

SECOND QUARTER AND FIRST HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30/06/2009

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 three months and half year ended 30 June 2009**

	Group 3 months ended 30/06/2009 \$'000	Group 3 months ended 30/06/2008 \$'000	+ / (-) %	Group Half year ended 30/06/2009 \$'000	Group Half year ended 30/06/2008 \$'000	+ / (-) %
Revenue	32,749	31,277	5	53,676	54,158	(1)
Cost of sales	(22,391)	(23,619)	(5)	(36,884)	(39,565)	(7)
Gross profit	10,358	7,658	35	16,792	14,593	15
Other income	2,341	2,296	2	4,654	5,383	(14)
Selling and distribution expenses	(1,085)	(982)	10	(1,927)	(1,885)	2
Administrative expenses	(4,239)	(3,291)	29	(6,424)	(6,663)	(4)
Finance cost	(969)	(1,424)	(32)	(1,929)	(2,848)	(32)
Share of profits of associates	1,031	1,425	(28)	1,979	2,430	(19)
Profit before tax	7,437	5,682	31	13,145	11,010	19
Income tax expense	(1,733)	(1,707)	2	(2,435)	(2,141)	14
Profit for the period	5,704	3,975	43	10,710	8,869	21
Profit attributable to:						
Equity holders of the company	5,674	4,228	34	10,624	8,971	18
Minority interests	30	(253)	n.m.	86	(102)	n.m.
	5,704	3,975	43	10,710	8,869	21

**1(a)(ii) UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for three months and half year ended 30 June 2009**

	Group 3 months ended 30/06/2009 \$'000	Group 3 months ended 30/06/2008 \$'000	+ / (-) %	Group Half year ended 30/06/2009 \$'000	Group Half year ended 30/06/2008 \$'000	+ / (-) %
Profit for the period	5,704	3,975	43	10,710	8,869	21
Other comprehensive (loss) income, after tax:						
Exchange differences on translating foreign operations	(11,728)	7,184	n.m.	1,509	7,047	(79)
Fair value changes on available-for-sale financial assets	-	(238)	(100)	-	716	(100)
Other comprehensive (loss) income for the period, net of tax	(11,728)	6,946	n.m.	1,509	7,763	(81)
Total comprehensive (loss) income for the period	(6,024)	10,921	n.m.	12,219	16,632	(27)
Total comprehensive (loss) income attributable to:						
Equity holders of the company	(4,916)	10,503	n.m.	12,020	16,019	(25)
Minority interests	(1,108)	418	n.m.	199	613	(68)
	(6,024)	10,921	n.m.	12,219	16,632	(27)

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

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

	Group 3 months ended 30/06/2009 \$'000	Group 3 months ended 30/06/2008 \$'000	+ / (-) %	Group Half year ended 30/06/2009 \$'000	Group Half year ended 30/06/2008 \$'000	+ / (-) %
Other Credits/(Charges)						
Staff costs	(1,861)	(2,146)	(13)	(3,785)	(3,961)	(4)
Research and development ("R&D")	(538)	(485)	11	(884)	(765)	16
Depreciation	(915)	(858)	7	(1,748)	(1,574)	11
Rental	(370)	(263)	41	(716)	(538)	33
Net foreign currency exchange gain / (loss)	(552)	(302)	83	128	(945)	n.m.
Interest expense on convertible loan notes	(868)	(1,254)	(31)	(1,736)	(2,509)	(31)
Finance income	726	1,029	(29)	1,420	1,987	(29)
Government grants	466	788	(41)	1,508	1,368	10
Interest income	244	462	(47)	519	1,409	(63)

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 30/06/2009	Group 31/12/2008 (As restated)	Company 30/06/2009	Company 31/12/2008
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Long term other receivable	10,671	10,980	-	-
Long term financial receivables	73,179	60,917	-	-
Prepaid land rental	27,045	27,255	-	-
Subsidiaries	-	-	6,900	6,900
Associates	30,925	28,946	-	-
Available-for-sale investment	825	577	-	-
Property, plant and equipment	41,917	38,275	-	-
Goodwill	240	240	-	-
Other intangible asset	328	374	-	-
Deferred tax assets	1,565	1,557	-	-
Total non-current assets	186,695	169,121	6,900	6,900
Current assets				
Trade receivables	29,916	34,611	-	-
Current portion of long-term financial receivables	12,952	8,616	-	-
Other receivables and prepayments	37,875	33,679	152,220	145,166
Prepaid land rental	750	746	-	-
Inventories	25,188	23,776	-	-
Cash and cash equivalents	69,947	67,803	1,173	2,205
Pledged bank deposits	1,265	1,552	-	-
	177,893	170,783	153,393	147,371
Non-current asset held for sale	421	419	-	-
Total current assets	178,314	171,202	153,393	147,371
Current liabilities				
Trade payables	42,368	30,569	-	-
Other payables and accrued expenses	14,626	15,804	23	285
Convertible loan notes	56,082	54,346	56,082	54,346
Income tax payable	1,161	1,293	-	-
Total current liabilities	114,237	102,012	56,105	54,631
Net current assets	64,077	69,190	97,288	92,740
Non-current liabilities				
Deferred income	859	855	-	-
Deferred tax liabilities	5,555	3,613	-	-
Total non-current liabilities	6,414	4,468	-	-
Net assets	244,358	233,843	104,188	99,640

1(b)(i)

UNAUDITED STATEMENT OF FINANCIAL POSITION

	Group 30/06/2009	Group 31/12/2008 (As restated)	Company 30/06/2009	Company 31/12/2008
	\$'000	\$'000	\$'000	\$'000
Equity attributable to equity holders of the company				
Share capital	90,727	90,727	90,727	90,727
Treasury shares	(1,704)	-	(1,704)	-
Other components of equity	26,049	24,653	1,156	1,156
Retained earnings	104,771	94,147	14,009	7,757
	219,843	209,527	104,188	99,640
Minority interests	24,515	24,316	-	-
Total equity	244,358	233,843	104,188	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 30/06/2009		As at 31/12/2008	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	62,442	Nil	60,676

Amount repayable after one year

As at 30/06/2009		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 FLOWS
for the half year ended 30 June 2009**

	Group	
	Half year ended 30 June	
	2009	2008
	\$'000	\$'000
Operating activities		
Profit before income tax	13,145	11,010
Adjustments for:		
Share of profits of associates	(1,979)	(2,430)
Depreciation of property, plant and equipment	1,748	1,574
Loss on disposal of property, plant and equipment	-	11
Amortisation of prepaid land rental	345	364
Amortisation of intangible asset	50	-
Interest expense	1,929	2,848
Finance income	(1,420)	(1,987)
Interest income	(519)	(1,409)
Operating cash flows before movements in working capital	13,299	9,981
Trade receivables	4,914	(564)
Other receivables and prepayments	(3,718)	3,328
Inventories	(1,314)	(5,782)
Trade payables	11,786	1,019
Other payables and accrued expenses	(1,267)	304
Deferred income	-	(50)
Cash from operations	23,700	8,236
Income tax paid	(625)	(1,216)
Net cash from operating activities	23,075	7,020
Investing activities		
Interest received	519	1,409
Increase in financial receivables	(15,033)	(20,989)
Purchase of property, plant and equipment	(5,272)	(6,519)
Acquisition of available-for-sale investment	(248)	-
Prepayment of land rental	-	(11,671)
Net cash used in investing activities	(20,034)	(37,770)
Financing activities		
Fixed deposits pledged to financial institutions	287	(93)
Purchase of treasury shares	(1,704)	-
Interest paid	(193)	(339)
Net used in financing activities	(1,610)	(432)
Net increase (decrease) in cash and cash equivalents	1,431	(31,182)
Cash and cash equivalents at beginning of financial period	67,803	113,681
Effect of foreign exchange rate changes	713	6,362
Cash and cash equivalents at end of financial period	69,947	88,861

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	Treasury Shares \$'000	Retained earnings \$'000	Legal reserve \$'000	Capital reserve \$'000	Revaluation (deficit) /reserve \$'000	Other reserve \$'000	Translation of foreign operation \$'000	Attributable to equity holders of the company \$'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	-	-	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
Total comprehensive income (loss)	-	-	5,674	-	-	-	-	(10,590)	(4,916)	(1,108)	(6,024)
Repurchase of shares	-	(1,704)	-	-	-	-	-	-	(1,704)	-	(1,704)
Balance as at 30 June 2009	90,727	(1,704)	104,771	9,646	1,156	-	1,500	13,747	219,843	24,515	244,358
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 (loss)	-	-	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
Total comprehensive income (loss)	-	-	4,228	-	-	(238)	-	6,513	10,503	418	10,921
Balance as at 30 June 2008	90,727	-	103,303	8,353	1,156	239	1,500	3,417	208,695	27,396	236,091

(1)(d)(i)

UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd)

	Share capital \$'000	Treasury Shares \$'000	Retained earnings \$'000	Capital reserve \$'000	Total \$'000
Company					
Balance as at 1 January 2009	90,727	-	7,757	1,156	99,640
Total comprehensive income	-	-	110	-	110
Balance as at 31 March 2009	90,727	-	7,867	1,156	99,750
Total comprehensive income	-	-	6,142	-	6,142
Repurchase of shares	-	(1,704)	-	-	(1,704)
Balance as at 30 June 2009	90,727	(1,704)	14,009	1,156	104,188
Balance as at 1 January 2008	90,727	-	2,982	1,156	94,865
Total comprehensive (loss)	-	-	(2,024)	-	(2,024)
Balance as at 31 March 2008	90,727	-	958	1,156	92,841
Total comprehensive income	-	-	3,442	-	3,442
Balance as at 30 June 2008	90,727	-	4,400	1,156	96,283

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 half year ended 30 June 2009, the company exercised its share buyback mandate and bought back 10,000,000 ordinary shares from the market. Total number of ordinary shares bought back as at 30 June 2009 amounting \$1,704,416.43.

These shares are held as treasury shares.

	As at	As at
	30/06/09	31/12/08
Total number of issued shares	461,780,000	461,780,000
Total number of treasury shares	(10,000,000)	-
Total number of issued shares excluding treasury shares	451,780,000	461,780,000

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.

	As at	As at
	30/06/09	31/12/08
Total number of issued shares excluding treasury shares	451,780,000	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.

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial period ended 30 June 2009.

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 ordinary share after deducting any provision for preference dividends were:

	Group		Group	
	3 months ended 30/06/09	3 months ended 30/06/08	Half year ended 30/06/09	Half year ended 30/06/08
Earnings per share:-				
Basic and diluted (cents)	1.24	0.92	2.31	1.94
The calculations of EPS is based on net profit and number of shares shown below:				
Profit attributable to equity holders of the company (\$'000)	5,674	4,228	10,624	8,971
Weighted average number of ordinary shares outstanding, excluding treasury shares, during the period ('000)	458,447	461,780	460,113	461,780

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.**

	Group		Company	
	as at 30/06/09	as at 31/12/08	as at 30/06/09	as at 31/12/08
Net asset value per ordinary share (cents)	48.66	45.37	23.06	21.58
Net asset attributable to equity holders of the company (\$'000)	219,844	209,527	104,188	99,640
Number of issued shares excluding treasury shares at the end of period ('000)	451,780	461,780	451,780	461,780

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.**

8(a) Income Statement Analysis

Three months ended 30 June 2009

The Group's revenue increased by 5% to \$32.7 million in 2Q 2009 as compared to \$31.3 million in 2Q 2008 due to increased contribution from water business partially offset by decrease in contributions from both membrane process and engineering business, and downstream business attributed to the economic slow down in China.

The Group's gross profit increased by 35% from \$7.7 million in 2Q 2008 to \$10.4 million in 2Q 2009 mainly due to higher contribution from water business and contribution from the membrane process and engineering business as a result of improved gross margin.

Other income increased by 2% to \$2.3 million in 2Q 2009 mainly attributable to the increased rental income from leasing of tap water plant, and offset by lower interest income and lower finance income from water business.

Selling and distribution expenses increased from \$1.0 million in 2Q 2008 to \$1.1 million in 2Q 2009 mainly due to increased travelling and distribution costs in downstream business.

Administrative expenses increased by 29% from \$3.3 million in 2Q 2008 to \$4.2 million in 2Q 2009. The increase was mainly due to increases in R&D expenditures, depreciation, rental, net foreign currency exchange loss and pre-operating expenses incurred for water business, but partially offset by moderate decrease in staff costs.

Finance costs decreased by 32% from \$1.4 million to \$0.9 million mainly due to reduced interest from the outstanding convertible loan notes.

Share of profits of associates decreased 28% year-on-year to \$1.0 million in 2Q 2009 mainly due to poorer performance of Microdyn-Nadir GmbH as a result of the economic crisis, although the contribution from Shandong Tianli Biochem Co., Ltd during the period was higher.

8(a) Income Statement Analysis (cont'd)

Three months ended 30 June 2009

Profit before income tax increased by 31% year-on-year from \$5.7 million in 2Q 2008 to \$7.4 million in 2Q 2009 mainly due to better contribution from both water business and membrane process and engineering business.

Half year ended 30 June 2009

The Group's revenue decreased marginally by 1% year-on-year from \$54.2 million in 1H 2008 to \$53.7 million in 1H 2009. This was mainly due to lower sales in downstream business.

Gross profit increased by 15% to \$16.8 million mainly attributable to higher contribution from the Group's water business and membrane process and engineering business.

Other income decreased by 14% from \$5.4 million in 1H 2008 to \$4.7 million in 1H 2009, due mainly to decline in interest income, finance income, and investment income, which were mitigated by an increase in rental income.

Selling and distribution expenses increased by 2% to \$1.9 million in 1H 2009 mainly due to increase in distribution related expenses incurred by downstream business.

Administrative expenses decreased by 4% year-on-year from \$6.7 million in 1H 2008 to \$6.4 million in 1H 2009 mainly due to cost management measures implemented.

Share of profits of associates decreased by 19% year-on-year to \$2.0 million in 1H 2009 mainly attributable to lower profits at Microdyn-Nadir GmbH.

Income tax expenses for 1H 2008 and 1H 2009 were \$2.1 million and \$2.4 million respectively mainly due to the provision of tax expenses for the Group's water business.

8(b) Statements of Financial Position Analysis

Long term financial receivables increased from \$60.9 million as at 31 December 2008 to \$73.2 million as at 30 June 2009 mainly due to a greater number of BOT and TOT projects recognised.

Property, plant and equipment increased from \$38.3 million to \$41.9 million mainly attributable to construction of plant in Rosin Chemical (Wuping).

Trade receivables decreased by \$4.7 million to \$29.9 million as at 30 June 2009 due mainly to improvement in collection from membrane process and engineering business.

Other receivables and prepayments increased from \$33.7 million to \$37.9 million, due largely to receivables from associates and deposits made for land rental.

Inventories increased 6% from \$23.8 million to \$25.2 million mainly due to increased finished goods for downstream business.

Trade payables increased by \$11.8 million to \$42.4 million due mainly to an increase in accrual of costs to completion for the BOT projects, and receipt of customer advances.

8(c) Statement of Cash flows

For the half year ended 30 June 2009, the Group has generated cash of \$23.1 million from its operations, mainly due to the increase in operating profit for the financial period and improvement in working capital management.

Largely as a result of financing of BOT projects, purchase of property, plant and equipment, and financing the purchase of treasury shares, the Group's cash position did not change materially during the period, and ended the period at \$69.9 million.

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 is believed to have bottomed out, the outlook remains uncertain. Management remains cautious on the outlook for group's business, with the exception of water business.

Due to strong demand for water treatment services in China, the growth momentum in our water business is expected to continue. Management is also actively exploring overseas water treatment market, especially India market, to capitalise our technologies in water treatment solutions especially membrane based solutions. We expect water business to remain a key earnings driver and contributor in the next 3-5 years.

Barring unforeseeable factors, management also expects the group's performance in FY2009 to be better than FY2008.

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 quarter ended 30 June 2009 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Chew Kok Liang
Company Secretary

13 August 2009