

**THIRD QUARTER AND FIRST NINE MONTHS FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30/09/2009**

**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 nine months ended 30 September 2009

	Group 3 months ended 30/09/2009 \$'000	Group 3 months ended 30/09/2008 \$'000	+ / (-) %	Group 9 months ended 30/09/2009 \$'000	Group 9 months ended 30/09/2008 \$'000	+ / (-) %
<b>Revenue</b>	31,675	25,054	26	85,351	78,619	9
Cost of sales	(21,804)	(19,783)	10	(58,688)	(59,348)	(1)
<b>Gross profit</b>	<b>9,871</b>	<b>5,271</b>	<b>87</b>	<b>26,663</b>	<b>19,271</b>	<b>38</b>
Other income	3,558	2,313	54	8,212	8,289	(1)
Selling and distribution expenses	(1,164)	(960)	21	(3,091)	(2,845)	9
Administrative expenses	(4,637)	(4,142)	12	(11,061)	(10,805)	2
Impairment loss	(153)	(223)	(31)	(153)	(223)	(31)
Finance cost	(966)	(1,429)	(32)	(2,895)	(4,277)	(32)
Share of profits of associates	250	856	(71)	2,229	3,286	(32)
<b>Profit before tax</b>	<b>6,759</b>	<b>1,686</b>	<b>301</b>	<b>19,904</b>	<b>12,696</b>	<b>57</b>
Income tax expense	(1,641)	(277)	492	(4,076)	(2,418)	69
<b>Profit for the period</b>	<b>5,118</b>	<b>1,409</b>	<b>263</b>	<b>15,828</b>	<b>10,278</b>	<b>54</b>
<b>Profit attributable to:</b>						
Equity holders of the company	5,069	2,046	148	15,693	11,017	42
Minority interests	49	(637)	n.m.	135	(739)	n.m.
	<b>5,118</b>	<b>1,409</b>	<b>263</b>	<b>15,828</b>	<b>10,278</b>	<b>54</b>

**1(a)(ii) UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for three months and nine months ended 30 September 2009

	Group 3 months ended 30/09/2009 \$'000	Group 3 months ended 30/09/2008 \$'000	+ / (-) %	Group 9 months ended 30/09/2009 \$'000	Group 9 months ended 30/09/2008 \$'000	+ / (-) %
<b>Profit for the period</b>	5,118	1,409	263	15,828	10,278	54
<b>Other comprehensive income, after tax:</b>						
Exchange differences on translating foreign operation	(6,643)	9,274	n.m.	(5,134)	16,321	n.m.
Fair value changes on available-for-sale financial assets	-	(2,147)	n.m.	-	(1,431)	n.m.
<b>Other comprehensive (loss) income for the period, net of tax</b>	<b>(6,643)</b>	<b>7,127</b>	<b>n.m.</b>	<b>(5,134)</b>	<b>14,890</b>	<b>n.m.</b>
<b>Total comprehensive (loss) income for the period</b>	<b>(1,525)</b>	<b>8,536</b>	<b>n.m.</b>	<b>10,694</b>	<b>25,168</b>	<b>(58)</b>
<b>Total comprehensive (loss) income attributable to:</b>						
Equity holders of the company	(1,002)	8,214	n.m.	11,018	24,233	(55)
Minority interests	(523)	322	n.m.	(324)	935	n.m.
	<b>(1,525)</b>	<b>8,536</b>	<b>n.m.</b>	<b>10,694</b>	<b>25,168</b>	<b>(58)</b>

**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 30/09/2009 \$'000	Group 3 months ended 30/09/2008 \$'000	+ / (-) %	Group 9 months ended 30/09/2009 \$'000	Group 9 months ended 30/09/2008 \$'000	+ / (-) %
<b>Other Credits/(Charges)</b>						
Staff costs	(2,423)	(1,485)	63	(6,208)	(5,446)	14
Research and development ("R&D")	(644)	(212)	204	(1,528)	(977)	56
Depreciation	(818)	(716)	14	(2,566)	(2,290)	12
Rental	(350)	(399)	(12)	(1,066)	(937)	14
Net foreign currency exchange (loss) gain	(111)	183	n.m.	17	(762)	n.m.
Interest expense on convertible loan notes	(869)	(1,255)	(31)	(2,605)	(3,764)	(31)
Allowance for doubtful debts	-	(1,018)	n.m.	-	(1,018)	n.m.
Finance income	927	1,111	(17)	2,347	3,098	(24)
Government grants	1,725	230	650	3,233	1,598	102
Interest income	581	359	62	1,100	1,768	(38)

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 30/09/2009	Group 31/12/2008 (As restated)	Company 30/09/2009	Company 31/12/2008
	\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>				
Long term other receivables	10,419	10,980	-	-
Long term financial receivables	77,400	60,917	-	-
Prepaid land rental	26,233	27,255	-	-
Subsidiaries	-	-	6,900	6,900
Associates	31,175	28,946	-	-
Available-for-sale investment	825	577	-	-
Property, plant and equipment	41,473	38,275	-	-
Goodwill	240	240	-	-
Other intangible asset	288	374	-	-
Deferred tax assets	1,529	1,557	-	-
<b>Total non-current assets</b>	<b>189,582</b>	<b>169,121</b>	<b>6,900</b>	<b>6,900</b>
<b>Current assets</b>				
Trade receivables	33,126	34,611	-	-
Current portion of long-term financial receivables	13,707	8,616	-	-
Other receivables and prepayments	39,304	33,679	151,805	145,166
Prepaid land rental	732	746	-	-
Inventories	21,592	23,776	-	-
Cash and cash equivalents	89,473	67,803	31,155	2,205
Pledged bank deposits	1,312	1,552	-	-
	199,246	170,783	182,960	147,371
Non-current asset held for sale	412	419	-	-
<b>Total current assets</b>	<b>199,658</b>	<b>171,202</b>	<b>182,960</b>	<b>147,371</b>
<b>Current liabilities</b>				
Trade payables	34,297	30,569	-	-
Other payables and accrued expenses	16,519	15,804	37	285
Convertible loan notes	56,951	54,346	56,951	54,346
Income tax payable	1,426	1,293	-	-
<b>Total current liabilities</b>	<b>109,193</b>	<b>102,012</b>	<b>56,988</b>	<b>54,631</b>
<b>Net current assets</b>	<b>90,465</b>	<b>69,190</b>	<b>125,972</b>	<b>92,740</b>
<b>Non-current liabilities</b>				
Deferred income	839	855	-	-
Deferred tax liabilities	6,320	3,613	-	-
	7,159	4,468	-	-
<b>Net assets</b>	<b>272,888</b>	<b>233,843</b>	<b>132,872</b>	<b>99,640</b>

1(b)(i)  
**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
 (cont'd)

	Group 30/09/2009	Group 31/12/2008 (As restated)	Company 30/09/2009	Company 31/12/2008
	\$'000	\$'000	\$'000	\$'000
<b>Equity attributable to equity holders of the company</b>				
Share capital	120,782	90,727	120,782	90,727
Treasury shares	(1,704)	-	(1,704)	-
Other components of equity	20,547	24,653	1,156	1,156
Retained earnings	109,271	94,147	12,638	7,757
	248,896	209,527	132,872	99,640
<b>Minority interests</b>	23,992	24,316	-	-
<b>Total equity</b>	272,888	233,843	132,872	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 30/09/2009		As at 31/12/2008	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	63,161	Nil	60,676

**Amount repayable after one year**

As at 30/09/2009		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.**

	Group	
	9 months ended 30/09/2009 \$'000	9 months ended 30/09/2008 \$'000
<b>Operating activities</b>		
Profit before income tax	19,904	12,696
Adjustments for:		
Share of profits of associates	(2,229)	(3,286)
Depreciation of property, plant and equipment	2,566	2,290
Loss on disposal of property, plant and equipment	-	433
Impairment loss on property, plant and equipment	153	223
Allowance for doubtful debts	-	1,018
Amortisation of prepaid land rental	529	538
Amortisation of intangible asset	75	-
Interest expense	2,895	4,277
Finance income	(2,347)	(3,098)
Interest income	(1,100)	(1,768)
<b>Operating cash flows before movements in working capital</b>	<b>20,446</b>	<b>13,323</b>
Trade receivables	863	(2,921)
Other receivables and prepayments	(6,156)	741
Inventories	1,804	(9,533)
Trade payables	4,484	3,251
Other payables and accrued expenses	1,056	(323)
Deferred income	-	28
<b>Cash from operations</b>	<b>22,497</b>	<b>4,566</b>
Income tax paid	(1,236)	(1,493)
<b>Net cash from operating activities</b>	<b>21,261</b>	<b>3,073</b>
<b>Investing activities</b>		
Interest received	1,100	1,768
Increase in financial receivables	(21,485)	(24,376)
Decrease in long-term loan receivables	-	8,360
Purchase of property, plant and equipment	(6,680)	(7,145)
Proceeds from disposal of property, plant and equipment	45	-
Acquisition of available-for-sale investment	(248)	-
Dividend from associate	-	4,056
Prepayment of land rental	-	(11,447)
<b>Net cash used in investing activities</b>	<b>(27,268)</b>	<b>(28,784)</b>

**Financing activities**

Fixed deposits pledged to financial institutions	240	(95)
Contributions by minority shareholders of subsidiaries	-	1,480
Purchase of treasury shares	(1,704)	-
Net proceeds on issue of new shares	30,055	-
Interest paid	(290)	(513)
<b>Net cash from financing activities</b>	<b>28,301</b>	<b>872</b>
Net increase (decrease) in cash and cash equivalents	22,294	(24,839)
Cash and cash equivalents at beginning of financial period	67,803	113,681
<b>Effect of foreign exchange rate changes</b>	<b>(624)</b>	<b>7,326</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>89,473</b>	<b>96,168</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**

<b>Group</b>	<b>Share capital \$'000</b>	<b>Treasury Shares \$'000</b>	<b>Retained earnings \$'000</b>	<b>Legal reserve \$'000</b>	<b>Capital reserve \$'000</b>	<b>Revaluation (deficit) /reserve \$'000</b>	<b>Other reserve \$'000</b>	<b>Translation of foreign operation \$'000</b>	<b>Attributable to equity holders of the company \$'000</b>	<b>Minority interests \$'000</b>	<b>Total equity \$'000</b>
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
Total comprehensive income (loss)	-	-	5,069	-	-	-	-	(6,071)	(1,002)	(523)	(1,525)
Transfer to legal reserve	-	-	(569)	569	-	-	-	-	-	-	-
Issue of new shares, net of expense	30,055	-	-	-	-	-	-	-	30,055	-	30,055
Balance as at 30 September 2009	120,782	(1,704)	109,271	10,215	1,156	-	1,500	7,676	248,896	23,992	272,888

(1)(d)(i)

UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd)

	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
<b>Group</b>											
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	-	-	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
Total comprehensive income (loss)	-	-	2,046	-	-	(2,147)	-	8,315	8,214	322	8,536
Transfer from legal reserve	-	-	1,107	(1,107)	-	-	-	-	-	-	-
Contribution from minority interest	-	-	-	-	-	-	-	-	-	1,480	1,480
Balance as at 30 September 2008	90,727	-	106,456	7,246	1,156	(1,908)	1,500	11,732	216,909	29,198	246,107

(1)(d)(i)

UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd)

Company	Share capital \$'000	Treasury Shares \$'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	-	-	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
Total comprehensive income	-	-	(1,371)	-	(1,371)
Issue of new shares, net of expense	30,055	-	-	-	30,055
Balance as at 30 September 2009	120,782	(1,704)	12,638	1,156	132,872
Balance as at 1 January 2008	90,727	-	2,982	1,156	94,865
Total comprehensive income	-	-	(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
Total comprehensive income	-	-	(424)	-	(424)
Balance as at 30 September 2008	90,727	-	3,976	1,156	95,859

**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.**

In June 2009, the company exercised its share buyback mandate and bought back 10 million ordinary shares from the market. Total number of ordinary shares bought back as at 30 June 2009 amounting \$1.7 million. These shares are held as treasury shares.

In September 2009, the company did a placement of 50 million new shares at \$0.62 each and raised net proceeds of \$30.1\$million.

	Number of Shares	
	'000	S\$'000
As at 31 December 2008	461,780	90,727
As at 1 April 2009	461,780	90,727
Repurchase of shares-held as treasury shares	(10,000)	(1,704)
<b>Balance as at 30 June 2009</b>	<b>451,780</b>	<b>89,023</b>
Issue of shares for cash	50,000	30,055
<b>Balance as at 30 September 2009</b>	<b>501,780</b>	<b>119,078</b>

**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 30/09/09	As at 31/12/08
<b>Total number of issued shares excluding treasury shares</b>	<b>501,780,000</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.**

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial period ended 30 September 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 30/09/09	3 months ended 30/09/08	9 months ended 30/09/09	9 months ended 30/09/08
<b>Earnings per share:-</b>				
Basic and diluted (cents)	1.10	0.44	3.41	2.39
The calculations of EPS is based on net profit and number of shares shown below:				
Profit attributable to equity holders of the company (\$'000)	5,069	2,046	15,693	11,017
Weighted average number of ordinary shares outstanding, excluding treasury shares, during the period ('000)	459,472	461,780	459,905	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 30/09/09	as at 31/12/08	as at 30/09/09	as at 31/12/08
<b>Net asset value per ordinary share (cents)</b>	49.60	45.37	26.48	21.58
Net asset attributable to equity holders of the company (\$'000)	248,896	209,527	132,872	99,640
Number of issued shares excluding treasury shares at the end of period ('000)	501,780	461,780	501,780	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 September 2009

The Group's revenue increased by \$6.6 million or 26% to \$31.7 million in 3Q 2009 as compared to \$25.1 million in 3Q 2008 due to increased contribution from both water business and downstream business. This was partially offset by decrease in contribution from membrane process and engineering business, which had been affected by the economic recession brought on by the global financial crisis. However, membrane process and engineering projects has seen significant improvement in orders received in 3Q 2009. Under current accounting policies, revenue for such projects will be recognized upon project completion, which typically will take between 6 and 12 months.

The Group's gross profit increased by 87% to \$9.9 million in 3Q 2009 compared with 3Q 2008. The higher gross profit was mainly attributable to higher contribution from all business segments. Despite lower sales, the membrane process and engineering business earned higher gross profit as a result of gross margin improvement.

Other income increased by \$1.2 million or 54% to \$3.6 million in 3Q 2009 mainly attributable to the government grants and higher interest income, and offset by lower finance income from water business.

Selling and distribution expenses increased by \$0.2 million or 21% from \$1.0 million in 3Q 2008 to \$1.2 million in 3Q 2009 in line with revenue growth.

Administrative expenses increased by \$0.5 million or 12% from \$4.1 million in 3Q 2008 to \$4.6 million in 3Q 2009. The increase was mainly due to increases in R&D expenditures and staff cost.

Share of profits of associates decreased by \$0.6 million or 71% to S\$0.3 million in 3Q 2009 mainly due to lower contribution from Microdyn-Nadir GmbH ("M&N") and Tianli Biochem Co. ("Tianli"), as a result of the economic recession.

Profit before income tax increased by \$5.1 million or 301% year-on-year from \$1.7 million in 3Q 2008 to \$6.8 million in 3Q 2009 mainly due to better contribution from both water business and membrane process and engineering business.

Income tax expense was 492% higher due mainly to more provision of tax expenses for the Group's water business.

#### Nine months ended 30 September 2009

The Group's revenue increased by \$ 6.7 million or 9% year-on-year from \$78.6 million in 9M 2008 to \$85.4 million in 9M 2009. This was mainly due to increased revenue from water business.

Gross profit increased by \$7.4 million or 38% from \$19.3 million in 9M2008 to \$26.7 million in 9M 2009 mainly attributable to higher contribution from the Group's water business and membrane process and engineering business.

Other income saw no material change.

Selling and distribution expenses increased by \$0.2 million or 9% to \$3.1 million in 9M 2009 mainly due to increase in travel and distribution related expenses.

Administrative expenses did not see any material increase.

Share of profits of associates decreased by \$ 1.1 million or 32% year-on-year to \$2.2 million in 9M 2009, mainly attributable to lower profits in M&N and Tianli.

Profit before tax increased 57% to \$19.9 million due mainly to better contribution from both water business and membrane process and engineering business.

Income tax expense for 9M 2009 was \$4.1 million, an increase of \$1.7 million, mainly due to more provision of tax expenses for the Group's water business.

#### **8(b) Statements of Financial Position Analysis**

Long term financial receivables increased by \$16.5 million or 27% from \$60.9 million as at 31 December 2008 to \$77.4 million as at 30 September 2009 mainly due to more construction work done for water projects.

Property, plant and equipment increased by \$3.2 million or 8% from \$38.3 million to \$41.5 million mainly attributable to construction of plant in Rosin Chemical (Wuping).

Trade receivables decreased by \$1.5 million to \$33.1 million as at 30 September 2009 due mainly to improvement in collection from membrane process and engineering business.

Other receivables and prepayments increased by \$ 5.6 million or 17% from \$33.7 million to \$39.3 million, mainly due to government grants receivable and receivables from third parties.

Inventories decreased by \$ 2.2 million or 9% from \$23.8 million to \$21.6 million, as lesser amounts of finished goods were maintained for both membrane process and engineering business and downstream business.

Trade payables increased by \$3.7 million or 12% from \$ 30.6 million to \$34.3 million due mainly to an increase in the amount of advance payments received from customers in the membrane process and engineering business.

### **8(c) Statement of Cash flows**

The Group generated positive net cash from operating activities of S\$21.3 million in 9M 2009, an improvement from the \$3.1 million in 9M 2008. This was mainly due to higher profit and better working capital management.

There was a net cash outflow of \$27.3 million in 9M 2009 for investment activities, mainly for financing water projects and acquisition of property, plant and equipment.

Financing activities resulted in positive cash flow of S\$28.3 million mainly due to proceeds from the issue of new shares.

**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.**

Recent economic data suggests that global economy is recovering from the recession. However the sustainability and strength of recovery is still uncertain.

Our water treatment business is expected to maintain its healthy growth driven by strong demand for water treatment services in China. The overseas expansion of our water business is also on track.

Our membrane process & engineering solutions business has seen significant increase in orders in the third quarter. The demand for our membrane materials is expected to increase as the economy recovers.

Management remains cautiously optimistic on the outlook for the group's business. Consistent with the guidance given in 2Q 2009, we expect 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 September 2009 to be false or misleading in any material respect.

**BY ORDER OF THE BOARD**

**Chew Kok Liang**  
**Company Secretary**

**13 November 2009**