

## Unionmet (Singapore) Limited

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

### UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE QUARTER ENDED 31 AUGUST 2009

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF 3<sup>rd</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 31 August 2009. These figures have not been audited.

	Group		
	US\$'000		%
	Unaudited		
	3 months ended		
	31/08/2009	31/08/2008	Increase/ (Decrease)
Revenue	2,834	7,776	(63.6)
Cost of sales	10	(8,409)	(100.1)
<b>Gross profit/(loss)</b>	<b>2,844</b>	<b>(633)</b>	<b>(549.3)</b>
Other income	187	627	(70.2)
Selling and distribution expenses	(27)	(87)	(69.0)
General and administrative expenses	(757)	(933)	(18.9)
Other expenses	(308)	(250)	23.2
<b>Profit/(loss) from operations</b>	<b>1,939</b>	<b>(1,276)</b>	<b>(252.0)</b>
Finance costs	(1)	(7)	(85.7)
<b>Profit/(loss) before tax</b>	<b>1,938</b>	<b>(1,283)</b>	<b>(251.1)</b>
Income tax	(114)	133	(185.7)
<b>Net profit/(loss) for the period attributable to equity holders of the parent</b>	<b>1,824</b>	<b>(1,150)</b>	<b>(258.6)</b>

**Note:**

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

	<b>Group</b>	
	<b>US\$'000</b>	
	<b>Unaudited</b>	
	<b>3 months ended</b>	
	<b>31/08/2009</b>	<b>31/08/2008</b>
Depreciation of property, plant and equipment	111	67
Exchange loss, net	8	-
Derivative financial instruments:		
- Net realised gain on derivative financial instruments	(110)	(541)
- Net unrealised loss on derivative financial instruments	300	242
Interest expense	1	7
Interest income	(5)	(86)
(Reversal of inventories)/inventories write-down, net	(3,313)	589
Machinery rental expenses	32	297
Rental expenses	66	53
Research and development expenses	121	7

Breakdown of other income

	<b>Group</b>	
	<b>US\$'000</b>	
	<b>Unaudited</b>	
	<b>3 months ended</b>	
	<b>31/08/2009</b>	<b>31/08/2008</b>
Interest income	5	86
Net realised gain on derivative financial instruments	110	541
Gain on disposal of property, plant and equipment	70	-
Others	2	-
<b>Total other income</b>	<b>187</b>	<b>627</b>

Breakdown of other expenses

	<b>Group</b>	
	<b>US\$'000</b>	
	<b>Unaudited</b>	
	<b>3 months ended</b>	
	<b>31/08/2009</b>	<b>31/08/2008</b>
Exchange loss, net	8	-
Write-off of property, plant and equipment	-	1
Net unrealised loss on derivative financial instruments	300	242
Others	-	7
<b>Total other expenses</b>	<b>308</b>	<b>250</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
	31/08/2009	30/11/2008	31/08/2009	30/11/2008
<b>Non-current assets</b>				
Property, plant and equipment	2,609	3,394	39	48
Deferred tax assets	95	219	-	-
Investments in subsidiaries	-	-	6,738	6,738
	<b>2,704</b>	<b>3,613</b>	<b>6,777</b>	<b>6,786</b>
<b>Current assets</b>				
Cash on hand and at bank	21,743	17,629	18,853	14,463
Trade receivables	323	1,048	61	-
Other receivables and prepayments	2,843	3,375	121	1,926
Derivative financial instruments	-	238	-	-
Inventories	11,139	14,285	2,844	4,063
Tax refund	10	-	-	-
	<b>36,058</b>	<b>36,575</b>	<b>21,879</b>	<b>20,452</b>
<b>Current liabilities</b>				
Trade payables	1,096	1,344	12	1
Other payables	535	2,086	224	315
Derivative financial instruments	308	-	-	-
Tax payable	-	4	-	-
	<b>1,939</b>	<b>3,434</b>	<b>236</b>	<b>316</b>
<b>Net current assets</b>	<b>34,119</b>	<b>33,141</b>	<b>21,643</b>	<b>20,136</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	26	57	4	4
<b>Net assets</b>	<b>36,797</b>	<b>36,697</b>	<b>28,416</b>	<b>26,918</b>
<b>Shareholders' equity</b>				
Share capital	32,794	29,524	32,794	29,524
Reserves/(accumulated losses)	4,003	7,173	(4,378)	(2,606)
	<b>36,797</b>	<b>36,697</b>	<b>28,416</b>	<b>26,918</b>

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

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

As at 31/08/2009		As at 30/11/2008	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
-	-	-	-

**Amount repayable after one year**

As at 31/08/2009		As at 30/11/2008	
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	
	31/08/2009	31/08/2008
<b>Cash flows from operating activities:</b>		
Profit/(loss) before tax	1,938	(1,283)
Adjustments for:		
Depreciation of property, plant and equipment	111	67
Write-off of property, plant and equipment	-	1
Gain on disposal of property, plant and equipment	(70)	-
Net unrealised loss on derivative financial instruments	300	242
Interest expense	1	7
Interest income	(5)	(86)
(Reversal of)/inventory write-down, net	(3,313)	589
Foreign currency translation	210	219
<b>Operating cash flows used in before working capital changes</b>	<b>(828)</b>	<b>(244)</b>
Increase in trade receivables	(165)	(723)
Decrease/(increase) in other receivables and prepayments	474	(532)
Decrease in inventories	2,627	82
Increase in trade payables	274	380
(Decrease)/increase in other payables	(194)	247
<b>Cash flows generated from / (used in) operations</b>	<b>2,188</b>	<b>(790)</b>
Income tax received	1	-
Interest received	5	86
Interest paid	(1)	(7)
<b>Net cash flows generated from / (used in) operating activities</b>	<b>2,193</b>	<b>(711)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(20)	(120)
Proceeds from disposal of property, plant and equipment	611	-
<b>Net cash flows used in investing activities</b>	<b>591</b>	<b>(120)</b>
<b>Cash flows from financing activity:</b>		
Proceeds from issuance of new shares, net	3,270	-
<b>Net cash flows generated from financing activity</b>	<b>3,270</b>	<b>-</b>
Net increase/(decrease) in cash on hand and at bank	6,054	(831)
Cash on hand and at bank at beginning of 3 <sup>rd</sup> quarter	15,689	19,763
<b>Cash on hand and at bank at end of 3<sup>rd</sup> quarter</b>	<b>21,743</b>	<b>18,932</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/(losses)	Foreign currency translation reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>(i) Consolidated – 3Q2008</b>					
<b>Balance at 01 June 2008</b>	<b>29,524</b>	<b>2,007</b>	<b>8,151</b>	<b>2,328</b>	<b>42,010</b>
Net loss for the financial period	-	-	(1,150)	-	(1,150)
Currency translation difference arising from consolidation	-	-	-	238	238
<b>Balance at 31 August 2008</b>	<b>29,524</b>	<b>2,007</b>	<b>7,001</b>	<b>2,566</b>	<b>41,098</b>
<b>(ii) Consolidated – 3Q2009</b>					
<b>Balance at 01 June 2009</b>	<b>29,524</b>	<b>2,020</b>	<b>(2,276)</b>	<b>2,460</b>	<b>31,728</b>
Net proceeds from issuance of new shares	3,270	-	-	-	3,270
Net profit for the financial period	-	-	1,824	-	1,824
Currency translation difference arising from consolidation	-	-	-	(25)	(25)
<b>Balance at 31 August 2009</b>	<b>32,794</b>	<b>2,020</b>	<b>(452)</b>	<b>2,435</b>	<b>36,797</b>

Company	Share capital	Accumulated profits/(losses)	Total
	US\$'000	US\$'000	US\$'000
<b>(i) Company – 3Q2008</b>			
<b>Balance at 01 June 2008</b>	<b>29,524</b>	<b>3,865</b>	<b>33,389</b>
Net loss for the financial period	-	(712)	(712)
<b>Balance at 31 May 2008</b>	<b>29,524</b>	<b>3,153</b>	<b>32,677</b>
<b>(ii) Company – 3Q2009</b>			
<b>Balance at 01 June 2009</b>	<b>29,524</b>	<b>(4,641)</b>	<b>24,883</b>
Net proceeds from issuance of new shares	3,270	-	3,270
Net profit for the financial period	-	263	263
<b>Balance at 31 August 2009</b>	<b>32,794</b>	<b>(4,378)</b>	<b>28,416</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.**

The Group had, on 21 July 2009, completed a renounceable non-underwritten rights issue of 245,421,598 new ordinary shares in the share capital of the Company at an issue price of S\$0.02 for each rights share, on the basis of two rights share for every three existing ordinary shares of the Company held by entitled shareholders as at the books closure date, 24 June 2009. The net proceeds from the rights issue amounted to approximately S\$4.71 million after deducting expenses directly related to the rights issue.

There were no shares held as treasury shares as at 31 August 2009 and 31 August 2008.

<u>Issued ordinary shares</u>	<u>Number of shares</u>	
	<u>2009</u>	<u>2008</u>
Balance at 01 June	368,132,397	368,132,397
Issuance of shares arising from exercising of rights issues	245,421,598	-
Balance at 31 August	<u>613,553,995</u> =====	<u>368,132,397</u> =====

- 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 August 2009 and 30 November 2008 was 613,553,995 and 368,132,397 shares respectively (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 2008.

**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/(losses) 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	
	31/08/2009	31/08/2008
Earnings/(losses) 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	0.34	(0.31)
Weighted average number of ordinary shares for basic earnings per share computation	536,859,746	368,132,397
(b) On a fully diluted basis	0.34	(0.31)
Weighted average number of ordinary shares adjusted for the effect for dilution	536,859,746	368,132,397

**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	
	31/08/2009	30/11/2008	31/08/2009	30/11/2008
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in US cents):	6.00	9.97	4.63	7.31
No. of ordinary shares used in computing net asset value	613,553,995	368,132,397	613,553,995	368,132,397

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 (3Q2009 VS 3Q2008)**

### **Revenue**

The Group's total revenue decreased by approximately US\$4.9 million or 63.6% to approximately US\$2.8 million in the 3<sup>rd</sup> quarter ended 31 August 2009 ("3Q2009"). The significant decrease was due mainly to the following:

- a) the discontinuation of some leased production lines for the extraction of indium slag and strip liquor by one of the Group's key subsidiaries during the third quarter of 2008, which led to a reduction in the production capacity of by-products; and
- b) the decrease in indium price from approximately US\$609 per kg in 3Q2008 to approximately US\$347 per kg in 3Q2009.

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

The Group recorded a gross profit margin of 100.4% in 3Q2009 compared to a gross loss margin of 8.1% in 3Q2008. This was due mainly to the inclusion of a net write-back of approximately US\$3.3 million of the Group's inventories in its Cost of Sales in 3Q2009. In 3Q2008, there was a provision of approximately US\$0.6 million for the reduction in value of the Group's inventories.

The write-back of the Group's inventories was due to the following :

- (i) the increase in market price of indium since the last quarter, from approximately US\$362.5 per kg in 3Q2009, compared to approximately US\$287.5 per kilogram ("kg") in 2Q2009. This resulted in a write-back of indium inventories of approximately US\$3.1 million.
- (ii) the increase in zinc prices to approximately US\$2,102.2 per tonne in 3Q2009, compared to approximately US\$1,821.4 per tonne in 2Q2009. This resulted in a write-back of zinc-related inventories of approximately US\$0.2 million in 3Q2009.

### **Other Income**

Other income had decreased by approximately US\$440k or 70.2% in 3Q2009 due mainly to a smaller net realised gain on derivative financial instruments arising from the Group's hedging activities on zinc of approximately US\$110k in 3Q2009 compared to US\$541k in 3Q2008.

### **Operating Expenses**

General and administrative expenses decreased by approximately US\$0.2 million or 18.9% to approximately US\$0.7 million in 3Q2009 due mainly to savings derived from the decreased activities resulting from the plant shutdown of the Group's two subsidiaries in the PRC, namely Liuzhou Union Zinc Industry Co. Ltd ("UnionZinc") and Rongan Union Zinc Industry Co., Ltd ("Rongan"). This was disclosed in the Company's announcement dated 23 March 2009.

The decrease in selling and distribution expenses was in line with the decrease in revenue and plant shutdown as mentioned above.

Other expenses increased from US\$250k in 3Q2008 to US\$308k in 3Q2009 due mainly to the net unrealized loss on derivative financial instruments arising from the Group's hedging activities of approximately US\$300k in 3Q2009 compared to US\$242k in 3Q2008.

### **Income Tax**

The increase in income tax of US\$247k from a tax credit of approximately US\$133k to a tax charge of approximately US\$114k was due mainly to a reversal of deferred tax assets by two of the Group's subsidiaries.

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

As a result of the aforementioned, the Group recorded a profit after tax of approximately US\$1.8 million in 3Q2009 compared to a loss after tax of US\$1.2 million in 3Q2008.

## **REVIEW OF FINANCIAL POSITION (3Q2009 VS FY2008)**

### **Non-Current Assets**

The Group's non-current assets decreased from US\$3.6 million as at 30 November 2008 ("FY2008") to US\$2.7 million as at 31 August 2009 ("3Q2009").

The decrease in property, plant and equipment by US\$0.8 million was mainly due to the disposal of the affected land and buildings arising from the PRC Government's requisition of land. This was disclosed in the Company's last announcement dated 31 July 2009.

### **Current Assets**

The Group's current assets decreased from US\$36.6 million as at FY2008 to US\$36.1 million as at 3Q2009.

The decrease of US\$0.7 million in trade receivables was due to collections from the Group's customers of its by-products and raw materials and lower sales for this 3<sup>rd</sup> quarter.

Other receivables and prepayments decreased by US\$0.8 million due to fewer advances to suppliers as a result of the temporary shutdown of the production plants.

The decrease is also due to the decrease in the fair value of derivative financial instruments from an asset of approximately US\$0.2 million to a liability of approximately US\$0.3 million.

Inventories decreased by approximately US\$3.1 million as a result of inventory write-down and the temporary shutdown of production plants of the Group's subsidiaries to reduce stock holdings. The price of indium has fallen from approximately US\$425 per kg as at FY2008 to approximately US\$362.5 per kg as at 3Q2009.

The decrease in current assets is partially offset by the increase in cash on hand and at bank. Cash on hand and at bank increased by approximately US\$4.1 million due mainly to the net proceeds of US\$3.3 million received from the rights issue and proceeds from the disposal of property, plant and equipment of US\$0.6 million.

### **Current Liabilities**

The Group's current liabilities decreased from US\$3.4 million as at FY2008 to US\$1.9 million as at 3Q2009.

The decrease in trade payables of approximately US\$0.3 million was due mainly to payments made to the Group's suppliers of raw materials and fewer purchases of raw materials during the year. Other payables decreased by approximately US\$1.5 million due mainly to fewer advances from customers for the Group's by-products and payment of rental payable for its leased production lines by Rongan.

The decrease is partially offset by the fair value of derivative financial instruments of US\$0.3 million as at 3Q2009.

### **Non-Current Liabilities**

There were no significant variances for FY2008 and 3Q2009.

### **Shareholders' Equity**

Share capital increased by US\$3.3 million due mainly to the issue of new shares arising from the rights issue. The reserves/(accumulated losses) decreased mainly due to the net loss for the 9 months ended 31 August 2009.

### **Cash Flow (3Q2009 VS 3Q2008)**

Cash on hand and at bank increased by approximately US\$6.1 million for 3Q2009 due mainly to the net proceeds of US\$3.3 million received from the rights issue, proceeds from the disposal of property, plant and equipment of US\$0.6 million and the decrease in inventories of US\$2.6 million.

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

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 continues to be subjected to uncertain demand and significant pricing volatility of indium and zinc.

The Board expects that indium and zinc price containment will remain a challenge to the Group as these prices may continue to fluctuate significantly. Due to the sensitivity of the PRC market prices for indium ingots and zinc related products against the international market prices, any significant fluctuation in international market prices will have a significant impact on the Group's business.

Notwithstanding the recent announcement by the PRC government on the reduction in export tax from 15% to 5% (effective 1 July 2009) to stimulate demand for certain commodities including indium, the Board remains cautious on the impact of this measure and would monitor the market closely.

The rights issue by the Company was completed in July 2009. The Group will make the appropriate announcement when there is any material development and disbursements of its rights issue proceeds.

**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 31 August 2009.

**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 August 2009 to be false or misleading in any material aspect.

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

Huang Wei  
Chairman/Non-executive  
Director

Meng Limin  
Executive Director/CEO

6 October 2009

BY ORDER OF THE BOARD

Meng Limin  
Executive Director/CEO

6 October 2009