

Unionmet (Singapore) Limited

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

UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE QUARTER ENDED 31 MAY 2008

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.

Group Income Statement for the 2nd quarter ended 31 May 2008. These figures have not been audited.

	Group		
	US\$'000		%
	Unaudited		
	3 months ended		
	31/5/2008	31/5/2007	Increase/ (Decrease)
Revenue	12,526	13,803	(9.3)
Cost of sales	(11,109)	(12,209)	(9.0)
Gross profit	1,417	1,594	(11.1)
Other income	793	234	238.9
Selling and distribution expenses	(136)	(74)	83.8
General and administrative expenses	(959)	(642)	49.4
Other expenses	(27)	(30)	(10.0)
Profit from operations	1,088	1,082	0.6
Finance costs	(2)	(35)	(94.3)
Profit before tax	1,086	1,047	3.7
Income tax	(276)	(134)	105.9
Net profit for the period attributable to equity holders of the parent	810	913	(11.3)

Note:

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

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	31/5/2008	31/5/2007
Depreciation of property, plant and equipment	66	55
Exchange (gain)/loss, net	(6)	23
Derivative financial instruments:		
- Net realised gains on derivative financial instruments	(384)	-
- Net unrealised gains on derivative financial instruments	(327)	-
Interest expense	2	35
Interest income	(72)	(210)
Reversal of inventories write-down, net	(585)	-
Machinery rental expenses	94	124
Rental expenses	37	64
Research and development expenses	-	5

Breakdown of other income

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	31/5/2008	31/5/2007
Exchange gain, net	6	-
Interest income	72	210
Net realised gains on derivative financial instruments	384	-
Net unrealised gains on derivative financial instruments	327	-
Others	4	24
Total other income	793	234

Breakdown of other expenses

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	31/5/2008	31/5/2007
Exchange loss, net	-	23
Write-off of property, plant and equipment	22	-
Others	5	7
Total other expenses	27	30

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
	31/5/2008	30/11/2007	31/5/2008	30/11/2007
Non-current assets				
Property, plant and equipment	1,993	1,496	57	41
Goodwill on consolidation	29	29	-	-
Deferred tax assets	285	14	180	-
Investments in subsidiaries	-	-	10,738	9,538
	2,307	1,539	10,975	9,579
Current assets				
Cash on hand and at bank	19,763	18,082	13,269	10,086
Trade receivables	886	343	-	-
Other receivables and prepayments	3,883	3,054	1,844	4,537
Derivative financial instruments	232	134	-	-
Inventories	18,242	20,721	8,059	9,247
	43,006	42,334	23,172	23,870
Current liabilities				
Trade payables	1,799	172	639	3
Other payables	1,239	1,280	115	304
Tax payable	196	66	-	-
	3,234	1,518	754	307
Net current assets	39,772	40,816	22,418	23,563
Non-current liabilities				
Deferred tax liabilities	69	55	4	4
Net assets	42,010	42,300	33,389	33,138
Shareholders' equity				
Share capital	29,524	29,524	29,524	29,524
Reserves	12,486	12,776	3,865	3,614
	42,010	42,300	33,389	33,138

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

Amount repayable in one year or less, or on demand

As at 31/5/2008		As at 30/11/2007	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
-	-	-	-

Amount repayable after one year

As at 31/5/2008		As at 30/11/2007	
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	
	2nd quarter ended	
	31/5/2008	31/5/2007
Cash flows from operating activities:		
Profit before tax	1,086	1,047
Adjustments for:		
Depreciation of property, plant and equipment	66	55
Write-off of property, plant and equipment	22	-
Net unrealized gains on derivative financial instruments	(327)	-
Interest expense	2	35
Interest income	(72)	(210)
Reversal of inventories write-down, net	(585)	-
Foreign currency translation	469	522
Operating cash flows before working capital changes	661	1,449
Decrease in trade receivables	75	2,980
Decrease/(increase) in other receivables and prepayments	737	(2,043)
Decrease/(increase) in inventories	3,595	(1,229)
Decrease in trade payables	(564)	(4,042)
Decrease in other payables	(567)	(254)
Cash flows generated from/(used in) operations	3,937	(3,139)
Income tax received/(paid)	79	(340)
Interest received	72	210
Interest paid	(2)	(35)
Net cash flows generated from/(used in) operating activities	4,086	(3,304)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(270)	(5)
Net cash flows used in investing activities	(270)	(5)
Cash flows from financing activities:		
Share issue expenses	-	(72)
Net cash flows used in financing activities	-	(72)
Net increase/(decrease) in cash on hand and at bank	3,816	(3,381)
Cash on hand and at bank at beginning of 2 nd quarter	15,947	20,329
Cash on hand and at bank at end of 2nd quarter	19,763	16,948

- 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 capitalization 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
(i) Consolidated – 2Q2007					
Balance at 1 March 2007	29,573	1,695	8,575	438	40,281
Share issue expenses	(72)	-	-	-	(72)
Net profit for the financial period	-	-	913	-	913
Currency translation difference arising from consolidation	-	-	-	544	544
Balance at 31 May 2007	29,501	1,695	9,488	982	41,666
(ii) Consolidated – 2Q2008					
Balance at 1 March 2008	29,524	1,918	7,430	1,821	40,693
Net profit for the financial period	-	-	810	-	810
Transferred from accumulated profits	-	89	(89)	-	-
Currency translation difference arising from consolidation	-	-	-	507	507
Balance at 31 May 2008	29,524	2,007	8,151	2,328	42,010

Company	Share capital	Accumulated profits	Total
	US\$'000	US\$'000	US\$'000
(i) Company – 2Q2007			
Balance at 1 March 2007	29,573	5,250	34,823
Share issue expenses	(72)	-	(72)
Net loss for the financial period	-	(26)	(26)
Balance at 31 May 2007	29,501	5,224	34,725
(ii) Company – 2Q2008			
Balance at 1 March 2008	29,524	3,263	32,787
Net profit for the financial period	-	602	602
Balance at 31 May 2008	29,524	3,865	33,389

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 31 May 2008 and 31 May 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 31 May 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.**

FRS and INT FRS that have been issued and effective for the Group's financial year ending 30 November 2008 are as follows:

FRS 1: Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)

FRS 107: Financial Instruments: Disclosures

The above deals with accounts presentation and disclosure requirements and, therefore, there is no financial impact on the financial statements of the Group.

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	
	31/5/2008	31/5/2007
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	0.22	0.27
Weighted average number of ordinary shares for basic earnings per share computation	368,132,396	334,159,793
(b) On a fully diluted basis	0.22	0.27
Weighted average number of ordinary shares adjusted for the effect for dilution	368,132,396	334,159,793

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	
	31/5/2008	30/11/2007	31/5/2008	30/11/2007
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in US cents)	11.41	11.49	9.07	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 (2Q2008 VS 2Q2007)

Revenue

The Group's total revenue decreased by approximately US\$1.3 million from US\$13.8 million in the quarter ended 31 May 2007 ("2Q2007") to approximately US\$12.5 million in the quarter ended 31 May 2008 ("2Q2008") as a result of the reduction in sales of by-products of the Group due mainly to highly volatile and adverse pricing pressure of zinc product prices. The decrease was partially offset by an increase in indium quantity sold from approximately 1.5MT in 2Q2007 to 5.9MT in 2Q2008 and sales contributed by other by-products such as lead and indium slag, etc.

Net Profit Margin

The Group's net profit decreased by 11.3% or approximately US\$0.1 million. Accordingly, the Group recorded a net profit margin of 6.5% in 2Q2008 as compared to 6.6% in 2Q2007. However, the decline in profitability was due primarily to the following:

- a) A decrease in gross profit margin of by-products from 9.5% in 2Q2007 to 1.1% in 2Q2008. The decline in gross profit margin of by-products was due mainly to the decrease in market prices of zinc related products. According to the London Metal exchange, the average price of zinc decreased by approximately 34.9% from approximately US\$3,571 per tonne in 2Q2007 to approximately US\$2,323 per tonne in 2Q2008, causing the average selling prices and margins of our zinc related products such as zinc ingots to decline;
- b) Cost of sales comprised of inventories write-down of zinc inventories, a reversal of inventories write-down of indium inventories and cost of our indium and non-indium products sold.

A provision of approximately US\$0.4 million for the reduction in value of our zinc inventories, as compared to US\$Nil in 2Q2007, was made as a result of the downward trend in zinc market prices. The provision was partially offset by a reversal of inventories write-down of our indium stocks of approximately US\$1.0 million as a result of inventories sold and an upward trend in indium market prices of approximately US\$595 per MT in 2Q2008 as compared to 1Q2008 of US\$529 per MT.

The decline in gross profit margin in zinc related products was partially offset by the increase in the gross profit margin of indium ingots from approximately 35.8% in 2Q2007 to 38.7% in 2Q2008 due mainly to (i) the abovementioned reversal of inventories write-down; and (ii) an increase in indium quantity sold in this quarter despite a decrease in average market prices of indium from approximately US\$713 per MT in 2Q2007 to US\$595 per MT in 2Q2008.

Other Income

The Group's other income of US\$0.8 million was higher in 2Q2008 as compared to US\$0.2 million in 2Q2007 due mainly to gains on derivative financial instruments of approximately US\$0.7 million as a result of lower average market prices of zinc as compared to our futures contracts' prices and an increase in net exchange gains. The increase was partially offset by a decline in interest income earned from placement of overnight deposits with financial institution as a result of a decrease in average interest rates.

Operating Expenses

Selling and distribution expenses included transportation and travel expenses, salaries and wages. Higher selling and distribution expenses was due mainly to higher transportation costs incurred in selling zinc ingots to 3rd party.

General and administrative expenses had increased by approximately US\$0.3 million from approximately US\$0.6 million in 2Q2007 to approximately US\$0.9 million due mainly to higher professional fees incurred for the evaluation of M&A targets and technical advice for our ITO project, director's fees and salary related expenses, general and administrative expenses from the new subsidiary, Guangxi Crystal Union Photoelectric Materials Co., Ltd.

There was no major variance noted for other expenses as compared to 2Q2007.

Profit after Tax

As a result of the aforementioned factors, profit after tax decreased by US\$0.1 million, from approximately US\$0.9 million in 2Q2007 to approximately US\$0.8 million in 2Q2008.

REVIEW OF FINANCIAL POSITION

Non-Current Assets

The Group's non-current assets increased by approximately US\$0.8 million, from US\$1.5 million as at 30 November 2007 to approximately US\$2.3 million as at 31 May 2008 due primarily to additions of property, plant and equipment of approximately US\$0.5 million, partially offset by depreciation of approximately US\$66k. Additions of property, plant and equipment mainly comprised construction in progress, plant and machinery and motor vehicles. The increase was also due to the increase in deferred tax assets of approximately US\$0.3 million in relation to the inventories write-down of our indium and zinc inventories.

Current Assets

As at 31 May 2008, the Group's current assets amounted to approximately US\$43.0 million comprised of cash on hand and at bank of US\$19.8 million, trade receivables of US\$0.9 million, other receivables and prepayments of US\$3.9 million, fair value of derivative financial instruments of US\$0.2 million and inventories of US\$18.2 million.

The increase of US\$1.7 million in cash and bank balances as a result of higher indium sales. The increase of US\$0.5 million in trade receivables was due to slower collections from our customers from our zinc related products. Other receivables and prepayments increased by US\$0.8 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 decreased by US\$2.5 million due mainly to lower indium inventory at warehouse as a result of sales and the inventories write-down of approximately US\$0.4 million for zinc inventories,

partially offset by a reversal of inventories write-down of approximately US\$1.0 million and stocking up of raw materials to meet expected increase in production activities. The increase in current assets was also due to the increase in the fair value of derivative financial instruments of approximately US\$0.1 million.

Current Liabilities

The Group's current liabilities as at 31 May 2008 comprised of trade payables of US\$1.8 million, other payables of US\$1.2 million and tax payable of US\$0.2 million.

Increase in current liabilities of approximately US\$1.7 million was due mainly to the increase in trade payables of US\$1.6 million. Trade payables were mainly outstanding amounts owing to our suppliers due to increase in purchases of direct materials during the financial period.

Non-Current Liabilities

As at 31 May 2008, non-current liabilities were made up of deferred tax liabilities of US\$69k.

Shareholders' Equity

Shareholders' equity decreased by US\$0.3 million due mainly to the Group's net loss position for the 1st half year of FY2008.

Cash Flow (2Q2008 VS 2Q2007)

There was an overall increase of US\$3.8 million in cash and cash equivalents for 2Q2008. Cash generated from operating activities amounted to US\$4.0 million was due mainly to the net profit position for 2Q2008, decrease in receivables of US\$0.8 million and inventories by US\$3.6 million as a results of indium sales. Net cash used in investing activities amounted to US\$0.3 million was primarily 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.

None (No forecast or prospect statement has been previously disclosed to shareholders).

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 indium and zinc.

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?

None.

(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 31 May 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 31 May 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

9 July 2008

BY ORDER OF THE BOARD

Meng Limin
Executive Director
9 July 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.