
Additional Information Relating to the Company's Second Quarter Financial Statement and Dividend Announcement for the Period Ended 31 December 2015

The board of directors of Memstar Technology Ltd ("**Company**") wishes to announce the information set out below in response to the queries raised by the Singapore Exchange Securities Trading Ltd ("**SGX-ST**") on 22 February 2016:

SGX's Query :

1. Please provide a breakdown of the professional fees amounting to S\$1.103mil incurred for 6 months to 31 December 2015 versus S\$0.285mil in the same period in 2014 and the reasons for the significant increase.

Company's Response

We set out below a breakdown of the professional fees for the first half of FY2016 and the first half of FY2015. In August 2015, we submitted the listing application in connection with the proposed acquisition of the entire issued share capital of Longmen Group Ltd, by way of a proposed reverse takeover of the Company ("**Proposed RTO**") to the SGX-ST.

In connection with the Proposed RTO, we incurred professional fees for entering into several supplemental sale and purchase agreements with Longmen Group Ltd and in preparing the documentation required for submission of the Proposed RTO application to the SGX-ST in August 2015, as well as in undertaking due diligence on Longmen Group Ltd and its subsidiaries (including but not limited to financial, legal and technical due diligence).

	6 months ended 31/12/2015 S\$'000	6 months ended 31/12/2014 S\$'000
Compliance costs (Audit, accounting, tax, company secretarial, listing expenses,)	124	110
Directors' fees	109	109
Professional fees and out-of-pocket expenses relating to RTO:		
Financial Advisor and Catalist Sponsor	300	-
Legal fees (Singapore/China/Hongkong)	342	29
Reporting Accountant	121	17
Other professional fees in connection with due diligence	107	20
	1,103	285

SGX's Query :

2. In paragraph 8, it was mentioned that "S\$6.7million was advanced to Longmen Group Ltd as refundable deposit". Please provide details on:-
 - a) How have the funds been deployed by Longmen Group Ltd; and
 - b) What is the financial position of Longmen Group Ltd for them to be able to meet their obligation to refund the deposit in the event this is required.

Company's Response

We understand from Longmen Group Ltd that the funds from the refundable deposit were deployed by Longmen Group Ltd for operational expenses and payment of professional fees in connection with the Proposed RTO.

To the best of our knowledge, Longmen Group Ltd is facing fund raising challenges amidst the current economic conditions in China, depressed global oil and gas prices and unfavourable equity market conditions in Singapore and China. Hence, Longmen Group Ltd has been unable to fulfil certain deliverables under Sale and Purchase Agreement, as revised by the 4th Supplemental Sale and Purchase Agreement (“**SPA**”). At this juncture, we are still in negotiation with Longmen Group Ltd on revised terms for the Proposed RTO.

If Longmen Group Ltd is unable to raise the additional funding required, it may impact its ability to repay the refundable deposit. In such event, the Company will consider all options available to it (including but not limited to legal actions) to recover the refundable deposit and/or seek compensation against the Target and/or its shareholders under the SPA.

In the event that the Company is delisted but the proposed acquisition of Longmen Group Ltd nonetheless proceeds, we intend to use our best endeavours to seek a fresh listing of the enlarged group, via introduction on the SGX-ST.

By Order of the Board

Lee Seng Suan
Company Secretary

23 February 2016