



Sinomem



UNLIMITED POTENTIAL



CORPORATE PROFILE

Established in 1996, Sinomem Technology Limited is engaged mainly in the provision of customised process and engineering solutions for the purpose of upgrading and improving customers' production processes by the use of advanced membrane technology. Its products and services include process development, engineering design, equipment fabrication, system integration, on-site installation and commissioning and after sales technical support.

Listed on the Main Board of Singapore Exchange on 18 June 2003, the Group's customers are mainly in the **PHARMACEUTICALS, CHEMICAL & DYESTUFF, FOOD & BEVERAGE** and **WATER & WASTEWATER TREATMENT INDUSTRIES**.

The Group aims to be the pre-eminent supplier of advanced membrane technology and products where it already enjoys a unique distribution capability and extensive customer base. It will capitalize on the growth potential offered by the enormous growth prospects of China's economy and build on the strength of the Sinomem and Suntar brands and its diverse and flexible range of products and services.



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OUR VISION
OUR MISSION
OUR PHILOSOPHY

To be a global leader in the development of advanced membrane technology for separation, purification and cleaner production.

To generate wealth and economic value through technology and innovations.

To partner our customers through the sharing of our technological know-how for mutual benefit and growth.

CORPORATE DATA

Board of Directors:

Dr. Lan Wei Guang	<i>(Managing Director)</i>
Chen Ni	<i>(Executive Director)</i>
Teng Cheong Kwee	<i>(Independent Director)</i>
Hee Theng Fong	<i>(Independent Director)</i>
Robin Lin Lu Ping	<i>(Independent Director)</i>

Joint Company Secretaries:

Low Mei Mei, Maureen, ACIS,
LLB (Hons) (London)
Choo Beng Lor, CPA

Registered Office:

Sinomem Technology Limited
10 Ang Mo Kio Street 65
#06-10 Techpoint
Singapore 569059
Tel: 6481 6966
Fax: 6481 6066
Website: www.sinomem.com

Share Registrar and Share Transfer Office:

Barbinder & Co Pte Ltd
8 Cross Street #11-00
PWC Building
Singapore 048424

Manager, Underwriter and Placement Agent:

UOB Asia Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Primary Sub-underwriters and Primary Sub-placement Agents:

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

UOB Kay Hian Private Limited
80 Raffles Place #30-01
UOB Plaza 1
Singapore 048624

Solicitors to the Invitation:

Wong Partnership
80 Raffles Place
#58-01 UOB Plaza 1
Singapore 048624

Auditors and Reporting Accountants:

Deloitte & Touche
Certified Public Accountants
6 Shenton Way #32-00
DBS Building Tower Two
Singapore 068809
Partner: Cheung Pui Yuen
(Since financial year ended
December 31, 2002)

Legal Advisers to the Company as to PRC Law:

Jingtian & Gongcheng
Floor 15 The Union Plaza
20 Chaoyangmenwai Dajie
Beijing 100020
PRC

Receiving Banker:

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

MANAGING DIRECTOR'S STATEMENT

The year 2003 marked a significant milestone in the corporate development of Sinomem Technology Limited. We raised about \$41.5 million from an initial public offering of 100 million shares and were listed on the Main Board of the Singapore Exchange on 18 June 2003.

DR LAN WEI GUANG
MANAGING DIRECTOR



MANAGING DIRECTOR'S STATEMENT



The IPO was well received with an oversubscription rate of about 71.9 times for the public tranche. Our share price appreciated strongly on the first day of trading with a premium of about 37.5% over the initial public offering price of 44 cents per share.

We have not disappointed the confidence shown by investors in Sinomem and are pleased to have completed the first year of our status as a public company successfully. We ended the financial year 2003 with strong momentum in all our business segments, a strengthened balance sheet and a solid foundation to pursue further growth.

Results

We have recorded yet another outstanding set of results for the Group. The 2003 financial year saw the Group's revenue rising to a high of \$42.5 million, an increase of 36% over \$31.3 million in 2002. Record

earnings were achieved and net profit attributable to shareholders grew 33% to \$14.2 million. Correspondingly, earnings per share rose 14% to 4 cents per share from 3.5 cents a year ago. The consistency of performance and superior results were derived from our value-added services and proprietary systems and technologies supplied to niche market segments such as the pharmaceutical industry. About 90% of the total revenue reported were contributed by pharmaceutical customers, an increase from the 83% recorded in 2002.

Along with the growth in turnover, the Group also saw an improvement in cash flow with the overall cash position of the Group standing at \$52.8 million as at 31 December 2003. This will fuel the growth engine of the Group and allow meaningful strategic investments and acquisitions.

MANAGING DIRECTOR'S STATEMENT

Outlook and Strategy – value creation through growth

The good results we achieved for 2003 demonstrate our commitment to our shareholders to create value by continuing our efforts in accelerating the growth momentum. We are firmly focused on delivering quality and value-added services and systems to our customers. As we enter the year 2004, I am pleased to announce a notable order book of \$30 million, which will be driven higher given our commitment to grow our businesses.

As we see it, there are two key routes to our achieving higher rates of growth: organically and by acquisition.

Organically, the Group is founded on powerful products and significant market share in many categories. We have a team of innovative and resilient people. There is potential to grow not only in China but also in the

markets of the regional countries for our chosen range of products and services. We see an increase in the demand for advanced membrane technology led by the need and promotion of cleaner production facilities in industries; the wider adoption of advanced membrane technology by industries and the increase in demand for purified water and treated water. As such, we will continue to accelerate the pace of our research and development activities to pioneer the use of our proprietary membrane process and engineering solutions across industries.

In order to fully realize the organic growth potential of the Group, we depend on our ability to invest in new ideas and in technology to package the ideas, coupled with strong marketing support to turn these ideas into profits. We will sharpen our focus this year by expanding our operations in China and will explore further growth opportunities in industries other than pharmaceuticals. In



MANAGING DIRECTOR'S STATEMENT



In addition, we will also strive for improvements in operational efficiencies. These will enhance our future financial performance. We will rationalize our cost structure, control our overheads and streamline our business processes in order to widen our margins and conserve resources for future growth.

Secondly, we see selective acquisitions, alliances and joint ventures as an important part of our growth agenda. We have a cash hoard of \$52.8 million and will seek to build synergistic businesses that have robust and sustainable growth potential. For a start, we have acquired a 31.8% stake in Sinopharm Pte Ltd – a traditional Chinese medicine manufacturer and distributor in China. This acquisition – and others that we are examining – will add to our portfolio of businesses with superior growth potential.

The performance in 2003 and the good start we have for 2004 indicate that we are fundamentally anchored

to meeting shareholders' expectations for value and growth. As we persevere, sparing no efforts to execute on our vision to be a global leader in the provision of advanced membrane technology for separation, purification and cleaner production, we believe that our sound business model will allow us to exploit fully the opportunities presented by the market.

Acknowledgements

The pace in which we grew in 2003 was made possible by the enthusiasm and commitment of everyone in the Group. I thank them all for their support and reaffirm our commitment to our shareholders that we intend to make Sinomem truly successful as measured with the best in the industry.

Dr. Lan Wei Guang
Managing Director

BOARD OF DIRECTORS



新达科技集团

SINOMEM TECHNOLOGY LIMITED

Advanced Membrane Technology Specialist



From left to right:
Teng Cheong Kwee, Robin Lin Lu Ping, Dr. Lan Wei Guang, Chen Ni and Hee Theng Fong.

BOARD OF DIRECTORS

DR LAN WEI GUANG is the Managing Director and the founder of our Group. As our Managing Director, Dr Lan oversees the overall management and operations of our Group, as well as formulates our business strategies. In addition, he also spearheads and supervises our research and development activities. From 1985 to 1992, he was an assistant professor at the Department of Food Engineering of Jimei University in Xiamen, PRC. Prior to the founding of our Group in 1996, Dr Lan was appointed as the technical and sales director of Hydrochem Engineering (Singapore) Pte Ltd from 1994 to 1995. Dr Lan holds a Bachelor of Science degree in Chemistry from Xiamen University, PRC and a PhD degree in Chemistry from the National University of Singapore. In 1997, Dr Lan was invited to be an associate professor at Xiamen University and was also invited to establish an Applied Membrane Research and Development Center in Xiamen University for scientific research purposes. In 1999, he was promoted to the position of professor of the faculty of Chemistry and Chemical Engineering of Xiamen University. Dr Lan is a director of the China Membrane Industry Association and the Fujian Chemical Engineering Association in the PRC. In 2003, Dr Lan won the Young Chinese Entrepreneur Award organised by Yazhou Zhou Kan.

CHEN NI is our Executive Director and co-founder of our Group. She oversees the administration and the day-to-day operations of our Group in Singapore. Chen Ni was a laboratory technologist at the Department of Chemistry and the Department of Chemical and Environmental Engineering of the National University of Singapore from 1992 to 1998. Prior to 1992, she was a laboratory technologist at the Department of Food Engineering of Jimei University in Xiamen, PRC for five years. She was a teacher at Wuping First Middle School in Fujian, PRC from 1984 to 1987. Chen Ni holds a Diploma in Biology from Ningde Teachers' College, Fujian Province, PRC, a Certificate in Accounting from LCCI, as well as an MBA from Shanghai Jiao Tong University, PRC.

TENG CHEONG KWEE was appointed as an Independent Director of our Company on 14 May 2003. Mr Teng is an executive director of Pheim Asset Management (Asia) Pte Ltd, a fund management company. Mr Teng started his career in 1978 as an administrative assistant in the Singapore Government Administrative Service. In 1979, he was seconded to the Singapore Securities Industry Council ("SIC") as assistant secretary in the SIC Secretariat. From 1982 to 1989, he served as secretary in SIC, assistant and deputy director in the Monetary Authority of Singapore. From 1989 to 1999, he joined the Stock Exchange of Singapore ("SES") as executive vice president where he was in charge of the review of listings, market surveillance, member broker supervision, and investigations. From 1999 to 2000, Mr Teng was with the Singapore Exchange as executive vice president and head for the Risk Management and Regulatory Division. Mr Teng obtained a Bachelor degree in Engineering (Industrial) with a first class honours and a Bachelor degree in Commerce from the University of Newcastle, Australia in 1977. He is also a council member of the Singapore Institute of Directors.

HEE THENG FONG was appointed as an Independent Director of our Company on 14 May 2003. Mr Hee obtained a LLB (Hons) from the then University of Singapore (now known as National University of Singapore) in 1979 and was admitted as an advocate and solicitor in Singapore in 1981. Mr Hee is a lawyer by profession and is a legal advisor to various organisations. He is also a director of several listed companies. He is currently the managing partner of Hee Theng Fong & Co..

ROBIN LIN LU PING was appointed as an Independent Director of our Company on 14 May 2003. He assumes the position of the Vice President (Finance) of John Deere Tiantou Co., Ltd since 2003 and is in charge of comprehensive finance functions as well as strategic and general management of the entity. From 2001 to 2003, he was the finance and tax manager of John Deere (China) Investment Ltd where he was in charge of budgeting, treasury, taxation and credit control functions. Prior to that, he was the financial controller (Finance & IT) of Agilent Technologies from 2000 to 2001. Mr Lin was the treasury and credit manager of Dell Computer China from 1998 to 2000 and the manager of finance and personnel of Xiamen Paktank Co. Ltd from 1996 to 1998. Besides his considerable financial experience, Mr Lin also has banking experience, having worked for a total of four years including Banca Commerciale Italiana and Royal Bank of Canada. Mr Lin holds an MBA from Queen's University, Canada and a Master of Arts degree in Economics from the University of Western Ontario, Canada. He pursued his graduate studies in economics at the People University of China. He also holds a Bachelor of Science degree in Chemistry from Xiamen University, PRC.

EXECUTIVE OFFICERS

LAN XIN GUANG is the General Manager of our Group. He joined our Group in 1997 and currently oversees the overall management and day-to-day operations of our Group in the PRC. In particular, he oversees our sales and marketing, procurement and logistics, production and customer service departments. He was also responsible for setting up our subsidiaries in the PRC. Mr Lan graduated from the Fujian Fisheries Administrative School with a Diploma in Accounting, and worked as an accountant at Wuping Fisheries Administrative Bureau of Fujian Province, PRC. In 1994, he joined Hydrochem Engineering (Shanghai) Co., Ltd as an accounts and administration executive, and held different positions including administration manager and sales representative until he left the company in 1996.

CAO MIN JIE is our Senior Manager and he joined our Group in February 2004. He is responsible for our research and development activities, process development and application studies. He has more than 15 years of research experience and has published more than 20 papers in international journals and other publications. Prior to joining our Group, Dr Cao was a professor at the faculty of Bioengineering in Jimei University, PRC. From 2000 to 2002, he was a post-doctor fellow at the Institute of Molecular Agriculture of the National University of Singapore. He did his post-graduate studies from 1994 to 2000. From 1985 to 1994, Dr Cao worked at the Department of Food Engineering in Jimei University, PRC. Dr Cao holds a Bachelor degree in food engineering from Shanghai Fisheries University, PRC, and a Master degree in food science and a PhD degree in biotechnology from the Nagasaki University, Japan.

TANG JIA JING is our Administration Manager. She joined our Group in January 2003, and is responsible for overseeing all administrative matters of our Group. From 1998 to 1999, she was an accountant at the Shanghai branch of OR Partner Integrated Information Ltd. From 2001 to 2002, she was an accounting manager (credit, receivables and taxation) at Johnson & Johnson Medical (China) Ltd. From 2000 to 2001, Ms Tang was a post-graduate student at the National University of Singapore and obtained a Master degree in Management of Technology. She had obtained a Bachelor degree in Accountancy from the East China University of Science and Technology in 1998.

CHOO BENG LOR joined our Group as Financial Controller in December 2002. He oversees and coordinates the operation of our Company's finance department, as well as manages all the financial functions of our Group. He was with Deloitte & Touche, Singapore, for six years from 1996 to 2002. While with Deloitte & Touche, Mr Choo managed a portfolio of clients which included public listed companies and multi-national corporations. His responsibilities included audit work, as well as assignments such as initial public offerings, limited reviews and due diligence. Mr Choo graduated with a Bachelor of Accountancy from the Nanyang Technological University in 1996. He is a member of the Institute of Certified Public Accountants of Singapore.

LIN JING is our Project Management Manager. She joined our Group in July 2000 and is responsible for our project design and management. She was an ISO System Engineer at Xiamen Temao Co., Ltd, PRC from 1999 to 2000, where she was responsible for establishing, supporting and auditing the ISO9000 system. Between 1997 and 1999, she worked for Wingar Industrial (Xiamen) Co., Ltd as equipment engineer. Ms Lin holds a Bachelor degree in Mechanical Engineering from Jiangsu University, PRC.

JIANG LIN YU is our Sales and Marketing Manager. He joined our Group in December 1998. He oversees our sales and marketing activities, as well as supervises our sales staff. From 1996 to 1998, he was an engineer at Xiamen International Trade Group. Mr Jiang graduated from Xiamen University in 1996 with a Bachelor degree in Chemistry. He also obtained a Diploma in Business Management from Xiamen University in 1996.

EXECUTIVE OFFICERS

HONG YU BIN is our Design and Engineering Manager. He joined our Group in September 1999 as assistant manager of our engineering department. He manages the assembly and installation of our membrane systems, as well as trains our engineers and technicians. From 1996 to 1999 he worked at the Xiamen Foreign Providing Dairy Co., Ltd., where he was an assistant manager of its technology department. Mr Hong graduated with a Bachelor degree in Engineering from the Agriculture University of China in 1996.

HUANG SONG QING is our Production Manager. He joined our Group in October 1997 and is responsible for our production operations and management, production planning and quality control. He has more than 15 years of experience in manufacturing and engineering. Prior to joining our Group, he worked for Air Force 5722 Factory from 1980 to 1997 where he was involved in membrane technology development and application for five years. He holds a Diploma in Mechanical Engineering from Chengdu University, PRC.

LIN LI HUA is our Customer Service Manager. She joined our Group in September 1999 and is responsible for liaising with various departments to advise on the operational performance of services and provide customer service. Prior to joining us, she worked for Xiamen Petrel Rubber Co., Ltd as a technician from 1998 to 1999. She graduated from Beijing University of Chemical Technology with a Bachelor degree in Polymer Material Science and Engineering.

SUN HONG GUI is our Research and Development Manager. He joined our Group in September 2001. From 1994 to 1998 he worked at Hou Wang Group of Hubei province, PRC, where he was a regional manager in Nanchang branch. In 1994, Mr Sun graduated from Hubei University where he majored in chemistry. In 1998, as a postgraduate student, he was enrolled in the Faculty of Chemistry and Chemical Engineering of Xiamen University, PRC, where he majored in membrane science and technology under the supervision of our Managing Director, Dr Lan Wei Guang. In 2001, he was awarded a Master degree in Science, after which he joined our Group as a process specialist. In January 2003, he was promoted to his present position.

FANG FU LIN is our Process Application Manager. He joined our Group in May 1998, and is in charge of our process application department. From 1996 to 1998, he was a manager at Xianglu Terylene Filature (Xiamen) Ltd, where he was involved in the technical management of a polymer workshop. In 1996, he worked at Xiamen Liheng Co., Ltd. where similarly, he was involved in the technical management of a filature workshop. Mr Fang graduated in 1996 with a Bachelor degree in Engineering from the China Textile University, PRC.

MILESTONES

- 1996** ● Suntar Xiamen was established to provide integrated process and engineering solutions for separation, purification and cleaner production purposes in diverse industries by the use of advanced membrane technology.
- 1997** ● Developed an advanced membrane process and the tailor-made membrane equipment for use in the production of 6-APA, an important intermediate of semi-synthesis antibiotics. This customised membrane system was successfully applied in the commercial production of 6-APA by our customer, Jiangxi Dongfeng Pharmaceutical Co., Ltd. The efficacy and effectiveness of this advanced membrane process used in our membrane system was appraised and confirmed by the PRC Ministry of Education under the auspices of the PRC Ministry of Science and Technology in 2000.
- Developed our advanced membrane technology for the concentration and desalination of dyestuffs.
 - Suntar Singapore was incorporated in Singapore by our Executive Directors, Dr Lan Wei Guang and Chen Ni.
- 1998** ● Successfully developed our advanced membrane technology for use in the production of Vitamin C. This technology was first applied by JSPC and subsequently by NCPG Group, CSPC Group and NEPC Group.
- Suntar Xiamen was elected as a council member of the China Membrane Industry Association, and our Managing Director, Dr Lan Wei Guang, was appointed as a director of the China Membrane Industry Association.
- 1999** ● Achieved an important milestone by successfully developing our advanced membrane technology for use in the production of cephalosporin C, an important pharmaceutical ingredient required for the production of several types of antibiotics. This system was first applied by Lukang Group, followed by Hisun, CSPC Group and HPGC Group. These customers are large pharmaceutical companies listed on stock exchanges in the PRC or Hong Kong.
- Pursuant to a restructuring exercise, Suntar Xiamen became a wholly-owned subsidiary of Suntar Singapore.
- 2000** ● With the growth of Suntar Xiamen, Xiamen C & D Co., Ltd, Xiamen University High-Technology Development Centre, Xiamen High-Technology Innovation Centre and Xiamen Yuda Stone Co., Ltd. invested in and became shareholders of Suntar Xiamen. The company was renamed as “Xiamen University Suntar Membrane Scitechnology (Xiamen) Co., Ltd”.
- In line with the growth of our business, we re-located to larger premises at Xinye Building in Xiamen. These new premises, with an area of 3,949 sq meters, comprise a production workshop, research and pilot-testing laboratory, engineering design center and office space.
 - Developed an advanced membrane technology for landfill leachate treatment. The efficacy and effectiveness of this advanced process was appraised by the Fujian Bureau of Science and Technology and the PRC Ministry of Construction in March 2000.
 - SDPC awarded Suntar Xiamen a state high-technology pilot project titled “Membrane Technology for Water and Wastewater Treatment”. Under the terms of this project, Suntar Xiamen was granted approximately S\$1.2 million by the Xiamen Municipal government in October 2001 to develop an advanced membrane process and to build a pilot plant for landfill leachate treatment.

MILESTONES

- 2001**
- Developed advanced membrane technology for MSG production which was appraised by the Fujian Bureau of Science and Technology for its efficacy and effectiveness.
 - Developed advanced membrane technology for use in the production of beverages including fruit juices and soft drinks. Customers include Swire Coca-Cola Beverages (Xiamen) Co., Ltd., Xianyang Fuan Apple Juice Production Co., Ltd. and Swire Coca-Cola Beverages (Hefei) Co., Ltd.
- 2002**
- Suntar Xiamen obtained the ISO9001 certification from DNV Certification B.V. of the Netherlands, as a recognition of our commitment to quality assurance and process.
 - Commenced implementation of ERP and CRM systems to increase the efficiency of our operations and to provide better services to our customers.
 - Suntar Process was incorporated as a wholly-owned subsidiary of Suntar Singapore to further enhance the research and development of advanced membrane technology.
 - Suntar Singapore acquired the 21.4% interest in Suntar Xiamen held by Xiamen High-Technology Innovation Center, at a consideration of S\$1.1 million, to consolidate our Group's interest in the company. At the same time, another shareholder of Suntar Xiamen, Xiamen University High-Technology Development Centre, transferred its 12.8% interest in Suntar Xiamen to Xiamen Lanhui. Suntar Xiamen was then renamed "Suntar Membrane Technology (Xiamen) Co., Ltd".
 - Incorporation of our Company on 18 September 2002 in Singapore as an investment holding company for our Group.
 - Suntar Singapore sold all of its interests in its wholly-owned subsidiary, Suntar Technological Park, to Suntar International. The consideration for the sale was US\$1,879,983 based on the unaudited NTA of Suntar Technological Park as at 30 September 2002.
 - SDPC, through the Ministry of Finance, PRC, awarded us a research and development grant of S\$1.3 million to carry out research and development on advanced membrane technology for seawater desalination and wastewater treatment.
- 2003**
- Suntar Xiamen entered into an agreement with Xiamen Resources Group Co., Ltd., a company wholly-owned by the Xiamen municipal government to establish a joint venture company, named Suntar Desalination, in Xiamen, Fujian Province, PRC. Suntar Xiamen holds a 51% equity interest in Suntar Desalination, while Xiamen Resources Group Co., Ltd, holds the remaining 49% interest.
 - On 14 May 2003, our Company acquired all of Suntar Singapore's issued and paid-up share capital from our Executive Directors, Dr Lan Wei Guang and Chen Ni, for a consideration of S\$5,999,988 based on the audited NTA of Suntar Singapore as at 31 December 2002. The consideration was satisfied by the issue and allotment of in aggregate 5,999,988 shares of S\$1.00 each in the issued and paid-up share capital of our Company to Dr Lan Wei Guang and Chen Ni.
 - On 14 May 2003, our Company acquired all of the equity interest in Suntar Water from our Executive Directors, Dr Lan Wei Guang and Chen Ni, for a consideration of S\$10.00. The consideration was satisfied by the issue of in aggregate ten ordinary shares of S\$1.00 in the issued and paid-up share capital of our Company to Dr Lan Wei Guang and Chen Ni.
 - Two shareholders of Suntar Xiamen, Xiamen C & D Co., Ltd and Xiamen Yuda Stone Co., Ltd., transferred their respective interests of 30.8% and 4.2% in Suntar Xiamen to Xiamen Lanhui. After these share transfers, Xiamen Lanhui holds a 47.9% interest in Suntar Xiamen.
 - Successfully listed as Sinomem Technology Limited on the Official List of the SGX-ST on 18 June 2003.
 - Invested S\$6,000,000 for a 31.8% stake in Sinopharm Pte Ltd, a traditional Chinese medicine manufacturer and distributor in China.
 - Ranked No.28 in Deloitte Touche Tohmatsu 2003 Asia-Pacific Technology Fast 500.

BUSINESS FOCUSES

PHARMACEUTICAL INDUSTRY

CHEMICAL & DYESTUFF INDUSTRY

WATER & WASTEWATER TREATMENT INDUSTRY

FOOD & BEVERAGE INDUSTRY

PHARMACEUTICALS

BUSINESS FOCUSES



Fiscal year 2003 was a year of expansion and growth for the Group. Our revenue grew by 35.8% to \$42.5 million from \$31.3 million the year before. We worked successfully to expand our sales and customer base in the pharmaceutical industry, which contributed most of the improvement in revenue. The pharmaceutical industry accounted for about 90% of total revenue in 2003, up from 83% the year before.

We are in the business of providing integrated process and engineering solutions for separation, purification and cleaner production processes by the use of advanced membrane technology. The customised membrane systems have two components: a software or intellectual property part of it and the hardware component, which is essentially equipment, machinery and plant.

As a value-added service to our customer, we also provide technology and solutions, which involve innovation, adaptation and customisation to meet the customer's specific needs. These services ensure that our customised membrane systems are fully integrated with our customers'

production processes - seamlessly and contiguously.

We serve a large number of industries and we have a fully documented database developed over the years that captures the accumulated expertise and experience in advanced membrane process development and engineering design. Our customers benefit from our advanced membrane technology – which is distinct from other traditional methods of separation and purification – because we are able to offer improvements to the quality of their products; higher production yield; lower consumption of raw materials and energy usage, and lesser pollution and waste discharge. Our clients thus benefit from a cleaner, more efficient and cost effective production facility.

The past year 2003 has seen us consolidating and expanding on our platform for growth in the industries we serve. Despite the improvements in sales, the year has been a turbulent one. The economy and the capital markets were adversely affected by health and security concerns. However, our commitment to sound business fundamentals has not

BUSINESS FOCUSES

wavered. We faced the challenges and focused on providing solutions that deliver rapid business impact for our customers, delivering world-class membrane technology solutions and creating value for our customers and shareholders.

Customers

Sales to the pharmaceutical industry predominate. Our customers such as CSPC Group, NCPC Group, HPGC Group, JSPC and Lukang Group are leading pharmaceutical enterprises in the PRC with large production facilities. We have developed numerous proprietary advanced membrane process and engineering solutions for use in the pharmaceutical industry for the production of antibiotics, vitamins and amino acids.

Technically, the processes we have developed for the pharmaceutical industry involve the use of

ultrafiltration technology to replace the traditional separation and purification methods such as belt filters and rotary vacuum drum filters for the clarification of fermentation broth. In addition, we develop nanofiltration technology for product concentration, process recovery and the minimization of wastewater discharges. There are other similar processes we have developed for the food & beverage industry and the chemical & dyestuff industry. Sales to these other industries accounted for about 10% of total sales.

Many major players in the pharmaceutical industry have chosen our advanced membrane technology solutions. We won large and mid-sized customers, both new and repeat customers. During the year, we saw repeat orders from existing customers such as the CSPC Group, Harbin Pharmaceutical and NCPC Group.

CHEMICAL & DYESTUFF FOOD & BEVERAGE



BUSINESS FOCUSES



Operating Profit

With the higher sales volume we enjoyed economies of scale and were able to widen gross margins by about 2%. As a result profit before tax grew by 36.4% to \$15.7 million from \$11.5 million the year before. This improvement was achieved despite higher operating expenses.

After accounting for minority interests in our subsidiary, Suntar Membrane Technology (Xiamen) Co., Ltd, net profit after tax came to \$14.2 million – a rise of 33.4%.

Investment in R&D

A relentless pursuit for innovation remains a cornerstone of our strategic thrust in R&D. We have invested our internal resources for R & D work to continuously develop proprietary process and engineering solutions by the use of our advanced membrane technology. In addition, our customers would also employ our services to perform R & D activities at their premises to customise solutions for them. Being in the high technology sector, we have also received R & D grants from the

Chinese government in recognition and encouragement of our R & D efforts and contribution. Our efforts were focused on developing advanced membrane systems for separation, purification and cleaner production. We will capitalise on our considerable scientific, technological and engineering expertise to provide customised solutions to end customers. To this end, we are looking at manufacturing certain components such as membranes and housings required in advanced membrane systems. Investments in such R&D efforts will enhance our competitive edge and safeguard our proprietary technologies and capabilities.

Major Investments and Technologies

- **Diversification in Application of Advanced Membrane Technology**

To-date, the Group has actively invested in R & D in advanced membrane technology to support the needs of industries including metallurgy, palm oil, paper and pulp industries.

BUSINESS FOCUSES



- **Setting up of a Corporate Headquarters in Singapore**

We have established a new corporate headquarters as well as a sales and logistics centre during the year to enable us to tap into the neighboring economies in South-East Asia.

- **Strategic Investment in Sinopharm Pte Ltd**

We have made a \$6 million investment for a 31.8% stake in Sinopharm Pte Ltd, a traditional Chinese medicine manufacturer and distributor in China.

- **New premises in Xiamen, PRC**

We have shifted to the new premises in Xiamen, PRC that would comprise new production facilities and offices.

Looking Forward

In financial year 2004, we will continue to develop and deliver our proprietary advanced membrane process and engineering solutions and expect to develop new products and services to our customers. We will make significant upgrades to some of our existing processes,

products and services. These upgrades will provide enhanced functionality and better integration with existing process and engineering solutions.

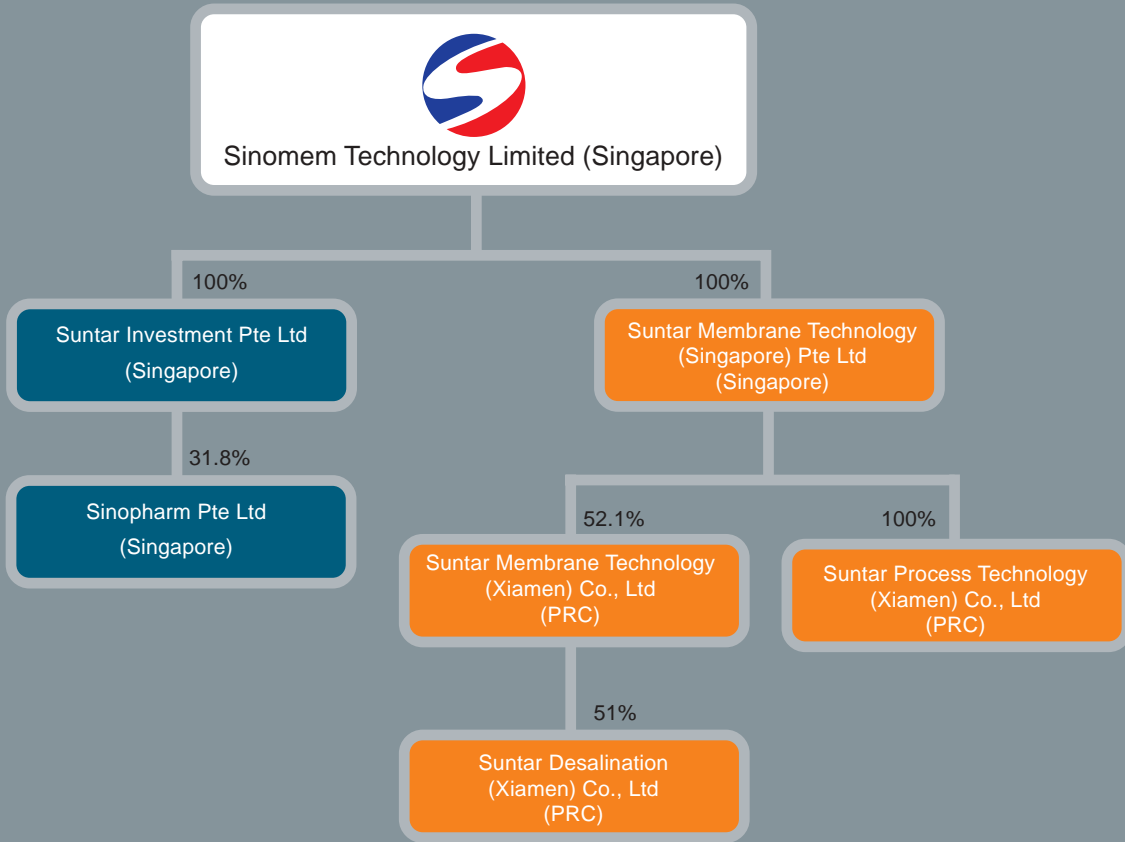
Customer feedback indicates strong endorsement for our products and services and there is continuing demand for our superior and advanced membrane technology, regardless of the economic climate. This has been borne out by the strong order book we currently have.

Over the next year, we seek to enhance our operations and prospects by:

- remaining committed to our drive for profitability;
- continuing to invest in technological innovation and new product development;
- putting strong focus on sales and marketing, targeting not only the pharmaceutical but also other industries; and
- expanding our partnership network.

We look forward to working with our strong community of customers, employees and partners.

GROUP STRUCTURE

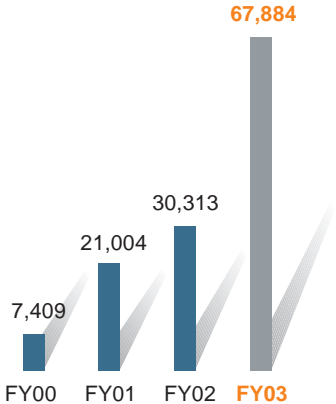


FINANCIAL HIGHLIGHTS

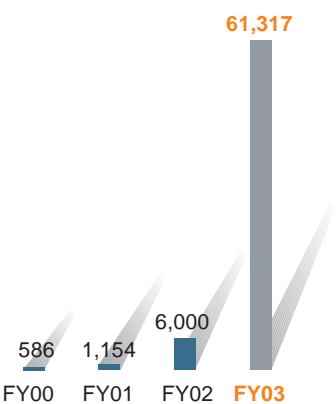
	Proforma Year 2000 S\$000	Proforma Year 2001 S\$000	Proforma Year 2002 S\$000	Actual Year 2003 S\$000
Current assets	7,409	21,004	30,313	67,884
Non-current assets	1,114	4,711	4,103	11,666
Total assets	8,523	25,715	34,416	79,550
Current liabilities	5,021	20,107	23,805	12,370
Non-current liabilities	2,916	4,454	4,611	5,863
Total liabilities	7,937	24,561	28,416	18,233
Net current assets	2,388	897	6,508	55,514
Net assets	586	1,154	6,000	61,317
Revenue	4,837	9,828	31,293	42,481
Gross profit	1,562	2,282	14,046	20,127
Net profit before tax	790	700	11,508	15,695
Net profit after tax and before MI	732	629	11,303	15,419
Net profit after tax and MI	390	362	10,614	14,158

FINANCIAL HIGHLIGHTS

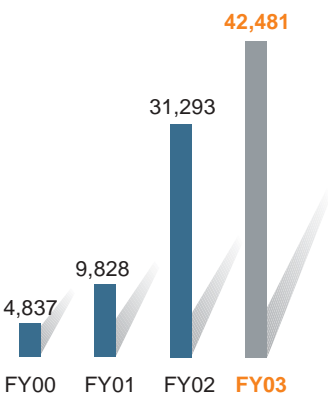
CURRENT ASSETS



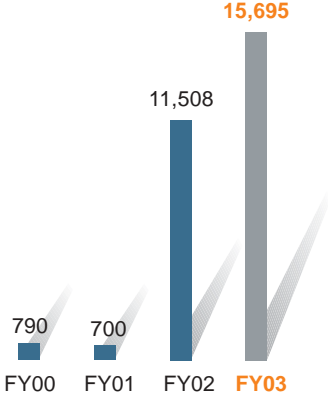
NET ASSETS



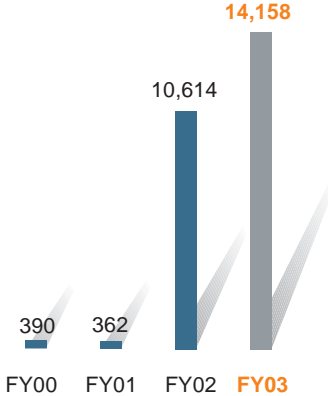
REVENUE



NET PROFIT BEFORE TAX



NET PROFIT AFTER TAX AND MI



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