

FIRST NINE MONTHS FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30/09/2007

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 THIRD QUARTER AND NINE MONTHES ENDED 30 SEPTEMBER 2007

	Group 3 months ended 30/09/2007 \$'000	Group 3 months ended 30/09/2006 \$'000	+ / (-) %	Group 9 months ended 30/09/2007 \$'000	Group 9 months ended 30/09/2006 \$'000	+ / (-) %
Revenue	15,458	27,957	(44.7)	63,691	69,787	(8.7)
Cost of sales	(13,557)	(17,327)	(21.8)	(47,328)	(44,087)	7.4
Gross profit	1,901	10,630	(82.1)	16,363	25,700	(36.3)
Other operating income	5,191	800	548.9	7,876	1,746	351.1
Gain arising from dilution of interests in subsidiary	12,198	-	n.m.	12,198	-	n.m.
Selling and distribution expenses	(684)	(610)	12.1	(2,018)	(1,889)	6.8
General and administrative expenses	(3,566)	(2,004)	77.9	(7,910)	(5,078)	55.8
Finance cost	(1,354)	(128)	957.8	(4,058)	(387)	948.6
Share of profits of associates	484	655	(26.1)	1,744	1,888	(7.6)
Profit before income tax	14,170	9,343	51.7	24,195	21,980	10.1
Income tax expense	(90)	(181)	(50.3)	(320)	(379)	(15.6)
Profit for the year	14,080	9,162	53.7	23,875	21,601	10.5
Attributable to:						
Equity holders of the company	13,800	8,240	67.5	22,157	19,360	14.4
Minority interests	280	922	(69.6)	1,718	2,241	(23.3)
	14,080	9,162	53.7	23,875	21,601	10.5

1(a)(ii)

	Group	Group		Group	Group	
	3 months	3 months		9 months	9 months	
	ended	ended	+ / (-)	ended	ended	+ / (-)
	30/09/2007	30/09/2006	%	30/09/2007	30/09/2006	%
	\$'000	\$'000	%	\$'000	\$'000	%
<u>Other Credits/(Charges)</u>						
Staff costs	(1,172)	(978)	19.8	(3,916)	(3,423)	14.4
Research and development	(327)	(232)	40.9	(1,128)	(579)	94.8
Depreciation	(498)	(249)	100.0	(1,609)	(1,269)	26.8
Rental	(170)	(154)	10.4	(488)	(445)	9.7
Net foreign currency exchange loss	(613)	(126)	386.5	(1,232)	(370)	233.0
Interest income	1,182	566	108.8	3,294	1,273	158.8
Interest expense on convertible bonds	(1,183)	-	n.m.	(3,549)	-	n.m.
Government grants	2,610	65	3915.3	3,234	172	1780.2

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.

	Group 30/09/2007 \$'000	Group 31/12/2006 \$'000	Company 30/09/2007 \$'000	Company 31/12/2006 \$'000
Property, plant and equipment	54,208	19,487	-	-
Available-for-sale investment	8,586	6,440		
Associates	34,280	32,536	-	-
Subsidiaries	-	-	6,900	6,900
Goodwill	364	-	-	-
	97,438	58,463	6,900	6,900
Current assets				
Trade receivables	41,747	47,948	-	-
Other receivables and prepayments	35,536	14,049	148,100	96,629
Inventories	15,654	10,991	-	-
Cash and cash equivalents	128,273	146,238	22,290	73,695
Pledged bank deposits	289	243	-	-
	221,499	219,469	170,390	170,324
Current liabilities				
Trade payables	14,207	15,513	-	-
Other payables	8,397	4,953	7	264
Income tax payable	70	607	-	96
	22,674	21,073	7	360
Net current assets	198,825	198,396	170,383	169,964
Non-current liabilities				
Bank loans	9,643	9,545	-	-
Convertible loan notes	80,363	76,814	80,363	76,814
Deferred income	384	927	-	-
	90,390	87,286	80,363	76,814
Net assets	205,873	169,573	96,920	100,050
Capital and reserves				
Issued capital	90,727	90,727	90,727	90,727
Reserves	7,278	3,761	1,156	1,156
Retained earnings	89,035	68,193	5,037	8,167
Equity attributable to equity holders of the company	187,040	162,681	96,920	100,050
Minority interests	18,833	6,892	-	-
Total equity	205,873	169,573	96,920	100,050

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

Amount repayable in one year or less, or on demand

As at 30/09/2007		As at 31/12/2006	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 30/09/2007		As at 31/12/2006	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	90,006	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 NINE MONTHS ENDED 30 SEPTEMBER 2007

	Group	
	9 months ended 30/09/2007	9 months ended 30/09/2006
	\$'000	\$'000
Operating activities		
Profit before income tax	24,195	21,980
Adjustments for:		
Share of profits of associates	(1,744)	(1,888)
Gain arising from dilution of interests in subsidiary	(12,198)	-
Depreciation of property, plant and equipment	1,609	1,269
Loss on disposal of property, plant and equipment	27	5
Interest expense	4,058	387
Interest income	(3,294)	(1,273)
Operating cash flows before movements in working capital	12,653	20,480
Trade receivables	6,201	(7,796)
Other receivables and prepayments	(21,487)	(13,665)
Inventories	(4,663)	(11,581)
Trade payables	(1,306)	3,371
Other payables	3,444	(3,685)
Deferred income	(543)	(477)
Cash used in operations	(5,701)	(13,353)
Income tax paid	(857)	(932)
Net cash used in operating activities	(6,558)	(14,285)
Investing activities		
Interest received	3,294	1,273
Purchase of property, plant and equipment	(36,233)	(566)
Proceeds on disposal of held for trading investment	-	1,261
Acquisition of additional equity investment in existing subsidiaries	(3,015)	-
Acquisition of investment in associates	-	(11,313)
Net cash used in investing activities	(35,954)	(9,345)
Financing activities		
Proceeds from (repayment of) bank loans	98	(150)
Net proceed from IPO of subsidiary	26,391	-
Dividend paid	-	(4,618)
Dividend paid to minority shareholders of subsidiaries	(1,939)	(1,627)
Fixed deposits pledged to financial institutions	(47)	(1,259)
Interest paid	(509)	(387)
Net cash from (used in) financing activities	23,994	(8,041)
Effect of foreign exchange rate changes	553	(1,228)
Net decrease in cash and cash equivalents	(17,965)	(32,899)
Cash and cash equivalents at beginning of financial period	146,238	94,693
Cash and cash equivalents at end of financial period	128,273	61,794

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.

	Attributable to Shareholders of the Company							Total	Minority interests	Total equity
	Share capital	Share premium	Retained earnings	Other reserve	Legal reserve	Capital reserve	Translation reserve			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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
Profit for the period	-	-	13,800	-	-	-	-	13,800	-	13,800
Minority interests' share of reserve	-	-	-	-	(116)	-	-	(116)	116	-
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	(362)	(362)
Distribution to minority interests	-	-	-	-	-	-	-	-	(1,305)	(1,305)
Contribution from minority interests	-	-	-	-	-	-	-	-	14,193	14,193
Revaluation of available-for-sale investment	-	-	-	2,146	-	-	-	2,146	-	2,146
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(2,074)	(2,074)	497	(1,577)
Balance as at 30 September 2007	90,727	-	89,035	3,646	5,073	1,156	(2,597)	187,040	18,833	205,873
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
Profit for the period	-	-	8,240	-	-	-	-	8,240	922	9,162
Transfer to legal reserves	-	-	(599)	-	599	-	-	-	-	-
Payment to minority interests	-	-	-	-	-	-	-	-	(1,627)	(1,627)
Currency translation differences	-	-	-	-	-	-	875	875	249	1,124
Balance as at 30 September 2006	90,727	-	64,214	1,500	4,488	-	(1,892)	159,037	4,491	163,528

	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
Profit for the period	-	-	(1,622)	-	-	-	-	(1,622)
Balance as at 30 September 2007	90,727	-	5,037	-	-	1,156	-	96,920

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
Profit for the period	-	-	121	-	-	-	-	121
Balance as at 30 September 2006	90,727	-	4,052	-	-	-	-	94,779

- 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 nine month ended 30 September 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	Group	Group
	3 months ended	3 months ended	9 months ended	9 months ended
	30/09/2007	30/09/2006	30/09/2007	30/09/2006
Earnings per ordinary share after deducting any provision for preference dividends were:				
Based on the weighted average number of ordinary shares in issue; and	2.99 cents	1.78 cents	4.80 cents	4.19 cents
On a fully diluted basis	2.99 cents	1.78 cents	4.80cents	4.19 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
	30/09/2007	31/12/2006	30/09/2007	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	40.50	35.23	20.99	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 September 2007

The Group's sales declined by 44.7% year-on-year to S\$15.5 million in 3Q 2007 from S\$28.0 million in 3Q 2006, primarily due to a decline in revenue from our membrane process and engineering business and, to a lesser extent, downstream business. The revenue decline in our membrane process and engineering business is mainly due to high volatility related to the nature of this business. For our downstream business, the decline is mainly due to the partial shut down of production capacity be modified for new products' production at Jiangxi New Reyphon.

Gross profit for 3Q 2007 declined by 82.1% year-on-year to S\$1.9 million due to lower sales and lower margin. Gross profit margin declined from 38.0% in 3Q 2006 to 12.3% in 3Q 2007 due mainly to lower sales, increased cost of certain components such as stainless steel membrane housing, higher wages and higher raw material prices.

Other operating income increased by 548.9% to S\$ 5.2 million due mainly to increased grants from government in PRC.

Selling and distribution cost increased by 12.1% from S\$0.6 million in 3Q 2006 to S\$0.7 million in 3Q 2007 due to increased transportation cost for downstream products.

General and administrative expenses increased by 77.9% year-on-year from S\$2.0 million to S\$3.6 million due to higher staff cost, higher foreign exchange loss and higher R&D cost incurred.

Finance cost increased from S\$0.1 million in 3Q 2006 to S\$1.4 million in 3Q 2007, mainly due to S\$1.2 million interest expense related to the zero coupon convertible bond.

Earnings contribution from associate companies declined 26.1% from S\$0.7 million in 3Q 2006 to S\$0.5 million in 3Q 2007, mainly due to start up loss incurred by our 50% owned associate company Sinphon Bioscience (Ji An) and lower contribution from Microdyn Nadir, despite improved contribution from our 30% owned associate company Shandong Tian Li.

Profit attributable to equity holders of the company increased 67.5% year-on-year from S\$8.2 million in 3Q 2006 to S\$13.8 million in 3Q 2007 due mainly to the S\$12.2 million dilution gain arising from the listing of our subsidiary, Reyphon Agriceutical.

9 Months Ended 30 September 2007

The Group's sales declined by 8.7% year-on-year from S\$69.8 million in 9m 2006 to S\$63.7 million in 9m 2007 due to lower sales in both membrane process and engineering business and downstream business.

Gross profit in 9m 2007 declined 36.3% to S\$ 16.4 million due to lower turnover and profit margins as a result of higher raw material cost, higher wages and change of revenue mix.

Selling and distribution cost increased by 6.8% to S\$2.0 million mainly due to higher transportation cost. General and Administrative cost increased 55.8% to S\$7.9 million mainly due to higher R&D and staff cost and foreign exchange loss.

Finance cost increased from S\$0.4 million in 9m 2006 to S\$4.1 million in 9m 2007 due to S\$3.5 million interest expense related to the zero coupon convertible bond.

Profit attributable to equity holders of the company increased by 14.4% to S\$22.2 million mainly due to S\$12.2 million dilution gain arising from the listing of a subsidiary.

Balance Sheet

As at 30 September, 2007, the group had cash and cash equivalents of S\$128.3 million and gross debt of S\$90.0 million mainly arising from the issue of S\$80 million convertible bond. The group is in a net cash position of S\$38.3 million.

Compared to 31 December, 2006, trade receivables as at 30 September, 2007, declined 12.9% to S\$41.7 million due to lower sales.

The Group's other receivables and prepayments increased from S\$14.0 million to S\$35.5 million mainly due to more prepayment made to suppliers for production materials and components and bridging loan provided to our 50% owned associate company Sinphon Bioscience (Ji An).

Property plant and equipment increased from S\$19.5 million as at 31 December 2006 to S\$54.2 million mainly due to acquisition of assets related to water treatment plants.

Cashflow

The cashflow in 9m 2007 from operation showed an outflow of S\$6.6 million mainly due to increase in other receivables. The cash from investing activities was an outflow of S\$ 36.0 million, mainly used to acquire water treatment related assets. The financing activities

generated S\$24.0 million cash due to the listing of Reyphon Agriceutical, our subsidiary for gibberellins production during the period.

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 variance with the prospective commentary disclosed in the previous announcement.

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.

Membrane process and engineering business is expected to recover in 4Q 2007 mainly driven by solutions for wastewater treatment.

Our 50% owned Siphon Bioscience (Ji An) started commercial production in early October 2007.

In 3Q 2007, we secured additional wastewater treatment concessions with process capacity of 125,000 ton/day. This brings total BOT/TOT wastewater treatment capacity secured by the Group to 330,000 ton/day. Given the strong demand for wastewater treatment services in China, we will continue to seek wastewater treatment concessions.

The new membrane production facility in Xiamen will be ready for production by end of this year. With the competitive production costs, the Group is well positioned to tap the huge potential in mass membrane product market. In addition, the recent upgrade of tap water specifications by China's Ministry of Health makes membrane solution an attractive alternative to traditional coagulation-flocculation-sandfiltration process. This will provide Group's membrane material production business additional opportunities, especially for our newly developed ceramic membranes.

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 nine months ended 30 September 2007 to be false or misleading.

BY ORDER OF THE BOARD

Chew Kok Liang
Company Secretary

14 November 2007