

Unionmet (Singapore) Limited

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

UNAUDITED QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 31 MAY 2014

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF 2nd QUARTER RESULTS

- 1(a) **An income statement and statement of comprehensive income, or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.**

The Board of Directors (the “**Board**”) hereby announces the results of the Group for the 2nd quarter ended 31 May 2014. These figures have not been audited.

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

	Group		
	US\$'000		%
	Unaudited		
	3 months ended		
	31/05/2014	31/05/2013	Increase/ (Decrease)
<u>Continuing operations</u>			
Revenue	5,956	5,439	9.5
Cost of sales	(5,920)	(5,322)	11.2
Gross profit	36	117	(69.2)
Other (expenses)/income, net	(1,822)	20	(9,210.0)
Selling and distribution expenses	(9)	(26)	(65.4)
General and administrative expenses	(400)	(414)	(3.4)
Other expenses	(2)	(8)	(75.0)
Loss before tax	(2,197)	(311)	606.4
Income tax	-	-	-
Loss after tax	(2,197)	(311)	606.4
<u>Discontinued operations</u>			
Profit after tax from discontinued operations	-	611	(100.0)
Net (loss)/profit after tax for the period	(2,197)	300	(832.3)
Attributable to owners of the Company:			
Loss after tax from continuing operations	(2,197)	(311)	606.4
Profit after tax from discontinued operations	-	611	(100.0)
Net (loss)/profit for the period attributable to owners of the Company	(2,197)	300	(832.30)
<u>Other comprehensive income:</u>			
Currency translation difference arising from consolidation	(2,422)	222	(1,191.0)
Total other comprehensive income for the period	(2,422)	222	(1,191.0)
Total comprehensive income from continuing operations	(2,268)	943	(340.5)
Total comprehensive income from discontinued operations	(2,351)	(421)	(458.4)
Total comprehensive income for the period attributable to owners of the Company	(4,619)	522	(984.9)

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	
	31/05/2014	31/05/2013
<u>Continuing operations</u>		
Depreciation of property, plant and equipment	6	12
Exchange (gain)/loss, net	31	7
Interest income	(17)	(7)
Gain on disposal of property, plant and equipment	-	(12)
Rental expenses	37	45
<u>Discontinued operations</u>		
Depreciation of property, plant and equipment	-	4
Amortisation of land use rights	-	4
Interest income	-	(21)
Reversal of inventories write-down, net	-	(64)
Subsidy income	-	(3)
Rental expenses	-	4

Breakdown of other (expenses)/income, net

	Group	
	US\$'000	
	Unaudited	
	3 months ended	
	31/05/2014	31/05/2013
<u>Continuing operations</u>		
Exchange gain, net	36	-
Loss on disposal of subsidiaries	(1,875)	-
Gain on disposal of property, plant and equipment	-	12
Interest income	17	7
Others	-	1
Total other (expenses)/income, net from continuing operations	(1,822)	20
<u>Discontinued operations</u>		
Subsidy income	-	3
Interest income	-	21
Total other income, net from discontinued operations	-	24

1(b)(i) A statement of financial position (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 31/05/2014	Audited 30/11/2013	Unaudited 31/05/2014	Audited 30/11/2013
Non-current assets				
Property, plant and equipment	110	1,168	17	26
Investment in subsidiaries	-	-	-	4,438
Land use rights	-	804	-	-
	110	1,972	17	4,464
Current assets				
Cash and short-term deposits	27,302	31,669	23,658	21,672
Trade receivables	315	878	-	-
Other receivables and prepayments	5,606	657	4,638	88
Amount due from a subsidiary	-	-	-	184
Tax refundable	6	7	-	-
Inventories	800	2,695	-	-
	34,029	35,906	28,296	21,944
Current liabilities				
Trade payables	1	48	-	2
Other payables	2,243	1,065	73	225
Tax payable	-	57	-	-
Short term bank loan	-	1,131	-	-
	2,244	2,301	73	227
Net current assets	31,785	33,605	28,223	21,717
Non-current liability				
Deferred tax liabilities	-	856	-	-
Net assets	31,895	34,721	28,240	26,181
Equity attributable to owners of the Company				
Share capital	35,569	32,794	35,569	32,794
(Accumulated losses)/Reserves	(3,674)	1,927	(7,329)	(6,613)
	31,895	34,721	28,240	26,181

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

Amount repayable in one year or less, or on demand

As at 31/05/2014		As at 30/11/2013	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
-	-	1,131	-

Amount repayable after one year

As at 31/05/2014		As at 30/11/2013	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
-	-	-	-

Details of any collateral

None.

1(c) A statement of cash flows (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	
	31/05/2014	31/05/2013
Operating activities:		
Loss before tax from continuing operations	(2,197)	(311)
Loss before tax from discontinued operations	-	(22)
Adjustments for:		
Depreciation of property, plant and equipment	6	16
Amortisation of land use rights	-	4
Interest income	(17)	(28)
Reversal of inventories write-down, net	-	(64)
Gain on disposal of property, plant and equipment	-	(12)
Loss on disposal of subsidiary	1,875	-
Unrealised exchange (gain)/loss, net	(37)	8
Foreign currency translation	(2,564)	123
Operating cash flows before working capital changes	(2,934)	(286)
Decrease in trade receivables	34	2,105
Increase in other receivables and prepayments	(4,095)	(2,231)
Increase/(decrease) in inventories	1,731	(767)
Decrease in trade payables	(1)	(421)
Increase in other payables	774	128
Restricted cash (See appended note)	-	772
Cash flows used in operations	(4,491)	(700)
Interest received	17	28
Net cash flows used in operating activities	(4,474)	(672)
Investing activities		
Purchase of property, plant and equipment	-	(320)
Disposal of subsidiaries, net of cash disposed	(813)	-
Proceeds from sale of property, plant and equipment	-	17
Net cash flows generated from/(used in) investing activities	(813)	(303)
Financing activities		
Net proceeds from issuance of new shares in Rights Issue	2,775	-
Net cash flows from financing activities	2,775	-
Net decrease in cash and cash equivalents	(2,512)	(975)
Effect of exchange rate changes on cash and cash equivalents	286	101
Cash and cash equivalents at beginning of 2 nd quarter	29,528	29,210
Cash and cash equivalents at end of 2nd quarter	27,302	28,336

Note:

Cash and short-term deposits (as per Statement of Financial Position)	27,302	29,347
Restricted cash	-	(1,011)
Cash and cash equivalents at end of period	27,302	28,336

- 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 – 2Q2014					
Opening balance at 1 March 2014	32,794	2,226	(5,088)	3,807	33,739
Loss for the period	-	-	(2,197)	-	(2,197)
Transfer to retained earnings on disposal	-	(1,282)	3,633	(2,351)	-
Other comprehensive income for the period	-	-	(2,351)	(71)	(2,422)
Total comprehensive income for the period	-	(1,282)	(915)	(2,422)	(4,619)
Issue of shares on Rights Issue	2,775	-	-	-	2,775
Closing balance at 31 May 2014	35,569	944	(6,003)	1,385	31,895
Previous Period – 2Q2013					
Opening balance at 1 March 2013	32,794	2,226	(1,389)	3,717	37,348
Profit for the period	-	-	300	-	300
Other comprehensive income	-	-	-	222	222
Total comprehensive income for the period	-	-	300	222	522
Closing balance at 31 May 2013	32,794	2,226	(1,089)	3,939	37,870

Company	Share capital	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000
Current Period – 2Q2014			
Opening Balance at 1 March 2014	32,794	(11,424)	21,370
Profit for the period	-	4,095	4,095
Total comprehensive income for the period	-	4,095	4,095
Issue of shares on Rights Issue	2,775	-	2,775
Closing balance at 31 May 2014	35,569	(7,329)	28,240
Previous Period – 2Q2013			
Opening Balance at 1 March 2013	32,794	(5,843)	26,951
Loss for the period	-	(331)	(331)
Total comprehensive income for the period	-	(331)	(331)
Closing balance at 31 May 2013	32,794	(6,174)	26,620

- 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 Company completed a rights issue on 24 March 2014 (the "Rights Issue") resulting in the issue of 56,566,243 new shares. As at 31 May 2014, the share capital net of expenses arising from the Rights Issue is US\$35,568,740 (FY2013: US\$32,793,475).

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 2014 and 30 November 2013.

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 preceeding year.

	31/05/2014	30/11/2013
Total number of ordinary shares in issue	670,120,238	613,553,995

There were no shares held as treasury shares as at 31 May 2014 and 30 November 2013.

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 Singapore Financial Reporting Standards ("SFRSs") that became effective on or after 1 December 2013. Except for the adoption of these new/revised SFRSs, 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 2013.

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.

Please refer to item 4 above. The adoption of the new/revised SFRSs and Interpretations (INT FRS) had no material effect on the Group's accounting policies and had no significant impact on the Group's financial statements.

6. (Losses)/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	
	31/05/2014	31/05/2013
(Losses)/Earnings per ordinary share from continuing operations 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	(0.35)	0.05
Weighted average number of ordinary shares for basic earnings/(losses) per share computation	634,999,439	613,553,995
(b) Based on a fully diluted basis	(0.35)	0.05
Weighted average number of ordinary shares adjusted for the effect for dilution	634,999,439	613,553,995

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	
	31/05/2014	30/11/2013	31/05/2014	30/11/2013
Net asset value per ordinary share based on issued share capital at the end of the respective periods (in US cents):	4.76	5.66	4.21	4.27
No. of ordinary shares used in computing net asset value	670,120,238	613,553,995	670,120,238	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 (2Q2014 VS 2Q2013)

On 25 February 2014, the Group received approval from its shareholders to diversify into the property and oil-blending business pursuant to a review of the current trading business in indium, aluminium and zinc and its related products.

With the mandate to diversify, the Group had disposed of two of its entities, Unionmet Holdings Limited and its subsidiary, Guangxi Intai Technology Co., Ltd. on 1 March 2014 (the "**Disposal**") to an unrelated third party (the "**Discontinued Operations**") for S\$5.50 million to recover cash into the Group and limiting the losses of the trading business.

The Group's remaining trading operations were then consolidated under Liuzhou Union Zinc Industry Co., Ltd. being currently the Group's main revenue contributor (the "**Continuing Operations**") while the Group pursues new opportunities in the property development and oil blending and distribution business.

Revenue

Revenue from the Continuing Operations grew slightly by 9.5% to US\$5.96 million during the period mainly due to trading in aluminium and zinc and their related products.

Gross Profit Margin

Despite the slight increase in revenue, margins remained thin at 0.6%. This resulted in gross margins actually falling by 69.2% to US\$36,000 emphasising the Group's need to move towards new high margin businesses.

Other (Expenses)/Income

Other expenses increased to US\$1.82 million (2Q2013: US\$20,000 other income) mainly due to the one-off loss on the Disposal amounting to US\$1.87 million. This was largely due to a write-down in assets of the entities against the disposal price.

Operating Expenses

Selling and distribution expenses decreased by US\$17,000 (65.4%) to US\$9,000 (2Q2013: US\$26,000) due to the Disposal. General and administrative expenses decreased marginally by US\$14,000 (3.4%) to US\$400,000 (2Q2013: US\$414,000).

Loss After Tax

The loss before tax of US\$2.20 million was mainly due to the one-off loss incurred on the Disposal.

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. (continued)**

REVIEW OF FINANCIAL POSITION (2Q2014 VS FY2013)

Non-Current Assets

In line with the Disposal, property, plant and equipment decreased to US\$110,000 (FY2013: US\$1.17 million) and the Group has no more land use rights (FY2013: US\$804,000). This resulted in an overall decrease in non-current assets by 94.4% to US\$110,000.

Current Assets

Due to the Disposal, inventories decreased to US\$800,000 (FY2013: US\$2.70 million). Correspondingly, other receivables and prepayments increased to US\$5.61 million (FY2013: US\$657,000).

Cash and short term deposits decreased to US\$27.30 million (FY2013: US\$31.67 million) mainly due to deposits of US\$4.00 million placed for capital purchases made in relation to the oil-blending business offset against the proceeds of US\$2.78 million from the Rights Issue as the Group seeks to diversify from the existing businesses.

Current Liabilities

Other payables increased to US\$2.24 million (FY2013: US\$1.07 million) mainly due to advances received from Guangxi Intai Technology Co., Ltd..

Net Cash per Share

Based on the ordinary shares in issued as at 31 May 2014, the Group has a net cash per share of US4.07 cents.

Non-Current Liability

The deferred tax liabilities were disposed as part of Disposal.

Cash Flow (2Q2014 VS 2Q2013)

There was a net decrease of US\$2.51 million to US\$27.00 million (2Q2013: US\$28.34 million) due to the following:

- (i) Net cash outflow of US\$813,000 due to Disposal;
- (ii) Cash outflow of US\$4.00 million as deposit paid for the capital purchases made in relation to new business;
- (iii) Net cash inflow of US\$2.78 million due to Rights Issue.

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

Not applicable.

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 trading business in indium ingots, zinc and related products and aluminum products are expected to continue to be challenging as gross margins remain thin and prices continue to fluctuate. The Group will continue to review its trading activities while seeking to diversify into the businesses of property development and oil blending and distribution.

In the property development business, the Group is exploring potential projects and will advise should any of the discussions make material progress.

Meanwhile, the Group has made significant progress in the evaluation of the oil blending business including but not limited to the following:

- (i) Signing of the Heads of Agreement with OEL Holdings Ltd on the 51.0% acquisition of Biofuel Research Pte. Ltd. on 24 June 2014 ("**Potential Acquisition**");
- (ii) Signing of a Memorandum Of Understanding with Institute Of Chemical & Engineering Sciences to work together on research and development activities in the oil blending business within "Technology for Enterprise Capability Upgrading Initiative" on 3 July 2014; and
- (iii) Placement of a deposit for an investment in an emulsified oil treatment plant where the Group is now working with the supplier in testing and certifications, engineering designs and installation plans.

The Group expects to start its oil-blending business by the end of the financial year.

The Group will advise the progress of the Potential Acquisition in the months ahead. Management is in process of identifying the relevant potential projects and would update the shareholders when appropriate.

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/recommendedd, a statement to that effect.

No dividend has been declared or recommended for the financial period ended 31 May 2014.

13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company does not have any IPT mandate.

14. Use of Proceeds from the Rights Issue.

The Board refers to the following:

- (i) Net proceeds of US\$3.27 million (S\$4.71 million) raised from the rights issue in July 2009;
- (ii) Net proceeds of US\$2.78 million (S\$3.51 million) raised from the rights issue in March 2014.

The above proceeds have not been utilised as at this reporting date.

15. Negative Assurance Confirmation

The Board hereby confirms that, to the best of their knowledge, nothing has come to the attention of the Board which may render the quarter ended 31 May 2014 financial results to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Li Hua

Executive Chairman/Chief Executive Officer

9 July 2014
Singapore