

UNITED FIBER SYSTEM LIMITED

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

DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2013 (“FY2013”)

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 disclaimer of opinion (“**Disclaimer**”) in respect of the financial statements of the Company and the Group for FY2013

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

Disclaimer opinion:

Deconsolidation of Poh Lian Construction (Pte) Ltd, a material subsidiary of the Group (collectively, “PLC group”)

The Auditor in their Auditor’s Report have indicated that they were unable to obtain sufficient audit evidence to assess the appropriateness of the financial information on Poh Lian Construction (Pte.) Ltd (“PLC”) and to carry out the audit procedures necessary to satisfy themselves on the computation of gain on deconsolidation of US\$16,916,000 and net cash outflow of US\$5,493,000 recorded in the comprehensive income and cashflow statement for the year respectively. PLC was placed under interim judicial management on 7 March 2013 and accordingly the assets and liabilities of PLC group have been deconsolidated with effect from that date as the Group has lost control of PLC thereon. The Auditor further indicated that the Group did not consolidate the operating results of PLC group from 1 January 2013 to 6 March 2013 on a line by line basis, which is not in compliance with the requirements of FRS 27 *Separate Financial Statements*.

The Board is of the view that the subscription agreement of 30 August 2013 entered into with various financial institutions (collectively, “**Financial Institutions**”) who had provided credit facilities (“**Facilities**”) for PLC and where the Company acted as the corporate guarantor for the due performance and/or payment of monies and/or have been claims on such Facilities, has contained the Company’s liability under the corporate guarantee. The operating results of PLC group from 1 January 2013 to 6 March 2013 was not consolidated on a line by line basis in accordance with FRS 27 as the Board is of the view that the consolidation is not meaningful given that the Group already lost control of PLC on 7 March 2013. In addition, the Group is planning to discontinue and dispose of its entire investment in PLC once the Proposed DSS Acquisition is completed. As a result, the non-consolidation of the current operating results of PLC group will provide a better picture of the continuing operation of the Group going forward.

Default interest not provided for

The Auditor in their Auditor's Report have also indicated that a financial institution is entitled to charge the Group default interest of US\$35.4 million. Based on the information provided, the Auditor was unable to determine if the financial institution will waive the amount of the default interest, and therefore the Auditor is unable to establish whether any provision for default interest and related charges is necessary. The Board is of the view that the financial institution will waive the default interest following the completion of the Proposed DSS Acquisition.

Going concern assumption

The Auditor have also indicated that they were unable to perform procedures to obtain sufficient audit evidence to assess the appropriateness of the use of going concern assumption in the preparation of the Group's and the Company's financial statements. The Group incurred net loss of US\$10,723,000 for FY2013, and as at 31 December 2013, the Group and the Company are in a net current liability position of US\$114,605,000 and US\$112,667,000 respectively. Furthermore, at 31 December 2013, the Group and the Company are in a net liability position of US\$71,349,000 and US\$51,447,000 respectively. These factors indicated the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The Directors have prepared these financial statements on the going concern assumption.

Pursuant to the conditions precedent in the Proposed DSS Acquisition, on 30 August 2013, the Company entered into a settlement agreement with the Financial Institutions in relation to the existing corporate guarantees entered into in favour of PLC. According to the settlement agreement, the Company will issue up to US\$36 million in aggregate principal amount of the 5% bonds due 2015 upon the receipt of the in-principal approval from SGX on the Proposed DSS Acquisition. The 5% bonds will be converted into ordinary shares in the capital of the Company at the agreed conversion price of S\$0.019 per share upon the approval obtained from the shareholders on the Proposed DSS Acquisition.

Subject to the regulatory and shareholders' approval, the Board is of the view that the Proposed DSS Acquisition will be successfully completed and that the compliance placement shares will be executed. The success of the Proposed DSS Acquisition and the compliance share placement will result in (a) the settlement of the corporate guarantee claims through the issuance of shares of the Company, and (b) that the loan and borrowings will be repaid using the proceeds received from the compliance share placement. In the meantime, the Group will continue to seek out various opportunities, including but not limited to raising fund in the capital market, to ensure the Group's ability to continue as a going concern. 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 Chief Executive Officer
9 April 2014