



**SINOMEM TECHNOLOGY LIMITED**  
( REGISTRATION NO: 200208107G)

**FOURTH QUARTER AND FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 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 FORTH QUARTER AND FULL YEAR ENDED 31/12/2008**

	Group 3 months ended 12/31/2008 \$'000	Group 3 months ended 31/12/2007 \$'000	+ / (-) %	Group 12 months ended 31/12/2008 \$'000	Group 12 months ended 31/12/2007 \$'000	+ / (-) %
<b>Revenue</b>	24,694	29,217	(15)	104,208	92,908	12
<b>Cost of sales</b>	(14,971)	(21,526)	(30)	(74,319)	(68,854)	8
<b>Gross profit</b>	<b>9,723</b>	<b>7,691</b>	<b>26</b>	<b>29,889</b>	<b>24,054</b>	<b>24</b>
Other operating income	7,408	9,523	(22)	14,802	17,018	(13)
Gain arising from dilution of interests in subsidiary	-	-	n.m.	-	12,198	n.m.
Selling and distribution expenses	(2,042)	(1,390)	47	(4,887)	(3,408)	43
General and administrative expenses	(3,497)	(4,932)	(29)	(13,284)	(12,458)	7
Allowance for doubtful trade receivables	(2,464)	(294)	738	(3,482)	(297)	1,072
Allowance for doubtful other receivables	(4,654)	-	n.m.	(4,654)	-	n.m.
Impairment loss	(9,827)	-	n.m.	(10,050)	-	n.m.
Finance cost	(1,760)	(1,488)	18	(6,037)	(5,546)	9
Share of profits of associates	35	1,216	(97)	3,321	2,960	12
<b>Profit before income tax</b>	<b>(7,078)</b>	<b>10,326</b>	n.m.	<b>5,618</b>	<b>34,521</b>	<b>(84)</b>
Income tax expense	(2,581)	(1,079)	139	(4,999)	(1,399)	257
<b>Profit for the year</b>	<b>(9,659)</b>	<b>9,247</b>	n.m.	<b>619</b>	<b>33,122</b>	<b>(98)</b>
<b>Attributable to:</b>						
Equity holders of the company	(7,712)	8,463	(191)	3,305	30,620	(89)
Minority interests	(1,947)	784	n.m.	(2,686)	2,502	n.m.
	<b>(9,659)</b>	<b>9,247</b>	n.m.	<b>619</b>	<b>33,122</b>	<b>(98)</b>
<i>Gross Profit Margin:</i>	39%	26%		29%	26%	
<i>Effective Tax Rate:</i>	n.m.	-10%		-89%	-4%	

n.m. : not meaningful

**Cont./... 1(a)****1(a)(ii) Breakdown and explanatory notes to the income statement**

	Group	Group		Group	Group	
	3 months ended	3 months ended	+ / (-)	12 months ended	12 months ended	+ / (-)
	12/31/2008	31/12/2007		31/12/2008	31/12/2007	
	\$'000	\$'000	%	\$'000	\$'000	%
<b><u>Other Credits/(Charges)</u></b>						
Staff costs	(2,154)	(3,321)	(35)	(7,162)	(7,237)	(1)
Research and development	(2,115)	(654)	223	(3,092)	(1,782)	74
Depreciation	(751)	(653)	15	(3,041)	(2,262)	34
Rental	(236)	(264)	(11)	(1,173)	(1,073)	9
Net foreign currency exchange gains / (loss)	1,987	(2,504)	n.m.	1,225	(3,736)	n.m.
Interest expense on convertible bonds	(1,607)	(1,183)	36	(5,371)	(4,732)	14
Gain from early redemption of convertible loan notes	5,570	-	n.m.	5,570	-	n.m.
Interest income	198	1,000	(80)	1,966	4,294	(54)
Financial income	(456)	1,404	n.m.	2,642	1,404	88
Government grants	642	1,715	(63)	2,240	4,949	(55)

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</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>31/12/2008</b>	<b>31/12/2007</b>	<b>31/12/2008</b>	<b>31/12/2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>				
Trade receivables	-	723	-	-
Other receivable	4,114	-	-	-
Long term financial receivables	60,917	30,167	-	-
Prepaid land rental	33,813	21,885	-	-
Subsidiaries	-	-	6,900	6,900
Associates	28,535	30,086	-	-
Available-for-sale investment	419	5,963	-	-
Long-term investment	577	-	-	-
Property, plant and equipment	41,111	30,115	-	-
Intangible asset	690	-	-	-
Deferred asset	401	-	-	-
Long-term loan receivable	-	7,880	-	-
Goodwill	446	446	-	-
	<u>171,023</u>	<u>127,265</u>	<u>6,900</u>	<u>6,900</u>
<b>Current assets</b>				
Trade receivables	30,833	34,200	-	-
Current portion of long-term financial receivables	8,616	1,396	-	-
Other receivables and prepayments	34,455	57,439	145,166	166,295
Prepaid land rental	764	470	-	-
Inventories	25,068	14,186	-	-
Cash and cash equivalents	71,689	113,681	2,205	3,721
Pledged bank deposits	1,552	71	-	-
	<u>172,977</u>	<u>221,443</u>	<u>147,371</u>	<u>170,016</u>
<b>Current liabilities</b>				
Trade payables	30,373	23,626	-	-
Other payables and accrued expenses	11,839	11,730	284	217
Bank loan	3,587	9,594	-	-
Convertible loan notes	54,346	-	54,346	-
Income tax payable	4,756	634	-	288
	<u>104,901</u>	<u>45,584</u>	<u>54,630</u>	<u>505</u>
<b>Net current assets</b>	<u>68,076</u>	<u>175,859</u>	<u>92,741</u>	<u>169,511</u>
<b>Non-current liabilities</b>				
Convertible loan notes	-	81,546	-	81,546
Deferred tax liabilities	-	341	-	-
Deferred income	855	1,778	-	-
	<u>855</u>	<u>83,665</u>	<u>-</u>	<u>81,546</u>

## 1(b)(i)

## UNAUDITED BALANCE SHEETS

	Group 31/12/2008 \$'000	Group 31/12/2007 \$'000	Company 31/12/2008 \$'000	Company 31/12/2007 \$'000
<b>Net assets</b>	<b>238,244</b>	<b>219,459</b>	<b>99,641</b>	<b>94,865</b>
<b>Capital and reserves</b>				
Share capital	90,727	90,727	90,727	90,727
Reserves	24,266	7,617	1,156	1,156
Retained earnings	96,293	94,332	7,758	2,982
Equity attributable to equity holders of the company	211,286	192,676	99,641	94,865
<b>Minority interests</b>	26,958	26,783	-	-
<b>Total equity</b>	<b>238,244</b>	<b>219,459</b>	<b>99,641</b>	<b>94,865</b>

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

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

As at 31/12/2008		As at 31/12/2007	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	57,933	Nil	9,594

## Amount repayable after one year

As at 31/12/2008		As at 31/12/2007	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	Nil	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 YEAR ENDED 31 December 2008**

	Group	
	31/12/2008	31/12/2007
	\$'000	\$'000
<b>Operating activities</b>		
Profit before income tax	5,618	34,521
Adjustments for:		
Share of profits of associates	(3,321)	(2,960)
Gain from dilution of interests in subsidiary	-	(12,198)
Gain from disposal of investment in associate	-	(80)
Gain from sale of held for trading investment	-	(2,825)
Gain from early redemption of convertible loan notes	(5,570)	-
Depreciation of property, plant and equipment	3,041	2,262
Impairment loss	10,050	-
Loss on disposal of property, plant and equipment	-	45
Write-off trade receivable	273	-
Allowance for doubtful trade receivables	3,482	297
Allowance for doubtful other receivables	4,654	-
Amortisation of prepaid land rental	689	238
Interest expense	6,037	5,546
Interest income	(1,966)	(4,294)
Finance income	(2,642)	(1,404)
<b>Operating cash flows before movements in working capital</b>	<b>20,345</b>	<b>19,148</b>
Trade receivables	1,929	6,216
Other receivables and prepayments	1,766	(19,586)
Inventories	(9,874)	(3,195)
Trade payables	5,068	8,113
Other payables and accrued expenses	(726)	6,777
Deferred income	(1,049)	851
<b>Cash generated from operations</b>	<b>17,459</b>	<b>18,324</b>
Income tax paid	(1,619)	(1,031)
<b>Net cash from operating activities</b>	<b>15,840</b>	<b>17,293</b>
<b>Investing activities</b>		
Interest received	1,966	4,294
Increase in financial receivables	(33,085)	(30,159)
Loan to third parties	14,774	(19,700)
Purchase of property, plant and equipment	(13,196)	(8,988)
Purchase of intangible asset	(690)	-
Purchase of long-term investment	(577)	-
Acquisition of additional equity investment in existing subsidiaries	-	(2,620)
Acquisition of investment in associate	(1,120)	-
Prepayment of land rental	(11,875)	(19,981)
Deposit paid for land rental	11,625	(11,984)
Proceeds from disposal of held for trading investments	-	2,825
Proceeds from disposal of investment in associate	-	5,490
Dividend from associates	4,056	-
<b>Net cash used in investing activities</b>	<b>(28,122)</b>	<b>(80,823)</b>

1(c)

**UNAUDITED CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 December 2008**

	<b>Group</b>	
	<b>31/12/2008</b>	<b>31/12/2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financing activities</b>		
Repayment of bank loans	(6,007)	-
Repurchase of convertible loan notes	(27,000)	-
Net proceed form IPO subsidiary	-	25,921
Contributions by minority shareholders of subsidiaries	1,345	7,943
Payment to minority shareholders of subsidiaries	(476)	(1,980)
Fixed deposits pledged to financial institutions	(1,481)	172
Interest paid	(666)	(814)
<b>Net cash from (used in) financing activities</b>	<b>(34,285)</b>	<b>31,242</b>
Net decrease in cash and cash equivalents	(46,567)	(32,288)
Cash and cash equivalents at beginning of financial period	113,681	146,238
<b>Effect of foreign exchange rate changes</b>	<b>4,575</b>	<b>(269)</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>71,689</b>	<b>113,681</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**

	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
<b>Group</b>									
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
Profit for the period	-	(7,712)	-	-	-	-	(7,712)	(1,947)	(9,659)
Loss on available-for-sale investment	-	-	1,431	-	-	-	1,431	-	1,431
Transfer to legal reserve	-	(2,451)	-	2,451	-	-	-	-	-
Minority interests' share of reserve	-	-	-	(54)	-	-	(54)	54	-
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(488)	(488)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	712	712	141	853
<b>Balance as at 31 December 2008</b>	<b>90,727</b>	<b>96,293</b>	<b>1,023</b>	<b>9,643</b>	<b>1,156</b>	<b>12,444</b>	<b>211,286</b>	<b>26,958</b>	<b>238,244</b>

(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
<b>Group</b>									
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
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
Profit for the period	-	8,463	-	-	-	-	8,463	784	9,247
Transfer to legal reserve	-	(3,166)	-	3,166	-	-	-	-	-
Minority interests' share of reserve	-	-	-	114	-	-	114	(114)	-
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(41)	(41)
Contribution from minority interests	-	-	-	-	-	-	-	7,779	7,779
Revaluation of available-for-sale investment	-	-	(2,623)	-	-	-	(2,623)	-	(2,623)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(318)	(318)	(458)	(776)
<b>Balance as at 31 December 2007</b>	<b>90,727</b>	<b>94,332</b>	<b>1,023</b>	<b>8,353</b>	<b>1,156</b>	<b>(2,915)</b>	<b>192,676</b>	<b>26,783</b>	<b>219,459</b>

	Share capital \$'000	Retained earnings \$'000	Capital reserve \$'000	Total \$'000
<b>Company</b>				
Balance as at 1 January 2008	90,727	2,982	1,156	94,865
Loss 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 2008	90,727	4,400	1,156	96,283
Loss for the period	-	(424)	-	(424)
Balance as at 30 September 2008	90,727	3,976	1,156	95,859
Profit for the period	-	3,782	-	3,782
<b>Balance as at 31 December 2008</b>	<b>90,727</b>	<b>7,758</b>	<b>1,156</b>	<b>99,641</b>
Balance as at 1 January 2007	90,727	8,167	1,156	100,050
Loss for the period	-	(758)	-	(758)
Balance as at 31 March 2007	90,727	7,409	1,156	99,292
Loss for the period	-	(750)	-	(750)
Balance as at 30 June 2007	90,727	6,659	1,156	98,542
Loss for the period	-	(1,622)	-	(1,622)
Balance as at 30 September 2007	90,727	5,037	1,156	96,920
Loss for the period	-	(2,055)	-	(2,055)
<b>Balance as at 31 December 2007</b>	<b>90,727</b>	<b>2,982</b>	<b>1,156</b>	<b>94,865</b>

**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.**

Since the last financial year ended 31 December 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.

**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.**

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

**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.**

These figures have neither been audited nor 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 31/12/2008 Cents	3 months ended 31/12/2007 cents	12 months ended 31/12/2008 cents	12 months ended 31/12/2007 Cents
<b>Earnings per ordinary share after deducting any provision for preference dividends were:</b>				
i) Based on the weighted average number of ordinary shares in issue (see note 6a)	-1.67	1.83	0.72	6.63
ii) On a fully diluted basis (see note 6b)	-1.67	1.83	0.72	6.63

#### **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**

	<b>Group 31/12/2008 Cents</b>	<b>Group 31/12/2007 Cents</b>	<b>Company 31/12/2008 Cents</b>	<b>Company 31/12/2007 Cents</b>
Net asset value per ordinary share based on issued share capital as at the end of the financial period	45.75	41.72	21.58	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 31 December 2008

The Group's revenue decreased by 15% from \$29.2 million in 4Q 2007 to \$24.7 million in 4Q 2008, mainly due to decline in revenue from our membrane process and engineering business. This is partially offset by improved contribution from water business, and from downstream business, specifically from the active carbon business.

Gross profit increased by 26% from \$7.7 million in 4Q 2007 to \$9.7 million in 4Q 2008 due mainly to 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 22% to \$7.4 million, mainly attributable to the decrease in interest income, government grants, and investment income. However, the decrease was partially offset by one-off gain of \$5.6 million arising from an early partial redemption of convertible bonds

Selling and distribution increased by 47% from \$1.4 million in 4Q 2007 to \$2.0 million in 4Q 2008 mainly due to increased selling and distribution activities undertaken for membrane and active carbon products.

General and administrative expenses decreased by 29% from \$4.9 million in 4Q 2007 to \$3.5 million in 4Q 2008 mainly due to exchange gains, decreased staff costs and rental expenses, partially offset by increased R&D costs and depreciation.

Provisions amounting to a total of \$7.1 million were made for trade and other receivables. In addition, a one-off impairment loss of \$9.8 million was made on the Group's investment in its 50%-owned associate, Sinphon Bioscience, and prepaid land rental, and plant and equipment.

Finance cost increased 18% to \$1.8 million due mainly to accrued interest on the convertible bond.

## **Cont./... Income Statement**

### Three Months Ended 31 December 2008 (Cont.)

Contribution from associates decreased by 97% from \$1.2 million to \$0.04 million, mainly due to lower contributions from Shandong Tian Li and Microdyn Nadir GmbH, and increased losses incurred at Sinphon Bioscience, while Xinyuan, a wastewater treatment associated company, started to contribute positively.

The Group registered a loss before tax of \$7.1 million in 4Q 2008, compared to a profit before tax of \$10.3 million in 4Q 2007. This was due mainly to the declined revenue, lower profit contribution from associated companies, increase in allowance for doubtful receivables, and one-off allowance for impairment loss.

Income tax expenses increased by 139% from \$1.1 million in 4Q 2007 to \$2.6 million in 4Q 2008. The increase was mainly due to the provision of tax for the Group's water business for whose profits are subject to a statutory tax rate of 25% in FY2008, and losses incurred by certain subsidiaries of the Group.

### Twelve Months Ended 31 December 2008

The Group's revenue increased by 12% from \$92.9 million in FY2007 to \$104.2 million in FY2008 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 24% to \$29.9 million, mainly attributable to higher contribution from the water business.

Other operating income decreased by 13% to \$14.8 million in FY2008, due mainly to reduce in interest income, government grants and investment income. However, the decrease was partially offset by one-off gain of \$5.6 million arising from an early partial redemption of convertible bonds.

Selling and distribution expenses increased by 43% from \$3.4 million in FY2007 to \$4.9 million in FY2008, mainly due to increased marketing activities undertaken for the membrane and active carbon products.

General and administrative expenses increased by 7% from \$12.5 million in FY2007 to \$13.3 million in FY2008 mainly due to increase in expenses incurred for R&D, depreciation and rental expenses, which was partially offset by increased exchange gains.

Provisions amounting to a total of \$8.1 million were made for trade and other receivables. In addition, a one-off impairment loss of \$10.1 million was made on the Group's investment in its 50%-owned associate, Sinphon Bioscience, and prepaid land rental, and plant and equipment.

Profit before income tax decreased by 84% from \$34.5 million in FY2007 to \$5.6 million in FY 2008 due mainly to declined revenue, lower profit contribution from associated companies, increase in allowance for doubtful receivables, and impairment loss. In addition, the Group had benefitted from a dilution gain arisen from the IPO of its subsidiary, Reyphon Agriceutical, in FY2007.

Income tax expenses increased by 257% from \$1.4 million in FY2007 to \$5.0 million in FY2008, due mainly to tax expenses provided by the Group's water business, and losses incurred by certain subsidiaries of the Group.

## Cont./... Balance Sheet

### Balance Sheet

As at 31 December 2008, the Group's long term financial receivables amounted to \$60.9 million, compared with \$30.2 million as at 31 December 2007. The increase was mainly attributable to a greater number of BOT projects recognised.

Available-for-sale ("AFS") investment decreased from \$6.0 million to \$0.4 million due mainly to a reclassification of investment in Pharmesis from AFS investment to investment in associates.

Investment in associates decreased by 5% to \$28.5 million as at 31 December 2008, mainly attributable to losses incurred by some associates, and a one-off allowance of impairment loss made on an investment, despite the reclassification of the Group's investment in Pharmesis.

Property, plant and equipment increased from \$30.1 million to \$41.1 million mainly attributable to acquisition of assets related to downstream business.

The Group's current financial receivables increased from \$1.4 million to \$8.6 million due mainly to increased financial receivables recognised as more BOT/TOT projects became operational.

Other receivables and prepayments decreased from \$57.4 million to \$34.5 million mainly due to reduced prepaid purchase and deposits made for land purchase.

Inventories increased from \$14.2 million to \$25.1 million mainly due to increase in raw materials and work in progress for membrane process and engineering business, and work in progress and finished goods in downstream business.

Trade payables increased from \$23.6 million to \$30.4million mainly due to construction costs payable for BOT projects.

Convertible loan notes decreased from \$81.5 million to \$54.3 million due mainly to a partially redemption made in December 2008.

### Cashflow

Net cash from operating activities amounted to \$15.8 million in FY2008, compared to \$17.3 million in FY2007, due primarily to reduction in other receivables and prepayments, offset by higher inventory.

Net cash of \$28.1 million was used in investing activities, mainly to fund increase in finance receivables and purchase of property, plant and equipment.

Net cash outflow of \$34.3 million in financing activities was mainly due to repurchase of convertible loan notes.

## **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.**

Impacted by global economic recession, our membrane process and engineering customers are holding back capital expenditure, which in turn will lead to lower demand for our products. Management will put more focus on cost management to realign our operations to the market environment.

The demand for the wastewater solutions is expected to remain strong in China, due to the implementation of Chinese government's RMB 4 trillion economic stimulus package. A significant portion of the package will be allocated to environment protection sector. Management expects water business to continue to grow in FY2009.

Like membrane process and engineering business, membrane material business is also expected to be impacted by global economic recession. However, we expect the demand for MBR modules in western European to be strong.

The outlook for the Group's downstream business will remain challenging due to weak demand as well as management issues at the operating level.

**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/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.**

**By Business Segments**

31 December 2008	Membrane Process & Engineering	Trading	Waste water treatment	Nutri- ceutical	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>						
External sales	25,389	8,740	26,001	44,078		104,208
Inter-segment sales	8,776	376	-	-	(9,152)	-
<b>Total revenue</b>	<b>34,165</b>	<b>9,116</b>	<b>26,001</b>	<b>44,078</b>	<b>(9,152)</b>	<b>104,208</b>

Inter-segment sales are charged at prevailing market prices.

**Result**

Segment result	6,696	392	12,574	(3,429)	(7,899)	8,334
Financial cost						(6,037)
Share of profits of associates						3,321
Income tax expense						(4,999)
<b>Profit for the year</b>						<b>619</b>

**Balance sheet**

Segment assets	166,022	2,173	75,590	71,680		315,465
Interests in associates						28,535
<b>Consolidated total assets</b>	<b>166,022</b>	<b>2,173</b>	<b>75,590</b>	<b>71,680</b>	-	<b>344,000</b>
Segment liabilities	72,091	57	19,031	13,722	-	104,901
Unallocated liabilities						855
<b>Consolidated total liabilities</b>						<b>105,756</b>

**Other information**

Capital additions	1,772	-	-	2,000		3,772
Impairment losses recognised in profit or loss	7,899	-	-	2,151		10,050
Depreciation	1,733	2	1	1,305		3,041

## Cont./... Segmented revenue and results

31 December 2007	Membrane Process & Engineering	Trading	Waste water treatment	Nutri- ceutical	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>						
External sales	44,015	6,414	6,326	36,153	-	92,908
Inter-segment sales	3,579	-	-	-	(3,579)	-
<b>Total revenue</b>	<b>47,594</b>	<b>6,414</b>	<b>6,326</b>	<b>36,153</b>	<b>(3,579)</b>	<b>92,908</b>
Inter-segment sales are charged at prevailing market prices.						
<b>Results</b>						
Segment results	9,752	238	6,858	8,061	-	24,909
Gain arising from dilution of interests in subsidiary						12,198
Financial cost						(5,546)
Share of profits of associates						2,960
Income tax expense						(1,399)
<b>Profit for the year</b>						<b>33,122</b>
<b>Balance sheet</b>						
Segment assets	210,792	3,337	41,353	63,140	-	318,622
Interests in associates						30,086
<b>Consolidated total assets</b>	<b>210,792</b>	<b>3,337</b>	<b>41,353</b>	<b>63,140</b>	<b>-</b>	<b>348,708</b>
Segment liabilities	16,242	300	15,136	16,025	-	47,703
Unallocated liabilities						81,546
<b>Consolidated total liabilities</b>						<b>129,249</b>
<b>Other information</b>						
Capital additions	7,391	-	1,844	6,265	-	15,500
Impairment losses recognised in profit or loss	297	-	-	-	-	297
Depreciation	1,197	-	1	1,064	-	2,262

**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.**

Please refer to Paragraph 8 of Part I.

**15. A breakdown of sales**

		<b>Group 31/12/2008 \$'000</b>	<b>Group 31/12/2007 \$'000</b>	<b>Increase / (Decrease)</b>
(a)	Sales reported for first half year	54,158	48,233	12%
(b)	Operating profit reported for first half year	8,869	9,795	( 9% )
(c)	Sales reported for second half year	50,050	44,675	12%
(d)	Operating profit reported for second half year	(8,250)	23,327	n.m.

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

		<b>Latest full year 31/12/2008</b>	<b>Previous full year 31/12/2007</b>
(a)	Ordinary	Nil	Nil
(b)	Preference	Nil	Nil
	<b>Total</b>	<b>Nil</b>	<b>Nil</b>

**BY ORDER OF THE BOARD**  
**Chew Kok Liang**  
**Company Secretary**

28 February 2009