

THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30/09/2006

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 MONTHS ENDED 30 SEPTEMBER 2006

	Group 3 months ended 30/09/2006 \$'000	Group 3 months ended 30/09/2005* \$'000	Increase / (Decrease) %	Group 9 months ended 30/09/2006 \$'000	Group 9 months ended 30/09/2005* \$'000	Increase / (Decrease) %
Revenue	27,957	16,556	68.9	69,787	50,416	38.4
Cost of sales	(17,327)	(7,081)	144.7	(44,087)	(27,781)	58.7
Gross profit	10,630	9,475	12.2	25,700	22,635	13.5
Other operating income	800	613	30.5	1,746	1,516	15.2
Selling and distribution expenses	(610)	(657)	(7.2)	(1,889)	(1,449)	30.4
General and administrative expenses	(2,004)	(1,731)	15.8	(5,078)	(4,695)	8.2
Operating Profit	8,816	7,700	14.5	20,479	18,007	13.7
Finance cost	(128)	(63)	103.2	(387)	(105)	268.6
Share of profits (losses) of associate	655	(56)	n.m.	1,888	(71)	n.m.
Profit before tax	9,343	7,581	23.2	21,980	17,831	23.3
Income tax expense	(181)	(363)	(50.1)	(379)	(695)	(45.5)
Profit after tax	9,162	7,218	26.9	21,601	17,136	26.1
Attributable to:						
Equity holders of parent	8,240	6,993	17.8	19,360	15,977	21.2
Minority interests	922	225	309.8	2,241	1,159	93.4
	9,162	7,218	26.9	21,601	17,136	26.1

* Certain comparative figures have been restated to conform with the new/revised FRSs and INT FRSs.

1(a)(ii)

	Group 3 months ended 30/09/2006 \$'000	Group 3 months ended 30/09/2005 \$'000	Increase / (Decrease) %	Group 9 months ended 30/09/2006 \$'000	Group 9 months ended 30/09/2005 \$'000	Increase / (Decrease) %
<u>Other Credits/(Charges)</u>						
Staff costs	(978)	(766)	27.7	(3,423)	(2,573)	33.0
Research and development	(232)	(747)	(68.9)	(579)	(1,446)	(60.0)
Depreciation	(249)	(345)	(27.8)	(1,269)	(1,337)	(5.1)
Rental	(154)	(129)	19.4	(445)	(373)	19.3
Exchange differences	(126)	468	n.m.	(370)	916	n.m.
Interest income	566	138	310.1	1,273	461	176.1
Gain from disposal of quoted investments	-	-	n.m.	256	-	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 30/09/2006 \$'000	Group 31/12/2005 \$'000	Company 30/09/2006 \$'000	Company 31/12/2005 \$'000
Fixed assets	15,084	16,157	-	-
Investment in associate	41,689	28,488	-	-
Investment in subsidiaries	-	-	6,000	6,000
	<u>56,773</u>	<u>44,645</u>	<u>6,000</u>	<u>6,000</u>
Current assets				
Trade receivables	29,986	22,190	-	-
Other receivables and prepayments	21,929	8,264	79,937	59,234
Held for trading investment	-	1,261	-	-
Inventories	17,588	6,007	-	-
Cash and cash equivalents	61,794	94,693	8,875	34,043
Pledged bank deposits	2,104	845	-	-
	<u>133,401</u>	<u>133,260</u>	<u>88,812</u>	<u>93,277</u>
Current liabilities				
Trade payables	11,767	8,396	-	-
Other payables	7,482	11,167	6	200
Bank loan, unsecured	6,030	6,180	-	-
Income tax payable	511	1,064	27	70
	<u>25,790</u>	<u>26,807</u>	<u>33</u>	<u>270</u>
Net current assets	<u>107,611</u>	<u>106,453</u>	<u>88,779</u>	<u>93,007</u>
Non-current liabilities				
Deferred income	856	1,333	-	-
	<u>856</u>	<u>1,333</u>	<u>-</u>	<u>-</u>
Net assets	<u>163,528</u>	<u>149,765</u>	<u>94,779</u>	<u>99,007</u>
Capital and reserves				
Issued capital	90,727	9,236	90,727	9,236
Share premium		81,491		81,491
Reserves	68,310	55,139	4,052	8,280
	<u>159,037</u>	<u>145,866</u>	<u>94,779</u>	<u>99,007</u>
Minority interests	<u>4,491</u>	<u>3,899</u>	<u>-</u>	<u>-</u>
Total capital and reserves	<u>163,528</u>	<u>149,765</u>	<u>94,779</u>	<u>99,007</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 30/09/2006		As at 31/12/2005	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	6,030	Nil	6,180

Amount repayable after one year

As at 30/09/2006		As at 31/12/2005	
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.

1(c) UNAUDITED CASH FLOW STATEMENTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2006

	Group	
	9 months ended 30/09/2006 \$'000	9 months ended 30/09/2005 \$'000
Cash flow from operating activities:		
Profit before tax	21,980	17,831
Adjustments for:		
Share of profits(losses) of associate company	(1,888)	71
Depreciation of property,plant and equipment	1,269	1,337
Loss on disposal of property,plant and equipment	5	-
Allowance for doubtful debts	-	24
Interest expense	387	105
Interest income	(1,273)	(461)
Operating cash flows before movements in working capital	20,480	18,907
Fixed deposits (pledged to) financial institutions	(1,259)	2,641
Trade receivables	(7,796)	(8,887)
Other receivables	(13,665)	(1,871)
Inventories	(11,581)	(3,169)
Financial assets	-	502
Trade payables	3,371	(7,334)
Other payables	(3,685)	(4,238)
Deferred income	(477)	32
Cash (used in) from operations	(14,612)	(3,417)
Interest received	1,273	461
Income tax paid	(932)	(426)
Net cash (used in) from operating activities	(14,271)	(3,382)
Cash flow from investing activities:		
Purchase of property,plant and equipment	(566)	(3,174)
Proceeds from sale of an asset classified as held for trading investment	1,261	-
Investment in associates	(11,313)	(4,250)
Net cash used in investing activities	(10,618)	(7,424)
Cash flow from financing activity:		
(Payment to) Contribution by minority interests	(1,627)	79
Dividends paid	(4,618)	(4,000)
Bank loan	(150)	-
Interest paid	(387)	(105)
Net cash used in financing activities	(6,782)	(4,026)
Net effect of exchange rate changes in consolidating subsidiaries	(1,228)	3,475
Net (decrease) increase in cash and cash equivalents	(32,899)	(11,357)
Cash and cash equivalents at beginning of financial period	94,693	61,038
Cash and cash equivalents at end of financial period	61,794	49,681

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 Shareholders of the Company						Total	Minority interest	Total equity
	Issued capital	Share premium	Accumulated profits	Other reserves	Legal reserves	Translation reserves			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
Group									
Balance as at 1 January 2006	9,236	81,491	50,071	1,500	3,889	(321)	145,866	3,899	149,765
Adjustment arising from abolition of par value of shares	81,491	(81,491)	-	-	-	-	-	-	-
Profit for the period	-	-	5,516	-	-	-	5,516	350	5,866
Currency translation differences	-	-	-	-	-	(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)
Currency translation differences	-	-	-	-	-	(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
Balance as at 1 January 2005	8,000	39,828	31,054	1,500	3,558	(1,226)	82,714	7,020	89,734
Profit for the period	-	-	4,136	-	-	-	4,136	224	4,360
Transfer to legal reserves	-	-	(1,108)	-	1,108	-	-	-	-
Currency translation differences	-	-	-	-	-	210	210	10	220
Balance as at 31 March 2005	8,000	39,828	34,082	1,500	4,666	(1,016)	87,060	7,254	94,314
Profit for the period	-	-	4,848	-	-	-	4,848	710	5,558
Dividend paid	-	-	(4,000)	-	-	-	(4,000)	-	(4,000)
Currency translation differences	-	-	-	-	-	634	634	100	734
Balance as at 30 June 2005	8,000	39,828	34,930	1,500	4,666	(382)	88,542	8,064	96,606
Profit for the period	-	-	6,993	-	-	-	6,993	225	7,218
Currency translation differences	-	-	-	-	-	1,336	1,336	45	1,381
Balance as at 30 September 2005	8,000	39,828	41,923	1,500	4,666	954	96,871	8,334	105,205

Company	Issued capital \$'000	Share premium \$'000	Accumulated profits \$'000	Total \$'000
Balance as at 1 January 2006	9,236	81,491	8,280	99,007
Adjustment arising from abolition of par value of shares	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
Balance as at 1 January 2005	8,000	39,828	6,084	53,912
Profit for the period	-	-	335	335
Balance as at 31 March 2005	8,000	39,828	6,419	54,247
Profit for the period	-	-	430	430
Dividend paid	-	-	(4,000)	(4,000)
Balance as at 30 June 2005	8,000	39,828	2,849	50,677
Profit for the period	-	-	88	88
Balance as at 30 September 2005	8,000	39,828	2,937	50,765

- 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 nine months ended 30 September 2006, 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
	9 months ended	9 months ended
	30/09/2006	30/09/2005
Earnings per ordinary share after deducting any provision for preference dividends were:		
Based on the weighted average number of ordinary shares in issue; and	4.19 cents	3.99 cents
On a fully diluted basis	4.19 cents	3.99 cents

Earnings per ordinary share have been computed based on the number of shares issued and outstanding during the period of 461,780,000 (30/09/2005: 400,000,000 shares).

There were no potential dilutive ordinary shares.

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
	30/09/2006	31/12/2005	30/09/2006	31/12/2005
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on issued share capital as at the end of the financial period	34.44	31.59	20.52	21.44

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

For the three months ended 30 September, the Group's sales increased by 68.9% year-on-year from S\$16.6 million to S\$28.0 million. The growth was driven by our process/engineering business and downstream product manufacturing business. Our process/engineering sales grew by 63.3% year-on-year to S\$18.6 million mainly due to strong demand for our process/engineering services in non-pharmaceutical applications. The downstream product manufacturing business also experienced a strong growth of 81.1% year-on-year due to maiden contribution from rosin products and strong demand for gibberellins.

Gross profit was up by 12.2% to S\$10.6 million in 3Q 2006 from S\$9.5 million in 3Q 2005 as a result of growth in revenue. The decline of gross profit margin is mainly because the process/engineering jobs we secured in 3Q 2005 were more from pharmaceutical industry, which commanded higher gross margins than non-pharmaceutical jobs. In fact, our gross margin of 38.0% in 3Q 2006, compared with 31.0% in 1Q 2006 and 41.2% in 2Q 2006, showed some stability.

The operating costs were well under control. Selling and distribution cost declined 7.2% year-on-year and as a percentage of revenue, it declined from 4.0% in 3Q 2005 to 2.2% 3Q 2006. Administrative cost increased by 15.8%, but as a percentage of revenue, it declined from 10.5% in 3Q 2005 to 7.2% in 3Q 2006. Consequently, operating profit outgrew gross profit by 2.3 percentage points year-on-year to S\$8.8 million.

Profit contribution from associate companies was S\$0.7 million in 3Q 2006 compared to a small loss in 3Q 2005. This is mainly due to improved earnings at 50% owned Microdyn Nadir and the earnings contribution from our 30% owned Shandong Tianli Biochemical Co., Ltd (STBC), which was acquired in 4Q 2005.

Profit after tax improved by 26.9% from S\$7.2 million in 3Q 2005 to S\$9.2 million due to the strong contributions from our downstream product manufacturing business and our associates Microdyn Nadir and STBC.

The Group's effective income tax rate in 3Q 2006 was 1.9%, compared to 4.8% in 3Q 2005 mainly due to tax exemption enjoyed by some subsidiaries in China.

Nine Months Ended 30 September

The Group's sales for the nine months ended 30 September 2006 increased by 38.4% from S\$50.4 million to S\$69.8 million. The growth was driven by both our process/engineering business and nutraceutical manufacturing business, whose revenue increased 26.9% and 68.8% respectively. In the nine months ended 30 September 2006, our process/engineering accounted for 59% of revenue.

Gross profit was up by 13.5% to S\$25.7 million from S\$22.6 million in the nine months ended 30 September 2005 mainly due to higher revenue.

Selling and distribution cost increased 30.4% compared with the nine months ended 30 September 2005, which is largely in line with revenue growth. Administrative cost increased by 8.2%. However, as a percentage of revenue, it declined from 9.3% in the nine months ended 30 September 2005 to 7.3%.

Profit from associate companies surged to S\$1.9 million due to the contributions from our 30% owned Shandong Tianli Biochemical Co., Ltd(STBC). and earnings turnaround at 50% owned Microdyn Nadir.

Profit before tax improved by 23.3% from S\$17.8 million to S\$22.0 million due to the strong contributions from our downstream nutraceutical manufacturing business and our associate companies Microdyn Nadir and STBC.

The Group's effective income tax rate in the nine months ended 30 September 2006 was 1.7%, compared to 3.9% in the nine months ended 30 September 2005 mainly due to tax exemption enjoyed by some subsidiaries in China.

Balance Sheet

As at 30 September 2006, the group had cash and cash equivalents of S\$61.8 million and gross debt of S\$6.0 million, resulting in a net cash position of S\$55.8 million. Net cash per share was 12.1 cents. The current ratio still stood at a healthy level of 5.

Compared to 31 December 2005, trade receivables as at 30 September 2006, increased 35.1% to S\$30.0 million, in line with the revenue growth. The Group's other receivables and prepayments increased from S\$8.3 million to S\$21.9 million mainly due to more prepayments made to suppliers for production materials, components. Inventories increased from S\$6.0 million as at 31 December 2005 to S\$17.6 million as at 30 September 2006 due to more production materials purchased and higher work-in-progress. The investment in associates increased from S\$28.5 million as at 31 December to S\$41.7m as at 30 September 2006 due to the injection of paid-up capital into two associate companies in China.

Cash Flow

Nine Months Ended 30 September

The group's cash used in operating activities amounted to S\$14.3 million due primarily to the increase in trade receivables, other receivables and prepayments and inventories. Cash outflow of S\$10.6 million from investment activities is due to injection of paid-up capital into two associated companies in China. Overall, cash and cash equivalents decreased by S\$32.9 million, resulting in a cash balance of S\$61.8 million as at 30 September 2006

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 between the actual results as compared to that 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.

The competition in China's membrane based purification/separation process/engineering market is expected to remain intense. Our Research, Development, Pilot-testing and Application (RDPA) program has been carried out smoothly. With more newly developed processes available for external sales, which are mainly targeted at non-pharmaceutical applications, our engineer/process revenue is expected to continue to grow in fiscal year ended 31 December 2006.

The construction of our new fermentation plant in Ji An Jiangxi remains on schedule. We expect the new plant to start operation in 1Q 2007. With the adoption of new fermentation process, membrane-based separation process and better economy of scale, we believe our downstream product manufacturing business will continue to perform satisfactorily.

Equipment installation at the new Xiamen membrane plant started in 3Q 2006. The new plant is expected to commence production by end FY 2006. The lower cost in China is expected to help improve the profitability of our upstream membrane development and manufacturing business through our 50% owned associate company, Microdyn Nadir.

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

None.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

BY ORDER OF THE BOARD

LOW MEI MEI, MAUREEN
Company Secretary

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"), do hereby confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the nine months ended 30 September 2006 to be false or misleading.

On behalf of the Board of Directors

Dr Lan Weiguang
Managing Director

Chen Ni
Director

14 November 2006