

CIRCULAR DATED 01 SEPTEMBER 2011

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Unionmet (Singapore) Limited (the “**Company**”), you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or Transferee.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



UNIONMET (SINGAPORE) LIMITED

(Incorporated in the Republic of Singapore on 21 July 2004)
(Company Registration No. 200409104W)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO:

- 1. PROPOSED EXPANSION OF BUSINESS SCOPE OF UNIONMET (SINGAPORE) LIMITED TO INCLUDE BUSINESSES RELATING TO THE PRODUCTION OF ZINC INGOTS AND ZINC RELATED PRODUCTS AS WELL AS THE TRADING OF (I) FERROUS, NON-FERROUS AND PRECIOUS METALS; (II) KAOLIN AND BARITE; AND (III) COAL AND COKE; AND**
- 2. PROPOSED RE-ALLOCATION OF THE REMAINING IPO PROCEEDS (AS DEFINED HEREIN)**

IMPORTANT DATES AND TIMES: -

Last date and time for lodgement of Proxy Form : 18 September 2011 at 10 a.m.

Date and time of
Extraordinary General Meeting : 20 September 2011 at 10 a.m.

Place of Extraordinary General Meeting : Amara Hotel Singapore
Level 3, Connection 2,
165 Tanjong Pagar Road
Singapore 088539

TABLE OF CONTENTS

DEFINITIONS 3

1. INTRODUCTION..... 6

2. THE PROPOSED EXPANSION OF BUSINESS SCOPE7

3. PROPOSED RE-ALLOCATION OF THE REMAINING IPO PROCEEDS 10

4. MANAGEMENT 11

5. RISK FACTORS 12

6. DISCLOSURE OF DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS . 14

7. DIRECTORS' RECOMMENDATIONS 15

8. EXTRAORDINARY GENERAL MEETING..... 15

9. ACTION TO BE TAKEN BY SHAREHOLDERS..... 15

10. LITIGATION 16

11. DIRECTORS' RESPONSIBILITY STATEMENT 16

12. DOCUMENTS AVAILABLE FOR INSPECTION..... 16

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

<i>“Act”</i>	:	The Companies Act (Chapter 50) of Singapore as amended from time to time
<i>“Audit Committee”</i>	:	The audit committee of the Company for the time being
<i>“Board” or “Board of Directors”</i>	:	The board of Directors of the Company as at the date of this Circular
<i>“Business Days”</i>	:	A day (other than Saturday or Sunday) on which banks are open for business in Singapore
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“Company”</i>	:	Unionmet (Singapore) Limited
<i>“Depositors”</i>	:	The term “Depositors” shall have the meaning ascribed to it by section 130A of the Act
<i>“Director”</i>	:	A director for the time being of the Company
<i>“EGM”</i>	:	The extraordinary general meeting of the Shareholders, notice of which is set out on page 15 of this Circular
<i>“EPS”</i>	:	Earnings per Share
<i>“FY”</i>	:	Financial year ended or ending 30 November
<i>“Group”</i>	:	The Company and its subsidiaries
<i>“Intai”</i>	:	Guangxi Intai Technology Co., Ltd. (广西翎泰科技有限公司), a wholly-owned subsidiary of the Company established on 8 October 1999 in the PRC
<i>“IPO”</i>	:	Initial Public Offering of the Company dated 22 January 2007
<i>“Latest Practicable Date”</i>	:	19 August 2011 being the latest practicable date prior to the printing of this Circular
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST as amended, supplemental or modified, from time to time
<i>“Listing Rules”</i>	:	Rules of the Listing Manual, as amended, supplemental or modified, from time to time
<i>“Liuzhou Nonferrous”</i>	:	Guangxi Liuzhou Nonferrous Metals Smelting Co., Ltd. (广西柳州市有色冶炼股份有限公司), a company established in the PRC
<i>“Liuzhou Nonferrous Group”</i>	:	Liuzhou Nonferrous and its wholly-owned subsidiaries, being Guangxi Liuzhou Nonferrous Metals Smelting Import and Export Co., Ltd. (广西柳州市有色冶炼进出口有限公司) and Guangxi Siliu Smelting Co., Ltd. (广西斯柳治化有限责任公司)
<i>“M&A”</i>	:	The Memorandum and Articles of Association of the Company

“NTA”	:	Net tangible assets
“NAV”	:	Net asset value
“PAT”	:	Profit after tax attributable to Shareholders of the Company
“PRC”	:	The People's Republic of China, for geographical reference only, and does not include the Special Administrative Regions of Hong Kong and Macau
“Prospectus”	:	The Company’s prospectus dated 22 January 2007
“Remaining IPO Proceeds”	:	The Remaining Proceeds #1 and the Remaining Proceeds #2
“Remaining Proceeds #1”	:	Approximately US\$4.0 million (equivalent to approximately S\$4.84 million pursuant to the exchange rate of US\$1 = S\$1.21 published on The Business Times on the Latest Practicable Date) which was originally stated to be used to expand the Group’s indium ingot production capacity through the acquisition of production facilities as well as carry out technical and equipment upgrades to its existing indium ingot production facilities but which remains unutilised as at the Latest Practicable Date
“Remaining Proceeds #2”	:	Approximately US\$6.1 million (equivalent to approximately S\$7.38 million pursuant to the exchange rate of US\$1 = S\$1.21 published on The Business Times on the Latest Practicable Date) which was originally stated to be used to meet the Group’s increasing needs for raw materials resulting from the expansion of indium ingot production capacity but which remains unutilised as at the Latest Practicable Date
“RMB”	:	PRC Renminbi
“Securities Accounts”	:	The securities account maintained with CDP, but not including the securities accounts maintained with a Depository Agent (as defined in Section 130A of the Act)
“Shares”	:	Ordinary shares in the capital of the Company
“Shareholders”	:	Registered holders of Shares except that where the registered holder is CDP, the term “Shareholders” in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose securities accounts such Shares are credited
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“UnionZinc”	:	Liuzhou Union Zinc Industry Co., Ltd. (柳州优联锌业有限公司), a wholly-owned subsidiary of the Company established on 14 September 2004 in the PRC
“m”	:	Metres
“sq m”	:	Square metres

“S\$”, “SGD” or “\$” and “cents” : Singapore dollars and cents respectively

“US\$” or “USD” and “USD cents” : United States dollars and cents respectively

“%” : Percentage and per centum

The terms “Depository” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Act.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in this Circular shall have the meaning assigned to it under the said Act.

Words importing the singular number shall include the plural number where the context admits and vice versa. Words importing the masculine gender shall include the feminine gender where the context admits. Reference to persons shall, where applicable, include corporations.

Any reference to a time of a day in this Circular is a reference to Singapore time.

LETTER TO SHAREHOLDERS

UNIONMET (SINGAPORE) LIMITED

(Incorporated in the Republic of Singapore on 21 July 2004)
(Company Registration No. 200409104W)

Directors:

Zeng Fuzu (Non-Executive Chairman)
Meng Limin (Executive Director and Chief Executive Officer)
Huang Guozhi (Non-Executive and Non-Independent Director)
Low Weng Keong (Independent Director)
Kelvin Valery Chia Hoo Khun (Independent Director)

Registered Office:

8 Shenton Way
#42-02 AXA Tower
Singapore 068811

01 September 2011

To: The Shareholders of Unionmet (Singapore) Limited

Dear Sir/Madam,

1. **PROPOSED EXPANSION OF BUSINESS SCOPE OF UNIONMET (SINGAPORE) LIMITED TO INCLUDE BUSINESSES RELATING TO THE PRODUCTION OF ZINC INGOTS AND ZINC RELATED PRODUCTS AS WELL AS THE TRADING OF (I) FERROUS, NON-FERROUS AND PRECIOUS METALS; (II) KAOLIN AND BARITE; AND (III) COAL AND COKE; AND**
2. **PROPOSED RE-ALLOCATION OF THE REMAINING IPO PROCEEDS (AS DEFINED HEREIN)**

1. INTRODUCTION

For the purpose of improving its future growth prospects, the Company intends to increase its core businesses by expanding beyond the production and sales of indium ingots to include businesses relating to the production of zinc ingots and zinc related products as well as the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke (the **“Proposed Expansion of Business Scope”**), and to re-allocate the Remaining IPO Proceeds to finance the Proposed Expansion of Business Scope and for working capital purpose (the **“Proposed Re-allocation of the Remaining IPO Proceeds”**).

The Board of Directors proposes to seek the approval of Shareholders at the EGM to be convened in relation to the Proposed Expansion of Business Scope and the Proposed Re-allocation of the Remaining IPO Proceeds.

The purpose of this Circular is to provide Shareholders with information relating to the Proposed Expansion of Business Scope, the proposed new business activities, the Proposed Re-allocation of the Remaining IPO Proceeds, the rationale for the Proposed Expansion of Business Scope and the Proposed Re-allocation of the Remaining IPO Proceeds.

2. THE PROPOSED EXPANSION OF BUSINESS SCOPE

2.1 Existing Business of the Group and Background Information

The Group is principally engaged in the production and sale of indium ingots. It is also engaged in the sale of by-products, such as zinc ingots, zinc sheet, zinc carbonate, zinc sulphate and rotary kiln powder, derived from its indium slag and strip liquor extraction processes.

As disclosed in the Prospectus, in the process of extracting indium slag and strip liquor, by-products such as zinc ingots, zinc sheets, zinc carbonate and zinc sulphates are generated after further production processes. The Group sells these other by-products to allow itself to enjoy the dual benefits of reduction in wastage and generation of additional revenue for the Group.

The Company further disclosed in the Prospectus section entitled “Interested Person Transactions and Conflict of Interests – Potential Conflicts of Interests”, *inter alia*, that UnionZinc had undertaken to sell all zinc ingots and zinc sheets it produces to Liuzhou Nonferrous Group and the Liuzhou Nonferrous Group must purchase all such zinc ingots and zinc sheets from UnionZinc. This arrangement was to avoid a conflict of interests between the business of the Group and the business undertaken by the Company’s then Co-Chairman and Non-Executive Director and Shareholder, Mr. Huang Wei, who is also a major Shareholder holding more than 50% of the equity interests in the capital of Liuzhou Nonferrous.

With effect from 22 November 2010, Mr. Huang Wei has ceased to be the Company’s Co-Chairman and Non-Executive Director due to his health and no longer takes part in any active management decisions or day-to-day operations of the Group. In addition, since July 2009, Mr. Huang Wei only has a passive equity participation in the Company, and holds indirectly 11.9% of the total issued Shares in the Company as at the Latest Practicable Date. Save as disclosed above, none of Mr. Huang Wei’s associates holds any Shares in the Company. Accordingly, there is no potential conflict of interests in the event that the Group undertakes the business of selling zinc ingots, zinc sheets and zinc related products to the market at large.

For the financial quarter ended 31 May 2011 (“**2Q FY2011**”), the Group’s total revenue decreased by approximately US\$7.1 million or 94.8% to approximately US\$0.4 million due mainly to lower sales of indium and zinc related products.

As mentioned in the Company’s announcement dated 31 July 2009, the government authorities of Liuzhou City, Guangxi Province, as part of the local government’s township planning efforts, had requisitioned for certain pieces of land located at Road No. 2, High Technology Zone, Liuzhou City (柳州高新区科技工业苑), Guangxi Province, PRC, and No. 17 Baiyun Road, Liuzhou City, PRC (柳州市白云路 17 号), respectively, which were used by Intai, being the Company’s subsidiary which is mainly engaged in the production of indium, for its business operations. As such, the Group has been looking for suitable lands to relocate Intai’s indium production facilities and factory buildings from the land located at Road No. 2, High Technology Zone, Liuzhou City (柳州高新区科技工业苑).

In view of the above and as the Group concentrated its efforts on the logistics issues relating to the relocation of some of its indium production facilities and due to a surge in the raw material prices of indium during the financial quarter ended 28 February 2011 (“**1Q FY2011**”), Intai temporarily suspended its operation in 1Q FY2011. Although Intai restarted its indium production at the end of April 2011, production had been kept to a minimum level as raw material prices continued to escalate from RMB4,100 per kilogram in February 2011 to RMB5,800 per kilogram in May 2011. The management of the Company is of the view that it was uneconomical to produce indium with such high cost of raw materials, especially when the Group’s production operations were affected by the relocation of Intai’s production facilities and factory buildings. Furthermore, UnionZinc, being the Company’s subsidiary which is mainly engaged in the sales of zinc related products, terminated the zinc processing arrangement with a third party producer, Yinshan Smelting Plant (“**Yinshan**”) due to the cessation of business operations of Yinshan which was in turn caused by the requisition of the land occupied by it.

2.2 New Business Activities

2.2.1 Introduction

In view of the above, the Company is proposing to expand its business scope to include businesses relating to the production of zinc ingots and zinc related products as well as the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke, so as to explore new business opportunities by expanding its core business beyond the production and sales of indium ingots.

The decision to diversify into the production of zinc ingots and zinc related products as well as the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke was identified by the Board as a prospective new engine of growth for the Group in the coming decade.

Upon the approval from the Shareholders for the Proposed Expansion of Business Scope, the Company's business scope will cover production and sale of indium ingots, zinc ingots, zinc sheet, zinc carbonate, zinc sulphate and other by-products as well as the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke. The Company intends to utilise its network within the metals industry (which its management has established over 20 years) to purchase (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke from credible suppliers and to sell the same to state-owned and private enterprises in the PRC and the international market. In addition, the Company intends to purchase raw materials for the production of zinc ingots and zinc related products from credible suppliers, the production of which will either be outsourced to external contract manufacturers or undertaken in-house. The end products will be on-sold to the Group's customers. Thirdly, to minimise risks arising from the fluctuation of the market prices of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; or (iii) coal and coke, the Group intends to enter into fixed price or index-linked sale and purchase agreements with both suppliers and its potential customers.

2.2.2 Prospects of the new business activities

- (1) Zinc is an important raw material in non-ferrous metals. Based on the Group's internal study, the consumption of zinc in FY2010 is approximately 4.5 million tonnes and is the third largest non-ferrous metals consumed in the PRC. It is mainly used for the production of:
 - (a) zincification (镀锌) – approximately 46% of zinc produced worldwide will be used to produce galvanized sheet (镀锌板), which is mainly used in the construction, automotive, shipping and light manufacturing industries;
 - (b) copper alloys (铜合金材) – approximately 15% of zinc produced worldwide will be used to produce copper alloys, which is mainly used in the automotive manufacturing and mechanical industries;
 - (c) kirksite (锌合金) – approximately 15% of zinc produced worldwide will be used to cast kirksite, which is mainly used in automotive and light manufacturing industries;
 - (d) zinc oxide (氧化锌) – approximately 11% of zinc produced worldwide will be used to produce zinc oxide, which is mainly used in rubber, painting, enamel, medical, printing and fibre industries; and
 - (e) dry battery (干电池) – approximately 13% of zinc produced worldwide will be used to produce dry battery.
- (2) Non-ferrous metals, being metals other than iron, chromium and manganese, can be used in various transportation vehicles (i.e. cars, trains, steamships and airplanes). They can also be used as important raw materials for producing electronic components, control equipments, instruments, cables, electrical wires, which will be used in communication, electronic, manufacturing, textile and petrochemical industries.

- (3) Ferrous metals (i.e. iron) are one of the most common metals used in the day-to-day operations of various industries. They can be used to produce alloy steel, rail and stainless steel, and also be used as catalyst.
- (4) Kaolin is one of the compulsory raw materials in the paper making, rubber, ceramics, painting and chemical engineering industries.
- (5) Barite is frequently used as swivel in oil drilling equipment and padding in paper making, rubber and plastics industries.
- (6) Coal and coke are frequently used in power plant for generating electricity and steel making.

The Group needs to obtain the Coal Operation Licence for the trading of coal and coke from the the People's Government of Guangxi Autonomous region. It is expected to take approximately six (6) months from the date of application to obtain the Coal Operation Licence. The Group intends to apply for the Coal Operation Licence upon obtaining Shareholders' approval for the Proposed Expansion of Business Scope.

As at the Latest Practicable date, Company has identified Glencore International AG (嘉能可国际公司) as its main competitor for the new business.

The Company intends to finance the Proposed Expansion of Business Scope by way of, *inter alia*, re-allocation of the Remaining IPO Proceeds, entering into joint ventures with appropriate parties, and/or obtaining project financing from financial institutions.

The Company will comply with the Listing Rules of the SGX-ST when undertaking the Proposed Expansion of Business Scope. The Company will take into account, *inter alia*, the project size, the Group's financial resources and the potential returns and risks in determining the limits to be set on each investment in the production of zinc ingots and zinc related products as well as the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; or (iii) coal and coke.

2.3 Rationale

The Group intends to expand its current business scope to include businesses relating to the production of zinc ingots and zinc related products as well as the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke to (a) provide the Group with more diversified sources of revenue; (b) enhance its long term growth prospects; and (c) for the following reasons:-

2.3.1 Leveraging on the existing business

The Group has been involved in the production and sale of zinc related products since 2004, and thus has experience and expertise in the production of zinc ingots and zinc related products. The current Proposed Expansion of Business Scope is merely to allow the Group to sell zinc ingots and zinc related products to the market at large since the potential conflict of interest no longer exists after the resignation of Mr. Huang Wei as a Director.

In addition, the Group is currently engaged in the production and sale of indium ingots and zinc related products, both of which are non-ferrous metals. By purchasing certain raw materials (i.e. zinc concentrate, coal) for the production activities of the Group in the past years, management of the Group is familiar with the requirements of the metals and coal industry, and the Group has built up a good relationship with some of its suppliers and customers, which sell and/or purchase ferrous and non-ferrous metals, coal and coke. Such experiences and network in the metals and coal industry will help the Group in assessing the credibility, investment costs and profitability of the trading business.

The Company believes that the Group's track record, experience and expertise in the metals industry will put the Group in a good position to engage in the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke.

The existing relevant experience and knowledge of the Group's management will assist the Group in identifying appropriate suppliers and customers, and their networks in metals industry will also help the Group to assess the credibility, investment costs and profitability of the production and/or trading business.

2.3.2 Expansion of the existing business

The Company has been exploring suitable investment opportunities with good prospects for growth in the next decade that can add value to the Group and bring benefits to the Shareholders. The Board believes that the Proposed Expansion of Business Scope would allow the Group to have better prospects of profitability, offers an attractive investment platform for the Group to venture into the growing minerals and resource sector and allows the Group to develop along with the gradual pick up in the global economy and diversify the Group's risks in the event that the demand or price of indium ingots decreases.

2.3.3 Stronger competitive strength

The PRC government has dedicated its efforts towards consolidating the smelting industry, and reducing the number of small independent smelters with annual production capacity below certain thresholds. On 6 February 2010, the Central People's Government of the PRC had released a notice to shut down small independent enterprises with low production capacities in various industries including smelting industry of non-ferrous metals. On 11 July 2011, the Ministry of Industry and Information Technology of the PRC also released a list of enterprises which will be weeded out due to their lower production capacities.

Thus, it is expected that smaller and weaker players will be weeded out through mergers and acquisitions or even bankruptcy. Amidst this fast changing and challenging landscape, the Group needs to seek suitable investment opportunities from time to time to broaden its sources of revenue and to increase its competitiveness.

3. **PROPOSED RE-ALLOCATION OF THE REMAINING IPO PROCEEDS**

The Company had disclosed in the Prospectus that approximately S\$6.3 million (equivalent to approximately US\$4.0 million pursuant to the exchange rate of US\$1 = S\$1.5588⁽¹⁾) would be used to expand its indium ingot production capacity through the acquisition of production facilities as well as carry out technical and equipment upgrades to its existing indium ingot production facilities. As at the Latest Practicable Date, approximately US\$4.0 million (equivalent to approximately S\$4.84 million pursuant to the exchange rate of US\$1 = S\$1.21 published on The Business Times on the Latest Practicable Date) remains unutilised out of this portion of the net proceeds of the IPO.

The Company had also disclosed in the Prospectus that approximately S\$9.5 million (equivalent to approximately US\$6.1 million pursuant to the exchange rate of US\$1 = S\$1.5588⁽¹⁾) would be used to meet its increasing needs for raw materials resulting from the expansion of indium ingot production capacity. As at the Latest Practicable Date, approximately US\$6.1 million (equivalent to approximately S\$7.38 million pursuant to the exchange rate of US\$1 = S\$1.21 published on The Business Times on the Latest Practicable Date) remains unutilised out of this portion of the net proceeds of the IPO.

The Remaining IPO Proceeds have remained unutilised mainly because of the changes made to the export policies of indium products by the PRC government. In 2007, the PRC government had implemented a series of new export policies, including, *inter alia*, the change of export quota and tariff for indium products, pursuant to which, the Group's export quota for indium products is limited per year and the tariff for exporting indium

products had also been raised from nil to 5% since 1 July 2009. Since approximately 28.0% of the Group's products were sold to the overseas markets during FY2008 to FY2010, it is not meaningful and profitable for the Group to increase its production capacities of indium products in view of the new export policies implemented by the PRC government.

In view of the above reasons, the Company intends to re-allocate the Remaining IPO Proceeds and to utilise the Remaining IPO Proceeds as follows:-

- (i) approximately US\$10.0 million (equivalent to approximately S\$12.1 million pursuant to the exchange rate of US\$1 = S\$1.21 published on The Business Times on the Latest Practicable Date) will be used to finance the proposed production of zinc ingots and zinc related products as well as the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke; and
- (ii) approximately US\$0.1 million (equivalent to approximately S\$0.12 million pursuant to the exchange rate of US\$1 = S\$1.21 published on The Business Times on the Latest Practicable Date) will be used to meet the Group's general working capital requirements.

Note:

- (1) Based on the exchange rate of US\$1 = S\$1.5588 as disclosed in the Prospectus.

4. MANAGEMENT

The Company's Executive Director, Mr. Meng Limin, is also the general manager of Intai. He was appointed to the Board on 21 April 2006 and has more than 14 years working experience in the non-ferrous metals trading industry.

Mr. Zeng Fuzu, the Company's Chairman and Non-Executive Director, has more than 22 years of working experience in the base metal industry, as well as a good knowledge of cross border trading, financing, logistic support, structured trade finance and market development.

Mr. Chen Cong, the Company's former Chief Executive Officer and Executive Director, is the general manager of UnionZinc. Mr. Chen Cong has more than 20 years working experience in the metallurgy industry and was responsible for formulating and executing the Company's strategies and overall business operations and development, as well as finance and risk management. ⁽¹⁾

In addition, the Company also intends to engage and work closely with professionals and consultants to draw on their expertise in the production of zinc ingots and zinc related products as well as the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke. Where viable, the Company may also enter into collaborations with persons with such expertise to perform these roles. The Company expects that by allowing the employees of the Group to work closely with professionals and consultants, the employees of the Group will also gain invaluable experience in the production of zinc ingots and zinc related products as well as the trading business of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke.

Note:

- (1) Pursuant to the Company's announcement dated 28 January 2008, Mr. Chen Cong had resigned and ceased to be the Company's Chief Executive Officer and Executive Director with effect from 31 January 2008 due to family commitments.

5. RISK FACTORS

The following is a list of identified but by no means exhaustive list of risk factors which are associated with the businesses relating to the production of zinc ingots and zinc related products as well as the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke:

5.1 Economic and price risks

The price of (i) zinc and/or other ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke can fluctuate rapidly and significantly and this can have a substantial effect on the Group's potential future revenue and profits that might be derived from the production of zinc ingots and zinc related products as well as the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke. Historically, the international markets for metals, kaolin, barite, coal and coke have at times experienced alternating periods of increased demand, causing prices and margins to increase, followed by periods of excess supply, causing prices and margins to decline. Due to the sensitivity of PRC market prices for (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke to international market prices, any decline in international market prices may have an adverse impact on the Group's business, financial condition and results of operation.

Zinc is mainly used in manufacturing of galvanizing steel used in automobile and construction industries. Should the economy or the property market experience a downturn, due to reasons such as government regulations or global economic conditions, the Group's business, financial condition and results of operation could be adversely affected.

5.2 Political and social risks

The Group intends to carry out the businesses relating to the production of zinc ingots and zinc related products as well as the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke mainly in the Asia-Pacific region. Some of the countries in which the Group intends to operate have been affected by political upheavels, internal strife, civil commotions, epidemics and terrorist attacks. The recurrence of these political and social conditions in countries where the Group may operate may affect the Group's ability to conduct the business relating to the production of zinc ingots and zinc related products as well as the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke smoothly. Any changes in political and social conditions or policies in these countries could adversely affect the results of the Group's operations and in turn, the market price of the Shares.

5.3 Regulatory risks

The Group's business and operations will be subject to the legal and regulatory framework in the countries located in the Asia-Pacific region. Laws and regulations governing business entities in these countries may change and are often subject to a number of possibly conflicting interpretations, both by business entities and by the courts. The Group's business, financial conditions, profitability and results of operations may be adversely affected by changes in and uncertainty surrounding governmental policies, in particular with respect to business laws and regulations, licences and permits, taxation, inflation, interest rates, currency fluctuations, price and wage controls, exchange control regulations, labour laws and expropriation. Any changes in economic, political, legal and regulatory conditions or policies in these countries could adversely affect the results of the Group's operations and in turn, the market price of the Shares.

In particular, the Group's operations in the PRC are subject to laws and regulations promulgated by the PRC government.

Essentially, the PRC legal system is a codified legal system made up of written laws, regulations, administrative directives, circulars, and internal guidelines. Unlike common law jurisdictions like the United Kingdom and Singapore, decided cases do not form part of the legal structure of the PRC laws and thus have no regulation binding effect. As such,

the administration of the PRC laws and regulations may be subject to a certain degree of discretion by the authorities. This has resulted in the outcome of dispute resolutions not having the level of consistency or predictability as in other countries with more developed legal systems.

Furthermore, in line with its economic development, the PRC government is still in the process of developing a comprehensive set of laws and regulations. As the legal system in the PRC is still evolving, amendments to existing laws and regulations or revisions to legal interpretation by the PRC government which are detrimental to the business environment in which the Group operates may adversely affect its business and financial performance.

5.4 Operational risks

(a) The Group is reliant on its external contract manufacturers

As at the Latest Practicable Date, the Group does not have any production lines for the processing of zinc ingots or other zinc related products, and will outsource the production of zinc ingots and zinc related products to external contract manufacturers. Although the Group intends to adopt a set of stringent criteria for the appointment of its external contract manufacturers and maintain strict quality control on its products to be provided to the customers, there is no assurance that all of the Group's external contract manufacturers are able to deliver the required products to the Group and/or its customers on time or at all or in accordance with the quality required by the Group's customers. In the event that the Group is unable to source suitable alternative contract manufacturers in a timely manner when there is a failure by any of the contract manufacturers to perform or it loses any of its external contract manufacturers, the Group's business operation and financial performance may be materially and adversely affected.

(b) The Group's results of operations may be affected if it is unable to obtain a steady supply of products from its suppliers

The Group's ability to deliver quality products at competitive prices to its customers is dependent on its ability to obtain sufficient quantities of products from its suppliers of acceptable quality at competitive prices. In the event that the Group's suppliers are unable to fulfil its products needs or if its existing suppliers increase their prices, the Group may not be able to find alternative sources of supply in a timely or cost-efficient manner. Any insufficient supply of products or delay or disruption to the delivery schedules may adversely affect the Group's ability to meet its customers' orders.

(c) The Group is susceptible to price fluctuations in materials

The major raw materials for the production of zinc ingots and other zinc products are zinc and coal. The prices of zinc and coal may be subject to price fluctuations due to factors beyond the Group's control, such as changes in governmental regulations which might reduce supply, leading to an increase in supply costs. An increase in the prices of the aforesaid materials, and the inability to source for and obtain alternative supplies, may have an impact on the Group's profit margins and hence its profitability. There is also no assurance that the Group will be able to pass on any such increase in costs to its customers in order to maintain its profit margins or effectively hedge all the Group's exposure from such price fluctuations. Hence, any significant increase in the price of materials may adversely affect the Group's business and financial performance.

(d) The Group's results from operations may be affected if it is unable to collect the trade receivables on time from its customers

The Group's targeted customers for the trading business of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke include large

scale state-owned enterprises, and therefore the credit risks of the potential customers are relatively low. However, as payment requires various approvals in such large scale state-owned enterprises, the credit term to be granted to these potential customers will be relatively longer, and in the event that the Group is unable to collect the trade receivables on time, its operations and financial performance may be adversely affected.

5.5 Commercial Risks

Save for the production and sale of indium ingots and the sale of by-products, the Group does not have a proven track record in the trading business of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke. Accordingly, there is no assurance that new business will achieve the expected level of revenue and margins. If the Group fails to manage costs effectively, the overall financial position and profitability of the Group may be adversely affected. There is no assurance that the new business will not fall short of expectations.

5.6 Management Risks

The Group's future success depends substantially on the continued services of its key management personnel comprising the Executive Director of the Company and the general manager of Intai, Mr. Meng Limin, the Chairman and Non-Executive Director of the Company, Mr. Zeng Fuzu and the general manager of UnionZinc, Mr. Chen Cong. The loss of the services of the Group's key management personnel could have a material adverse effect on the Group's overall operations. In addition, the Group also anticipates that it will be necessary for it to employ additional capable key employees as the Group pursues its business strategies.

However, the Group may not succeed in recruiting such additional employees or retaining current key employees as the market for such employees is extremely competitive. In the event that the Group is unable to attract or retain senior management members, or if one or more of its key employees are unable or unwilling to continue in their present positions, join a competitor or form a competition company, the Group may not be able to replace them readily or at all.

In addition, the Group's effort to retain or attract key management personnel or other key employees may also result in significant additional expenses, which could adversely affect the Group's profitability. Adverse developments with respect to its senior officer may have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

6. DISCLOSURE OF DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of Directors and Substantial Shareholders in the Shares of the Company as recorded in the Register and as at the Latest Practicable Date, were as follows: -

	Direct Interest		Deemed Interest	
	Number of shares	%	Number of shares	%
Directors				
Meng Limin ⁽¹⁾	-	-	10,750,000	1.75
Zeng Fuzu ⁽³⁾	93,391,918	15.22	111,401,702	18.16
Huang Guozhi ⁽⁴⁾	-	-	47,778,889	7.79
Low Weng Keong	-	-	-	-
Kelvin Valery Chia Hoo Khun	-	-	-	-

**Substantial Shareholders
(other than Directors) (5% or more)**

Grasmere Park Limited ⁽²⁾	73,014,555	11.90	-	-
Precious Stream Holdings Limited ⁽⁴⁾	-	-	47,665,014	7.77

Notes:

- (1) Mr Meng Limin has a deemed interest in 10,750,000 shares held by Joywise Industrial Limited registered in the name of DBS Nominees Pte Ltd.
- (2) Mr Huang Wei has a deemed interest in 73,014,555 shares held by Grasmere Park Limited ("Grasmere") by virtue of his 100% ownership in Grasmere.
- (3) Mr Zeng Fuzu has a deemed interest in 111,401,702 shares held by Ultra Plus Ventures Ltd ("Ultra Plus") by virtue of his 100% ownership in Ultra Plus. The shares held by Ultra Plus are registered in the name of DBS Nominees (Pte) Limited.
- (4) Mr Huang Guozhi is deemed interested in 47,665,014 shares held by Precious Stream Holdings Limited by virtue of his 100% ownership in Precious Stream Holdings Limited. The total of 47,778,889 shares are registered in the name of DBS Nominees (Pte) Limited.

None of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Expansion of Business Scope.

7. DIRECTORS' RECOMMENDATIONS

7.1 The Proposed Expansion of Business Scope

The Directors, having carefully considered the rationale of the Proposed Expansion of Business Scope, are of the view that the Proposed Expansion of Business Scope is in the interests of the Group and is not prejudicial to Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favor of the Proposed Expansion of Business Scope to be proposed at the EGM.

7.2 The Proposed Re-allocation of the IPO Proceeds

The Directors, having carefully considered the rationale of the Proposed Re-allocation of the IPO Proceeds, are of the view that the Proposed Re-allocation of the IPO Proceeds is in the interests of the Group and is not prejudicial to Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favor of the Proposed Re-allocation of the IPO Proceeds to be proposed at the EGM.

8. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 17 of this Circular, is being convened at Amara Hotel Singapore, Level 3, Connection 2, 165 Tanjong Pagar Road, Singapore 088539 on Tuesday, 20 September 2011 at 10 a.m. for the purpose of considering and, if thought fit, passing, with or without any modifications, the resolutions set out therein.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company not less than 48 hours before the time fixed for the EGM. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person

at the EGM if he finds that he is able to do so. In such event, the relevant proxy form will be deemed to be revoked.

10. LITIGATION

Save as disclosed on SGXNET, neither the Company, nor its subsidiaries is engaged in any litigation as plaintiff or defendant in respect of any claims or amounts which are material in the context of the financial position or the business of the Company or its subsidiaries and the Directors have no knowledge of any proceedings which are pending or threatened against the Company or its subsidiaries or of any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or business of the Company or its subsidiaries.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Expansion of Business Scope and the Proposed Re-allocation of the Remaining IPO Proceeds, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited consolidated financial statements of the Company for the year ended 30 November 2010.

Yours faithfully

For and on behalf of the Board of Directors of
Unionmet (Singapore) Limited

Mr. Meng Limin
Executive Director and Chief Executive Officer

UNIONMET (SINGAPORE) LIMITED
(Incorporated in the Republic of Singapore on 21 July 2004)
(Company Registration No. 200409104W)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of the shareholders of Unionmet (Singapore) Limited (the “**Company**”) will be held at Amara Hotel Singapore, Level 3, Connection 2, 165 Tanjong Pagar Road, Singapore 088539 on Tuesday, 20 September 2011 at 10 a.m. for the purposes of considering and, if thought fit, passing the following ordinary resolutions:

RESOLUTION 1:

Ordinary Resolution: Proposed expansion of business scope of the Company

That: -

approval be and is hereby given for the proposed expansion of business scope of the Company to include business relating to the production of zinc ingots and zinc related products as well as the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke.

The Directors of the Company be and are hereby authorised to take all necessary steps and to negotiate, finalise and enter into all transactions, arrangements and agreements and to execute all such documents (including but not limited to the execution of application forms and transfers) with full and discretionary powers to make or assent to any modifications or amendments thereto in any manner they may deem necessary, expedient, incidental or in the interests of the Company and the Group for the purposes of giving effect to this Resolution and the transactions contemplated thereunder.

RESOLUTION 2:

Ordinary Resolution: Proposed re-allocation of the remaining unutilised proceeds raised by the Company during its initial public offering exercise

That: -

approval be and is hereby given for the proposed re-allocation of the remaining unutilised proceeds of an aggregate amount of S\$15.8 million out of the total net proceeds of the Company’s initial public offering.

The Directors of the Company be and are hereby authorised to take all necessary steps and to negotiate, finalise and enter into all transactions, arrangements and agreements and to execute all such documents (including but not limited to the execution of application forms and transfers) with full and discretionary powers to make or assent to any modifications or amendments thereto in any manner they may deem necessary, expedient, incidental or in the interests of the Company and the Group for the purposes of giving effect to this Resolution and the transactions contemplated thereunder.

BY ORDER OF THE BOARD
Unionmet (Singapore) Limited

Meng Limin
Executive Director and Chief Executive Officer
Singapore
01 September 2011

NOTES:

1. A member entitled to attend and vote at the Extraordinary General Meeting (the "Meeting") is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 8 Shenton Way #42-02 AXA Tower Singapore 068811 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

UNIONMET (SINGAPORE) LIMITED

(Incorporated in the Republic of Singapore on 21 July 2004)
(Company Registration No. 200409104W)

PROXY FORM**IMPORTANT**

1. For investors who have used their CPF monies to buy Unionmet (Singapore) Limited's shares, the Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

I/We (Name) _____ of (Address) _____

being a Member/Members of **UNIONMET (SINGAPORE) LIMITED** (the "Company"), hereby appoint:-

Name	Address	NRIC/Passport No.	Proportion of Shareholding (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholding (%)

or failing whom the Chairman of the Extraordinary General Meeting as *my/our proxy/proxies to vote for *me/us on *my/behalf and, if necessary to demand a poll at the Extraordinary General Meeting of the Company to be convened on Tuesday, 20 September 2011 at 10 a.m. and at any adjournment thereof. *I/We direct *my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Extraordinary General Meeting.

	No. of votes For ⁽¹⁾	No. of votes Against ⁽¹⁾
Ordinary Resolutions		
1. Proposed expansion of business scope of the Company to include business relating to the production of zinc ingots and zinc related products as well as the trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke		
2. Proposed re-allocation of the remaining unutilised proceeds raised by the Company during its initial public offering exercise		

Note:

- (1) If you wish to exercise all your votes "For" or "Against", please indicate with a tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2011

Total Number of Shares held in:	
CDP Register	
Register of Members	

Signature(s) of Member(s)/ Common Seal

*Delete accordingly

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM



Notes: -

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Shenton Way #42-02 AXA Tower Singapore 068811, not less than forty-eight (48) hours before the time appointed for the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.