MFS TECHNOLOGY LTD
(Company Registration No. 200009562R)
(Incorporated in the Republic of Singapore)
(the "**Company**")

UPDATE ON PROPOSED CAPITAL REDUCTION

The Board of Directors (the "**Board**") of the Company refers to:

(a) its announcements on 5 August 2014, 10 September 2014, 11 November 2014, 18 November 2014, 17 November 2015 and 19 November 2015 in relation to the sale of MFS Technology (S) Pte Ltd and its subsidiaries to Integrated Circuits Pte. Ltd. (the "**Disposal**");

(b) its announcements on 5 August 2015 ("**5th August 2015 Announcement**") and 19 October 2015 in relation to the proposed capital reduction exercise to be carried out by the Company pursuant to Section 78G of the Companies Act (Chapter 50 of Singapore) (the "**Proposed Capital Reduction**"); and

(c) its announcement on 27 November 2015 in relation to the one-tier tax-exempt interim dividend of S$0.008 per Share paid to Shareholders on 16 December 2015 (the "**Interim Dividend**").

Capitalised terms not otherwise defined herein shall have the same meanings ascribed to them in the 5th August 2015 Announcement.

In accordance with the terms of the Disposal, the Company had received a deferred consideration of S$4,391,985.13 (the "**Deferred Consideration**"). Following the receipt of the Deferred Consideration and the payment of the Interim Dividend, the Company has cash and bank balances of approximately S$72,576,000, including an amount of approximately S$62,548,000 placed in the escrow account opened by the Company with The Hongkong and Shanghai Banking Corporation Limited pursuant to Rule 1018(1)(a) of the Listing Manual of the SGX-ST.

Accordingly, the Board wishes to update Shareholders that the final amount of cash to be distributed to Shareholders pursuant to the Proposed Capital Reduction will be approximately S$70,132,695.24, or S$0.10733 in cash for each Share held by the Shareholders or on their behalf as at the Books Closure Date.

A circular to Shareholders containing further details of the Proposed Capital Reduction and the notice of the EGM to be convened to seek the approval of Shareholders for the Proposed Capital Reduction will be despatched to Shareholders in due course.

BY ORDER OF THE BOARD

Hee Siew Fong
Company Secretary

14 January 2016