

26 September 2016

***The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR")***

**CSF Group plc**  
("CSF", the "Company" or the "Group")

**Proposed cancellation of admission of the Company's ordinary shares to trading on AIM  
and  
Proposed extraordinary general meeting**

The Board of CSF announces that the Company intends to seek Shareholders' approval to cancel the admission of the Company's ordinary shares of 10p each ("Ordinary Shares") to trading on AIM (the "Proposal" or the "Cancellation").

Under the AIM Rules for Companies (the "AIM Rules"), it is a requirement that the cancellation of admission to trading on AIM must be approved by not less than 75 per cent. of Shareholders voting in general meeting. Under the AIM Rules, the Cancellation also requires a notice period of not less than 20 business days from the date on which notice of the intended Cancellation is notified via a Regulatory Information Service and is given to the London Stock Exchange.

The Company intends to send a circular (the "EGM Circular") to Shareholders, which will also contain a notice of an extraordinary general meeting (the "Extraordinary General Meeting"), which is intended to take place immediately following the conclusion or the adjournment (as the case may be) of the Company's 7th Annual General Meeting which will take place at 7:00 a.m. British Summer Time ("BST") / 2:00 p.m. Malaysia Time ("MYT") on 18 October 2016 at the Business Centre, Mezzanine Floor, CSF Computer Exchange 5, Jalan Cyber Point 2, Cyber 12, 63000 Cyberjaya, Selangor Darul Ehsan, Malaysia.

The Extraordinary General Meeting is to be held for the purpose of considering, and if thought fit, passing the following resolution (the "Resolution"), to take effect as a resolution of the Company requiring 75 per cent. of the votes cast (in person or by proxy) to be in favour: *THAT, the admission of the ordinary shares of 10p each in the capital of the Company to trading on AIM, a market operated by the London Stock Exchange plc, be cancelled and that the directors of the Company be authorised to take all steps which they consider to be necessary or desirable in order to effect such cancellation.*

Certain of the Directors, members of the Company's senior management team and the Company's employee benefit trust, whose shareholdings in aggregate represent 11.02 per cent. of the issued share ordinary capital of the Company, have given irrevocable undertakings to vote in favour of the Resolution.

Subject to the passing of the Resolution at the proposed Extraordinary General Meeting on 18 October 2016, Cancellation will occur no earlier than 5 business days after the proposed Extraordinary General Meeting and it is therefore expected that trading in the Ordinary Shares on AIM will cease at the close of business on 25 October 2016, with Cancellation expected to take effect at 7:00 a.m. (BST) / 2.00 p.m. (MYT) on 26 October 2016.

Pursuant to Rule 41 of the AIM Rules, the Directors have notified the London Stock Exchange of the date of the proposed Cancellation.

The EGM Circular will set out the following, details of which can also be found further below within this announcement:

- the background to the Proposal;
- why the Board has decided to proceed with the Proposal, subject to Shareholders' approval; and
- why the Directors believe that the Proposal is in the best interests of the Company and Shareholders as a whole and why the Board recommends that Shareholders vote in favour of the Resolution at the forthcoming Extraordinary General Meeting.

Should Cancellation be approved by Shareholders at the Extraordinary General Meeting, the Company intends to put in place a matched bargain settlement facility which should facilitate Shareholders buying and selling Ordinary Shares on a matched bargain basis following Cancellation. The Board is reviewing several matched bargain settlement facilities and the Company intends to make an announcement in respect of such a facility ahead of the date of Cancellation.

It is anticipated that the EGM Circular and the notice of the Company's 7th Annual General Meeting will be posted to Shareholders on 30 September 2016 and the Company will make a further announcement once these documents have been posted and are available to view and download from the Company's website at [www.csf-group.com](http://www.csf-group.com), in accordance with Rule 26 of the AIM Rules.

### **Background to, and reasons for, the Proposal**

#### *Level of trading in the Ordinary Shares and lack of institutional demand*

The Board considers that the total trading volumes in the Company's Ordinary Shares over the period from 1 January 2016 to 23 September 2016 were effectively negligible, representing less than 5.1 per cent. of the Company's issued ordinary share capital. The Board does not believe that there are currently any likely circumstances that would reverse this trend, and believes that the level of liquidity in the market for the Ordinary Shares is effectively meaningless.

Despite efforts to attract investors, the Board is of the view that there has been a relatively low demand for the Ordinary Shares, especially from institutional investors.

The Board also has certain reservations regarding the practical value of institutional investors. The Directors remain cognizant of the fact that meaningful amounts of additional working capital would be useful to the smooth-running of the Company's data centre infrastructure management business, given the expenses associated with capital and operating expenditure. However, the Board is also mindful that institutional investors may require shorter-term levels of return, which may be incompatible with the long-term nature of the data centre business and the Board's long-term strategy and business model. In any event, the Board is of the belief that the aversion to risk by institutional investors means that the illiquidity in the market for the Ordinary Shares acts as a further deterrent.

#### *Inability to raise capital*

At the beginning of 2015, the Company's share price plateaued and since then has never risen above a level of 3.5p, which represents a 65 per cent. discount to the Ordinary Shares' par value of 10p. As at 23 September 2016, being the latest practicable closing price prior to this announcement regarding the Company's intention to seek Shareholder approval for the Cancellation, the closing middle market price of an Ordinary Share on AIM was 1p. The Board views the continuing low share price as being a significant hindrance to the Company and partially as a consequence of this, despite significant efforts, the Directors have not been able to secure additional capital, especially by way of equity financing.

The Company's main reason for having its Ordinary Shares admitted to trading on AIM in 2010 was to access capital and the Board has now concluded that it is no longer possible for the Company to raise equity capital on AIM.

#### *The cost of the Company's listing*

It is estimated by the Board that the total costs directly related to the maintenance of the admission of the Ordinary Shares to trading on AIM are over £200,000 per annum. This includes fees payable to the London Stock Exchange, nominated adviser fees, shareholder communication time and costs, and other professional fees. Given that the Company's operations are principally based in Malaysia, a country currently facing declining economic growth, the fact that a significant number of these expenses are payable in currencies other than the Malaysian Ringgit exacerbates the costs to the Company of maintaining the admission to trading on AIM of the Ordinary Shares.

The Directors therefore believe that Cancellation will, accordingly, reduce the Company's recurring administrative costs, allowing the funds currently spent on such expenses to be better spent in running the business in a private capacity.

#### *Conclusion*

After careful consideration of the matters laid out above, the Directors have therefore concluded that the commercial disadvantages and costs of maintaining the admission to trading on AIM of the Ordinary Shares at this time in the Company's development outweigh the potential benefits, and that it is therefore no longer in the Company's or its Shareholders' best interests to maintain the admission to trading on AIM of the Ordinary Shares. Particular consideration has been given by the Directors to the very low liquidity in the Ordinary Shares, the lack of financing opportunities available to the Company, and the relative expense of the Company's quotation on AIM.

#### *Potential consequences if the Cancellation is not approved*

Shareholders should be aware that there may be potential consequences if the Cancellation is not approved at the Extraordinary General Meeting, which may include:

- The Company's non-executive Board members considering their position and potentially resigning. This would lead to Company's nominated adviser considering the suitability of the Company to be a Company with shares admitted to a public market in the UK.
- In the event that the Company's nominated adviser believes that the Company is not suitable to be a Company with shares admitted to a public market in the UK, then the nominated adviser will resign.
- Following the resignation of the Company's nominated adviser taking effect, in the absence of the appointment of a new nominated adviser, trading in the Company's Ordinary Shares on AIM will be suspended.

- If the Company cannot appoint a replacement nominated adviser within one month of such suspension, the admission of the Company's Ordinary Shares to trading on AIM will be cancelled.

### **Cancellation of admission of ordinary shares to trading on AIM**

#### *Cancellation*

Under the AIM Rules, it is a requirement that the cancellation of admission to trading on AIM must be approved by not less than 75 per cent. of Shareholders voting in general meeting. Under the AIM Rules, the Cancellation also requires a notice period of not less than 20 business days from the date on which notice of the intended Cancellation is notified via a Regulatory Information Service and is given to the London Stock Exchange. Pursuant to Rule 41 of the AIM Rules, the Directors have notified the London Stock Exchange of the date of the proposed Cancellation.

Subject to the passing of the Resolution at the proposed Extraordinary General Meeting on 18 October 2016, Cancellation will occur no earlier than 5 business days after the proposed Extraordinary General Meeting and it is therefore expected that trading in the Ordinary Shares on AIM will cease at the close of business on 25 October 2016, with Cancellation expected to take effect at 7:00 a.m. (BST) / 2.00 p.m. (MYT) on 26 October 2016.

#### *Trading in the Ordinary Shares after Cancellation*

**Whilst the Board believes that the Cancellation is in the interests of Shareholders as a whole, it recognises that the Cancellation will make it more difficult for Shareholders to buy and sell Ordinary Shares should they wish to do so.** Following the Cancellation, although the Ordinary Shares will remain transferable they will no longer be tradable on AIM.

Accordingly, the Board intends, following the Cancellation, to put in place a matched bargain settlement facility (the "Proposed Facility") which should facilitate Shareholders buying and selling Ordinary Shares on a matched bargain basis following Cancellation. The Board is reviewing several matched bargain settlement facilities and the Company intends to make an announcement in respect of such a facility ahead of the date of Cancellation. However, it is likely that the Proposed Facility will offer a substantially lesser degree of liquidity and potentially less attractive share prices than are currently available via the Company's quotation on AIM.

The Board's choice of matched bargain settlement facility provider will determine whether the Company's existing CREST facility will remain in place following Cancellation and therefore whether Shareholders will be able to elect to hold their Ordinary Shares in dematerialised form. If the Company's CREST facility is ceased, then it is likely that Shareholders will be issued share certificates in respect of their Ordinary Shares.

Following the implementation of the Proposed Facility, the Board intends to monitor its popularity amongst Shareholders and will review it at regular intervals to consider whether it remains cost effective.

### **Effects of Cancellation on shareholders**

#### *Market for the Company's Ordinary Shares*

The principal effect of the proposed Cancellation is that there would no longer be a formal market mechanism enabling Shareholders to trade their Ordinary Shares on AIM or any other recognised market or trading exchange. The underlying liquidity in the Ordinary Shares is low and, in the opinion of the Directors, is likely to remain that way for the foreseeable future. As described above, the Company intends to, shortly following Cancellation, put in place the Proposed Facility to serve as a

limited platform for Shareholders and other persons to seek to buy or sell Ordinary Shares. However, the Proposed Facility is likely to offer a substantially lesser degree of liquidity and potentially less attractive share prices than are currently available via the Company's quotation on AIM.

#### *Taxation*

Shareholders who are in any doubt about their tax position should consult with their own independent professional adviser as soon as possible.

#### *Loss of shareholder protections*

Shareholders should also be aware that the Company will no longer be bound by the AIM Rules following Cancellation. As a consequence, investors will not be able to benefit from certain of the protections provided by the AIM Rules. For example, the Company will no longer be required to announce material events, interim or final results or transactions (including related party transactions) and certain previously prescribed corporate governance procedures may not be adhered to by the Company in the future. Shareholders' approval will also not be required for reverse takeovers and/or fundamental changes in the Company's business. The Company will no longer be bound to comply with the corporate governance requirements applicable to UK-quoted companies and the Company would also no longer be required to have a nominated adviser, nor be required to retain a broker.

The Directors intend to keep Shareholders informed of the Company's progress from time to time and remain committed to high standards of corporate governance. Accordingly, following Cancellation, the Directors intend to:

- hold an annual general meeting and, when required, other general meetings, in accordance with applicable statutory requirements and the articles of association of the Company;
- make available to all Shareholders an annual report and the Company's annual financial statements;
- maintain an 'investors' section on the Company's website at [www.csf-group.com](http://www.csf-group.com) providing information on any significant events or developments in which Shareholders may be interested. Shareholders should, however, be aware that there will be no obligation on the Company to update this section of the website as is presently required under the AIM Rules and other currently applicable regulation; and
- comply with corporate governance standards appropriate for a company with the number of Shareholders it has.

#### *Takeover Code*

The City Code on Takeovers and Mergers (the "Takeover Code") currently applies to the Company and as such the Shareholders currently benefit from a number of protections contained in the Takeover Code. Following Cancellation, the Company's place of central management and control will not be in the United Kingdom, the Channel Islands or the Isle of Man and, pursuant to paragraph 3(a)(ii) to the Introduction to the Takeover Code, the Company will no longer be subject to the Takeover Code.

**Shareholders should note that, if the Cancellation becomes effective, they will not receive the protections afforded by the Takeover Code in the event that there is a subsequent offer to acquire their Ordinary Shares.**

Brief details of the Takeover Code and the protections given by the Takeover Code are described below. **Before giving your consent to the Cancellation, you may want to take independent professional advice from an appropriate financial adviser.**

### *The Takeover Code*

The Takeover Code is issued and administered by the Panel on Takeovers and Mergers of the United Kingdom (the "Panel"). The Company is presently a company to which the Takeover Code applies and its Shareholders are accordingly entitled to the protections afforded by the Takeover Code.

The Takeover Code and the Panel operate principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The Takeover Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

### *The General Principles and Rules of the Takeover Code*

The Takeover Code is based upon a number of general principles ("General Principles") which are essentially statements of standards of commercial behaviour. The General Principles apply to all transactions with which the Takeover Code is concerned. They are expressed in broad general terms and the Takeover Code does not define the precise extent of, or the limitations on, their application. They are applied by the Panel in accordance with their spirit to achieve their underlying purpose.

In addition to the General Principles, the Takeover Code contains a series of rules ("Rules"), of which some are effectively expansions of the General Principles and examples of their application and others are provisions governing specific aspects of takeover procedure. Although most of the Rules are expressed in more detailed language than the General Principles, they are not framed in technical language and, like the General Principles, are to be interpreted to achieve their underlying purpose. Therefore, their spirit must be observed as well as their letter. The Panel may derogate or grant a waiver to a person from the application of a Rule in certain circumstances.

### *Giving up the protection of the Takeover Code*

Shareholders will be giving up certain important protections upon Cancellation. Your attention is drawn in particular to the following protections under the Takeover Code:

- (i) all holders of Ordinary Shares must be afforded equivalent treatment and, moreover, if a person acquires 30 per cent. or more of the Ordinary Shares in the Company (other than in the context of a voluntary offer to all Shareholders) such person would be required to make a mandatory offer to all of the other Shareholders;
- (ii) the holders of Ordinary Shares must have sufficient time and information to enable them to reach a properly informed decision on any bid; where it advises the holders of Ordinary Shares, the Board must give its views on the effects of implementation of the bid on employment, conditions of employment and the locations of the Company's place of business;
- (iii) the Board would be required to act in the interests of the Company as a whole and must not deny any holders of Ordinary Shares the opportunity to decide on the merits of a bid for the Company; and
- (iv) if a bid for the Company were to be made, the Board would be required to obtain competent independent advice as to whether the financial terms of any offer (including any alternative offers) are fair and reasonable and the substance of such advice must be made known to Shareholders.

### *The Jersey framework for takeovers following Cancellation*

Certain brief details of the Jersey legal framework for takeovers, which following Cancellation will be applicable to the Company, as appropriate, are described below.

#### *Acquisitions*

A Jersey public limited company may be acquired in a number of ways, including by means of a "scheme of arrangement" between the company and its shareholders or by means of a takeover offer.

#### *Scheme of arrangement*

A "scheme of arrangement" is a statutory procedure under the Companies (Jersey) Law 1991 (as amended) (the "Act") pursuant to which the Royal Court of Jersey may approve an arrangement between a Jersey company and some or all of its shareholders. In a "scheme of arrangement," the company would make an initial application to the Royal Court of Jersey to convene a meeting or meetings of its shareholders at which a majority in number of shareholders representing 3/4ths of the voting rights of the shareholders present and voting either in person or by proxy at the meeting must agree to the arrangement by which they will sell their shares in exchange for the consideration being offered by the bidder. If the shareholders so agree, the company will return to the Royal Court of Jersey to request the court to sanction the arrangement. Upon such a scheme of arrangement becoming effective in accordance with its terms and the Act, it will bind the company and such shareholders.

#### *Takeover offer*

A takeover offer is an offer to acquire all of the outstanding shares of a company (other than shares which at the date of the offer are already held by the offeror). The offer must be made on identical terms to all holders of shares to which the offer relates. If the offeror, by virtue of acceptances of the offer, acquires or contracts to acquire not less than 90% in nominal value of the shares to which the offer relates, the Act allows the offeror to give notice to any non-accepting shareholder that the offeror intends to acquire his or her shares through a compulsory acquisition (also referred to as a "squeeze out"), and the shares of such non-accepting shareholders will be acquired by the offeror 6 weeks later on the same terms as the offer, unless the shareholder objects to the Royal Court of Jersey and the court enters an order that the offeror is not entitled to acquire the shares or specifying terms of the acquisition different from those of the offer.

The Act permits a scheme of arrangement or takeover offer to be made relating only to a particular class or classes of a company's shares.

### **Further information**

#### *Current trading and prospects*

As at the date of this announcement, the Company is still incurring operating losses, due to insufficient data centre rental revenue to cover its operating overheads. Therefore, the Company's immediate focus is to fill the available capacity of its CX2 and CX5 data centres. The Board and the management team continue to follow-up on a number of key strategic initiatives and pursue a pipeline of potential customers and business alliances. The Board believes that the key strategic initiatives that are being undertaken have positioned the business in a more favourable direction and the Board remains focused on this strategy going forward. However, the Board expects for the data centre rental market in Malaysia to remain soft, especially when bidding for the business of larger users of data centres such as cloud computing service providers and digital content storage providers, due to competition from data centre companies owned by larger Malaysian telecommunications companies and competition from more established markets, such as Singapore.

The Board and the management team will continue to ensure that cash outlay is kept to a minimum other than the sums required to cover the committed lease rentals and other necessary operating overheads, subject to any further capital or operating expenditure that may be required in relation to tenancy contracts.

#### *Future strategy of the Company*

The Company will seek to continue to improve operational efficiencies and implement strategies to reduce operating costs. In spite of the soft data centre market in Malaysia, the Board intends to aggressively pursue new tenancy contracts, with a greater focus on Malaysian government agencies.

In order to expand its market reach, the Company intends to collaborate with data centre operators in Singapore and offer the Company's data centres as a means of expanding their capacity. However, such collaboration plans will require connectivity between Malaysia and Singapore. In this regard, the Company is currently formulating suitable collaboration strategies for approaching data centre owners and operators and telecommunications companies within Singapore.

#### **Irrevocable undertakings**

The Company has received irrevocable undertakings to vote in favour of the Resolution at the proposed Extraordinary General Meeting from certain of the Directors, members of the Company's senior management team and the Company's employee benefit trust in respect of their respective holdings of, in aggregate, 17,635,463 Ordinary Shares, representing approximately 11.02 per cent. of the total current issued ordinary share capital of the Company.

The aforesaid irrevocable undertakings will lapse if the Extraordinary General Meeting is not held or the Resolution is not put to Shareholders or in the event that the Resolution is not approved.

#### **Recommendation**

The Board considers the Resolution that will be set out in the notice of the proposed Extraordinary General Meeting to be in the best interests of the Company and its Shareholders as a whole. **Accordingly, the Directors unanimously recommend Shareholders to vote in favour of the Resolution. The Directors intend to vote their own beneficial holdings in favour of the Resolution, and procure the same from certain members of the management of the Company and the Company's employee benefit trust, which, in aggregate, amounts to 17,635,463 Ordinary Shares, representing approximately 11.02 per cent. of the issued ordinary share capital of the Company as at the date of this announcement.**

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#### **For further information, please contact:**

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