



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

**REPLY TO QUERIES RAISED BY SGX-ST ON THE FULL YEAR FINANCIAL
STATEMENTS ENDED 31 DECEMBER 2008**

The Board of Directors of Sinomem Technology Limited (“the Company” or “the Group”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) in its email dated 4 March 2009 regarding the full year Financial Statements ended 31 December 2008 and replies as follows:

Query 1:

The Group had made provisions of \$8.1m for doubtful trade and other receivables in FY08 compared to only \$297,000 in FY07. Please elaborate on the circumstances giving rise to these provisions in FY08.

Company's Reply:

In FY07, most of our debtors were performing well and in healthy financial positions due to strong economic growth in China. The Company believed then that the outstanding receivables were largely collectable and therefore only a small amount was required to be provided for the receivables. In FY08, especially in the last two quarters of the year, impacted by global economic recession, China's economy growth also slowed down rapidly. This caused a few of our debtors' profitability and financial positions to deteriorate rapidly. After a prudent review of our outstanding receivables, the company believes that a larger provision for the receivables is appropriate.

Query 2:

Under the Group's review of its performance, it was stated that “a one-off impairment loss of \$10.1m was made on the Group's investment in its 50%-owned associate, Sinphon Bioscience, and prepaid land rental, and plant and equipment”. Please elaborate on the reasons for the impairment on Sinphon Bioscience, prepaid land rental and plant and equipment.

Company's Reply:

Among the S\$10.1m impairment, about S\$0.2m related to an obsolete production line for rosin products, S\$2.0 million related to impairments made by Reyphon Agriceuticals for land use rights and S\$7.9m related to our investment in an associated company, Siphon Bioscience. Siphon Bioscience incurred significant operating loss in FY08. In addition Siphon Bioscience is currently facing shortage of working capital, which has largely curtailed its normal operations. Given the current circumstances, the management of the Company considers it appropriate to make impairment on the carrying value of that investment in the Company's books.

BY ORDER OF THE BOARD

Dr Lan Weiguang
Managing Director
5 March 2009