

**PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP
SHARE CAPITAL OF LONGMEN GROUP LTD – EXECUTION OF 3rd SUPPLEMENTAL AGREEMENT**

1. INTRODUCTION

The board of directors (“**Board**” or “**Directors**”) of Memstar Technology Ltd. (“**Company**”) refers to the announcements made by the Company on 22 December 2014, 5 February 2015 and 6 March 2015 (collectively, the “**Announcements**”), in relation to the proposed acquisition of the entire issued share capital of Longmen Group Ltd (“**Target**”), by way of a proposed reverse takeover of the Company (“**Proposed RTO**”), pursuant to the terms of the sale and purchase agreement dated 20 December 2014 (“**SPA**”) and the 1st and 2nd Supplemental Agreements executed in relation thereto, on 5 February 2015 and 5 March 2015 respectively.

Pursuant to certain developments in connection with the Production Sharing Contract (“**PSC**”) entered into between the Target Group and CNPC and the intended structure of the Proposed RTO, the Parties have, on 24 July 2015, entered into a 3rd supplemental agreement (“**3rd Supplemental Agreement**”) to revise the terms of the SPA. This announcement is to provide an update of the various developments and to summarise the key terms of the 3rd Supplemental Agreement.

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

2. OVERVIEW OF DEVELOPMENTS

2.1 Matters affecting Contract Area under the PSC and Revised Valuation

- (a) On 10 March 2015, the Target Group entered into a 3rd Modification Agreement of the Production Sharing Contract (“**PSC**”) with CNPC (“**3rd Modification Agreement**”), for an additional extension of time to complete certain prescribed works in relation to the North Block area under the PSC. In conjunction with this, the Target Group confirmed its agreement to relinquish an area of approximately 40km² comprised within the South Block area under the PSC (“**1st Relinquishment**”).
- (b) On 11 May 2015, the Company was informed that an area of approximately 32.7km² within the South Block (“**South Block Balance Area**”) was not included in the overall development plan (“**ODP**”) submitted in relation to the South Block (“**South Block ODP**”) and, under the PSC, any area not covered under an ODP may be subject to relinquishment to CNPC (“**2nd Possible Relinquishment**”).
- (c) Further to the above matters, the Parties have mutually agreed, pursuant to the 3rd Supplemental Agreement, to effect certain reductions to the prescribed valuation of the Longmen Concessions for purposes of both the Proposed RTO and the related-fundraising activities, where they appear in the SPA, as follows:
 - (i) to reduce the originally prescribed valuation of the Longmen Concessions from US\$420 million to **US\$323 million**;

- (ii) to revise the valuation of the Target for purposes of the conversion of the US\$5 million Refundable Deposit advanced by the Company to the Target pursuant to the 1st Tranche Fundraising from US\$210 million to US\$189 million;

(collectively, the “**Proposed Valuation Revisions**”).

Based on the above, Memstar will issue Consideration Shares comprising 25,896,296,296 shares at S\$0.01615 per share to the existing shareholders of the Target, to acquire 97.35% of the Target at US\$314.5 million (equivalent to a purchase consideration of 100% of the Target for US\$323 million). Assuming Memstar exercises its rights to convert the Refundable Deposit into shareholding of 2.65% in Target, Memstar will, in aggregate, own 100.0% of the Target upon Completion.

- (d) The valuation of the Longmen Concessions is based on the independent valuation report dated 24 July 2015, prepared by Asia Valuation Advisory Services Pte. Ltd., the Independent Valuers in relation to the valuation analysis of the fair market value of the net interest in the Longmen Concessions attributable to the Target that meets (i) the standards of the VALMIN Code; and (ii) the requirements for mineral, oil and gas companies as set out in the Catalist Rules (“**Independent Valuation Report**”).

2.2 4 Tranches of Fundraising in connection with the Proposed RTO

- (a) As originally announced, on 22 December 2014, completion of the Proposed RTO (“**Completion**”) was conditional upon the following Proposed Fundraising Activities being undertaken by the Company or the Target, as the case may be:
 - (i) the 1st Tranche Fundraising (comprising the Refundable Deposit of US\$5 million to be advanced by the Company to the Target), which has since been effected;
 - (ii) the 2nd Tranche Fundraising, comprising the raising by the Target of aggregate gross proceeds of at least US\$15 million; and
 - (iii) the 3rd Tranche Fundraising, comprising the raising by the Company of aggregate gross proceeds of at least US\$60 million.
- (b) In conjunction with the Proposed Valuation Revisions and the Proposed Listing Transfer (as defined below), the Parties have mutually agreed, pursuant to the 3rd Supplemental Agreement, to effect certain reductions to the amount of gross proceeds to be raised pursuant to, and to also effect certain other adjustments to the terms of, the 2nd Tranche Fundraising, 3rd Tranche Fundraising and the proposed compliance placement (“**Proposed Fundraising Revisions**”), as follows:
 - (i) the amount to be raised by the Target pursuant to the **2nd Tranche Fundraising** is to be reduced from US\$15 million to **US\$5 million** and the Target is to be allowed additional time to enter into a binding agreement for and to complete the 2nd Tranche Fundraising, i.e. to within 5 working days after the later of:
 - (aa) the regulatory clearance that the Target is suitable for a listing on the SGX-ST Catalist, or
 - (bb) the Target having entered into a binding agreement with an acceptable financial institution to raise the 4th Tranche Fundraising (as referred to below) by no later than 15 August 2015;
 - (ii) the amount to be raised by the Company pursuant to the **3rd Tranche Fundraising** is to be reduced from US\$60 million to **US\$30 million**, on terms

that the Company shall execute, by no later than Completion, a definitive agreement on terms acceptable to the Target (whose consent shall not be unreasonably withheld), for the advance by way of an equity and/or debt and/or hybrid of equity & debt subscription of not less than US\$30 million (before deducting any attributable fund raising expenses), with no conditions on disbursement of the subscription monies other than completion of the Proposed RTO and incorporating a schedule for disbursement of the subscription monies that is acceptable to the Sponsor, SGX-ST and the Target; and

- (iii) the Company has undertaken to effect a proposed compliance placement ("**Proposed Compliance Placement**") of an amount of no less than US\$5 million, upon Completion.
- (c) Pursuant to the listing rules of the SGX Catalist, in order for the Target Group to have sufficient working capital available to meet its present cash flow requirements, as well as its cash flow requirements for at least 18 months after Completion ("**Working Capital Requirement**"), it has been agreed between the Parties, pursuant to the 3rd Supplemental Agreement, that:
 - (i) the Target shall, by no later than 14 August 2015, execute a definitive agreement with a financial institution or reputable third party acceptable to the Company (whose consent shall not be unreasonably withheld), the Sponsor and the Target, for an advance, by way of a loan, of gross proceeds of not less than US\$25 million (before deducting any attributable fund raising expenses), with no conditions on disbursement of the loan other than Completion of the Proposed RTO and incorporating a schedule for disbursement of the loan that is acceptable to the Sponsor and SGX-ST ("**4th Tranche Fundraising**"); or
 - (ii) if the Target is unable to procure the aforesaid loan, it shall:
 - (aa) by no later than 15 August 2015, procure a revised report from Netherland, Sewell & Associates ("**NSAI**") the Independent Qualified Person in relation to the CBM concessions held by the Target Group, to be dated no earlier than 31 March 2015, prepared on terms that the working capital available to the Target upon Completion (excluding the 4th Tranche Fundraising) shall be sufficient for the Target's present cashflow requirements and for its cashflow requirements for at least 18 months after Completion ("**Revised NSAI Report**"), which shall be used by the Parties as the basis for a re-submission to the SGX-ST to achieve a listing of the Target on the SGX Catalist via the Proposed RTO; and
 - (bb) take all such steps as may be necessary to revise the South Block ODP, such that the terms thereof coincide and/or are consistent with the Revised NSAI Report, in which event, the Parties agree that a corresponding further reduction shall be effected to the valuation of the Target.
- (d) In aggregate, the Enlarged Group would raise a gross proceeds of **US\$70 million** from the 1st, 2nd, 3rd and 4th Tranches of Fundraising and the Proposed Compliance Placement, and the net proceeds would be used by the Target for, *inter alia*, capital expenditure including the drilling of wells, and working capital.

2.3 Transfer of listing from Main Board to Catalist on Completion, and Proposed RTO to be completed by 11 October 2015

- (a) As announced by the Company, on 6 March 2015, the SGX-ST had granted an extension of time for the Company to meet the requirements for a new listing on the SGX-ST Main Board until 11 October 2015, subject, *inter alia*, to the Company submitting its Proposed RTO application by 30 April 2015.
- (b) On 8 May 2015, pursuant to the Company's application, the SGX-ST granted its written approval to extend the time for the Company to submit its Proposed RTO application to 30 June 2015, due to the on-going due diligence on the Target Group.
- (c) Having considered the requirement under Main Board Rule 210(9)(a) for a mineral, oil and gas ("**MOG**") company to hold both exploration and exploitation rights in order to be listed on the Main Board of the SGX-ST, the Company is now intending, upon Completion, to seek a transfer of its listing status from SGX-ST Main Board to SGX-ST Catalyst, the sponsor-supervised listing platform of the SGX-ST ("**Proposed Listing Transfer**").
- (d) In conjunction with the above, pursuant to the Company's further application, the SGX-ST had, on 7 July 2015, granted its written approval to waiving the requirement for the Company's Proposed RTO application to be submitted by 30 June 2015, subject to Completion being effected by 11 October 2015.

2.4 Sponsor and Financial Adviser

The Company has appointed Canaccord Genuity Singapore Pte. Ltd. as the Sponsor in relation to the Proposed RTO and Proposed Listing Transfer.

The Company has appointed Stirling Coleman Capital Limited as the Financial Adviser to the Company and the Placement Agent for the Company in connection with the 3rd Tranche Fundraising and the Proposed Compliance Placement.

2.5 Other key revisions pursuant to the 3rd Supplemental Agreement

The other key revisions to the SPA effected by the 3rd Supplemental Agreement are as follows:

(a) Off-take agreement

The requirement for the Target Group to enter into the off-take agreement for its CBM resources by 31 March 2015, as provided under the 2nd Supplemental Agreement, has been removed.

(b) Revision to definition of "Conversion Shares"

As previously announced, pursuant to the SPA, the US\$5 million Refundable Deposit advanced by the Company pursuant to the 1st Tranche Fundraising shall, on Completion, be convertible into new Shares in the Target ("**Conversion Shares**"), at a prescribed discounted valuation.

In line with the revision to the valuation of the Target to be applied for purposes of the conversion, i.e. to US\$189 million (as referred to in para 2.3(c)(ii) above), the definition of "**Conversion Shares**" has also been revised to mean such new Shares in the Target representing an aggregate of **2.65%** of the fully diluted share capital of the Target immediately prior to Completion.

(c) Intended pre-Completion issue of shares by the Target to its selected employees

The restriction under the original SPA against the Target issuing new Shares in its issued share capital prior to Completion has been revised to allow an issue of 20,000 Shares to

Feng San Li (Chief Executive Officer and Chief Technical Officer of the Target) and 100,000 Shares to Stephen Cheung (Chief Financial Officer of the Target), both being existing employees of the Target, subject and immediately prior to Completion ("**Permitted Employee Share Issue**").

(d) Vendors' obligations in relation to the Sale Shares

The definition of "**Sale Shares**" has been revised to mean the entire issued share capital of the Target immediately prior to Completion less the Conversion Shares, i.e. representing an aggregate of **97.35%** of the issued share capital of the Target, comprising (i) the existing Shares held by the Vendors, (ii) the issuance of new Shares to investors pursuant to the 2nd Tranche Fundraising, and (iii) the new Shares to be issued pursuant to the Permitted Employee Share Issue.

In conjunction with this, the Vendors obligation to effect a sale of their Shares in the Target to the Company, upon Completion, has been extended to include an obligation on their part to procure the sale of all of the Sale Shares to the Company, on Completion

Pursuant to the conversion of the Refundable Deposit and upon Completion, Memstar will, in aggregate own 100.0% of the Target Group.

(e) Definition of Consideration Shares

The original SPA defined "**Consideration Shares**" to mean "*such number of Company Shares representing an aggregate of **73.10%** of the total issued shares in the Company on an enlarged basis on Completion (including a component of new Company Shares to be issued in respect of the Conversion Shares)*".

This has been revised to mean "*such number of Company Shares at an issue price of S\$0.01615 per Company Share representing an aggregate of **71.17%** of the total issued shares in the Company, on a fully diluted basis, on Completion...*".

(f) Revisions to moratorium provisions

In line with the Proposed Listing Transfer and the Permitted Employee Share Issue:

- (i) the moratorium period in relation to LESS Longmen, the controlling shareholder of the Target, has been revised to 12 months for 100% of its original shareholding in the Company on Completion, and another 6 months for such number of shares as will result in its shareholding being less than 50% of its original shareholding in the Company, together with an undertaking on its part to procure that its ultimate beneficial shareholders also undertake to maintain their effective interest in any of LESS Longmen's shareholding in the Company that is under moratorium, during the applicable moratorium period; and
- (ii) the Vendors have agreed to procure that the employees receiving Shares in the Target pursuant to the Permitted Employee Share Issue shall, following Completion, agree to a moratorium period of 12 months for 100% of each of their original shareholding in the Company, on Completion.

(g) Amendment to board representation provisions

The provisions relating to board representation have been revised to allow each of the following groups to nominate 1 director to the Board:

- (i) the investors to the 2nd Tranche Fundraising (by majority vote of such investors), provided that such right is exercised within 7 days of completion of the 2nd Tranche Fundraising;
- (ii) the investors of the 3rd Tranche Fundraising (by majority vote of such investors), provided that such right is exercised within 7 days of Completion of the Proposed RTO,

subject, in each case, to the approval of the Sponsor and SGX-ST.

(h) Obligation to procure irrevocable undertakings

The Company's obligation to procure irrevocable undertakings from shareholders holding no less than 40% of the Company's issued share capital prior to Completion to vote in favour of the transactions contemplated under the SPA has been revised to only require such irrevocable undertakings from Pan Shu Hong and Ge Hai Lin, being shareholders of the Company holding approximately 26.0% and 4.84% respectively of the Company Shares as of 24 July 2015.

(i) Vendors' limitation of liability

In line with the reduced valuation of the Target, as mentioned earlier, the Vendors' limitation of liability has correspondingly been reduced to 100% of the reduced valuation for breaches of title-related warranties and to 75% of the reduced valuation for other breaches.

(k) Amendment to applicable US\$ to S\$ exchange rate

The applicable US\$:S\$ exchange rate for purposes of the SPA has been revised from "US\$1.00 = S\$1.30", to "US\$1.00 = S\$1.33".

3. **RULE 1006**

Pursuant to Rule 1015 of the Mainboard Rules, shareholders' approval, amongst others, must be obtained for a "very substantial acquisition" or "reverse takeover" as defined in Chapter 10 of the Mainboard Rules. Rule 1006 of the Mainboard Rules sets out the computations for relative figures, and where any of the relative figures is 100% or more, or if the transaction is one which will result in the change in control of a listed company, such a transaction is a "very substantial acquisition" or "reverse takeover".

The relative figures for the Proposed RTO using the bases of comparison set out in Rule 1006 of the Mainboard Rules are as follows:

Rule 1006 (a)	The 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
Rule 1006 (b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	Not meaningful ⁽¹⁾
Rule 1006 (c)	The 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.	1,018% ^(2a) / 775% ^(2b)
Rule 1006 (d)	The number of equity securities issued by the	820% ⁽³⁾

Company as consideration for an acquisition, compared with the number of equity securities previously in issue.

Rule 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 (as the Company is not an MOG company)
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Notes:

- (1) Based on the unaudited net profit of the Target Group for the three month financial period ended 31 March 2015, the Target Group generated net profit before tax of US\$3,808,000. Based on the latest announced unaudited financial results of the Company, for the three months ended 31 March 2015, the Company generated net loss before tax of S\$891,000 (equivalent to US\$657,000, based on the average exchange rate of US\$1 = S\$1.357 for 1Q2015). A comparison of net profit before tax of the Target Group against net loss before tax of the Company would not be meaningful.
- (2a) Based on the Purchase Consideration of US\$314.5 million and the Company's market capitalisation of S\$40.2 million (equivalent to US\$30.9 million, based on the exchange rate of US\$1.00=S\$1.30 specified in the SPA dated 20 December 2014). The market capitalisation is calculated based on the Company's issued share capital as at the date of the announcement of the SPA of 2,667,407,337 Shares, and the VWAP of the Shares of S\$0.01506 on 28 November 2014, being the last market day preceding the date of the SPA;
- (2b) Based on the Purchase Consideration of US\$314.5 million and the Company's market capitalisation of S\$54.0 million (equivalent to US\$40.6 million, based on the exchange rate of US\$1.00=S\$1.33 set out in para 2.5(k)). The market capitalisation is calculated based on the Company's issued share capital as at the date of this announcement of 3,157,407,337 Shares, and the VWAP of the Shares of S\$0.0171, on 31 March 2015, being the last market day preceding the date of the 3rd Supplemental Agreement;
- (3) Based on the 25,896,296,296 Consideration Shares to be issued upon Completion, and the Company's issued share capital of 3,157,407,337 Shares as at the Latest Practicable Date.

As the relative figures under Rules 1006(c) and 1006(d) of the Listing Manual exceed 100.0% and given that the Completion will result in a change in control of the Company, the Proposed RTO is classified as a "Very Substantial Acquisition" or "Reverse Takeover" and shall be conditional upon, *inter alia*, the approval of Shareholders at the EGM and the approval of the SGX-ST.

4. PROFORMA FINANCIALS OF THE ENLARGED GROUP

We set out below a highlight of the unaudited pro forma financial of the Enlarged Group which were prepared in accordance with the International Financial Reporting Standards ("IFRS") (referred to as the "Proforma Financials"). They are for illustrative purposes and may not give a true picture of the actual financial position, financial results and cash flows of the Enlarged Group.

The Proforma Financials have been prepared based on several assumptions and adjustments, *inter alia*, (a) the unaudited consolidated financial statements of the Target, (b) the unaudited financial statements of the Company, after excluding the financials of the business, assets and principal operating subsidiaries of the Company that had been disposed to United Envirotech Ltd., (c) the completion of the Proposed RTO, including the net proceeds from 1st, 2nd, 3rd and 4th Tranches of Fundraising, and the issuance of Consideration Shares, Arranger Shares and Compliance Shares in connection with the Proposed RTO.

Extract of Pro Forma Financial Statements of the Enlarged Group

	Unaudited			
	Financial Year Ended			
(US\$'000)	31 December 2012	31 December 2013	31 December 2014	3 months ended 31 March 2015
Other Revenue	25	89	23	19
Profit/(Loss) attributable to equity shareholders of the Target Group	(108,726) ⁽¹⁾	(6,750)	(9,013)	(1,886)

Notes:

- (1) The losses for FY2012 relates mainly to:
- (a) the listing expenses for the Proposed RTO arising as a result of reverse acquisition;

The Proposed RTO is accounted for as a reverse acquisition where the acquirer is the Target Group and the acquiree is the Company. This reverse acquisition is accounted for as a share-based payment under IFRS 2 *Share-based payment*.

Such listing expenses has been calculated based on the difference between (i) the fair value of shares held by the original shareholders of the Company based on the quoted shares price of the Company as at 31 March 2015, and (ii) the fair value of the net assets of the Company acquired by the Target (assumed to be the same as the book value) as at 31 March 2015.
 - (b) the listing expenses for the Proposed RTO in relation to the issuance of shares to ASA, being the financial adviser to the Target;
 - (c) the listing expenses for the Proposed RTO in relation to the issuance of shares to the Arrangers;
 - (d) professional expenses arising from the Proposed RTO; and
 - (e) write-off of wells that did not meet commercially justifiable volume due to the complex geological conditions of the respective sites.

Extract of Pro Forma Balance Sheet of the Enlarged Group

(US\$'000)	Unaudited
	<u>As at 31 March 2015</u>
Current asset ⁽¹⁾	78,334
Non-current assets ⁽²⁾	52,556
Total assets	130,890
Current liabilities ⁽³⁾	21,292
Non-current liabilities ⁽⁴⁾	25,451
Total liabilities	46,743

Equity attributable to equity shareholders of the Target Group	84,791
Non-controlling interests	(644)
Total equity	84,147

Notes

- (1) Current assets comprised mainly cash and cash equivalents from the 1st, 2nd, 3rd and 4th Tranches of Fund Raising and other receivables.
- (2) Non-current assets comprised mainly property, plant and equipment (mainly gas properties including construction of exploration and pilot production wells, and related pilot production costs).
- (3) Current liabilities comprised mainly trade payables, other payables and accruals.
- (4) Non-current liabilities comprised mainly loans arising from the 4th Tranche of Fund Raising.

5. FINANCIAL INFORMATION OF THE TARGET GROUP

We set out below a highlight of the unaudited financials of the Target Group for the years ended 31 December 2012, 2013 and 2014 and the 3 months ended 31 March 2014 and 3 months ended 31 March 2015, which were prepared in accordance with IFRS.

Extract of Income Statements

(US\$'000)	Unaudited Financial Year Ended			3 Months Ended	
	31 December 2012	31 December 2013	31 December 2014	31 March 2014	31 March 2015
Other Revenue ⁽²⁾	25	89	-	-	-
(Loss)/ Profit attributable to equity shareholders of the Target Group	(14,710) ⁽³⁾	(23,118) ⁽³⁾	(23,825) ⁽³⁾	(10,325) ⁽³⁾	3,813 ⁽⁴⁾

Notes

- (1) The Target has extracted coal bed methane from pilot development works at its Hancheng Concession and delivered CBM to PetroChina's pipeline since FY2013. However, the Target did not recognised any revenue during the Period Under Review as (i) the Target does not have an offtake agreement with PetroChina during pilot development and the price of CBM delivered has not been agreed; and (ii) the proportion of ownership of CBM extracted during pilot development has not been agreed with CNPC Group.

The Target will recognise revenue from the sale of CBM, when the amount of revenue can be reliably measured based on specific criteria, including (a) an offtake agreement or sales agreement at specific price to be agreed upon (b) the proportion of ownership of CBM during pilot development to be agreed upon and (c) the average daily production volume reaching specified production levels.

- (2) Other revenue comprised mainly rental income from sub-leasing part of its office to a third party.
- (3) Losses for FY2012 to FY2014 and 1Q2014 were due mainly to (a) operating expenses such as employees wages and salaries, and write-off of wells that did not meet commercially justifiable volume due to the complex geological conditions of the respective sites; and (b) finance income and finance costs arising mainly from fair value gain and losses in relation to the Target's preference shares. On completion, all of Target's preference shares will be converted into ordinary shares.
- (4) Profit for 1Q2015 were due mainly to finance income and finance costs arising mainly from fair value gain and losses in relation to the Target's preference shares. On completion, all of Target's preference shares will be converted into ordinary shares.

Extract of Balance Sheet

	Unaudited
	<u>As at 31 March 2015</u>
(US\$'000)	
Current asset	13,246 ⁽¹⁾
Non-current assets	52,556 ⁽²⁾
Total assets	<u>65,802</u>
Current liabilities	107,972 ⁽³⁾
Non-current liabilities	951
Total liabilities	<u>108,923</u>
Equity attributable to equity shareholders of the Target Group	(42,477)
Non-controlling interests	(644)
Total equity	<u>(43,121)</u>

Notes

- (1) Current assets comprised mainly cash and cash equivalents and other receivables.
- (2) Non-current assets comprised mainly property, plant and equipment (mainly gas properties including construction of exploration and pilot production wells, and related pilot production costs).
- (3) Current liabilities comprised mainly (a) trade payables, other payables and accruals, and (b) the Target's preference shares measured at fair value. On completion, all of the Target's preference shares will be converted into ordinary shares.

6. PROFORMA FINANCIAL EFFECTS OF THE PROPOSED RTO

The financial effects of the Proposed Transactions on the share capital, earnings, consolidated NTA are presented based on the Proforma Financials.

6.1 Share Capital

The effect of the Proposed Transactions on the issued share capital of the Company is as follows:

	No. of Shares on Completion	% on a Fully-Diluted Basis⁽⁴⁾
Share capital of the Company as at the Latest Practicable Date	3,157,407,337	8.68%
Consideration Shares to be issued on Completion ⁽¹⁾	25,896,296,296	71.17%
Arranger Shares to be issued on Completion ⁽²⁾	1,064,000,000	2.92%
Compliance Shares to be issued on Completion ⁽³⁾	6,270,886,012	17.23%
Enlarged Share Capital after Completion (and on Fully-Diluted Basis)⁽⁴⁾	36,388,589,645	100.0%

Notes

- (1) In December 2014, Memstar had extended US\$5 million as a refundable deposit to the Target at a pre-money valuation of US\$189 million. Prior to Completion, this will be converted into ordinary shares representing 2.65% of the Target.

Pursuant to the sale and purchase agreements between Memstar and the Target, Memstar will issue Consideration Shares comprising 25,896,296,296 Shares at S\$0.01615 per share to existing shareholders of the Target, to acquire 97.35% of the Target at US\$314 million (equivalent to a purchase consideration of 100% of the Target for US\$323 million).

In aggregate, Memstar will own 100.0% of the Target.

- (2) An aggregate number of 1,064,000,000 Arranger Shares, representing 4.0% of the Purchase Consideration, will be allotted and issued to the Arrangers on Completion.
- (3) Such shares comprise ordinary shares issued pursuant to the Proposed Compliance Placement as referred to in paragraph 2.2b(iii), and the ordinary shares or assumed conversion of convertible securities to be issued pursuant to 3rd Tranche Fundraising as referred to in paragraph 2.2b(ii).
- (4) Fully-diluted basis assumes the conversion of convertible securities on the date of Completion into ordinary shares for illustrative purposes, if any.

6.2 EPS

The financial effect of the Proposed Transactions on the EPS of the Company for the period from 1 January 2014 to 31 December 2014⁽¹⁾, had the Proposed RTO been completed on 1 January 2014, is as follows:

	Before Proposed RTO	Immediately after Completion of the Proposed RTO (on Fully- Diluted Basis)
	(Based on the Company's financials)	(Based on Proforma Financials of Enlarged Group)
Net (Loss) attributable to equity shareholders of the Company (US\$'000)	(927)	(9,013)
Number of shares in issue	3,157,407,337	36,388,589,645
(Loss) per share (US cents)	(0.029)	(0.025)

Note:

- (1) For the purposes of this announcement, the financial year-end of the Target Group, i.e. the period from 1 January to 31 December is used instead of that of the Company, as the Company intends to change its financial year-end to 31 December in connection with the Proposed RTO to facilitate the preparation of the financial information of the Enlarged Group.

6.3 NTA

The financial effect of the Proposed Transactions on the NTA of the Company the period from 1 January 2014 to 31 December 2014⁽¹⁾, had the Proposed RTO been completed on 31 December 2014, is as follows:

	Before Proposed RTO	Immediately after Completion of the Proposed RTO (on Fully- Diluted Basis)
	(Based on the Company's financials)	(Based on Proforma Financials of Enlarged Group)
NTA (US\$'000)	1,784	86,604
Number of shares in issue (on Fully-Diluted Basis)	3,157,407,337	36,388,589,645
NTA per Share (US cents)	0.057	0.238

Note:

- (1) For the purposes of this announcement, the financial year-end of the Target Group, i.e. the period from 1 January to 31 December is used instead of that of the Company, as the Company intends to change its financial year-end to 31 December in connection with the Proposed RTO to facilitate the preparation of the financial information of the Enlarged Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the 3rd Supplemental Agreement dated 24 July 2015 and the Independent Valuation Report dated 24 July 2015 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.

8. 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, the facts stated and opinions expressed herein are fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make this Announcement misleading.

9. CAUTION IN TRADING

The Directors of the Company would like to advise shareholders that, although the SPA, the 1st, 2nd and 3rd Supplemental Agreements have been entered into, Completion of the SPA remains subject to the fulfilment of the various conditions precedent as set out under the SPA, which include the subject matter of the 1st, 2nd and 3rd Supplemental Agreements, as well as the results of any legal, financial and other due diligence conducted by the Company on the Target Group being satisfactory to the Company and the Sponsor.

There is no certainty or assurance as at the date of this Announcement that the Proposed RTO will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments on the Proposed RTO and other matters contemplated by this Announcement.

Shareholders should further note that, in the event the Company is unable to complete the Proposed RTO by 11 October 2015, there may be no further extension granted, in which event the Company will be required to delist in accordance with the Mainboard Rules of the SGX-ST.

Shareholders are advised to refrain from taking any action in respect of their shares in the Company which may be prejudicial to their interests, and exercise caution in dealing or trading their Shares. Shareholders are advised to read this announcement and any further announcements by the Company carefully. 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
27 July 2015

Annex A

Post-Completion Enlarged Group Structure

