



Hostech Limited  
ACN: 009 805 298  
71 Thistlethwaite St  
South Melbourne 3205  
VIC Australia  
Tel: 03 9 698 7800  
Fax: 03 9 698 7878  
www.hostech.com.au

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ASX Announcement  
**Hostech to Acquire Samsung Communications Australia**

- Hostech to acquire Plant Communications Pty Ltd (trading as Samsung Communications Australia)
- Plant Communications is the exclusive distributor for Samsung Communications business telephony solutions in Australia
- Plant Communications is on target for EBITDA exceeding \$2m for 2009/10
- Hostech to pay \$3.0m in shares, \$500k cash payment and settle debt of PC of \$3.7m to purchase Plant Communications
- The combined businesses position Hostech as a leading solutions provider in the business telephony solutions market for customer premise equipment and hosted solutions
- Subject to Hostech shareholder approval at AGM, refinancing Plant Communications debt and Samsung formal approval
- Acquisition core plank in the Company's objective to achieve annual revenue exceeding \$60m and EBITDA approaching \$10m within the next two years

Hostech Limited ("Hostech" or the "Company") advises that it has reached agreement to purchase Plant Communications Pty Ltd which trades as Samsung Communications Australia ("Plant Communications" or "PC"). Contracts are currently being prepared by the parties. On a consolidated performance basis, the combined businesses will result in Hostech achieving profitability and provide significant growth opportunities.

Plant Communications has exclusive rights to distribute Samsung's business telephony solutions in Australia. PC has a nationwide distribution channel of over 60 specialist and accredited third party dealers selling its leading range of IP PBX solutions. The business was formed over 10 years ago and was formerly one of the more profitable business units of the Commander group of companies.

The owner of Plant Communications, Mr Steve Plant comments, "this is an exciting time for Plant Communications. The acquisition by Hostech will provide the support to further grow Samsung's offering in the Australian business telephony market. In particular, growth into areas such as IP telephony and Corporate and Government contracts will be assisted by Hostech's current market offerings and public company structure."

Mr Plant and General Manager, Mr Brett McInnes will be retained as senior managers by Hostech to drive sales and profitability after the acquisition. Both individuals have impressive backgrounds and management records in the communications industry and will strengthen Hostech's management team. Mr Plant will have a significant shareholding in Hostech after completion.

Plant Communications anticipates strong growth beyond its current budget through expanding its distribution base. It is also well progressed on a number of material contracts.

The acquisition expands Hostech's existing assets. Sholl Communications is a leading business telephone solutions dealership and OneNetwork is a hosted business telephony solutions provider. OneNetwork will benefit from access to Samsung equipment and the potential to broaden its product offering and distribution capability. Sholl Communications will use its project management and technical expertise to offer its leading capability in areas such as Cabling and Service and Maintenance as well as Enterprise IP Telephony.

Hostech is well progressed in developing additional complementary offerings to assist the Samsung Partner Channel, including the establishment of a customer finance program. Such new developments will help to further drive Samsung Communications sales via its Partner Channel whilst enabling Hostech to create new profitable lines of business.

As previously announced, due diligence was completed by an independent third party so as to satisfy the board of the performance of PC. The Board of Hostech is satisfied with the outcome of the due diligence and in particular the ability of PC to deliver both profitability and strong strategic growth to the business.

The terms of the deal have been adjusted to reflect changes in the PC balance sheet. The consideration of \$3.5m is made up of:

- \$3m of Hostech shares at \$0.025 (2.5 cents) per share (120 million shares)
- \$500,000 cash consideration - \$250,000 paid at completion and \$250,000 to be paid within 3 months of completion based on cash targets set for PC

There are three conditions precedent for the deal to complete.

1. Hostech to receive shareholder approval. Appropriate resolutions will be put to shareholders at Hostech's upcoming AGM. The Company can confirm that it is the intention of its major shareholder, Flaxton Hunter Pty Ltd, to support the acquisition.
2. Hostech to refinance or pay down the debt of PC. Plant Communications currently has \$3.7m of debt plus undrawn letters of credit (letter of credit facility of USD1.2m).
3. To the satisfaction of Hostech, Plant Communications to receive formal written approval from Samsung.

Hostech has engaged the services of experienced stock broking and corporate advisory firm, Lodge Partners to assist with the refinancing of debt and provide ongoing support to the Company. The Company will have 3 months to refinance the facility (after approval at the AGM).

The Board of Hostech is excited by the prospect of the Samsung Communications deal and over the last several months it has invested heavily in strengthening its sales infrastructure and other capabilities to prepare for the acquisition of this and other complementary offerings to build on its strategic plans for the business. The goal of the Company is to achieve sales over the next 2 years exceeding \$60m through organic growth and acquisition and to cement its position as a leading player in business telephony solutions market.

Full details of the acquisition shall be provided in the Notice of Meeting for the General Meeting of Hostech shareholders.

Justyn Stedwell

***Company Secretary***

On behalf of the Board of Directors

Hostech Limited