

MEMSTAR TECHNOLOGY LTD
(Incorporated in the Republic of Singapore)
(Company registration no: 197901641K)

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

1. INTRODUCTION

The board of directors ("**Board**" or "**Directors**") of Memstar Technology Ltd. ("**Company**") wishes to announce that the Company has, on 20 December 2014, entered into a share sale and purchase agreement ("**Agreement**") with the existing shareholders of Longmen Group Ltd ("**Target**"), comprising the persons named in **Appendix A** below, to acquire the entire issued and paid-up share capital of the Target ("**Sale Shares**"), together with its subsidiaries ("**Proposed RTO**"), from the shareholders of the Target as at completion of the Proposed RTO (collectively, the "**Vendors**", and each, a "**Vendor**").

Pursuant to the Agreement, the aggregate purchase price for the Sale Shares is US\$420 million (or S\$546 million, at an exchange rate of US\$1 = S\$1.30) ("**Purchase Price**") to be fully satisfied by the Company, at completion of the Proposed RTO ("**Completion**"), by the issuance and allotment of such number of new ordinary shares ("**Shares**"), at S\$0.01615 per Share ("**Issue Price**"), representing an aggregate of **73.10%** of the total issued share capital of the Company on Completion ("**Consideration Shares**").

The Issue Price represents a premium of approximately 7.24% to the volume weighted average price ("**VWAP**") of the Shares of S\$0.01506 on 28 November 2014, being the last market day preceding the date of the Agreement.

As further described in paragraph 4 of this announcement ("**Announcement**"), Completion of the Proposed RTO is subject, *inter alia*, to the completion of various fund raising activities on the part of both the Company and the Target, including:

- (a) an initial US\$5 million refundable deposit ("**Refundable Deposit**") to be paid by the Company to the Target ("**1st Tranche Fundraising**");
- (b) the further raising by the Target of US\$15 million gross proceeds ("**2nd Tranche Fundraising**"); and
- (b) the raising by the Company of US\$60 million gross proceeds ("**3rd Tranche Fundraising**"),

(collectively, the "**Fund Raising Activities**").

The Refundable Deposit shall be 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 ("**Conversion Shares**"), and the Consideration Shares to be issued include a component of new Shares to be issued in respect of such Conversion Shares.

The Company intends to raise the Refundable Deposit by way of a placement, at an issue price of S\$0.0136 per Share, representing a discount of approximately 9.69% to the VWAP of the Shares of S\$0.01506 on 28 November 2014, being the last market day preceding the date of the placement agreement ("**Placement**").

Upon the completion of the Placement, the Company will have an issued share capital of 3,157,407,337 Shares, comprising its existing issued share capital of 2,667,407,337 Shares and 490,000,000 new Shares to be issued pursuant to the Placement ("**Placement Shares**").

The Company also intends to issue new Shares to fulfil the requirement to raise US\$60 million pursuant to the 3rd Tranche Fundraising. Upon Completion of the Fund Raising Activities and the Proposed RTO, the Vendors will collectively hold approximately 73.10% of the enlarged issued share capital of the Company.

The principal terms of the Proposed RTO are set out in paragraph 4 of this Announcement. For purposes of the Agreement and this Announcement, the following exchange rates are used US\$1.00 = S\$1.30 and S\$1.00 = RMB4.7.

2. VERY SUBSTANTIAL ACQUISITION OR REVERSE TAKEOVER

For the purposes of Chapter 10 of the Listing Manual of the SGX-ST ("**Mainboard Rules**"), the relative figures for the Proposed RTO, applying the applicable bases of comparison as set out in Rule 1006 of the Mainboard Rules, are set out below:

1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value.	Not applicable to an acquisition of assets
1006(b)	Net loss attributable to the assets acquired or disposed of, compared with the group's net loss.	98% ⁽¹⁾
1006(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares being the last market day preceding the date of the Agreement.	1,359% ⁽²⁾
1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	1,318% ⁽³⁾
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not applicable

Notes:

- (1) Based on the unaudited net loss of the Target for its financial year ended 31 Dec 2013, of US\$35,038,000 (or S\$45,549,400), divided by the aggregate of the net loss of the Target for the financial year ended 31 Dec 2013 and the audited net loss of the Company of S\$965,000 for the financial year ended 30 June 2014 after deduction of 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;
- (2) Based on the Purchase Price of US\$420 million (or S\$546 million) and the Company's market capitalisation of approximately S\$40,171,154 (calculated based on its issued share capital, as at the date of this Announcement, comprising 2,667,407,337 Shares, and the VWAP of its Shares, of S\$0.01506, on 28 November 2014, being the market day preceding the date of the Agreement);
- (3) Based on the aggregate 35,160,371,518 new Shares, i.e. comprising 33,808,049,536 Consideration Shares and 1,352,321,982 professional fee shares ("**Arranger Shares**") to be issued upon Completion

of the Placement and the Proposed RTO (excluding any Shares to be issued pursuant to the 3rd Tranche Fundraising), and the Company's issued share capital comprising 2,667,407,337 Shares, as at the date of this Announcement.

Under Rule 1015(1) of the Mainboard Rules, it is provided that, where any of the relative figures computed on the bases set out in Rule 1006 exceeds 100%, or where the transaction is one which will result in a change in control of the issuer, the transaction is regarded as a "Very Substantial Acquisition" or a "Reverse Takeover" respectively. Given that the relative figures under Rules 1006(c) and (d) of the Mainboard Rules exceed 100% and there will also be a change in control of the Company, the Proposed RTO will be regarded as a "Very Substantial Acquisition, amounting to a "Reverse Takeover", as defined in Chapter 10 of the Mainboard Rules, and Completion of the Proposed RTO shall be conditional upon, *inter alia*, the approval of the Company's shareholders, at an extraordinary general meeting ("**EGM**") to be convened, and of the SGX-ST.

3. TARGET GROUP AND THE VENDORS

3.1 Target

Based on information provided by the Target, the Target and its subsidiaries ("**Target Group**") are one of the few private developers of unconventional natural gas principally engaged in the exploration, development, production and sale of coal bed methane ("**CBM**") resources in the Ordos Basin in Shaanxi Province of the People's Republic of China ("**PRC**").

The Target Group owns and/or holds licences in respect of the following CBM concessions:

- (a) a participating interest, in partnership with Petro China Company Limited ("**Petro China**"), a subsidiary of China National Petroleum Corporation ("**CNPC**"), through a production sharing contract ("**PSC**") entered into with CNPC, to explore for, develop, produce, and sell CBM gas, in Hancheng, Shaanxi Province, PRC; and
- (b) a gas extraction agreement ("**GEA**") with the Hancheng Coal Mine Bureau ("**HCMB**"), for coal mine gas extraction in the Shanshuping, Xiayukou and Xiangshan coal mines, in Hancheng ("**Hancheng Mines**"),

(collectively, the "**Longmen Concessions**").

As at 31 December 2013, based on a report by Netherland, Seawell & Associates, Inc. ("**NSAI**"), it is estimated that the Longmen Concessions contain proved and probable net gas reserves of approximately 190 billion cubic feet, with a present value of approximately US\$917 million (calculated using a discount rate of 10%). NSAI was established in 1961 and has offices located in Dallas and Houston and performs consulting petroleum engineering services, under the Texas Board of Professional Engineers Registration No. F-2699, and has conducted reserves certifications, technical studies economic evaluations and advisory work throughout the world.

PSC

The PSC is effective for 30 years, from March 2007, with the Target holding a 60 percent participating interest and the remaining 40 percent being held by Petro China.

The PSC covers an area of approximately 406.1 square km, in Hancheng, Shaanxi Province, PRC, comprising two blocks, namely (i) a north block (covering an area of approximately 234.3 square km) ("**North Block**"); and (ii) a south block (covering an area of approximately 171.8 square km) ("**South Block**").

The North Block is still in the exploration phase and is not very active due to funding constraints.

Preliminary approval for the South Block was received from the National Development and Reform Commission of the PRC (“**NDRC**”) in August 2012 and the exploration phase for the South Block was completed in 2013.

The South Block is currently undergoing trial production, with 118 wells drilled as at 28 November 2014, and approximately 1.7 million cubic metres of CBM gas have been supplied to Petro China to date. The South Block is targeted to receive the overall development plan approval from the NDRC in 2015 and commence full-scale commercial development by early-2016.

GEA

The production sharing arrangement under the GEA is effective for 20 years, from July 2008, with the Target holding a 80 percent participating interest and the remaining 20 percent being held by HCMB.

Pursuant to the GEA, the Target Group owns an interest to develop, produce and sell CBM gas in the Hancheng Mines, which cover an aggregate area of approximately 105.88 square kilometres in Hancheng, Shaanxi Province, out of which (i) the Shanshuping coal mine covers an area of approximately 51.07 square kilometres; (ii) the Xiayukou coal mine covers an area of approximately 27.6 square kilometres, and (iii) the Xiangshan coal mine covers an area of 27.21 square kilometres.

Coal mining activity is currently on-going in the Hancheng Mines, with the concurrent extraction of gas.

3.2 **Target Management**

The Target management comprises a team with considerable experience in the energy sector. Various members of the team have been with the Target since it was founded in 2005. Certain key management members have over 20 years working experience with Petro China and considerable expertise in both the conventional and unconventional oil and gas sectors, including exploration, drilling, development, production, marketing and valuation.

3.3 **Vendors**

The Target is majority-owned (50.43%) by LESS Longmen Co Ltd (“**LESS**”), with the balance owned by:

- (i) various private equity funds (44.02%), namely CKIF I (HK) Investment Limited, Aloe Environment Fund, WLR China Energy Infrastructure Fund L.P., China Environment Fund III, Nanjing Hong Ding Investment Center (LP), ZHJX (Nanjing) Energy Investment Center (LP); and
- (ii) the current and prior management of the Target Group (5.55%), under the name of Longxi Holdings Limited, Ready Talent Holdings Limited, Lee Yui Bor and CH Enterprises Ltd, So Sui Pok Phoebe, Cheung Kwok Kwong and Chan WingSham Samuel.

LESS is a strategic fund of funds focused on investing in recycling, renewables, forestry and organic food production. Geographically, the funds which LESS invests in are primarily focused on China, India, North America, and Europe. For more information on the Vendors under the Agreement and the shareholding structure of the Target, please refer to **Appendix A** of this Announcement.

None of the Vendors under the Agreement is related to any of the Company's Directors, chief executive officer, controlling shareholders or their respective associates. As at the date of this announcement, none of the Vendors under the Agreement holds any shares in the Company.

3.4 Financial Information of the Target Group

In compliance with Rule 1015 of the Mainboard Rules, a summary of the financial performance of the Target Group for the latest three (3) financial years ended 31 December 2011, 2012 and 2013 has been computed, based on the unaudited accounts of the Target Group for FY2011, FY2012 and FY2013, which were prepared in accordance with the International Financial Reporting Standards ("IFRS").

A summary of the income statements of the Target Group for the financial years ended 31 December 2011, 2012 and 2013 is set out below:

Income Statements

(US\$'000)	Unaudited		
	Financial year ended		
	31 December 2011	31 December 2012	31 December 2013
Revenue	2,613	4,707	525
Gross profit / (loss)	(5,535)	(14,300)	(4,912)
Profit / (loss) before tax	(6,205)	(19,559)	(35,362)
Income tax expense	-	-	-
Profit / (loss) attributable to equity shareholders of the Target Group	(5,835)	(19,511)	(35,038)

A summary of the balance sheet of the Target Group as at 31 December 2013 is set out below:

Balance Sheet

(US\$'000)	Unaudited
	As at 31 December FY2013
Current assets	26,344
Non-current assets	47,204
Total assets	73,548
Current liabilities ⁽¹⁾	116,908
Non-current liabilities	-
Total liabilities	116,908

**Equity attributable to equity
shareholders of the Target Group**

	43,727
Non-controlling interests	(367)
Total equity	43,360

Note:

- (1) Current liabilities mainly includes trade payables and accruals of approximately US\$17.8 million, redeemable preference share liability of approximately US\$66.1 million, and derivative on preference shares of approximately US\$33.0 million.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

- 4.1 **Sale and Purchase.** Subject to the terms and pursuant to the conditions of the Agreement, each of the Vendors shall sell to the Company and the Company shall purchase from the Vendors, the entire issued and paid-up capital of the Target legally and beneficially owned by the Vendors ("**Sale Shares**"), free from all claims and encumbrances and with all rights, benefits and entitlements attaching to the Sale Shares as at Completion.

- 4.2 **Purchase Price and Valuation.** The purchase price of US\$420 million ("**Purchase Price**") for the Sale Shares shall be based on a "willing-buy, willing-seller" basis, supported by an independent valuation report of the Longmen Concessions ("**IVR**") of not less than US\$420 million and based on the 1st Tranche Fundraising (as defined below), 2nd Tranche Fundraising (as defined below), and 3rd Tranche Fundraising (as defined below) having been completed. The Purchase Price shall be fully satisfied by the allotment and issue of such number of shares representing an aggregate of 73.10% of the total issued shares in the Company on Completion (including a component of new shares to be issued in respect of the Conversion Shares (as defined below)) ("**Consideration Shares**") for the account of the Vendors or their nominees at Completion, credited as fully paid up and to rank *pari passu* with the existing shares of the Company.

Pursuant to Rule 1015(3)(a) of the Mainboard Rules, the Company will appoint a competent and independent valuer to conduct and furnish the IVR.

Further information relating to the independent professional valuer to be appointed, together with the IVR (which will include the basis and date of the IVR), will be included in the Circular to be despatched to Shareholders in due course.

As payment of professional fees in respect of the arranger services rendered by PE Capitals Private Limited and Union Talent Investment Limited ("**Arrangers**") to the Company in connection with the Proposed RTO, the Company shall issue 1,352,321,982 new Shares, representing an aggregate of 4% of the Purchase Price, at an issue price of S\$0.01615 per Share, to the Arrangers subject to the requisite shareholder's approval, to be payable upon Completion ("**Arranger Shares**").

- 4.3 **Conditions Precedent.**

Conditions Precedent to be fulfilled by the Vendors

The obligations of the Company under this Agreement are conditional upon the Vendors procuring that the following matters be fulfilled or done (or waived by the Company) on or prior to 31 December 2015 or 4 months from the date of approval in-principle being granted by the SGX-ST in respect of the Proposed RTO ("**Long-Stop Date**") (unless stated otherwise):

- (a) the Target using its best endeavours to raise, and having actually raised, not less than **US\$15 million** on or before 31 January 2015 ("**2nd Tranche Fundraising**"). The proceeds of the 2nd Tranche Fundraising will be used by the Target to fund its working capital, continued exploration and production activities pending completion of the Proposed RTO;
- (b) the Target and/or the relevant Group Company obtaining, on or before 28 February 2015, CNPC's approval in writing for the extension of time, on terms acceptable to the Company, for the Target and/or the relevant Group Company to carry out exploration works in accordance with the PSC, and such approvals, licences and Permits necessary for the Target and/or relevant Group Company to carry on the business of exploration, development, extraction and sale of coal bed methane under the PSC remaining in full and effect upon completion of the Proposed RTO;
- (c) the Target procuring, on or before 28 February 2015, that all exploration rights certificates issued in favour of Petro China and/or CNPC under the PSC be renewed for the maximum possible term;
- (d) the Target entering, on or before 31 January 2015, into an off-take agreement with Petro China and/or CNPC for the purchase of the Target's coal bed methane, on terms reasonably satisfactory to the Purchaser;
- (e) the results of such legal, financial, commercial and technical due diligence investigations on the Group conducted by the Company and its advisors or representatives, as required being satisfactory to the Company in its sole and absolute discretion and the Vendors furnishing and making available for inspection to the Company all information and documents requested by the Company or its advisors or representatives for this purpose, being satisfactory to the Company in its sole and absolute discretion;
- (f) all existing preference shares and/or convertible securities issued by any Group Company be converted (whole and not in parts) into ordinary shares in the capital of the applicable Group Company, credited as fully paid-up and ranking *pari passu* in all respects with the existing shares in the issued capital of the applicable Group Company immediately prior to Completion;
- (g) all preference shareholders and/or other convertible security holders within the Group irrevocably waiving any right or entitlement on their part to redeem their respective preference shares or convertible securities or claim any interest in relation thereto pending the conversion of these preference shares and/or convertible securities into ordinary shares in the respective Group Company or the Long-Stop Date, whichever is earlier;
- (h) if any Shares in the issued capital of the Target are held by any Group Company, the Target shall resolve such cross-shareholding to the satisfaction of the Company in its sole discretion, on or before 28 February 2015.

Conditions Precedent to be fulfilled by the Company

The obligations of the Vendor under this Agreement are conditional upon the following matters being fulfilled or done (or waived by the Company) on or prior to the Long-Stop Date (unless stated otherwise):

- (a) the Company having advanced to the Target, the refundable deposit of US\$5 million, subject to the Company's right to convert the amount into ordinary shares in the Target, at a post-money valuation of US\$210 million within 3 business days of the Company

receiving approval from the SGX-ST for the listing and quotation of the new Shares to be issued pursuant to a placement on the SGX-ST ("**1st Tranche Fundraising**");

- (b) the Company raising gross proceeds of not less than US\$60 million (before deducting any attributable fund raising expenses) on or before completion of the Proposed RTO ("**3rd Tranche Fundraising**");
- (c) to procure the irrevocable undertakings from its shareholders representing no less than 40% of the Company's shareholdings, to vote in favour of the transactions contemplated in the Agreement at the Company's general meeting and not to dispose of their shareholding until the conclusion of the Company's general meeting;
- (d) the Securities Industry Council ("**SIC**") having made a ruling that the Vendors are not concert parties with one another, or the SIC having granted the Vendors and their concert parties a waiver of their obligation to make a mandatory offer under Rule 14 of the Singapore Code on Take-overs and Mergers arising from the issue of the Consideration Shares, such waiver not having been revoked or repealed, provided always that the Vendors provide all information to the Company for purposes of and to do all things necessary or deemed necessary by the Company to enable the Company to obtain the SIC approval; and
- (e) the approval of the Company's shareholders (who are independent of the transactions contemplated in the Agreement) at a general meeting in respect of the waiver of the rights of the shareholders of the Company to receive a mandatory offer from the Vendors (or any of them) and parties acting in concert with them for all the issued and paid-up shares of the Company ("**Whitewash Resolution**").

If any of the conditions set out above is not satisfied or waived (as the case may be, except that the 2nd Tranche Fundraising cannot be waived notwithstanding any other provision of the Agreement by the Company without the consent of the Vendors) by the Long-Stop Date (or earlier, if so stated above), the Agreement shall *ipso facto* cease (save for the obligations under Clause 9 of the Agreement including, *inter alia*, obligations of confidentiality and consent to specific performance and for any antecedent breach of the Agreement) and terminate thereafter and none of the Parties shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise, save for any claim by a party against the other arising from antecedent breaches of the terms hereof.

4.4 Other Salient Terms of the Agreement.

- (a) **Refundable Deposit.** The Refundable Deposit shall be advanced by the Company to the Target on the following terms:
 - (i) in the event the Proposed RTO does not complete by the Long Stop Date, the Refundable Deposit shall be refunded to the Company in cash or cheque issued in the name of the Company or its nominee within 30 business days, subject to the Company's conversion right as set out below;
 - (ii) upon completion of the Proposed RTO or, at the Company's option, exercisable at any time prior to the expiry of the Long Stop Date, by written notice to the Target, whichever is the earlier, the Refundable Deposit shall be converted into new ordinary shares in the issued share capital of the Target ("**Conversion Shares**") such new shares to be issued and allotted to the Company or its nominees, at a post-money valuation of the Target of US\$210 million ("**Company Conversion Option**"), failing which the Company Conversion Option shall lapse and cease to have any further effect.

- (iii) The Refundable Deposit may only be used for purposes of meeting the Group's capital and operational expenditure requirements and ongoing commitments.
- (b) **Exclusivity.** Each of the Vendors severally (but not jointly) undertakes commencing from the date of this Agreement until Completion or such date as this Agreement is terminated (whichever is earlier), it shall refrain from accepting or entering into any agreement, arrangement or understanding, or engaging in any discussion or negotiation with any 3rd party with respect to the matters or transactions contemplated in this Agreement, or any matter involving a transaction which would preclude, restrict or delay the contemplated transactions.
- (c) **Moratorium.** The Vendors acknowledge that the SGX-ST may impose a moratorium on the sale and/or disposition of the Consideration Shares and they agree to accept the period of moratorium of not more than 6 months or such other period as may be required by the SGX-ST for the sale and/or disposal of the Consideration Shares ("**Moratorium**"), and the Vendors further represent, warrant and undertake that they shall abide by such other conditions as may be imposed for the Proposed RTO.
- (d) **Board Representation.** Upon Completion, the Vendors shall review the constitution of the board of directors of the Company ("**Board**") which shall thereafter be re-constituted to have such representatives as shall be determined at the Vendors' sole and absolute discretion. The Vendors shall also be allowed to appoint such independent directors at their sole and absolute discretion.

5. RATIONALE FOR THE PROPOSED ACQUISITION

The Company refers to the announcements made by the Company respectively on 29 July 2013, 13 August 2013 and 26 November 2013 in relation to the disposal of the business, assets and principal subsidiaries of the Company to United Envirotech Ltd. ("**Disposal**").

Following completion of the Disposal on 11 April 2014, the Company has ceased to have any operating business and is deemed to be a cash company under Rule 1018 of the Mainboard Rules.

Pursuant to Rule 1018(2) of the Mainboard Rules, the SGX-ST will proceed to remove an issuer from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company. The Company accordingly has until 11 April 2015 to meet the requirements for a new listing under the Mainboard Rules.

Upon Completion of the Proposed RTO, the Target Group companies will become the Company's wholly-owned subsidiaries and associated companies (collectively, the "**Enlarged Group**").

Based on the information provided to the Company, the Board is of the view that the Enlarged Group satisfies the SGX-ST's requirements for a new listing and also believes that the Proposed RTO will provide the Company with an opportunity to venture into a new business area, with proven reserves, that has the potential for growth.

The Board is hence of the view that the Proposed RTO is likely to enhance the long term interests of the Company and its shareholders.

6. PROFORMA FINANCIAL EFFECTS OF THE PROPOSED RTO

6.1 Bases and Assumption

The proforma financial effects of the Proposed RTO set out below are for illustrative purposes only and do not necessarily reflect the actual financial results or financial position of the Enlarged Group following Completion of the Proposed RTO.

The financial year-end of the Company is 30 June, whereas the financial year-end of the Target Group is 31 December. It is intended that after Completion of the Proposed RTO, the financial year end of the Company will be changed to 31 December.

The Proposed RTO is accounted for as a reverse acquisition where the accounting acquirer is the Target and the accounting acquiree is the Company. As the Company is a non-operating entity that does not meet the definition of a business under IFRS 3 Business Combinations, this reverse acquisition is accounted for as a share-based payment under the scope of IFRS 2 Share-based Payment from the perspective of the Target who is the accounting acquirer.

The proforma financial effects of the Proposed RTO on the share capital, earnings per Share (“EPS”), net tangible assets (“NTA”) and gearing of the Company, as set out below, have been prepared based on the audited consolidated financial results of the Company for the financial year ended 30 June 2014 and the unaudited combined proforma financial information of the Target Group for the financial year ended 31 December 2013, without any adjustment to align the financial year-end of the Company with that of the Target Group.

For the purposes of illustrating the financial effects, the computations are based, *inter alia*, on the following assumptions:

- (i) the financial effects on the Company’s earnings and EPS are computed on the assumption that the Proposed RTO had been completed on 1 July 2013, while the financial effects on the Company’s NTA and gearing are computed assuming that the Proposed RTO had been completed on 30 June 2014;
- (ii) the fund raising for 2nd Tranche Fundraising is assumed to be via issuance of convertible bonds by the Target and the derivative element of the convertible bonds, if any, is assumed to be zero for the purpose of this calculation;
- (iii) any convertible bonds and preference shares outstanding of the Enlarged Group as at 30 June 2014 have been converted immediately prior to the completion of the Proposed RTO;
- (iv) the fair value of one share in the Target is assumed to be S\$0.01615 each;
- (v) the estimated professional fees is approximately S\$4 million and is included in the loss after income tax of the Enlarged Group; and
- (vi) the Vendors is assumed to have issued 5.77% of the Enlarged share of 43,581,634,436 (i.e. 2,667,407,337 shares) of the Company to the original shareholders of the Company and the fair value of the 5.77% shareholding is calculated based on 2,667,407,337 shares at S\$0.01615 each. The fair value of the identifiable net assets of the Company acquired by the Target is assumed to be the same as the book value as at 30 June 2014 of S\$2,621,000. The difference of S\$40,457,628 between the fair value of the 5.77% shareholding assumed to have issued by the Vendor and the fair value of the identifiable net assets acquired is recognised as an expense in accordance with IFRS 2 *Share-based Payment* in arriving at the earnings of the Enlarged Group. The expense does not have any impact on the cash flow of the Company or Target.

6.2 Illustration 1

For the purposes of illustrating the financial effects of the Proposed RTO, without taking into account the number of Shares that may be issued to fulfil the requirement on the part of Company, under the Agreement, to raise US\$60 million, pursuant to the 3rd Tranche Fundraising, which may take the form of convertible bonds, a rights issue and/or a placement, with the actual quantum, issue price and/or number of Shares to be issued pursuant thereto, which will depend on, *inter alia*, the prevailing market conditions and approval from the relevant authorities as and when such funds are raised.

In addition to the assumptions set out in Paragraph 6.1 above, the computations for illustration 1 is based on, *inter alia*, the following assumption:

- (i) the calculation of NTA per share and EPS assumed an aggregate of 36,965,456,873 shares were issued on 30 June 2014 and 1 July 2013 respectively.

6.2a Share Capital

	Before the Placement and Proposed RTO		After the Placement and Proposed RTO	
	Number of Shares	%	Number of Shares	%
Existing Shareholders	2,667,407,337	100	3,157,407,337 ⁽¹⁾	8.54
Vendors			33,808,049,536 ⁽²⁾	91.46
Total	2,667,407,337	100	36,965,456,873	100

Notes:

- (1) After taking into account 490,000,000 new Shares to be issued under the Placement.
- (2) Based on the Purchase Price of US\$420 million, including the US\$20 million to be raised by the Target Group pursuant to the 1st Tranche Fundraising and the 2nd Tranche Fundraising.

6.2b NTA⁽¹⁾

	Before the Placement and Proposed RTO	After the Placement and Proposed RTO
NTA (S\$'000)	2,621	97,186
No. of shares issued	2,667,407,337	36,965,456,873
NTA per Share (cents)	0.10	0.26

Note:

- (1) Notes 1 and 2 under paragraph 6.2a above apply equally to this paragraph, as applicable.

6.2c **EPS⁽¹⁾**

	Before Placement and Proposed RTO	After Placement and Proposed RTO
Loss after income tax ⁽²⁾ (\$'000)	(682)	(70,566)
No. of shares issued	2,667,407,337	36,965,456,873
EPS (cents)	(0.03)	(0.19)

Notes:

- (1) Notes 1 and 2 under paragraph 6.2a above apply equally to this paragraph, as applicable.
- (2) Excludes loss from discontinued operations.

6.2d **Gearing⁽¹⁾**

	Before Placement and Proposed RTO	After Placement and Proposed RTO
Total debts (\$'000)	-	-
Shareholders' equity (\$'000)	(2,621)	(580,167)
Gearing ratio ⁽²⁾	0.0%	0.0%

Notes:

- (1) Notes 1 and 2 under paragraph 6.2a above apply equally to this paragraph, as applicable.
- (2) Gearing ratio is determined based on total debts divided by Shareholders' equity.

6.3 **Illustration 2**

For the purposes of illustrating the financial effects of the Proposed RTO, assuming issuance of only new Shares by the Company for the entire 3rd Tranche Fundraising. The actual form of fund raising may be via other instruments.

In addition to the assumptions set out in Paragraph 6.1 above, the computations for illustration 2 are based on, *inter alia*, the following assumptions:

- (i) the calculation of NTA per share and EPS assumed an aggregate of 46,249,041,773 shares were issued on 30 June 2014 and 1 July 2013 respectively;
- (ii) the issue of Arranger Shares of 1,352,321,982 shares at S\$0.01615 each is accounted for as an expense of S\$21,840,000 in the loss after income tax of the Enlarged Group. The expense does not have any impact on the cash flow of the Company or Target.

6.3a **Share Capital**

	Before the Placement and Proposed RTO		After the Placement and Proposed RTO	
	Number of Shares	%	Number of Shares	%
Existing Shareholders	2,667,407,337	100	3,157,407,337 ⁽¹⁾	6.83
Arrangers			1,352,321,982	2.92
Tranche 3 Fundraising			7,931,262,918	17.15
Vendors			33,808,049,536 ⁽²⁾	73.10
Total	2,667,407,337	100	46,249,041,773	100

Notes:

- (1) After taking into account 490,000,000 new Shares to be issued under the Placement.
- (2) Based on the Purchase Price of US\$420 million, including the US\$20 million to be raised by the Target Group pursuant to the 1st Tranche Fundraising and the 2nd Tranche Fundraising.

6.3b **NTA⁽¹⁾**

	Before the Placement and Proposed RTO	After the Placement and Proposed RTO
NTA(S\$'000)	2,621	175,186
No. of shares issued	2,667,407,337	46,249,041,773
NTA per Share (cents)	0.10	0.38

Note:

- (1) Notes 1 and 2 under paragraph 6.3a above apply equally to this paragraph, as applicable.

6.3c **EPS⁽¹⁾**

	Before Placement and Proposed RTO	After Placement and Proposed RTO
Loss after income tax ⁽²⁾ (S\$'000)	(682)	(92,406)
No. of shares issued	2,667,407,337	46,249,041,773
EPS (cents)	(0.03)	(0.20)

Notes:

- (1) Notes 1 and 2 under paragraph 6.3a above apply equally to this paragraph, as applicable.
- (2) Excludes loss from discontinued operations.

6.3d **Gearing⁽¹⁾**

	Before Placement and Proposed RTO	After Placement and Proposed RTO
Total debts(S\$'000)	-	-
Shareholders' equity	(2,621)	(174,709)
Gearing ratio ⁽²⁾	0.0%	0.0%

Notes:

- (1) Notes 1 and 2 under paragraph 6.3a above apply equally to this paragraph, as applicable.
- (2) Gearing ratio is determined based on total debts divided by Shareholders' equity.

7. APPLICATION FOR WAIVER FROM RULE 14 OF THE SINGAPORE CODE ON TAKEOVERS AND MERGERS ("TAKE-OVER CODE")

Following Completion of the Proposed RTO, the Vendors will collectively hold approximately 73.10% of the enlarged issued share capital of the Company, as a result of the issuance and allotment of the Consideration Shares by the Company to the Vendors and new shares to be issued pursuant to **3rd Tranche Fundraising**.

Accordingly, the Vendors and their concert parties will, under Rule 14 of the Takeover Code, be required to make a mandatory offer for all the remaining shares of the Company in issue not already owned or controlled by the Vendors and their concert parties, or agreed to be acquired by them arising from the issuance and allotment of the Consideration Shares.

It is a condition precedent to the Proposed RTO that, *inter alia*, the SIC grants the Vendors and their concert parties, a waiver of their obligation to make a mandatory offer under Rule 14 of the Takeover Code and does not revoke or repeal such grant, and that a majority of the independent shareholders of the Company waive, by ordinary resolution on a poll taken, at the EGM, their right to receive a general offer from any or all of the Vendors and their concert parties, under Rule 14 of the Takeover Code ("**Whitewash Resolution**").

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company have any interest, direct or indirect, in the Proposed RTO, save for their respective interests, if any, in the equity shares of the Company.

9. FINANCIAL ADVISER

Stirling Coleman Capital Limited has been appointed as the financial adviser to the Company in respect of the Proposed RTO.

10. INDEPENDENT FINANCIAL ADVISER

The Company will be appointing an independent financial adviser (“**IFA**”) to the Directors who are considered independent for the purposes of making the recommendation to the independent shareholders in relation to the Whitewash Resolution and the IFA’s letter of advice will be set out in the Circular to be prepared and issued to the shareholders in relation to the EGM.

11. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement (other than information relating to the Target Group or the Vendors) 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 Proposed RTO and the Company, and the Directors are not aware of any facts, the omission of which, would make any statement in this Announcement misleading.

Information relating to the Target Group and the Vendors is based on the information provided by the Target Group and the Vendors and the sole responsibility of the Directors has been to ensure that such information has been accurately reproduced in this Announcement.

12. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement, dated 20 December 2014, will be available for inspection, during normal business hours, at the registered office of the Company, at 23 Bukit Batok Street 22, Singapore 659590 for a period of three (3) months from the date of this Announcement.

13. CIRCULAR

A circular containing further details of the Proposed RTO (“**Circular**”) and enclosing the notice of EGM will be dispatched by the Company to shareholders in due course.

14. CAUTIONARY STATEMENT

The Directors of the Company would like to advise shareholders that, although the Agreement has been entered into, Completion of the Proposed RTO is subject to various conditions precedent, which include, inter alia (i) the results of legal, financial, commercial and technical due diligence to be conducted by the Company being satisfactory to the Company (and its professional advisers); (ii) the approval of the SGX-ST; (iii) the approval of the Company’s shareholders at the EGM, and (iv) the completion of the Fund Raising Activities on the part of both the Company and the Target.

Shareholders and potential investors are advised to exercise caution when dealing in the Company’s shares, as there is no certainty or assurance, as at the date of this Announcement, as to whether the aforesaid conditions can be met and/or whether the terms and conditions of the Proposed RTO may be varied by agreement of the Parties, in writing, from those set out in the Agreement and this Announcement, or whether the Proposed RTO will proceed to Completion at all.

In particular, Shareholders are advised to take special note that, in the event the Target is unable to complete the 2nd Tranche Fundraising, of US\$15 million, by 31 January 2015, the Proposed RTO will be terminated.

Shareholders and potential investors are, accordingly, advised to read this Announcement and any further announcements by the Company regarding the Proposed RTO carefully and should consult their stockbrokers, bankers, solicitors or other professional advisers should they have any doubt about the action(s) they should take.

By Order of the Board

Pan Shuhong
Non-Executive Chairman
22 December 2014

Appendix A

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

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