

UNITED FIBER SYSTEM LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 199508589E

EMPHASIS OF MATTER BY INDEPENDENT AUDITOR ON FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2014 ("FY2014")

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Board of Directors (the "Board") of United Fiber System Limited (the "Company") and together with its subsidiaries, the "Group") wishes to announce that the independent auditor of the Company, Ernst & Young LLP (the "Auditor"), have issued their Independent Auditor's Report (the "Independent Auditor's Report") with a qualified opinion ("**Qualified Opinion**") and an emphasis of matter ("**Emphasis of Matter**") in respect of the financial statements of the Company and the Group for FY2014.

A copy of the aforesaid Independent Auditor's Report and the relevant notes to financial statements are annexed to this announcement.

Qualified Opinion

The Auditor in their Auditor's Report have indicated that the Group has breached debt covenant on the loan from a financial institution for which it is entitled to charge the Group default interest of US\$58,615,000 up to 31 December 2014. On 26 September 2014, the financial institution agreed to waive the default interest upon the completion of the Proposed DSS Acquisition. Notwithstanding the condition has not been met, the Group did not provide for the default interest of US\$58,615,000 and related charges of US\$6,500,000 which is not in accordance with requirements of FRS 39 Financial Instruments: *Recognition and Measurement*. The Board is of the view that the default interest will be waived by the financial institution based on the current progress of the Proposed DSS Acquisition, including and not limited to the fact that the Company will be convening an extraordinary general meeting on 4 March 2015 to seek shareholders approval in connection with the Proposed DSS Acquisition.

Emphasis of Matter

The Group incurred a net loss of US\$27,514,000 for FY2014 and as at that date, the Group and the Company are in a net current liability position of US\$126,533,000 and US\$119,591,000 respectively. Furthermore, the Group and Company are in a net liability position of US\$95,081,000 and US\$88,198,000 respectively.

The Auditor highlighted in their Auditor's Report that the above factors indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern and that the ability to continue as a going concern is dependent on the successful completion of the Proposed DSS Acquisition.

On 13 February 2015, an aggregate principal amount of S\$45,834,458.56 5% mandatory convertible bonds have been successfully issued to the unsecured financial institutions and/or their nominees. These bonds will be mandatory convertible to shares in the Company upon the completion of the Proposed DSS Acquisition.

The success of the Proposed DSS Acquisition and the compliance share placement will result in the settlement of the bonds through the issuance of shares of the Company and the loans and borrowings will be repaid using the proceeds received from the compliance share placement. Based on the above, the Board is of the view that the Group is able to continue as going concern, and that the financial statements have been prepared on the basis that the Group will continue as going concern.

By Order of the Board
Pauline Lee
Acting CEO
11 March 2015