

八方电信国际控股有限公司
8TELECOM INTERNATIONAL HOLDINGS CO. LTD.

PROPOSED ACQUISITION OF 51% OF THE EQUITY INTEREST IN ARETE M PTE. LTD.

1. INTRODUCTION

The board of directors (the “**Board**”) of 8Telecom International Holdings Co. Ltd. (the “**Company**”) wishes to announce that the Company (the “**Company**” and together with its subsidiaries the “**Group**”) wishes to announce that the Company has entered into a conditional sale and purchase agreement (the “**Agreement**”) on 2 June 2015 with Lim Tong Soon (“**Lim**”), Chung Fui Leng Shirley Mrs. Tan Fui Leng Shirley (“**Chung**”), Loy Soo Kwee (“**Loy**”), Christopher Chong Seng Fatt (“**Chong**”), Tang Pen San (“**Tang**”) and Teo Siew Lin (“**Teo**”) (each a “**Vendor**”, collectively, the “**Vendors**”) to acquire 102,000 shares (the “**Sale Shares**”) in Arete M Pte. Ltd. (“**Target Company**”), representing 51% of the issued and paid up capital of the Target Company for a total consideration of S\$2,150,000.00 (the “**Consideration**”), upon the terms and subject to the conditions of the Agreement (hereinafter referred to as the “**Proposed Acquisition**”).

2. INFORMATION ON THE TARGET COMPANY

The Target Company was incorporated in Singapore on 12 May 2014. The Target Company has an issued and paid up capital of S\$650,000 represented by 200,000 ordinary shares. As at the date of the Agreement, the Vendors collectively own 100% of the ordinary shares in the Target Company as follows:

Names of shareholders	No. of shares in the capital of the Target Company	Shareholding Percentage (%)
a. Lim	67,590	33.795
b. Chung	47,610	23.805
c. Loy	26,550	13.275
d. Chong	21,240	10.62
e. Tang	20,000	10.00
f. Teo	17,010	8.505
TOTAL	<u>200,000</u>	<u>100</u>

The Target Company is an information-communications services company assisting enterprises in fulfilling their needs in information technology and communications

The unaudited net tangible assets of the Target Company as at 31 March 2015 was approximately S\$452,341 based on its management accounts.

Following the completion of the Proposed Acquisition (“**Completion**”), the Target Company will become a 51% subsidiary of the Company. The Target Company's shareholding structure and composition immediately upon Completion shall be as follows:-

Names of shareholders	No. of shares in the capital of the Target	Shareholding Percentage (%)
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	Company	
a. The Company	102,000	51
b. Lim	33,119	16.56
c. Chung	23,329	11.67
d. Loy	13,009	6.5
e. Chong	10,408	5.2
f. Tang	9,800	4.9
g. Teo	8,335	4.17
TOTAL	<u>200,000</u>	<u>100</u>

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 Consideration and Payment Terms

The Consideration for the Sale Shares, being an aggregate amount of S\$2,150,000 (or approximately S\$21.078 per Sale Share), was arrived at after arm's length negotiations between the Company and the Vendors, on a *willing buyer and willing seller* basis, after taking into account the synergy of the enlarged group after the Proposed Acquisition.

Subject to the conditions as set forth under the Agreement, the Consideration shall be paid by the Company in the following manner:

- (a) The Consideration shall be paid to the Vendors in the following proportion:
 - (i) S\$726,593 shall be paid to Lim;
 - (ii) S\$511,807 shall be paid to Chung;
 - (iii) S\$285,412 shall be paid to Loy;
 - (iv) S\$228,330 shall be paid to Chong;
 - (v) S\$215,000 shall be paid to Tang; and
 - (vi) S\$182,858 shall be paid to Teo.
- (b) The Consideration shall be satisfied on Completion by the issuance by the Company of a promissory note to each of the Vendors, in respect of such Vendor's proportion of the Consideration as stated paragraph 3.1(a) above (collectively, the "**Promissory Notes**", individually, a "**Promissory Note**"). Each Promissory Note shall be free of interest, and shall mature and be redeemed by the Purchaser two (2) years from the date of the Promissory Note or such further date as agreed in writing by the parties.

3.2 Put Option

Each of Vendors have jointly and severally irrevocably granted the Company a put option over all the Sale Shares held by Company (the "**Put Option Shares**") pursuant to which the Company has the right, at any time where any Specified Event (as defined below) occurs to require each of the Vendors to purchase from the Company the Put Option Shares during the period of twenty (20) months commencing from the date of Completion of the acquisition of the Sale Shares (the "**Put Option Period**"), at the aggregate consideration of S\$2,150,000 (or approximately S\$21.078 for each Put Option Share)

(the “**Put Option Share Price**”) and on the terms and subject to the conditions of the Agreement (the “**Put Option**”).

A “**Specified Event**” means, with respect to the Target Company, any of the following:-

- (a) Net profit after tax of less than S\$500,000 for the financial year ending 31 December 2015; and
- (b) Net profit after tax of less than S\$1,500,000 for the financial year ending 31 December 2016.

The Target Company’s Net profit after tax amounts shall be as determined by the auditors appointed by the Company.

3.3 Completion

Subject to the fulfillment to the satisfaction of the Company or the waiver by the Company of the conditions precedent set out in the Agreement, Completion shall take place such date as notified by the Company to the Vendors being a date set by the Company within 14 days of the satisfaction of the conditions precedent set out in the Agreement (or at such other time or date as may be agreed in writing between the parties) (“**Completion Date**”).

3.4 Conditions Precedent

Completion of the Proposed Acquisition is conditional upon, *inter alia*, the following conditions precedent (“**Conditions**”) having been fulfilled by 30 June 2015 or any other date agreed in writing by the Vendors and the Company (the “**Long-Stop Date**”):

- (a) the results of the due diligence review (including but not limited to legal, financial, contractual, tax, valuation or otherwise) conducted in respect of the Target Company being satisfactory to the Company in its sole discretion. For the avoidance of doubt, the Company shall not be required to provide any reason or basis for determining that the due diligence review of the Target Company is unsatisfactory;
- (b) the Target Company having no liabilities or obligations (whether actual, contingent, deferred or potential) other than in the ordinary course of trade, save as disclosed in writing to the Company prior to execution of the Agreement and such additional liabilities incurred between execution of the Agreement and Completion as are permitted under the Agreement;
- (c) there being no governmental or court act, decree or order of any applicable jurisdiction has been issued or enacted which in the Company’s reasonable view may materially hinder, limit or restrict the Completion, the transfer of the Sale Shares to the Company or the performance by the Parties of their obligations under the Agreement;
- (d) there has been no material adverse change in the prospects, operations, assets, business, liabilities or financial or operating conditions of the Target Company occurring on or before the Completion Date and there has been no event occurring on or before the Completion Date which would be likely to result in such material adverse change after the Completion Date;
- (e) the approval by the board and the shareholders (if required) of the Company having been obtained in relation to the Proposed Acquisition;

- (f) there not being at any time prior to Completion any restriction, limitation, prohibition or directive, whether written or verbal, from the SGX-ST limiting prohibiting the entry into or performance the Company of its obligations under the Agreement; and
- (g) all necessary third party, governmental and regulatory consents, approvals and waivers where required for the transactions contemplated hereunder having been obtained, and such consents, approvals and waivers not having been amended or revoked before Completion Date.

3.5 Directors to be appointed to the Company

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The rationale for and benefits of the Proposed Acquisition are, *inter alia*, as follows:

- (i) the Proposed Acquisition will be complementary and ancillary to the Group's existing core telecommunication infrastructure solutions business; and
- (ii) In line with the Group's business strategy to expand its reach in the telecommunications infrastructure solutions services industry, the Proposed Acquisition is an opportunity to enable the Group to expand its presence in Singapore.

5. SOURCE OF FUNDS

The Proposed Acquisition will be funded through internal resources.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

For the purposes of illustration only, the financial effects of the Proposed Acquisition taken as a whole are as set out below based on the unaudited management accounts of the Target Company for the period from 1 January 2015 to 31 March 2015. They do not necessarily reflect the exact future financial position and performance of the Group after Completion. In accordance with Rule 1010(8) of the Listing Manual, the financial effects are calculated using the latest completed financial year of the Company ended 31 December 2014. ("FY2014").

Value of Assets being Acquired

Based on the unaudited management accounts as at 31 March 2015, the net tangible asset value represented by the Sale Shares was approximately S\$230,694. No valuation was carried out on the Target Company or its assets.

Net Profits Attributable to Assets being Acquired

The net loss of the Sale Shares based on its unaudited management accounts for the 3 months period ended 31 March 2015 is approximately S\$22,075.

Effect of Proposed Acquisition on Net Tangible Asset ("NTA") per Share

Assuming that the Proposed Acquisition had been completed on 31 December 2014 and based on the Group's latest audited consolidated financial statements for FY2014, the effects on the NTA per share of the Group are as follows:

As at 31 December 2014	Before the Proposed Acquisition	After the Completion of the Proposed Acquisition
NTA ⁽¹⁾ (RMB'000)	508,180	509,355
Number of issued Shares	463,154,250	463,154,250
NTA ⁽¹⁾ per Share (RMB cents)	109.72	109.98

Notes:

- ⁽¹⁾ Net tangible assets ("NTA") equal Shareholders' equity less intangible assets and non-current prepayments.

Effect of Proposed Acquisition on Earning/(Loss) per Share

Assuming that the Proposed Acquisition has taken place on 1 January 2014 and based on the Group's latest audited consolidated financial statements for FY2014, the Proposed Acquisition would have the following effects on the Group's earnings per share as presented in the following table:

Year ended 31 December 2014	Before the Proposed Acquisition	After the Completion of the Proposed Acquisition
Consolidated net profit attributable to shareholders (RMB'000)	8,039	7,673
Weighted average number of Shares	463,154,250	463,154,250
Earnings per Share (RMB cents)	1.74	1.66

Effect of Proposed Acquisition on Group's Gearing

Assuming that the Proposed Acquisition has taken place on 31 December 2014 and based on the Group's latest audited consolidated financial statements for FY2014, the Proposed Acquisition would have the following effects on the Group's gearing as presented in the following table:

As at 31 December 2014	Before the Proposed Acquisition	After the Completion of the Proposed Acquisition
Gearing ⁽²⁾ (times)	1.42	1.41

Notes:

- ⁽²⁾ Gearing equals total liabilities divided by Shareholders' equity.

7. RELATIVE FIGURES UNDER RULE 1006

The relative figures as computed on the bases as set out in Rule 1006 of the Listing Manual, based on the latest unaudited consolidated accounts of the Group for the 3 months ended 31 March 2015 (which was announced on 14 May 2015) are as follows:

(a) Net asset value test (Rule 1006(a))

Not applicable as this basis is not applicable to an acquisition of assets.

(b) Net profits test (Rule 1006(b))

The net loss attributable to the Sale Shares to be acquired amounting to approximately S\$22,075, is approximately (6.3%) of the Company's net profits amounting to approximately RMB1.6 million (approximately S\$344,000, converted using the exchange rate of S\$1 = RMB4.65).

(c) Market capitalisation test (Rule 1006(c))

The Consideration amounting to S\$2,150,000 is approximately 4.34% of the Company's market capitalisation of approximately S\$49,557,504.75 as at 1 June 2015, being the market day immediately preceding the date of the Agreement. The Company's market capitalisation is determined by multiplying the number of its shares in issue by the weighted average price of such shares transacted on such day.

(d) Equity Securities Test (Rule 1006(d))

Not applicable as the Company is not issuing equity securities as consideration for the Proposed Acquisition.

(e) Reserves Test (Rule 1006 (e))

Not applicable to the Proposed Acquisition.

Having regard to the above, the Proposed Acquisition constitutes a "Discloseable Transaction" under Rule 1014 of the Listing Manual.

8. INTEREST OF DIRECTORS, CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors and Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition (other than through their respective shareholdings in the Company).

9. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the

announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

10. CAUTION IN TRADING

Shareholders and investors should note that completion of the Proposed Acquisition is subject to, *inter alia*, the fulfilment of the Conditions in accordance with the Agreement. Shareholders and investors are therefore advised to exercise caution in their dealings in the Shares of the Company, and should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

11. DOCUMENTS FOR INSPECTION

A copy of the Agreement is available for inspection at the Company's registered office of the Company and at the office of the Company's Share Transfer Agent in Singapore, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00, Singapore 068898 during normal business hours for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Ye Tianyun
Executive Chairman and Chief Executive Officer
2 June 2015