

**FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31/03/2006**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

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

**1(a)(i)**

**UNAUDITED CONSOLIDATED RESULTS FOR THE FIRST QUARTER OF 2006**

	<b>Group 3 months ended 31/03/2006 \$'000</b>	<b>Group 3 months ended 31/03/2005* \$'000</b>	<b>Increase / (Decrease) %</b>
<b>Revenue</b>	21,224	14,417	47
<b>Cost of sales</b>	-14,650	-7,952	84
<b>Gross profit</b>	6,574	6,465	2
Other operating income	810	157	416
Selling and distribution expenses	-589	-418	41
General and administrative expenses	-1,207	-1,660	-27
<b>Operating Profit</b>	5,588	4,544	23
Finance cost	-98	-20	390
Share of profits of associate	480	-10	n.m.
<b>Profit before tax</b>	5,970	4,514	32
Income tax expense	-104	-154	-32
<b>Profit after tax</b>	5,866	4,360	35
<b>Attributable to:</b>			
Equity holders of parent	5,516	4,136	33
Minority interests	350	224	56
	5,866	4,360	35

\* Certain comparative figures have been restated to conform with the new/revised FRSs and INT FRSs.

**1(a)(ii)**

	<b>Group 3 months ended 31/03/2006</b>	<b>Group 3 months ended 31/03/2005</b>	<b>Increase / (Decrease) %</b>
	<b>\$'000</b>	<b>\$'000</b>	
<b><u>Other Credits/(Charges)</u></b>			
Staff costs	-1,131	-557	103
Research and development	-139	-136	2
Depreciation	-540	-478	13
Rental	-148	-129	15
Exchange differences	-165	-183	-10
Interest income	356	61	484
Loss on disposal of property, plant and equipment	-287	-	n.m
Gain from disposal of quoted investment	256	-	n.m

n.m.: not meaningful

**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.**

**1(b)(i)**

**UNAUDITED BALANCE SHEETS**

	<b>Group 31/03/2006 \$'000</b>	<b>Group 31/12/2005 \$'000</b>	<b>Company 31/03/2006 \$'000</b>	<b>Company 31/12/2005 \$'000</b>
<b>Fixed assets</b>	15,446	16,157	-	-
<b>Investment in associates</b>	34,003	28,488	-	-
<b>Investment in subsidiaries</b>	-	-	6,000	6,000
	<u>49,449</u>	<u>44,645</u>	<u>6,000</u>	<u>6,000</u>
<b>Current assets</b>				
Trade receivables	23,202	22,190	-	-
Other receivables and prepayments	9,603	8,264	71,627	59,234
Held for trading investment	-	1,261	-	-
Inventories	8,221	6,007	-	-
Cash and bank balances	94,279	94,693	21,729	34,043
Pledged bank deposits	80	845	-	-
	<u>135,385</u>	<u>133,260</u>	<u>93,356</u>	<u>93,277</u>
<b>Current liabilities</b>				
Trade payables	11,112	8,396	-	-
Other payables	5,607	3,918	163	200
Bank loan, unsecured	7,075	6,180	-	-
Income tax payable	709	1,064	80	70
	<u>24,503</u>	<u>19,558</u>	<u>243</u>	<u>270</u>
<b>Net current assets</b>	<u>110,882</u>	<u>113,702</u>	<u>93,113</u>	<u>93,007</u>
<b>Non-current liabilities</b>				
Long-term debt to related party	5,123	7,249	-	-
Deferred income	1,054	1,333	-	-
	<u>6,177</u>	<u>8,582</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u>154,154</u>	<u>149,765</u>	<u>99,113</u>	<u>99,007</u>
<b>Capital and reserves</b>				
Issued capital	90,727	9,236	90,727	9,236
Share premium	-	81,491	-	81,491
Reserves	59,252	55,139	8,386	8,280
	<u>149,979</u>	<u>145,866</u>	<u>99,113</u>	<u>99,007</u>
<b>Minority interests</b>	4,175	3,899	-	-
<b>Total capital and reserves</b>	<u>154,154</u>	<u>149,765</u>	<u>99,113</u>	<u>99,007</u>

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

**Amount repayable in one year or less, or on demand**

As at 31/03/2006		As at 31/12/2005	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	7,075	Nil	6,180

**Amount repayable after one year**

As at 31/03/2006		As at 31/12/2005	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	Nil	Nil	Nil

**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.**

**UNAUDITED CASH FLOW STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2006**

	<b>Group</b>	
	<b>3 months ended 31/03/2006 \$'000</b>	<b>3 months ended 31/03/2005 \$'000</b>
<b>Cash flow from operating activities:</b>		
Profit before tax	5,970	4,514
Adjustments for:		
Share of loss (gain) of associate company	-480	10
Depreciation of property, plant and equipment	540	478
Loss on disposal of property, plant and equipment	287	-
Allowance for doubtful debts	-	4
Interest expense	98	20
Interest income	-356	-61
<b>Operating profit before working capital changes</b>	6,059	4,965
Fixed assets unpledged from financial institutions	765	2,307
Trade receivables	-1,012	-5,657
Other receivables	-1,339	-1,097
Inventories	-2,214	-4,303
Financial assets	-	502
Trade payables	2,716	-177
Other payables	1,689	-1,872
Deferred income	-279	10
<b>Cash from (used in) operations</b>	6,385	-5,322
Interest received	356	61
Income tax paid	-459	-202
<b>Net cash from (used in) operating activities</b>	6,282	-5,463
<b>Cash flow from investing activity:</b>		
Purchase of fixed assets	-405	-586
Proceeds from sale of an asset classified as held for trading investment	1,261	-
Investment in associates	-5,034	-
Contribution by minority interests	-	30
<b>Net cash (used in) generated from investing activity</b>	-4,178	-556
<b>Cash flow from financing activity:</b>		
Bank loan	895	-
Repayment of long-term debt to related party	-2,126	-
Interest paid	-98	-20
<b>Net cash from (used in) financing activities</b>	-1,329	-20
<b>Net effect of exchange rate changes in consolidating subsidiaries</b>	-1,189	69
Net increase in cash and cash equivalents	-414	-5,970

Cash and cash equivalents at beginning of financial period	94,693	61,038
<b>Cash and cash equivalents at end of financial period</b>	<b>94,279</b>	<b>55,068</b>

**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.**

**(1)(d)(i)**

**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to Shareholders of the Company						Total	Minority interest	Total equity
	Issued capital	Share premium	Accumulated profits	Other reserves	Legal reserves	Translation reserves			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
<b>Group</b>									
Balance as at 1 January 2006	9,236	81,491	50,071	1,500	3,889	-321	145,866	3,899	149,765
Adjustment arising from abolition of par value of shares	81,491	-81,491	-	-	-	-	-	-	-
Profit for the period	-	-	5,516	-	-	-	5,516	350	5,866
Transfer to legal reserves	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-1,403	-1,403	-74	-1,477
Balance as at 31 March 2006	<u>90,727</u>	<u>-</u>	<u>55,587</u>	<u>1,500</u>	<u>3,889</u>	<u>-1,724</u>	<u>149,979</u>	<u>4,175</u>	<u>154,154</u>

Balance as at 1 January 2005	8,000	39,828	31,054	1,500	3,558	-1,226	82,714	7,020	89,734
Profit for the period	-	-	4,136	-	-	-	4,136	224	4,360
Transfer to legal reserves	-	-	(1108)	-	1,108	-	-	-	-
Currency translation differences	-	-	-	-	-	210	210	10	220
Balance as at 31 March 2005	<u>8,000</u>	<u>39,828</u>	<u>34,082</u>	<u>1,500</u>	<u>4,666</u>	<u>-1,016</u>	<u>87,060</u>	<u>7,254</u>	<u>94,314</u>

	Issued capital	Share premium	Accumulated profits	Total
	\$'000	\$'000	\$'000	\$'000
<b>Company</b>				
Balance as at 1 January 2006	9,236	81,491	8,280	99,007
Adjustment arising from abolition of par value of shares	81,491	-81,491	-	-
Profit for the period	-	-	106	106
Balance as at 31 March 2006	<u>90,727</u>	<u>-</u>	<u>8,386</u>	<u>99,113</u>
Balance as at 1 January 2005	8,000	39,828	6,084	53,912
Profit for the period	-	-	335	335
Balance as at 31 March 2005	<u>8,000</u>	<u>39,828</u>	<u>6,419</u>	<u>54,247</u>

- 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 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.**

During the first quarter ended 31 March 2006, the issued capital of the group and of the company remained unchanged. No options were granted nor new shares issued pursuant to the employees' share option Scheme.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or 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 accounting policies have been consistently applied by the group and the company and are consistent with those used in the previous financial year.

- 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.**

Not applicable.

- 6. 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.**

**Earnings Per Share**

	<b>Group</b>	<b>Group</b>
	<b>3 months ended</b>	<b>3 months ended</b>
	<b>31/03/2006</b>	<b>31/03/2005</b>
Earnings per ordinary share after deducting any provision for preference dividends were:		
Based on the weighted average number of ordinary shares in issue; and	1.19 cents	1.03 cents
On a fully diluted basis	1.19 cents	1.03 cents

Earnings per ordinary share have been computed based on the number of shares issued and outstanding during the period of 461,780,000 (31/03/2005: 400,000,000 shares).

There were no potential dilutive ordinary shares.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

Net Asset Value

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>31/03/2006</b>	<b>31/12/2005</b>	<b>31/03/2005</b>	<b>31/12/2005</b>
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Net asset value per ordinary share based on issued share capital as at the end of the financial period	32.48	31.59	21.46	21.44

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.**

#### Income Statement

Revenue grew 47% from S\$14.4 million for 1Q 2005 to S\$21.2 million for 1Q 2006, contributed by increased number of contracts and higher sales from Jiangxi New Reyphon. The cost of sales increased by 84% to S\$14.7 million compared to an increase in revenue of 47%. The higher proportionate increase in costs was due mainly to the increase in the cost of direct materials and consumables and higher personnel costs caused primarily by the rising prices of crude oil, and higher labour cost. Gross profit margin was 31% in 1Q 2006, down from 44% in 1Q FY 2005 due to price pressure.

Other operating income increased by 416% to S\$0.8 million due to higher interest income and a gain on disposal of a quoted investment.

Operating profit rose by 23% to S\$5.6 million. Selling and distribution expenses increased by 41%, in line with increase in revenue. Although staff costs had increased, general and administrative expenses declined by 27% due to fair value adjustment of financial instruments of S\$0.5 million. Staff expenses doubled due to salary adjustments and additional headcount to support business expansion.

The group's share of profits of associate amounted to S\$0.5 million. This was due to positive contribution from two associate companies, namely Shandong TianLi and Microdyn-Nadir.

The group's subsidiary, Jiangxi New Reyphon Biochemical Co., Ltd has been granted tax exemption in first two years, beginning year 2006 and 50% relief from PRC income tax for the subsequent three years. Therefore, the income tax expense decreased by 32% to S\$0.1 million. Net profit attributable to shareholders was S\$5.5 million, up 33%.

### Balance Sheet

As at 31 March 2006, the group had cash and cash equivalents of S\$94 million and gross debt of S\$7 million, resulting in a net cash position of S\$87 million. Net cash per share was 18.84 cents. Investment in associated company increased by S\$5.5 million arising from the investment in Sinphon Bioscience (Ji'an) Co., Ltd. Inventory increased by 37% to S\$8.2 million and trade payables increased by 32% to S\$11 million, due to increased volume of business.

Days	Q1 FY2006	Q4 FY2005	Q1 FY2005
Average Receivables Turnover	97	83	111
Average Inventory Turnover	44	35	63
Average Payables Turnover	59	43	92
<b>Cash Cycle*</b>	<b>82</b>	<b>75</b>	<b>82</b>

\*Cash Cycle = Avg Receivables Turnover + Average Inventory Turnover- Average Payables Turnover

### Cash Flow

In 1Q 2006, net cash generated from operation activities was approximately S\$6.3 million versus a negative cash flow of S\$5.5 million a year ago. Cash used in investing activities of S\$4.2 million was mainly due to the new investment of acquisition of the associated company, Sinphon Bioscience (Ji'an) Co., Ltd, which is set up to build a membrane-based nutraceutical production base to support the group's downstream business. Cash used in financing activities was S\$1.3 million, largely due to the partial repayment of amount due to a related party. Overall, the group cash position strengthened from S\$55 million to S\$94.3 million as at 31 March 2006.

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

Not applicable.

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

There is no variance between the actual results as compared to that disclosed in the previous announcement.

**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 competitive conditions in the China membrane industry are getting more keen, which may in turn depress the margin. A new JV named Microdyn-Nadir Technology (Xiamen) Co., Ltd, which is set up with Microdyn-Nadir GmbH, is expected to commence operation in the 2<sup>nd</sup> half of 2006. The profitability of our membrane manufacturing business should improve due to the lower production cost of the manufacturing facility in PRC.

For our downstream product manufacturing division, the group is currently constructing a new state-of-art fermentation-based nutraceutical production base in Jiangxi China. The new plant is expected to produce gibberellins and xanthan gum in the fourth quarter of 2006 and mid-2007 respectively.

The launch of the patented MBR product, BIO-CEL, will mark an important milestone for the group. That will provide our group an opportunity to tap on the huge recycling water market in China.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

None.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

**15. Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommendeded, a statement to that effect.**

Not applicable.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT  
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Only applies to full year results.

- 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Only applies to full year results.

- 15. A breakdown of sales.**

Only applies to full year results.

- 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Only applies to full year results.

**BY ORDER OF THE BOARD**

**DR LAN WEIGUANG**  
Managing Director