

MEMSTAR TECHNOLOGY LTD
(Incorporated in the Republic of Singapore)
(Company Registration No.: 197901641K)

**PROPOSED PLACEMENT OF 490,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF
MEMSTAR TECHNOLOGY LTD AT A SUBSCRIPTION PRICE OF S\$0.0136 PER SHARE.**

1. Introduction

The Board of Directors ("**Directors**") of Memstar Technology Ltd ("**Company**") wishes to announce that pursuant to the announcement dated 22 December 2014 in relation to the Proposed RTO (as defined in that announcement), the Company has on 22 December 2014 entered into a placement agreement ("**Placement Agreement**") with Eric Lim Poh Hock, Lin Yucheng, Zhou Jingming, Meng Li and Lim Tchen Nan ("**Placees**", and each a "**Placee**") pursuant to Section 272B of the Securities and Futures Act (Chapter 289, Singapore Statutes) ("**SFA**"), and in compliance with Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

2. The Placement

Pursuant to the Placement Agreement, the Company has agreed to allot and issue 490,000,000 new ordinary shares ("**Placement Shares**") in the capital of the Company at an subscription price of S\$0.0136 ("**Subscription Price**") for each Placement Share ("**Placement**"), and the Placees have agreed to subscribe and pay for the Placement Shares at the Subscription Price for each Placement Share.

The Company will be making an application to the SGX-ST for the listing of and quotation for the Placement Shares on the Mainboard of the SGX-ST.

The Placement is conditional upon, *inter alia*, the listing and quotation notice being obtained from the SGX-ST for the listing of and quotation for the Placement Shares on the mainboard of the SGX-ST ("**SGX Approval**").

The Placement Shares will be issued pursuant to the general mandate obtained at the annual general meeting of the Company held on 27 October 2014 ("**2014 AGM**") which authorised the Directors of the Company to allot and issue new shares not exceeding 20.0% of the total number of issued shares excluding treasury shares in the capital of the Company at the time of passing by shareholders of this general mandate, in the case where shares are issued other than on a pro-rata basis to existing shareholders ("**Share Issue Mandate**").

No shares had previously been issued pursuant to the Share Issue Mandate and the total Placement Shares will represent approximately 18.37% of the issued and paid-up share capital of the Company. At the time of the passing by shareholders of the Share issue Mandate, the share capital of the Company consists of 2,667,407,337 ordinary shares (excluding treasury shares). Accordingly, the proposed allotment and issue of 490,000,000 Placement Shares is within the limit of the Share Issue Mandate obtained at the 2014 AGM.

The Subscription Price of S\$0.0136 for each Placement Share represents a discount of approximately 9.69% to the volume-weighted average price of S\$0.01506 for each share for trades done on the Company's shares on the SGX-ST for the full market day on 28 November 2014, (being the last full market day on which the Company's shares were traded prior to the time the Placement Agreement was signed).

At the date of this announcement, the issued and paid up share capital of the Company consists of 2,667,407,337 ordinary shares (excluding treasury shares). Upon completion of the Placement, the issued and paid-up share capital of the Company will increase to 3,157,407,337 ordinary shares and

the Placement Shares will represent approximately 15.52% of the Company's enlarged share capital after the completion of the Placement.

3. About the Placees

The information in this section relating to the Placees are based on information provided by and/or representations made by the Placees. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.

The details of the Placees who have proposed to subscribe for the Placement Shares are as follows:-

Name of Placees	Number of Placement Shares	Aggregate consideration paid for Placement Shares (S\$)	Percentage of enlarged issued share capital of Company after Placement (%)
Eric Lim Poh Hock	118,000,000	1,604,800	3.74
Lin Yucheng	118,000,000	1,604,800	3.74
Zhou Jingming	98,000,000	1,332,800	3.10
Meng Li	98,000,000	1,332,800	3.10
Lim Tchen Nan	58,000,000	788,800	1.84
Grand total	490,000,000	6,664,000	15.52

The Placees are subscribing for the Placement Shares for their own investment purpose.

The Placees have no prior connection, including any business relationship with the Company, its Directors and substantial shareholders, save for Dr Lin Yucheng ("**Dr Lin**"), who is the Chairman and Group Chief Executive Officer of United Envirotech Ltd., which had acquired the business, assets and principal operating subsidiaries of Memstar Technology Ltd in April 2014.

Eric Lim Poh Hock is a trading representative with a Singapore stock brokerage firm. Zhou Jingmin is the Managing Director of Xin Ji Da Trading Pte. Ltd. Meng Li is the Chairman of a private equity fund in China. Lim Tchen Nan is a seasoned equities investor with more than 30 years of experience. The Placees were identified by the Company.

Each of the Placees has warranted to the Company that he or she is deemed to be an accredited investor within the meaning of Section 4A of the SFA and is not a person to whom the Company is prohibited from issuing shares to, as provided by Rule 812 of the Listing Manual of the SGX-ST.

Upon the Placement being completed, the Placees will have an interest in 15.52% of the enlarged issued and paid-up capital of the Company.

Each of the Placees has warranted and undertaken to the Company to do or permit anything to be done which would result in the breach by the Company of any statutory and regulatory requirements pertaining to the issue and allotment of the Placement Shares, including without limitation, the requirements of Section 272B of the SFA and the Listing Manual of the SGX-ST.

4. Rationale for the Placement

The estimated net proceeds from the Placement are approximately S\$6.614 million (after deducting estimated professional fees and expenses of approximately S\$50,000) ("**Net Proceeds**").

The Company intends to use the Net Proceeds as follows:

- (a) approximately S\$6.50 million (based on an exchange rate of US\$1 = S\$1.30, US\$5.0 million) or 98.3% for the Refundable Deposit (as defined below); and
- (b) approximately S\$0.114 million or 1.7% for the general working capital of the Company.

A sale and purchase agreement was entered into between, *inter alia*, Longmen Group Limited ("**Target**") and the Company as announced on 22 December 2014 ("**SPA**"). It is a condition of the SPA that the Company shall advance to the Target a US\$5 million refundable deposit, convertible, at the option of the Company, into new ordinary shares in the share capital of the Target, at a discounted post-money valuation of the Target at US\$210 million ("**Refundable Deposit**"), to be raised by the Company by way of a placement and advanced to the Target within three (3) business days after obtaining SGX-ST approval to the listing and quotation of the placement shares.

Pending deployment of the Net Proceeds for such purposes, the Net Proceeds may be placed in deposits with financial institutions or invested in short-term money market instruments or used for any other purposes on a short term basis as the Directors may in their absolute discretion deem fit in the interests of the Company.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when the Net Proceeds are materially disbursed, and will provide a status report on the use of the Net Proceeds in the Company's annual report.

5. Details of the Placement Agreement

Obligations of the Company

Under the Placement Agreement, the Company will allot and issue to the Placees the Placement Shares free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with the existing shares, save that they will not rank for any dividends, rights, allotments or other distributions, the Record Date of which falls on or before the Completion Date (as defined below). "**Record Date**" means the date fixed by the Company for the purposes of determining entitlement to dividends or other distributions to or rights of holders of shares of the Company.

Obligation of the Placees

The Placees will subscribe and pay for the Placement Shares at the Placement Price.

Conditions Precedent

The Conditions Precedent to the parties' obligation under the Placement Agreement are, *inter alia*, as follows:

- (a) the receipt of the SGX Approval; and
- (b) any conditions attached to the SGX approval which is required to be fulfilled on or before the Completion Date having been fulfilled on or before that date to the satisfaction of the SGX-ST or waived by the SGX-ST.

Completion

Completion of the Placement shall take place on a date falling within three (3) business days after obtaining the SGX Approval or such date as the parties may agree in writing ("**Completion Date**").

6. Financial Effect of the Placement

The financial effect of the Placement on the Company are set forth below and were prepared based on the audited financial statements of the Group for the financial year ended 30 June 2014, subject to the following assumptions:

- (1) the estimated expenses to be incurred by the Company in connection with the Placement are approximately S\$50,000;
- (2) for the purpose of computing net tangible asset (“NTA”) per share of the Company after the Placement, it is assumed that the Placement was completed on 30 June 2014; and
- (3) for the purpose of computing the earnings per share of the Group after the Placement, the gain on disposal of subsidiaries of S\$197,153,000 of which majority has been distributed to the Company’s shareholders after 30 June 2014, has been excluded. The Placement is also assumed to have been completed on 1 July 2013.

	Before the Placement	After the Placement
Issued share capital	S\$ 220,219	S\$ 6,884,219
Number of issued shares	2,667,407,337	3,157,407,337
NTA per share (Singapore cents)	0.10	0.29
Earnings per share (Singapore cent)	(0.04)	(0.03)

It should be noted that the abovementioned financial effect have been calculated for illustrative purpose only and do not purport to be indicative or a projection of the results and financial position of the Company after completion of the Placement.

7. Director’s Opinion on Working Capital

The Directors are of the opinion that after taking into consideration the Company’s present internal resources, operating cash-flows and present bank facilities available to the Company, the Company has sufficient working capital to meet its present requirements.

8. Interests of Directors and Substantial Shareholders

The Placement will not result in the transfer of a controlling interest in the Company.

None of the Company’s Directors, substantial shareholders or persons falling under Rule 812 has any interest, direct or indirect, in the Placement.

9. Caution

Shareholders and potential investors of the Company should note that the Placement may or may not proceed subject to, among other things, the Conditions Precedent being satisfied. Shareholders and potential investors are reminded to exercise caution when dealing with securities of the Company and to refrain from taking any action in relation to their shares that may be prejudicial to their interests. Persons who are in doubt as to the action they should take, should consult their stockbroker, bank manager, solicitor or other professional advisers.

10. Directors’ Responsibility Statement

The Directors 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 Placement, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

The Company will make further announcements of the Placement in due course.

The Board of Directors

BY ORDER OF THE BOARD

PAN SHUHONG
Non-Executive Chairman
22 December 2014