

Unionmet (Singapore) Limited

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

UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE QUARTER ENDED 31 MAY 2011

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF 2nd 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.

The Board of Directors hereby announces the results of the Group for the 2nd quarter ended 31 May 2011. These figures have not been audited.

1(a)(i) Group Consolidated Statement of Comprehensive Income

	Group		
	US\$'000		%
	Unaudited		
	3 months ended		
	31/5/2011	31/5/2010	Increase/ (Decrease)
<u>Continuing operations</u>			
Revenue	384	7,447	(94.8)
Cost of sales	(342)	(6,781)	(95.0)
Gross profit	42	666	(93.7)
Other income	190	27	603.7
Selling and distribution expenses	(1)	(49)	(98.0)
General and administrative expenses	(786)	(483)	62.7
Other expenses	-	(17)	(100.0)
(Loss)/profit before tax	(555)	144	(485.4)
Income tax	13	(2)	(750.0)
Net (loss)/profit after tax	(542)	142	(481.7)
<u>Discontinuing operation</u>			
Net loss from discontinuing operation	(2)	(179)	(98.9)
Net loss after tax for the period	(544)	(37)	1370.3
Attributable to owners of the parent			
Net (loss)/profit from continuing operations	(542)	142	(481.7)
Net loss from discontinuing operation	(2)	(179)	(98.9)
Net loss for the period attributable to owners of the parent	(544)	(37)	1370.3
<u>Other comprehensive income:</u>			
Currency translation difference arising from consolidation	149	10	1390.0
Total other comprehensive income	149	10	1390.0
Total comprehensive income from continuing operations	(394)	151	(360.9)
Total comprehensive income from discontinuing operation	(1)	(178)	(99.4)
Total comprehensive income for the period attributable to owners of the parent	(395)	(27)	1363.0

1(a)(ii) Notes to Group Consolidated Statement of Comprehensive Income

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

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	31/5/2011	31/5/2010
<u>Continuing operations</u>		
Depreciation of property, plant and equipment	13	39
Exchange gain, net	(30)	(15)
Derivative financial instruments:		
- Net realised loss on derivative financial instruments	-	16
Interest income	(34)	(10)
Inventories write-down/(reversal of inventories write-down), net	119	(82)
Gain on disposal of property, plant and equipment	(20)	-
Machinery rental expenses	1	1
Rental expenses	37	62
<u>Discontinuing operation</u>		
Depreciation of property, plant and equipment	34	109
(Reversal of inventories write-down)/inventories write-down, net	(109)	32
Machinery rental expenses	-	5
Rental expenses	1	1
Research and development expenses	20	99

Breakdown of other income

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	31/5/2011	31/5/2010
<u>Continuing operations</u>		
Exchange gain, net	30	15
Interest income	34	10
Sale of scrap materials	106	-
Gain on disposal of property, plant and equipment	20	-
Others	-	2
Total other income from continuing operations	190	27
<u>Discontinuing operation</u>		
Others	4	-
Total other income from discontinuing operation	4	-

Breakdown of other expenses

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	31/5/2011	31/5/2010
<u>Continuing operations</u>		
Net realised loss on derivative financial instruments	-	16
Others	-	1
Total other expenses from continuing operations	-	17

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
	31/5/2011	30/11/2010	31/5/2011	30/11/2010
Non-current assets				
Property, plant and equipment	140	1,104	83	93
Deferred tax assets	2	2	-	-
Investments in subsidiaries	-	-	4,438	5,278
	142	1,106	4,521	5,371
Current assets				
Cash and short-term deposits	32,840	35,090	24,493	25,274
Trade receivables	-	40	-	-
Other receivables and prepayments	1,095	693	81	79
Tax recoverable	6	6	-	-
Inventories	1,045	1,130	100	100
	34,986	36,959	24,674	25,453
Assets of disposal group classified as held for sale	1,799	-	24	-
	36,785	36,959	24,698	25,453
Current liabilities				
Trade payables	5	11	1	2
Other payables	255	731	150	184
Tax payable	29	261	-	-
	289	1,003	151	186
Liabilities directly associated with disposal group classified as held for sale	238	-	-	-
	527	1,003	151	186
Net current assets	36,258	35,956	24,547	25,267
Non-current liability				
Deferred tax liabilities	57	57	-	-
Net assets	36,343	37,005	29,068	30,638
Equity attributable to owners of the parent				
Share capital	32,794	32,794	32,794	32,794
Reserves/(accumulated losses)	3,549	4,211	(3,726)	(2,156)
	36,343	37,005	29,068	30,638

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

Amount repayable in one year or less, or on demand

As at 31/5/2011		As at 30/11/2010	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
-	-	-	-

Amount repayable after one year

As at 31/5/2011		As at 30/11/2010	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
-	-	-	-

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.

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	31/5/2011	31/5/2010
Cash flows from operating activities:		
(Loss)/profit before tax from continuing operations	(555)	144
Loss before tax from discontinuing operation	(2)	(179)
Loss before tax, total	(557)	(35)
Adjustments for:		
Depreciation of property, plant and equipment	47	148
Interest income	(34)	(10)
Inventories write-down/(reversal of inventories write-down), net	10	(50)
Gain on disposal of property, plant and equipment	(20)	-
Unrealised exchange gain, net	(35)	(20)
Foreign currency translation	35	7
Operating cash flows used in before working capital changes	(554)	40
(Increase)/decrease in trade receivables	(14)	527
Increase in other receivables and prepayments	(563)	(70)
(Increase)/decrease in inventories	(559)	1,629
(Decrease)/increase in trade payables	(1)	18
Increase in other payables	43	490
Cash flows (used in)/generated from operations	(1,648)	2,634
Income tax paid	(189)	(15)
Interest received	34	10
Net cash flows (used in)/generated from operating activities	(1,803)	2,629
Cash flows from investing activities:		
Purchase of property, plant and equipment	(9)	(6)
Sales proceed of property, plant and equipment	57	-
Net cash flows generated from/(used in) investing activities	48	(6)
Net (decrease)/increase in cash and cash equivalents	(1,755)	2,623
Effect of exchange rate changes on cash and cash equivalents	110	13
Cash and cash equivalents at beginning of 2 nd quarter	34,804	25,801
Cash and cash equivalents at end of 2nd quarter	33,159	28,437
Cash and short-term deposits:		
- Continuing operations	32,840	28,382
- Discontinuing operation	319	55
Cash and short-term deposits	33,159	28,437

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 losses	Foreign currency translation reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Current Period – 2Q2011					
Opening Balance at 1 March 2011	32,794	2,107	(1,195)	3,032	36,738
Loss for the period	-	-	(544)	-	(544)
Other comprehensive income	-	-	-	149	149
Total comprehensive income for the period	-	-	(544)	149	(395)
Transfer to statutory reserve	-	1	(1)	-	-
Closing Balance at 31 May 2011	32,794	2,108	(1,740)	3,181	36,343
Previous Period – 2Q2010					
Opening Balance at 1 March 2010	32,794	2,020	(553)	2,529	36,790
Loss for the period	-	-	(37)	-	(37)
Other comprehensive income	-	-	-	10	10
Total comprehensive income for the period	-	-	(37)	10	(27)
Transfer to statutory reserve	-	9	(9)	-	-
Closing Balance at 31 May 2010	32,794	2,029	(599)	2,539	36,763

Company	Share capital	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000
Current Period – 2Q2011			
Opening Balance at 1 March 2011	32,794	(2,428)	30,366
Loss for the period	-	(1,298)	(1,298)
Total comprehensive income for the period	-	(1,298)	(1,298)
Closing Balance at 31 May 2011	32,794	(3,726)	29,068
Previous Period – 2Q2010			
Opening Balance at 1 March 2010	32,794	(674)	32,120
Loss for the period	-	(3)	(3)
Total comprehensive income for the period	-	(3)	(3)
Closing Balance at 31 May 2011	32,794	(677)	32,117

- 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 the Company's share capital since the end of the financial year ended 30 November 2010.

There were no shares held as treasury shares and the Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 May 2011 and 30 November 2010.

- 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 31 May 2011 and 30 November 2010 respectively was 613,553,995 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 adopted all the new/revised International Financial Reporting Standards ("new/revised IFRSs") that became effective on or after 1 December 2010. Except for the adoption of these new/revised IFRSs as disclosed in item 5, the Group has consistently adopted the same accounting policies and methods of computations as stated in the audited financial statements of the Group for the financial year ended 30 November 2010.

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.

The Group has adopted the applicable new and revised Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS") which became effective for the accounting periods beginning on or after 1 December 2010.

On 1 December 2010, the Group adopted the new or revised Singapore Financial Reporting Standards (FRS) and Interpretations (INT FRS) that are effective in this financial year. The FRS that is relevant to the Group includes:

FRS 32 (revised) Financial Instruments FRS32 (revised) which requires the classification of Rights Issues is applicable for annual periods beginning on or after 1 February 2010. The FRS32 (revised) addresses the accounting for rights issues (rights, options, or warrants) that are denominated in a currency other than the functional currency of the issuer. The amendments states that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount of any currency are equity instruments, regardless of the currency in which the exercise price is denominated, if the entity offers the rights, options, or warrants pro-rata to all of its existing owners of the same class of its own non-derivative equity instruments.

There was no material impact of such changes in the above-mentioned accounting policies to the Group's results for the quarter ended 31 May 2011.

Other than the above, the same accounting policies and methods of computation as in the Group's most recently audited financial statements for the year ended 30 November 2010 have been applied.

6. (Losses)/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	
	31/5/2011	31/5/2010
(Losses)/earnings per ordinary share from continuing operations 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	(0.08)	0.02
Weighted average number of ordinary shares for basic losses per share computation	613,553,995	613,553,995
(b) On a fully diluted basis	(0.08)	0.02
Weighted average number of ordinary shares adjusted for the effect for dilution	613,553,995	613,553,995

	Group	
	31/5/2011	31/5/2010
Losses per ordinary share from discontinuing operation 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	(0.01)	(0.03)
Weighted average number of ordinary shares for basic losses per share computation	613,553,995	613,553,995
(b) On a fully diluted basis	(0.01)	(0.03)
Weighted average number of ordinary shares adjusted for the effect for dilution	613,553,995	613,553,995

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	
	31/5/2011	30/11/2010	31/5/2011	30/11/2010
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in US cents):	5.92	6.03	4.74	4.99
No. of ordinary shares used in computing net asset value	613,553,995	613,553,995	613,553,995	613,553,995

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 (2Q2011 VS 2Q2010)

CONTINUING OPERATIONS

Revenue

The Group's total revenue decreased by approximately US\$7.1 million or 94.8% to approximately US\$0.4 million for the quarter ended 31 May 2011 ("2Q2011"). This was due mainly to lower sales of indium and zinc-related products.

The reduction in sales of indium was due mainly to a low indium production output by the Company's subsidiary, Guangxi Intai Technology Co., Ltd ("Intai"), as a result of the cessation of its production in 1Q2011 and a surge of raw material prices of indium.

Although Intai restarted its indium production in end of April 2011, production had been kept to a minimum level as raw material prices continued to escalate from RMB4,100 per kg in February 2011 to RMB5,800 in May 2011. Management was of the view that it was uneconomical to produce indium with such higher cost of raw materials as the Group's production operations were affected by the relocation of Intai's production facilities and factory buildings, and the Group was not able to produce coarse indium by itself. In addition, the relocation of Intai's production facilities and factory buildings to Liuzhou had met with delays from the PRC authorities.

The lower sales of zinc-related products was due mainly to cessation of the zinc processing arrangement between the Company's subsidiary, Liuzhou Union Zinc Industry Co., Ltd ("UnionZinc") and a third party producer, Yinshan Smelting Plant ("Yinshan"), as previously disclosed in the Group's first quarter results announcement.

Gross Profit Margin

The Group recorded a gross profit margin of 10.9% in 2Q2011, compared with a gross profit margin of 8.9% in 2Q2010. The higher gross profit margin in 2Q2011 arose mainly from the higher market price of indium sold partially offset by a provision for impairment of inventories as production costs continues to increase due to the reason given above under "Revenue".

Compared to 2Q2011, the market price of indium was lower in 2Q2010 and sales of the zinc-related products recorded lower profit margins.

Other Income

Other income increased by approximately US\$163k from US\$27k in 2Q2010 to US\$190k in 2Q2011. This was due mainly to the sale of scrap materials of US\$106k by one of the Group's subsidiary. The increase was also due to higher interest income earned from higher cash balances in 2Q2011 of approximately US\$33.2 million compared to US\$28.4 million in 2Q2010.

Operating Expenses

Selling and distribution expenses decreased by US\$48k to US\$1k, in line with the decrease in the sales activity level of the Group.

General and administrative expenses increased by approximately US\$0.3 million to approximately US\$0.8 million in 2Q2011 due mainly to higher professional fees, travel expenses and staff costs.

Other expenses decreased to US\$Nil in 2Q2011. Other expenses in 2Q2010 comprised mainly realised losses on derivative financial instruments of US\$16k.

Income Tax

The tax credit in 2Q2011 was due to over provision of income tax by one of the Group's subsidiary.

(Loss)/Profit After Tax

As a result of the aforementioned, the Group recorded a loss after tax of approximately US\$0.5 million in 2Q2011, compared to a profit after tax of US\$0.1 million in 2Q2010.

DISCONTINUING OPERATION

As announced on 23 May 2011, the Group has entered into a Sale & Purchase Agreement for the disposal of its entire shareholding in Guangxi Crystal Union Photoelectric Materials Co., Ltd ("GCU"), a wholly-owned subsidiary of the Group. As at 2Q2011, the revenue and expenses of GCU have been presented as "Net loss from discontinuing operation".

The decrease in net loss from discontinuing operation from US\$0.2 million in 2Q2010 to US\$2k in 2Q2011 was due mainly to the decrease in research and development expenses and lower depreciation on its property, plant and equipment.

REVIEW OF FINANCIAL POSITION (2Q2011 VS FY2010)

Non-Current Assets

The Group's non-current assets decreased by approximately US\$964k to US\$0.1 million as at 2Q2011. This was due mainly to the proposed disposal of GCU as announced on 26 May 2011. The assets and liabilities of GCU have been aggregated and classified under the category "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale" as presented in the balance sheet in note 1(b)(i) above.

The Company's non-current assets decreased by US\$0.8 million mainly due to the impairment on the Company's cost of investment in GCU arising from GCU's proposed disposal.

Current Assets

The Group's current assets decreased from US\$37.0 million as at FY2010 to US\$36.8 million as at 2Q2011.

The decrease in cash and short-term deposits by approximately US\$2.3 million and US\$0.8 million for the Group and Company, respectively, was due mainly to payments made for operating expenses of the Group and advances made to suppliers in 1H2011.

Other receivables and prepayments increased by US\$0.4 million in 2Q2011 compared to FY2010 due mainly to higher advances to suppliers of US\$0.5 million for the Group's indium production.

The Group's inventories decreased by approximately US\$0.1 million as a result of sale of indium in 1H2011.

As announced on 23 May 2011, the Group had entered into a Sale & Purchase Agreement for the disposal of its entire shareholding in GCU, a wholly-owned subsidiary of the Group. As at 2Q2011, the assets and liabilities of GCU have been presented as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale".

Current Liabilities

The Group's current liabilities decreased from US\$1.0 million as at FY2010 to US\$0.3 million as at 2Q2011. The decrease was due mainly to a decrease in other payables of approximately US\$0.3 million resulting from lower VAT payable and payment of income tax of US\$0.3 million by one of the Group's subsidiary.

Non-Current Liabilities

There were no significant variances for FY2010 and 2Q2011.

Shareholders' Equity

Shareholders' equity decreased by US\$0.7 million due mainly to the Group's net loss position for 1H2011.

Cash Flow (2Q2011 VS 2Q2010)

The net decrease in cash and cash equivalents for 2Q2011 was due mainly to the net loss position in 2Q2011, payments for operating expenses and advances to suppliers.

There was an overall increase of US\$2.6 million in cash and cash equivalents for 2Q2010 due mainly to indium sales made during 2Q2010.

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

The Group's 2Q2011 results are in line with the Company's 1Q2011 results announcement made via SGXNet on 7 April 2011 that the Group was likely to record reduced production and sales revenue for 2Q2011 and for the financial year ending 30 November 2011.

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.

Reference is made to the announcements made via SGXNet on 23 May 2011 and 26 May 2011. The Board would like to inform shareholders that the disposal of GCU will be completed by the end of July 2011. The Company will announce any material updates when appropriate.

Due to the continued disruptions caused by the relocations and higher raw material prices as explained in item 8 above, the Group will continue to record reduced production and sales revenue for the next quarter and for the financial year ending 30 November 2011 ("FY2011"). As a result of reduced production and sales revenue, the Group expects to record a loss for 3Q2011 and for FY2011. Meanwhile, the Group is in the process of sourcing for alternative locations to buy land and building directly from the owners for the relocation.

The industry that the Group operates in continues to be subjected to uncertain demand and the pricing volatility of indium and zinc. The Board and Management expect the Group's business environment to continue to be tough and challenging. The Board remains cautious on the performance of the Group for FY2011.

The Group will continue to look out for business opportunities that will help the future growth of the Group.

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/recommended, a statement to that effect.

No dividend has been declared or recommended for the financial period ended 31 May 2011.

13. Use of Proceeds from the Initial Public Offer and Rights Issue.

The Board of Directors refers to the net initial public offering (“IPO”) proceeds of US\$22 million raised from the IPO of the Company’s shares in January 2007.

As at 31 May 2011, there has been no change in the Company’s utilization of its IPO’s proceeds since last reported as follows:

Intended Use	Amount Allocated US\$’000	Amount Utilised US\$’000	Balance Amount US\$’000
Expansion of indium ingot production capacity	4,000	-	4,000
Secure additional sources of raw material supply in areas rich in zinc and indium	6,100	-	6,100
Undertake R&D in high value-added products of indium ingots	3,500	3,500	-
General working capital requirements	8,400	8,400	-
Total	22,000	11,900	10,100^(a)

Note:

(a) Due to the financial crisis and adverse market for indium, applications of these IPO proceeds have been deferred until there are sustainable improvements.

The net proceeds of US\$3.27 million (S\$4.71 million) raised from the rights issue have not been utilised as at 31 May 2011.

14. 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 31 May 2011 to be false or misleading in any material aspect.

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

Zeng Fuzu
Chairman/Non-executive
Director

12 July 2011

Meng Limin
Executive Director/CEO

BY ORDER OF THE BOARD

Meng Limin
Executive Director/CEO
12 July 2011