

Sinomem forms joint venture to build up a state-of-art membrane-based nutraceutical production base in China

Sinomem Technology Ltd ("Sinomem" or "the company"), a leading membrane-based process and engineering technology company, is pleased to announce that it has entered into an agreement with the Jiangxi Bureau of Nuclear Geology and Nanchang University to set up a joint venture ("JV") with a registered paid-up capital of RMB 100 million. Sinomem, Jiangxi Bureau of Nuclear Geology, and Nanchang University will have 50%, 40% and 10% stakes in the new JV respectively. Each party will pay for its equity share in cash. The company's capital contribution in the joint venture will be financed by the proceeds from the recent new share placement.

The purpose of the JV is to build a membrane-based nutraceutical production base to support Sinomem's fast-growing downstream business, which is based on Sinomem's membrane industry value chain strategy, in the next 5-10 years. The base is located in Ji'an Hi-Tech Development Zone, Jiangxi, China.

Dr Lan Wei Guang, Founder and Managing Director of Sinomem said, "It is a milestone for Sinomem to have a larger and state-of-art nutraceutical production base which will significantly boost our capability to capitalise on our proprietary membrane separation and purification technology and expand into downstream nutraceutical products. Thanks to the strong support from our strategic partners, the Jiangxi Bureau of Nuclear Geology and Nanchang University, whose involvement will enable Sinomem to commit more resources directly to technology development and product manufacturing. "

In the membrane-based nutraceutical production base, Sinomem's subsidiary, Jiangxi New Ruifeng Biochemical Co Ltd ("NRB"), will set up a new state-of-art gibberellins production line with a designed capacity of 160 tonne per year, which is twice as large as the existing capacity in our NRB plant located in Xingan, Jiangxi, China. The new project is expected to start operation by the end of 2006.

Commenting on the new production line, Dr Jake Li, CTO of Sinomem said, "Ever since Sinomem acquired NRB, both production yield and operation efficiency have significantly improved through an upgrade of the existing facilities and adoption of our membrane-based technologies. However, further improvements are quite limited now as the existing four production lines, consisting of 45 fermentation tanks varying from 1 to 65 M³, are the key bottlenecks as modern high efficiency fermentation process is not applicable to such small vessels. We have therefore decided to build a completely new production line to replace the existing one to further improve the efficiency and double the capacity"

Dr Li added, "Although the existing facility at Xingan is not efficient enough for gibberellin production, it is excellent, however, for high-value, high-yield but small quantity fermentation products. We will also transform part of the facility for research, development and pilot-testing purposes. There are thousands of products including pharmaceuticals, nutraceuticals, food additives, biodegradable plastics, even petroleum-related products, that can be produced by membrane-based fermentation technology. We will use the existing NRB facility to develop turn-key solutions for a wide range of fermentation-based products for our customers. In line with this expansion, Sinomem's flagship subsidiary company, Suntar will expand from a membrane-based process and engineering technology solution supplier to a turn-key solution (including strain improvement, fermentation, optimisation, membrane separation and purification, crystallization and finalization) provider."

The second product to be produced in the membrane-based nutraceutical base is xanthan gum, a high molecular weight biopolymer produced by the culture fermentation of starch. It has functional versatility in a wide range of applications in industries such

as food and beverage, pharmaceutical, and especially, in petroleum drilling. The production line will be ready for operation by middle of 2007 with a designed capacity of 10000 tonne per year. Sinomem will hold about 80% stake in the xanthan gum project. The exact equity structure, investment size and business partner will be further announced when they are finalised.

The production cost and quality of xanthan gum is highly sensitive to fermentation, separation and purification technology. After years of intensive research and development, we have successfully developed our proprietary membrane-based fermentation process and engineering solutions for xanthan gum production, which will help us to gain significant competitive advantages in terms of selling price and products quality", commented Dr Lan Weiguang.

Dr Lan added, "Sinomem's business model has been evolving over the years. We started as a membrane process specialist in 1996, and, in 2001, we expanded into designing and manufacturing membrane separation and purification systems to provide integrated solutions by combining our proprietary process and engineering know-how. Since 2004, we have expanded along the membrane industry value chain, particularly by making strategic investments in upstream and downstream opportunities. Our aspiration is to manufacture products that meet international standards of quality but at much lower costs to compete effectively in the global market, just as we had done for our PRC customers in Vitamin C, penicillin and cephalosporin C."

Besides gibberellins and xanthan gum, Sinomem also intends to manufacture other biochemical products that can leverage on Sinomem's proprietary membrane-based fermentation, separation and purification technology. Sinomem is in active discussions to identify new appropriate products, and where appropriate, to bring in strategic business partners. Sinomem will make further announcements when the terms and conditions of the new projects are finalised.

This JV is not expected to have a material impact on the company's earnings per share or net tangible asset per share for the current financial year. None of the directors or

substantial shareholders of the Company has any interests, direct or indirect in the JV or the membrane-based nutraceutical production project.

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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.

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