



Registration No. 200208107G

PRESS RELEASE

Sinomem Technology achieved 24% earnings growth in the first half of FY2006

Financial Highlights

	1H 2006 (S\$m)	1H 2005 (S\$m)	Chg
Revenue	41.8	33.9	+24%
Gross profit	15.1	13.2	+15%
Pretax profit	12.6	10.2	+23%
Profit after tax	12.4	9.9	+25%
Net profit	11.1	9.0	+24%
EPS (S¢)	2.41	2.24	
NTA (S¢)	32.47	31.59	

SINGAPORE, 11 August 2006:- Sinomem Technology, a leading integrated membrane process/engineering technology company, today announced its results for the six months ended 30 June 2006.

Revenue up 24% in the first half. Group revenue was up 24% to S\$42 million, mainly due to the higher contribution from gibberellins manufacturing and increased sales from membrane engineering/process business. The gibberellins manufacturing generated S\$15 million revenue

and accounted for 36% of the total Group revenue in 1H2006, compared with 29% in 1H2005.

Gross margin marginally lower due to change of revenue mix. Gross margin slightly decreased from 38% in 1H2005 to 36% in 1H2006 mainly due to higher gibberellins revenue which normally commands lower gross profit margin than our engineering/process. However, the lower gross margin was more than off-set by higher revenue, resulting in a 15% growth in gross profit, which reaches S\$15 million.

Operating costs well under control. Total operating costs increased 15% to S\$4.3 million due to higher turnover. However, as percentage of sales, operating costs decline 1 percentage to 10%, showing that operating costs are well under control.

Lower effective tax rate. The effective income tax rate decreased by 1.6 percentage points to 1.6% as the group's subsidiary, Jiangxi New Reyphon Biochemical Co., Ltd has been granted tax exemption in first two years beginning year 2006 and 50% relief from PRC income tax for the subsequent three years.

24% growth in net profit attributable to shareholders. Profit before tax increased by 24% from S\$9.0 million for 1H 2005 to S\$11.1 million due to the strong contribution from our downstream nutraceutical manufacturing business and improvement of Microdyn Nadir's profitability.

Balance sheet remained solid. As at 30 June 2006, the group had cash and cash equivalents of S\$79 million and gross debt of S\$7 million, resulting in a net cash position of S\$72 million. Net cash per share was 15.69 cents.

Healthy operating cash flow. In 1H 2006, net cash generated from operation activities was approximately S\$0.4 million versus a negative cash flow of S\$5.2 million a year ago because of improvement in receivables collection

Commenting on 1H2006 results, Dr. Lan Weiguang, the CEO and Founder of Sinomem Technology said, 'We are satisfied with what we have achieved in the first half of fiscal year 2006 – a growth rate that is similar with what we have achieved in the past few years. This is in line with our goal to achieve a moderate, steady yet sustainable growth for the company'.

'Despite an unfavourable macro operating environment expected due to the PRC government's credit control, which is aimed to cool down its overheated economy, we remain optimistic on the performance of our membrane engineering/process division mainly because of the execution of our Research, Development, Pilot-testing and Application (RDPA) program and the promising outlook for the engineering business that is related to our patented second generation MBR product – BIO-CEL. Our RDPA program not only accelerates our new process development but also enables us to provide total fermentation based manufacturing solutions to our clients. With the track record to be established through our recently announced Ji An MBR based BOT project, we expect BIO-CEL to generate significant revenue and profit within 2-3 years, either through the engineering jobs or direct product sales" Dr. Lan added.

'We are well encouraged by the performance of our downstream nutraceutical manufacturing business, especially our gibberellins manufacturing, which registered a 54% increase in sales with net profit more than doubled. Our new fermentation plant in Ji An Jiangxi, which is expected to start operation in 1Q07 for both gibberellins and xanthan gum, will further enhance the performance of our downstream business going forward. The improvements in fermentation and separation/purification technologies are the key factors that led to the boom of

BIOMASS industry which uses carbon from photolysis to replace fossil carbon as crude oil to produce organic chemicals. Currently, only very portion of organic chemicals are produced using BIOMASS process, showing a bright future for both our process/engineering business and downstream product manufacturing business as we have expertise in both fermentation and membrane separation technologies' Dr. Lan concluded.

-End -

About Sinomem Technology Limited

Sinomem Technology Limited (Bloomberg - SINO SP; Reuters – SINO.SI) was incorporated on 18 September 2002 under the laws of the Republic of Singapore, On 18 June 2003; the company was listed on the mainboard of the Singapore Exchange Securities Trading Limited. The company and its subsidiaries provide integrated process and engineering solutions for separation, purification and cleaner production purposes for their customers in diverse industries through the use of its proprietary advanced membrane technology. This includes the upstream activities such as advanced membrane material production and downstream activities such as the production of biochemical products through membrane process and engineering technology.

For more information, please contact the following:

Dr. Pu Weidong
Vice President
Corporate Planning, Strategic Investment &
Investor Relations
Tel 65-64816966
Fax 65-64816066
Email: puwd@sinomem.com