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**FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31/03/2010**

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**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 INCOME STATEMENT**

for the first quarter ended 31 March 2010

	<b>Group</b>	<b>Group</b>	
	<b>1Q 2010</b>	<b>1Q 2009</b>	<b>+ / (-)</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b>Revenue</b>	32,437	20,927	55
Cost of sales	(22,181)	(14,493)	53
<b>Gross profit</b>	<b>10,256</b>	<b>6,434</b>	<b>59</b>
Other income	1,963	2,313	(15)
Administrative expenses	(5,368)	(3,027)	77
Finance cost	(138)	(960)	(86)
Share of profits of associates	1,059	948	12
<b>Profit before tax</b>	<b>7,772</b>	<b>5,708</b>	<b>36</b>
Income tax expense	(1,199)	(702)	71
<b>Profit for the period</b>	<b>6,573</b>	<b>5,006</b>	<b>31</b>
<b>Profit attributable to:</b>			
Equity holders of the company	6,863	4,950	39
Minority interests	(290)	56	n.m.
	<b>6,573</b>	<b>5,006</b>	<b>31</b>

**1(a)(ii) UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the first quarter ended 31 March 2010

	Group	Group	
	1Q 2010	1Q 2009	+ / (-)
	\$'000	\$'000	%
<b>Profit for the period</b>	<b>6,573</b>	<b>5,006</b>	<b>31</b>
<b>Other comprehensive (loss) income, after tax:</b>			
Exchange differences on translating foreign operations	(1,180)	13,237	n.m.
<b>Other comprehensive (loss) income for the period, net of tax</b>	<b>(1,180)</b>	<b>13,237</b>	<b>n.m.</b>
<b>Total comprehensive (loss) income for the period</b>	<b>5,393</b>	<b>18,243</b>	<b>(70)</b>
<b>Total comprehensive (loss) income attributable to:</b>			
Equity holders of the Company	5,791	16,936	(66)
Minority interests	(398)	1,307	n.m.
	<b>5,393</b>	<b>18,243</b>	<b>(70)</b>

**1(a)(iii) NOTES TO UNAUDITED CONSOLIDATED INCOME STATEMENT**

Profit before tax of the Group is arrived at after (charging)/crediting the following:-

	Group	Group	
	1Q 2010	1Q 2009	+ / (-)
	\$'000	\$'000	%
<b><u>Other Credits/(Charges)</u></b>			
Staff costs	(2,546)	(1,924)	32
Research and development ("R&D")	(731)	(346)	111
Depreciation	(822)	(833)	(1)
Rental	(361)	(346)	4
Net foreign currency exchange gain / (loss)	(180)	680	n.m.
Interest expense on convertible loan notes	-	(868)	n.m.
Finance income	970	694	40
Government grants	433	1,042	(58)
Interest income	63	275	(77)

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 STATEMENT OF FINANCIAL POSITION**

	Group 31/03/2010 \$'000	Group 31/12/2009 (audited) \$'000	Company 31/03/2010 \$'000	Company 31/12/2009 (audited) \$'000
<b>Non-current assets</b>				
Long term other receivable	12,348	12,283	-	-
Long term financial receivables	100,485	92,560	-	-
Prepaid land rental	30,658	31,072	-	-
Subsidiaries	-	-	6,900	6,900
Associates	32,237	31,178	-	-
Available-for-sale investment	825	825	-	-
Property, plant and equipment	41,094	41,172	-	-
Goodwill	240	240	-	-
Other intangible asset	235	261	-	-
Deferred tax assets	1,919	1,928	-	-
<b>Total non-current assets</b>	<b>220,041</b>	<b>211,519</b>	<b>6,900</b>	<b>6,900</b>
<b>Current assets</b>				
Trade receivables	30,092	27,009	-	-
Current portion of long-term financial receivables	11,680	9,451	-	-
Other receivables and prepayments	38,407	38,579	149,602	149,281
Prepaid land rental	850	854	-	-
Inventories	21,798	21,667	-	-
Cash and cash equivalents	45,135	38,768	257	656
Pledged bank deposits	229	310	-	-
	148,191	136,638	149,859	149,937
Non-current asset held for sale	370	372	-	-
<b>Total current assets</b>	<b>148,561</b>	<b>137,010</b>	<b>149,859</b>	<b>149,937</b>
<b>Current liabilities</b>				
Trade payables	39,100	32,824	-	-
Other payables and accrued expenses	14,838	14,797	26,274	26,329
Bank loan	22,099	14,420	-	-
Income tax payable	2,104	2,163	-	-
<b>Total current liabilities</b>	<b>78,141</b>	<b>64,204</b>	<b>26,274</b>	<b>26,329</b>
<b>Net current assets</b>	<b>70,420</b>	<b>72,806</b>	<b>123,585</b>	<b>123,608</b>
<b>Non-current liabilities</b>				
Deferred income	831	834	-	-
Deferred tax liabilities	7,647	6,901	-	-
	8,478	7,735	-	-
<b>Net assets</b>	<b>281,983</b>	<b>276,590</b>	<b>130,485</b>	<b>130,508</b>

## 1(b)(i)

## UNAUDITED STATEMENT OF FINANCIAL POSITION (cont'd)

	Group 31/03/2010	Group 31/12/2009 (audited)	Company 31/03/2010	Company 31/12/2009 (audited)
	\$'000	\$'000	\$'000	\$'000
<b>Equity attributable to equity holders of the company</b>				
Share capital	120,782	120,782	120,782	120,782
Treasury shares	(1,704)	(1,704)	(1,704)	(1,704)
Other components of equity	17,843	18,915	-	-
Retained earnings	122,275	115,412	11,407	11,430
	259,196	253,405	130,485	130,508
<b>Minority interests</b>	22,787	23,185	-	-
<b>Total equity</b>	281,983	276,590	130,485	130,508

## 1(b)(ii) Aggregate amount of group's borrowings and debt securities.

## Amount repayable in one year or less, or on demand

As at 31/03/2010		As at 31/12/2009	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Nil	25,584	Nil	19,974

## Amount repayable after one year

As at 31/03/2010		As at 31/12/2009	
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.**

	1Q 2010	Group	1Q 2009
	\$'000		\$'000
<b>Operating activities</b>			
Profit before income tax	7,772		5,708
Adjustments for:			
Share of profits of associates	(1,059)		(948)
Depreciation of property, plant and equipment	822		833
Amortisation of prepaid land rental	172		143
Amortisation of intangible asset	24		25
Interest expense	138		960
Finance income	(970)		(694)
Interest income	(63)		(275)
<b>Operating cash flows before movements in working capital</b>	<b>6,836</b>		<b>5,752</b>
Trade receivables	(3,266)		1,836
Other receivables and prepayments	(143)		(790)
Inventories	(239)		(1,159)
Trade payables	6,539		2,559
Other payables and accrued expenses	2,167		(857)
<b>Cash from (used in) operations</b>	<b>11,894</b>		<b>7,341</b>
Income tax (paid) refund	(457)		97
<b>Net cash from operating activities</b>	<b>11,437</b>		<b>7,438</b>
<b>Investing activities</b>			
Interest received	63		275
Increase in financial receivables	(9,851)		(2,501)
Loan to third parties	127		-
Acquisition of available-for-sale investment	-		(248)
Purchase of property, plant and equipment	(937)		(2,291)
<b>Net cash used in investing activities</b>	<b>(10,598)</b>		<b>(4,765)</b>
<b>Financing activities</b>			
Fixed deposits pledged to financial institutions	81		1,332
New bank loans raised	7,749		-
Repayment of advance from a bank	(2,052)		-
Interest paid	(138)		(92)
<b>Net cash from financing activities</b>	<b>5,640</b>		<b>1,240</b>
Net increase in cash and cash equivalents	6,479		3,913
Cash and cash equivalents at beginning of financial period	38,768		67,803
<b>Effect of foreign exchange rate changes</b>	<b>(112)</b>		<b>3,165</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>45,135</b>		<b>74,881</b>

**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.**

	Share capital \$'000	Treasury Shares \$'000	Retained earnings \$'000	Legal reserve \$'000	Capital reserve \$'000	Other reserve \$'000	Translation of foreign operation \$'000	Attributable to equity holders of the company \$'000	Minority interests \$'000	Total equity \$'000
<b>Group</b>										
Balance as at 1 January 2010	120,782	(1,704)	115,412	11,310	-	1,500	6,105	253,405	23,185	276,590
Total comprehensive income	-	-	6,863	-	-	-	(1,072)	5,791	(398)	5,393
Balance as at 31 March 2010	120,782	(1,704)	122,275	11,310	-	1,500	5,033	259,196	22,787	281,983
<b>Group</b>										
Balance as at 1 January 2009	90,727	-	95,893	9,646	1,156	1,500	12,408	211,330	25,964	237,294
Effect of prior year adjustment	-	-	(1,746)	-	-	-	(57)	(1,803)	(1,648)	(3,451)
As restated	90,727	-	94,147	9,646	1,156	1,500	12,351	209,527	24,316	233,843
Total comprehensive income	-	-	4,950	-	-	-	11,986	16,936	1,307	18,243
Balance as at 31 March 2009	90,727	-	99,097	9,646	1,156	1,500	24,337	226,463	25,623	252,086

(1)(d)(i)

UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd)

	Share capital \$'000	Treasury Shares \$'000	Retained earnings \$'000	Capital reserve \$'000	Total \$'000
<b>Company</b>					
Balance as at 1 January 2010	120,782	(1,704)	11,430	-	130,508
Total comprehensive income	-	-	(23)	-	(23)
Balance as at 31 March 2010	<u>120,782</u>	<u>(1,704)</u>	<u>11,407</u>	<u>-</u>	<u>130,485</u>
<b>Company</b>					
Balance as at 1 January 2009	90,727	-	7,757	1,156	99,640
Total comprehensive income	-	-	110	-	110
Balance as at 31 March 2009	<u>90,727</u>	<u>-</u>	<u>7,867</u>	<u>1,156</u>	<u>99,750</u>

**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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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.**

The number of outstanding shares as at 31 March 2010 is 501,780,000 (31 December 2009:501,780,000), net of treasury shares.

No options were granted nor new shares issued pursuant to the employee's share option scheme.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.**

	<b>As at</b>	<b>As at</b>
	<b>31/03/2010</b>	<b>31/12/2009</b>
<b>Total number of issued shares excluding treasury shares</b>	<b>501,780,000</b>	<b>501,780,000</b>

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**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.**

	Group	
	1Q 2010 31/3/2010	1Q 2009 31/3/2009
<b>Earnings per share:-</b>		
Basic and diluted (cents)	1.37	1.07
The calculations of EPS is based on net profit and number of shares shown below:		
Profit attributable to equity holders of the company (\$'000)	6,863	4,950
Weighted average number of ordinary shares outstanding, excluding treasury shares, during the period('000)	501,780	461,780

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**  
**(a) current financial period reported on; and**

**(b) immediately preceding financial year.**

	Group		Company	
	as at 31/3/2010	as at 31/12/2009	as at 31/3/2010	as at 31/12/2009
<b>Net asset value per ordinary share (cents)</b>	51.66	50.50	26.00	26.01
Net asset attributable to equity holders of the company(\$'000)	259,196	253,405	130,485	130,508
Number of issued shares excluding treasury shares at the end of period('000)	501,780	501,780	501,780	501,780

**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.**

**8(a) Income Statement Analysis**

In line with the recovery of the global economy, the Group's revenue increased by \$11.5 million or 55% to \$32.4 million in 1Q 2010 as compared to \$20.9 million in 1Q 2009. This was mainly due to increased contribution from both water treatment segment of \$5.3 million and downstream segment of \$4.9 million. The membrane process & engineering and water treatment segments recorded a 41% jump in revenue to \$22.8 million. The Group's gross profit increased by \$3.8 million or 59% to \$10.3 million in 1Q 2010 compared with \$6.4 million in 1Q 2009.

Other income decreased by \$0.4 million or 15% to \$2.0 million in 1Q 2010 mainly attributable to lower amount of government grants.

Administrative expenses increased by \$2.3 million or 77% from \$3.0 million in 1Q 2009 to \$5.4 million in 1Q 2010. The increase was mainly due to increase of staff cost, R&D expenses and foreign exchange loss versus foreign exchange gain in the previous corresponding period.

Finance cost reduced by 86% to \$0.1 million as a result of full repayment of the convertible loan notes in December 2009.

Profit before income tax increased by \$2.0 million from \$5.7 million in 1Q 2009 to \$7.7 million in 1Q 2010 mainly due to better contribution from both water treatment and downstream segments.

### **8(b) Statements of Financial Position Analysis**

During the quarter, long term financial receivables increased by \$7.9 million or 9% from \$92.6 million to \$100.5 million mainly due to more construction work completed for water projects.

Trade receivables increased by \$3.1 million to \$30.1 million mainly due to the increase of \$2.9 million from membrane process & engineering segment, which is in line with the increase of revenue.

Trade payables increased by \$6.3 million or 19% from \$ 32.8 million to \$39.1 million mainly due to increase in the amount of advance payments received from customers in the membrane process & engineering segment.

Bank loan increased by \$7.7 million for the quarter ending 31 March 2010.

### **8(c) Statement of Cash flows**

The Group generated positive net cash from operating activities of \$11.4 million in 1Q 2010, an improvement from the \$7.4 million in 1Q 2009. This was mainly due to higher profit and better working capital management.

There was a net cash outflow of \$10.6 million for investment activities due to higher financial receivables in water treatment segment (\$9.9 million) and purchase of property, plant and equipment (\$0.9 million).

Financing activities resulted in net cash inflow of \$5.6 million mainly due to new bank loans raised.

As at 31 March 2010, the Group has cash and cash equivalents amounting to \$45.1 million.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

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.**

With signs of gradual recovery in the global economy, we expect to see increased contribution from all segments.

In particular, our water treatment segment will continue to be the growth driver of the Group, as we target to complete construction work of another 4 BOT water treatment plants.

We will continue to explore opportunities for realizing the value of the downstream segment via a restructuring or disposal.

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***

Not applicable.

**(d) *Books closure date***

Not applicable.

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

Not applicable.

**13. Board Negative Assurance Confirmation for Interim Financial Results**

The Board of Directors of Sinomem Technology Limited hereby confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results for the quarter ended 31 March 2010 to be false or misleading in any material respect.

**BY ORDER OF THE BOARD**

**Chew Kok Liang**  
**Company Secretary**

**14 May 2010**