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Acquisitions and Disposals :: Non-Mandatory Disclosure :: DISPOSAL OF 51% EQUITY INTEREST IN UNIFIED COMMUNICATIONS LIMITED

* Asterisks denote mandatory information

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Company Registration No.	200211129W
Announcement submitted on behalf of	UNIFIED COMMUNICATIONS HLDGLTD
Announcement is submitted with respect to *	UNIFIED COMMUNICATIONS HLDGLTD
Announcement is submitted by *	Anton Syazi Ahmad Sebi
Designation *	Executive Director and Chief Executive Officer
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>> Announcement Details

The details of the announcement start here ...

Announcement Title *	DISPOSAL OF 51% EQUITY INTEREST IN UNIFIED COMMUNICATIONS LIMITED

Description	Please refer to attachment.

Attachments

UCHL_Disposal_of_UnifiedCommunicationsLimited_Final.pdf
Total size = **191K**
(2048K size limit recommended)

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UNIFIED COMMUNICATIONS HOLDINGS LIMITED
Company Registration No. 200211129W

DISPOSAL OF 51% EQUITY INTEREST IN UNIFIED COMMUNICATIONS LIMITED, A SUBSIDIARY INCORPORATED IN HONG KONG, VIA A MANAGEMENT BUY-OUT

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1. INTRODUCTION

The Board of Directors (the "**Board**") of Unified Communications Holdings Limited (the "**Company**") hereby announces that the Company's wholly owned subsidiary, Unified Communications Pte Ltd ("**UCPL**"), has entered into a Share Sale Agreement ("**SSA**") on 31 May 2011 to dispose its interest in Unified Communications Limited ("**Disposed Entity**"), a 51% owned subsidiary of UCPL ("**Disposal**"), to the current director and management of the Disposed Entity Mr. Ching Ming Wai ("the **Purchaser**").

2. INFORMATION ON THE DISPOSED ENTITIES AND THE PURCHASER

2.1. The Disposed Entity

The Company holds 51% equity interest in the issued share capital of the Disposed Entity via its wholly owned subsidiary, UCPL. The principal activities of the Disposed Entity are the distribution of telecommunications products, the design and development of telecommunications solutions, project management, and maintenance and support services for the telecommunications industry. The Disposed Entity has recorded audited net losses of HKD1,455,271 (approximately SGD229,234) and HKD1,481,727 (approximately SGD233,402) respectively for the financial years ended 31 December 2009 and 2010. The cost of the investment made by the Company in the Disposed Entity via UCPL stood at HKD5,100 as at 31 December 2010.

2.2. Purchaser

Mr. Ching Ming Wai, the Purchaser, is a Hong Kong resident who is also a director and management of the Disposed Entity. Apart from the Purchaser's position in the Disposed Entity, he is not related to the Company or any of its directors. The directors and substantial shareholders of the Company do not have any interest, direct or indirect, in the above Disposal. In so far as the existing directors and the substantial shareholders are able to ascertain and are aware, no persons connected to them have any interest, direct or indirect in the above Disposal.

3. PURCHASE CONSIDERATION AND TERMS OF PAYMENT

3.1. Purchase Consideration

The Purchaser will buy the 5,100 shares of the Disposed Entity registered under the name of UCPL and representing the whole of UCPL's shareholding in the Disposed Entity ("**Shares**") at a total consideration of HKD5,100 (approximately SGD803) ("**Purchase Consideration**").

3.2. Basis for Determining Purchase Consideration

The Purchase Consideration was derived based on a willing-buyer and willing-seller basis taking into account the net tangible liabilities of the Disposed Entity. Based on its audited accounts as at 31 December 2010, the net tangible liabilities of the Disposed Entity before and after adjusting for the Debt Waiver (as set out in Section 3.4 below) amount to HKD2,051,181 (approximately SGD338,024) and HKD251,154 (approximately SGD41,389) respectively.

3.3. Terms of Payment

The Purchase Consideration is to be satisfied in the following manner:

(a) a deposit of HKD100 (approximately SGD16) being paid to UCPL on 31 May 2011 upon execution of the SSA ("**Deposit**"); and

(b) the balance of the Purchase Consideration of HKD5,000 (approximately SGD788) shall be paid upon satisfaction of all the Conditions Precedent as set out in Section 4.1 below.

3.4. Settlement of Agreed Debt

As part of the terms of the Disposal, it has been agreed that all intercompany balances between the Disposed Entity and the Company and its subsidiaries shall be waived ("**Debt Waiver**") except for a sum of HKD450,000 (approximately SGD70,844) payable by the Disposed Entity in cash or in kind by way of software and/or services to be rendered to the Company and its subsidiaries by no later than 30 June 2012.

3.5. Use of Sale Proceeds

The proceeds of the Disposal amounting to HKD5,100 (approximately SGD803) will be used to defray expenses incurred pursuant to the Disposal.

4. MATERIAL AGREED TERMS AND CONDITIONS TO THE DISPOSAL THAT ARE ALSO REFLECTED IN THE SHARE SALE AGREEMENT

4.1. Conditions Precedent

The SSA is subject to the following conditions:

(a) consent by authorities charged with regulating commercial transactions which may be in position to issue directives or regulations involving or relating to the Disposal;

(b) approval by the Board of UCPL on the Disposal; and

(c) approval of the shareholders of the Disposed Entity on the Disposal.

In the event that any one of the above mentioned conditions are not fulfilled, the SSA shall be null and void.

4.2. **Other Terms and Conditions**

(a) The Purchaser undertakes to UCPL that he shall:

(i) not reproduce or use the existing trademark being used by the Disposed Entity from the date of SSA in any circumstances and to effect a name change of the Disposed Entity;

(ii) not enter into any capital commitment on behalf of the Disposed Entity from date of initiate discussion up to Completion, unless prior written consent of UCPL's authorized personnel has been obtained;

(iii) cause the Disposed Entity to pay for the software royalties fees upon renewal of all support and maintenance contract supplied using software developed by the Company and its subsidiaries at a reasonable fees.

(b) In the event that completion of the Disposal cannot take place, then unless the parties agree in writing of any extension of the completion date of the Disposal, the SSA shall come to an end and the Deposit shall be refunded to the Purchaser free from all interest within three (3) days from any notification of the same.

5. **RATIONALE FOR THE DISPOSAL**

The Disposed Entity operated at a loss for the past two consecutive years ended 31 December 2009 and 31 December 2010, recording losses of HKD1,455,271 (approximately SGD229,234) and HKD1,481,727 (approximately SGD233,402) respectively. Further, as at 31 December 2010, the Disposed Entity had a cumulative audited loss of HKD2,061,181 (approximately SGD324,677).

The unfavourable bottom-line results of the Disposed Entity were recorded on the back of revenue of HKD7.0 million (approximately SGD1.1 million) for the financial year ended 31 December 2009, a decline of 33% from that recorded in the previous year. Revenue of the Disposed Entity had further declined by 57% to HKD3.0 million (approximately SGD0.5 million) for the most recent year ended 31 December 2010.

The Company has, after reviewing the performance of the Disposed Entity for the past two financial years and its future outlook, concluded that it is not feasible for the Company to retain the Disposed Entity.

The Disposal will relieve the Company from future exposure to potential further financial losses of the Disposed Entity and allow the Company to redeploy its working capital, which would otherwise be needed to fund potential future losses, more efficiently towards supporting the delivery of the growth and development strategies of the Group.

The benefit of disposing the Disposed Entity to its existing director and management has helped the Company to negate the need to identify a third party buyer which would involve significant uncertainty as well as considerable effort to support a potentially long drawn-out process of negotiation and buyer due diligence. Additional cash flow would also otherwise be incurred to maintain the business until a proposed sale is concluded. Therefore the Disposal to an existing director and management is expected to substantially shorten the timeframe and costs involved.

The Board has resolved that it is in the best interest of the Company to effect the Disposal by accepting the offer made by the Purchaser for the Shares in the Disposed Entity.

6. EXPECTED COMPLETION

Completion of the Disposal is expected to take place upon satisfaction of all Conditions Precedent.

7. FINANCIAL EFFECTS

7.1. Net Tangible Assets ("NTA")

For illustration purposes, had the Disposal taken place on 31 December 2010 - being the end of the most recently completed financial year - and based on the audited consolidated financial statements of the Company at 31 December 2010, the Disposal would have the following effects on the consolidated NTA of the Company:

For Financial Year 2010	Before the Disposal	After the Disposal
NTA (SGD'000)	25,060	24,997
Number of ordinary shares in issue during the financial year ('000)	319,573	319,573
NTA per Share (cents)	7.84	7.82

7.2. Earnings per Share ("EPS")

For illustration purposes, had the Disposal been completed on 1 January 2010 - being the beginning of the most recently completed financial year - and based on the audited consolidated financial statements of the Company for financial year ended 31 December 2010, the Disposal would have the following effects on the consolidated EPS of the Company:

For Financial Year 2010	Before the Disposal	After the Disposal
Earnings attributable to equity holders of the Company (SGD'000)	2,067	2,040
Number of ordinary shares in issue during the financial year ('000)	319,573	319,573
EPS (cents):		
Basic	0.65	0.64
Diluted	0.65	0.64

8. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual based on the Company's latest audited consolidated financial statements for the financial year ended 31 December 2010 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.	-0.14%[1]
Rule 1006(b) - The net profits[2] attributable to the assets to be disposed of, compared with the Group's net profits.	1.35%[3]
Rule 1006(c) - The aggregate value of the consideration given, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares.	0.01%[4]
Rule 1006(d) - The 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 as no equity securities will be issued.

Notes:

1. As at 31 December 2010, the total net intercompany balances owing by the Disposed entity was HKD2,250,027 (approximately SGD370,793). Therefore the Debt Waiver amounts to HKD1,800,027 (approximately SGD296,636) to arrive at the Agreed Debt. The net liabilities of the Disposed Entity would have been HKD251,154 (approximately SGD41,389), compared with the Group's net asset value of SGD29,375,000.
2. Under Rule 1002(3)(b), "net profits" means profit or loss before income tax, minority interest and extraordinary items.
3. As at 31 December 2010, the total net intercompany balances owing by the Disposed entity was HKD2,250,027 (approximately SGD370,793). Therefore the Debt Waiver amounts to HKD1,800,027 (approximately SGD296,636) to arrive at the Agreed Debt. The estimated net profit attributable to the Disposed Entity would have been HKD318,300 (approximately SGD37,746), compared with the Group's net profit of SGD2,801,000.
4. The aggregate value of the consideration given is HKD5,100 (approximately SGD803), compared with the Company's market capitalization of SGD14,380,770 as at 30 May 2011.
5. For the purposes of this paragraph 8 (Relative Figures under Rule 1006 of the Listing Manual), "Group" means the Company and its subsidiaries.

As the relative figure under Rule 1006 (c) does not exceed 5%, and therefore this is a non-discloseable transaction.

9. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Disposal.

10. DOCUMENTS AVAILABLE FOR INSPECTION

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