

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the contents of this document, or as to what action you should take, it is recommended that you seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended).

If you have sold or transferred all of your shares in PhotonStar LED Group Plc, please forward this document together with the accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

PHOTONSTAR LED GROUP PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 06133765)

Notice of Annual General Meeting

Notice of the Annual General Meeting of the Company to be held at 10:30am on 30 June 2014 at Unit 2, The Gateway Building, Tredegar Business Park, Tredegar NP22 3EL is set out in Part I of this document.

Shareholders will find a Form of Proxy enclosed for use at the Annual General Meeting. To be valid, the Form of Proxy must be completed and returned as soon as possible and so as to be received by Capita Asset Services no later than 10:30am on 26 June 2014. You can return your Form of Proxy by post to Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF

If you hold your shares in CREST, you may appoint a proxy or proxies by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

The completion and return of the Form of Proxy or the transmission of a CREST Proxy Instruction will not prevent you from attending and voting at the meeting in person.

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PART I: NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

It contains resolutions to be voted on at the Company's Annual General Meeting.

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in PhotonStar LED Group PLC, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (**Meeting**) of PhotonStar LED Group PLC (**Company**) will be held at Unit 2, The Gateway Building, Tredegar Business Park, Tredegar NP22 3EL on Monday 30 June 2014 at 10.30am.

You will be asked to consider and vote on the resolutions below.

Resolutions 1 to 7 will be proposed as ordinary resolutions and each of resolutions 8 and 9 will be proposed as a special resolution.

ORDINARY RESOLUTIONS

- 1 **THAT** the Annual Report and Accounts for the year ended 31 December 2013 be received.
- 2 **THAT** BDO LLP be reappointed as the Company's auditor to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the Company.
- 3 **THAT** the directors be authorised to agree the remuneration of the auditor.
- 4 **THAT** Dr Drew Nelson, whose biography can be found at Annex 1 on page 6 to this notice, be reappointed as a director.
- 5 **THAT** Mr Philip Marshall, whose biography can be found at Annex 2 on page 6 to this notice, be appointed as a director.
- 6 **THAT** Mr Russell Banks, whose biography can be found at Annex 3 on page 7 to this notice, be appointed as a director.
- 7 **THAT** the directors be authorised generally and unconditionally, for the purpose of section 551 of the Companies Act 2006 (the **Act**), to exercise all the powers of the Company to allot shares up to a maximum aggregate nominal amount equal to £3,500,000 which prior to any capital reduction, which has been proposed in resolution 9 below, represents 35,000,000 ordinary shares of £0.10 each, or an amount of £350,000 representing 35,000,000 ordinary shares of £0.01 each upon

resolution 9 below taking effect, to such persons and on such terms as they think proper, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the expiry of the next Annual General Meeting of the Company save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted and the Directors may allot shares in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 80 of the Companies Act 1985 or section 551 of the Act.

SPECIAL RESOLUTIONS

8 **THAT** subject to the passing of the resolution 7 and in accordance with section 570 of the Act, the Directors be generally empowered to allot equity securities (as defined in section 560 of the Act) pursuant to the authority conferred by resolution 7, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall:

8.1 be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £2,000,000, which prior to any capital reduction, which has been proposed in resolution 9 below, would be 20,000,000 ordinary shares of £0.10 each, such amount being equivalent to approximately 18 per cent. of the Company's issued share capital at the date of this resolution, or an amount of £200,000 representing 20,000,000 ordinary shares of £0.01 each upon resolution 9 below taking effect that would also equate to approximately 18 per cent. of the Company's issued share capital at the date that resolution 9 takes effect; and

8.2 expire on the expiry of the next Annual General Meeting of the Company (unless renewed, varied or revoked by the Company prior to or on that date) save that the company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

9 **THAT** the share capital of the Company be reduced by cancelling £0.09 on each ordinary share of £0.10 and by reducing the nominal value of each ordinary share to £0.01 and article 2 of the Company's articles of association shall be construed accordingly.

BY ORDER OF THE BOARD

CFO Solutions Limited
Company Secretary

REGISTERED OFFICE

Unit 8 Westlink Belbins Business Park, Cupernham Lane Romsey Hampshire SO51 7JF

4 June 2014

Notes:

- 1 The Company specifies that only those members registered on the Company's register of members at 6.00pm on 26 June 2014 or, if this Annual General Meeting is adjourned, no later than 48 hours prior to the time at which the adjourned Annual General Meeting is scheduled to take place (and in calculating such 48 hour period no account shall be taken of any part of a day that is not a working day), shall be entitled to attend and vote at the Annual General Meeting.
- 2 If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the General Meeting and you should have received a Proxy Form with this notice. You can only appoint a proxy using the procedures set out in these notes and the notes to the Proxy Form.
- 3 A proxy does not need to be a member of the Company but must attend the Annual General Meeting to represent you. Details of how to appoint the chairman of the Annual General Meeting or another person as your proxy using the Proxy Form are set out in the notes to the Proxy Form. If you wish your proxy to speak on your behalf at the Annual General Meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
- 4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars at the address set out in note 5.
- 5 The notes to the Proxy Form explain how to direct your proxy how to vote on each resolution or withhold their vote.
 - 5.1 To appoint a proxy using the Proxy Form, the Proxy Form must be:
 - 5.1.1 completed and signed;
 - 5.1.2 sent or delivered to Capita Asset Services, PXS1, 34 Beckenham Road, Kent BR3 4ZF; and
 - 5.1.3 received by Capita Asset Services, at the address provided in paragraph 5.1.2 above no later than 10:30am on 26 June 2014.
 - 5.2 In the case of a member which is a company, the Proxy Form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
 - 5.3 Any power of attorney or any other authority under which the Proxy Form is signed (or a duly certified copy of such power or authority) must be included with the Proxy Form.
- 6 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
- 7 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut off time will be disregarded.

Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hardcopy proxy form, please contact Capita Asset Services at the address noted in note 5 above.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

- 8 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services at PXS1, 34 Beckenham Road, Kent, BR3 4ZF. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In accordance with article 55.9 of the Company's articles of association, the revocation notice must be received at the address at which such appointment was duly received at least one hour before the commencement of the Annual General Meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Annual General Meeting and voting in person. If you have appointed a proxy and attend the Annual General Meeting in person, your proxy appointment will automatically be terminated.

- 9 A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises power over the same share.
- 10 Voting on all resolutions will be conducted by way of a poll rather than on a show of hands.
- 11 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 30 June 2014 at 10:30am and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Capita Asset Services (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Annex 1

Director Biography – Resolution 4 – Dr Drew Nelson – Non-executive Chairman

Dr. Nelson has been a Non-Executive Director of the PhotonStar LED Group since March 2007, becoming Non-Executive Chairman in November 2009.

Dr Nelson is currently CEO of IQE plc, a \$200m revenue AIM listed Company. He was co-founder of the original business in 1988, and has grown the IQE Group both organically and by acquisition, to be the leading provider of compound semiconductors globally, with over 50% market share for wireless applications including mobile, satellite and base station markets. The IQE Group has 11 manufacturing locations worldwide and employs over 600. Previously, he led the Group at British Telecom which developed the key technology for components for fibre optic communications, now the backbone of all internet traffic.

Dr Nelson was awarded an OBE in 2002 for services to the electronics industry, is a Fellow of the Royal Academy of Engineering (winning the Academy Silver Medal in 2004), and was awarded a Honorary Doctorate of Science from the University of Sheffield in 2003. He has also been recognised by lifetime achievement awards from JEMI and UK Electronics Industry and was elected to be a Fellow of the Learned Society of Wales in 2012.

Dr Nelson was educated at Sheffield University where he gained a 1st Class Honours Degree in Electronic Engineering and a PhD in Semiconductor Technology.

Annex 2

Director Biography – Resolution 5 – Mr Philip Marshall – Non-executive Director

Philip Marshall was appointed to the board on 2nd August 2013 and also sits on both the audit & remuneration committees.

Philip currently serves as Chief Financial Officer for Wood Mackenzie, a global leader in research & consultancy across the Energy sector. He previously served as the President and Chief Executive Officer at GE Lighting EMEA, the \$600 million turnover division of General Electric specializing in lighting solutions. In this role, he led the infrastructure development across the entire region for GE's Lighting business, which included transitioning the business to an energy solutions provider, encompassing LED technologies.

Prior to this, he served as the President and Chief Executive Officer at GE Industrial (low voltage) Systems & Consumer Products EMEA, a division of GE integrating the GE Industrial Systems and GE Appliances & GE Lighting ("Consumer Products") groups in Europe, Middle East and Africa.

Philip holds a Bachelor of Arts Degree from Thames Valley University, and is a qualified Chartered Management Accountant.

Annex 3

Director Biography – Resolution 6 – Mr Russell Banks – Chief Financial Officer

Russell Banks was appointed to the board as Chief Financial Officer effective date 2nd August 2013.

Russell comes from a commercially-focused background, having held increasingly senior financial positions in the pharmaceutical, advertising/media and retail sectors. He was previously Chief Financial Officer of FTSE-listed Ark Therapeutics plc, a cutting-edge biotherapeutics developer and manufacturer, and part of a small team charged with executing a strategic direction change from in-house product development to full-service contract manufacturing and regulatory support provision. Prior to that he spent ten years as European Finance Director for biopharmaceutical company Cephalon Inc. (NASDAQ), and until 1998 he was Group Finance Controller at mail order business, Compton & Woodhouse Ltd.

A Fellow of the Association of Chartered Certified Accountants, Russell holds a BSc in Economics and Accountancy from the University of Wales Institute of Science and Technology.

PART II: LETTER FROM CHAIRMAN

PHOTONSTAR LED GROUP PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 06133765 and whose registered office is at Unit 8 Westlink, Belbins Business Park, Cupernham Lane, Romsey, Hampshire SO51 7JF)

Directors:

Russell Anthony Banks
Jonathan Freeman
Philip Anthony Marshall
James Stuart McKenzie
Andrew William Nelson
Majd Elias Zoorob

4 June 2014

To all Shareholders of PhotonStar LED Group PLC ("**the Company**")

Dear Shareholder

PROPOSED CAPITAL REDUCTION

1 Introduction

- 1.1 I am writing to you to provide you with details of a proposed reduction of the Company's capital by a reduction of the nominal value of the Ordinary Shares from £0.10 to £0.01.
- 1.2 You will find enclosed with this document a notice of Annual General Meeting to be held at 10:30am on 30 June 2014 at Unit 2, The Gateway Building, Tredegar Business Park, Tredegar NP22 3EL.
- 1.3 Part IV of this document contains definitions of words and terms that have been used throughout it. Please refer to Part IV as you review the documentation.

2 Background to and reasons for the Reduction

- 2.1 The Ordinary Shares have a nominal value of £0.10 each but have been recently trading on AIM at about £0.06 - £0.09 each. This has created a legal problem since it is not legally possible for the Company to issue new shares at a price below their nominal value.
- 2.2 This causes a particular problem in relation to share options used by the Company to incentivise its employees. Due to the relatively high nominal share value, most share options in issue currently have no value to the option holders. This is either by virtue of the fact that they currently cannot be issued at a price lower than the nominal value of its ordinary shares of £0.10 or that they cannot be legitimately exercised through the use of an Employee Benefit Trust vehicle as the Group does not have distributable reserves.

- 2.3 In addition the Company has been trading at a loss over recent years and currently has a deficit on its profit and loss account in excess of £8,000,000. As a result of this deficit the Company is unable to pay dividends and will remain unable to do so until the deficit is made good, either out of future profits or by the writing off of the deficit against the reduction of share capital.
- 2.4 Consequently, the Company is proposing to reduce the nominal value of the Ordinary Shares so that it can, lawfully issue new Ordinary Shares at a price that reflects the trading price:-
- 2.4.1 to meet its obligations under share option agreements which it is bound by;
 - 2.4.2 to be able to raise new capital; and
 - 2.4.3 as consideration for third party fees
- 2.5 If the Board so determines and subject to the Company's articles of association and the necessary shareholder approvals, it also gives the Company the flexibility to issue share options to employees at an exercise price equivalent to the traded share price, rather than being limited to a minimum price of £0.10 per share.
- 2.6 The Company is therefore proposing to reduce the nominal value of the Ordinary Shares from £0.10 to £0.01 each. The resulting £0.09 per issued Ordinary Share shall be credited to a special reserve which will be subject to the terms of an undertaking given to the Court and will be treated as a non-distributable reserve until all creditors at the date when the reduction of capital has taken effect shall have been paid or shall have consented otherwise. However it is proposed that the Company will be able to write off the deficit on its profit and loss account as at 31 December 2013 against this reserve.
- 2.7 As part of the application to the Court the Company will offer an appropriate undertaking in the above terms.

3 Further details on the Reduction procedure

- 3.1 Under the CA 2006, a company limited by shares may reduce its share capital as long as it is not restricted from doing so by its articles of association, by obtaining the approval of its shareholders by special resolution and the confirmation of the Court.
- 3.2 The Company is not restricted in any way by its articles of association from carrying out a reduction of capital and is, therefore, seeking approval of its shareholders to the Reduction. Please see the notice of Annual General Meeting, which sets out the Resolution together with the other resolutions proposed to be voted on at the Annual General Meeting, in Part I of this document.
- 3.3 If the Shareholders approve the Resolution at the Annual General Meeting, the Board intends to make an application to the Court to obtain its approval to the Reduction as soon as possible following the Annual General Meeting.
- 3.4 Provisional dates have been obtained for the required Court hearings of the Company's application, but they are subject to change and dependent on the Court's timetable. If the hearings go ahead on the provisional dates, the present timetable provides that the final hearing, at which it is hoped that the

Court will make an order confirming the Reduction, will take place on 30 July 2014.

- 3.5 The Reduction does not take effect until the Court's order is filed with and registered by Companies House. The Board intends to file the required documentation with Companies House on the business day following the final Court hearing and, subject to compliance with all procedural requirements, Companies House will usually register the documents on the same day. On the present timetable, which is subject to change and dependent on the Court's timetable, this would mean that the Reduction would take effect on 30 July 2014.

4 Annual General Meeting

- 4.1 Please see the notice of Annual General Meeting of the Company, set out in Part I of this document. The Annual General Meeting will take place at 10:30am on 30 June 2014 at Unit 2, The Gateway Building, Tredegar Business Park, Tredegar NP22 3EL. At the Annual General Meeting, the Resolution set out in Part I of this document will be proposed to Shareholders.
- 4.2 The Resolution will be passed if not less than 75% of the votes cast (in person or by proxy) are in favour of it.

5 Action to be taken

- 5.1 Shareholders will find a Form of Proxy enclosed for use at the Annual General Meeting. To be valid, the Form of Proxy must be completed and returned as soon as possible and so as to be received by Capita Asset Services no later than 10:30am on 26 June 2014. You can return your Form of Proxy by post to Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF.
- 5.2 If you hold your shares in CREST, you may appoint a proxy or proxies by completing and transmitting a CREST Proxy Instruction to Capita Asset Services by using Agent ID: RA10 as soon as possible and so that it is received by no later than 10:30am on 26 June 2014).
- 5.3 The completion and return of the Form of Proxy or the transmission of a CREST Proxy Instruction will not prevent you from attending and voting at the meeting in person.

6 Recommendation

The Board considers in good faith that the Reduction will promote the success of the Company for the benefit of its members as a whole. Accordingly, the Directors recommend that you vote in favour of the Resolution to be proposed at the Annual General Meeting, as the Directors intend to do in respect of their own beneficial shareholdings, which amount in aggregate to 26,560,241 Ordinary Shares, being 23.63% of the existing Ordinary Shares in issue at the date of this document.

Yours faithfully,

Drew Nelson
Chairman

PART III: EXPECTED TIMETABLE

Latest time and date for receipt of Forms of Proxy	10:30am, 26 June 2014
Latest time and date for receipt of CREST Proxy Instruction	6.00pm, 26 June 2014
Annual General Meeting	10:30am, 30 June 2014
Expected date for final hearing and confirmation of the Reduction by the Court	30 July 2014
Expected date that the Reduction becomes effective	1 August 2014

Notes:

The expected dates for the confirmation of the Reduction by the Court and the Reduction becoming effective are based on provisional dates that have been obtained for the required Court hearings of the Company's application. These provisional hearing dates are subject to change and dependent on the Court's timetable. The timetable also assumes that there is no adjournment of the Annual General Meeting. If there is an adjournment, all subsequent dates are likely to be later than those shown.

PART IV: DEFINITIONS

"Board" or "Directors" means the board of directors of the Company;

"CA 2006" means the Companies Act 2006;

"Court" means the High Court of England and Wales;

"CREST" means the relevant system (as defined in the CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form, operated by Euroclear UK & Ireland Limited;

"CREST Manual" means the rules governing the operation of CREST;

"CREST Proxy Instruction" means a properly authenticated CREST message appointing and instructing a proxy submitted in accordance with procedures described in the CREST Manual;

"CREST Regulations" means the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended);

"Form of Proxy" means the form of proxy for use at the Annual General Meeting enclosed with this document;

"Annual General Meeting" means the annual general meeting of the Company to be held at 10:30am on 30 June 2014;

"Ordinary Shares" means fully paid ordinary shares in the capital of the Company (currently of £0.10 each and of £0.01 each following the Reduction);

"Reduction" means the proposed reduction of the Company's capital by a reduction of the nominal value of the Company's issued share capital as described in this document;

"Resolution" means the special resolution to approve the Reduction to be proposed at the Annual General Meeting; and

"Shareholders" means the holders of Ordinary Shares.