



TELECHOICE INTERNATIONAL LIMITED
(REG. NO. 199802072R)

PROPOSED ACQUISITION OF 100% OF THE TOTAL NUMBER OF ISSUED SHARES IN THE SHARE CAPITAL OF NXGEN COMMUNICATIONS PTE LTD IN TWO TRANCHES

1. Introduction

The Board of Directors of TeleChoice International Limited ("**Company**") wishes to announce that the Company has on 10 October 2011 entered into a conditional sale and purchase agreement ("**SPA**") with the shareholders ("**Vendors**") of NxGen Communications Pte Ltd ("**NxGen**") for the proposed acquisition ("**Proposed Acquisition**") by the Company of an aggregate of 600,000 ordinary shares in the share capital of NxGen ("**NxGen Shares**"), representing 100% of the total number of issued NxGen Shares.

The Proposed Acquisition will, upon and subject to the terms and conditions of the SPA, be carried out in two tranches, with the first tranche involving an aggregate of 330,000 NxGen Shares, representing 55.00% of the total number of issued NxGen Shares ("**Tranche 1 Sale Shares**"), and the second tranche involving an aggregate of 270,000 NxGen Shares, representing 45.00% of the total number of issued NxGen Shares ("**Tranche 2 Sale Shares**").

2. Information on NxGen

NxGen is a private limited company incorporated in Singapore. It is engaged principally in the business of providing system integration services and managed services for desktop, networking and communications. NxGen and its subsidiaries ("**NxGen Group**") carry on its business primarily in Singapore, Malaysia and the Philippines and provide services to various clients across the Asia Pacific region.

The Vendors collectively hold 100% of the total issued NxGen Shares. Each of Ng Chong Hwee, Chong Kwang Sien and Veeresh A/L Maruthamuthoo ("**Tranche 2 Vendors**") currently holds approximately 25.15% of the NxGen Shares, while five other shareholders hold the remaining approximately 24.55% of the NxGen Shares ("**Other Shareholders**").

The Tranche 1 Sale Shares comprise an aggregate of: (a) approximately 30.45% of the NxGen Shares held currently by the Tranche 2 Vendors collectively (with each of them holding approximately 10.15% of the NxGen Shares); and (b) approximately 24.55% of the NxGen Shares held currently by the Other Shareholders collectively. Upon completion of the sale and purchase of the Tranche 1 Sale Shares pursuant to the SPA, the Company will hold approximately 55.00% of the NxGen Shares, while the Tranche 2 Vendors will retain an aggregate of 45.00% of the NxGen Shares collectively (with each of them holding approximately 15.00% of the NxGen Shares).

Based on the audited consolidated financial statements of the NxGen Group for the financial year ended 31 December 2010 ("**FY2010**"), the audited consolidated revenue and audited consolidated net profit after tax attributable to the shareholders of NxGen ("**NPAT**") for FY2010 was S\$18.0 million and S\$1.34 million, respectively. As at 31 December 2010, the audited consolidated net tangible assets (excluding non-controlling interests) of the NxGen Group amounted to S\$5.04 million.

3. Principal terms of the SPA

3.1 Sale and purchase of Tranche 1 Sale Shares

- (a) *Tranche 1 Consideration.* The aggregate consideration for the Tranche 1 Sale Shares ("**Tranche 1 Consideration**") shall be S\$5,005,000, subject to adjustments in accordance with the SPA.

The Tranche 1 Consideration was arrived at based on arm's length negotiations and based on 55% of the valuation of NxGen of 7 times the agreed NPAT for FY2010 of S\$1,300,000 ("**Agreed NPAT**"). The Tranche 1 Consideration will be funded by internal funds and borrowings of the Company and its subsidiaries ("**Group**").

After completion of the sale and purchase of the Tranche 1 Sale Shares ("**Tranche 1 Completion**"), the consolidated financial statements of the NxGen Group for FY2010 will be re-audited by an independent auditor to be mutually agreed between the Company and the Vendors ("**Independent Auditor**"). The Independent Auditor will determine the actual NPAT of the NxGen Group for FY2010 based on such re-audit ("**Actual NPAT**"). In the event of a shortfall in the Actual NPAT as compared to the Agreed NPAT, the Tranche 1 Consideration will be adjusted to be such proportion of S\$5,005,000 which the Actual NPAT bears to the Agreed NPAT.

The balance sheet of the NxGen Group as at the date of Tranche 1 Completion ("**Tranche 1 Completion Date**") will also be prepared and finalised in accordance with the SPA ("**Completion Accounts**"), and the actual consolidated net tangible assets of the NxGen Group as at the Tranche 1 Completion Date will be determined based on such Completion Accounts ("**Actual NTA**"). At the same time, the aggregate of (a) the historical average net working capital of the NxGen Group in FY2010 which shall be determined by the Independent Auditor; and (b) the amount of fixed assets of the NxGen Group as at the Tranche 1 Completion Date based on the Completion Accounts ("**Agreed NTA**") shall also be determined. The Agreed NTA is currently estimated to be about S\$3,300,000.

The Tranche 1 Consideration shall, apart from adjustment for any shortfall in the Actual NPAT, be further adjusted to take into account any shortfall in the Actual NTA as compared to the Agreed NTA in accordance with the SPA. The Company will, as appropriate, announce any adjustment to the Tranche 1 Consideration.

The Tranche 1 Consideration, as adjusted in accordance with the SPA, will be paid by the Company to the Vendors within 5 business days of the date on which the re-audited financial statements for FY2010, the Completion Accounts and the Agreed NTA determined are delivered and available in accordance with the SPA, whichever is later.

- (b) *Conditions precedent.* Tranche 1 Completion is conditional upon, among others, the satisfaction or waiver of the following conditions:
- (i) the Vendors, at their own cost and expense, having obtained all approvals, consents, licences, permits, waivers and exemptions from all relevant third parties (including but not limited to financial institutions or bankers of NxGen and/or the NxGen Group and all relevant governmental and regulatory authorities or bodies) ("**Approvals**") required for the sale and transfer of the Tranche 1 Sale Shares and/or the transactions contemplated under the SPA, and such Approvals continuing to be in full force and effect;
 - (ii) the 30% shareholding interest in NxGen Communications (M) Sdn Bhd ("**NxGen Malaysia**"), a subsidiary of NxGen incorporated in Malaysia, being duly transferred to NxGen in accordance with applicable laws and the memorandum and articles of association of NxGen Malaysia to the satisfaction of the Company, so that NxGen Malaysia becomes a wholly-owned subsidiary of NxGen;
 - (iii) all fixed deposits and other sums placed by the NxGen Group in the names of directors of NxGen for the purpose of enabling them to use such deposits

and other sums to secure the liabilities of the NxGen Group having been retransferred to the Company and alternative arrangements having been put in place to replace such security; and

- (iv) no material adverse change in the business, assets, prospects, performance, financial condition, financial position or results of operations of NxGen and/or the NxGen Group.

If any of the conditions to Tranche 1 Completion set out in the SPA are not satisfied or waived by the date falling 21 days from the date of the SPA (or such other date as may be mutually agreed in writing), the SPA shall immediately lapse and cease to have further effect and none of the Vendors and the Company shall have any claim against any other party or parties for costs, damages, compensation or otherwise.

Subject to the satisfaction or waiver of conditions precedent under the SPA, Tranche 1 Completion shall take place on 1 November 2011 or such other date as the Company and the Vendors may mutually agree, whereupon (among other things) the Vendors shall transfer the Tranche 1 Sale Shares to the Company.

3.2 Sale and purchase of the Tranche 2 Sale Shares

- (a) *Tranche 2 Consideration.* The consideration for the Tranche 2 Sale Shares ("**Tranche 2 Consideration**") shall be S\$6,300,000, subject to adjustments in accordance with the SPA.

The Tranche 2 Consideration was arrived at based on arm's length negotiations and based on 45% of the valuation of NxGen of S\$14,000,000, which in turn was based on a multiple of the average of the agreed cumulative NPAT of NxGen for the period of 3 years commencing from the date of Tranche 1 Completion ("**Relevant Period**") of S\$5,200,000 ("**Agreed Relevant NPAT**"). The Tranche 2 Consideration is expected to be funded by the internal funds of the Group.

The consolidated financial statements of the NxGen Group for the Relevant Period shall be prepared by NxGen and audited by the Independent Auditor, who shall also certify the audited NPAT of the NxGen Group for the Relevant Period ("**Actual Relevant NPAT**") based on such audit. In the event of a shortfall in the Actual Relevant NPAT as compared to the Agreed Relevant NPAT, the Tranche 2 Consideration will be adjusted to be such proportion of S\$6,300,000 which the Actual Relevant NPAT bears to the Agreed Relevant NPAT. The Company will, as appropriate, announce any adjustment to the Tranche 2 Consideration.

- (b) *Conditions precedent.* Completion of the sale and purchase of the Tranche 2 Sale Shares ("**Tranche 2 Completion**") is conditional upon, among others, the satisfaction or waiver of the following conditions:
 - (i) Tranche 1 Completion having taken place in accordance with the SPA;
 - (ii) the Tranche 2 Vendors, at their own cost and expense, having obtained all Approvals required for the sale and transfer of the Tranche 2 Sale Shares and/or the transactions contemplated under the SPA, and such Approvals continuing to be in full force and effect; and
 - (iii) no material adverse change in the business, assets, prospects, performance, financial condition, financial position or results of operations of NxGen and/or the NxGen Group.

Subject to the satisfaction or waiver of the conditions precedent under the SPA, Tranche 2 Completion shall take place on the date falling 5 business days after the Actual Relevant NPAT has been determined by the Independent Auditor (or such other date as may be mutually agreed in writing between the Company and the Tranche 2 Vendors), whereupon (among other things) the Tranche 2 Vendors shall transfer the Tranche 2 Sale Shares to the Company and the Company shall pay to the Tranche 2 Vendors the Tranche 2 Consideration (as adjusted in accordance with the SPA).

3.3 Other salient terms

Under the SPA, among other things:

- (a) the Vendors have provided to the Company certain representations and warranties relating to the NxGen Group;
- (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) any pre-completion tax liability;
- (d) upon Tranche 1 Completion, the Company shall be entitled to appoint nominees who will constitute a majority of the board of directors of NxGen. During the period between Tranche 1 Completion and Tranche 2 Completion, the Tranche 2 Vendors shall be entitled to be appointed as directors of NxGen; and
- (e) the Vendors are subject to (among other things) certain non-compete restrictions.

3.4 Completion of Tranche 2 Sale Shares

Upon Tranche 2 Completion taking place in accordance with the provisions of this Agreement, NxGen shall become wholly-owned by the Company. The maximum consideration will be S\$11,305,000.

4. Rationale for the Proposed Acquisition

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

- (a) NxGen is a regional Infocomm provider of managed services and system integration solutions. Its core competency in networking and unified communication solutions in the enterprise business segment is both complementary and an enhancement to the Company's Info-Comm Technology (ICT) Services business unit's portfolio of services and capabilities.
- (b) NxGen's success in managed services (professional/consultancy services, IT outsourcing and its proprietary 'Smart View' IP network management service) not only provides a strong value added proposition to its customers but also a steady recurring income to the business. This capability is portable and can be leveraged for other entities.
- (c) As a platinum partner for Avaya/Nortel (a global leader in business communications) with key partnerships with Aspect, Polycom and others, NxGen has built a significant customer base in the FSI segment. Along with our recent acquisition of S&I Systems Pte Ltd which already has a considerable presence in the FSI sector, this asset will further consolidate our position in the space and enhance our future potential to upsell other services. NxGen also has an extended customer base in other industry segments which will present future opportunity for cross-selling.
- (d) With growing trends in social networking and unified communications, NxGen's capabilities will provide our ICT group an essential lift to lead in the next generation evolution of communication solutions complemented by our existing voice & data solutions, wireless networking and cloud computing offerings.
- (e) NxGen has offices in Malaysia and Philippines with customer deployment touching 15 countries across Asia Pacific. This capability and presence will enhance our ability to synergize our units and resources toward further regional expansion of our Info-Comm Technology business.

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 ("SGX-ST") 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	11.2% ⁽²⁾
Rule 1006(c) Aggregate value of the consideration given or received, compared with the issuer's market capitalization	11.3% ⁽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, minority interests and extraordinary items of the NxGen Group for FY2010 of S\$1.65 million, and (b) the audited net profits before income tax, minority interests and extraordinary items of the Group for FY2010 of S\$14.69 million.
- (3) Computed based on:
 - (a) the maximum purchase consideration of S\$11,305,000 that can be ascertained at the date of this announcement, being the aggregate of the Tranche 1 Consideration of S\$5,005,000 and the Tranche 2 Consideration of S\$6,300,000. The Tranche 1 Consideration and Tranche 2 Consideration are subject to adjustments in accordance with the SPA, and cannot be ascertained as at the date of this announcement; and
 - (b) the market capitalization of the Company of approximately S\$99,843,719 on 7th October 2011, being the market day immediately preceding the date of the SPA. The market capitalization of the Company was computed based on 453,835,087 ordinary shares in the capital of the Company (excluding treasury shares) in issue multiplied by S\$0.22 being the weighted average price of such shares transacted on 7th October 2011, 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 SGX-ST Listing Manual. No shareholders' approval is required for the Proposed Acquisition under the SGX-ST Listing Manual.

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 6.2 to 6.5 below and have been presented based on (among other things):

- (a) the audited consolidated financial statements of the Group for FY2010;
- (b) the audited consolidated financial statements of the NxGen Group for FY2010;
- (c) the assumption that the Proposed Acquisition will be financed through internal resources and borrowings. In particular, it is assumed that the net cash of the Company would be reduced by S\$11,305,000; and

- (d) the assumption that the total purchase consideration for the Proposed Acquisition is S\$11,305,000, 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(a) and 3.2(a)), and the entire amount will be paid immediately upon Tranche 1 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 2010, 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)	12,424	13,765
Weighted average number of shares ('000)	453,449	453,449
Earnings per share (cents)	2.74	3.04

6.4 Net tangible assets per share

Assuming that the Proposed Acquisition had been completed on 31 December 2010, 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)	63,714	57,449
Total number of issued shares ('000)	453,563	453,563
NTA per share (cents)	14.05	12.67

6.5 Gearing

Assuming that the Proposed Acquisition had been completed on 31 December 2010, 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)	9,094	14,094
Cash and cash equivalent (S\$'000)	34,494	30,536
Shareholders' equity	74,222	74,222
Gross gearing	12.3%	19.0%

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. Details of service contracts of directors proposed to be appointed to the Company in connection with the Proposed Acquisition

There are no directors who are proposed to be appointed to the Board of Directors of the Company in connection with the Proposed Acquisition.

All of the Vendors are currently employees of the NxGen Group and are expected to remain as employees of the NxGen Group following Tranche 1 Completion.

8. Interests of Directors and controlling shareholders

The Company confirms that 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.

9. 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
10th October 2011