

## PRESS RELEASE



### **Sinomem signs an MOU to invest S\$6 m in PRC's top producer of gibberellins**

**Singapore, 11 October 2004:** - Mainboard-listed **Sinomem Technology Limited** (“Sinomem”), a leading membrane-based integrated process and engineering technology company, is pleased to announce that it has entered into a memorandum of understanding (MOU) with Jiangxi Nanchang University Ruifeng Biochemical Co. Ltd. (“NCU Ruifeng”), and a third party comprising five key management staff of Jiangxi Nuclear Ruifeng Biochemical Co. Ltd. (“Ruifeng”), a related company of NCU Ruifeng to set up a new joint venture to be called Jiangxi New Ruifeng Biochemical Co. Ltd. (“NRB”) in the PRC, focusing on the production and sales of gibberellins (a plant growth regulator) and other fermentation-based biochemical products.

Sinomem will invest about S\$6 million for a 51% stake in NRB while NCU Ruifeng and the third party will hold the remaining 49%. Under the collaboration, NRB will acquire production facilities from Ruifeng and will also take over all of Ruifeng’s production licenses, related certificates, and other fermentation products including validamycin serials. The investment will be financed through Sinomem’s internal resources.

Dr Lan Wei Guang, founder and Managing Director of Sinomem said, “We are pleased to be partnering with Ruifeng as they are a leading producer of gibberellins. Our advanced membrane technology is a key technique for gibberellin production. We intend to provide our membrane-based integrated process and engineering solutions for NRB to increase production yields, improve product quality, reduce the production cost and minimize pollution. Gibberellins are currently priced at about RMB1.5 million per tonne but with the

application of our know-how in process and engineering technology, production costs could be significantly reduced. Not only do we expect NRB to be more competitive and in the process, improve its market share, we also expect future lower selling prices to fuel even more applications for gibberellin globally. “

### **About Ruifeng and Gibberellins**

Established in Jiangxi Province, PRC since 1990, Ruifeng is one of the largest gibberellin producers in PRC.

Gibberellin is a fungal compound that promotes plant growth and is produced from fungal fermentation. The fungus is typically grown in huge vats where fermentation will take place, and gibberellin is later extracted and purified. In China, gibberellin is used mainly in the production of hybrid rice, which accounts for more than 50% of rice production in the country. In addition to rice, gibberellin can be applied to enhance the growth of fruits, vegetables and feedstuff, and can even be used in the brewing of beer. Due to continued modernisation of agriculture methods in China, the domestic consumption of gibberellins currently estimated to be about 120 tonnes, is expected to grow at 15% p.a.

### **A New Phase of Growth - Partnering Customers for Mutual Benefit**

The strategic investment in NRB is in line with Sinomem’s growth strategy of partnering its customers for mutual benefit. By becoming a strategic partner and investor in these companies, Sinomem not only uses its advanced membrane-based process and engineering technology to help these companies develop a stronger competitive edge, it will also benefit from improved profitability at these companies. In addition, such strategic investments will also enhance Sinomem’s earnings profile with a new stream of recurrent income from its stakes in these companies.

Commented Mr Ren Xin Hua, General Manager of Ruifeng, “Both Sinomem and Ruifeng share the same spirit of innovation and social consciousness. We believe this partnership will propel NRB further in the international market as a world leader in quality biochemical products.”

Dr Lan added, “This is a strategic investment that underscores our commitment to enhance shareholder value. NRB is expected to contribute positively to Sinomem. We are confident of the long-term prospects of NRB and hope to monetise its value through a public listing of the company in the future, just as we had done with our acquisition of Pharmesis.”

In December 2003, Sinomem invested S\$6 million for a 31.8% stake in its customer, Pharmesis International Ltd (formerly known as Sinopharm Pte Ltd), a leading pharmaceutical company in the PRC that specializes in formulated products for the treatment of illnesses relating to the liver and gall bladder. Pharmesis was listed on the Singapore Stock Exchange on 6 October 2004 and closed on the same day with a market capitalisation of S\$78 million. Sinomem remains a major shareholder with 23.85% stake (after the issue of new shares for the public offer) while the value of its original investment also tripled. Pharmesis contributed S\$0.4 million or about 5% of Sinomem’s net profits in the recent half-year results ended 30 June 2004).

Following the above MOU, the parties will endeavour to finalize and enter into a joint venture agreement and the relevant asset acquisition agreement, and carry out a due diligence review on the assets to be acquired by NRB. The parties will negotiate in good faith the terms of the proposed acquisition and will use their best endeavors to procure the approvals of the relevant authorities and/or shareholders for the proposed acquisition, if required. Sinomem will make further announcements as and when the terms of the proposed acquisition are finalised.

- Ends -

### **About Sinomem Technology Limited**

Sinomem Technology Limited (Bloomberg - SINO SP; Reuters – SINO.SI) is a leading membrane technology provider and process specialist based in Xiamen, China and headquartered in Singapore. Established in 1996, it was listed on the Singapore Exchange on 18 June 2003. The company provides integrated process and engineering solutions for separation, purification and cleaner production using its proprietary advanced membrane technology. Its customers include key players in the pharmaceutical, chemical and dyestuff, food and beverage, water and wastewater treatment industries in the PRC. The group currently derives about 90% of its revenues from customers in the pharmaceutical industry. ([www.sinomem.com](http://www.sinomem.com))

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