

09 October 2014

Response to media speculation

Sydney: UGL Limited (ASX: UGL) notes an article published in Fairfax Media outlets on 9 October 2014 regarding a payment made to Mr CY Leung in relation to non-compete, non-poach and DTZ senior management retention provisions. Mr Leung was the founder of our DTZ China and Hong Kong business and subsequently went on to become the Chief Executive of Hong Kong.

The article erroneously makes reference to 'secret payments'. This is a baseless and misleading reference as the arrangements were made with Mr Leung, then a private individual, on commercial terms and with full knowledge of the vendor, in keeping with standard businesses practice for non-compete and non-poach agreements.

Such agreements are common confidential commercial arrangements when a business is being acquired. The only difference here being Mr Leung went on nearly six months later to become the Chief Executive of Hong Kong.

UGL was under no obligation, legal or otherwise, to disclose the agreement. It should be noted that at the time of entering in the agreement, Mr Leung was not an elected official of Hong Kong, and UGL had no reason to expect that his campaign for Chief Executive of Hong Kong would be successful. In any event the same commercial protections for UGL and DTZ were necessary.

Mr Leung was previously Chief Executive Officer of DTZ Holdings plc's North Asia business and he was the founder of the business that preceded the creation of DTZ North Asia. He resigned from DTZ Holdings plc on 24 November 2011. UGL acquired the subsidiaries of DTZ Holdings plc out of voluntary administration in December 2011, for over 70 million British Pounds.

UGL entered into an agreement with Mr Leung to protect UGL's commercial interests in North Asia by preventing him from competing with DTZ or employing DTZ staff for two years following UGL's acquisition of the subsidiaries of DTZ Holdings plc. Payments were staggered over this period to ensure these non-compete and non-poach obligations were met and the agreement provided mechanisms to reduce these payments if key individuals left DTZ over this period. UGL specifically did not want Mr Leung working with a competitor nor establishing or assisting in the establishment of a business competing directly with DTZ. UGL required of the vendor that appropriate non-compete and non-poach protections be put in place if UGL was to proceed to acquire the subsidiaries of DTZ Holdings plc.

The agreement also protected UGL's right to operate in the region by ensuring existing licencing arrangements held by Mr Leung were maintained and transferred to UGL. Again the agreement was in accordance with normal market practices and terms.

The vendor, the Royal Bank of Scotland, and their advisors were fully aware of UGL's intention to enter into an arrangement with Mr Leung and DTZ Holdings plc played a significant role in initiating and negotiating those terms with Mr Leung.

As part of these negotiations and with the full agreement of the vendor team, the amount to be paid by UGL to acquire the subsidiaries of DTZ Holdings plc was reduced to allow for the payments to Mr Leung. This had no impact on the other creditors and shareholders of DTZ Holdings plc, as the full benefit of the purchase price, both before and after the payment reduction, flowed to the Royal Bank of Scotland and no other party.

Given the negotiations of these terms with the full involvement of the vendor, it is clear that other parties besides UGL and Mr Leung were aware of and understood the need for and the value of these non-compete and non-poach terms, as did all the advisory teams on the sale. UGL's own advisory teams were also across the detail of, and need for, these protective measures to ensure the value of UGL's investment was protected.

The agreement concluded nearly a year ago. During the two year period between 2011 and 2013 and subsequent, UGL did not request Mr Leung to undertake any task whatsoever on our behalf, nor did Mr Leung offer to perform any tasks. Our only concern was to see the non-poach and non-compete enforced and the value of the acquisition protected, which it was.

Inferring that the payments were a "secret" arrangement from which UGL derived some inappropriate benefit or favour is both baseless and misleading.

UGL maintains a reputation for honesty and integrity and takes any allegations of misleading conduct very seriously.

ENDS

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