

Unionmet (Singapore) Limited

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

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

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF 3rd 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 3rd quarter ended 31 August 2008. These figures have not been audited.

	Group		
	US\$'000		%
	Unaudited		
	3 months ended		
	31/8/2008	31/8/2007	Increase/ (Decrease)
Revenue	7,776	7,904	(1.6)
Cost of sales	(8,409)	(7,010)	20.0
Gross (loss)/profit	(633)	894	(170.8)
Other income	627	114	450.0
Selling and distribution expenses	(87)	(57)	52.6
General and administrative expenses	(933)	(487)	91.6
Other expenses	(250)	(29)	762.1
(Loss)/profit from operations	(1,276)	435	(393.3)
Finance costs	(7)	(34)	(79.4)
(Loss)/profit before tax	(1,283)	401	(420.0)
Income tax	133	(102)	(230.4)
Net (loss)/profit for the period attributable to equity holders of the parent	(1,150)	299	(484.6)

Note:

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

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	31/8/2008	31/8/2007
Depreciation of property, plant and equipment	67	104
Exchange loss, net	-	2
Derivative financial instruments:		
- Net realised gains on derivative financial instruments	(541)	-
- Net unrealised losses on derivative financial instruments	242	25
Interest expense	7	34
Interest income	(86)	(114)
Inventories write-down	589	-
Machinery rental expenses	297	96
Rental expenses	53	32
Research and development expenses	-	12

Breakdown of other income

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	31/8/2008	31/8/2007
Interest income	86	114
Net realised gains on derivative financial instruments	541	-
Total other income	627	114

Breakdown of other expenses

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	31/8/2008	31/8/2007
Exchange loss, net	-	2
Net unrealised losses on derivative financial instruments	242	25
Write-off of property, plant and equipment	1	-
Others	7	2
Total other expenses	250	29

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
	31/8/2008	30/11/2007	31/8/2008	30/11/2007
Non-current assets				
Property, plant and equipment	2,060	1,496	52	41
Goodwill on consolidation	29	29	-	-
Deferred tax assets	388	14	293	-
Investments in subsidiaries	-	-	10,738	9,538
	2,477	1,539	11,083	9,579
Current assets				
Cash on hand and at bank	18,932	18,082	15,400	10,086
Trade receivables	1,609	343	618	-
Other receivables and prepayments	4,438	3,054	120	4,537
Derivative financial instruments	-	134	-	-
Inventories	17,571	20,721	5,645	9,247
	42,550	42,334	21,783	23,870
Current liabilities				
Trade payables	2,179	172	13	3
Other payables	1,673	1,280	172	304
Derivative financial instruments	7	-	-	-
Tax payable	36	66	-	-
	3,895	1,518	185	307
Net current assets	38,655	40,816	21,598	23,563
Non-current liabilities				
Deferred tax liabilities	34	55	4	4
Net assets	41,098	42,300	32,677	33,138
Shareholders' equity				
Share capital	29,524	29,524	29,524	29,524
Reserves	11,574	12,776	3,153	3,614
	41,098	42,300	32,677	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 31/8/2008		As at 30/11/2007	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
-	-	-	-

Amount repayable after one year

As at 31/8/2008		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	
	3 rd quarter ended	
	31/8/2008	31/8/2007
Cash flows from operating activities:		
(Loss)/profit before tax	(1,283)	401
Adjustments for:		
Depreciation of property, plant and equipment	67	104
Write-off of property, plant and equipment	1	-
Net unrealised losses on derivative financial instruments	242	25
Interest expense	7	34
Interest income	(86)	(114)
Inventories write-down	589	-
Foreign currency translation	219	(269)
Operating cash flows before working capital changes	(244)	181
(Increase)/decrease in trade receivables	(723)	2,333
Increase in other receivables and prepayments	(532)	(2,110)
Decrease/(increase) in inventories	82	(2,605)
Increase in trade payables	380	1,589
Increase in other payables	247	97
Cash flows used in operations	(790)	(515)
Income tax paid	-	(66)
Interest received	86	114
Interest paid	(7)	(34)
Net cash flows used in operating activities	(711)	(501)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(120)	(123)
Net cash flows used in investing activities	(120)	(123)
Cash flows from financing activities:		
Proceeds from issuance of shares	-	23
Dividend paid to shareholders	-	(4,000)
Net cash flows used in financing activities	-	(3,977)
Net decrease in cash on hand and at bank	(831)	(4,601)
Cash on hand and at bank at beginning of 3 rd quarter	19,763	16,948
Cash on hand and at bank at end of 3rd quarter	18,932	12,347

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 – 3Q2007					
Balance at 1 June 2007	29,501	1,695	9,488	982	41,666
Proceeds from issuance of shares	23	-	-	-	23
Net profit for the financial period	-	-	299	-	299
Currency translation difference arising from consolidation	-	-	-	(248)	(248)
Balance at 31 August 2007	29,524	1,695	9,787	734	41,740
(ii) Consolidated – 3Q2008					
Balance at 1 June 2008	29,524	2,007	8,151	2,328	42,010
Net loss for the financial period	-	-	(1,150)	-	(1,150)
Currency translation difference arising from consolidation	-	-	-	238	238
Balance at 31 August 2008	29,524	2,007	7,001	2,566	41,098

Company	Share capital	Accumulated profits	Total
	US\$'000	US\$'000	US\$'000
(i) Company – 3Q2007			
Balance at 1 June 2007	29,501	5,224	34,725
Proceeds from issuance of shares	23	-	23
Net loss for the financial period	-	(387)	(387)
Balance at 31 August 2007	29,524	4,837	34,361
(ii) Company – 3Q2008			
Balance at 1 June 2008	29,524	3,865	33,389
Net loss for the financial period	-	(712)	(712)
Balance at 31 August 2008	29,524	3,153	32,677

- 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 August 2008 and 31 August 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 August 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, except as mentioned.

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 which 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 deal with accounts presentation and disclosure requirements and, as such, there was 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	
	31/8/2008	31/8/2007
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	(0.31)	0.09
Weighted average number of ordinary shares for basic earnings per share computation	368,132,396	345,483,994
(b) On a fully diluted basis	(0.31)	0.09
Weighted average number of ordinary shares adjusted for the effect for dilution	368,132,396	345,483,994

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	
	31/8/2008	30/11/2007	31/8/2008	30/11/2007
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in US cents)	11.16	11.49	8.88	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 (3Q2008 VS 3Q2007)

Revenue

Group total revenue decreased by approximately US\$0.1 million from US\$7.9 million in the quarter ended 31 August 2007 ("3Q2007") to approximately US\$7.8 million in the quarter ended 31 August 2008 ("3Q2008"). The decrease was due to the reduction in sales of by-products of the Group caused by a decrease in market prices of zinc related products. The decrease was also partially offset by an increase in indium quantity sold in 3Q2008 of approximately 3.5 MT ("Metric Tonne") compared to Nil in 3Q2007.

Net (Loss)/Profit Margin

The Group recorded a net loss margin of 14.8% in 3Q2008, compared to a net profit margin of 3.8% in 3Q2007, due mainly to the following:

- a) Lower margins from the sales of our indium as a result of lower market prices. According to Metal Bulletin, average market prices of indium decreased by approximately 14.2%, from approximately US\$710 per MT in 3Q2007 to approximately US\$609 per MT in 3Q2008;
- b) The decrease in market prices of zinc related products. In addition, the discontinuation of some leased production lines for the extraction of indium slag and strip liquor by one of our key subsidiaries further led to a reduction in production capacity of certain by-products and indium. Sales of our other by-products such as zinc carbonate, zinc sulphates and zinc liquid have also been affected. According to the London Metal exchange, the average market prices of zinc decreased by approximately 47.4% from approximately US\$3,489 per tonne in 3Q2007 to approximately US\$1,835 per tonne in 3Q2008. This in turn caused the average selling prices and margins of our zinc related products such as zinc ingots to decline;
- c) Cost of sales comprised inventories write-down of zinc and indium inventories and cost of our indium and non-indium products sold.

A provision of approximately US\$0.2 million and US\$0.4 million for the reduction in value of our zinc and indium inventories respectively, compared to US\$Nil for both zinc and indium in 3Q2007, was made as a result of the downward trend in market prices.

The higher cost of sales of by-products arose from an increase in production overhead such as water and electricity, rental costs from a new subsidiary, Rongan Union Zinc Industry Co., Ltd ("Rongan") for Rongan's newly leased production lines of electrolytic zinc, zinc sulphates and sulphuric acid and auxiliary supplies such as coal.

- d) Higher operating expenses were contributed by increased general, administrative and other expenses. The increase was partially offset by an increase in other income. Refer to the following paragraph for further explanation.

Other Income

The Group higher other income of US\$0.6 million in 3Q2008 compared to US\$0.1 million in 3Q2007 was due mainly to net realized gains on derivative financial instruments of approximately US\$0.5 million as a result of lower average market prices of zinc compared to our futures contracts prices. The increase was partially offset by a decline in interest income earned from placement of overnight deposits with financial institution caused by a decrease in average interest rates.

Operating Expenses

Selling and distribution expenses included transportation and travel expenses, salaries and others. Higher selling and distribution expenses were due mainly to higher transportation costs incurred in the selling of by-products such as zinc ingots and liquor to 3rd party and for other sales.

General and administrative expenses increased by approximately US\$0.4 million, from approximately US\$0.5 million in 3Q2007 to approximately US\$0.9 million in 3Q2008 due mainly to higher social and assets insurance expenses for our PRC subsidiaries as a result of upward revision of premiums in July 2008, office rental for Singapore office space, professional fees for the evaluation of merger & acquisition targets, expenses associated with those discontinued production lines such as staff termination benefits and cleaning costs, general and administrative expenses from the new subsidiaries, Guangxi Crystal Union Photoelectric Materials Co., Ltd and Rongan.

Other expenses of US\$0.3 million in 3Q2008 were higher than US\$29k in 3Q2007 arose mainly from net unrealised losses on derivative financial instruments as a result of higher average market prices of zinc compared to our futures contracts prices.

(Loss)/Profit After Tax

As a result of the aforementioned, the Group recorded a loss after tax of approximately US\$1.2 million in 3Q2008, compared to a profit after tax of approximately US\$0.3 million in 3Q2007.

REVIEW OF FINANCIAL POSITION (3Q2008 VS FY2007)

Non-Current Assets

The Group's non-current assets increased by approximately US\$0.9 million, from approximately US\$1.5 million as at 30 November 2007 to approximately US\$2.4 million as at 31 August 2008 due primarily to additions of property, plant and equipment of approximately US\$0.7 million, partially offset by depreciation of approximately US\$0.2 million. Additions of property, plant and equipment mainly comprised construction in progress, plant and machinery, office equipment and motor vehicles. The increase was also due to the increase in deferred tax assets of approximately US\$0.4 million in relation to the inventories write-down of our zinc and indium inventories.

Current Assets

As at 31 August 2008, the Group's current assets amounted to approximately US\$42.6 million and comprised cash on hand and at bank of US\$18.9 million, trade receivables of US\$1.6 million, other receivables and prepayments of US\$4.4 million and inventories of US\$17.6 million.

Cash and bank balances increased by approximately US\$0.8 million as a result of higher indium sales. Trade receivables increased by approximately US\$1.3 million due mainly to slower collections from our customers of by-products. Other receivables and prepayments increased by approximately US\$1.4 million due mainly to advances to suppliers as down payments for construction materials and machineries for our new subsidiaries. The increase in current assets was partially offset by the decrease in inventories of approximately US\$3.2 million due mainly to lower indium inventory at our Hong Kong warehouse as a result of sales and the inventories write-down as explained above and the decrease in the fair value of derivative financial instruments of approximately US\$0.1 million.

Current Liabilities

As at 31 August 2008, the Group's current liabilities amounted to approximately US\$3.9 million and comprised trade payables of US\$2.2 million, other payables of US\$1.7 million, fair value of derivative financial instruments of US\$7k and tax payable of US\$36k.

Increase in current liabilities of approximately US\$2.4 million was due mainly to the increase in trade payables and other payables of approximately US\$2.0 million and US\$0.4 million respectively. The increase in trade payables was attributable to slower payments made to our suppliers for direct materials purchased, while other payables were due mainly to advances from customers of our by-products during the financial period.

Non-Current Liabilities

As at 31 August 2008, non-current liabilities were made up of deferred tax liabilities of US\$34k.

Shareholders' Equity

Shareholders' equity decreased by US\$1.2 million due mainly to the Group's net loss position for the 9 months ended 31 August 2008.

Cash Flow (3Q2008 VS 3Q2007)

There was an overall decrease of US\$0.8 million in cash and cash equivalents for 3Q2008, attributable to cash used in operating activities amounting to US\$0.7 million and an increase in receivables of US\$1.3 million as explained above, partially offset by an increase in payables of US\$0.6 million as a result of slower payments made to suppliers and a decrease in inventories for indium sales. Net cash used in investing activities amounted to US\$0.1 million attributable to the purchase of property, plant and equipment by the new subsidiaries.

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 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 to international market prices, any significant fluctuation in international market prices will have an adverse impact on our business.

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 August 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 August 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

8 October 2008

Meng Limin
Executive Director

BY ORDER OF THE BOARD

Meng Limin
Executive Director
8 October 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.