
FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31/03/2007

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 2007

	Group 1Q 2007 \$'000	Group 1Q 2006 \$'000	+ /(-) %
Revenue	20,778	21,224	(2.1)
Cost of sales	(14,374)	(14,650)	(1.9)
Gross profit	6,404	6,574	(2.6)
Other operating income	1,413	810	74.5
Selling and distribution expenses	(558)	(589)	(5.3)
General and administrative expenses	(2,166)	(1,207)	79.5
Operating Profit	5,093	5,588	(8.9)
Finance costs	(1,285)	(98)	1,211.2
Share of profit of associates	675	480	40.6
Profit before tax	4,483	5,970	(24.9)
Income tax expense	(223)	(104)	114.4
Profit after tax	4,260	5,866	(27.4)
Attributable to:			
Equity holders of the company	4,004	5,516	(27.4)
Minority interests	256	350	(26.9)
	<u>4,260</u>	<u>5,866</u>	(27.4)

1(a)(ii)

	Group 1Q 2007 \$'000	Group 1Q 2006 \$'000	+ /(-) %
<u>Other Credits/(Charges)</u>			
Staff costs	(1,152)	(1,131)	1.9
Research and development	(324)	(139)	133.1
Depreciation	(585)	(540)	8.3
Rental	(153)	(148)	3.4
Exchange differences	(505)	(165)	206.1
Interest income	1,161	356	226.1
Interest expense on convertible bonds	(1,183)	-	n.m.
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) 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

	Group 31/03/2007 \$'000	Group 31/12/2006 \$'000	Company 31/03/2007 \$'000	Company 31/12/2006 \$'000
Fixed assets	19,358	19,487	-	-
Available-for-sale investment	6,440	6,440		
Investment in associate	33,212	32,536	-	-
Investment in subsidiaries	-	-	6,900	6,900
	<u>59,010</u>	<u>58,463</u>	<u>6,900</u>	<u>6,900</u>
Current assets				
Trade receivables	53,147	47,948	-	-
Other receivables and prepayments	20,290	14,049	96,534	96,629
Inventories	13,081	10,991	-	-
Cash and cash equivalents	134,024	146,238	74,166	73,695
Pledged bank deposits	267	243	-	-
	<u>220,809</u>	<u>219,469</u>	<u>170,700</u>	<u>170,324</u>
Current liabilities				
Trade payables	14,738	15,513	-	-
Other payables	2,108	4,953	215	264
Income tax payable	751	607	96	96
	<u>17,597</u>	<u>21,073</u>	<u>311</u>	<u>360</u>
Net current assets	<u>203,212</u>	<u>198,396</u>	<u>170,389</u>	<u>169,964</u>
Non-current liabilities				
Bank loans	9,545	9,545	-	-
Convertible loan notes	77,997	76,814	77,997	76,814
Deferred income	827	927	-	-
	<u>88,369</u>	<u>87,286</u>	<u>77,997</u>	<u>76,814</u>
Net assets	<u>173,853</u>	<u>169,573</u>	<u>99,292</u>	<u>100,050</u>
Capital and reserves				
Issued capital	90,727	90,727	90,727	90,727
Reserves	3,550	3,761	1,156	1,156
Retained earnings	72,197	68,193	7,409	8,167
	<u>166,474</u>	<u>162,681</u>	<u>99,292</u>	<u>100,050</u>
Minority interests	<u>7,379</u>	<u>6,892</u>	<u>-</u>	<u>-</u>
Total capital and reserves	<u>173,853</u>	<u>169,573</u>	<u>99,292</u>	<u>100,050</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 31/03/2007		As at 31/12/2006	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 31/03/2007		As at 31/12/2006	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	87,542	3,665	82,694

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.

1(c)

UNAUDITED CASH FLOW STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2007

	Group	
	1Q 2007	1Q 2006
	\$'000	\$'000
Cash flow from operating activities:		
Profit before tax	4,483	5,970
Adjustments for:		
Share of profit of associates	(675)	(480)
Depreciation of property, plant and equipment	585	540
Loss on disposal of property, plant and equipment	-	287
Interest expense	1,285	98
Interest income	(1,161)	(356)
Operating profit before working capital changes	<u>4,517</u>	<u>6,059</u>
Fixed assets unpledged from (pledged to) financial institutions	(24)	765
Trade receivables	(5,199)	(1,012)
Other receivables	(6,241)	(1,339)
Inventories	(2,090)	(2,214)
Trade payables	(775)	2,716
Other payables	(2,845)	1,689
Deferred income	(100)	(279)
Cash from (used in) operations	<u>(12,757)</u>	<u>6,385</u>
Interest received	1,161	356
Income tax paid	(79)	(459)
Net cash from (used in) operating activities	<u>(11,675)</u>	<u>6,282</u>
Cash flow from investing activity:		
Purchase of property, plant and equipment	(456)	(405)
Proceeds from disposal of held for trading investment	-	1,261
Acquisition of investment in associates	-	(5,034)
Net cash used in investing activity	<u>(456)</u>	<u>(4,178)</u>
Cash flow from financing activity:		
Bank loan	-	895
Repayment of long-term debt	-	(2,126)
Interest paid	(102)	(98)
Net cash used in financing activities	<u>(102)</u>	<u>(1,329)</u>
Net effect of exchange rate changes in consolidating subsidiaries	<u>19</u>	<u>(1,189)</u>
Net increase (decrease) in cash and cash equivalents	(12,214)	(414)
Cash and cash equivalents at beginning of financial period	<u>146,238</u>	<u>94,693</u>
Cash and cash equivalents at end of financial period	<u>134,024</u>	<u>94,279</u>

1(d) 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 \$'000	Minority interest \$'000	Total equity \$'000
	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Other reserves \$'000	Legal reserves \$'000	Capital reserves \$'000	Translation reserves \$'000			
Group										
Balance as at 1 January 2007	90,727	-	68,193	1,500	4,284	1,156	(3,179)	162,681	6,892	169,573
Profit for the period	-	-	4,004	-	-	-	-	4,004	256	4,260
Currency translation differences	-	-	-	-	-	-	(211)	(211)	231	20
Balance as at 31 March 2007	90,727	-	72,197	1,500	4,284	1,156	(3,390)	166,474	7,379	173,853
Balance as at 1 January 2006	9,236	81,491	50,071	1,500	3,889	-	(321)	145,866	3,899	149,765
Transfer from share premium account	81,491	(81,491)	-	-	-	-	-	-	-	-
Profit for the period	-	-	5,516	-	-	-	-	5,516	350	5,866
Currency translation differences	-	-	-	-	-	-	(1,403)	(1,403)	(74)	(1,477)
Balance as at 31 March 2006	90,727	-	55,587	1,500	3,889	-	(1,724)	149,979	4,175	154,154
Company										
Balance as at 1 January 2007	90,727	-	8,167	-	-	1,156	-	100,050		
Profit for the period	-	-	(758)	-	-	-	-	(758)		
Balance as at 31 March 2007	90,727	-	7,409	-	-	1,156	-	99,292		
Balance as at 1 January 2006	9,236	81,491	8,280	-	-	-	-	99,007		
Transfer from share premium account	81,491	(81,491)	-	-	-	-	-	-		
Profit for the period	-	-	106	-	-	-	-	106		
Balance as at 31 March 2006	90,727	-	8,386	-	-	-	-	99,113		

- 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 2007, 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

	Group	Group
	3 months ended	3 months ended
	31/03/2007	31/03/2006
Earnings per ordinary share after deducting any provision for preference dividends were:		
Based on the weighted average number of ordinary shares in issue; and	0.87cents	1.19 cents
On a fully diluted basis	0.87cents	1.19 cents

Earnings per ordinary share have been computed based on the number of shares issued and outstanding during the period of 461,780,000.

The effect of convertible loan notes is anti-dilutive and hence has not been taken into account for the calculation of diluted earnings per share for both periods.

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

	Group	Group	Company	Company
	31/03/2007	31/12/2006	31/03/2007	31/12/2006
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on issued share capital as at the end of the financial period	36.05	35.23	21.50	21.67

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

The Group's sales declined by 2.1% year-on-year from S\$21.2 million for 1Q 2006 to S\$20.8 million for 1Q 2007. The lower revenue was due mainly to the lower output of gibberellins as a result of less working days due to scheduled maintenance.

Gross profit for 1Q 2007 was lower by 2.6% year-on-year due to lower sales. Gross margin was maintained at 30.8%.

General and administrative expenses increased by 79.5% year-on-year from S\$1.2 million in 1Q 2006 to S\$2.2 million in 1Q 2007 mainly due to higher foreign exchange loss of S\$0.3 million and increased R&D expenditure.

The increase in finance cost of S\$1.2 million year-on-year represent the interest expense on the zero coupon convertible bond.

Profit before tax decreased by 24.9% year-on-year from S\$6.0 million in 1Q 2006 to S\$4.5 million in 1Q 2007 mainly due to lower revenue and higher financial cost related to convertible bonds.

Balance Sheet

As at 31 March, 2007, the group had cash and cash equivalents of S\$134.0 million and gross debt of S\$87.5 million arising from the issue of S\$80 million convertible bond. The group is in a net cash position of S\$46.5 million or 10.07 cents per share.

Compared to 31st December, 2006, trade receivables at 31st March, 2007, increased 10.9% to S\$53.1 million mainly due to the timing of project completion. The Group's other receivables and prepayments increased from S\$14.0 million to S\$20.3 million mainly due to more prepayment made to suppliers for production materials and components.

Cashflow

The cashflow from operation showed an outflow of S\$11.7 million due to increases in receivables.

- (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 membrane process engineering business in China is expected to remain competitive. By riding on our strength in the research and development on membrane based solutions, the group will continue to seek and secure projects on industrial separation/purification and wastewater treatment/recycling.

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

- (c) **Date payable**

Not applicable.

- (d) **Books closure date**

Not applicable.

12. **If no dividend has been declared/recommended, 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

LOW MEI MEI, MAUREEN
Company Secretary

- 17. Board Negative Assurance Confirmation for Interim Financial Results**

We, Dr. Lan Weiguang and Chen Ni, being two directors of Sinomem Technology Limited (The "Company"), do hereby confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the three months ended 31 March 2007 to be false or misleading.

On behalf of the Board of Directors

Dr. Lan Weiguang
Managing Director
14 May 2007

Chen Ni
Executive Director