

PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF LONGMEN GROUP LIMITED

TERMINATION OF SALE AND PURCHASE AGREEMENT, DATED 20 DECEMBER 2014, AS SUBSEQUENTLY AMENDED AND REPAYMENT OF US\$5 MILLION REFUNDABLE DEPOSIT

1. INTRODUCTION

The board of directors (“**Board**” or “**Directors**”) of Memstar Technology Ltd (“**Company**”) refers to:

- (a) the announcements made by the Company on 22 December 2014, 5 February 2015, 6 March 2015, 27 July 2015, 1 December 2015 and 6 January 2016 in relation to the proposed acquisition of the entire issued share capital of Longmen Group Limited (“**Target**”), by way of a proposed reverse takeover of the Company (“**Proposed Acquisition**”), pursuant to the terms of the sale and purchase agreement dated 20 December 2014, as subsequently amended by the 1st, 2nd, 3rd and 4th Supplemental Agreements executed in relation thereto, on 5 February 2015, 5 March 2015, 24 July 2015 and 30 November 2015 respectively (“**RTO SPA**”); and
- (b) the announcement made by the Company, on 23 February 2016, to the effect, *inter alia*, that the Target had failed to fulfil certain deliverables under the RTO SPA, as revised by the 4th Supplemental Agreement, dated 30 November 2015 (“**4th Supplemental Agreement**”), and that, to the best of the Company’s knowledge, the Target was facing fund raising challenges and, if it failed to raise additional funding, this may impact its ability to repay the US\$5 million refundable deposit previously advanced by the Company to the Target, under the RTO SPA,

(collectively, the “**Announcements**”).

Unless otherwise defined, all capitalised terms and references used herein shall bear the same meaning ascribed to them in the Announcements.

2. TERMINATION OF RTO SPA BY COMPANY

- 2.1 Further to the above, the Board wishes to announce that the Company has, with effect from today, terminated the RTO SPA entered into with the Target and the Vendors (as defined in the RTO SPA), as a result, *inter alia*, of breaches of various conditions and/or representations under the RTO SPA.
- 2.2 The Vendors under the RTO SPA comprise (a) ALOE Environment Fund; (b) China Environment Fund III L.P.; (c) CKIF I (HK) Investment Limited; (d) LESS Longmen Co Ltd; (e) Nanjing Hong Ding Investment Centre (LP); (f) WLR China Energy Infrastructure Fund L.P.; (g) ZHJX (Nanjing) Energy Investment Centre (LP); (h) CH Enterprises Ltd; (i) Longxi Holdings Limited; (j) Havana Global Investments Limited; (k) United Century Enterprise Limited; (l) Birdsall Investments Ltd; (m) Star Conqueror Limited; and (n) Ready Talent Holdings Limited. Further details of the Vendors as extracted from the RTO SPA are set out in **Appendix A** of this announcement.
- 2.3 On 1 April 2016, the Company, via its solicitors, wrote to the Target and the Vendors to, *inter alia*, notify them that, unless they were able, within 3 working days of the date of the letter, i.e. by 6 April 2016, to clearly and adequately establish that there was no breach of the aforesaid conditions and/or representations under the RTO SPA, the Company would (a) treat the RTO SPA as terminated forthwith; (b) require the repayment of the US\$5 million refundable deposit

previously advanced by the Company to the Target, in accordance with **Clause 3.2A** of the RTO SPA, i.e. within 30 business days of the termination of the Agreement, and (c) look to the Vendors for indemnification of any loss suffered by the Company, in accordance with the provisions of, and without prejudice to its accrued rights against the Target and/or the Vendors under, the RTO SPA.

- 2.4 As at the date of this announcement, the Target and/or Vendors have failed to duly respond to the Company's aforesaid request and, accordingly, the Company has proceeded to treat the RTO SPA as terminated forthwith, without prejudice to its accrued rights against the Target and/or the Vendors under the RTO SPA.

3. FURTHER ACTION AGAINST TARGET AND/OR VENDORS

The Company is in discussions with its professional advisers on the appropriate further course(s) of action available to it under the RTO SPA and will keep shareholders informed of developments in this regard, as and when appropriate.

4. FURTHER PLANS BY THE COMPANY

In light of the termination of the RTO SPA, the Company is restarting its efforts to source for a suitable business to be acquired to enable it to meet its obligations as a cash company under the Mainboard Rules and intends, meanwhile, to apply to the SGX-ST for a further extension of time to facilitate these efforts.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the preparation of this announcement) collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Company and Proposed Acquisition in so far as they relate to the Company and the Directors are not aware of any facts, the omission of which, would make any statement in respect of the Company or the Proposed Acquisition, in so far as they relate to the Company, misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

6. CAUTIONARY STATEMENT

Shareholders are advised to carefully read this announcement and any further announcements by the Company on the matter. In particular, there is no assurance that the SGX-ST will grant any further extension of time for the Company to meet its obligations as a cash company under the Mainboard Rules, in which event the Company will be required to delist in accordance with the Mainboard Rules. Shareholders and potential investors should consult their stockbrokers, bankers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Pan Shuhong
Non-Executive Chairman
7 April 2016

Appendix A

1. Details of the Shareholders of Longmen (The “Vendors”)

No.	Name	Proportion of shares in the Target	Background
1.	ALOE Environment Fund	10.69%	Aloe Private Equity
2.	China Environment Fund III, L.P.	5.72%	Tsing Capital
3.	CKIF I (HK) Investment Limited	11.02%	CITIC Group, Citic Capital Holdings, Kazyna Capital Management JSC (Samruk-Kazyna)
4.	LESS Longmen Co Ltd	50.43%	100% owned by LESS CBM which is a specialized investment fund in CBM industry in China
5.	Nanjing Hong Ding Investment Center (LP)	4.41%	Nanjing Hong Ding investment
6.	WLR China Energy Infrastructure Fund L.P.	7.88%	Invesco WL Ross, Huaneng Capital Services (China Huaneng Group)
7.	ZHJX (Nanjing) Energy Investment Center (LP)	4.29%	CITIC Trust Investment Co., Ltd and Beijing ZHTC Investment Fund
8.	CH Enterprises Ltd	0.36%	Management
9.	Longxi Holdings Limited	2.97%	Management
10.	Ready Talent Holdings Limited	0.97%	Management
11.	United Century Enterprise Limited	0.02%	Holding company of Chan Wing Sham Samuel, management
12.	Birdsall Investments Ltd	0.31%	Holding company of So Sui Pok Phoebe, management
13.	Havana Global Investments Limited	0.89%	Holding company of Lee Yui Bor, management (Chairman of the Target)
14.	Star Conqueror Limited	0.04%	Holding company of Cheung Kwok Kwong, management
		100.00% ⁽¹⁾	

Notes:

- (1) As at the date of this announcement, 0.97% shares in the Target is held by Ready Talent Holdings Limited (“**Ready Talent**”), a subsidiary of the Target. Prior to Completion, Ready Talent will transfer all of the shares held in the Target to one or more other Vendors, and the Vendors will at Completion hold 100% of the shares in the Target.

2. Brief Description of the Vendors

(a) CKIF I (HK) Investment Ltd

It is an investment management company that focuses on private equity investments in Kazakhstan and China.

(b) Aloe Environment Fund

It is a private equity investment company that specialises in environmental and socially sustainable investments. In 2011, Aloe Group won the title of Sustainable Asset Manager of the Year of the FT/IFC Sustainable Finance Awards and in 2012 won the award for Sustainable Investment of the Year. The company's operations cover Europe and Asia, with offices in the UK, France, India and China.

(c) WLR China Energy Infrastructure Fund LP

It is an investment fund established in the Cayman Islands as an exempt limited partnership. It focuses on energy and clean tech investments related to China.

(d) China Environment Fund III, L.P.

It is held by Tsing Capital, a leading cleantech venture capital firm in China established in 2001. The fund is the first series of funds in China and one of the global pioneers and first movers in pure-play cleantech venture capital investment in China with a focus in cleantech and environment related investments. China Environment Fund III, L.P. has a series of four funds that amounts to US\$600 million, and is invested by some of the most recognized institutions across the world.

(e) Nanjing Hong Ding Investment Center

Nanjing Hong Ding Investment, with total size of RMB100 million, is a private equity fund focused on environment protection and green energy investment. Its portfolio includes coal bed methane projects and new energy power generation equipment provider.

(f) ZHJX (Nanjing) Energy Investment Center (LP)

It was established in 2011 by the CITIC Trust Group with Beijing Hengtai Cheng Investment Fund Management Co. With a capital of RMB1 billion, Beijing ZHJX Investment Fund focuses on energy resources and cultural real estates.