

Unionmet (Singapore) Limited

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

UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE QUARTER ENDED 28 FEBRUARY 2009

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF 1st 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 28 February 2009. These figures have not been audited.

	Group		
	US\$'000		%
	Unaudited		
	3 months ended		
	28/2/2009	29/2/2008	Increase/ (Decrease)
Revenue	2,042	3,970	(48.6)
Cost of sales	(3,875)	(6,305)	(38.5)
Gross loss	(1,833)	(2,335)	(21.5)
Other income	26	336	(92.3)
Selling and distribution expenses	(53)	(48)	10.4
General and administrative expenses	(979)	(698)	40.3
Other expenses	(229)	(235)	(2.6)
Loss from operations	(3,068)	(2,980)	3.0
Finance costs	(2)	(2)	-
Loss before tax	(3,070)	(2,982)	3.0
Income tax	61	449	(86.4)
Net loss for the period attributable to equity holders of the parent	(3,009)	(2,533)	18.8

Note:

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

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	28/2/2009	29/2/2008
Depreciation of property, plant and equipment	76	59
Exchange loss/(gain), net	39	(91)
Derivative financial instruments:		
- Net realised loss/(gain) on derivative financial instruments	44	(124)
- Net unrealised loss on derivative financial instruments	144	235
Interest expense	2	2
Interest income	(19)	(121)
Inventories write-down	2,390	1,990
Inventories write-back	(1,115)	-
Machinery rental expenses	155	90
Rental expenses	65	37
Research and development expenses	6	1

Breakdown of other income

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	28/2/2009	29/2/2008
Exchange gain, net	-	91
Interest income	19	121
Net realised gains on derivative financial instruments	-	124
Others	7	-
Total other income	26	336

Breakdown of other expenses

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	28/2/2009	29/2/2008
Exchange loss, net	39	-
Net realised losses on derivative financial instruments	44	-
Net unrealised losses on derivative financial instruments	144	235
Others	2	-
Total other expenses	229	235

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
	28/2/2009	30/11/2008	28/2/2009	30/11/2008
Non-current assets				
Property, plant and equipment	3,292	3,394	45	48
Deferred tax assets	225	219	-	-
Investments in subsidiaries	-	-	6,738	6,738
	3,517	3,613	6,783	6,786
Current assets				
Cash on hand and at bank	15,387	17,629	14,045	14,463
Trade receivables	1,312	1,048	-	-
Other receivables and prepayments	3,555	3,375	1,942	1,926
Derivative financial instruments	92	238	-	-
Inventories	11,279	14,285	3,107	4,063
Tax refund	18	-	-	-
	31,643	36,575	19,094	20,452
Current liabilities				
Trade payables	850	1,344	1	1
Other payables	733	2,086	217	315
Tax payable	-	4	-	-
	1,583	3,434	218	316
Net current assets	30,060	33,141	18,876	20,136
Non-current liabilities				
Deferred tax liabilities	27	57	4	4
Net assets	33,550	36,697	25,655	26,918
Shareholders' equity				
Share capital	29,524	29,524	29,524	29,524
Reserves/(accumulated losses)	4,026	7,173	(3,869)	(2,606)
	33,550	36,697	25,655	26,918

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

Amount repayable in one year or less, or on demand

As at 28/2/2009		As at 30/11/2008	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
-	-	-	-

Amount repayable after one year

As at 28/2/2009		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	
	28/2/2009	29/2/2008
Cash flows from operating activities:		
Loss before tax	(3,070)	(2,982)
Adjustments for:		
Depreciation of property, plant and equipment	76	59
Net unrealised losses on derivative financial instruments	144	239
Interest expense	2	2
Interest income	(19)	(121)
Inventories write down	1,275	1,990
Foreign currency translation	(106)	850
Operating cash flows (used in)/ generated from before working capital changes	(1,698)	37
Increase in trade receivables	(264)	(617)
Increase in other receivables and prepayments	(180)	(1,565)
Decrease/(increase) in inventories	1,730	(2,520)
(Decrease)/increase in trade payables	(494)	2,191
(Decrease)/increase in other payables	(1,352)	526
Cash flows used in operations	(2,258)	(1,948)
Income tax paid	4	(32)
Interest received	19	121
Interest paid	(2)	(2)
Net cash flows used in operating activities	(2,237)	(1,861)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(5)	(274)
Net cash flows used in investing activities	(5)	(274)
Net decrease in cash on hand and at bank	(2,242)	(2,135)
Cash on hand and at bank at beginning of year	17,629	18,082
Cash on hand and at bank at end of period	15,387	15,947

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	Foreign currency translation reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
(i) Consolidated – 1Q2008					
Balance at 1 December 2007	29,524	1,695	10,186	895	42,300
Net loss for the financial period	-	-	(2,533)	-	(2,533)
Appropriating of statutory surplus reserve	-	223	(223)	-	-
Currency translation difference arising from consolidation	-	-	-	926	926
Balance at 29 February 2008	29,524	1,918	7,430	1,821	40,693
(ii) Consolidated – 1Q2009					
Balance at 1 December 2008	29,524	2,020	2,663	2,490	36,697
Net loss for the financial period	-	-	(3,009)	-	(3,009)
Currency translation difference arising from consolidation	-	-	-	(138)	(138)
Balance at 28 February 2009	29,524	2,020	(346)	2,352	33,550

Company	Share capital	Accumulated profits	Total
	US\$'000	US\$'000	US\$'000
(i) Company – 1Q2008			
Balance at 1 December 2007	29,524	3,614	33,138
Net loss for the financial period	-	(351)	(351)
Balance at 29 February 2008	29,524	3,263	32,787
(ii) Company – 1Q2009			
Balance at 1 December 2008	29,524	(2,606)	26,918
Net loss for the financial period	-	(1,263)	(1,263)
Balance at 28 February 2009	29,524	(3,869)	25,655

- 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 28 February 2009 and 29 February 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 28 February 2009 and 30 November 2008 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 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 were no changes in accounting policies and methods of computation.

6. **Loss 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	
	28/2/2009	29/2/2008
Loss 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	(0.82)	(0.69)
Weighted average number of ordinary shares for basic earnings per share computation	368,132,396	368,132,396
(b) On a fully diluted basis	(0.82)	(0.69)
Weighted average number of ordinary shares adjusted for the effect for dilution	368,132,396	368,132,396

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	
	28/2/2009	30/11/2008	28/2/2009	30/11/2008
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in US cents):	9.11	9.97	6.97	7.31
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 (1Q2009 VS 1Q2008)

Revenue

The Group's total revenue decreased by approximately US\$2.0 million from approximately US\$4.0 million in the quarter ended 29 February 2008 ("1Q2008") to approximately US\$2.0 million in the quarter ended 28 February 2009 ("1Q2009") due 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; and
- b) The decrease in market prices of zinc related products.

Gross Loss Margin

The Group recorded a gross loss margin of 89.8% in 1Q2009, compared with a gross loss margin of 58.8% in 1Q2008, 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 37.4% from approximately US\$2,428 per tonne in 1Q2008 to approximately US\$1,519 per tonne in 1Q2009. 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 1Q2009 included a write down of approximately US\$2.4 million for the Group's indium inventories as a result of the downward trend in market prices compared to US\$2.0 million in 1Q2008. The market price of indium, based on the Metal Bulletin's average market prices, had fallen since the last financial year. The average price of indium decreased by approximately 27.8% from approximately US\$529 per kilogram ("kg") in 1Q2008 to approximately US\$382 per kg in 1Q2009.

The indium inventory write-down was partially offset by a write-back of zinc-related inventories amounting to US\$1.1 million in 1Q2009 due to the increase in zinc prices to approximately US\$1,519 per tonne in 1Q2009 compared to approximately US\$1,400 per tonne as at 30 November 2008.

Other Income

Other income had decreased by approximately US\$310k from US\$336k in 1Q2008 to US\$26k in 1Q2009 due mainly to net losses on derivative financial instruments of US\$0.2 million in 1Q2009 compared to net realised gains on derivative financial instruments of US\$0.1 million in 1Q2008 and lower interest income earned from placement of overnight deposits with financial institutions caused by a decrease in average rates.

Operating Expenses

Higher operating expenses were mainly attributable to increased general and administrative expenses.

General and administrative expenses increased by approximately US\$0.3 million from approximately US\$0.7 million in 1Q2008 to approximately US\$1.0 million in 1Q2009 due mainly to higher general and administrative expenses such as rental, salaries, consultancy fees and depreciation from Guangxi Crystal Union Photoelectric Materials Co., Ltd ("Crystal") and Rongan Union Zinc Industry Co., Ltd. ("Rongan").

Selling & distribution expenses did not correspondingly decrease with the decrease in revenue mainly due to higher transportation costs incurred in the selling of by-products such as zinc ingots to 3rd parties.

Income Tax

The decrease in income tax of 86.4% from approximately US\$0.4 million to approximately US\$0.1 million is mainly due to deferred tax asset recognized by the Company in 1Q2008 resulting from the inventory write down of the indium products that has since been reversed in FY2008. No deferred tax asset has been recognized with respect to the inventories write down of our indium products by the Company in 1Q2009.

Loss After Tax

As a result of the aforementioned, the Group recorded a loss after tax of approximately US\$3.0 million in 1Q2009 compared to a loss after tax of US\$2.5 million in 1Q2008.

REVIEW OF FINANCIAL POSITION (1Q2009 VS FY2008)**Non-Current Assets**

There were no significant variances to the Group's non-current assets for 30 November 2008 ("FY2008") and 28 February 2009 ("1Q2009").

Current Assets

The Group's current assets decreased from US\$36.6 million as at FY2008 to US\$31.6 million as at 1Q2009.

The increase of US\$0.3 million in trade receivables was due to slower collections from the Group's customers of its by-products and raw materials.

Inventories decreased by approximately US\$3.0 million as a result of the temporary shutdown of production plants of the 3 PRC subsidiaries to reduce stock holdings and the inventories write-down as explained above.

Please see review of cashflow for the reason for the decrease in cash on hand and at bank.

Current Liabilities

The Group's current liabilities decreased from US\$3.4 million as FY08 to US\$1.5 million as at 1Q209.

The decrease in trade payables of approximately US\$0.4 million was mainly due to payments made to the Group's suppliers of raw materials. Other payables decreased by approximately US\$1.4 million mainly due 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 1Q2009.

Shareholders' Equity

Shareholders' equity decreased by US\$3.1 million due mainly to the Group's net loss position for the financial period.

Cash Flow (1Q2009 VS 1Q2008)

There is an overall decrease of US\$2.2 million in cash and cash equivalents for 1Q2009. Cash used in operating activities amounted to US\$2.2 million was due mainly to the net loss position for the financial period, increase in receivables of US\$2.4 million and payables by US\$76k and decrease in inventories of US\$1.7 million for the abovementioned reasons.

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 still 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 against the international market prices, any significant fluctuation in international market prices will have an adverse impact on the Group's business.

In light of the current challenging economic environment and for cost rationalization purpose, the Group has recently provided an updated announcement on the following on 19 February 2009, Announcement No. 00040:

1. The production plant of Liuzhou Union Zinc Industry Co., Ltd. ("UnionZinc"), will remain closed indefinitely.
2. The cessation of rental and operation of the production plant of Rongan.

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 28 February 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 unaudited interim financial results for the first quarter ended 28 February 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

23 March 2009

BY ORDER OF THE BOARD

Meng Limin
Executive Director/CEO

23 March 2009