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SINOMEM TECHNOLOGY LIMITED
(Company Registration No. 200208107G)
(Incorporated in the Republic of Singapore)

**PROPOSED PLACEMENT OF UP TO 50,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF
SINOMEM TECHNOLOGY LIMITED (THE "PLACEMENT")**

1. Introduction

The Board of Directors of Sinomem Technology Limited (the "**Company**") wishes to announce that the Company has today entered into a placement agreement (the "**Placement Agreement**") with CIMB-GK Securities Pte. Ltd. ("**CIMB-GK**" or the "**Placement Agent**") pursuant to which the Company has agreed to issue up to 50,000,000 new ordinary shares in the capital of the Company (the "**Placement Shares**") and CIMB-GK has agreed to use its best efforts to procure the subscription and payment for the Placement Shares, at an issue price of S\$0.62 per Placement Share (the "**Issue Price**"), amounting to an aggregate consideration of up to approximately S\$31.0 million, and on the terms and conditions of the Placement Agreement.

The Issue Price represents a discount of approximately 3.2% to the volume-weighted average market price ("**VWAP**") of S\$0.6404 for each ordinary share in the capital of the Company ("**Share**"), based on trades done on the Main Board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 8 September 2009 (being the preceding full market day prior to the signing of the Placement Agreement) and up to the time of the trading halt of its Shares on 9 September 2009. In addition, the Issue Price represents a discount of approximately 6.8% to the last traded price of S\$0.665 on 9 September 2009.

In connection with, and to facilitate, the Placement, a securities lending agreement dated 9 September 2009 (the "**Securities Lending Agreement**") was entered into between the Placement Agent with certain directors and substantial shareholders of the Company namely Dr Lan Weiguang and Ms Chen Ni (collectively, the "**Lenders**"). Upon the terms and subject to the conditions of the Securities Lending Agreement, the Lenders have agreed to lend the Placement Agent up to an aggregate of 50,000,000 Shares (the "**Loan Securities**") for delivery to the end-places by the Placement Agent. The Placement Agent shall, on not more than three (3) business days after the date of completion of the issue and subscription of the Placement Shares pursuant to the Placement Agreement, or such other date as may be agreed, return such number

of ordinary shares in the capital of the Company equivalent to the number of Loan Securities to the Lenders, upon the terms and subject to the conditions of the Securities Lending Agreement. None of the Lenders will derive any financial benefit, whether directly or indirectly, from the securities lending arrangement.

The Company has today, in respect of the Placement, lodged the offer information statement relating to the Placement ("**Offer Information Statement**") with the Monetary Authority of Singapore ("**MAS**") pursuant to Section 277 of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"). A copy of the Offer Information Statement is attached to this Announcement.

The Placement Shares, when issued and delivered, shall be free from all claims, charges, liens and other encumbrances and shall rank *pari passu* in all respects with the Shares existing as at the date of issue of the Placement Shares except for any dividends, rights, distributions, allotments or other entitlements the record date of which falls before such date of issue.

The Placement Shares will be issued pursuant to the general mandate authorising the Directors of the Company to issue new Shares and convertible securities, which was granted by the shareholders of the Company by way of an ordinary resolution at the annual general meeting of the Company held on 30 April 2009. The Placement Shares represent approximately 11.07% of the total number of issued Shares of 451,780,000 Shares (excluding treasury shares) as at the date of this Announcement.

Pursuant to the Placement Agreement, the Placement Agent has undertaken, *inter alia*, that it will not offer the Placement Shares for sale to, or procure subscriptions of or make an invitation for the Placement Shares to any person who (to the best of the Placement Agent's knowledge, information and belief and after having made due and careful enquiries) fall within Rule 812(1) of the Listing Manual unless such subscription is otherwise agreed to by the SGX-ST.

2. Conditions precedent to Completion

Completion of the Placement is conditional upon:-

- (a) the exemption under Section 277 of the SFA being applicable to the placement of the Placement Shares, with the Offer Information Statement being lodged with and accepted by the MAS;
- (b) in-principle approval being obtained from the SGX-ST for the listing and quotation of the Placement Shares on the Main Board of the SGX-ST and such approval not having been revoked or amended and, where such approval is subject to conditions (which are not normally imposed by the SGX-ST for a transaction of a similar nature), such conditions being acceptable to the Placement Agent and, to the extent that any conditions for such approval are required to be fulfilled on or before the completion date, they are so fulfilled;
- (c) the Securities Lending Agreement being duly executed by the parties and being in full force and effect and not having been breached or terminated;
- (d) the allotment, issue and subscription of the Placement Shares not being prohibited by any statute, order, rule, regulation, ruling, directive or request promulgated or issued after the date of the Placement Agreement by any legislative, executive or regulatory body or authority (including the SGX-ST, the Authority and the Securities Industry Council) which is applicable to the Company or the Placement Agent;

- (e) on the completion date, the representations and warranties of the Company in the Placement Agreement being true, accurate and correct in all respects as if made on the completion date, with reference to the then existing circumstances and the Company having performed in all material respects all of its obligations thereunder to be performed on or before the completion date; and
- (f) the delivery of a completion certificate by the Company to the Placement Agent on completion date.

Pursuant to the Placement Agreement, the Company has undertaken, *inter alia*, that it shall not, without the prior written consent of the Placement Agent (such consent not to be unreasonably withheld), issue at any time on or before the expiry of 90 days after the completion date of the Placement, any marketable securities of the Company (in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities, declare or distribute any scrip dividend or vary, alter, subdivide or otherwise do anything to its capital structure (issued or otherwise) save for any Shares to be issued pursuant to the exercise of any options granted under the Sinomem Employees' Share Option Scheme ("**Share Option Scheme**") and the redemption of the S\$80,000,000 convertible loan note due 2011 issued by the Company in December 2006 or any options to be granted pursuant to the Share Option Scheme.

Completion of the Placement is to take place on the date falling three (3) business days after the date on which the last in time of the conditions to the completion of the Placement is satisfied (or such other date as the Company and the Placement Agent may agree in writing) but in any event being a date not later than 30 days after the date of the Placement Agreement. In the event that any of the conditions to the completion of the Placement is not satisfied within 30 days after the date of the Placement Agreement, the Placement Agreement will terminate and neither party shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise, save that the Company shall remain liable for the payment of costs and expenses already incurred up to the date of termination.

The Company will be making an application to the SGX-ST for the listing and quotation of the Placement Shares on the Main Board of the SGX-ST.

3. Use of Net Proceeds

The Placement will allow the Company to raise estimated net proceeds (the "**Net Proceeds**") of up to approximately S\$30.04 million (after deducting expenses incurred in connection with the Placement).

The Company intends to use the Net Proceeds to expand the Group's water business including further investment into Build-Operate-Transfer project(s).

Pending the deployment of the Net Proceeds, such proceeds may be placed as deposits with banks and financial institutions or invested in short term money markets or debt instruments or for any other purpose on a short-term basis as the Directors of the Company may in their absolute discretion deem fit from time to time.

4. Financial Effects

Based on the issued share capital of the Company of approximately S\$90.73 million comprising 451,780,000 Shares (excluding treasury shares) as at the date of this Announcement and assuming that all the 50,000,000 Placement Shares are issued, on completion of the Placement, the issued share capital of the Company will increase to approximately S\$120.77 million comprising 501,780,000 Shares (excluding treasury shares). The 50,000,000 Placement Shares represent approximately 11.07% of the present issued share capital of 451,780,000 Shares (excluding treasury shares) of the Company and approximately 9.96% of the enlarged issued share capital (excluding treasury shares) of the Company immediately after the completion of the Placement (assuming all the 50,000,000 Placement Shares are issued).

Based on the unaudited consolidated financial statements of the Group for the six months ended 30 June 2009 (as announced by the Company on 13 August 2009), the Group's net asset value per Share and earnings per Share was approximately 48.66 cents and 2.31 cents respectively. Assuming that the Placement had been effected on 30 June 2009 and that all the 50,000,000 Placement Shares are issued on the same date, the Group's net asset value per Share and earnings per Share, after adjusting for the issue of the Placement Shares, would be approximately 49.80 cents and 2.08 cents respectively.

5. General

Save as disclosed in this Announcement, none of the Directors of the Company nor (in so far as the Directors of the Company are aware) any substantial shareholder of the Company or their respective associates has any interest, whether direct or indirect, in the Placement.

The Company will make the necessary announcements once the approval-in-principle for the listing and quotation of the Placement Shares has been obtained from the SGX-ST.

By Order of the Board

Chew Kok Liang
Company Secretary

9 September 2009

IMPORTANT NOTICE

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