

# UNITED FIBER SYSTEM LIMITED

Incorporated in Singapore

Company Registration Number: 199508589E

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## PROPOSED SALE OF SHARES IN POH LIAN CONSTRUCTION (PTE.) LTD. (IN LIQUIDATION) BY UNITED FIBER SYSTEM LIMITED

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*Capitalised terms used herein shall have the definitions ascribed to them in the announcement dated 16 July 2013, unless otherwise stated or the context otherwise requires.*

### 1. INTRODUCTION

The Board of Directors ("**Board**") of United Fiber System Limited ("**UFS**" or "**Company**") refers to its announcement dated 16 July 2013 and 7 July 2014 in relation to the Proposed DSS Acquisition, and dated 13 October 2014 in relation to the discharge of the judicial management order and winding up order against PLC.

As required under the Proposed DSS Acquisition, UFS shall dispose of all its shareholdings in Poh Lian Construction (Pte.) Ltd. (in liquidation) ("**PLC**"), representing the entire issued and paid-up share capital of PLC and all of its indirect interests in the other PLC Companies ("**Disposal of PLC Companies**").

The Board wishes to announce that the Company has on 18 December 2014 entered into a conditional share purchase agreement ("**SPA**") with Dragonext Limited ("**DGN**"), an independent third party, for the disposal of the entire issued and paid-up share capital of PLC owned by the Company, being 15,000,000 ordinary shares ("**Sale Shares**") in the issued and paid-up share capital of PLC, on an as-is-where-is basis, for a nominal sum of S\$1.00 ("**Proposed Disposal**"). DGN is incorporated in the British Virgin Islands and its principal business is investment holding.

### 2. RATIONALE

PLC is a wholly owned subsidiary of UFS involved in the construction business.

On 12 March 2013, the Company announced that on 7 March 2013, PLC made an application ("**JM Application**") in the High Court of the Republic of Singapore ("**High Court**") to place itself under judicial management. PLC has been experiencing significant financial and operational difficulties due to challenging conditions in the local construction industry. Mr. Tam Chee Chong ("**Mr. Tam**") and Mr. Andrew Grimmett ("**Mr. Grimmett**"), both of Deloitte & Touche LLP, were appointed as judicial managers of PLC on 5 April 2013. Since the JM Application, the Company has announced on 4 July 2013 that the Judicial Managers have obtained approval from the creditors of PLC, to, *inter alia*, eventually liquidate PLC upon realising PLC's remaining assets. On 13 October 2014, the Company announced that the High Court has granted, *inter alia*, the order that the judicial management order be discharged and a winding up order be made against PLC, and Mr. Tam and Mr. Grimmett be appointed as joint and several liquidators of PLC.

The Company is of the view that the Proposed Disposal is in the best interests of the Company. In the increasingly competitive business environment in the construction industry, the Company is of the view that persisting with the construction business may not yield

positive results in the foreseeable future. Accordingly, the Proposed Disposal will allow the management to focus on other businesses initiatives. The Board considers the terms of the Proposed Disposal to be fair and reasonable and in the interests of the Company and its subsidiaries ("**UFS Group**"). The proceeds of S\$1.00 will be used for general working capital, and exceeds the net liability position of PLC of US\$16.9 million as at 7 March 2013, being the date when PLC was placed under judicial management.

### 3. KEY TERMS OF THE PROPOSED DISPOSAL

3.1. **Consideration.** The consideration for the Sale Shares shall be a nominal sum of S\$1.00, payable in cash by DGN to UFS on completion of the Proposed Disposal ("**Completion**"). The consideration was determined on the basis of the net liability position of PLC and taking into consideration the financial and operational difficulties of PLC resulting in it being placed into judicial management, and subsequent liquidation.

3.2. **Conditions Precedent.** Completion shall be conditional upon the following conditions precedent ("**Conditions Precedent**") having been fulfilled (or waived):

- (a) the resolutions of the Board having been obtained for the entry into, implementation and completion of the Proposed Disposal and all such transactions in connection therewith and incidental thereto;
- (b) the resolutions of the sole director of DGN having been obtained for the entry into, implementation and completion of the Proposed Disposal and all such transactions in connection therewith and incidental thereto; and
- (c) all necessary material approvals, authorisations, clearances, confirmations, consents, exemptions, grants, licences, orders, permissions, recognitions and waivers as may be required or appropriate for or in connection with the sale of the Sale Shares on the terms set out in the SPA, from all relevant government, governmental, quasi-governmental, supranational, statutory, regulatory, administrative, fiscal or judicial agency, authority, body, court, commission, department, exchange, tribunal or entity in any jurisdiction having been obtained and not withdrawn or revoked.

Completion of the Proposed Disposal is inter-conditional on the completion of the Proposed DSS Acquisition, and this condition precedent is non-waivable ("**Key Condition Precedent**").

If the above conditions precedent have not been fulfilled (or waived by mutual agreement between the Parties, except for the Key Condition Precedent which is non-waivable) on or before 31 March 2015 ("**Long-Stop Date**"), the SPA shall automatically terminate and neither party to the SPA shall have any claim of any nature whatsoever against the other party under the SPA (save in respect of any breaches by any party which have accrued prior to termination).

### 4. APPLICATION FOR LEAVE OF COURT

As winding up of PLC has commenced, any transfer of shares of PLC shall unless the Court otherwise orders, be void. Accordingly, having regard to the Condition Precedent set out in Section 3.2(c), the Company will be making an application for the leave of Court for the disposal of the Sale Shares to DGN. The Company will update the Shareholders as and when there are material updates to the application.

## 5. DISCLOSEABLE TRANSACTION

5.1. **Relative Figures.** The relative figures of the Proposed Disposal computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual of the SGX-ST are as follows:

|                                                                                                                                                                                                                                                                                                                                      | <u>Listing Manual</u>         | <u>Proforma</u>      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------|
| <u>Rule 1006(a):</u><br>Net asset value of assets to be disposed of, compared with UFS Group's net asset value                                                                                                                                                                                                                       | 60.7% <sup>(1)</sup>          | 50.8% <sup>(2)</sup> |
| <u>Rule 1006(b):</u><br>Net profits attributable to the assets acquired or disposed of, compared with UFS Group's net profits                                                                                                                                                                                                        | 380.4% <sup>(3)</sup>         | 79.2% <sup>(4)</sup> |
| <u>Rule 1006(c):</u><br>Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares                                                                                                                               | Not meaningful <sup>(5)</sup> | Not meaningful       |
| <u>Rule 1006(d):</u><br>Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue                                                                                                                                                     | Not applicable                | Not applicable       |
| <u>Rule 1006(e):</u><br>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. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. | Not applicable                | Not applicable       |

Notes:

- (1) The announced net liability value ("NLV") of the UFS Group as at 30 September 2014, being US\$87.2 million, does not include the net liability of PLC and its subsidiaries ("PLC Group") as the UFS Group had deconsolidated the assets and liabilities of the PLC Group, in accordance with the FRS, when PLC was placed under interim judicial management on 7 March 2013. As at 6 March 2013, the PLC Group was in a net liability position of US\$52.9 million.
- (2) For comparison purposes, the NLV of the UFS Group has been adjusted under the column "Proforma" to include PLC Group's net liability position.
- (3) The net loss of PLC Group for the financial period from 1 July 2012 to 6 March 2013 being the latest available 9 months unaudited financial statements of PLC prior to PLC being placed under interim judicial management was US\$59.8 million. The net loss of UFS Group for 9 months ended 30 September 2014 was US\$15.7 million. Under Rule 1002 (3) of the Listing Manual of the SGX-ST, "net profits" is defined as profit (or loss) before income tax, minority interests and extraordinary items.
- (4) For comparison purposes, the net loss of the UFS Group has been adjusted under the column "Proforma" to include PLC Group's net loss position.
- (5) Based on the consideration of S\$1 for the Proposed Disposal and the Company's market capitalisation of S\$23.19 million as at 17 December 2014, being the market day (on which UFS Shares were trading) immediately preceding the date of the SPA. The market capitalisation of the Company is derived by multiplying the number of UFS Shares in issue by the volume-weighted average traded price of S\$0.006 on 17 December 2014. (Source: Bloomberg LP).

- 5.2. **Application for Waiver of Rule 1014(2).** The Board notes that the relative figures under Rule 1006(a) and Rule 1006(b) of the Listing Manual of the SGX-ST ("**Listing Manual**") exceed 20%. Under Chapter 10 of the Listing Manual, where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%, the transaction is classified as a major transaction and must be made conditional upon approval by shareholders in general meeting pursuant to Rule 1014 of the Listing Manual.

The Company wishes to announce that the SGX-ST had, on 31 October 2013, granted a waiver to the Company from complying with Rule 1014(2) of the Listing Manual, namely the requirement to seek shareholders' approval for the Proposed Disposal, subject to the following conditions attached to the waiver:

- (a) the Company announcing the waiver granted, the reasons for seeking the waiver and the conditions as required under Rule 107 of the Listing Manual;
- (b) submission of a written confirmation from the Company that the waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company;
- (c) the Proposed Disposal is to be concurrent and inter-conditional with the Proposed DSS Acquisition;
- (d) the Company announcing the relevant information of the Proposed Disposal as per Rule 1010 of the Listing Manual;
- (e) an opinion from the Board of Directors that the Proposed Disposal is in the best interests of the Company; and
- (f) confirmation from the Board of Directors that the waiver will not be prejudicial to the interests of the shareholders.

- 5.3. **Reasons for Application for Waiver of Rule 1014(2).** The Company had applied for a waiver of the requirement to seek shareholders' approval for the Proposed Disposal based on the following principal reasons:-

- (a) the relative figures in respect of Rule 1006(a) of the Listing Manual exceeds 20% because the computation bases, namely the negative net asset value of the PLC Group and the UFS Group's negative net asset value, results in a positive percentage figure mathematically when calculating the relative figure under Rule 1006(a);
- (b) the relative figures under the "Proforma" column in respect of Rule 1006(a) of the Listing Manual exceeds 20% because the computation bases, namely the negative net asset value of the PLC Group and the UFS Group adjusted negative net asset value after inclusion of the PLC Group's net asset value, results in a positive percentage figure mathematically when calculating the relative figure under Rule 1006(a);
- (c) the book value of PLC is currently negative and the net liabilities exceeds the net assets of PLC; and
- (d) it would be in the best interests of the Company that the requirement for shareholders' approval be waived as the consideration payable to the Company for the Proposed Disposal is a nominal sum of S\$1.00, and hence should not warrant the

Company having to incur additional expenses for the holding of an extraordinary general meeting.

- 5.4. **Confirmation from the Board.** The Board is of the opinion that the Proposed Disposal is in the best interest of the Company and confirms that the waiver of Rule 1014(2) of the Listing Manual will not be prejudicial to the interests of the Shareholders.

## 6. PROFORMA FINANCIAL EFFECTS

### 6.1. Bases and Assumptions

The proforma financial effects of the Proposed Disposal on the UFS Group as set out below are based on:

- (a) the audited consolidated financial statements of the UFS Group for the year ended 31 December 2013, together with the consolidated financial statements of the GEMS Group for the year ended 31 December 2013, in view that the Proposed Disposal will only take place if the Proposed DSS Acquisition completes;
- (b) the unaudited consolidated financial statements of the PLC Group for the financial period ended 6 March 2013;
- (c) for the purposes of illustrating the financial effects of the Proposed Disposal, the financial effects have been prepared based on, *inter alia*, the following basis and assumptions:
  - (aa) the financial effects of the Proposed Disposal on the earnings and the earnings per share of the UFS Group for the period ended 31 December 2013 are computed assuming that the Proposed Disposal is completed on 1 January 2013;
  - (bb) the financial effects of the Proposed Disposal on the net tangible assets (“NTA”) of the UFS Group as at 31 December 2013 are computed assuming that the Proposed Disposal is completed on 31 December 2013; and
  - (cc) each of the following transactions taking place on, before or immediately after the Proposed Disposal (the “**Relevant Transactions**”):
    - (i) the Proposed Share Consolidation of fifty (50) UFS Shares into one consolidated UFS Share;
    - (ii) the issue of the Mandatory Convertible Bonds to the UFS Unsecured Creditors and the allotment and issue of 48,947,368 MCB Conversion Shares pursuant to the conversion of the Mandatory Convertible Bonds;
    - (iii) the Proposed DSS Acquisition; and
    - (iv) the Post - Completion Placement.

- 6.2. **Proforma Financial Effects.** Shareholders should note that the proforma financial effects of the Proposed Disposal are purely for illustrative purposes only. The illustrative financial

effects should not be construed to mean that the UFS Group's actual results, performance or achievements will be as expected, expressed or implied in such financial effects.

### **Share Capital**

|                                                   | As at 31 Dec 2013            | After completion of the Proposed Disposal | After completion of the Proposed Disposal and the Relevant Transactions |
|---------------------------------------------------|------------------------------|-------------------------------------------|-------------------------------------------------------------------------|
| Issued and fully paid-up share capital (US\$'000) | 257,956                      | 257,956                                   | 2,080,449 <sup>(1)</sup>                                                |
| Number of shares                                  | 3,864,251,008 <sup>(2)</sup> | 3,864,251,008 <sup>(2)</sup>              | 2,511,059,824 <sup>(1)</sup>                                            |

(1) Based on (a) the consolidation of every fifty (50) Shares into one (1) Consolidated Share; (b) 48,947,368 MCB Conversion Shares to be issued at S\$0.95 per Conversion Share, converted at an exchange rate of S\$1.241:US\$1 as of 4 July 2014; (c) 1,978,327,436 Consolidated DSS Consideration Shares to be issued at S\$0.95 per Consolidated DSS Consideration Share and 180,000,000 Consolidated Compensation Shares, converted at an exchange rate of S\$1.265:US\$1 as of 30 June 2014; and (d) up to 226,500,000 Placement Shares to be issued at S\$0.95 per Placement Share net of placement expense of 3.5%, converted at an exchange rate of S\$1.265:US\$1 as of 30 June 2014. For the avoidance of doubt, as at the date of this Announcement, the Company has not received any formal commitment from any financial institution to underwrite the proposed Post-Compliance Placement.

(2) Based on the number of Shares prior to completion of the Proposed Share Consolidation.

### **Net Tangible Assets ("NTA") / Net Tangible Liabilities ("NTL")**

|                                     | As at 31 Dec 2013        | After completion of the Proposed Disposal | After completion of the Proposed Disposal and the Relevant Transactions |
|-------------------------------------|--------------------------|-------------------------------------------|-------------------------------------------------------------------------|
| (NTL)/NTA (US\$'000) <sup>(1)</sup> | (69,190)                 | (69,190)                                  | 201,531                                                                 |
| (NTL)/NTA per share (US cents)      | (1.79) <sup>(2)(3)</sup> | (1.79) <sup>(3)</sup>                     | 8.03 <sup>(4)</sup>                                                     |

(1) NTA excludes goodwill on business combination, deferred tax assets, mining properties and deferred tax liabilities. UFS has effectively lost control of PLC Group when PLC was placed under interim judicial management and judicial management on 7 March 2013 and 5 April 2013 respectively. As such, the Group has deconsolidated PLC Group in its financial statements in accordance with the relevant financial reporting standard.

(2) Based on 3,864,251,008 Shares in issue as at 31 December 2013.

(3) Based on the number of Shares prior to completion of the Proposed Share Consolidation.

(4) Based on 2,511,059,824 new Consolidated Shares in issue following the completion of PLC Disposal, the Proposed Share Consolidation, the proposed allotment and issuance of MCB Conversion Shares, the Proposed DSS Acquisition and the proposed allotment and issuance of Consolidated DSS Compensation Shares and the proposed Post-Completion Placement. For the avoidance of doubt, as at the date of this Announcement, the Company has not received any formal commitment from any financial institution to underwrite the proposed Post-Compliance Placement.

### **Earnings Per Share ("EPS") / Loss Per Share ("LPS")**

|                                        | As at 31 Dec 2013        | After completion of the Proposed Disposal | After completion of the Proposed Disposal and the Relevant Transactions |
|----------------------------------------|--------------------------|-------------------------------------------|-------------------------------------------------------------------------|
| (Loss) / Earnings after tax (US\$'000) | (10,723)                 | (10,527)                                  | 4,293                                                                   |
| (LPS) / EPS (US cents)                 | (0.28) <sup>(1)(3)</sup> | (0.28) <sup>(1)(3)</sup>                  | 0.17 <sup>(2)</sup>                                                     |

- (1) Based on 3,820,125,632 weighted average number of Shares in issue for FY2013.
- (2) Based on 2,586,579,828 weighted average number of new Consolidated Shares in issue following completion of the Proposed Disposal, the Proposed Share Consolidation, the proposed allotment and issuance of MCB Conversion Shares, the Proposed DSS Acquisition, the proposed allotment and issuance of Consolidated DSS Compensation Shares and the proposed Post-Completion Placement. For the avoidance of doubt, as at the date of this Announcement, the Company has not received any formal commitment from any financial institution to underwrite the proposed Post-Completion Placement.
- (3) Based on the number of Shares prior to completion of the Proposed Share Consolidation.

## **7. ASSET VALUE OF PLC**

The unaudited consolidated NTL attributable to PLC as at 6 March 2013 is approximately US\$16.92 million respectively. Pursuant to Rule 1010(7) of the Listing Manual, assuming the Proposed Disposal was completed on 6 March 2013 and the consideration of S\$1.00, the gain on disposal for the UFS Group is US\$16.92 million.

## **8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the directors of the Company (other than in his capacity as a director or shareholder of the Company), has any interest, direct or indirect, in relation to the Proposed Disposal.

To the best knowledge of the Board, there are no controlling shareholders in the Company (other than in their respective capacities as a shareholder of the Company) who have any interest, direct or indirect, in relation to the Proposed Disposal.

## **9. DOCUMENTS FOR INSPECTION**

A copy of the SPA will be made available for inspection during normal business hours at the registered office of the Company for three (3) months from the date of this Announcement.

## **10. CAUTION IN TRADING**

**Shareholders are advised to exercise caution in trading their UFS Shares as the Proposed Disposal is subject to numerous Conditions Precedent and there is no certainty or assurance as at the date of this Announcement that all of the Conditions Precedent will be satisfied (or waived, as the case may be) or that the Proposed Disposal will be completed. The Company will make the necessary announcements when there are further developments on the Proposed Disposal. Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.**

## **11. 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.

BY ORDER OF THE BOARD

**UNITED FIBER SYSTEM LIMITED**

Pauline Lee  
Acting CEO  
18 December 2014