

UNIONMET (SINGAPORE) LIMITED
(Company Registration No: 200409104W)
(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF WHOLLY-OWNED SUBSIDIARY

1. INTRODUCTION

The Board of Directors (“**Board**”) of Unionmet (Singapore) Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”), wishes to announce that it has on 14 March 2014 entered into a sale and purchase agreement (the “**Agreement**”) with Divine Season Limited (the “**Purchaser**”) for the proposed disposal (the “**Proposed Disposal**”) by the Company to the Purchaser of the entire issued and paid-up share capital of Unionmet Holdings Limited (“**Unionmet Holdings**”) comprising one (1) ordinary share (“**Sale Share**”).

2. INFORMATION ON UNIONMET HOLDINGS AND THE PURCHASER

Unionmet Holdings was incorporated in the British Virgin Islands on 8 August 2013, with an issued and paid-up capital of USD\$1.00 consisting of one (1) ordinary share. It is a wholly-owned subsidiary of the Company. Unionmet Holdings is an investment holding company with one wholly-owned subsidiary in the People’s Republic of China (“**PRC**”), namely Guangxi Intai Technology Co., Ltd. (“**GIT**”) which is in the business of manufacturing and trading of non-ferrous metals comprising indium ingots, and their related by-products.

On 12 March 2014, the Company entered into an equity transfer agreement (“**Transfer Agreement**”) pursuant to which Unionmet Holdings disposed of its entire equity interest in its wholly-owned PRC subsidiary, Liuzhou Union Zinc Industry Co., Ltd (“**LUZ**”) to the Company. LUZ is in the business of trading of (i) ferrous, non-ferrous and precious metals; (ii) kaolin and barite; and (iii) coal and coke.

The Purchaser is an investment holding incorporated in the British Virgin Islands. The share capital of the Purchaser is held by three individuals who are not connected to the Directors or controlling shareholders of the Company.

3. RATIONALE FOR THE PROPOSED DISPOSAL

GIT has been making operational losses for the past three financial years. The gross profit of GIT in FY2013 was US\$283,500 which was less than its operating expenses of US\$600,000. The Group expects GIT to continue incurring monthly losses of approximately US\$90,000 moving forward, which would adversely affect the financial performance of the Group should GIT continue as a subsidiary. GIT is also generating negative operational cash-flow of about US\$70,000 monthly and is a drain on the Group’s cash resources. The net losses attributable to the Sale Share for FY2013 was US\$1.66 million.

As the current operations of GIT are unable to generate sufficient profits or cash-flow to cover the rate of depreciation of the fixed assets in GIT and will be unlikely to do so, it is probable that GIT will have to face an impairment charge on its fixed assets in excess of US\$2.10 million if it continues to be a subsidiary of the Group. For these reasons and given the on-going losses in GIT and its operating cash deficit and track record, the Group is unable to fetch a higher price for the sale of the Sale Share.

The disposal of Unionmet Holdings and GIT will therefore reduce the Group’s overheads and losses while also allowing the Group to realize its investment and generate cash to be redeployed into its other businesses. This will allow the Group to apply the sales proceeds into the new businesses approved by shareholders of the Company at the extraordinary general meeting held on 25 February 2014, thus supplementing the Group’s operations and

profitability. The Proposed Disposal is part of the Group's on-going plans to review its current businesses and operations and provide shareholders with diversified returns and long term growth, as detailed in the Company's Circular to Shareholders dated 10 February 2014.

The Board does not consider the Proposed Disposal to result in a material change in its risk profile as Unionmet Holdings and GIT are non-core assets and non-principal subsidiaries of the Group. The Board also does not consider the Proposed Disposal to result in a material change in the nature of the Group's business or to be a disposal of a core business (or a substantial part of its core business) as the Group continues to be in the business of the trading of non-ferrous metals through its wholly-owned subsidiary, Liuzhou Union Zinc Industry Co., Ltd.

Accordingly, the Board is of the view that it would be in the best interests of the Company to proceed with the Proposed Disposal.

4. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

4.1 Consideration

The total consideration for the sale of the Sale Share by the Company to the Purchaser shall be an aggregate sum of S\$5,500,000.00 (Singapore Dollars Five Million and Five Hundred Thousand only). This sum will be paid in cash and was arrived at on an arms' length, willing-buyer, willing-seller basis and took into account the current prospects of the business of Unionmet Holdings and GIT.

4.2 Effective Date of Completion

Subject to completion taking place, the parties agree that the effective date of transfer of the Sale Share shall be deemed to be 1 March 2014.

5. FINANCIAL EFFECTS

5.1 The financial effects of the Proposed Disposal on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Proposed Disposal. The financial effects of the Proposed Disposal set out below have been prepared based on the Group's audited consolidated financial statements for the financial year ended 30 November 2013.

5.1.1 Net assets ("NA")

The effects of the Proposed Disposal on the audited consolidated NA per share of the Group as at FY2013, assuming that the Proposed Disposal had been effected on 30 November 2013, are summarised below:-

	Before the Proposed Disposal	After the Proposed Disposal
Consolidated NA (US\$'000)	34,720	27,819
Number of shares ('000)	613,553,995	613,553,995
Consolidated NA per share (cents)	5.66	4.53

5.1.2 Earnings per Share ("EPS")

The effects of the Proposed Disposal on the audited consolidated EPS of the Group for

FY2013, assuming that the Proposed Disposal had been effected on 1 December 2012 are summarised below:-

	Before the Proposed Disposal	After the Proposed Disposal
Earnings attributable to equity holders of the Company (US\$'000)	(3,159)	(1,502)
Weighted average number of shares ('000)	613,553,995	613,553,995
Consolidated EPS (US cents)	(5.15)	(2.45)

5.2 Other financial information

The *pro forma* net book value ("**Net Book Value**") (as well as net asset value) attributable to the Sale Share (after taking into account the Transfer Agreement) as at 28 February 2014 is US\$6.45 million. The deficit of proceeds of the Proposed Disposal over the Net Book Value is approximately US\$2.10 million. As at 13 March 2014, the net cash position of the Sale Share is US\$3.10 million (after excluding bank loans). The Proposed Disposal represents a gain over the net cash position of the Sale Share of US\$1.24 million.

6. Rule 1006

The relative figures in relation to the Proposed Disposal computed on the applicable bases set out in Rule 1006 of the Listing Manual of the SGX-ST (the "**Listing Manual**"), based on the Group's audited consolidated financial statements for FY2013, being the latest announced audited consolidated financial statements of the Group as at the date of the Agreement, are as follows:-

Rule 1006(a)	Net asset value of the Sale Share, compared with the Group's net asset value	19.88%
Rule 1006(b)	Net profit attributable to the Sale Share, compared with the Group's net profit.	Not meaningful ¹
Rule 1006(c)	Consideration received for the Proposed Disposal compared with the Company's market capitalisation	14.23%
Rule 1006(d)	Number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue.	Not applicable

Rule 1006(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable
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Note:

1. Based on the Group's audited consolidated financial statements for FY2013, the Group made a net loss of US\$3.16 million and the net loss represented by Unionmet Holdings and GIT was US\$1.66 million.

Having regard to the above, the Proposed Disposal is a "Discloseable Transaction" under Rule 1010 of the Listing Manual.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and the controlling shareholders of the Company have any interest or are deemed to be interested in the Proposed Disposal.

8. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. MISCELLANEOUS

The Agreement is available for inspection at the registered office of the Company at 8 Shenton Way, #42-02 AXA Tower, Singapore 068811, during normal business hours for three (3) months from the date of this announcement.

BY ORDER OF THE BOARD
Unionmet (Singapore) Limited

Li Hua
Executive Chairman and Chief Executive Officer
15 March 2014