

FIRST HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30/06/2007

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 RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2007

	Group 3 months ended 30/06/2007 \$'000	Group 3 months ended 30/06/2006 \$'000	+ / (-) %	Group 6 months ended 30/06/2007 \$'000	Group 6 months ended 30/06/2006 \$'000	+ / (-) %
Revenue	27,455	20,606	33.2	48,233	41,830	15.3
Cost of sales	(19,397)	(12,110)	60.2	(33,771)	(26,760)	26.2
Gross profit	8,058	8,496	(5.2)	14,462	15,070	(4.0)
Other operating income	1,272	136	835.3	2,685	946	183.8
Selling and distribution expenses	(776)	(690)	12.5	(1,334)	(1,279)	4.3
General and administrative expenses	(2,178)	(1,867)	16.7	(4,344)	(3,074)	41.3
Finance cost	(1,419)	(161)	781.4	(2,704)	(259)	944.0
Share of profits of associates	585	753	(22.3)	1,260	1,233	2.2
Profit before income tax	5,542	6,667	(16.9)	10,025	12,637	(20.7)
Income tax expense	(7)	(94)	(92.6)	(230)	(198)	16.2
Profit after tax	5,535	6,573	(15.8)	9,795	12,439	(21.3)
Attributable to:						
Equity holders of the company	4,353	5,604	(22.3)	8,357	11,120	(24.8)
Minority interests	1,182	969	22.0	1,438	1,319	9.0
	<u>5,535</u>	<u>6,573</u>	(15.8)	<u>9,795</u>	<u>12,439</u>	(21.3)

1(a)(ii)

	Group 3 months ended 30/06/2007 \$'000	Group 3 months ended 30/06/2006 \$'000	+ / (-) %	Group 6 months ended 30/06/2007 \$'000	Group 6 months ended 30/06/2006 \$'000	+ / (-) %
<u>Other Credits/(Charges)</u>						
Staff costs	(1,592)	(1,314)	21.2	(2,744)	(2,445)	12.2
Research and development	(477)	(208)	129.3	(801)	(347)	130.8
Depreciation	(526)	(480)	9.6	(1,111)	(1,020)	8.9
Rental	(165)	(143)	15.4	(318)	(291)	9.3
Net foreign currency exchange loss	(114)	(79)	44.3	(619)	(244)	153.7
Interest income	951	351	170.9	2,112	707	198.7
Interest expense on convertible bonds	(1,183)	-	n.m.	(2,366)	-	n.m.

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 BALANCE SHEETS

	Group 30/06/2007 \$'000	Group 31/12/2006 \$'000	Company 30/06/2007 \$'000	Company 31/12/2006 \$'000
Property, plant and equipment	20,002	19,487	-	-
Available-for-sale investment	6,440	6,440		
Associates	33,796	32,536	-	-
Subsidiaries	-	-	6,900	6,900
	<u>60,238</u>	<u>58,463</u>	<u>6,900</u>	<u>6,900</u>
Current assets				
Trade receivables	52,000	47,948	-	-
Other receivables and prepayments	33,624	14,049	134,472	96,629
Inventories	11,630	10,991	-	-
Cash and cash equivalents	130,952	146,238	36,413	73,695
Pledged bank deposits	284	243	-	-
	<u>228,490</u>	<u>219,469</u>	<u>170,885</u>	<u>170,324</u>
Current liabilities				
Trade payables	17,652	15,513	-	-
Other payables	1,628	4,953	63	264
Income tax payable	493	607	-	96
	<u>19,773</u>	<u>21,073</u>	<u>63</u>	<u>360</u>
Net current assets	<u>208,717</u>	<u>198,396</u>	<u>170,822</u>	<u>169,964</u>
Non-current liabilities				
Bank loans	9,789	9,545	-	-
Convertible loan notes	79,180	76,814	79,180	76,814
Deferred income	1,008	927	-	-
	<u>89,977</u>	<u>87,286</u>	<u>79,180</u>	<u>76,814</u>
Net assets	<u>178,978</u>	<u>169,573</u>	<u>98,542</u>	<u>100,050</u>
Capital and reserves				
Issued capital	90,727	90,727	90,727	90,727
Reserves	7,322	3,761	1,156	1,156
Retained earnings	75,235	68,193	6,659	8,167
	<u>173,284</u>	<u>162,681</u>	<u>98,542</u>	<u>100,050</u>
Minority interests	<u>5,694</u>	<u>6,892</u>	<u>-</u>	<u>-</u>
Total equity	<u>178,978</u>	<u>169,573</u>	<u>98,542</u>	<u>100,050</u>

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

Amount repayable in one year or less, or on demand

As at 30/06/2007		As at 31/12/2006	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 30/06/2007		As at 31/12/2006	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	88,969	3,665	82,694

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.

UNAUDITED CASH FLOW STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2007

	Group	
	6 months ended 30/06/2007 \$'000	6 months ended 30/06/2006 \$'000
Operating activities:		
Profit before income tax	10,025	12,637
Adjustments for:		
Share of profits of associates	(1,260)	(1,233)
Depreciation of property, plant and equipment	1,111	1,020
Loss on disposal of property, plant and equipment	4	286
Interest expense	2,704	259
Interest income	(2,112)	(707)
Operating cash flows before movements in working capital	10,472	12,262
Trade receivables	(4,052)	1,561
Other receivables and prepayments	(19,575)	(6,700)
Inventories	(639)	599
Trade payables	2,139	(386)
Other payables	(3,325)	(7,445)
Deferred income	81	(193)
Cash used in operations	(14,899)	(302)
Income tax paid	(344)	(765)
Net cash used in operating activities	(15,243)	(1,067)
Investing activities:		
Interest received	2,112	707
Purchase of property, plant and equipment	(1,176)	(613)
Proceeds from disposal of held for trading investment	-	1,261
Acquisition of additional equity investment in existing subsidiaries	(1,710)	-
Acquisition of investment in associates	-	(10,068)
Net cash used in investing activities	(774)	(8,713)
Financing activities:		
Bank loan	244	750
Dividend paid	-	(4,618)
Dividend paid to minority interests	(1,577)	-
Fixed deposits unpledged from (pledged to) financial institutions	(41)	766
Interest paid	(338)	(259)
Net cash used in financing activities	(1,712)	(3,361)
Effect of foreign exchange rate changes	2,443	(2,152)
Net decrease in cash and cash equivalents	(15,286)	(15,293)
Cash and cash equivalents at beginning of financial period	146,238	94,693
Cash and cash equivalents at end of financial period	130,952	79,400

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

	Attributable to equity shareholders of the Company							Total \$'000	Minority interests \$'000	Total equity \$'000
	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Other reserve \$'000	Legal reserve \$'000	Capital reserve \$'000	Translation reserve \$'000			
Group										
Balance as at 1 January 2007	90,727	-	68,193	1,500	4,284	1,156	(3,179)	162,681	6,892	169,573
Profit for the period	-	-	4,004	-	-	-	-	4,004	256	4,260
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(211)	(211)	231	20
Balance as at 31 March 2007	90,727	-	72,197	1,500	4,284	1,156	(3,390)	166,474	7,379	173,853
Profit for the period	-	-	4,353	-	-	-	-	4,353	1,182	5,535
Transfer to legal reserve	-	-	(1,315)	-	1,315	-	-	-	-	-
Minority interests' share of reserve	-	-	-	-	(410)	-	-	(410)	410	-
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	(1,577)	(1,577)
Distribution to minority interests	-	-	-	-	-	-	-	-	(1,710)	(1,710)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	2,867	2,867	10	2,877
Balance as at 30 June 2007	90,727	-	75,235	1,500	5,189	1,156	(523)	173,284	5,694	178,978
Balance as at 1 January 2006	9,236	81,491	50,071	1,500	3,889	-	(321)	145,866	3,899	149,765
Transfer from share premium account	81,491	(81,491)	-	-	-	-	-	-	-	-
Profit for the period	-	-	5,516	-	-	-	-	5,516	350	5,866
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(1,403)	(1,403)	(74)	(1,477)
Balance as at 31 March 2006	90,727	-	55,587	1,500	3,889	-	(1,724)	149,979	4,175	154,154
Profit for the period	-	-	5,604	-	-	-	-	5,604	969	6,573
Dividend paid	-	-	(4,618)	-	-	-	-	(4,618)	-	(4,618)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(1,043)	(1,043)	(197)	(1,240)
Balance as at 30 June 2006	90,727	-	56,573	1,500	3,889	-	(2,767)	149,922	4,947	154,869

	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Other reserve \$'000	Legal reserve \$'000	Capital reserve \$'000	Translation reserve \$'000	Total \$'000
Company								
Balance as at 1 January 2007	90,727	-	8,167	-	-	1,156	-	100,050
Profit for the period	-	-	(758)	-	-	-	-	(758)
Balance as at 31 March 2007	90,727	-	7,409	-	-	1,156	-	99,292
Profit for the period	-	-	(750)	-	-	-	-	(750)
Balance as at 30 June 2007	90,727	-	6,659	-	-	1,156	-	98,542
Balance as at 1 January 2006	9,236	81,491	8,280	-	-	-	-	99,007
Transfer from share premium account	81,491	(81,491)	-	-	-	-	-	-
Profit for the period	-	-	106	-	-	-	-	106
Balance as at 31 March 2006	90,727	-	8,386	-	-	-	-	99,113
Profit for the period	-	-	163	-	-	-	-	163
Dividend paid	-	-	(4,618)	-	-	-	-	(4,618)
Balance as at 30 June 2006	90,727	-	3,931	-	-	-	-	94,658

- 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 half year ended 30 June 2007, 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.

- 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.**

Not applicable.

- 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	Group
	6 months ended	6 months ended
	30/06/2007	30/06/2006
Earnings per ordinary share after deducting any provision for preference dividends were:		
Based on the weighted average number of ordinary shares in issue; and	1.81cents	2.41 cents
On a fully diluted basis	1.81cents	2.41 cents

Earnings per ordinary share have been computed based on the number of shares issued and outstanding during the period of 461,780,000.

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	Group	Company	Company
	30/06/2007	31/12/2006	30/06/2007	31/12/2006
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on issued share capital as at the end of the financial period	37.53	35.23	21.34	21.67

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

Three Months Ended 30 June 2007

The Group's sales increased by 33.2% year-on-year from S\$20.6 million for 2Q 2006 to S\$27.5 million for 2Q 2007 due mainly to increased demand for membrane-based process and engineering solutions, especially for wastewater treatment, and higher sales from downstream business, mainly rosin.

Gross profit for 2Q 2007 declined by 5.2% year-on-year basis to S\$8.1 million due to lower gross profit margin, which declined from 41.2% in 2Q 2006 to 29.3% in 2Q 2007. This is mainly due to more projects being carried out for non-pharmaceutical customers in 2Q 2007.

Selling and distribution cost increased by 12.5% from S\$0.7 million in 2Q 2006 to S\$0.8 million in 2Q 2007 as a result of increased sales.

General and administrative expenses increased by 16.7% year-on-year from S\$1.9 million to S\$2.2 million due to higher staff costs and R&D expenses incurred, in line with the group's business expansion.

The finance cost increased from S\$0.2 million in 2Q 2006 to S\$1.4 million in 2Q 2007, mainly due to S\$1.2 million interest expense related to the zero coupon convertible bond.

Earnings contribution from associate companies declined 22.3% from S\$0.8 million in 2Q 2006 to S\$0.6 million in 2Q 2007, mainly due to lower contribution from our 30% owned associate company Shandong Tianli Biochem.

Profit before income tax declined by 16.9% year-on-year from S\$6.7 million in 2Q 2006 to S\$5.5 million in 2Q 2007 mainly due to higher financial cost related to convertible bonds.

Six Months Ended 30 June 2007

The Group's sales increased by 15.3% year-on-year from S\$41.8 million for 1H 2006 to S\$48.2 million for 1H 2007 due mainly to increased demand for membrane-based process and engineering solutions, especially for wastewater treatment. Our downstream business did not contribute significantly due to Jiangxi Reyphon's plant shut-down for maintenance in 1Q 2007.

Gross profit for 1H 2007 declined 4.0% to S\$ 14.5 million due to lower contributions from both downstream business and membrane-based process and engineering business.

Operating expense increased 30.4% to S\$ 5.7 million, mainly due to 129.3% increase in R&D cost.

Finance cost increased from S\$0.3 million in 1H 2006 to S\$2.7 million in 1H 2007 due to S\$2.4 million interest expense related to the zero coupon convertible bond.

Profit before income tax declined by 20.7% to S\$10.0 million in 1H 2007 mainly due to higher financial cost related to convertible bonds and lower gross profit.

Balance Sheet

As at 30 June 2007, the group had cash and cash equivalents of S\$131.0 million and gross debt of S\$89.0 million arising from the issue of S\$80 million convertible bond. The group is in a net cash position of S\$42.0 million.

Compared to 31 December 2006, trade receivables as at 30 June 2007, increased 8.5% to S\$52.0 million. Receivable turnover days improved from 222 days in 1Q 2007 to 175 days in 2Q 2007.

The Group's other receivables and prepayments increased from S\$14.0 million to S\$33.6 million mainly due to more prepayment made to suppliers for production materials and components and S\$8 million bridge fund provided to our 50% owned associate company Sinphon Bioscience (Ji An).

Trade payables increased 13.8% to S\$ 17.7 million due to business expansion.

Cashflow

The cashflow from operation showed an outflow of S\$13.2 million due to increases in trade and other receivables.

(c) Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

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.

The market for membrane engineering and process business is expected to remain competitive. The Group will continue to develop new membrane based wastewater treatment solutions to tap the huge potential arising from China's water recycling market.

Our 52% owned Reyphon Agriceutical was successfully listed on SGX Mainboard on 1 August 2007, which will enable it to have better access to capital. In addition, the construction of our Jiangxi new fermentation base is near completion and the production of Gibberellins and Xanthan Gum is expected to start in 2H 2007.

Siping wastewater treatment/recycling plant commenced operation in May 2007 with operation cost well within budget. The construction of our 40% owned Xingyuan wastewater treatment plant is completed and scheduled to operate in September 2007. With additional four new wastewater treatment projects secured recently, the BOT/TOT wastewater treatment capacity under Sinomem's management will reach 215,000 ton/day. Management is optimistic that wastewater treatment/recycling business will become an additional growth driver and key cash generator for the Group in the next 2-3 years.

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

We, Dr Lan Weiguang and Chen Ni, being two directors of Sinomem Technology Limited (the "Company"), hereby confirm on behalf of the Board of Directors that, to the best of the knowledge of the Board, nothing has come to the attention of the Board of Directors which may render the unaudited financial results for the six months ended 30 June 2007 to be false or misleading.

BY ORDER OF THE BOARD

LOW MEI MEI, MAUREEN
Company Secretary

14 August 2007