



SINOMEM TECHNOLOGY LIMITED
(REGISTRATION NO: 200208107G)

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31/03/2009

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 INCOME STATEMENT
for the first quarter ended 31 March 2009**

	Group 1Q 2009 \$'000	Group 1Q 2008 \$'000	+ / (-) %
Revenue	20,927	22,881	(9)
Cost of sales	(14,493)	(15,946)	(9)
Gross profit	6,434	6,935	(7)
Other income	2,313	3,087	(25)
Selling and distribution expenses	(842)	(903)	(7)
Administrative expenses	(2,185)	(3,372)	(35)
Finance cost	(960)	(1,424)	(33)
Share of profits of associates	948	1,005	(6)
Profit before tax	5,708	5,328	7
Income tax expense	(702)	(434)	62
Profit for the period	5,006	4,894	2
Profit attributable to:			
Owners of the parent	4,950	4,743	4
Minority interests	56	151	(62)
	5,006	4,894	2

**1(a)(ii) UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the first quarter ended 31 March 2009**

	Group 1Q 2009 \$'000	Group 1Q 2008 \$'000	+ / (-) %
Profit for the period	5,006	4,894	2
Other comprehensive income, after tax:			
Exchange differences on translating foreign operation	13,237	(137)	n.m.
Available-for-sale financial assets	-	954	n.m.
Other comprehensive income for the period, net of tax	13,237	817	1,520
Total comprehensive income for the period	18,243	5,711	219
Total comprehensive income attributable to:			
Owners of the parent	16,936	5,516	207
Minority interests	1,307	195	570
	18,243	5,711	219

1(a)(iii) NOTES TO UNAUDITED CONSOLIDATED INCOME STATEMENT

Profit before tax of the Group is arrived at after (charging) / crediting the following:-

	Group 1Q 2009 \$'000	Group 1Q 2008 \$'000	+ / (-) %
<u>Other (Charges) / Credits:</u>			
Staff costs	(1,924)	(1,815)	6
Research and development	(346)	(280)	24
Depreciation	(833)	(716)	16
Rental	(346)	(275)	26
Net foreign currency exchange gain / (loss)	680	(643)	n.m.
Interest expense on convertible loan notes	(868)	(1,255)	(31)
Finance income	694	958	(28)
Government grants	252	580	(57)
Interest income	275	947	(71)

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 STATEMENT OF FINANCIAL POSITION

	Group 31/03/2009 \$'000	Group 31/12/2008 \$'000	Company 31/03/2009 \$'000	Company 31/12/2008 \$'000
Non-current assets				
Long term other receivable	11,174	10,980	-	-
Long term financial receivables	65,207	60,917	-	-
Prepaid land rental	28,525	27,255	-	-
Subsidiaries	-	-	6,900	6,900
Associates	29,894	28,946	-	-
Available-for-sale investment	825	577	-	-
Property, plant and equipment	41,596	38,275	-	-
Goodwill	240	240	-	-
Other intangible asset	383	374	-	-
Deferred tax assets	1,639	1,557	-	-
	<u>179,483</u>	<u>169,121</u>	<u>6,900</u>	<u>6,900</u>
Current assets				
Trade receivables	34,480	34,611	-	-
Current portion of long-term financial receivables	11,320	8,616	-	-
Other receivables and prepayments	36,644	33,679	146,692	145,166
Prepaid land rental	785	746	-	-
Inventories	26,237	23,776	-	-
Cash and cash equivalents	74,881	67,803	1,656	2,205
Pledged bank deposits	220	1,552	-	-
	<u>184,567</u>	<u>170,783</u>	<u>148,348</u>	<u>147,371</u>
Non-current asset held for sale	440	419	-	-
	<u>185,007</u>	<u>171,202</u>	<u>148,348</u>	<u>147,371</u>
Current liabilities				
Trade payables	34,860	30,569	-	-
Other payables and accrued expenses	15,725	15,804	284	285
Convertible loan notes	55,214	54,346	55,214	54,346
Income tax payable	1,342	1,293	-	-
	<u>107,141</u>	<u>102,012</u>	<u>55,498</u>	<u>54,631</u>
Net current assets	<u>77,866</u>	<u>69,190</u>	<u>92,850</u>	<u>92,740</u>
Non-current liabilities				
Deferred income	900	855	-	-
Deferred tax liabilities	4,363	3,613	-	-
	<u>5,263</u>	<u>4,468</u>	<u>-</u>	<u>-</u>
Net assets	<u><u>252,086</u></u>	<u><u>233,843</u></u>	<u><u>99,750</u></u>	<u><u>99,640</u></u>

1(b)(i)

UNAUDITED STATEMENT OF FINANCIAL POSITION

	Group 31/03/2009 \$'000	Group 31/12/2008 \$'000	Company 31/03/2009 \$'000	Company 31/12/2008 \$'000
Equity attributable to owners of the parent				
Share capital	90,727	90,727	90,727	90,727
Other components of equity	36,639	24,653	1,156	1,156
Retained earnings	99,097	94,147	7,867	7,757
	226,463	209,527	99,750	99,640
Minority interests	25,623	24,316	-	-
Total equity	252,086	233,843	99,750	99,640

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

Amount repayable in one year or less, or on demand

As at 31/03/2009		As at 31/12/2008	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	61,874	Nil	60,676

Amount repayable after one year

As at 31/03/2009		As at 31/12/2008	
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.

1(c)

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW
for the first quarter ended 31 March 2009**

	Group	
	1Q 2009	1Q 2008
	\$'000	\$'000
Operating activities		
Profit before income tax	5,708	5,328
Adjustments for:		
Share of profits of associates	(948)	(1,005)
Depreciation of property, plant and equipment	833	716
Amortisation of prepaid land rental	143	128
Amortisation of intangible asset	25	-
Interest expense	960	1,424
Finance income	(694)	(958)
Interest income	(275)	(947)
Operating cash flows before movements in working capital	5,752	4,686
Trade receivables	1,836	(265)
Other receivables and prepayments	(790)	(9,060)
Inventories	(1,159)	(2,194)
Trade payables	2,559	2,094
Other payables and accrued expenses	(857)	583
Deferred income	-	(4)
Cash from (used in) operations	7,341	(4,160)
Income tax refund (paid)	97	(399)
Net cash from (used in) operating activities	7,438	(4,559)
Investing activities		
Interest received	275	947
Increase in financial receivables	(2,501)	(12,242)
Purchase of property, plant and equipment	(2,291)	(4,433)
Acquisition of available-for-sale investment	(248)	-
Prepayment of land rental	-	(866)
Net cash used in investing activities	(4,765)	(16,594)
Financing activities		
Fixed deposits pledged to financial institutions	1,332	(95)
Interest paid	(92)	(169)
Net cash from (used in) financing activities	1,240	(264)
Net increase (decrease) in cash and cash equivalents	3,913	(21,417)
Cash and cash equivalents at beginning of financial period	67,803	113,681
Effect of foreign exchange rate changes	3,165	(128)
Cash and cash equivalents at end of financial period	74,881	92,136

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 STATEMENT OF CHANGES IN EQUITY

	Share capital \$'000	Retained earnings \$'000	Legal reserve \$'000	Capital reserve \$'000	Revaluation (deficit) / reserve \$'000	Other reserve \$'000	Translation of foreign operations \$'000	Total \$'000	Minority interests \$'000	Total equity \$'000
Group										
Balance as at 1 January 2009	90,727	95,893	9,646	1,156	-	1,500	12,408	211,330	25,964	237,294
Effect of prior year adjustments	-	(1,746)	-	-	-	-	(57)	(1,803)	(1,648)	(3,451)
As restated	90,727	94,147	9,646	1,156	-	1,500	12,351	209,527	24,316	233,843
Total comprehensive income for the period	-	4,950	-	-	-	-	11,986	16,936	1,307	18,243
Balance as at 31 March 2009	90,727	99,097	9,646	1,156	-	1,500	24,337	226,463	25,623	252,086

Group

Balance as at 1 January 2008	90,727	94,332	8,353	1,156	(477)	1,500	(2,915)	192,676	26,783	219,459
Total comprehensive income for the period	-	4,743	-	-	954	-	(181)	5,516	195	5,711
Balance as at 31 March 2008	90,727	99,075	8,353	1,156	477	1,500	(3,096)	198,192	26,978	225,170

Company

	Share capital \$'000	Retained earnings \$'000	Capital reserve \$'000	Total \$'000
Balance as at 1 January 2009	90,727	7,757	1,156	99,640
Total comprehensive income for the period	-	110	-	110
Balance as at 31 March 2009	90,727	7,867	1,156	99,750
Balance as at 1 January 2008	90,727	2,982	1,156	94,865
Total comprehensive income for the period	-	(2,024)	-	(2,024)
Balance as at 31 March 2008	90,727	958	1,156	92,841

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 2009, 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.

	31/03/2009	31/12/2008
Total number of issued shares	461,780,000	461,780,000
Total number of treasury shares	-	-
Total number of issued shares excluding treasury shares	461,780,000	461,780,000

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.

In the current financial period, the Group has adopted the new and revised Singapore Financial Reporting Standards ("FRSs") and Interpretations of FRSs ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009. The adoption of these new and revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current financial period and the corresponding period in 2008.

The followings are the new and revised FRSs that are relevant to the Group and the Company:

FRS 1 – Presentation of Financial Statements (Revised)

FRS 23 – Borrowing Costs (Revised)

FRS 108 – Operating Segments

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 3 months ended 31/03/2009	Group 3 months ended 31/03/2008
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)	1.07cents	1.03cents
ii) On a fully diluted basis (see note 6b)	1.07cents	1.03cents

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 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 31/03/2009 Cents	Group 31/12/2008 Cents	Company 31/03/2009 Cents	Company 31/12/2008 Cents
Net asset value per ordinary share based on issued share capital as at the end of the financial period	49.04	45.37	21.60	21.58

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 revenue decreased by 9% year-on-year from \$22.9 million in 1Q 2008 to \$20.9 million in 1Q 2009. The lower revenue was mainly due to the economic slowdown in China which impacted the downstream business, and lower construction revenue from water business, which were partially offset by higher revenue from membrane process and engineering business.

Gross profit decreased by 7% from \$6.9 million in 1Q 2008 to \$6.4 million in 1Q 2009 mainly due to lower contribution from downstream business, despite better contribution from the membrane process and engineering business.

Other operating income decreased by 25% to \$2.3 million in 1Q 2009 mainly attributable to the decrease in interest income, finance income, investment income and loss from disposal of some property, plants and equipments.

Selling and distribution expenses decreased by 7% from \$0.9 million in 1Q 2008 to \$0.8 million in 1Q 2009 mainly due to reduced selling and transportation costs in downstream business.

Administrative expenses decreased by 35% year-on-year from \$3.4 million in 1Q 2008 to \$2.2 million in 1Q 2009 mainly due to exchange gains (compared to an exchange loss in 1Q 2008), partially offset by increased R&D costs, depreciation and rental.

Finance costs reduced by 33% from \$1.4 million to \$0.9 million mainly due to partial repurchase of convertible loan notes.

Share of profits of associates decreased by 6% from \$1.0 million in 1Q 2008 to \$0.9 million in 1Q 2009 mainly due to lower contributions from Microdyn-Nadir GmbH.

8(a) Income Statement (Cont'd)

Profit before income tax increased by 7% year-on-year from \$5.3 million in 1Q 2008 to \$5.7 million in 1Q 2009 mainly due to exchange gains and reduced finance costs.

Statement Of Financial Position

Long term financial receivables increased from \$60.9 million to \$65.2 million mainly due to construction works of BOT projects completed.

Property, plant and equipment increased from \$38.3 million to \$41.6 million mainly attributable to construction of plant in Rosin Chemical (Wuping).

The Group's other receivables and prepayments increased from \$33.7 million to \$36.6 million mainly due to deposits for wastewater treatment projects and amount receivable from investment in a subsidiary.

Inventories increased 10% from \$23.8 million to \$26.2 million mainly due to increase of finished goods for downstream business.

Cashflow

The Group's cash position increased to \$74.9 million as at 31 Mar 2009 from \$67.8 million as at 31 Dec 2008.

For the quarter ended 31 Mar 2009, net cash of \$7.4 million was generated from operations, mainly from working capital changes.

Cash used in investing activities for the quarter ended 31 Mar 2009 was largely due to increased financial receivable from water business and capital expenditure to support the Group's expansion.

Cash from financing activities was mainly due to the withdrawal of fixed deposits pledged to financial institutions.

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 material variance.

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.

While China's economy has shown some early signs of recovery following the announcement of the RMB 4 trillion stimulus package, the sustainability of such recovery is still unclear. Management therefore remains cautious on the outlook of our membrane business as well as the downstream business. Management will continue to focus on cost management to improve profitability. Steps are being taken to address the management and operating issues at the Reyphon group.

The demand for water treatment service is expected to remain strong in China. Consequently, management is optimistic on the performance of our water business in FY 2009.

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 three months ended 31 March 2009 to be false or misleading.

BY ORDER OF THE BOARD

Chew Kok Liang
Company Secretary

14 May 2009