

Unionmet (Singapore) Limited

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

UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE QUARTER ENDED 31 MAY 2010

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 is pleased to announce the results of the Group for the 2nd quarter ended 31 May 2010. These figures have not been audited.

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

| | Group | | |
|---|----------------|----------------|-------------------------|
| | US\$'000 | | % |
| | Unaudited | | |
| | 3 months ended | | |
| | 31/5/2010 | 31/5/2009 | Increase/ (Decrease) |
| Revenue | 7,448 | 1,609 | 362.9 |
| Cost of sales | (6,816) | (2,284) | 198.4 |
| Gross profit/(loss) | 632 | (675) | (193.6) |
| Other income | 27 | 184 | (85.3) |
| Selling and distribution expenses | (51) | (9) | 466.7 |
| General and administrative expenses | (626) | (709) | (11.7) |
| Other expenses | (17) | (694) | (97.6) |
| Loss from operations | (35) | (1,903) | (98.2) |
| Finance costs | - | (1) | (100.0) |
| Loss before tax | (35) | (1,904) | (98.2) |
| Income tax | (2) | (26) | (92.3) |
| Net loss for the period attributable to owners of the parent | (37) | (1,930) | (98.1) |
| <u>Other comprehensive income:</u> | | | |
| Currency translation difference arising from consolidation | 10 | 108 | (90.7) |
| Total comprehensive loss for the period attributable to owners of the parent | (27) | (1,822) | (98.5) |

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

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

| | Group | |
|--|-----------------------|------------------|
| | US\$'000 | |
| | Unaudited | |
| | 3 months ended | |
| | 31/5/2010 | 31/5/2009 |
| Depreciation of property, plant and equipment | 148 | 80 |
| Exchange gain, net | (15) | (33) |
| Derivative financial instruments: | | |
| - Net realised loss on derivative financial instruments | 16 | 693 |
| - Net unrealised gain on derivative financial instruments | - | (136) |
| Interest expense | - | 1 |
| Interest income | (10) | (14) |
| (Reversal of inventories write-down)/inventories write-down, net | (50) | 780 |
| Machinery rental expenses | 6 | 30 |
| Rental expenses | 63 | 64 |
| Research and development expenses | 99 | 10 |

Breakdown of other income

| | Group | |
|---|-----------------------|------------------|
| | US\$'000 | |
| | Unaudited | |
| | 3 months ended | |
| | 31/5/2010 | 31/5/2009 |
| Interest income | 10 | 14 |
| Exchange gain | 15 | 33 |
| Net unrealised gain on derivative financial instruments | - | 136 |
| Others | 2 | 1 |
| Total other income | 27 | 184 |

Breakdown of other expenses

| | Group | |
|---|-----------------------|------------------|
| | US\$'000 | |
| | Unaudited | |
| | 3 months ended | |
| | 31/5/2010 | 31/5/2009 |
| Net realised loss on derivative financial instruments | 16 | 693 |
| Others | 1 | 1 |
| Total other expenses | 17 | 694 |

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 |
| | 31/5/2010 | 30/11/2009 | 31/5/2010 | 30/11/2009 |
| Non-current assets | | | | |
| Property, plant and equipment | 1,430 | 1,616 | 103 | 15 |
| Deferred tax assets | 30 | 95 | - | - |
| Investments in subsidiaries | - | - | 6,738 | 6,738 |
| | 1,460 | 1,711 | 6,841 | 6,753 |
| Current assets | | | | |
| Cash and cash equivalents | 28,437 | 23,180 | 21,943 | 19,601 |
| Trade receivables | 974 | 1,019 | 308 | 237 |
| Other receivables and prepayments | 1,731 | 965 | 145 | 113 |
| Tax recoverable | 6 | 6 | - | - |
| Inventories | 5,753 | 10,302 | 3,874 | 2,272 |
| | 36,901 | 35,472 | 26,270 | 22,223 |
| Current liabilities | | | | |
| Trade payables | 128 | 291 | 803 | 13 |
| Other payables | 1,271 | 485 | 191 | 195 |
| Tax payable | 138 | - | - | - |
| | 1,537 | 776 | 994 | 208 |
| Net current assets | 35,364 | 34,696 | 25,276 | 22,015 |
| Non-current liability | | | | |
| Deferred tax liabilities | 61 | 74 | - | - |
| Net assets | 36,763 | 36,333 | 32,117 | 28,768 |
| Equity attributable to owners of the parent | | | | |
| Share capital | 32,794 | 32,794 | 32,794 | 32,794 |
| Reserves/(accumulated losses) | 3,969 | 3,539 | (677) | (4,026) |
| | 36,763 | 36,333 | 32,117 | 28,768 |

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

Amount repayable in one year or less, or on demand

| As at 31/5/2010 | | As at 30/11/2009 | |
|------------------------|------------------|-------------------------|------------------|
| Secured | Unsecured | Secured | Unsecured |
| US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| - | - | - | - |

Amount repayable after one year

| As at 31/5/2010 | | As at 30/11/2009 | |
|------------------------|------------------|-------------------------|------------------|
| 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 | |
| | 31/5/2010 | 31/5/2009 |
| Cash flows from operating activities: | | |
| Loss before tax | (35) | (1,904) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 148 | 80 |
| Net unrealised gain on derivative financial instruments | - | (136) |
| Interest expense | - | 1 |
| Interest income | (10) | (14) |
| (Reversal of inventories write-down)/inventories write-down, net | (50) | 780 |
| Foreign currency translation | 14 | 83 |
| Operating cash flows generated from/(used in) before working capital changes | 67 | (1,110) |
| Decrease in trade receivables | 529 | 1,154 |
| (Increase)/decrease in other receivables and prepayments | (72) | 238 |
| Decrease in inventories | 1,629 | 46 |
| Increase/(decrease) in trade payables | 7 | (28) |
| Increase/(decrease) in other payables | 487 | (4) |
| Cash flows generated from operations | 2,647 | 296 |
| Income tax paid | (15) | (3) |
| Interest received | 10 | 14 |
| Interest paid | - | (1) |
| Net cash flows generated from operating activities | 2,642 | 306 |
| | | |
| Cash flows from investing activity: | | |
| Purchase of property, plant and equipment | (6) | (4) |
| Net cash flows used in investing activity | (6) | (4) |
| | | |
| Net increase in cash on hand and at bank | 2,636 | 302 |
| Cash on hand and at bank at beginning of 2 nd quarter | 25,801 | 15,387 |
| Cash on hand and at bank at end of 2nd quarter | 28,437 | 15,689 |

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 – 2Q2010 | | | | | |
| Opening Balance at 1 March 2010 | 32,794 | 2,020 | (553) | 2,529 | 36,790 |
| Total comprehensive loss 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 |
| Previous Period – 2Q2009 | | | | | |
| Opening Balance at 1 March 2009 | 29,524 | 2,020 | (346) | 2,352 | 33,550 |
| Total comprehensive loss for the period | - | - | (1,930) | 108 | (1,822) |
| Closing Balance at 31 May 2009 | 29,524 | 2,020 | (2,276) | 2,460 | 31,728 |

| Company | Share capital | Accumulated losses | Total |
|---|---------------|--------------------|---------------|
| | US\$'000 | US\$'000 | US\$'000 |
| Current Period – 2Q2010 | | | |
| Opening Balance at 1 March 2010 | 32,794 | (674) | 32,120 |
| Total comprehensive loss for the period | - | (3) | (3) |
| Closing Balance at 31 May 2010 | 32,794 | (677) | 32,117 |
| Previous Period – 2Q2009 | | | |
| Opening Balance at 1 March 2009 | 29,524 | (3,869) | 25,655 |
| Total comprehensive loss for the period | - | (772) | (772) |
| Closing Balance at 31 May 2009 | 29,524 | (4,641) | 24,883 |

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 2009.

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 2010 and 30 November 2009.

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 2010 and 30 November 2009 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 2009. 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 2009.

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 2009. The adoption of these new and revised FRS and INT FRS are currently assessed to have no material financial impact on the Group's financial statements for the current period, except for FRS 1, Presentation of Financial Statements – Revised Presentation.

FRS 1, Presentation of Financial Statements – Revised Presentation. The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement showing changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expenses recognised in profit or loss, together with all other items of recognised income and expense either in on single statement, or in two linked statement. The Group has adopted FRS 1 to present all items of income and expense, including those accounted for directly in equity, in a single Statement of Comprehensive Income.

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 2009 have been applied.

6. 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 | |
|---|-------------|-------------|
| | 31/5/2010 | 31/5/2009 |
| 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 | (0.01) | (0.52) |
| Weighted average number of ordinary shares for basic earnings per share computation | 613,553,995 | 368,132,397 |
| (b) On a fully diluted basis | (0.01) | (0.52) |
| Weighted average number of ordinary shares adjusted for the effect for dilution | 613,553,995 | 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 | |
|--|-------------|-------------|-------------|-------------|
| | 31/5/2010 | 30/11/2009 | 31/5/2010 | 30/11/2009 |
| Net asset value per ordinary share based on issued share capital at the end of the respective periods (in US cents): | 5.99 | 5.92 | 5.23 | 4.69 |
| 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 (2Q2010 VS 2Q2009)

Revenue

The Group's total revenue increased by approximately US\$5.8 million or 362.9% to approximately US\$7.4 million for the quarter ended 31 May 2010 ("2Q2010"). This was due mainly to the following:

- a) sale of 3.5MT of indium in 2Q2010 compared to none for the quarter ended 31 May 2009 ("2Q2009"); and
- b) higher sales of zinc related inventories in 2Q2010 compared to 2Q2009.

Gross Profit/(Loss) Margin

The Group recorded a gross profit margin of 8.5% in 2Q2010, compared with a gross loss margin of 42.0% in 2Q2009. The gross profit margin in 2Q2010 mainly arose from the increase in the selling price of indium which was above the Group's cost of sales.

The gross loss margin in 2Q2009 was due mainly to the inclusion of a net provision of approximately US\$0.8 million for the reduction in market value of the Group's indium inventories. This provision has since been written back in the first quarter of 2010.

Other Income

Other income had decreased by approximately US\$157k from US\$184k in 2Q2009 to US\$27k in 2Q2010. This was due mainly to a net realised loss on derivative financial instruments, resulting from the Group's hedging activities on zinc, of US\$16k in 2Q2010 compared to a net unrealised gain of approximately US\$136k in 2Q2009.

Operating Expenses

Selling and distribution expenses increased by US\$42k to US\$51k due mainly to the increase in the sale activity level.

General and administrative expenses decreased by approximately US\$0.1 million to approximately US\$0.6 million in 2Q2010 as a result of cost reduction efforts by the Group.

Other Expenses

Other expenses decreased significantly to US\$17k in 2Q2010. This was due mainly to lower realised losses on derivative financial instruments of US\$16k in 2Q2010 compared to net losses of approximately US\$693k in 1Q2009. The losses were reduced as the Group reduced its zinc related inventories during the half year.

Loss After Tax

As a result of the aforementioned, the Group recorded a marginal loss after tax of approximately US\$37k in 2Q2010, compared to a loss after tax of US\$1.9 million in 2Q2009.

REVIEW OF FINANCIAL POSITION (2Q2010 VS FY2009)

Non-Current Assets

The Group's property, plant and equipment decreased from approximately US\$1.6 million as at FY2009 to approximately US\$1.4 million as at 2Q2010 due mainly to depreciation charged for the half year ended 31 May 2010 ("1H2010") of approximately US\$0.3 million. The decrease was partially offset by an increase in leasehold improvements and purchase of furniture and fittings of approximately US\$0.1 million as a result of relocation of the Company.

Current Assets

The Group's current assets increased from US\$35.5 million as at FY2009 to US\$36.9 million as at 2Q2010.

Other receivables and prepayments increased by US\$0.8 million due mainly to higher advances to suppliers of US\$1.4 million. This arose from the zinc processing activities undertaken by a third party smelter for one of the Company's subsidiaries. The increase was partially offset by the decrease in the deposit of US\$0.6 million with the Shanghai Futures Exchange, arising from the Group's zinc hedging activities.

Inventories decreased by approximately US\$4.6 million as a result of the Group's efforts to reduce stock holdings and higher indium sales during 1H2010.

The increase in cash on hand and at bank by approximately US\$5.3 million and US\$2.3 million for the Group and Company respectively, was due mainly to indium sales made during 1H2010.

The Company's inventories increased by US\$1.6 million from US\$2.3 million as at FY2009 to US\$3.9 million due mainly to purchases of indium from its subsidiary company. The increase was partially offset by indium sales during 1H2010.

Current Liabilities

The Group's current liabilities increased from US\$0.8 million as at FY2009 to US\$1.5 million as at 2Q2010.

The increase in other payables arose from higher advances from customers and higher VAT payable in the PRC on indium sales.

The increase in tax payable is due to the current year tax provision at 25% as one of the Company's subsidiaries is no longer entitled to the PRC tax incentives.

The increase in the Company's trade payables is due to the purchases of indium as mentioned above under "Current Assets".

Non-Current Liabilities

There were no significant variances for FY2009 and 2Q2010.

Shareholders' Equity

Shareholders' equity increased by US\$0.4 million due mainly to the Group's net profit position for 1H2010.

Cash Flow (2Q2010 VS 2Q2009)

There is an overall increase of US\$2.6 million in cash and cash equivalents for 2Q2010 compared to 2Q2009 of US\$0.3 million. Cash generated from operating activities amounted to US\$2.6 million was due mainly to the indium sale 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.

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 the pricing volatility of indium and zinc. While the Group sees some improvement in the sale of its inventories, 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 the current financial year.

Backed by a strong balance sheet, the Group will continue to look out for business opportunities that will help fuel 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 2010.

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 2010, there has been no change in the Company’s utilization of its IPO’s proceeds since last reported as follows:

| Intended Use | Amount Allocated USD’000 | Amount Utilised USD’000 | Balance Amount USD’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 2010.

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 2010 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

Meng Limin
Executive Director/CEO

06 July 2010

BY ORDER OF THE BOARD

Meng Limin
Executive Director/CEO
06 July 2010