

## Unionmet (Singapore) Limited

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

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

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF 2<sup>nd</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 May 2009. These figures have not been audited.

	Group		
	US\$'000		%
	Unaudited		
	3 months ended		
	31/05/2009	31/05/2008	Increase/ (Decrease)
Revenue	1,609	12,526	(87.2)
Cost of sales	(2,284)	(11,109)	(79.4)
<b>Gross (loss)/profit</b>	<b>(675)</b>	<b>1,417</b>	<b>(147.6)</b>
Other income	184	793	(76.8)
Selling and distribution expenses	(9)	(136)	(93.4)
General and administrative expenses	(709)	(959)	(26.1)
Other expenses	(694)	(27)	2470.4
<b>(Loss)/profit from operations</b>	<b>(1,903)</b>	<b>1,088</b>	<b>(274.9)</b>
Finance costs	(1)	(2)	(50.0)
<b>(Loss)/profit before tax</b>	<b>(1,904)</b>	<b>1,086</b>	<b>(275.3)</b>
Income tax	(26)	(276)	(90.6)
<b>Net (loss)/profit for the period attributable to equity holders of the parent</b>	<b>(1,930)</b>	<b>810</b>	<b>(338.3)</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>31/05/2009</b>	<b>31/05/2008</b>
Depreciation of property, plant and equipment	80	66
Exchange gain, net	(33)	(6)
Derivative financial instruments:		
- Net realised loss/(gain) on derivative financial instruments	693	(384)
- Net unrealised gain on derivative financial instruments	(136)	(327)
Interest expense	1	2
Interest income	(14)	(72)
Inventories/reversal of inventories write-down, net	780	(585)
Machinery rental expenses	30	94
Rental expenses	64	37
Research and development expenses	10	-

Breakdown of other income

	<b>Group</b>	
	<b>US\$'000</b>	
	<b>Unaudited</b>	
	<b>3 months ended</b>	
	<b>31/05/2009</b>	<b>31/05/2008</b>
Exchange gain, net	33	6
Interest income	14	72
Net realised gain on derivative financial instruments	-	384
Net unrealised gain on derivative financial instruments	136	327
Others	1	4
<b>Total other income</b>	<b>184</b>	<b>793</b>

Breakdown of other expenses

	<b>Group</b>	
	<b>US\$'000</b>	
	<b>Unaudited</b>	
	<b>3 months ended</b>	
	<b>31/05/2009</b>	<b>31/05/2008</b>
Write-off of property, plant and equipment	-	22
Net realised loss on derivative financial instruments	693	-
Others	1	5
<b>Total other expenses</b>	<b>694</b>	<b>27</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
	31/05/2009	30/11/2008	31/05/2009	30/11/2008
<b>Non-current assets</b>				
Property, plant and equipment	3,241	3,394	41	48
Deferred tax assets	210	219	-	-
Investments in subsidiaries	-	-	6,738	6,738
	<b>3,451</b>	<b>3,613</b>	<b>6,779</b>	<b>6,786</b>
<b>Current assets</b>				
Cash on hand and at bank	15,689	17,629	13,580	14,463
Trade receivables	158	1,048	-	-
Other receivables and prepayments	3,317	3,375	1,910	1,926
Derivative financial instruments	228	238	-	-
Inventories	10,453	14,285	2,748	4,063
Tax refund	10	-	-	-
	<b>29,855</b>	<b>36,575</b>	<b>18,238</b>	<b>20,452</b>
<b>Current liabilities</b>				
Trade payables	822	1,344	3	1
Other payables	730	2,086	127	315
Tax payable	-	4	-	-
	<b>1,552</b>	<b>3,434</b>	<b>130</b>	<b>316</b>
<b>Net current assets</b>	<b>28,303</b>	<b>33,141</b>	<b>18,108</b>	<b>20,136</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	26	57	4	4
<b>Net assets</b>	<b>31,728</b>	<b>36,697</b>	<b>24,883</b>	<b>26,918</b>
<b>Shareholders' equity</b>				
Share capital	29,524	29,524	29,524	29,524
Reserves/(accumulated losses)	2,204	7,173	(4,641)	(2,606)
	<b>31,728</b>	<b>36,697</b>	<b>24,883</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**

<b>As at 31/05/2009</b>		<b>As at 30/11/2008</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 31/05/2009</b>		<b>As at 30/11/2008</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.

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	31/05/2009	31/05/2008
<b>Cash flows from operating activities:</b>		
(Loss)/profit before tax	(1,903)	1,086
Adjustments for:		
Depreciation of property, plant and equipment	80	66
Write-off of property, plant and equipment	-	22
Net unrealised gain on derivative financial instruments	(136)	(327)
Interest expense	1	2
Interest income	(14)	(72)
Inventories/reversal of write-down, net	780	(585)
Foreign currency translation	82	469
<b>Operating cash flows (used in)/generated from before working capital changes</b>	<b>(1,110)</b>	<b>661</b>
Decrease in trade receivables	1,154	75
Decrease in other receivables and prepayments	238	737
Decrease in inventories	46	3,595
Decrease in trade payables	(28)	(564)
Decrease in other payables	(4)	(567)
<b>Cash flows generated from operations</b>	<b>296</b>	<b>3,937</b>
Income tax (paid)/received	(3)	79
Interest received	14	72
Interest paid	(1)	(2)
<b>Net cash flows generated from operating activities</b>	<b>306</b>	<b>4,086</b>
<b>Cash flows from investing activity:</b>		
Purchase of property, plant and equipment	(4)	(270)
<b>Net cash flows used in investing activity</b>	<b>(4)</b>	<b>(270)</b>
Net increase in cash on hand and at bank	302	3,816
Cash on hand and at bank at beginning of 2 <sup>nd</sup> quarter	15,387	15,947
<b>Cash on hand and at bank at end of 2<sup>nd</sup> quarter</b>	<b>15,689</b>	<b>19,763</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 – 2Q2008</b>					
<b>Balance at 01 March 2008</b>	<b>29,524</b>	<b>1,918</b>	<b>7,430</b>	<b>1,821</b>	<b>40,693</b>
Net profit for the financial period	-	-	810	-	810
Transferred from accumulated profits	-	89	(89)	-	-
Currency translation difference arising from consolidation	-	-	-	507	507
<b>Balance at 31 May 2008</b>	<b>29,524</b>	<b>2,007</b>	<b>8,151</b>	<b>2,328</b>	<b>42,010</b>
<b>(ii) Consolidated – 2Q2009</b>					
<b>Balance at 01 March 2009</b>	<b>29,524</b>	<b>2,020</b>	<b>(346)</b>	<b>2,352</b>	<b>33,550</b>
Net loss for the financial period	-	-	(1,930)	-	(1,930)
Currency translation difference arising from consolidation	-	-	-	108	108
<b>Balance at 31 May 2009</b>	<b>29,524</b>	<b>2,020</b>	<b>(2,276)</b>	<b>2,460</b>	<b>31,728</b>

Company	Share capital	Accumulated profits/(losses)	Total
	US\$'000	US\$'000	US\$'000
<b>(i) Company – 2Q2008</b>			
<b>Balance at 01 March 2008</b>	<b>29,524</b>	<b>3,263</b>	<b>32,787</b>
Net profit for the financial period	-	602	602
<b>Balance at 31 May 2008</b>	<b>29,524</b>	<b>3,865</b>	<b>33,389</b>
<b>(ii) Company – 2Q2009</b>			
<b>Balance at 01 March 2009</b>	<b>29,524</b>	<b>(3,869)</b>	<b>25,655</b>
Net loss for the financial period	-	(772)	(772)
<b>Balance at 31 May 2009</b>	<b>29,524</b>	<b>(4,641)</b>	<b>24,883</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 2008.

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

- 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 2009 and 30 November 2008 was 368,132,397 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 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. **(Loss)/profit 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	
	31/05/2009	31/05/2008
(Loss)/profit 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	(0.52)	0.22
Weighted average number of ordinary shares for basic earnings per share computation	368,132,397	368,132,397
(b) On a fully diluted basis	(0.52)	0.22
Weighted average number of ordinary shares adjusted for the effect for dilution	368,132,397	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	
	31/05/2009	30/11/2008	31/05/2009	30/11/2008
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in US cents):	8.62	9.97	6.76	7.31
No. of ordinary shares used in computing net asset value	368,132,397	368,132,397	368,132,397	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 (2Q2009 VS 2Q2008)**

##### **Revenue**

The Group's total revenue decreased by approximately US\$10.9 million from approximately US\$12.5 million in the 2<sup>nd</sup> quarter ended 31 May 2008 ("2Q2008") to approximately US\$1.6 million in the 2<sup>nd</sup> quarter ended 31 May 2009 ("2Q2009"). 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 production capacity of by-products;
- b) The decrease in market prices of zinc-related products; and
- c) The decrease in indium quantity sold from approximately 5.9MT in 2Q2008 to nil in 2Q2009.

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

The Group recorded a gross loss margin of 42.0% in 2Q2009, compared with a gross profit margin of 11.3% in 2Q2008, due mainly to the following:

- a) The decrease in market prices of zinc related products. According to the London Metal Exchange, the average price of zinc decreased by approximately 23.2% from approximately US\$2,323 per tonne in 2Q2008 to approximately US\$1,784 per tonne in 2Q2009. This in turn caused the average selling prices of the Group's zinc-related products to decline thus affecting the gross margin; and
- b) Cost of sales in 2Q2009 includes a net write-down of approximately US\$0.8 million for the Group's inventories. In 2Q2008, there was a reversal of inventories write-down of US\$0.6 million.

The market price of indium, based on the Metal Bulletin's average market prices, had fallen since the last quarter. The price of indium decreased to approximately US\$287.5 per kg in 2Q2009, compared to approximately US\$325.0 per kilogram ("kg") in 1Q2009. This resulted in a write-down of indium inventories of approximately US\$1.0 million.

The indium inventory write-down was partially offset by a reversal of inventory write-down of zinc-related products amounting to US\$0.2 million in 2Q2009 due to the increase in zinc prices to approximately US\$1,821.4 per tonne in 2Q2009, compared to approximately US\$1,519.0 per tonne in 1Q2009.

##### **Other Income**

Other income had decreased by approximately US\$609k from US\$793k in 2Q2008 to US\$184k in 2Q2009 due mainly to a smaller net unrealised gain on derivative financial instruments of approximately US\$136k in 2Q2009 resulting from the Group's hedging activities on zinc. In addition, the Group recognized a net realised gain on derivative financial

instruments of approximately US\$384k in 2Q2008 compared to a net realised loss of approximately US\$693k in 2Q2009. The decrease is also due to lower interest income earned from placement of overnight deposits with financial institutions caused by a decrease in average rates.

### **Operating Expenses**

General and administrative expenses decreased by approximately US\$0.3 million from approximately US\$1.0 million in 2Q2008 to approximately US\$0.7 million in 2Q2009 due mainly to lower professional fees for technical advice on the Group's ITO project in 2Q2009. The decrease was also attributable 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 last results 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\$27k in 2Q2008 to US\$694k in 2Q2009 due mainly to the net losses on derivative financial instruments of approximately US\$693k as explained above.

### **Income Tax**

The decrease in income tax of 90.6% from approximately US\$276k to approximately US\$26k was due mainly to a net loss before tax in 2Q2009 compared to a net profit before tax in 2Q2008. The income tax expense in 2Q2009 was due mainly to a reversal of deferred tax asset by one of our subsidiaries.

### **Loss After Tax**

As a result of the aforementioned, the Group recorded a loss after tax of approximately US\$1.9 million in 2Q2009 compared to a profit after tax of US\$0.8 million in 2Q2008.

## **REVIEW OF FINANCIAL POSITION (2Q2009 VS FY2008)**

### **Non-Current Assets**

There were no significant variances to the Group's non-current assets as at 30 November 2008 ("FY2008") and 31 May 2009 ("2Q2009").

### **Current Assets**

The Group's current assets decreased from US\$36.6 million as at FY2008 to US\$29.9 million as at 2Q2009.

The decrease of US\$0.9 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 2<sup>nd</sup> quarter.

Inventories decreased by approximately US\$3.8 million as a result of the temporary shutdown of production plants of the Group's subsidiaries to reduce stock holdings and the inventories write-down as explained above.

Cash on hand and at bank decreased by approximately US\$1.9 million due mainly to the net loss position for the half year ended 31 May 2009 as well as the decrease in payables by US\$1.9 million. The decrease was partially offset by the decrease in receivables by US\$0.9 million and decrease in inventories of US\$3.8 million.

### **Current Liabilities**

The Group's current liabilities decreased from US\$3.4 million as at FY2008 to US\$1.6 million as at 2Q2009.

The decrease in trade payables of approximately US\$0.5 million was due mainly to payments made to the Group's suppliers of raw materials. Other payables decreased by approximately US\$1.3 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.

### **Non-Current Liabilities**

There were no significant variances for FY2008 and 2Q2009.

### **Shareholders' Equity**

Shareholders' equity decreased by US\$5.0 million due mainly to the Group's net loss position for the half year ended 31 May 2009.

### **Cash Flow (2Q2009 VS 2Q2008)**

There was no significant movement in cash on hand and at bank for 2Q2009.

Cashflow for 2Q2009 did not increase as much as 2Q2008 due mainly to reduced sales in 2Q2009.

**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.

Following the approval obtained from the Company's shareholders on 18 June 2009 on the Whitewash Resolution, the Group will use the proceeds from the Rights Issue to strengthen its capital bases, support its business development and provide liquidity for business expansion through acquisitions, joint ventures and collaborations as and when opportunities arise. The Group will make the appropriate announcement when there is any material development and disbursements of its rights issues 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 May 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 May 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

25 June 2009

Meng Limin  
Executive Director/CEO

BY ORDER OF THE BOARD

Meng Limin  
Executive Director/CEO  
25 June 2009