

Announcement Pursuant to Rule 704(5) of the SGX-ST Listing Manual – Disclaimer of Opinion by Independent Auditors on Financial Statements for the financial year ended 30 June 2017

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Board of Directors of Memstar Technology Ltd. (the "Company") wishes to announce that the independent auditors of the Company, Moore Stephens LLP (the "Independent Auditors"), have issued a disclaimer of opinion in their Independent Auditors' Report on the financial statements of the Company for the financial year ended 30 June 2017.

Relevant sections of the Independent Auditors Report are reproduced below:

Report on audit of the Financial Statements

Disclaimer of Opinion

1. We were engaged to audit the financial statements of Memstar Technology Ltd (the "Company") which comprise the statement of financial position of the Company as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
2. We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

3. Our independent auditors' report dated 28 September 2016 for the financial statements for the year ended 30 June 2016 expressed a disclaimer of opinion due to the appropriateness of the going concern assumption in the preparation of the financial statements. An update of the matter that gave rise to the disclaimer opinion in respect of the financial statements for the year ended 30 June 2016 is set out below.

Appropriateness of Going Concern Assumption

4. As disclosed in Note 2 to the financial statements, the Company incurred a net loss and total comprehensive loss of S\$231,000 (2016: S\$8,815,000) for the financial year ended 30 June 2017, and as of that date, the Company's current and total liabilities exceeded its current and total assets by S\$1,254,000 (2016: S\$1,023,000).
5. These factors indicate the existence of a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.
6. The financial statements have been prepared on the assumption that the Company will remain as a going concern, and discharge its liabilities in the normal course of business, the validity of which is dependent on its ability to source for a suitable business to generate positive operating cash flows in the future. This assumption is premised on future events, the outcome of which is inherently uncertain.
7. In view of the material uncertainties as discussed above, we are unable to obtain sufficient audit assurance regarding the use of the going concern assumption in the preparation of the financial statements. Accordingly, we are unable to form a view as to the use of the going concern assumption in the preparation of the financial statements.
8. In the event the Company is unable to continue as a going concern, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statements of financial position. In addition, the Company may have to provide for further liabilities that might arise. No such adjustments have been made to these financial statements.

Responsibilities of Management and Directors for the Financial Statements

9. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs"), 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.
10. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
11. The directors' responsibilities are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

12. Our responsibility is to conduct an audit of the statement of financial position of the Company in accordance with Singapore Standards on Auditing ("SSAs") and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
13. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

14. 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.
15. The engagement partner on the audit resulting in this independent auditor's report is Mr. Neo Keng Jin.

By Order of The Board

Lee Seng Suan
Company Secretary

14 November 2017