TELECHOICE INTERNATIONAL LIMITED
(REG. NO. 199802072R)

PROPOSED ACQUISITION OF 90% OF THE TOTAL NUMBER OF ISSUED SHARES (EXCLUDING TREASURY SHARES) IN THE SHARE CAPITAL OF S & I SYSTEMS PTE LTD

1. Introduction

The Board of Directors of TeleChoice International Limited ("**Company**) wishes to announce that the Company has on 11 October 2010 entered into a conditional sale and purchase agreement ("**SPA**") with the shareholders ("**Vendors**") of S & I Systems Pte Ltd ('**SIS**") for the proposed acquisition ("**Proposed Acquisition**") by the Company of 471,694 ordinary shares in the share capital of SIS ("**Sale Shares**"), representing 90% of the total number of issued shares in the share capital of SIS, excluding treasury shares ("**SIS Shares**").

2. Information on SIS

Incorporated in the Republic of Singapore in 1998, SIS is an integrated information technology solutions provider of enterprise infrastructure and business applications software, with expertise in system servers, storage and virtualization, business intelligence, enterprise resource planning, customer relationship management, supply chain management, product life cycle management, cloud and high performance computing, business continuity and disaster recovery, professional services, project management, hardware and software maintenance and managed services and outsource solutions.

SIS and its subsidiaries ("**SIS Group**") provide their services to clients from a wide spectrum of industries across Asia, but have in particular a significant clientele base in the financial services industry.

The current major shareholder of SIS is Sunway Systems (S) Pte. Ltd. ("**Sunway Systems**"), which holds approximately 52.27% of the SIS Shares. Sunway Systems is part of the Sunway group, a Malaysian conglomerate. Sunway Systems and its direct or indirect holding companies, its subsidiaries and associated companies, and subsidiaries and associated companies of its direct or indirect holding companies (but excluding the SIS Group) are referred to as the "**Sunway Group**".

The remaining approximately 47.73% of the SIS Shares are held by 14 other shareholders, most of whom are employees of the SIS Group. Sng Sheau Huei, one of these other shareholders and a senior executive of the SIS Group, currently holds approximately 25.60% of the SIS Shares and will sell only part of his SIS Shares pursuant to the Proposed Acquisition. He will retain 10.00% of the SIS Shares following completion of the Proposed Acquisition, with the Company holding the other 90.00% of the SIS Shares.

Based on the audited consolidated financial statements of the SIS Group for the financial year ended 31 March 2010, SIS recorded consolidated revenue and net profit after tax and non-controlling interests ("**PATMI**") of approximately S$58.25 million and S$0.95 million, respectively. As at 31 March 2010, SIS's consolidated net tangible assets (excluding non-controlling interests) amounted to approximately S$7.61 million.

3. Principal terms of the SPA

3.1 Purchase consideration

The consideration for the Proposed Acquisition shall be the aggregate of the initial consideration described in paragraph (a) below ("**Initial Consideration**") which is payable upon completion of the sale and purchase of the Sales Shares ("**Completion**"), and the final consideration described in paragraph (b) below ("**Final Consideration**") which will be payable after the expiry of the period of 12 months commencing from the date immediately after the Completion Date ("**Assessment Period**"):

(a) Initial consideration

The Initial Consideration is S$11.34 million. If the NTA at Completion is determined to be less than S$6.00 million after the Completion Date, the Vendors will pay to the Company an amount equivalent to the difference between S$6.00 million and the NTA.

(b) Final Consideration

The Final Consideration will be computed by reference to the adjusted consideration for the Proposed Acquisition ("**Adjusted Consideration**") which will be determined in the manner set out below:

$$\frac{\text{Actual Profit}}{\text{Indicative Profit}} \times \text{Indicative Valuation}$$

where:

"**Actual Profit**" means actual audited consolidated net profit after tax attributable to equity holders of SIS for the Assessment Period;

"**Indicative Profit**" means S$3.00 million; and

"**Indicative Valuation**" means S$16.20 million which is equivalent to 90% of the valuation of SIS based on 6 times of the Indicative Profit.

The Final Consideration shall be determined as follows:

(i) if the Adjusted Consideration is between S$14.40 million and S$18.00 million, the Final Consideration shall be computed in the following manner:

Final Consideration = Adjusted Consideration – Initial Consideration

(ii) if the Adjusted Consideration is less than S$14.40 million, the Final Consideration shall be computed in the manner set out below:

Final Consideration = S$14.40 million – S$11.34 million
= S$3.06 million

(iii) if the Adjusted Consideration is more than S$18.00 million, the Final Consideration shall be computed in the manner set out below:

Final Consideration = S$18.00 million – S$11.34 million
= S$6.66 million

In addition to the Initial Consideration and the Final Consideration, either the Company or Sunway Systems may have to make a further payment to the other, depending on the amount of the Actual Profit:

(aa) if the Actual Profit is less than S$2.67 million ("**Profit Amount**"), Sunway Systems shall pay to the Company 90% of the difference between S$2.67 million and the Actual profit ("**Sunway Payment**"); and

(bb) if the Actual Profit is more than S$3.33 million, the company shall pay Sunway Systems 90% of the difference between the Actual Profit and S$3.33 million ("**Further Payment**").

The Actual Profit and the Adjusted Consideration will be determined based on the consolidated profit and loss statement and balance sheet of the SIS Group for the Assessment Period ("**Relevant Accounts**") to be prepared by SIS and audited by independent auditors. The Final Consideration and the Sunway Payment or Further Payment will be paid no later than 2 months after the expiry of the Assessment Period.

In the event that the audited Relevant Accounts are not available in time for the payment of the Final Consideration and the Sunway Payment or Further Payment within the time limit mentioned above, the Final Consideration and the Sunway Payment or Further Payment will be determined based on the unaudited Relevant Accounts prepared by SIS and paid on the date falling 2 months after the expiry of the Assessment Period. After the audited Relevant Accounts become available, appropriate adjustment payments shall be made based on the Final Consideration and the Sunway Payment or Further Payment as determined based on the audited Relevant Accounts.

Based on the foregoing, the total purchase consideration payable by the Company for the Proposed Acquisition will be the aggregate of up to S$18.00 million and, if applicable, the Further Payment referred to in paragraph (bb) above, and cannot be ascertained as at the date of this announcement as both the Final Consideration, the Sunway Payment and the Further Payment depends on the Actual Profit for the Assessment Period.

The Company will, as appropriate, announce Actual Profit and the payment of the Final Consideration and, if applicable, the Sunway Payment or the Further Payment as described above.

The purchase consideration was arrived at following arms' length negotiations and on a willing-seller and willing-buyer basis, taking into account the existing contracts already secured and the historical performance of the SIS Group (including without limitation the PATMI of the SIS Group mentioned in Section 3.2 below).

The Consideration will be funded by internal funds of the Company and its subsidiaries ("**Group**").

3.2 Profit Amount

As mentioned in Section 3.1 above, in addition to the Initial Consideration and the Final Consideration, Sunway Systems or the Company will have to make a further payment to the other, depending on the amount of the Actual Profit. Specifically, if the Actual Profit is less than the Profit Amount (i.e. S$2.67 million), Sunway Systems will have to pay to the Company 90% of the difference between the Profit Amount and the Actual Profit.

The Board is of the view that the Profit Amount is reasonable because the SIS Group has achieved an average PATMI of S$2.8 million for the financial years ended 31 March 2006 to 2009. The PATMI of the SIS Group declined to S$0.95 million for the most recent financial year ended 31 March 2010, due to the difficult business environment brought about by the global financial crisis in 2008 and 2009. However, given the existing contracts already secured and the track record of the SIS Group for the four financial years immediately preceding the most recent financial year ended 31 March 2010, there is a reasonable basis to expect that the profitability of the SIS Group will recover moving forward as market conditions improve.

The Board's view of the reasonableness of the Profit Amount is based on the following principal assumptions:

(a) The existing customer contracts secured by the SIS Group will not be terminated and will be successfully completed within the expected time frame and payment will be duly made by the relevant customers.

(b) The recovery in the economic conditions will lead to an increase in enterprise information technology spending.

(c) All of the major vendor partnerships of the SIS Group will remain unchanged and will be renewed when such partnership arrangement expires.

The Final Consideration, ranging from S$3.06 million to S$6.66 million, is payable to Vendors after the expiry of the Assessment Period as described in Section 3.1 above. In the event the Actual Profit falls below the Profit Amount of S$2.67 million, the Final Consideration that would have been payable to the Vendors can be withheld pending payment by Sunway Systems of the Sunway Payment or set off against the Sunway Payment.

3.3 Conditions precedent

Under the terms of SPA, the Proposed Acquisition is conditional upon, among others, the satisfaction or waiver of the following conditions:

(a) the Company, at its own costs and expense, having obtained all approvals required for the purchase of the Sale Shares, including but not limited to the due compliance by the Company with the listing rules and other requirements of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in connection with the purchase of the Sale Shares and the transactions contemplated under the SPA Agreement (including without limitation any shareholders' approval which may be required under the rules and regulations of the SGX-ST), and the Company having confirmed in writing to the Vendors that this condition precedent has been satisfied;

(b) the Vendors, at their own cost and expense, having obtained all approvals required for the sale and transfer of the Sale Shares including but not limited to consents from the product principals, financial institutions or bankers of SIS and/or the SIS Group, if applicable, and the Vendors having confirmed in writing to the Company that this condition precedent has been satisfied;

(c) execution or renewal of a shared services agreement between Sunway Computer Services Sdn Bhd and SIS relating to the provision of accounting and human resource services by Sunway Computer Services Sdn Bhd to Sunway S&I Systems Sdn Bhd, the Malaysian subsidiary of SIS; and

(d) the cancellation of the ordinary shares in the capital of SIS which are held as treasury shares.

If the conditions precedent under paragraphs (a) and (b) above are not satisfied within 21 days or such extended period as the Company and the Vendors may mutually agree ("**Unconditional Date**"), either the Company or the Vendors shall be entitled to terminate the SPA by giving written notice to the other and, thereafter, neither the Company nor the Vendors shall have any rights against the other.

If the conditions precedent under paragraphs (c) and (d) above are not satisfied within 21 days from the Unconditional Date or such later date as may be permitted by the Company (but in any event prior to 30 November 2010), the Company shall be entitled to terminate the SPA and claim such costs and damages incurred by the Company arising from the non-satisfaction of the conditions precedent under paragraphs (c) and (d).

3.4 Other salient terms

Under the SPA, among other things:

(a) the Vendors have provided to the Company certain representations and warranties relating to the SIS Group. The liability of the Vendors in respect of breach of these representations and warranties is subject to certain limitations set out in the SPA;

(b) the Vendors and the Company have each given to the other an indemnity against all losses, costs and expenses arising from a breach of any of the provisions of the SPA by the Vendors or the Company (as the case may be);

(c) the Vendors will, upon and subject to the terms and conditions of the SPA, indemnify the Company against any loss incurred by the Company arising from (among other things) or any pre-Completion tax liability; and

(d) the Vendors are subject to (among other things) certain non-compete restrictions.

4. Rationale for the Proposed Acquisition

The Company believes that the Proposed Acquisition will benefit the Company as follows:

(a) As the telecommunications ("**Telecoms**") and information technology ("**IT**") industries continue to converge, end-users increasingly expect seamless integration of their information communications ("**Info-Comm**") services. Core Telecoms services are being standardized via IT interfaces and Telecoms providers are looking for common entry and service points to deliver an integrated solution, to reduce cost and introduce new and innovative services. New types of service providers (such as Google and Yahoo) who are leveraging on currently available Telecoms networks into their existing services are also changing the landscape of competition. Telecoms providers around the world are repositioning themselves as integrated information and communications technology ("**ICT**") solutions providers to stay effective. This has made IT a very essential capability for Telecoms providers to succeed in the next generation of play. The SIS Group can provide the Company with the IT capabilities and resources required to better position themselves as a leading ICT solutions provider.

(b) The IT industry is going through revolutionary change with the emergence of cloud computing. This new technology will impact Telecoms in a significant way. Cloud services in the Asia-Pacific are expected to increase. The pervasive adoption of cloud services will give Telecoms companies a once-in-a-generation chance to become the pre-eminent reseller of IT software and computing resources, according to IDC.

The Company's Telecoms unit already offers cloud services and the SIS Group will bring an enhanced level of expertise to the company in this area. Together, the Company will be well positioned to capture growth in this exciting space by providing high performance and customized cloud computing solutions. This capability will not only help differentiate and create greater value to customers but also facilitate the Company's diversification into other growth segments.

(c) The SIS Group's extensive IT and system integration capabilities will complement well the Company's Telecoms unit's voice/data communication and cloud services offering. This combination will improve the Company's ability to expand and provide total solutions to give enterprise customers a more comprehensive range of services to choose from. Additionally, the SIS Group's regional presence and market leading position in the financial services industry and large and multi-national corporations segments are complementary to the Company's Telecoms market segments. This presents excellent opportunities to cross sell and further expand into regional markets. Together, exploiting these positive synergies will help the Company drive further growth and solidify its market leadership.

(d) Besides business synergies, the coming together of SIS and the Company's Telecoms unit will provide an excellent catalyst for capability development and innovation. These are critical to success and to keep ahead of the competition in this dynamic industry. With improved resources in the combined asset, the integration of the business is expected to consequently lead to improvements in productivity and effectiveness. This will help create greater value and satisfaction to customers, not to mention potential cost savings to the Company.

(e) The Company will group the SIS Group with its Telecoms services business unit to form a new unit called "Info-Comm Technology Services". This is to best represent its new positioning as a next generation ICT solutions provider. This is a strategic move for the Company as it will allow the Group to diversify its mix of revenues and further exploit the growth in the convergence of IT and Telecoms industries.

5. Discloseable transaction

The relative figures for the Proposed Acquisition computed on the relevant bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited are as follows:

		Relative figure
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	Not Applicable[(1)]
Rule 1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the group's net profits	8.6%[(2)]
Rule 1006(c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalization	17.3%[(3)]
Rule 1006(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable[(4)]

Notes:

(1) Rule 1006(a) is not applicable as the Proposed Acquisition is an acquisition and not a disposal.

(2) Computed based on (a) the audited consolidated net profits before income tax attributable to the SIS Group for the financial year ended 31 March 2010 of S$1.179 million, and (b) the audited net profits before income tax of the Group of S$13.641 million for the financial year ended 31 December 2009. No adjustments have been made to align the different financial year-ends of the Group and the SIS Group.

(3) Computed based on the maximum purchase consideration of S$18.00 million that can be ascertained at the date of this announcement and the market capitalization of the Company of approximately S$104,331,335 on 8 October 2010, being the latest market day on which shares in the capital of the Company were transacted on the SGX-ST, preceding the date of the SPA. The market capitalization of the Company was computed based on 453,614,500 ordinary shares in the capital of the Company in issue multiplied by S$0.230 being the weighted average price of such shares transacted on 8 October 2010, which is the market day immediately preceding the date of the SPA.

(4) Rule 1006(d) is not applicable as no shares in the Company will be issued as consideration for the Proposed Acquisition.

As the relative figures computed based on Rules 1006(b) and (c) exceed 5% but do not exceed 20%, the Proposed Acquisition constitutes a discloseable transaction under Chapter 10 of the Listing Manual. In relation to the computation based on Rule 1006(c), although the actual maximum purchase consideration for the Proposed Acquisition could be higher than S$18.00 million as currently assumed, the Company does not currently expect that the actual maximum purchase consideration will be so high as to result in the 20% threshold being exceeded. The Company will issue a separate announcement if the relative figures computed based on the actual purchase consideration for the Proposed Acquisition, as and when determined, were to result in the 20% threshold being exceeded for the relative figures computed based on Rules 1006(b) and (c).

6. Financial effects of the Proposed Acquisition

6.1 The proforma financial effects of the Proposed Acquisition on the Company are set out in Sections 6.3 to 6.5 below and have been presented based on (among other things):

(a) the audited consolidated financial statements of the Group for the financial year ended 31 December 2009;

(b) the audited consolidated financial statements of the SIS Group for the financial year ended 31 March 2010. No adjustments have been made to align the different financial year-ends of the Group and the SIS Group;

(c) the assumption that the Proposed Acquisition will be financed through internal resources. In particular, it is assumed that the net cash of the Company would be reduced by S$18.00 million; and

(d) the assumption that the purchase consideration for the Proposed Acquisition is $18.00 million, which is the maximum amount of the purchase consideration that can be ascertained as at the date of this announcement (as referred to in Section 3.1), and will be paid immediately upon Completion.

As the proforma financial effects presented are proforma in nature and only for illustrative purposes, no representation or forecast is made as to the actual financial position and/or results of the Group immediately after Completion.

6.2 Share capital of the Company

The Proposed Acquisition will not have any impact on the current share capital of the Company.

6.3 Earnings per share

Assuming that the Proposed Acquisition had been completed on 1 January 2009, the proforma financial effects of the Proposed Acquisition on the Company's consolidated earnings per share are as follows:

	Before Proposed Acquisition	After Proposed Acquisition
Profit attributable to shareholders (S$'000)	11,395	12,250
Weighted average number of shares ('000)	453,134	453,134
Earnings per share (cents)	2.51	2.70

6.4 Net tangible assets per share

Assuming that the Proposed Acquisition had been completed on 31 December 2009, the proforma financial effects of the Proposed Acquisition on the Company's consolidated net tangible assets per share are as follows:

	Before Proposed Acquisition	After Proposed Acquisition
NTA of the Group (S$'000)	69,485	58,591
Total number of issued shares ('000)	453,227	453,227
NTA per share (cents)	15.33	12.93

6.5 Gearing

Assuming that the Proposed Acquisition had been completed on 31 December 2009, the proforma financial effects of the Proposed Acquisition on the gearing of the Group are as follows:

	Before Proposed Acquisition	After Proposed Acquisition
Total borrowings (S$'000)	3,000	9,117
Cash and cash equivalent (S$'000)	46,642	35,454
Shareholders' equity	69,592	69,592
Gross gearing	4.3%	13.1%

Notes:

(1) "Total borrowings" means the aggregate liabilities arising out of borrowings from banks and financial institutions.

(2) "Shareholders' equity" refers to the aggregate of issued and paid-up share capital and other reserves of the Group and excludes minority interests.

(3) "Gross gearing" is computed based on the ratio of "Total borrowings" to "Shareholders' equity".

7. Interests of Directors and controlling shareholders

None of the Directors of the Company has any interest, direct or indirect, in the Proposed Acquisition and the Company has not received any notification from any of its controlling shareholders that they have any interest, direct or indirect, in the Proposed Acquisition.

8. Document for inspection

A copy of the SPA is available for during normal office hours at the registered office of the Company for a period of 3 months from the date of this Announcement.

By Order of the Board

Andrew Loh Sur Jin
President
11 October 2010