



MEMSTAR TECHNOLOGY

Annual Report **2015 LTD.**



CONTENTS

1	Chairman's Statement and Operations Review
2	Board of Directors
4	Corporate Governance Report
14	Financial Statements
IBC	Corporate Information



CORPORATE PROFILE

Memstar Technology Ltd. had on April 2014 completed the disposal of its membrane business and principal operating subsidiary. The net proceeds from this sale were mainly distributed to shareholders as dividends and capital repayments both in cash and in-specie of UEL Shares.

Following the completion, Memstar Technology Ltd. became a cash company under Rule 1018 (Cash Companies) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company does not have any subsidiary as at 30 June 2015.

The Company refers to the announcements made on SGXNET in relation to the proposed acquisition of the entire issued share capital of Longmen Group Limited, by way of a proposed reverse takeover of the Company ("Proposed RTO"). By way of letter dated 18 August 2015, SGX-ST has no objections to the Company's request for an extension of time from 11 October 2015 to 30 November 2015, to complete the Proposed RTO. In the event the Proposed RTO is unable to be completed prior to 30 November 2015, SGX-ST may not grant a further extension of time to the Company, in which event the Company may be delisted from the Official List of the SGX-ST Mainboard pursuant to the relevant Rules of the Listing Manual of the SGX-ST.

CHAIRMAN'S STATEMENT AND OPERATIONS REVIEW

DEAR SHAREHOLDERS

On behalf of the Board, I am pleased to present to you Memstar Technology Ltd. (the "Company") Annual Report for the financial year ended 30 June 2015 ("FY2015").

THE YEAR IN REVIEW

INCOME STATEMENT REVIEW

Following the completion of the disposal of its membrane business and principal operating subsidiary in April 2014, the Company became a cash company under Rule 1018 (Cash Companies) of the Listing Manual of the Singapore Exchange Securities Trading Limited. The results of the disposed operations comprised revenue and expenses of the membrane business which were shown as discontinued operations in the preceding year.

Administrative expenses increased from S\$0.7 million for the financial year ended 30 June 2014 ("FY2014") to S\$1.7 million for the financial year ended 30 June 2015 ("FY2015") due mainly to professional fees incurred for the Proposed RTO. Other income decreased from S\$197.2 million for FY2014 to S\$0.2 million for FY2015 due to the one-off gain on disposal of a subsidiary.

Consequent to the above, net loss for the year is S\$1.5 million as compared to a net profit of S\$196.2 million in FY2014.

BALANCE SHEET REVIEW

The assets of the Company comprise mainly cash and cash equivalents of S\$1.4 million and other receivables of S\$6.7 million of which S\$6.7 million was advanced to Longmen Group Ltd as refundable deposit, pursuant to the agreement of the Proposed RTO transaction. Other payables comprise mainly accruals of statutory costs.

CASH FLOW & LIQUIDITY

Net cash used in operating activities amounted to approximately S\$1.2 million mainly due to the professional fees incurred for the Proposed RTO.

Net cash used in investing activities amounted to S\$6.6 million, mainly due to the refundable deposit advance.

Net cash generated from financing activities totaled to S\$6.7 million, mainly due to proceeds from issuance of shares.

The Company reported cash and cash equivalents of S\$1.4 million as at 30 June 2015.

MOVING FORWARD

The Board of Directors is working towards the completion of the Proposed RTO. Announcements will be made as and when appropriate.

A WORD OF THANKS

On behalf of the Board of Directors, I would like to thank our shareholders and business associates for their unwavering support during the past year.

MS PAN SHUHONG
Non-Executive Director

BOARD OF DIRECTORS

PAN SHUHONG

Non-Executive Director

Ms Pan Shuhong has been re-designated as a Non-Executive Director of the Company following the disposal by the Company of its operating subsidiary and business assets in April 2014. She was previously the Executive Chairman of the Company and responsible for charting out the Group's growth and business expansion, policies and business strategy formulation and corporate directions including investment decisions. She is also responsible for ensuring the integrity and effectiveness of the governance process of the Board and representing the Board to Shareholders. She is a member of the Company's Nominating Committee.

Prior to joining Memstar, Ms Pan was the General Manager of NOVO Envirotech (Guangzhou) Co., Ltd. (a wholly-owned subsidiary of United Envirotech Ltd., a SGX Main-board listed company) during which she was responsible for the marketing and investment activities of the company. Prior to joining NOVO Envirotech (Guangzhou) Co., Ltd. in 2003, she was the General Manager and Executive Director of NOVO Safety & Environmental Technology (Guangzhou) Co., Ltd. and a Senior Manager (China) of NOVO Environmental Technology Services Pte Ltd (NOVO ETS), both subsidiaries of PSB Corporation. From 1993 to 1995, she was employed by Shenzhen Zhonghongda Import & Export Co., Ltd. as Department Manager. She left and joined Landtop Corporation Pte. Ltd. in 1996 as Technical Manager. In 1998, she started her own business, Sinland Technology Services, which was in the business of providing environmental consultancy and coordination services, prior to joining NOVO ETS in 2000.

Ms Pan specialises in electrochemistry and water treatment using advanced membrane technology. She graduated with Bachelor and Master degrees in Chemistry from Jilin University, China in 1990 and 1993 respectively.

Ms Pan was first appointed to the Board of Directors on 12 September 2007 and last re-elected on 29 October 2012. She will be subject to retirement by rotation at the forthcoming Annual General Meeting and being eligible, has been recommended for re-election.

GE HAILIN

Non-Executive Director

Dr Ge Hailin is the Founder and a Non-Executive Director of the Company. Prior to the disposal of the operating subsidiaries and business assets of the Company, he was the Chief Executive Officer of the Company and was responsible for the day-to-day operations of the Group. He supported the Executive Chairman in charting and reviewing of corporate directions and strategies, which cover areas of marketing and strategic alliances.

Dr Ge has more than 25 years of R&D experience in conducting polymer, membrane materials and chemical engineering. Since mid 1980's, he has also been involved in environmental analysis, water and wastewater treatment. His research and extensive interests in industrial application of new technologies resulted in many scientific papers, patents and know-how, which included successfully developing an effective and efficient production process of PVDF hollow fibre membrane. He was recruited by Singapore Economic Development Board in February 1992 to work at the Singapore Institute of Standards and Industrial Research (SISIR) as a senior research fellow and then PSB Corporation as a section head to conduct R&D work, in particular conducting polymer and membrane separation technology. In 1997, he founded his own company HW Electrochem Technology Pte Ltd focusing on development of functional materials and membrane technology for environmental and water treatment application.

Dr Ge graduated from Wuxi Institute of Light Industry, China in 1977 and obtained his Master in Chemical Engineering from East China University of Science and Technology, China in 1982. He was awarded a scholarship by Wollongong University, Australia to undertake his PhD study in chemistry. He obtained his PhD in 1990 and conducted his Post-Doctoral research for two years at the same university.

Dr Ge was first appointed to the Board of Directors on 12 September 2007 and last re-elected on 30 October 2013.

LAM PECK HENG

Lead Independent Director

Mr Lam is the Lead Independent Director and a member of the Nominating Committee, Remuneration Committee and the Audit Committee.

Mr Lam had been a teacher at Raffles Institution, a senior officer at the Economic Development Board, an Assistant Secretary at the Ministry of Finance of Singapore, an Assistant General Manager at Intraco Ltd and the Registrar and Executive Director of the Singapore Society of Accountants (now known as Institute of Singapore Chartered Accountants (ISCA)). He was appointed Head of Mission in Myanmar from 1988 to 1992. He was Singapore's High Commissioner to India from 1993 to 1996 and High Commissioner to New Zealand from 1996 to 2000. He was Bhutan's Honorary Consul in Singapore from 1983 to 1988. He was awarded the Public Service Medal in 1982 and made a Friend of Labour in 1983. Mr. Lam is also an independent director of Eratat Lifestyle Limited.

Mr Lam obtained his Bachelor of Science (Honours) degree in Mathematics from the University of Singapore, and Master of Arts degree in Mathematics from the University of Kansas, USA.

Mr Lam was first appointed to the Board of Directors on 12 September 2007 and last re-appointed on 27 October 2014. He will be subject to re-appointment at the forthcoming Annual General Meeting pursuant to Section 153(6) of the Companies Act, Cap. 50 and being eligible, has been recommended for re-appointment.

HONG PIAN TEE

Independent Director

Mr Hong is the Chairman of the Audit Committee and a member of the Remuneration Committee.

Prior to retiring from professional practice, he was the Managing Director of PricewaterhouseCoopers Intrust Limited, a position he held from 1985 to 1999. Mr Hong's experience and areas of expertise are in corporate advisory, financial reconstruction and corporate insolvencies since 1977. He has been a corporate/financial advisor to clients with businesses in Singapore and Indonesia and in addition, was engaged to restructure companies with operations in Taiwan, Indonesia and Malaysia.

Mr Hong is also the Chairman of the Pei Hwa Foundation Limited, Lead Independent Director of Golden Agri-Resources Ltd., Lead Independent Director of XMH Holdings Ltd. and Non-Executive Chairman/Independent Director of AsiaPhos Limited.

Mr Hong was appointed to the Board of Directors on 22 October 2010 last re-appointed on 27 October 2014. He will be subject to re-appointment at the forthcoming Annual General Meeting pursuant to Section 153(6) of the Companies Act, Cap. 50 and being eligible, has been recommended for re-appointment.

CHIA CHUNG MUN ALPHONSUS

Independent Director

Mr Chia is the Chairman of the Remuneration Committee and a member of the Audit Committee. He was appointed to the Board of Directors on 22 October 2010 and last re-elected on 27 October 2014.

Mr Chia was the Deputy Chief Executive Officer of XMH Holdings Ltd., a company listed on the Mainboard of

the SGX-ST from 2012 to 2015; He was responsible for business development, after-sales technical support and spare parts sales. He also assisted the CEO in mapping out strategies for the Group's internal and external development.

Prior to joining XMH Holdings Ltd, he was the Chief Executive Officer of Singapore Cooperation Enterprise (SCE) from 2007 to 2012, an agency formed by Ministry of Trade and Industry and the Ministry of Foreign Affairs of Singapore with the aim of building long term partnerships with foreign parties and create spin-offs in terms of business opportunities for Singapore's private sector. From 2004 to 2007, he was the Deputy Chief Executive Officer of International Enterprise (IE) Singapore and concurrently, Senior Director, International Business Division at the Ministry of Trade and Industry.

LEE SUAN HIANG

Independent Director

Mr Lee is a member of the Audit Committee and the Nominating Committee. He was appointed to the Board of Directors on 21 October 2011 and was last re-elected on 29 October 2012.

He is currently the Chief Executive of the Real Estate Developers' Association of Singapore. A Colombo Plan Scholar in Industrial Design (Engineering), he had a varied career in the public service as Deputy Managing Director of the Economic Development Board and Chief Executive of SPRING Singapore, National Productivity Board, Singapore Institute of Standards and Industrial Research and National Arts Council. He was also Chairman of PSB Corporation, Deputy Chairman of the International Federation of Arts Councils and Cultural Agencies and Council Member of the International Standards Organisation. He is the current President of the EDB Society and a Fellow of the UK Chartered Management Institute, Chartered Institute of Marketing and the World Academy of Productivity Science. He was awarded the Public Administration (Gold) Medal in 1998, the World SME Association Award in 2001, the Japan External Trade Organisation Award in 2002, the Chevalier de l'Ordre des Arts et Lettres from France in 2010 and the NTUC Friend of Labour Award in 2012.

Mr Lee is also an Independent Director of Citic Envirotech Ltd and Viking Offshore and Marine Limited.

CORPORATE GOVERNANCE REPORT

The Board of Directors of Memstar Technology Ltd. is committed to maintaining a high standard of corporate governance and transparency within the Company to protect the interests of its shareholders and enhance long-term shareholder value. The Board is pleased to report the Company's corporate governance processes with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code").

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

The Board has overall responsibility for the corporate governance of the Company so as to protect and enhance long-term shareholder value. It sets the overall strategy for the Company and supervises executive management and monitors their performance. Apart from its statutory responsibilities, the principal functions of the Board are:

1. To review the performance, position and prospects of the Company;
2. To approve the Company's strategic plans, key operational initiatives, major investments and funding decisions; and
3. To identify principal risks of the Company's business and ensure adequate risk management processes and systems are in place.

To assist in the execution of its responsibilities, the Board has established an Audit Committee, a Nominating Committee and a Remuneration Committee which are chaired by Independent Directors. These Committees function within clearly defined terms of references and operating procedures. The effectiveness of each Committee is reviewed by the Board on a regular basis.

During the financial year, the Directors received updates on regulatory changes to the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and changes to the Companies Act and Accounting Standards.

The Board meets regularly at least 4 times a year to review and deliberate on the key activities and business strategies of the Company, including reviewing and approving significant acquisitions and disposals, reviewing financial performance and to approve the public release of quarterly and annual financial results. The Board also periodically reviews the internal control and risk management systems of the Company to ensure that there are sufficient guidelines and procedures in place to monitor its operations. Where necessary, additional meetings may be held to address significant transactions or issues.

The Company's Articles of Association provides for meetings to be held via telephone and video conferencing whereby all directors participating in the meeting are able to communicate as a group without requiring the directors' physical presence at the meeting. All relevant information on material events and transactions are circulated to Directors as and when they arise.

The attendance of the Directors at Board meetings and Board Committee meetings during the financial year ended 30 June 2015 is set out as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	5	4	1	1
Ms Pan Shuhong	5	4*	1	1*
Dr Ge Hailin	5	4*	1	1*
Mr Lam Peck Heng	4	3	0	0
Mr Hong Pian Tee	5	4	1*	1
Mr Chia Chung Mun Alphonsus	5	3	0	1
Mr Lee Suan Hiang	5	4	1	1*

* Attended by invitation

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% Shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

For the current financial year ended 30 June 2015, the Board comprises two Non-Executive Directors and four Independent Directors. The current Board members are qualified professionals with a diverse range of expertise and skills to provide a balanced view within the Board. Key information regarding the Directors is given in the section titled "Board of Directors" in this Annual Report.

The composition of the Board enables management to benefit from a broad and objective perspective as each Director brings to the Board a diverse background, experience and knowledge which provide for effective direction for the Company. The Board adopts the Code's definition of what constitutes an Independent Director in assessing the independence of the Directors.

The Board is of the view that the four Independent Directors (who represent more than half of the Board) are able to act with independent judgement. No individual or small group of individuals dominates the decision making process of the Board.

The Board is satisfied that its current size is adequate and appropriate and that the present composition of the Board allows it to effectively exercise objective judgement independently of the management. The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience and collectively possesses the necessary core competencies for effective decision making.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one should represent a considerable concentration of power.

The roles of the Chairman and Chief Executive Officer ("CEO") are undertaken by two separate persons who are not related to each other, and each has her/his own responsibilities.

Ms Pan Shuhong, the Non-Executive Chairman bears responsibilities for the workings of the Board and ensures the integrity and effectiveness of the governance process of the Board. She is responsible for representing the Board to shareholders.

CORPORATE GOVERNANCE REPORT

The CEO's responsibilities include reviewing of corporate directions and strategies, which cover areas of marketing, product development and strategic alliances. He is responsible for the day-to-day management of the Company's corporate affairs and ensuring that strategies and policies adopted by the Board are implemented.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Nominating Committee ("NC") comprises four members, of whom the Chairman is an Independent Director. The Chairman is Mr Lam Peck Heng and the other three members are Ms Pan Shuhong, Dr Ge Hailin and Mr Lee Suan Hiang.

The NC's responsibilities include the following:

- (i) To make recommendations to the Board on all Board appointments and re-nominations, having regard to the Director's contributions and performance (such as attendance, preparedness, participation and candour) including, as applicable, as an Independent Director. All Directors are required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years;
- (ii) To determine annually whether or not a Director is independent;
- (iii) In respect of a Director who has multiple board representations on various companies, to review and decide whether or not such Director is able to perform and has been adequately carrying out his duties as Director, having regard to the competing time commitments that are faced by the Director when serving on multiple boards; and
- (iv) To decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with industry peers, and assess how the Board has enhanced long-term shareholder value.

The NC reviews and recommends to the Board the re-nomination of retiring Directors for re-election at each Annual General Meeting ("AGM") and the appointment of new Directors. The review ensures that the Director to be re-nominated or appointed is able to contribute to the ongoing effectiveness of the Board, has the ability to exercise sound business judgement, and has demonstrated leadership capability, high level of professional skills and appropriate personal qualities. Each member of the NC shall abstain from voting on any resolution relating to his own re-nomination as Director.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Company believes that the Board's performance is ultimately reflected in the performance of the Company. The Board is tasked with making sound commercial decisions and setting strategic directions so as to act in the best interests of the Company and its shareholders.

The Board is of the opinion that the financial indicators set out in the Code as guidelines for the evaluation of Directors are more of a measure of management's performance and hence are less applicable to Directors. The financial indicators do not fully measure the long term wealth creation and shareholder value of the Company.

The Nominating Committee is tasked with the assessment of the Board's performance. The assessment process will adopt both quantitative and qualitative criteria.

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis. So as to enable them to make informed decision to discharge their duties and responsibilities.

Directors are from time to time furnished with information concerning the Company to enable them to be fully cognizant of the decisions and actions of the management. The Board has unrestricted access to the Company's records and information.

In order to ensure that the Board is able to fulfill its responsibilities, the management will provide complete, adequate and timely information to the Board on the affairs of the Company in the form of on-going reports relating to the operational and financial performance of the Company.

The Board has separate and independent access to the Company Secretary and to other key executives of the Company at all times in carrying out their duties. The Company Secretary or his representative attends all Board meetings and meetings of the Board committees of the Company and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The minutes of all Board and Board committee meetings are circulated to the Board members.

Directors have the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Company's operations or undertakings in order to fulfill their duties and responsibilities as Directors.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") comprises three members, all of whom are Independent Directors. The Chairman is Mr Chia Chung Mun Alphonsus, and the two members are Mr Hong Pian Tee and Mr Lam Peck Heng.

The RC is primarily responsible for recommending to the Board a framework of remuneration for the Board and the key executives and determining the specific remuneration packages for each Executive Director. The recommendations will be submitted for endorsement by the Board.

The main duties of the RC include the following:

- (i) Recommending a framework and reviewing the procedures for fixing the remuneration packages of Executive Directors and key executives of the Company;
- (ii) Reviewing from time to time the appropriateness of remuneration awarded to Directors including, but not limited to, Director's fees, salaries, allowances, bonuses, share options and benefits-in-kind;
- (iii) Ensuring that the level of remuneration offered will be appropriate to the level of contribution and after taking into account factors such as industry and comparable company standards, relevant Company's performance and individual performance and responsibilities undertaken; and
- (iv) Recommending a formal and transparent process for determining Directors' fees for the Non-Executive Directors of the Company.

Each RC member will abstain from voting on any resolution in respect of his own remuneration.

CORPORATE GOVERNANCE REPORT

The RC is provided with access to expert professional advice on remuneration matters, if required, and the expenses of such services will be borne by the Company.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the RC will take into consideration the pay and employment conditions within the industry and in comparable companies. The Non-Executive and Independent Directors receive Directors' fees, in accordance with their contribution, taking into consideration factors such as effort and time spent and responsibilities of the Directors. The Directors' fees are recommended by the entire Board for shareholders' approval at each AGM. No Director is involved in deciding his own remuneration.

DISCLOSURE ON REMUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Details of the remuneration of Directors of the Company disclosed in bands for services rendered during the financial year ended 30 June 2015 are as follows:

	Salary %	Bonus %	Fees %	Allowances and Other Benefits %	Total Compensation %
Directors					
Below \$250,000					
Ms Pan Shuhong	-	-	100	-	100
Dr Ge Hailin	-	-	100	-	100
Mr Lam Peck Heng	-	-	100	-	100
Mr Hong Pian Tee	-	-	100	-	100
Mr Chia Chung Mun Alphonsus	-	-	100	-	100
Mr Lee Suan Hiang	-	-	100	-	100

The Company did not have any key management personnel (who are not Directors or the CEO) during the financial year ended 30 June 2015.

The Company does not have any employees who are immediate family members of a Director or the CEO and whose remuneration exceeded S\$50,000 during the financial year ended 30 June 2015.

No share options were granted to any employee during the financial year ended 30 June 2015. Details of the Company's Employee Share Option Scheme and the Share Options granted can be found on the page 16 of the Directors' Report.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to the shareholders and is mindful of its obligations to comply with statutory requirements and the Listing Manual of the SGX-ST. The Board currently provides shareholders with the Company's performance, position and prospects on an annual and quarterly basis via announcements to the SGX-ST within the prescribed periods. Announcements are also released from time to time in compliance with the Listing Manual to keep shareholders informed of material developments in the Company.

The management provides financial reports to the Board on a regular basis. The Directors have separate and independent access to all levels of key personnel in the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Company has established a Risk Assessment Framework for the identification of key risks within the business, namely Business and Strategic Risks, Financial Risks and Operational Risks.

The Company recognises risk management as a collective effort beginning with the individual subsidiaries and business unit, followed by the operating segments and ultimately the Management and the Board, working as a team. A self-assessment process, conducted regularly by the Management, was introduced to ensure that the Company's risk management controls are satisfactory.

Minimum acceptable controls have been implemented to enhance the Company's internal control function in areas such as finance, operations and compliance. The internal control measures aim to ensure that the Company's assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable.

The Board has received assurance from CEO and Financial Controller ("FC") that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) an effective risk management and internal control system has been put in place.

Based on the framework of risk management controls and internal controls established and maintained in the Company, the work performed by the Management and the review undertaken by the independent auditor as part of their statutory audit, the written assurance from the CEO and FC that the financial records have been properly maintained, the Board, with the concurrence of the AC, is of the opinion that the Company internal controls in place were adequate to address financial, operational, compliance and information technology control risks which the Company considers relevant and material to its operations.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (“AC”)

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises four members, all of whom are Independent Directors. The AC is chaired by Mr Hong Pian Tee and the other three members are Mr Lam Peck Heng, Mr Chia Chung Mun Alphonsus and Mr Lee Suan Hiang.

The main responsibilities of the AC are to assist the Board in fulfilling its statutory and other duties relating to corporate governance, financial and accounting matters and reporting practices of the Company. The AC meets periodically to perform the following functions:

- (i) Review the audit plans of the Company’s external auditors and internal auditors, including the results of the Company’s external and internal auditors’ review and evaluation of the Company’s system of internal controls;
- (ii) Review the financial statements and the external auditors’ report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with financial reporting standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;
- (iii) Review the quarterly financial results prior to recommending their approval to the Board for public release;
- (iv) Review and discuss with external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company’s operating results or financial position and the management’s response;
- (v) Review the co-operation given by the management to the external and internal auditors;
- (vi) Consider the appointment and re-appointment of the external auditors;
- (vii) Review and approve any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
- (viii) Review any potential conflicts of interests;
- (ix) Review the procedures by which employees of the Company may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions in relation thereto;
- (x) Undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (xi) Undertake generally such other functions and duties as may be required by law or the Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company’s operating results and/or financial position.

Each member of the AC shall abstain from voting any resolutions in respect of matters he is interested in.

The AC has full access to and co-operation of the Management and has full discretion to invite any Director or executive officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

The AC meets with the external auditors separately, without the presence of the Management, at least once a year. The Company has complied with Rule 712 of the SGX-ST Listing Manual in relation to its independent auditor.

The Company has in place a whistle blowing framework for employees to raise concerns about improprieties in matters of financial reporting or other matters.

The AC has reviewed the non-audit services provided (if any) by the external auditors and is satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditors. .

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company outsources its internal audit function to Baker Tilly Consultancy (S) Pte Ltd, a consultancy firm which adopts a risk-based methodology to review the material internal controls of the Company. However, following the sale of the businesses and assets and having regard to the scope and nature of the Company's current operations, the AC and the Board are of the opinion the current system of internal controls in place are adequate to mitigate normal operational risks. Accordingly, no internal audit had been scheduled for the financial year ended 30 June 2015.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company's corporate governance practices promote the fair and equitable treatment to all shareholders. To facilitate shareholders ownership rights, the Company ensure all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, especially information pertaining to the Company's business development and financial performance which could have a material impact on the share price of the Company so as to enable shareholders to make informed decision in respect of their investments in the Company.

Any notice of a general meeting of Shareholders is issued at least 14 days before the scheduled date of such meeting. At the general meetings, shareholders are given the opportunity to voice their views, raise their concerns with the Directors or question the Management on matters relating to the Company and its operations.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company maintains full and adequate disclosure, in a timely manner, of material events and matters concerning its business through SGXNET, public announcements, circulars to Shareholders and annual reports.

The Company does not practise selective disclosure of material information. Quarterly, half yearly and full year financial results and price sensitive information is disclosed in an accurate and comprehensive manner through SGXNET on a timely basis.

CORPORATE GOVERNANCE REPORT

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to Shareholders via announcements released on SGXNET.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

To facilitate participation by Shareholders, all general meetings of the Company are held in Singapore. Shareholders have the opportunity to participate effectively in and to vote at general meetings of Shareholders. Shareholders are informed of the rules, including voting procedures that govern general meetings of Shareholders. The Company's Articles of Association provides that Shareholders of the Company are allowed to vote in person or by way of duly appointed proxies.

All directors are required to attend general meetings of shareholders and the chairman of the Board and the respective chairman of the AC, NC and RC are usually present and available to address Shareholders' queries at these meetings.

The Company's independent auditor will be present at the AGMs to address Shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda items of the meeting, and responses from the Board and the Management, and such minutes are available to Shareholders upon their request.

DEALINGS IN SECURITIES

The Company has adopted an internal code which prohibits the Directors and officers of the Company from dealing in the Company's shares during the period commencing two weeks and one month, as the case may be, before the announcement of the Company's quarterly and full-year financial results and ending on the date of announcement of the relevant results or if they are in possession of unpublished material price-sensitive information of the Company. In addition, Directors and officers are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also advised to refrain from dealing in securities for short-term considerations.

INTERESTED PERSON TRANSACTIONS

The Company ensures that interested person transactions, if any, comply with its internal control procedures and Chapter 9 of the Listing Manual of SGX-ST. The AC will review all interested person transactions, to ensure that they are carried out on normal commercial basis and in accordance with the internal control procedures and are not prejudicial to the interests of the shareholders.

The Company confirms that there were no interested person transactions that required disclosure under Rule 907 of the SGX-ST Listing Manual for the financial year ended 30 June 2015.

MATERIAL CONTRACTS

There are no material contracts entered into by the Company that involve the interests of the CEO, any Director, or the controlling shareholder of the Company.

RISK MANAGEMENT POLICIES AND PROCESSES

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as takes appropriate measures to control and mitigate these risks. The Company also considers the various financial risks and their management, details of which are found on pages 38 to 41 of the Annual Report.

FINANCIAL CONTENTS

15	Report of the Directors
19	Statement by the Directors
20	Independent Auditors' Report
21	Statement of Comprehensive Income
22	Statement of Financial Position
23	Statement of Changes in Equity
24	Statement of Cash Flows
25	Notes to the Financial Statements
43	Statistics of Shareholdings
45	Notice of Annual General Meeting
	Proxy Form

REPORT OF THE DIRECTORS

30 JUNE 2015

The directors are pleased to present their report to the members together with the financial statements of Memstar Technology Ltd. (the "Company") for the financial year ended 30 June 2015.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Pan Shuhong
Dr Ge Hailin
Lam Peck Heng
Hong Pian Tee
Chia Chung Mun Alphonsus
Lee Suan Hiang

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of the directors' shareholdings, the following directors, who held office at the end of the financial year, had an interest in shares of the Company and related corporations as stated below:

Name of directors	Shareholdings registered in the name of directors		Shareholdings in which director is deemed to have an interest	
	As at 1.7.2014	As at 30.6.2015	As at 1.7.2014	As at 30.6.2015
The Company	No. of ordinary shares			
Pan Shuhong	256,977,698 ⁽¹⁾	256,977,698 ⁽¹⁾	563,803,426 ⁽²⁾	563,803,426 ⁽²⁾
Dr Ge Hailin	152,817,724	152,817,724	-	-
Hong Pian Tee	1,590,000	1,590,000	-	-
Lee Suan Hiang	100,000 ⁽³⁾	100,000 ⁽³⁾	-	-
Lam Peck Heng	1,000,000	1,000,000	-	-

(1) Includes 55,000,000 shares held by a nominee

(2) Ms Pan Shuhong is deemed interested in the shares held by Joyfield Group Limited as she is the controlling shareholder of Joyfield Group Limited

(3) Shares held by a nominee

There was no change in any of the above-mentioned interests between the end of the financial year and 21 July 2015.

REPORT OF THE DIRECTORS

30 JUNE 2015

4 DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

5 SHARE OPTIONS

Options Granted

During the financial year, there were no share options granted by the Company.

Options Exercised

During the financial year, there were no shares issued by virtue of the exercise of options to take up unissued shares of the Company.

Options Outstanding

At the end of the financial year, there were no unissued shares of the Company under option.

6 AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Hong Pian Tee (Chairman)
Lam Peck Heng
Chia Chung Mun Alphonsus
Lee Suan Hiang

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual and the Code of Corporate Governance.

The main responsibilities of the AC are to assist the Board of Directors (the "Board") in fulfilling its statutory and other duties relating to corporate governance, financial and accounting matters and reporting practices of the Company. The AC meets periodically to perform the following functions:

- (i) Review the audit plans of the Company's external auditors and internal auditors, including the results of the Company's external and internal auditors' review and evaluation of the Company's system of internal controls;
- (ii) Review the financial statements and the external auditors' report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with financial reporting standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;

6 AUDIT COMMITTEE (CONT'D)

- (iii) Review the quarterly financial results prior to recommending their approval to the Board for public release;
- (iv) Review and discuss with external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position and the management's response;
- (v) Review the co-operation given by the management to the external and internal auditors;
- (vi) Consider the appointment and re-appointment of the external auditors;
- (vii) Review and approve any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
- (viii) Review any potential conflicts of interest;
- (ix) Review the procedures by which employees of the Company may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions in relation thereto;
- (x) Undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (xi) Undertake generally such other functions and duties as may be required by law or the Listing Manual, and by such amendments made thereto from time to time.

The AC, having reviewed all non-audit services (if any) provided by the external auditors to the Company, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

Further details regarding the AC are disclosed in the Corporate Governance Report in the Company's Annual Report.

The AC has recommended to the Board of Directors the nomination of Moore Stephens LLP for their re-appointment as independent auditors of the Company at the forthcoming Annual General Meeting of the Company.

REPORT OF THE DIRECTORS

30 JUNE 2015

7 INDEPENDENT AUDITORS

The auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

.....
Pan Shuhong
Director

.....
Dr Ge Hailin
Director

Singapore
1 October 2015

STATEMENT BY THE DIRECTORS

30 JUNE 2015

In the opinion of the directors,

- (a) the financial statements of the Company together with the notes thereto, as set out on pages 21 to 42, are drawn up so as to give a true and fair view of the financial position of the Company as at 30 June 2015 and the financial performance, changes in equity and cash flows of the Company for the year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

.....
Pan Shuhong
Director

.....
Dr Ge Hailin
Director

Singapore
1 October 2015

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MEMSTAR TECHNOLOGY LTD.
(INCORPORATED IN SINGAPORE)

We have audited the accompanying financial statements of Memstar Technology Ltd. (the "Company"), as set out on pages 21 to 42, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Company as at 30 June 2015 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
1 October 2015

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Note	2015 S\$'000	2014 S\$'000
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other income	4	212	197,153
Administrative expenses		(1,705)	(722)
(Loss)/profit before income tax from continuing operations	4	(1,493)	196,431
Income tax	5	-	-
Net (loss)/profit for the year from continuing operations		(1,493)	196,431
Loss from discontinued operations	6	-	(243)
Net (loss)/profit for the year		(1,493)	196,188
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(1,493)	196,188
(Losses)/earnings per share - Basic and diluted (S\$ cents)			
From continuing operations	7	(0.05)	7.39
From discontinued operations	7	-	(0.01)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	2015 S\$'000	2014 S\$'000
ASSETS			
Current assets			
Available-for-sale investment	8	4	4
Other receivables	9	6,743	426
Cash and cash equivalents	10	1,375	2,445
		<u>8,122</u>	<u>2,875</u>
Total assets		<u>8,122</u>	<u>2,875</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	11	6,884	220
Reserves		908	2,401
Total equity		<u>7,792</u>	<u>2,621</u>
Current liabilities			
Other payables	12	<u>330</u>	<u>254</u>
Total liabilities		<u>330</u>	<u>254</u>
Total equity and liabilities		<u>8,122</u>	<u>2,875</u>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Share capital S\$'000	Share option reserve S\$'000	(Accumulated losses)/ Retained earnings S\$'000	Total S\$'000
Company				
Balance as at 1 July 2014	220	-	2,401	2,621
Net loss for the year	-	-	(1,493)	(1,493)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(1,493)	(1,493)
Issue of shares (Note 11)	6,664	-	-	6,664
Balance as at 30 June 2015	6,884	-	908	7,792
Balance as at 1 July 2013 (Restated)	166,402	787	(24,515)	142,674
Net profit for the year	-	-	196,188	196,188
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	196,188	196,188
Employee share option scheme				
- exercise of share options	1,622	(787)	-	835
Capital reduction	(167,804)	-	-	(167,804)
Dividends paid (Note 15)	-	-	(169,272)	(169,272)
Balance as at 30 June 2014	220	-	2,401	2,621

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015 S\$'000	2014 S\$'000
Cash Flows from Operating Activities		
(Loss)/profit before income tax		
From continuing operations	(1,493)	196,431
From discontinued operations	-	(182)
	(1,493)	196,249
Adjustments for:		
Depreciation of property, plant and equipment	-	35
Amortisation of intangible asset	-	60
Gain on disposal of a subsidiary	-	(197,153)
Exchange (gain)/loss on foreign exchange – unrealised	(153)	332
Interest expense	-	3
Operating cash flow before working capital changes	(1,646)	(474)
Changes in working capital:		
Receivables and other current assets	413	6,676
Payables	76	(845)
Net cash (used in)/generated from operating activities	(1,157)	5,357
Cash Flows from Investing Activities		
Refundable deposit advance to a third party	(6,648)	-
Amount due from subsidiaries	-	(16,898)
Net cash inflow on disposal of interest in a subsidiary	-	66,989
Net cash (used in)/generated from investing activities	(6,648)	50,091
Cash Flows from Financing Activities		
Proceeds from issuance of shares (Note 11)	6,664	-
Repayment of finance lease payables	-	(20)
Exercise of share options	-	835
Capital reduction payment	-	(54,390)
Dividends paid	-	(2,086)
Net cash generated from/(used in) financing activities	6,664	(55,661)
Net decrease in cash and cash equivalents	(1,141)	(213)
Cash and cash equivalents at the beginning of the year	2,445	2,658
Effect of foreign exchange rate changes on cash and cash equivalents	71	-
Cash and cash equivalents at the end of the year (Note 10)	1,375	2,445

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

1 GENERAL

Memstar Technology Ltd. (the “Company”) is a public limited liability company incorporated and domiciled in Singapore and listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The address of the Company’s registered office and principal place of business is 23 Bukit Batok Street 22, Singapore 659590.

The principal activity of the Company is that of an investment holding company.

The Company has, on 20 December 2014, entered into a share sale and purchase agreement with the existing shareholders of Longmen Group Ltd (“Longmen”) to acquire the entire issued and paid-up share capital of the Longmen, together with its subsidiaries, from the shareholders of Longmen as at the completion of a proposed Reverse Take Over (“RTO”). The proposed RTO is subject to SGX approval and shareholders’ approval at an extraordinary general meeting (Note 18).

The financial statements for the financial year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by the Directors.

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on an historical cost basis except as disclosed in the accounting policies set out in Note 3.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

(a) Adoption of New or Revised Standards

Adoption of New/Revised FRS which are effective

For the financial year ended 30 June 2015, the Company has adopted the following revised/amended FRS which is effective and is relevant to the Company and mandatory for application:

		Effective for accounting periods beginning on or after
Amendment to FRS 113	Fair Value Measurement	1 July 2014
Amendment to FRS 24	Related Party Disclosures	1 July 2014

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

2 BASIS OF PREPARATION (CONT'D)

(a) Adoption of New or Revised Standards (cont'd)

Adoption of New/Revised FRS which are effective (cont'd)

- Amendment to FRS 113 *Fair Value Measurement*

The amendment clarifies that the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with FRS 39. These contracts need not meet the definitions of financial assets or financial liabilities in FRS 32. The application of FRS 113 has not materially impacted the fair value measurements carried out by the Company.

- Amendment to FRS 24 *Related Party Disclosures*

This amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendments require the amounts incurred by an entity for such services to be included in the related party disclosures. However, this amount need not be split into components required for other key management personnel compensation (e.g. short-term employee benefits, post-employment benefits, etc.). There is no impact on its financial performance or financial position upon adoption of this amended standard during the current financial year ended 30 June 2015.

Adoption of New/Revised FRS which are not yet effective

At the date of authorisation of these financial statements, the following revised standard has been issued and is relevant to the Company but is not yet effective:

		Effective for accounting periods beginning on or after
FRS 109	Financial Instruments	1 January 2018

The adoption of the above standard which is not yet effective is not expected to have a significant impact on the financial statements in the period of initial application.

- FRS 109 *Financial Instruments*

FRS 109 Financial Instruments sets out the requirement for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces FRS 39 Financial Instruments: Recognition and Measurement and is a development of a new Standard for the financial reporting of financial instruments that is principle-based and less complex. This standard is applicable to annual periods beginning on or after 1 January 2018.

(b) Critical Accounting Estimates and Judgements

In the preparation of the financial statements, there were no critical judgements that management made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements, nor key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, except for the recoverability of the refundable deposit advanced to a third party (Note 9).

2 BASIS OF PREPARATION (CONT'D)

(b) Critical Accounting Estimates and Judgements (cont'd)

Subsequent to the financial year end, Longmen has informed the Company that it intends to temporarily suspend the RTO due to fundraising challenges and both parties are currently negotiating the revision of certain terms of the RTO. Notwithstanding the above, the directors are of the view that the refundable deposit advanced to the third party is recoverable and no impairment is necessary for the current financial year ended 30 June 2015.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Functional and Foreign Currency

(i) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The functional currency of the Company is determined to be Singapore dollar (“S\$”) based on management’s assessment of the economic environment in which the Company operates.

The financial statements of the Company are presented in Singapore dollars (“S\$”) (the “presentation currency”) as the management is of the view that presenting the financial statements in S\$ would be most useful to the shareholders of the Company.

(ii) *Transactions and balances*

In preparing the financial statements of the Company, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in equity and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial assets

(i) *Classification*

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets.

Loans and receivables are presented as "other receivables" and "cash and cash equivalents" on the balance sheet.

Financial assets, available-for-sale

Financial assets, available-for-sale, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

(iii) *Initial measurement*

Loans and receivables and financial assets, available-for-sale are initially recognised at fair value plus transaction costs.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial assets (cont'd)

(iv) *Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets, available-for-sale are subsequently carried at fair value.

Interest and dividend income on financial assets, available-for-sale are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve.

Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(v) *Impairment*

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Financial assets, available-for-sale

In addition to the objective evidence of impairment described above, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances and fixed deposits with financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(d) Financial liabilities

The Company shall recognise a financial liability on its balance sheet when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Other payables

Other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(e) Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Fair value changes on derivatives that are not designated nor do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

(f) Share Capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against the share proceeds.

(g) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Income Taxes

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The Company recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognized as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as a held-for-sale and:

- (i) Represents a separate major line of business or geographical area of operations; or
- (ii) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (iii) is a subsidiary acquired exclusively with a view to resale.

4 (LOSS)/PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS

	2015 S\$'000	2014 S\$'000
(Loss)/profit before income tax from continuing operations is arrived at after charging/(crediting):		
Audit fees - Company's auditors	35	140
Non-audit fees - Company's auditors	-	-
Directors' fees	218	234
Staff cost:		
- Salaries, bonus and related benefits	-	111
- Contributions to defined contribution plans	-	11
Legal and professional fees	1,308	111
Others	144	115
	<u>1,705</u>	<u>722</u>
Other income comprises:		
- Foreign exchange gain	(153)	-
- Gain on disposal of a subsidiary	-	(197,153)
- Others	(59)	-
	<u>(212)</u>	<u>(197,153)</u>

5 INCOME TAX

	2015 S\$'000	2014 S\$'000
Current income tax from continuing operations		
- current year	-	-
- under provision in respect of prior year	-	-
	-	-
Current income tax from discontinued operations		
- current year	-	-
- under provision in respect of prior year	-	61
	-	61
	-	61

The income tax expense on (loss)/profit differs from the amount that would arise using the applicable Singapore tax rate of 17 % (2014: 17%) due to the following:

	2015 S\$'000	2014 S\$'000
(Loss)/profit before income tax:		
- From continuing operations	(1,493)	196,431
- From discontinued operations (Note 6)	-	(182)
	(1,493)	196,249
Income tax (benefit)/expense calculated at 17%	(253)	33,362
Non-deductible items	253	5
Non-taxable item*	-	(33,517)
Unrecognised deferred tax assets	-	150
Under provision of current tax in prior years	-	61
	-	61

* Non-taxable item is related to the gain on disposal of a subsidiary during the previous financial year.

Unrecognised deferred tax assets

As at 30 June 2015, the Company has unutilised tax losses of approximately S\$6,709,000 (2014: S\$6,709,000), which can be carried forward and used to offset against future taxable income subject to the satisfaction of the substantial shareholding test and agreement of the tax authorities and compliance with relevant provisions of the tax legislation of Singapore. Deferred tax benefits arising from these unutilised tax losses carried forward approximately S\$1,141,000 (2014: S\$1,141,000) have not been recognised as there is no reasonable certainty that future taxable profits will be available to utilise these tax losses, capital allowances and other tax temporary differences.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

6 DISCONTINUED OPERATIONS

The Company had on 29 July 2013 entered into a conditional sale and purchase agreement with United Envirotech Ltd ("UEL") to dispose of its membrane trading business ("the discontinued operations") and wholly-owned subsidiary, Memstar Pte Ltd. and to transfer and/or novate certain assets. The sale was completed on 11 April 2014.

The results of the discontinued operations included in the statement of comprehensive income are set out below. The comparative results from discontinued operations have been re-presented to include those operations classified as discontinued in the previous financial year.

	2014 S\$'000
Loss for the year from discontinued operations:	
Revenue	1,084
Cost of sales	(799)
Gross profit	285
Other income	995
Administrative expenses	(1,459)
Finance cost	(3)
Loss before income tax	(182)
Income tax	(61)
Loss for the year	(243)

7 (LOSSES)/ EARNINGS PER SHARE

Basic (losses)/earnings per share is calculated by dividing the Company's (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

Basic (losses)/earnings per share is calculated as follows:

	2015	2014
From Continuing Operations:		
(Loss)/profit for the year	(S\$1,493,000)	S\$196,431,000
Weighted average number of ordinary shares	2,909,051,173	2,659,784,871
Basic (losses)/earnings per share (S\$ cents)	(0.05)	7.39
From Discontinued Operations:		
Loss for the year	-	(S\$243,000)
Weighted average number of ordinary shares	2,909,051,173	2,659,784,871
Basic losses per share (S\$ cents)	-	(0.01)

There is no dilution of (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding at the end of the current and previous financial years.

8 AVAILABLE-FOR-SALE INVESTMENT

	2015 S\$'000	2014 S\$'000
At beginning of the year	4	-
Consideration shares received	-	272,075
Capital reduction	-	(105,200)
Special dividend paid (Note 15)	-	(166,871)
At the end of the year	4	4

As at 30 June 2015, the available-for-sale investment represents the quoted equity shares of UEL, which is the balance of the consideration shares received for disposal of Memstar Pte. Ltd. and certain assets less the consideration shares distributed pursuant to the capital reduction and special dividend.

9 OTHER RECEIVABLES

	2015 S\$'000	2014 S\$'000
Refundable deposit advance to a third party	6,730	-
GST receivables	13	426
	6,743	426

Refundable deposit advance to a third party relates to the 1st tranche of fund raising for the proposed RTO transactions according to terms and conditions in the sales and purchase agreement of the RTO transaction dated on the 20 December 2014, as disclosed in Note 18.

In the event that Proposed RTO does not complete by the Long-Stop Date (31 December 2015 or 4 months from the date of approval in-principle being granted by the SGX-ST in respect of the Proposed RTO, whichever is earlier), the refundable deposit shall be refunded to the Company.

Upon the completion of the RTO transaction or at the Company's option, the refundable deposit shall be converted into new ordinary shares, representing 2.38% of the issued share capital of Longmen. Subsequent to the statement of financial position date, the percentage of issued share capital of Longmen for the conversion option was changed to 2.65% according to the 3rd Supplemental Agreement to the Sale and Purchase Agreement of the proposed RTO.

The fair value of conversion option is insignificant, and therefore no derivative asset has been recognised during the current financial year ended 30 June 2015.

Other receivables are denominated in the following currencies:

	2015 S\$'000	2014 S\$'000
Singapore dollars	13	426
United States dollars	6,730	-
	6,743	426

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

10 CASH AND CASH EQUIVALENTS

	2015 S\$'000	2014 S\$'000
Bank balances	1,375	2,445

Cash and cash equivalents are denominated in the following currencies:

	2015 S\$'000	2014 S\$'000
United States dollars	123	202
Singapore dollars	1,017	1,959
Renminbi	235	284
	1,375	2,445

11 SHARE CAPITAL

	2015		2014	
	Number of ordinary shares '000	Share capital S\$'000	Number of ordinary shares '000	Share capital S\$'000
Balance at the beginning of the year	2,667,407	220	2,655,807	166,402
Issue of shares *	490,000	6,664	-	-
Employee share option scheme – exercise of options	-	-	11,600	1,622
Capital reduction**	-	-	-	(167,804)
Balance at the end of the year	3,157,407	6,884	2,667,407	220

The ordinary shares of the Company have no par value.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

* On 2 January 2015, the Company completed the placement of 490,000,000 ordinary shares of the Company issued at the price of S\$0.0136 per placement share and raised a gross proceed of approximately S\$6,664,000.

** Following the completion of the disposal of Memstar Pte. Ltd., the Company distributed the net proceeds by capital reduction and special dividend on 21 April 2014 pursuant to the Shareholders' approval in an extraordinary general meeting held on 12 February 2014. For every 1,000 shares held, the entitled shareholder received net proceeds in cash and UEL shares as follows:

For every 1,000 shares	Cash S\$	UEL shares
Capital reduction	23.47	29
Special dividend (Note 15)	0.90	46
	24.37	75

The share capital was reduced by a capital reduction of S\$167,804,000 through a cash distribution of approximately S\$62,604,000 and consideration shares of S\$105,200,000 (Note 8) to the shareholders of the Company. The capital reduction did not result in a change in the number of ordinary shares.

12 OTHER PAYABLES

	2015 S\$'000	2014 S\$'000
Accrued operating expenses	328	249
Other creditors	2	5
	<u>330</u>	<u>254</u>

Other payables are denominated in following currencies:

	2015 S\$'000	2014 S\$'000
Singapore dollars	190	254
Renminbi	140	-
	<u>330</u>	<u>254</u>

13 RELATED PARTY TRANSACTIONS

Parties are considered to be related if an individual or a close member of that individual's family has the ability, directly or indirectly, to control the other party, exercise significant influence over the other party in making financial and operating decisions; or is a member of the key management personnel of the other party. Parties are also considered to be related if they are subject to common control and a person who has significant influence over the entity or is a member of the key management personnel of the entity. Related parties may be individuals or corporate entities.

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling activities of the Company. The directors and executive officers of the Company are considered as key management personnel of the Company.

During the financial year, the Company entered into the following transactions with related parties:

	2015 S\$'000	2014 S\$'000
Sales of goods	-	6
Purchase of raw materials	-	(801)
Services rendered	-	995

Details of the key management personnel compensation are as follows:

	2015 S\$'000	2014 S\$'000
Directors' fees	218	234
Salaries, bonuses and related costs	-	565
Contributions to defined contribution plans	-	25
	<u>218</u>	<u>824</u>
Comprise amounts paid/payable to:		
Directors of the Company	218	680
Other key management personnel	-	144
	<u>218</u>	<u>824</u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

14 COMMITMENTS

Operating Lease Commitments

Operating lease payments recognised in profit or loss during the current financial year amounted to S\$Nil (2014: S\$1,100).

There is no future minimum lease payments payable under the non-cancellable operating leases as at the balance sheet date.

15 DIVIDENDS

	2015 S\$'000	2014 S\$'000
Special tax-exempt (one-tier) dividend of 0.09 Singapore cents per share and 0.046 UEL shares paid in respect of distribution of consideration received for disposal of Memstar Pte. Ltd.	-	169,272

Total special dividend of S\$169,272,000 was distributed by cash of S\$2,401,000 and UEL shares of S\$166,871,000 on 11 April 2014.

16 FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risk, including the effects of credit risk, foreign currency risk, interest rate risk and liquidity risk arising in the normal course of the Company's business. The Company continually monitors the risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from other receivables. For other financial assets such as cash and cash equivalents, the Company minimise credit risk by dealing exclusively with reputable financial institutions with high credit ratings.

16 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Objectives and Policies (cont'd)

Credit risk (cont'd)

The maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet. The Company does not have any significant concentration of credit risk except for other receivables as disclosed in Note 9.

- Financial assets that are neither past due nor impaired

Other receivables that are neither past due nor impaired are creditworthy parties. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions with high-credit ratings assigned by international credit-rating agencies.

As at the balance sheet date the Company's other receivables (excluding GST receivables) that are neither past due nor impaired amounted to S\$6,730,000 (2014: S\$Nil).

- Financial assets that are past due but not impaired

There are no classes of financial assets that are past due and/or impaired.

Foreign currency risk

The functional currency of the Company is Singapore dollar. The Company's business is exposed to foreign exchange risk arising from various transactions denominated in foreign currencies such as the US\$ and RMB.

The Company does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions. Nevertheless, management monitors the fluctuation in exchange rates closely to ensure that the Company's exposure to foreign currency risk is minimised.

At the balance sheet date, the Company's other receivables, cash and cash equivalents and other payables, which are denominated in US\$ and RMB, are disclosed in the respective notes.

A 3 % (2014: 3%) strengthening of these foreign currencies against S\$ at the balance sheet date would (decrease)/increase the Company's (loss)/profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	Increase/ (Decrease) Loss before tax 2015 S\$'000	Increase/ (Decrease) Profit before tax 2014 S\$'000
RMB against S\$		
Strengthens	(3)	9
Weakens	3	(9)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

16 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Objectives and Policies (cont'd)

Foreign currency risk (cont'd)

	Increase/ (Decrease) Loss before tax 2015 S\$'000	Increase/ (Decrease) Profit before tax 2014 S\$'000
US\$ against S\$		
Strengthens	(206)	6
Weakens	206	(6)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. For cash placed with banks and financial institutions (Note 10), the Company's policy is to obtain the most favourable interest rates available. The Company does not have significant exposure to variable interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from the timing of the maturities of financial assets and liabilities. The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. All of the Company's payables are due within the next twelve months from the balance sheet date as the cash outflows approximate the carrying amounts because of their relatively short term period of maturity.

(b) Fair Values

Fair value of the Company's financial assets and liabilities that are measured at fair value on a recurring basis.

The Company categorise fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and
- Level 3 – Unobservable inputs for the asset or liability.

16 FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair Values (cont'd)

The available-for-sale investment, the details of which are set out in Note 8, are classified under Level 1 of the fair value hierarchy.

The carrying amounts of financial assets and financial liabilities, with a maturity of less than one year, which are primarily other receivables, cash and cash equivalents and other payables are assumed to approximate their fair values due to their relatively short term period of maturity. The fair values of other classes of financial assets and financial liabilities are disclosed in the respective notes.

17 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2015 and 2014.

The Company monitor capital using a net debt-to-equity ratio, which is net debt divided by total equity. The Company include within net debt, other payables less cash and cash equivalents. Total equity includes equity attributable to the equity holders of the Company.

The net debt-to-equity ratio as at 30 June is as follows:

	2015 S\$'000	2014 S\$'000
Total debts	330	254
Less: Cash and cash equivalents (Note 10)	(1,375)	(2,445)
Net cash	(1,119)	(2,191)
Equity attributable to owners of the Company	7,792	2,621
Net debt-to-equity ratio	-*	-*

* The Company's cash and cash equivalents were in excess of its total debt.

The Company is not subject to any externally imposed capital requirements for the financial years ended 30 June 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

18 SUBSEQUENT EVENT

The Company has, on 20 December 2014, entered into a share sale and purchase agreement ("Agreement") with the existing shareholders of Longmen Group Ltd ("Longmen") to acquire the entire issued and paid-up share capital of the Longmen, together with its subsidiaries, from the shareholders of Longmen as at the completion of the Proposed RTO.

Pursuant to 3rd Supplemental Agreement to the Agreement entered on 24 July 2015, the aggregate purchase price for the Sale Shares is US\$323 million (or S\$435 million, at an exchange rate of US\$1=S\$1.346) to be fully satisfied by the Company, at completion of the Proposed RTO ("Completion"), by the issuance and allotment of 25,896,296,296 new ordinary shares, at S\$0.01615 per Share, representing an aggregate of 71.17% of the total issued share capital of the Company on Completion.

The completion of the Proposed RTO is subject, inter alia, to the completion of four Tranches of fund raising activities on the part of both the Company and Longmen. In aggregate, the enlarged group of companies comprising the Company and the Longmen will raise a gross proceeds of US\$70 million from the fundraising and the placement, and the net proceeds will be used by Longmen for capital expenditure including drilling of wells and working capital. As disclosed in Note 9, the 1st Tranche Fundraising (comprising the Refundable Deposit of US\$5 million has been advanced by the Company to Longmen) had since been effected.

As at the date of this report, Longmen has informed the Company that it intends to temporarily suspend the RTO due to fundraising challenges. The Company and Longmen are currently negotiating the revision of certain key terms of the RTO.

The Company is to complete the Proposed RTO by 30 November 2015 and there may be no further extension granted, in which event the Company will be required to delist in accordance with the Mainboard Rules of the SGX-ST.

STATISTICS OF SHAREHOLDINGS

AS AT 22 SEPTEMBER 2015

Class of shares	:	Ordinary shares
Number of shares	:	3,157,407,337
Voting rights	:	One vote per share
Treasury shares held	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	25	0.31	840	0.00
100 - 1,000	2,699	34.00	1,295,184	0.04
1,001 - 10,000	2,402	30.26	13,513,280	0.43
10,001 - 1,000,000	2,683	33.79	310,716,871	9.84
1,000,001 AND ABOVE	130	1.64	2,831,881,162	89.69
TOTAL	7,939	100.00	3,157,407,337	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	JOYFIELD GROUP LIMITED	563,803,426	17.86
2	YEO CHUNG SUN	396,379,000	12.55
3	PHILLIP SECURITIES PTE LTD	253,318,150	8.02
4	PAN SHUHONG	201,977,698	6.40
5	GE HAILIN	152,817,724	4.84
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	136,796,775	4.33
7	OCBC SECURITIES PRIVATE LIMITED	122,274,948	3.87
8	LIN YUCHENG	118,000,000	3.74
9	UOB KAY HIAN PRIVATE LIMITED	117,069,200	3.71
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	94,704,149	3.00
11	HSBC (SINGAPORE) NOMINEES PTE LTD	77,529,000	2.46
12	CIMB SECURITIES (SINGAPORE) PTE. LTD.	70,996,000	2.25
13	RAFFLES NOMINEES (PTE) LIMITED	54,336,000	1.72
14	ZHUO JINGMING	49,748,500	1.58
15	CITIBANK NOMINEES SINGAPORE PTE LTD	31,854,800	1.01
16	DBSN SERVICES PTE. LTD.	19,054,000	0.60
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	18,001,512	0.57
18	DBS NOMINEES (PRIVATE) LIMITED	17,383,883	0.55
19	TAN CHAI HONG OR TAN KAY SIM	12,894,000	0.41
20	DERRICK WEE HOE ENG	12,000,000	0.38
TOTAL		2,520,938,765	79.85

STATISTICS OF SHAREHOLDINGS

AS AT 22 SEPTEMBER 2015

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as recorded in the Register of Substantial Shareholders as at 22 September 2015

Name	Number of shares	Direct Interest	Deemed Interest	Total Interest	%
Pan Shuhong (Ms) *	256,977,698 ⁽²⁾		563,803,426 ⁽¹⁾	820,781,124	26.00
Joyfield Group Limited	563,803,426			563,803,426	17.86
Yeo Chung Sun	396,379,000			396,379,000	12.55
Ge Hailin	152,817,724			152,817,724	4.84

⁽¹⁾ Ms Pan Shuhong has a controlling interest in Joyfield Group Limited and pursuant to Section 7(4) of the Companies Act, Cap.50, is deemed to have an interest in the shares.

⁽²⁾ Includes 55,000,000 shares held by Nominee.

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on information available to the Company as at 22 September 2015, approximately 56.61% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2015 Annual General Meeting of Memstar Technology Ltd. (the “**Company**”) will be held at Quality Hotel Marlow, Quality Ballroom - Level 3, 201 Balestier Road, Singapore 329926, on Wednesday, 28 October 2015 at 10.00 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and Audited Financial Statements for the financial year ended 30 June 2015 together with the Independent Auditors’ Report thereon. **Resolution 1**
2. To re-elect Ms Pan Shuhong who will retire as Director by rotation pursuant to Article 91 of the Articles of Association of the Company and who, being eligible, will offer herself for re-election. **Resolution 2**
3. To re-appoint Mr Lam Peck Heng as Director of the Company pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), to hold such office until the next Annual General Meeting of the Company (“**AGM**”). **Resolution 3**

Mr Lam Peck Heng will, upon re-appointment as Director, continue to serve as a member of the Audit and Remuneration Committees and remain as Chairman of the Nominating Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”).
4. To re-appoint Mr Hong Pian Tee as Director of the Company, pursuant to Section 153(6) of the Companies Act, to hold such office until the next AGM. **Resolution 4**

Mr Hong Pian Tee will, upon re-appointment as Director, continue to serve as Chairman of the Audit Committee and remain as a member of the Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.
5. To approve Directors’ fees of S\$217,500 payable by the Company for the financial year ending 30 June 2016 (2015: S\$217,500). **Resolution 5**
6. To re-appoint Moore Stephens LLP as Independent Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolution as Ordinary Resolution:

7. Authority to issue shares and/or convertible securities

Resolution 7

That pursuant to Section 161 of the Companies Act and the Listing Manual of the SGX-ST, authority be and is hereby given to the Directors of the Company to:

- (1) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares;

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (2) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares excluding treasury shares in the capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares excluding treasury shares in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);
- (b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of issued shares shall be calculated based on the total number of issued shares excluding treasury shares in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or sub-division of shares;

- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (d) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier. (See Note 3)

ANY OTHER BUSINESS

- 8. To transact any other business that may be properly transacted at an AGM.

By Order of the Board

Lee Seng Suan
Company Secretary
Singapore, 13 October 2015

NOTICE OF ANNUAL GENERAL MEETING

NOTES

1. A member entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. Such proxy need not be a member of the Company and where there are two proxies, the number of shares to be represented by each proxy must be stated.
2. The instrument or form appointing a proxy, duly executed, must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time for holding the above AGM
3. The proposed Ordinary Resolution 7, if passed, will empower the Directors from the date of this AGM until the next AGM, to allot and issue new shares and/or convertible securities in the Company up to a number not exceeding 50% of the total number of issued shares excluding treasury shares in the capital of the Company for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a pro rata basis to shareholders shall not exceed 20% of the total number of issued shares excluding treasury shares in the capital of the Company. For the purpose of determining the total number of shares excluding treasury shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares excluding treasury shares in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Ordinary Resolution is passed and (b) any subsequent bonus issue or consolidation or subdivision of shares. This authority unless previously revoked or varied at a general meeting, shall expire at the next AGM of the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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MEMSTAR TECHNOLOGY LTD.

(Incorporated in the Republic of Singapore)

Company Reg. No. 197901641K

**PROXY FORM
Annual General Meeting****IMPORTANT:**

1. For Investors who have used their CPF moneys to buy shares of Memstar Technology Ltd., the Annual Report 2015 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

I/We, _____ (Name) _____ (NRIC / Passport No.)

of _____ (Address)

being a member/members of Memstar Technology Ltd. (the "Company"), hereby appoint

	Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
(a)				

and/or (delete as appropriate)

(b)				
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as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the 2015 Annual General Meeting of the Company to be held at Quality Hotel Marlow, Quality Ballroom - Level 3, 201 Balestier Road, Singapore 329926, on Wednesday, 28 October 2015 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Annual General Meeting.

All resolutions put to the vote at the Annual General Meeting shall be decided by poll.

No.	Ordinary Resolutions	For*	Against*
1	Adoption of Directors' Report and Audited Financial Statements		
2	Re-election of Ms Pan Shuhong as Director		
3	Re-appointment of Mr Lam Peck Heng as Director		
4	Re-appointment of Mr Hong Pian Tee as Director		
5	Approval of Directors' fees for financial year ending 30 June 2016		
6	Re-appointment of Moore Stephens LLP as Independent Auditors		
7	Authority to issue shares and/or convertible securities		

* Please indicate your vote "For" or "Against" with a tick (✓) within the box provided Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2015

Total Number of Shares Held

Signature of Individual Shareholder/
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

NOTES:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and where there is more than one proxy, the number of Shares to be represented by each proxy must be stated.
2. This Proxy Form must be signed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or his attorney and affixed with its common seal thereto.
3. The instrument appointing a proxy [together with the power of attorney (if any) under which it is signed or a certified copy thereof], must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time fixed for holding the Annual General Meeting.
4. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
5. The Company shall be entitled to reject the instrument of proxy if it is incomplete, not properly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of members whose Shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such member is not shown to have Shares entered against his name in the Depository Register 48 hours before the time fixed for holding the Annual General Meeting as certified by CDP to the Company.

fold along this line (1)

Please affix
postage
stamp

Memstar Technology Ltd.
c/o Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

fold along this line (2)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Pan Shuhong *Non-Executive Director*
Dr Ge Hailin *Non-Executive Director*
Lam Peck Heng *Lead Independent Director*
Hong Pian Tee *Independent Director*
Chia Chung Mun Alphonsus *Independent Director*
Lee Suan Hiang *Independent Director*

AUDIT COMMITTEE

Hong Pian Tee *Chairman*
Lam Peck Heng
Chia Chung Mun Alphonsus
Lee Suan Hiang

NOMINATING COMMITTEE

Lam Peck Heng *Chairman*
Pan Shuhong
Dr Ge Hailin
Lee Suan Hiang

REMUNERATION COMMITTEE

Chia Chung Mun Alphonsus *Chairman*
Lam Peck Heng
Hong Pian Tee

COMPANY SECRETARY

Lee Seng Suan *FCPA, ACIS*

AUDITORS

Moore Stephens LLP
Public Accountants and Chartered Accountants
10 Anson Road
#29-15 International Plaza
Singapore 079903

Partner-in-charge
Neo Keng Jin
Year of appointment: 2013



REGISTERED OFFICE

23 Bukit Batok Street 22
Singapore 659590
Tel : (65) 6775 2512
Fax : (65) 6775 2513

COMPANY REGISTRATION NUMBER

197901641K

SHARE REGISTRAR

Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

PRINCIPAL BANKER

DBS Bank Limited

Memstar Technology Ltd.
23 Bukit Batok Street 22
Singapore 659590

Company Registration Number:
197901641K