<b>(1,948)</b>	<b>(9,003)</b>
Income tax paid	(32)	-
Interest received	121	119
Interest paid	(2)	(48)
<b>Net cash flows used in operating activities</b>	<b>(1,861)</b>	<b>(8,932)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(274)	(24)
<b>Net cash flows used in investing activities</b>	<b>(274)</b>	<b>(24)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of shares	-	21,826
<b>Net cash flows generated from financing activities</b>	<b>-</b>	<b>21,826</b>
Net (decrease)/increase in cash on hand and at bank	(2,135)	12,870
Cash on hand and at bank at beginning of year	18,082	7,459
<b>Cash on hand and at bank at end of period</b>	<b>15,947</b>	<b>20,329</b>

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital	Statutory reserve	Accumulated profits	Foreign currency translation reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>(i) Consolidated – 1Q2007</b>					
Balance at 1 December 2006	7,698	1,695	7,550	309	17,252
Net profit for the financial period	-	-	1,025	-	1,025
Proceeds from IPO	21,826	-	-	-	21,826
Currency translation difference arising from consolidation	-	-	-	129	129
<b>Balance at 28 February 2007</b>	<b>29,524</b>	<b>1,695</b>	<b>8,575</b>	<b>438</b>	<b>40,232</b>
<b>(ii) Consolidated – 1Q2008</b>					
Balance at 1 December 2007	29,524	1,695	10,186	895	42,300
Net loss for the financial period	-	-	(2,533)	-	(2,533)
Appropriating of statutory surplus reserve	-	223	(223)	-	-
Currency translation difference arising from consolidation	-	-	-	926	926
<b>Balance at 29 February 2008</b>	<b>29,524</b>	<b>1,918</b>	<b>7,430</b>	<b>1,821</b>	<b>40,693</b>

Company	Share capital	Accumulated profits	Total
	US\$'000	US\$'000	US\$'000
<b>(i) Company – 1Q2007</b>			
Balance at 1 December 2006	7,698	5,357	13,055
Net loss for the financial period	-	(107)	(107)
Proceeds from IPO	21,826	-	21,826
<b>Balance at 28 February 2007</b>	<b>29,524</b>	<b>5,250</b>	<b>34,774</b>
<b>(ii) Company – 1Q2008</b>			
Balance at 1 December 2007	29,524	3,614	33,138
Net loss for the financial period	-	(351)	(351)
<b>Balance at 29 February 2008</b>	<b>29,524</b>	<b>3,263</b>	<b>32,787</b>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There has been no change in our share capital since the end of the financial year ended 30 November 2007.

There were no shares held as treasury shares as at 29 February 2008 and 28 February 2007.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Total number of issued shares as at 29 February 2008 and 30 November 2007 respectively was 368,132,396 shares (no treasury shares).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

These figures have neither been audited nor reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the financial year ended 30 November 2007.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

There are no changes in accounting policies and methods of computation.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	29/2/2008	28/2/2007
(Loss)/earnings per ordinary share of the group, after deducting any provision for preference dividends (in US cents):		
(a) Based on weighted average number of ordinary shares on issue; and	(0.69)	0.37
Weighted average number of ordinary shares for basic earnings per share computation	368,132,396	275,803,629
(b) On a fully diluted basis	(0.69)	0.37
Weighted average number of ordinary shares adjusted for the effect for dilution	368,132,396	275,803,629

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	Group		Company	
	29/2/2008	30/11/2007	29/2/2008	30/11/2007
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in US cents):	11.05	11.49	8.91	9.00
No. of ordinary shares used in computing net asset value	368,132,396	368,132,396	368,132,396	368,132,396

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

## **REVIEW OF PERFORMANCE (1Q2008 VS 1Q2007)**

### **Revenue**

The Group's financial performance was adversely affected by fluctuation in commodity prices due to changes in the world's demand and supply for indium and zinc, causing prices and margins to decline.

The Group's total revenue decreased by approximately US\$9.0 million from US\$13.0 million in the quarter ended 28 February 2007 ("1Q2007") to approximately US\$4.0 million in the quarter ended 29 February 2008 ("1Q2008") due to the following:

- a) Compared to 2.7 metric tonne ("MT") of indium sold in 1Q2007, no indium was sold in 1Q2008 due mainly to the Group's reactions to a significant decrease in the market prices of indium caused by weak market demand and sluggish purchase season in 1Q2008; and
- b) The Group further experienced reductions in sales of by-products due mainly to highly volatile and adverse pricing pressure of zinc product prices.

### **Net (Loss)/Profit Margin**

The Group recorded a net loss margin of 63.8% in 1Q2008, compared with net profit margin of 7.9% in 1Q2007, due mainly to the following:

- a) The market price of indium, based on the Metal Bulletin's average market prices, had shown a downward trend since the last financial year. The average price of indium decreased by approximately 26.5% from approximately US\$720 per MT in 1Q2007 to approximately US\$529 per MT in 1Q2008. As such, no indium was sold in 1Q2008 as compared to 2.7 MT of indium sold in 1Q2007 for the aforementioned reasons;
- b) Market prices of zinc related products usually track the market price of zinc. According to the London Metal Exchange, the average price of zinc decreased by approximately 37.2% from approximately US\$3,867 per tonne in 1Q2007 to approximately US\$2,428 per tonne in 1Q2008, causing average selling prices of our zinc related products to decline;
- c) Cost of sales comprised inventories write down for our indium stocks and cost of our non-indium products sold.

A provision of approximately US\$2.0 million for the reduction in value of our stock of indium, as compared to US\$Nil in 1Q2007, was made as a result of the downward trend in indium market prices;

The higher cost of sales of other products sold was the result of the following:-

- I. an increase in the cost of raw materials such as zinc calcine ore as a result of fluctuation in zinc market prices due the abovementioned reasons;
  - II. the lessor for certain of the Group's leased production lines such as zinc carbonate for the extraction of indium slag and strip liquor, had been undergoing a statutory environmental compliance exercise. Accordingly these leased production lines had been operating intermittently, thereby reducing the production capacity of one of our key subsidiary for the period under review; and
  - III. increase in production overheads due mainly to higher cost of factory utilities and other overheads such as coal during year-end dry season and the snowstorm;
- d) Increased startup costs from a new subsidiary, Guangxi Crystal Union Photoelectric Materials Co Ltd.

### **Other Income**

The Group's other income of US\$0.3 million was higher in 1Q2008 as compared to US\$0.1 million in 1Q2007 due mainly to net realized gains on derivative financial instruments of US\$0.1 million and an increase in net exchange gains.

### **Operating Expenses**

Selling and distribution expenses included transportation and travel expenses, salaries and wages and sales commissions to agents. Lower selling and distribution expenses due mainly to declined sales in 1Q2008 as compared 1Q2007.

General and administrative expenses largely remain unchanged for both 1Q2007 and 1Q2008 of US\$0.7 million each.

Other expenses of US\$235k were higher in 1Q2008 as compared to US\$24k in 1Q2007 due mainly to net unrealized losses on derivative financial instruments as a result of higher average market prices of zinc as compared to our futures contracts' prices.

### **(Loss)/Profit After Tax**

As a result of the aforementioned factors, profit after tax decreased by US\$3.6 million, from profit after tax of approximately US\$1.0 million in 1Q2007 to loss after tax of approximately US\$2.5 million in 1Q2008.

## **REVIEW OF FINANCIAL POSITION (1Q2008 VS FY2007)**

### **Non-Current Assets**

The Group's non-current assets increased by US\$0.7 million, from US\$1.5 million as at 30 November 2007 to US\$2.2 million as at 29 February 2008 due mainly to additions of property, plant and equipment of approximately US\$0.3 million, partially offset by depreciation of approximately US\$60k. Additions of property, plant and equipment comprised mainly construction in progress, plant and machinery and motor vehicles. The increase also due to the increase in deferred tax assets of approximately US\$0.4 million in relation to the inventories write down in the period.

### **Current Assets**

As at 29 February 2008, the Group's current assets amounted to US\$42.9 million comprised

of cash on hand and at bank of US\$15.9 million, trade receivables of US\$1.0 million, other receivables and prepayments of US\$4.7 million and inventories of US\$21.3 million.

The decrease of US\$2.1 million in cash and bank balances as a result of lower sales and tighter working capital position for the financial period. The increase of US\$0.6 million in trade receivables was due to slower collections from our customers from our by-products. Other receivables and prepayments increased by US\$1.7 million due mainly to advances to suppliers as down payments for raw materials, construction materials and machineries for our new subsidiary, partially offset by a decrease in security deposit placed for hedging activities of approximately US\$0.7 million. Inventories increased by US\$0.5 million due mainly to the higher inventory levels of finished goods as a result of the declining sales and stocking up of raw materials to meet expected increase in production activities, partially offset by the inventories write down of approximately US\$2.0 million. The increase in current assets was partially offset by the decrease in the fair value of derivative financial instruments of US\$0.1 million.

### **Current Liabilities**

The Group's current liabilities as at 29 February 2008 comprised of trade payables of US\$2.4 million, other payables of US\$1.8 million, fair value of derivative financial instruments of US\$0.1 million and tax payable of US\$0.1 million.

Increase in current liabilities of approximately US\$2.9 million due mainly to the increase in trade payables of US\$2.2 million and other payables of US\$0.5 million. Trade payables are mainly outstanding amounts due to our suppliers due to increase in purchases of direct materials during the period. Other payables increased due mainly to increase in advances from customers from our by-products.

### **Non-Current Liabilities**

As at 29 February 2008, non-current liabilities were made up of deferred tax liabilities of US\$34k.

### **Shareholders' Equity**

Shareholders' equity decreased by US\$1.6 million due mainly to the Group's net loss position for the financial period.

### **Cash Flow**

There is an overall decrease of US\$2.1 million in cash and cash equivalents for 1Q2008. Cash used in operating activities amounted to US\$1.9 million was due mainly to the net loss position for the financial period, increase in receivables of US\$2.2 million and inventories by US\$2.5 million for the abovementioned reasons. Net cash used in investing activities amounted to US\$0.3 million was mainly attributed to the purchase of property, plant and equipment by the new subsidiary.

## **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The results announcement for 1Q2008 is in line with the profit warning issued by the Company on 20 March 2008.

- 10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The industry that the Group is operating in is currently subject to uncertain demand and pricing volatility of zinc and indium.

The Board expects that indium and zinc price containment would remain a challenge to the Group as these prices may continue to fluctuate. Due to the sensitivity of the PRC market prices for indium ingots and zinc related products to international market prices, any fluctuation in international market prices may have an adverse impact on our business, financial condition and results of operations.

- 11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No dividend has been declared.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

- 12. If no dividend has been declared/recommendeded, a statement to that effect.**

No dividend has been declared or recommended for the financial period ended 29 February 2008.

**13. Negative Assurance Confirmation**

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Unionmet (Singapore) Limited which may render these interim financial results for the quarter ended 29 February 2008 to be false or misleading in any material aspect.

For and on behalf of the  
Board of Directors of  
UNIONMET (SINGAPORE) LIMITED

Huang Wei  
Executive Director

Meng Limin  
Executive Director

10 April 2008

BY ORDER OF THE BOARD

Meng Limin  
Executive Director  
10 April 2008

Note: The initial public offering of Unionmet (Singapore) Limited was sponsored by Stirling Coleman Capital Limited who assumes no responsibility for the contents of this Announcement.