



SINOMEM TECHNOLOGY LIMITED
(REGISTRATION NO: 200208107G)

THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30/09/2008

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 PERIOD ENDED
30/09/2008**

	Group	Group		Group	Group	
	3 months ended	3 months ended	+ /	9 months ended	9 months ended	+ /
	30/09/2008	30/09/2007	(-)	30/09/2008	30/09/2007	(-)
	\$'000	\$'000	%	\$'000	\$'000	%
		a			b	
Revenue	25,356	15,458	64	79,514	63,691	25
Cost of sales	(19,783)	(13,557)	46	(59,348)	(47,328)	25
Gross profit	5,573	1,901	193	20,166	16,363	23
Other operating income	2,011	4,908	(59)	7,394	7,495	(1)
Gain arising from dilution of interests in subsidiary	-	12,198	n.m.	-	12,198	n.m.
Selling and distribution expenses	(960)	(684)	40	(2,845)	(2,018)	41
General and administrative expenses	(4,142)	(3,283)	26	(10,805)	(7,529)	44
Other operating expense	(223)	-	n.m.	(223)	-	n.m.
Finance cost	(1,429)	(1,354)	6	(4,277)	(4,058)	5
Share of profits of associates	856	484	77	3,286	1,744	88
Profit before income tax	1,686	14,170	(88)	12,696	24,195	(48)
Income tax expense	(277)	(90)	208	(2,418)	(320)	656
Profit for the year	1,409	14,080	(90)	10,278	23,875	(57)
Attributable to:						
Equity holders of the company	2,046	13,800	(85)	11,017	22,157	(50)
Minority interests	(637)	280	n.m.	(739)	1,718	n.m.
	1,409	14,080	(90)	10,278	23,875	(57)
<i>Gross Profit Margin:</i>	22 %	12 %		25 %	26 %	
<i>Effective Tax Rate:</i>	(16)%	(1)%		(19)%	(1)%	

n.m. : not meaningful

1(a)(ii) Profit from operation is determined after crediting/(charging) the following:

	Group	Group		Group	Group	
	3 months ended	3 months ended	+ /	9 months ended	9 months ended	+ /
	30/09/2008	30/09/2007	(-)	30/09/2008	30/09/2007	(-)
	\$'000	\$'000	%	\$'000	\$'000	%
<u>Other Credits/(Charges)</u>		a			b	
Staff costs	(1,047)	(1,172)	(11)	(5,008)	(3,916)	28
Research and development	(212)	(327)	(35)	(977)	(1,128)	(13)
Depreciation	(716)	(498)	44	(2,290)	(1,609)	42
Rental	(399)	(351)	14	(937)	(809)	16
Net foreign currency exchange loss	183	(613)	n.m.	(762)	(1,232)	(38)
Interest expense on convertible bonds	(1,255)	(1,183)	6	(3,764)	(3,549)	6
Allowance for doubtful trade receivables	(1,018)	-	n.m.	(1,018)	-	n.m.
Interest income	359	1,182	(70)	1,768	3,294	(46)
Financial income	1,111	-	n.m.	3,098	-	n.m.
Government grants	230	2,610	(91)	1,598	3,234	(51)

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

	Group 30/09/2008 \$'000	Group 31/12/2007 \$'000	Company 30/09/2008 \$'000	Company 31/12/2007 \$'000
Non-current assets				
Trade receivables	700	723	-	-
Long term financial receivables	54,266	30,167	-	-
Prepaid land rental	33,854	21,885	-	-
Subsidiaries	-	-	6,900	6,900
Associates	29,317	30,086	-	-
Available-for-sale investment	4,532	5,963	-	-
Property, plant and equipment	35,922	30,115	-	-
Long-term loan receivable	-	7,880	-	-
Goodwill	446	446	-	-
	159,037	127,265	6,900	6,900
Current assets				
Trade receivables	38,230	34,200	-	-
Current portion of long-term financial receivables	6,694	1,396	-	-
Other receivables and prepayments	60,197	57,439	172,460	166,295
Prepaid land rental	772	470	-	-
Inventories	24,583	14,186	-	-
Cash and cash equivalents	96,168	113,681	1,815	3,721
Pledged bank deposits	166	71	-	-
	226,810	221,443	174,275	170,016
Current liabilities				
Trade payables	28,316	23,626	-	-
Other payables and accrued expenses	12,122	11,730	6	217
Bank loan	10,178	9,594	-	-
Income tax payable	1,231	634	-	288
	51,847	45,584	6	505
Net current assets	174,963	175,859	174,269	169,511
Non-current liabilities				
Convertible loan notes	85,310	81,546	85,310	81,546
Deferred tax liabilities	669	341	-	-
Deferred income	1,914	1,778	-	-
	87,893	83,665	85,310	81,546
Net assets	246,107	219,459	95,859	94,865

1(b)(i)

UNAUDITED BALANCE SHEETS

	Group 30/09/2008 \$'000	Group 31/12/2007 \$'000	Company 30/09/2008 \$'000	Company 31/12/2007 \$'000
Capital and reserves				
Share capital	90,727	90,727	90,727	90,727
Reserves	19,726	7,617	1,156	1,156
Retained earnings	106,456	94,332	3,976	2,982
Equity attributable to equity holders of the company	216,909	192,676	95,859	94,865
Minority interests	29,198	26,783	-	-
Total equity	246,107	219,459	95,859	94,865

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

Amount repayable in one year or less, or on demand

As at 30/09/2008		As at 31/12/2007	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	10,178	Nil	9,594

Amount repayable after one year

As at 30/09/2008		As at 31/12/2007	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	85,310	Nil	81,546

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 HALF YEAR ENDED 30 September 2008

	Group	
	9 months ended 30/09/2008 \$'000	9 months ended 30/09/2007 \$'000
Operating activities		
Profit before income tax	12,696	24,195
Adjustments for:	-	
Share of profits of associates	(3,286)	(1,744)
Gain arising from dilution of interests in subsidiary	-	(12,198)
Depreciation of property, plant and equipment	2,290	1,609
Impairment loss on plant and equipment	223	-
Loss on disposal of property, plant and equipment	433	27
Allowance for doubtful trade receivables	1,018	
Amortisation of prepaid land rental	538	-
Interest expense	4,277	4,058
Finance income	(3,098)	-
Interest income	(1,768)	(3,294)
Operating cash flows before movements in working capital	13,323	12,653
Trade receivables	(2,921)	6,201
Other receivables and prepayments	741	(21,487)
Inventories	(9,533)	(4,663)
Trade payables	3,251	(1,306)
Other payables and accrued expenses	(323)	3,444
Deferred income	28	(543)
Cash from (used in) operations	4,566	(5,701)
Income tax paid	(1,493)	(857)
Net cash from (used in) operating activities	3,073	(6,558)
Investing activities		
Interest received	1,768	3,294
Increase in financial receivables	(24,376)	-
Decrease in long-term loan receivables	8,360	-
Purchase of property, plant and equipment	(7,145)	(36,233)
Acquisition of additional equity investment in existing subsidiaries	-	(3,015)
Prepayment of land rental	(11,447)	-
Dividend from associates	4,056	-
Net cash used in investing activities	(28,785)	(35,954)
Financing activities		
Bank loan	-	98
Net proceed from IPO subsidiary	-	26,391
Dividend paid to minority interests	-	(1,939)
Contributions by minority shareholders of subsidiaries	1,480	-
Fixed deposits pledged to financial institutions	(95)	(47)
Interest paid	(513)	(509)
Net cash from financing activities	872	23,994
Net decrease in cash and cash equivalents	(24,839)	(18,518)
Cash and cash equivalents at beginning of financial period	113,681	146,238
Effect of foreign exchange rate changes	7,326	553
Cash and cash equivalents at end of financial period	96,168	128,273

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

	Share capital \$'000	Retained earnings \$'000	Other reserve \$'000	Legal reserve \$'000	Capital reserve \$'000	Translation reserve/(deficit) \$'000	Attributable to equity holders of the company \$'000	Minority interests \$'000	Total equity \$'000
Group									
Balance as at 1 January 2008	90,727	94,332	1,023	8,353	1,156	(2,915)	192,676	26,783	219,459
Profit for the period	-	4,743	-	-	-	-	4,743	151	4,894
Gain on available-for-sale investment	-	-	954	-	-	-	954	-	954
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(181)	(181)	44	(137)
Balance as at 31 March 2008	90,727	99,075	1,977	8,353	1,156	(3,096)	198,192	26,978	225,170
Profit for the period	-	4,228	-	-	-	-	4,228	(253)	3,975
Loss on available-for-sale investment	-	-	(238)	-	-	-	(238)	-	(238)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	6,513	6,513	671	7,184
Balance as at 30 July 2008	90,727	103,303	1,739	8,353	1,156	3,417	208,695	27,396	236,091
Profit for the period	-	2,046	-	-	-	-	2,046	(637)	1,409
Loss on available-for-sale investment	-	-	(2,147)	-	-	-	(2,147)	-	(2,147)
Transfer from legal reserve	-	1,107	-	(1,107)	-	-	-	-	-
Contribution from minority interest	-	-	-	-	-	-	-	1,480	1,480
Exchange difference arising on translation of foreign operations	-	-	-	-	-	8,315	8,315	959	9,274
Balance as at 30 September 2008	90,727	106,456	(408)	7,246	1,156	11,732	216,909	29,198	246,107
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
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(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
Profit for the period	-	4,353	-	-	-	-	4,353	1,182	5,535
Transfer to legal reserve	-	(1,315)	-	1,315	-	-	-	-	-
Minority interests' share of reserve	-	-	-	(410)	-	-	(410)	410	-
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(1,577)	(1,577)
Distribution to minority interests	-	-	-	-	-	-	-	(1,710)	(1,710)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	2,867	2,867	10	2,877
Balance as at 30 June 2007	90,727	75,235	1,500	5,189	1,156	(523)	173,284	5,694	178,978

(1)(d)(i)

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

	Share capital \$'000	Retained earnings \$'000	Other reserve \$'000	Legal reserve \$'000	Capital reserve \$'000	Translation reserve/(deficit) \$'000	Attributable to equity holders of the company \$'000	Minority interests \$'000	Total equity \$'000
Profit for the period	-	13,800	-	-	-	-	13,800	280	14,080
Minority interests' share of reserve	-	-	-	(116)	-	-	(116)	116	-
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(362)	(362)
Distribution to minority interests	-	-	-	-	-	-	-	(1,305)	(1,305)
Contribution from minority interests	-	-	-	-	-	-	-	14,193	14,193
Revaluation of available-for-sale investment	-	-	2,146	-	-	-	2,146	-	2,146
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(2,074)	(2,074)	217	(1,857)
Balance as at 30 September 2007	90,727	89,035	3,646	5,073	1,156	(2,597)	187,040	18,833	205,873

	Share capital \$'000	Retained earnings \$'000	Capital reserve \$'000	Total \$'000
Company				
Balance as at 1 January 2008	90,727	2,982	1,156	94,865
Profit for the period	-	(2,024)	-	(2,024)
Balance as at 31 March 2008	90,727	958	1,156	92,841
Profit for the period	-	3,442	-	3,442
Balance as at 30 June 2007	90,727	4,400	1,156	96,283
Profit for the period	-	(424)	-	(424)
Balance as at 30 September 2008	90,727	3,976	1,156	95,859
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
Profit for the period	-	(750)	-	(750)
Balance as at 30 June 2007	90,727	6,659	1,156	98,542
Profit for the period	-	(1,622)	-	(1,622)
Balance as at 30 September 2007	90,727	5,037	1,156	96,920

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the third quarter ended 30 September 2008, 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.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.

	<u>30/09/2008</u>	<u>31/12/2007</u>
Total number of issued shares	461,780,000	461,780,000
Total number of treasury shares	-	-
Total number of issued shares excluding treasury shares	<u>461,780,000</u>	<u>461,780,000</u>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

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

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 30/09/2008 cents	3 months ended 30/09/2007 cents	9 months ended 30/09/2008 cents	9 months ended 30/09/2007 cents
Earnings per ordinary share after deducting any provision for preference dividends were:				
i) Based on the weighted average number of ordinary shares in issue (see note 6a)	0.44	2.99	2.39	4.80
ii) On a fully diluted basis (see note 6b)	0.44	2.99	2.39	4.80

Note:

6a : Earnings per ordinary share have been computed based on the number of shares issued and outstanding during the period of 461,780,000.

6b : 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 the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
 (a) **current financial period reported on; and**
 (b) **immediately preceding financial year.**

Net Asset Value

	Group 30/09/2008 Cents	Group 31/12/2007 Cents	Company 30/09/2008 Cents	Company 31/12/2007 Cents
Net asset value per ordinary share based on issued share capital as at the end of the financial period	46.97	41.72	20.76	20.54

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

Three Months Ended 30 September 2008

The Group's revenue increased by 64% from \$15.5 million in 3Q 2007 to \$25.4 million in 3Q 2008. The higher revenue was achieved on the back of higher contributions from all segments, especially membrane process and engineering business, and the Group's water business. The membrane process and engineering business benefited from the completion of more projects as well as increased sales of membrane products. Our downstream business saw reduced contribution from Reyphon Agriceutical, but that was offset by increased contribution from sales of active carbon. Our water business benefited from contribution from 7 additional BOT/TOT projects.

Gross profit increased by 193% from \$1.9 million in 3Q 2007 to \$5.6 million in 3Q 2008 due mainly to higher revenue from our membrane process and engineering business, and higher contribution from our water business. Contribution from our downstream business was lower due to poorer performance at Reyphon Agriceutical.

Other operating income decreased by 59% to \$2.0 million, mainly attributable to the decrease in interest income and government grants, despite an increase in finance income recognised on operating services of the Group's BOT/TOT water business.

In 3Q 2007, the Group recognized a dilution gain of \$12.2 million arising from the listing of its subsidiary, Reyphon Agriceutical. No such gain was recognized in 3Q 2008.

Selling and distribution increased by 40% from \$0.7 million in 3Q 2007 to \$1.0 million in 3Q 2008 mainly due to selling and distribution related expenses incurred as the Group stepped up sales of membrane materials and active carbon.

General and administrative expenses increased by 26% from \$3.3 million in 3Q 2007 to \$4.1 million in 3Q 2008 mainly due to an allowance made for doubtful trade receivables, and increase in rental expense and depreciation.

Income Statement

Three Months Ended 30 September 2008 (Cont.)

Contribution from associates increased by 77% from \$0.5 million to \$0.9 million, mainly from Shandong Tianli Biochemical and Microdyn-Nadir GmbH.

Profit before income tax decreased by 88% from \$14.2 million in 3Q 2007 to \$1.7 million in 3Q 2008 due mainly to the dilution gain of \$12.2 million recognized in 3Q 2007 from the listing of Reyphon Agriceutical.

Income tax expenses increased from \$0.09 million in 3Q2007 to \$0.28 million in 3Q2008, resulting in a higher effective tax rate of 16% in 3Q 2008, compared to 1% in 3Q 2007. The increase in effective tax rate was due mainly to tax expenses provided for the Group's water business for which profits are subject to the statutory tax rate of 25% in FY2008, and losses incurred by certain of the Group's subsidiaries.

Nine Months Ended 30 September 2008

The Group's revenue increased by 25% from \$63.7 million in 3Q 2007 to \$79.5 million in 3Q 2008 due mainly to the higher revenue from active carbon business and water business, partially offset by lower contribution from membrane process and engineering business.

Gross profit increased by 23% to \$20.2 million mainly attributable to higher contribution from the Group's water business.

Other operating income decreased marginally by 1% to \$7.4 million in 3Q2008, due mainly to reduce in interest income and government grants, offset by the increase in financial income recognised for the operating services of the Group's water business.

In 3Q 2007, the Group recognized a dilution gain of \$12.2 million arising from the listing of its subsidiary, Reyphon Agriceutical. No such gain was recognized in 3Q 2008.

Selling and distribution expenses increased by 41% from \$2.0 million in 3Q 2007 to \$2.8 million in 3Q 2008 mainly due to increase in selling and related expenses incurred as the Group stepped up sales of membrane materials and active carbon.

General and administrative expenses increased by 44% from \$7.5 million in 3Q 2007 to \$10.8 million in 3Q 2008 mainly due to increase in expenses incurred for higher staff costs, rental expense, and an allowance for doubtful trade receivables.

Income tax expenses increased by 656% from \$0.3 million to \$2.4 million in 3Q 2008, due mainly to tax expenses provided by the Group's water business.

Balance Sheet

As at 30 September 2008, the Group's long term financial receivables amounted to \$54.3 million. The increase of \$24.1 over that as at 31 December 2007 was mainly attributable to a greater numbers of BOT projects recognised.

The Group's current financial receivables increased from \$1.4 million to \$6.7 million due mainly to increased financial receivables recognized as more BOT/TOT projects became operational.

Other receivables and prepayments increased from \$57.4 million to \$60.2 million mainly attributable to the deposits made for a land purchase.

Inventories increased 73% from \$14.2 million to \$24.6 million mainly due to increase in work in progress for membrane process and engineering business, and holding of greater amount of finished goods in our downstream business.

Cashflow

Net cash from operating activities amounted to \$3.1 million in the 9 months ended 30 September 2008, an improvement from the \$6.6 million net cash used in the previous corresponding period. Cash was generated mainly from decrease in deposits made for assets purchase.

Net cash of \$28.8 million was used in investing activities, mainly to fund increase in finance receivables and prepayment of land rental.

Net cash generated from financing activities of \$0.9 million represented mainly cash contribution from minority shareholders of subsidiaries incorporated.

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 with the prospective commentary 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.

Our membrane process and engineering business is expected to be impacted by the global economic recession as customers may reduce expenditures. Through our continuing R&D, we expect new processes and products developed and to be developed will enable the Group to secure and service new customers in a wider range of industry segments. Further, we expect demand for our membrane related business to increase in tandem with the stricter implementation of environmental control policy in the PRC.

We are optimistic that membrane material business will perform well as reduction in production cost and newly developed products will enable us to generate higher sales.

Riding on our proprietary technologies, we continue to see strong project negotiation pipeline of BOT/TOT water projects. In view of increasing financing cost, the Group will be more selective in accepting projects and, at the same time, will put more focus on the execution of projects secured. Water treatment BOT/TOT projects are expected to contribute more to earnings and cash flow.

Management expects the performance of downstream to remain under pressure as our 52% owned Reyphon Agriceutical Ltd is restructuring its management team and business strategy.

Our R&D in membrane-based solar grade polysilicon production process is on track. During 3Q 2008, we secured a grant from EDB for the project.

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.

13. Board Negative Assurance Confirmation for Interim Financial Results

The Board of Directors of Sinomem Technology Limited hereby confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results for the third quarter ended 30 September 2008 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Chew Kok Liang
Company Secretary

14 November 2008