



SINOMEM TECHNOLOGY LIMITED
(REGISTRATION NO: 200208107G)

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31/03/2008

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 FIRST QUARTER OF 2008

	Group 1Q 2008 \$'000	Group 1Q 2007 \$'000	+ / (-) %
Revenue	22,881	20,778	10
Cost of sales	(15,946)	(14,374)	11
Gross profit	6,935	6,404	8
Other operating income	3,087	1,464	111
Selling and distribution expenses	(903)	(558)	62
General and administrative expenses	(3,372)	(2,153)	57
Finance cost	(1,424)	(1,349)	6
Share of profits of associates	1,005	675	49
Profit before income tax	5,328	4,483	19
Income tax expense	(434)	(223)	95
Profit for the year	4,894	4,260	15
Attributable to:			
Equity holders of the company	4,743	4,004	18
Minority interests	151	256	(41)
	4,894	4,260	15

1(a)(ii)**ADMINISTRATIVE EXPENSES AND FINANCE COSTS**

	Group 1Q 2008 \$'000	Group 1Q 2007 \$'000	+ /(-) %
<u>Other Credits/(Charges)</u>			
Staff costs	(1,815)	(1,152)	58
Research and development	(280)	(324)	(14)
Depreciation	(716)	(585)	22
Rental	(275)	(247)	11
Net foreign currency exchange loss	(643)	(492)	31
Interest income	947	1,225	(23)
Interest expense on convertible bonds	(1,255)	(1,183)	6
Government grants	580	220	164

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 31/03/2008 \$'000	Group 31/12/2007 \$'000	Company 31/03/2008 \$'000	Company 31/12/2007 \$'000
<u>Non-current assets</u>				
Trade receivables	744	723		
Long term financial receivables	42,361	30,167		
Prepaid land rental	22,566	21,885		
Subsidiaries	-	-	6,900	6,900
Associates	31,091	30,086	-	-
Available-for-sale investment	6,917	5,963		
Property, plant and equipment	33,822	30,115	-	-
Long-term loan receivable	7,880	7,880		
Goodwill	446	446	-	-
	145,827	127,265	6,900	6,900
<u>Current assets</u>				
Trade receivables	34,444	34,200	-	-
Current portion of long-term financial receivables	2,402	1,396	-	-
Other receivables and prepayments	66,499	57,439	167,389	166,295
Prepaid land rental	527	470	-	-
Inventories	16,380	14,186	-	-
Cash and cash equivalents	92,136	113,681	1,857	3,721
Pledged bank deposits	166	71	-	-
	212,554	221,443	169,246	170,016
<u>Current liabilities</u>				
Trade payables	25,720	23,626	-	-
Other payables and accrued expenses	12,313	11,730	217	217
Bank loan	9,594	9,594	-	-
Income tax payable	592	634	288	288
	48,219	45,584	505	505
Net current assets	164,335	175,859	168,741	169,511
<u>Non-current liabilities</u>				
Convertible loan notes	82,800	81,546	82,800	81,546
Deferred tax liabilities	418	341	-	-
Deferred income	1,774	1,778	-	-
	84,992	83,665	82,800	81,546
Net assets	225,170	219,459	92,841	94,865

1(b)(i)
UNAUDITED BALANCE SHEETS

	Group 31/03/2008 \$'000	Group 31/12/2007 \$'000	Company 31/03/2008 \$'000	Company 31/12/2007 \$'000
Capital and reserves				
Share capital	90,727	90,727	90,727	90,727
Reserves	8,390	7,617	1,156	1,156
Retained earnings	99,075	94,332	958	2,982
Equity attributable to equity holders of the company	198,192	192,676	92,841	94,865
Minority interests	26,978	26,783	-	-
Total equity	225,170	219,459	92,841	94,865

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

Amount repayable in one year or less, or on demand

As at 31/03/2008		As at 31/12/2007	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	9,594	Nil	9,594

Amount repayable after one year

As at 31/03/2008		As at 31/12/2007	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	82,800	Nil	81,546

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 CASH FLOW STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2008

	Group	
	1Q 2008	1Q 2007
	\$'000	\$'000
Operating activities		
Profit before income tax	5,328	4,483
Adjustments for:		
Share of profits of associates	(1,005)	(675)
Depreciation of property, plant and equipment	716	585
Amortisation of prepaid land rental	128	-
Interest expense	1,424	1,285
Finance income	(958)	-
Interest income	(947)	(1,225)
Operating cash flows before movements in working capital	4,686	4,453
Trade receivables	(265)	(5,199)
Other receivables and prepayments	(9,060)	(6,241)
Inventories	(2,194)	(2,090)
Trade payables	2,094	(775)
Other payables and accrued expenses	583	(2,845)
Deferred income	(4)	(100)
Cash used in operations	(4,160)	(12,797)
Income tax paid	(399)	(79)
Net cash used in operating activities	(4,559)	(12,876)
Investing activities		
Interest received	947	1,225
Increase in financial receivables	(12,242)	-
Purchase of property, plant and equipment	(4,433)	(456)
Prepayment of land rental	(866)	-
Net cash used in investing activities	(16,594)	769
Financing activities		
Fixed deposits pledged to financial institutions	(95)	(24)
Interest paid	(169)	(102)
Net cash from financing activities	(264)	(126)
Net decrease in cash and cash equivalents	(21,417)	(12,233)
Cash and cash equivalents at beginning of financial period	113,681	146,238
Effects of exchange rate changes	(128)	19
Cash and cash equivalents at end of financial period	92,136	134,024

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	Retained earnings \$'000	Other reserve \$'000	Legal reserve \$'000	Capital reserve \$'000	Translation deficit \$'000	Attributable to equity holders of the company \$'000	Minority interests \$'000	Total equity \$'000
Group									
Balance as at 1 January 2008	90,727	94,332	1,023	8,353	1,156	(2,915)	192,676	26,783	219,459
Profit for the period	-	4,743	-	-	-	-	4,743	151	4,894
Gain on available-for-sale investment	-	-	954	-	-	-	954	-	954
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(181)	(181)	44	(137)
Balance as at 31 March 2008	90,727	99,075	1,977	8,353	1,156	(3,096)	198,192	26,978	225,170
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
Company									
Balance as at 1 January 2008	90,727	2,982	-	-	1,156	-	94,865	-	-
Profit for the period	-	(2,024)	-	-	-	-	(2,024)	-	-
Balance as at 31 March 2008	90,727	958	-	-	1,156	-	92,841	-	-
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	-	-

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 2008, 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.

	31/03/2008	31/12/2007
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.**

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 3 months ended 31/03/2008	Group 3 months ended 31/03/2007
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)	1.03cents	0.87cents
ii) On a fully diluted basis (see note 6b)	1.03cents	0.87cents

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 31/03/2008 Cents	Group 31/12/2007 Cents	Company 31/03/2008 Cents	Company 31/12/2007 Cents
Net asset value per ordinary share based on issued share capital as at the end of the financial period	42.92	41.72	20.11	20.54

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 sales increased by 10% year-on-year from \$20.8 million in 1Q 2007 to \$22.9 million in 1Q 2008. The higher revenue was mainly due to the contribution from water business and improved sales from downstream business, and partially offset by lower revenue from membrane process and engineering business.

Gross profit increased by 8% from \$6.4 million in 1Q 2007 to \$6.9 million in 1Q 2008 mainly due to the contribution from water business and improved contribution from downstream business, despite lower gross profit from the membrane process and engineering business.

Other operating income increased by 111% to \$3.1 million, mainly attributable to the increase in finance income from long-term financial receivables of the Build-Operate-Transfer ("BOT") and Transfer-Operate-Transfer ("TOT") projects, investment income and higher government grants.

Selling and distribution expenses increased by 62% from \$0.6 million in 1Q 2007 to \$0.9 million in 1Q 2008 mainly due to increase in transportation costs and expansion in downstream business.

General and administrative expenses increased by 57% year-on-year from \$2.2 million in 1Q 2007 to \$3.4 million in 1Q 2008 mainly due to higher staff costs and additional cost incurred in Reyphon Agriceutical as a listed company.

Contribution from associates increased by 49% from \$0.7 million to \$1.0 million due to strong performance of Shandong Tianli Biochemical.

Profit before income tax increased by 19% year-on-year from \$4.5 million in 1Q 2007 to \$5.3 million in 1Q 2008 mainly due to contribution from water business and higher contribution from associates.

Balance Sheet

The Group's other receivables and prepayments increased from \$57.4 million to \$66.5 million mainly due to prepayments made for purchase of production materials and components, downpayment for land use right, and deposits for wastewater treatment projects.

Inventories increased 15% from \$14.2 million to \$16.4 million mainly due to increase of raw materials for membrane process and engineering business and downstream business.

Long term financial receivables increased from \$30.2 million to \$42.4 million mainly due to a greater numbers of Build-Operate-Transfer ("BOT") and Transfer-Operate-Transfer ("TOT") projects accounted for as service concession arrangements under INT FRS 112.

Cashflow

Operating cash flow was an outflow of \$4.6 million mainly due to increase in other receivables and prepayments.

The cashflow from investing activities showed an outflow of \$16.6 million due to increase in financial receivables.

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.

The market for our membrane process and engineering solution is expected to remain very competitive as clients in various industries are cautious on capital expenditure due to the uncertainty of economic growth and the credit tightening policy adopted by the PRC government.

Our membrane business is expected to perform well due to strong demand for our membrane products and more competitive prices offered for our low-end mass products.

Management is optimistic that the downstream business will perform better in FY2008 due to the strong demand and new production capacity for our key products such as gibberellic acid, xanthan gum and rosin.

The demand for wastewater treatment/recycling service is expected to remain strong in China. Backed by our proprietary MBR technology and established track record, management expects to secure more water treatment/recycling projects in the PRC.

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 first quarter ended 31 March 2008 to be false or misleading.

BY ORDER OF THE BOARD

Chew Kok Liang
Company Secretary

14 May 2008