

MEMSTAR TECHNOLOGY LTD.

Third Quarter Financial Statement and Dividend Announcement for the Period Ended 31 March 2015

PART I: Information required for announcements of Quarterly (Q1, Q2 & Q3), Half-Year and Full Year Results

- 1 (a)(i) A statement of comprehensive income for the Company together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Company						
	3 months ended 31/03/2015 S\$'000	3 months ended 31/03/2014 (Restated) S\$'000	Increase/ (Decrease) %		9 months ended 31/03/2015 S\$'000	9 months ended 31/03/2014 (Restated) S\$'000	Increase/ (Decrease) %
Revenue	-	-	n/a		-	-	n/a
Cost of sales	-	-	n/a		-	-	n/a
Gross profit	-	-	n/a		-	-	n/a
Other income	26	-	nm		55	-	Nm
Administrative expenses	(917)	(224)	309.4		(1,202)	(550)	118.5
Loss before income tax from continuing operations	(891)	(224)	297.8		(1,147)	(550)	108.5
Income tax expense	-	-	n/a		-	-	n/a
Loss from continuing operations	(891)	(224)	297.8		(1,147)	(550)	108.5
Loss from discontinued operations	-	(478)	nm		-	(199)	nm
Loss for the period	(891)	(702)	26.9		(1,147)	(749)	53.1
<u>Statement of Comprehensive Loss</u>							
Net loss for the period	(891)	(702)	26.9		(1,147)	(749)	53.1
Other comprehensive income	-	-	n/a		-	-	n/a
Total comprehensive loss for the period	(891)	(702)	26.9		(1,147)	(749)	53.1
<u>Total comprehensive income</u>							
From continuing operations	(891)	(224)	297.8		(1,147)	(550)	108.5
From discontinued operations	-	(478)	nm		-	(199)	nm
	(891)	(702)	26.9		(1,147)	(749)	53.1

n/a – not applicable
nm – not meaningful

Note

The Company had on 11th April 2014 completed the sale of its principal and wholly-owned subsidiary and the membrane business. Following the completion, Memstar Technology Ltd. no longer has any subsidiary and is no longer a holding company. As such, only the financial statements of the Company are presented. The results of the disposed operations were shown as discontinued operations in the comparative period.

Loss from discontinued operations are as follows:

	3 months ended 31/03/2015 S\$'000	3 months ended 31/03/2014 (Restated) S\$'000	Increase/ (Decrease) %		9 months ended 31/03/2015 S\$'000	9 months ended 31/03/2014 (Restated) S\$'000	Increase/ (Decrease) %
Revenue	-	694	nm		-	1,083	nm
Cost of sales	-	(537)	nm		-	(798)	nm
Gross profit	-	157	nm		-	285	nm
Other income	-	-	nm		-	995	nm
Administrative expenses	-	(574)	nm		-	(1,413)	nm
Finance cost (net)	-	-	nm		-	(5)	nm
Loss before income tax	-	(417)	nm		-	(138)	nm
Income tax expense	-	(61)	nm		-	(61)	nm
Loss for the period from discontinued operations	-	(478)	nm		-	(199)	nm

1 (a)(ii) The accompanying notes to the financial statements form an integral part of the financial statements

	3 months ended 31/03/2015 S\$'000	3 months ended 31/03/2014 (Restated) S\$'000	Increase/ (Decrease) %		9 months ended 31/03/2015 S\$'000	9 months ended 31/03/2014 (Restated) S\$'000	Increase/ (Decrease) %
Loss for the period is arrived at after charging/(crediting) the following:							
<u>From discontinued operations:</u>							
Cost of inventories sold	-	537	nm		-	798	nm
Depreciation of property, plant and equipment	-	9	nm		-	35	nm
Amortisation of intangible asset	-	20	nm		-	60	nm
Interest expense (net)	-	1	nm		-	3	nm

nm – not meaningful

1(b)(i) A statement of financial position (for the Issuer), together with a comparative statement as at the end of the immediately preceding financial year.

	Company	
	As at 31/03/2015 S\$'000	As at 30/6/2014 S\$'000
Current assets		
Cash and cash equivalents	1,638	2,445
Other receivables	6,704	426
Available-for-sale investment	4	4
	<u>8,346</u>	<u>2,875</u>
Total assets	<u>8,346</u>	<u>2,875</u>
Equity attributable to owners of the Company		
Share capital	6,884	220
Reserves	1,254	2,401
Total equity	<u>8,138</u>	<u>2,621</u>
Current liabilities		
Other payables	208	254
	<u>208</u>	<u>254</u>
Total liabilities	<u>8,346</u>	<u>254</u>
Total equity and liabilities	<u>8,346</u>	<u>2,875</u>

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

	Company			
	31/03/2015		30/06/2014	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
(a) Amount repayable in one year or less, or on demand	-	-	-	-
(b) Amount repayable after one year	-	-	-	-
Details of any collateral				
Nil				

1(c) A statement of cash flow (for the Company), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Company			
	3 months ended 31/03/2015 S\$'000	3 months ended 31/03/2014 (Restated) S\$'000	9 months ended 31/03/2015 S\$'000	9 months ended 31/03/2014 (Restated) S\$'000
Cash Flows from Operating Activities				
Loss before income tax	(891)	(702)	(1,147)	(749)
Adjustments for:				
Depreciation of plant and equipment	-	9	-	35
Amortisation of intangible asset	-	20	-	60
Interest expense (net)	-	1	-	3
Operating cash flow before working capital changes	(891)	(672)	(1,147)	(651)
Changes in working capital:				
Receivables	(6,685)	(167)	(6,278)	7,145
Payables	77	(645)	(46)	(829)
Cash (used) in/generated from operating activities	(7,499)	(1,484)	(7,471)	5,665
Interest paid (net)	-	-	-	-
Net cash (used) in/generated from operating activities	(7,499)	(1,484)	(7,471)	5,665
Cash Flows from Investing Activities				
Amount due from/to subsidiaries	-	1,224	-	(8,036)
Net cash generated from/(used) in investing activities	-	1,224	-	(8,036)
Cash Flows from Financing Activities				
Proceeds from share placement	-	-	6,664	-
Exercise of share options	-	835	-	835
Repayment of obligations under finance lease	-	(5)	-	(20)
Net cash generated from financing activities	-	830	6,664	815
Net (decrease)/increase in cash and cash equivalents	(7,499)	570	(807)	(1,556)
Cash and cash equivalents at the beginning of the period	9,137	532	2,445	2,658
Cash and cash equivalents at the end of the period	1,638	1,102	1,638	1,102
Represented by:				
Bank balances	1,638	1,102		

1(d)(i) A statement (for the issuer) showing either (i) all changes in equity¹ or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Company

	Share capital S\$'000	Share option reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Balance as at 1 January 2014	166,402	787	(24,561)	142,628
Total comprehensive profit for the period	-	-	(702)	(702)
Employee share option scheme – exercise of share options	835	-	-	835
Balance as at 31 March 2014	167,237	787	(25,263)	142,761
Balance as at 1 January 2015	220	-	2,145	2,365
Total comprehensive loss for the period	-	-	(891)	(891)
Share placement	6,664	-	-	6,664
Balance as at 31 March 2015	6,884	-	1,254	8,138

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the financial period from 1 July 2014 to 31 March 2015, there is an increase of 490,000,000 ordinary shares in the Company's share capital through the issue of placement shares. There are no outstanding unexercised share options as at 31 March 2015 (31 March 2014: Nil unexercised share options). There are no outstanding convertible securities as at 31 March 2015 and 31 March 2014.

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

Total number of issued ordinary shares as at 31 March 2015 is 3,157,407,337 (30 June 2014: 2,667,407,337).

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

The Company does not have any treasury shares as at 31 March 2015 and 31 March 2014.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Company has applied the same accounting policies and methods of computation in the financial statements for the current financial period ended 31 March 2015 compared to the audited financial statements for the financial year ended 30 June 2014, except as disclosed in paragraph 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Company has adopted the Singapore Financial Reporting Standards ("SFRS") including improvements to SFRS and Interpretations of FRS ("INT FRS") that are mandatory for financial years beginning on or after 1 July 2014, where applicable, the application of these standards has no significant impact on the Company.

6. Earnings per ordinary share of the Company for the current financial reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Company			
	3 months ended 31/03/2015	3 months ended 31/03/2014	9 months ended 31/03/2015	9 months ended 31/03/2014
From Continuing Operations :				
(a) Weighted average number of ordinary shares in issue (in SGD cents) ⁽¹⁾	(0.031)	(0.008)	(0.040)	(0.020)
(b) Fully diluted basis (in SGD cents) ⁽²⁾	(0.031)	(0.008)	(0.040)	(0.020)
From Discontinued Operations :				
(a) Weighted average number of ordinary shares in issue (in SGD cents) ⁽¹⁾	-	(0.018)	-	(0.007)
(b) Fully diluted basis (in SGD cents) ⁽²⁾	-	(0.018)	-	(0.007)

Note:

- (1) Earnings per ordinary share of the Company for the three months and nine months period ended 31 March 2015 and 31 March 2014 have been computed based on the weighted average number of shares of 2,826,567,921 ordinary shares and 2,657,504,003 ordinary shares respectively.
- (2) Diluted earnings per ordinary share of the Company for the three months and nine months period ended 31 March 2015 and 31 March 2014 have been computed based on the weighted average number of shares of 2,826,567,921 ordinary shares and 2,657,504,003 ordinary shares respectively.

7. Net asset value for the Company per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	Company	
	31/03/2015	30/06/2014
Net asset value per ordinary share based on issued share capital as at the end of the period	SGD cent 0.26	SGD cent 0.26

The above net asset value per ordinary share of the Company have been computed based on the total issued share capital as at 31 March 2015 of 3,157,407,337 shares (30 June 2014: 2,667,407,337 shares).

8. A review of the performance of the Company, to the extent necessary for a reasonable understanding of the Company's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the Company for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Company during the current financial period reported on.

Statement of Comprehensive Income

The Company had on 11th April 2014 completed the sale of its principal and wholly-owned subsidiary and the membrane business. Following the completion, Memstar Technology Ltd. no longer has any subsidiary and is no longer a holding company. As such, only the financial statements of the Company are presented. The results of the disposed operations were shown as discontinued operations in the comparative period.

Administrative expenses increased from S\$224,000 for the 3 months ended 31 March 2014 to \$917,000 for the 3 months ended 31 March 2015 due mainly to professional fees incurred namely for services rendered by the financial advisor, legal advisors, reporting accountants and technical advisors in relation to the proposed RTO transaction. Refer to the announcements made by the Company on 22 December 2014. Other income for the current period refer to the recovery of doubtful debt.

Discontinued Operations

The results of the discontinued operations comprised revenue and expenses of the disposed membrane business for the comparative period ended 31 March 2014.

Review of the Company's Financial Position as at 31 March 2015 as compared to the Company's Financial Position as at 30 June 2014

Statement of Financial Position

With the disposal of the subsidiary and business assets, the assets of the company comprise mainly cash of approximately S\$1.6 million and other receivable of \$6.7 million of which \$6.647 million was advanced to Longmen Group Ltd as refundable deposit. Refer to announcements made by the Company on 22 December 2014 and 6 January 2015. Other payable comprise mainly accruals of statutory costs.

Statement of Cash Flows

Net cash used in operating activities amounted to S\$7.5 million mainly due to increase in receivables.

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

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the company operates and any known factors or events that may affect the company in the next reporting period and the next 12 months.

The Company refers to the announcements made on 22 December 2014, 31 December 2014, 6 January 2015, 5 February 2015 and 6 March 2015 in relation to the share sale and purchase agreement with the existing shareholders of Longmen Group Ltd ("Target") to acquire the entire issued and paid-up share capital of the Target, together with its subsidiaries ("Proposed RTO"), from the shareholders of the Target as at completion of the Proposed RTO. Announcements on material developments will be made as and when appropriate.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable

(d) Books closure date

Not applicable.

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

No dividend has been declared/recommendeded.

13. Interested person transactions

The Company does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

There were no interested person transactions entered into by the Company for the period ended 31 March 2015.

Statement by Directors

Pursuant to SGX Listing Rule 705(5)

To the best of our knowledge and belief, nothing has come to the attention of the Directors of the Company which may render the Third Quarter Results of the Company for the financial period ended 31 March 2015 to be false or misleading in any material aspect.

On behalf of the Board

Pan Shuhong
Director

Dr Ge Hailin
Director

By Order of The Board

Lee Seng Suan
Company Secretary
15 May 2015