TeleChoice

FOCUSED ON VALUE CREATION

COMMITTED TO STAKEHOLDER RETURNS

ANNUAL REPORT 2019

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CORPORATE PROFILE

ABOUT TELECHOICE INTERNATIONAL LIMITED

TeleChoice International Limited ("TeleChoice") is a regional diversified provider and enabler of innovative info-communications products and services. It is a subsidiary of ST Telemedia, a strategic investor in communications and media, data centres and infrastructure technology businesses, across Asia, the US and Europe.

Incorporated in Singapore on 28 April 1998, and listed on the Mainboard of the Singapore Exchange Securities Trading Limited on 25 June 2004, TeleChoice offers a comprehensive suite of info-communications services and solutions for the Consumer and Enterprise Groups under three business divisions.

CONSUMER BUSINESS GROUP

PERSONAL COMMUNICATIONS SOLUTIONS SERVICES ("PCS")

This Division is a regional provider of fulfilment and managed services. It provides distribution and supply chain management services relating to mobile communication devices, wearables and accessories.

In Singapore, it operates a retail chain under the Planet Telecoms brand, and it is the only StarHub Ltd ("StarHub") Exclusive Partner to manage five StarHub Platinum Shops. In addition, it is the appointed distributor of StarHub's prepaid card business, and also provides StarHub with mobile handset delivery and last mile services. PCS also manages concept stores for major mobile device manufacturers such as Samsung and Huawei.

In Malaysia, PCS provides retail management, fulfilment and supply chain services to U Mobile Sdn Bhd, a data-centric and multiple award-winning mobile data service company in Malaysia.

PCS also operates an e-commerce site, www.eplanetworld.com, which offers the latest mobile phones and tablets as well as accessories for online shoppers.

ENTERPRISE BUSINESS GROUP

INFO-COMMUNICATIONS TECHNOLOGY SERVICES ("ICT")

This Division is a leading regional integrated infocommunications solutions provider. It offers consultancy and system integration services for enterprise IT infrastructure, and cutting-edge business solutions and applications.

Its extensive offerings include managed and hosted services, fixed and wireless networking, as well as campus management, customer relationship management, contact centre and unified communications solutions. It also provides consultancy and managed services to help companies adopt cloud, big data, analytics, Internet of Things and smart learning solutions to transform their businesses.

In addition, ICT provides Internet Protocol television solutions for the hospitality industry, and has a Service-Based Operator licence that offers IDD, SMS broadcast and other enterprise mobility solutions and services.

NETWORK ENGINEERING SERVICES ("ENGINEERING")

This Division is a regional provider of network engineering services and supplier of specialised telecommunications products.

It designs, builds and manages telecommunications networks, and provides a comprehensive suite of specialised products and solutions to address the network infrastructure needs of fixed and mobile operators in Asia-Pacific.

Its services encompass radio network planning and optimisation, transmission network planning, network implementation, maintenance and project management.

Engineering also offers an extensive range of innovative and cost-effective products for telecommunications access and coverage needs, as well as for power supply and power backup requirements.

For more information, please visit our website www.telechoice.com.sg

OPERATIONAL HIGHLIGHTS

PERSONAL COMMUNICATIONS SOLUTIONS SERVICES (“PCS”)

- Partnership with key principals and customers on services, retail strategies and new product launches:
  - New product
    - Distribution rights for Apeman, a leader in dash and sports smart camera products, in Singapore, Malaysia, Indonesia, Brunei and Laos
  - Market and channel expansion
    - Increased market share; grew active channel retailers with aggressive channel programmes
    - New strategic partners – Airport retailer, Sprint-cass
    - Strengthened business relationships with Courts, Best Denki and Mustafa
  - StarHub
    - Collaboration to successfully organise two mega roadshows
  - Samsung
    - Launched roadshow for Samsung Note 10 pre-order
  - Huawei
    - Organised exclusive launch and closed-door events for Huawei Mate 30 Series
  - Prepaid
    - Met 100% gross adds target and 75% activation target for the year
- Marketing support for open channel customers and principals:
  - Samsung channel drive programme
    - Premium retail display unit support, sell-in competition and incentive rebate programmes
  - Dedicated resources for Huawei
    - Sales and event planning, and backend reporting and payment
  - Advanced rebate and marketing support payout to channel partners for Samsung, Huawei and prepaid
  - Organised luncheons and group meet-ups to engage and build channel loyalty for Samsung and Huawei
  - Prepaid
    - Retailers’ scheme and e-load sell-in programme to drive activation revenue
- Recognition by customers/principals with the following award wins:
  - StarHub Exclusive Partner – Best VAS Attachment
  - StarHub Platinum Shop – Best VAS Attachment
  - StarHub Platinum Shop – Top NPS
  - StarHub Platinum Shop – Top Sales (E&S)
  - StarHub Platinum Shop – Top Sales (Mobile)
  - Top Prepaid Distributor (WOW plan take-up and activation)

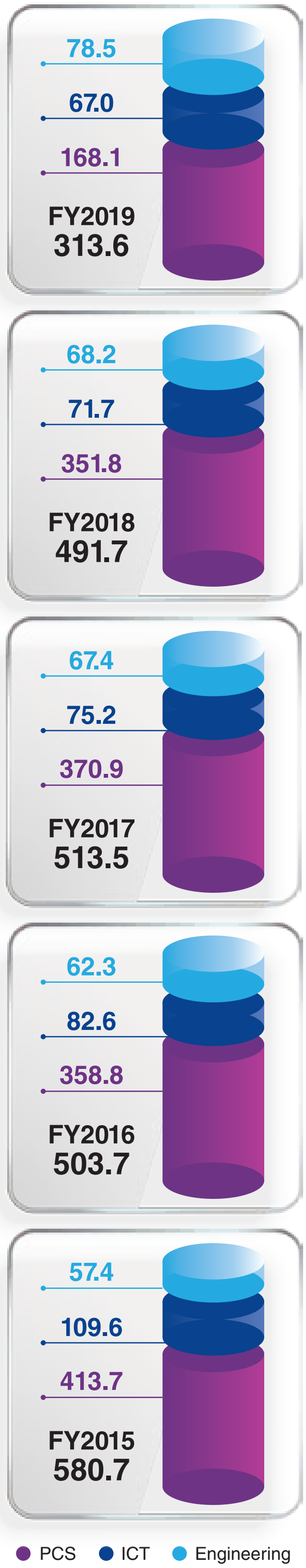
INFO-COMMUNICATIONS TECHNOLOGY SERVICES (“ICT”)

- Reaffirmed public sector project credentials by securing a number of notable wins from government agencies for customer relationship management (“CRM”), on-premise and cloud-based unified communications (“UC”) projects, as well as a sizable smart government project
- Secured a series of sizeable enterprise IT infrastructure, CRM, campus management, UC and contact centre, and Internet Protocol TV wins, in the education, financial, healthcare and hospitality sectors
- Successfully commissioned and delivered driving/riding simulator training solution to Singapore’s three biggest driving schools
- Incorporated a new subsidiary in China to provide ICT consultancy and services
- Recognition by customers/principals with the following awards:
  - Avaya – 2019 Top Value-Added Reseller for Singapore
  - Smartmatic – APAC Partner Award for 1st strategic win of a smart government project in Singapore
  - Project Management Institute Singapore Chapter – First prize winner for Project of the Year 2018-19 (Business & Information Systems Category) for Energy Market Authority Microsoft CRM project
  - TechData – IBM 2019 Best Overall Partner

NETWORK ENGINEERING SERVICES (“ENGINEERING”)

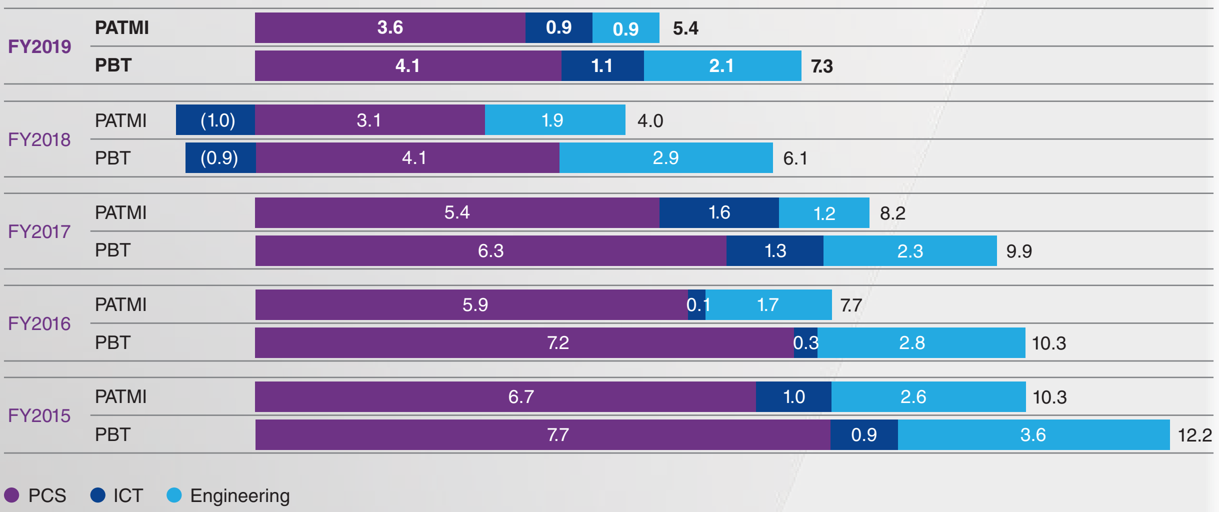
- Awarded a steady stream of multiyear, multimillion-dollar projects from operators and major equipment vendors:
  - Three-year Huawei frame contract for in-building network coverage in the Philippines
  - Two-year Huawei frame contract for radio network optimisation in Malaysia
  - Two-year Nokia frame contract for rollout and radio network planning/optimisation for H3I Project in Indonesia
  - One-year U Mobile frame contract for network site reengineering upgrade in Malaysia
  - One-year ZTE frame contract for rollout and radio network planning in Malaysia
- Maintained leadership position for radio network planning and optimisation services in Indonesia and Malaysia
- Secured leadership position for network rollout services in Indonesia, while expanding reach and range of network rollout services in Malaysia and the Philippines
- Expanded collaboration with Nokia and ZTE
- Recognition by customers/principals with the following award wins:
  - Huawei – 2019 National Excellent Quality and 2019 Best Project Manager, for Indonesia
  - Huawei – 2019 Regional Best Collaboration Award for Philippines
  - Huawei – 2019 Regional Excellent Quality Award for Malaysia
  - Narada – 2019 Million Dollar Sales Award for Indonesia
  - Nokia – Most Preferred Partner Award for Singapore and the region

REVENUE (S$ MILLION)

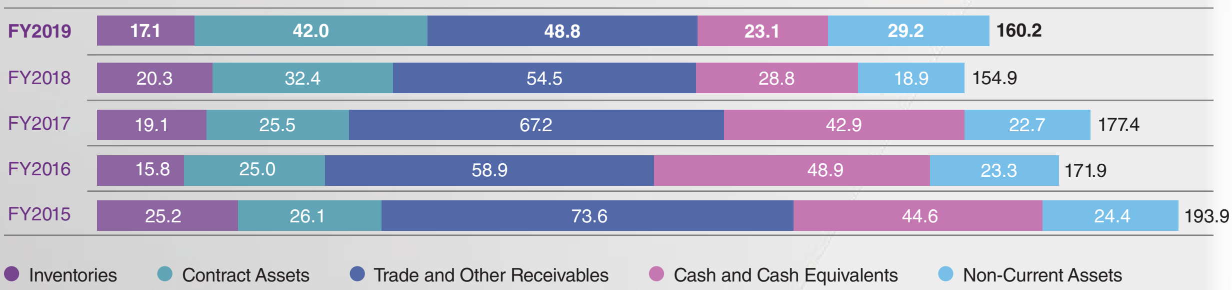


FINANCIAL HIGHLIGHTS

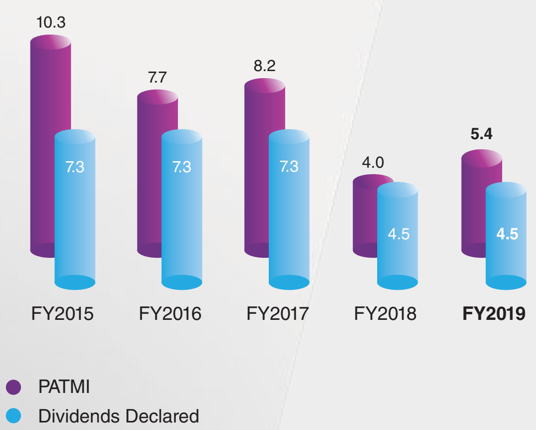
EARNINGS (S$ MILLION)



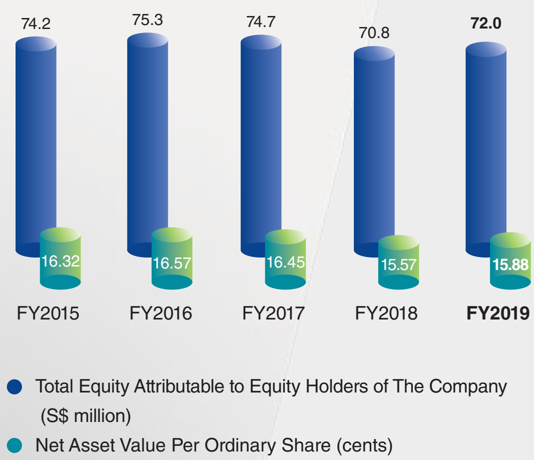
TOTAL ASSETS (S$ MILLION)



DIVIDENDS DECLARED AGAINST PATMI (S$ MILLION)



TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY



VISION

CONNECTING PEOPLE, EMPOWERING BUSINESS

MISSION

TO BE THE LEADING PROVIDER OF INFOCOMM SOLUTIONS THROUGH INNOVATIVE PRODUCTS AND SERVICES


5G

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

We closed the financial year ended 31 December 2019 ("FY2019") on a positive note despite the challenging external environment. Globally, the economy was weighed down by uncertainty from the ongoing trade war and geopolitical tensions. On the home front, Singapore's economy grew by 0.7 per cent in 2019, far slower than the 3.4 per cent growth recorded in 2018.

Sector-wise, the telecommunications industry continued to experience weakening data revenues. Declining data pricing, coupled with lower data usage and the continuing battle for customers among telecommunications operators and mobile virtual network operators, resulted in price pressures and margin erosions. SIM only plans chipped away the dominance of postpaid plans, as more affordable but high-performing smart phones flood the market and change consumer purchasing behaviours. This scenario, coupled with a weakened external economy, has led to capex spending pullbacks, cost control measures and downsizing by telcos and industry players, in a bid to maintain profitability.

FINANCIAL HIGHLIGHTS

Against this backdrop, FY2019 Group revenue fell by 36.2% to S$313.6 million due to lower revenue from Personal Communications Services ("PCS") and Info-communications Technology Services ("ICT") Divisions, offset by higher revenue from Network Engineering Services ("Engineering") Division. Group PBT increased 19.2% to S$7.3 million due to higher margin services revenue from PCS and ICT Divisions, as well as lower operating expenses from the latter division. Consequently, FY2019 net profit grew 25.2% to S$5.4 million.

Our balance sheet remained healthy with cash and cash equivalents of S$23.1 million as at 31 December 2019, and net asset value per share of 15.88 cents.

REWARDING SHAREHOLDERS

In light of the Group's FY2019 financial results, and in keeping with our commitment to reward our shareholders, the Board has proposed a final dividend of S$0.01 per share. This translates to a dividend yield of 4.9%, based on the closing share price of S$0.205 as at 31 December 2019. The total annual dividend payout amounted to S$4.5 million and the dividend payout ratio is 84.5% of FY2019's net profit. This is well above our dividend payout benchmark of at least 30.0% of our annual net profit, after taking into consideration earnings, cash flow and working capital needs. The final dividend is subject to the approval by shareholders at the annual general meeting.

UNLOCKING VALUE FROM OUR CAPABILITIES

The telecommunications industry is seeking to find value in their existing offerings, restructuring their assets, increasing productivity and reducing costs in order to counter falling revenues and limited growth opportunities. TeleChoice, likewise, has had to contend with tighter margins and increasing competition, especially in the enterprise space. We have had to re-examine our business strategies, restructure our divisions and expand our capabilities beyond our traditional core competencies. It has been an ongoing process as we diversify our revenue streams, expand into overseas markets and acquire new customers. We have shifted away from lower margin product sales into higher margin services and application solutions revenue. This has resulted in the Group achieving improved gross profit and margin despite lower revenue, as compared with the financial year ended 31 December 2018 ("FY2018").

ICT Division, in particular, has made commendable progress. After having disposed of its product distribution sales business and undergone further restructuring, it posted an increase in PBT of 222.0% in FY2019, turning around from a loss in FY2018.

PCS Division, while facing challenging times due to the weak retail landscape, has continued to expand its service offerings in fulfilment and managed services. It has secured multi-country distribution rights for a new principal, formed new strategic partnerships and strengthened existing relationships with major brands and mega retailers. It continued to maintain a strong retail presence in high traffic malls, providing active market support to open channel customers and principals. It is exploring ways to tap on its existing distribution network to enter into other retail opportunities both here and overseas.

Engineering Division has been able to leverage on the ongoing regional network infrastructure upgrading, and has maintained its leadership position in network services in Indonesia. It has been increasing its footprint in other markets such as Malaysia, the Philippines and Vietnam. Its turnover in regional markets has resulted in increased revenue contribution for the Group from Indonesia, Malaysia and the Philippines. It is currently exploring inroads into a new market.

CORPORATE CITIZENSHIP AND SUSTAINABILITY

As part of the Group's focus on meaningful and impactful contribution to the wider community, staff participated in the Community Chest-led FUDAI 2019, as well as in the Heartstrings Walk. On the sustainability front, we progressed in our efforts to reduce waste, energy consumption and carbon emissions through concerted efforts and educational outreach among our staff.

Employee training and upgrading, as the workforce transitions to a digital age, was another area of priority for the Group. We invested in training in areas of project management and emerging technologies, aside from other job-related, upskilling and reskilling courses.

Our second Sustainability Report, which has been prepared in compliance with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide, sets out in greater detail these and other sustainability and outreach efforts.

THE YEAR AHEAD

The telecommunications industry will remain challenging. The already intense competition will only worsen with the anticipated roll out of full-scale services by the fourth telco, further exacerbated by the COVID-19 pandemic. The full economic impact from this outbreak is as yet unknown, and will depend on how long it lasts and how quickly the economy is able to recover. Singapore's open economy and dependence on free trade and inflow of investments, will be negatively affected.

Nevertheless, we have confidence in our ability to withstand these near-term pressures. Over the mid- to long-term, prospects for our industry remain bright. 5G network implementation, smart city initiatives and general digitalisation across industries in Singapore, coupled with regional network upgrades and subsequent 5G network rollout, will afford opportunities for us. In the year ahead, while cost management will be an area of focus, we will continue to actively seek opportunities that new technologies, 5G networks and intelligent cities, with their related offerings will bring, both here and abroad.

APPRECIATION

In conclusion, we would like to express our appreciation to our shareholders for their confidence in the Group, the Board of Directors for their astute counsel and strategic guidance, the management and staff for their dedication and hard work, and our principals, partners and customers for their unwavering support.

BERTIE CHENG
Chairman

VINCENT LIM
President

BOARD OF DIRECTORS

1. BERTIE CHENG
2. YAP BOH PIN
3. TANG YEW KAY JACKSON
4. RONALD SEAH LIM SIANG
5. STEPHEN GEOFFREY MILLER
6. HO KOON LIAN IRENE
7. LIM CHAI HOCK CLIVE

BERTIE CHENG

Chairman and Independent Director

• Appointed on 6 May 2004
• Last re-elected on 26 April 2018

Mr Cheng is the Chairman of the Board. He is also the Chairman of the Executive Committee, the Nominating Committee and the Remuneration Committee.

Mr Cheng retired as Chief Executive Officer of POSBank in July 1997. He was appointed as Advisor to POSB in June 2010. He holds and has held directorships, in both listed and unlisted companies. Currently, he is a director of Hong Leong Finance Limited, Pacific Andes Resources Development Limited, Baiduri Bank Berhad and Baiduri Finance Berhad. His other appointments include being the Chairman of the Medifund Committee, Singapore General Hospital and Vice-Chairman of the Consumers Association of Singapore (CASE) Endowment Fund.

Mr Cheng holds a Bachelor of Arts Degree in Economics (Honours) from the University of Malaya in Singapore. He received the Public Administration Medal (Silver) in 1984 and the Public Service Medal in 2001. He also received the Friend of Labour Award from the National Trade Union Congress (NTUC) in 2008.

Current Directorships in Other Listed Companies
• *Pacific Andes Resources Development Limited*
• *Hong Leong Finance Limited*

Current Principal Commitments
• *Hong Leong Finance Nominees Pte Ltd (Director)*
• *Singapore Nominees Private Limited (Director)*
• *Baiduri Bank Berhad (Director)*
• *Baiduri Finance Berhad (Director)*
• *Singapore General Hospital (Medifund Committee - Chairman)*
• *Consumer Association of Singapore (CASE) (Endowment Fund - Vice Chairman)*
• *POSB Bank (Advisor)*

YAP BOH PIN

Independent Director
- Appointed on 6 May 2004
- Last re-elected on 26 April 2018

Mr Yap is the Chairman of the Audit Committee and is a member of the Nominating Committee.

He is currently Managing Director of B.P.Y. Private Limited, a firm of management consultants which provides financial planning, financial accounting, reviewing internal control systems as well as corporate secretarial services. Between July 1975 and January 1999, Mr Yap was a senior partner at Yap Boh Pin & Co which provided advice on auditing, taxation, liquidation and corporate restructuring matters. He is also a director of KTMG Limited (formerly known as Lereno Bio-Chem Ltd), serving as Chairman of its Audit Committee and member of its Nominating & Remuneration Committees. He has also held directorships in various public companies between 1975 and 2000, including Singapore Land Limited, L&M Investments Limited and Pan Pacific Public Company Limited. During his appointment by these companies, Mr Yap was a member of their executive committee and/or audit committee, assisting in the evaluation and recommendation of changes to their system of internal controls as well as corporate governance.

In March 2007, Mr Yap was appointed as Director of Asia Mobile Holdings Pte. Ltd., a private limited company which is a subsidiary of Singapore Technologies Telemedia Pte Ltd. It has investments in StarHub Ltd and Shenington Investments Pte Ltd.

Beyond the corporate sector, Mr Yap is actively involved in various non-profit, educational and social welfare organisations. He is an Honorary Council Member of the Singapore Hokkien Huay Kuan since 16 June 2011. At end January 2008, Mr Yap was appointed a director of ACS (International). He was also a member of the Board of Trustees and the Audit Committee of the Chinese Development Assistance Council from March 2006 to June 2018. He had also held the posts of Chairman, Finance Committee and Honorary Treasurer of Singapore Heart Foundation from July 2009 to September 2013.

Mr Yap is qualified as a Chartered Accountant from the Institute of Chartered Accountants in England and Wales in 1966. He is a Fellow member of both the Institute of Singapore Chartered Accountants (formerly known as the Institute of Certified Public Accountants of Singapore) and the Institute of Chartered Accountants in England and Wales.

Current Directorships in Other Listed Companies
- *KTMG Limited*

Current Principal Commitments
- *Nil*

TANG YEW KAY JACKSON

Independent Director
- Appointed on 1 November 2006
- Last re-elected on 23 April 2019

Mr Tang is a member of the Audit Committee.

After three years in the Singapore Government Administrative Service, Mr Tang spent the next 28 years in the banking and financial services industry and held senior management positions at Continental Illinois National Bank (now part of Bank of America), N.M. Rothschild & Sons (Singapore) Ltd, ST Capital Limited and Vertex Management (UK) Limited. He retired from full-time employment in January 2005.

Mr Tang has held directorships in various companies, both in Europe and ASEAN, including SGX Mainboard-listed Singapore Food Industries Limited, where he served as a member of the Audit Committee.

Mr Tang graduated with a Bachelor of Social Sciences (Economics) (Honours) (1970), and obtained a postgraduate Diploma in Business Administration (1975), from the then University of Singapore.

Current Directorships in Other Listed Companies
- *Nil*

Current Principal Commitments
- *Nil*

BOARD OF DIRECTORS

RONALD SEAH LIM SIANG

Independent Director

- Appointed on 3 May 2012
- Last re-elected on 26 April 2018

Mr Seah serves as a member of the Remuneration Committee and Executive Committee.

Mr Seah also serves as an Independent Director on the board of Yanlord Land Group Ltd., Global Investments Limited, M&C REIT Management Limited and M&C Business Trust Management Limited. He is currently the Chairman of Nucleus Connect Pte. Ltd. and the sole proprietor of Soft Capital SG, a business consultancy.

Over a 25 year period between 1980 and 2005, Mr Seah held various senior positions within the AIG Group in Singapore, initially as AIA Singapore's Vice-President and Chief Investment Officer managing the investment portfolio of AIA Singapore and later as Vice-President of Direct Investments of AIG Global Investment Corporation (Singapore) Ltd. Between 2001 and 2005, Mr Seah was also the Chairman of the Board of AIG Global Investment Corporation (Singapore) Ltd.

From 1978 to 1980, Mr Seah managed the investment portfolio of Post Office Savings Bank as Deputy Head of the Investment and Credit Department. Prior to that, he worked at Singapore Nomura Merchant Bank as an Assistant Manager with responsibilities covering the sale of bonds and securities and offshore (ACU) loan administration for the bank. Between 2002 and 2003, Mr Seah served on the panel of experts of the Commercial Affairs Department of Singapore.

Mr Seah graduated with a Bachelor of Arts and Social Sciences (Second Class Honors (Upper)) in Economics from the then University of Singapore in 1975.

Current Directorships in Other Listed Companies
- *Yanlord Land Group Limited*
- *Global Investments Limited*
- *M&C REIT Management Limited and M&C Business Trust Management Limited (as managers of CDL Hospitality Trusts)*

Current Principal Commitments
- *Soft Capital SG (sole proprietorship - business consultancy services)*

STEPHEN GEOFFREY MILLER

Non-Executive Director

- Appointed on 26 January 2017
- Last re-elected on 27 April 2017

Mr Miller serves as a member of the Remuneration Committee, the Nominating Committee and the Executive Committee.

Mr Miller is the President & Chief Executive Officer of Singapore Technologies Telemedia Pte Ltd ("ST Telemedia") and is a member of ST Telemedia's Board of Directors.

Mr Miller joined ST Telemedia in 2005 and has held various senior positions including President & Chief Operating Officer and Chief Financial Officer. He played a crucial role in enhancing ST Telemedia's business competitiveness and asset portfolio while simultaneously maintaining prudent financial management.

Prior to joining ST Telemedia, Mr Miller was Financial Advisor to ST Telemedia on the combination of its data centre business with Equinix and Pihana Pacific, creating the world's largest carrier-neutral data centre network.

Mr Miller has more than 25 years of global investment, financial management, strategic planning and CMT industry experience. He spent over 14 years of his career in investment banking with Credit Suisse, primarily heading its telecommunications and media group throughout Asia and the Pacific.

Mr Miller holds a Bachelor's Degree in Commerce, with First Class Honours in Economics and Finance, from the University of New South Wales, Australia.

Current Directorships in Other Listed Companies
- *StarHub Ltd*

Current Principal Commitments
- *Singapore Technologies Telemedia Pte Ltd (President & Group Chief Executive Officer and Director)*
- *Asia Mobile Holdings Pte. Ltd. (Director)*
- *STT GDC Pte. Ltd. (Director)*
- *Armor Defense Inc. (Director)*
- *2nd Watch, Inc. (Director)*

HO KOON LIAN IRENE

Non-Executive Director

• Appointed on 5 May 2015
• Last re-elected on 23 April 2019

Ms Ho serves as a member of the Audit Committee.

Ms Ho has more than 20 years of financial management experience and is currently a Consultant in STTC Communications Ltd ("STTC"). Prior to that, she held the position of Chief Financial Officer & Executive Vice President of STTC with responsibilities including the overseeing aspects of STTC's financial strategy and operations, including controller, tax, internal audit, treasury as well as analysis for mergers and acquisitions ("M&A").

Ms Ho also worked at the former Singapore Technologies Pte Ltd and held various senior financial positions at its high tech companies, as well as at a Singapore-listed semiconductor company as its managing director overseeing M&A activities.

Ms Ho holds a Bachelor of Commerce (double major in Accounting & Information Systems) from the University of New South Wales, Australia. She has also been a member of the Certified Practising Accountants Australia since 1992.

Current Directorships in Other Listed Companies
• *Nil*

Current Principal Commitments
• *Nil*

LIM CHAI HOCK CLIVE

Non-Executive Director

• Appointed on 29 September 1999
• Last re-elected on 23 April 2019

Mr Lim serves as a member of the Executive Committee.

Mr Lim is credited with having successfully spearheaded the strategic development and growth of the Group since its inception in 1998 into a regional diversified provider and enabler of innovative communications today.

Following his retirement as Group President in November 2006, Mr Lim continues to contribute his extensive industry experience and expertise to the Group, as a Non-Executive Director and a member of the Executive Committee.

Mr Lim, who oversaw the strategic development and management of our Group as President, has over 13 years of experience in the telecommunications industry, including establishing CellStar Pacific Pte Ltd, an Asean-wide cellular communications distribution business. Prior to undertaking his appointment as our Group President in January 2004, he held the position of Managing Director from March 1999 to December 2003 where he was responsible for the Group's distribution business.

Mr Lim is currently a Director of Leap International Pte Ltd, a private investment holding company. Mr Lim holds an MBA from the Asian Institute of Management, Manila, a Master of Arts (Christian Studies) from Regent College, Vancouver, Canada, and a Doctoral Degree from Gordon Conwell Theological Seminary, MA, USA.

Current Directorships in Other Listed Companies
• *Nil*

Current Principal Commitments
• *Leap International Pte Ltd (Managing Director)*
• *Leap Foundation Ltd (Chairman)*
• *Regent College (Visiting Associate Professor of Marketplace Theology)*
• *Biblical Graduate School of Theology (Adjunct Lecturer)*
• *Trinity Theological College (Adjunct Lecturer)*

EXECUTIVE MANAGEMENT

1. VINCENT LIM
2. LEE YOONG KIN
3. PAULINE WONG
4. WONG LOKE MEI
5. GOH SONG PUAY

VINCENT LIM

President

Mr Lim joined TeleChoice International Limited ("TeleChoice" or the "Group") in October 2013, and is responsible for the Group's management, growth and strategic direction.

Mr Lim brings with him more than 30 years of IT and telecommunications experience in Singapore and the region. His career spans various industries such as maritime, banking and finance, and computing. Prior to joining TeleChoice, Mr Lim was Vice-President of Enterprise Data and Managed Services in Singtel Enterprise Group, where he was responsible for presales and product specialist function, global delivery competencies and vendor management. He oversaw more than $420 million of product businesses across Singtel Enterprise Group, which includes its business in Australia, and led a team of more than 500 people.

Mr Lim was also previously the Group General Manager of NCS Pte Ltd, Chief Executive Officer of SCS Enterprise Systems Pte Ltd ("SCS"), and Managing Director of Infonet Systems & Services Pte Ltd ("Infonet") (part of GES International group of companies). His notable achievements include the development of SCS' Enterprise Computing Business unit which registered exponential growth under his leadership, securing several multimillion-dollar contracts including the Standard Operating Environment contract, and the successful divestment of a subsidiary to an overseas telecom operator. He was also instrumental in starting the world's largest cyber gaming and internet access centre in Singapore in collaboration with StarHub Ltd, during his term at Infonet.

LEE YOONG KIN

Senior Vice-President

• Info-Communications Technology Services & Network Engineering Services Divisions

Mr Lee joined TeleChoice in December 2006, as business head of its Network Engineering Services Division. Since April 2013, he has assumed the additional role of business head for the Info-Communications Technology Services Division. He is currently responsible for the profitability, overall growth and strategic direction of both Divisions.

He has over 30 years of senior business and operational experience in the IT and telecommunications industries, having worked with ST Telemedia, ST Electronics (Info-Comm Systems) Pte Ltd, and CSE Global Ltd. His previous positions include Managing Director of Equinix Singapore Pte Ltd., which he co-founded in 1999, and General Manager and a Board member of ST Teleport Pte Ltd, a company which he set up in 1994.

Mr Lee holds a Bachelor of Engineering (First Class Honours) and an MBA from the National University of Singapore.

PAULINE WONG

Senior Vice-President

• Personal Communications Solutions Services Division

Ms Wong joined TeleChoice in December 1999, as Operations Manager for the Personal Communications Solutions Services ("PCS") Division (then known as Distribution Services Division). She has been a key contributor to the significant growth and success of the PCS Division. In 2006, she was appointed to lead and oversee the overall management of the Division, including its regional and retail operations. She is also responsible for developing strategies and identifying new market opportunities to grow the business.

Ms Wong has more than 20 years of experience in the telecommunications industry, spanning corporate planning, strategy setting, business operations, fulfilment, and managed services and retail management. Prior to joining TeleChoice, Ms Wong was the Area Manager for Telecom Equipment Pte Ltd (a subsidiary of Singapore Telecommunications Limited).

Ms Wong graduated with a Bachelor of Business (Distinction) from the Royal Melbourne Institute of Technology University, Victoria, Australia, and holds an Executive MBA (Honours) from the University of Chicago Booth School of Business.

EXECUTIVE MANAGEMENT

WONG LOKE MEI

Chief Financial Officer

Ms Wong was appointed Chief Financial Officer in 2007, having been Vice-President, Finance, since 2005. She oversees the financial affairs and reporting for the Group, and supports the Group's investor relations and risk management activities.

Ms Wong has over 20 years of experience in finance and accounting, most of which were with the ST Telemedia group of companies. She joined the Group in June 1995 as an Accountant, and participated in the listing of TeleChoice on the Mainboard of the Singapore Exchange Securities Trading Limited in June 2004.

Ms Wong holds a Bachelor of Accountancy from the National University of Singapore, and an MBA from Heriot-Watt University, Edinburgh, United Kingdom. Ms Wong is also a member of the Institute of Singapore Chartered Accountants.

GOH SONG PUAY

Vice-President

- Human Resources

Mr Goh is responsible for the management of local and regional human resource functions of the Group, including human capital development, leadership and organisational development.

Mr Goh has more than 20 years' human resource experience across a broad spectrum of industries. Prior to joining the Group in 2004, Mr Goh held various senior positions, including Assistant Vice-President (HR) at StarHub Pte Ltd (now known as StarHub Ltd), and Director (HR) at i-STT Pte Ltd, a subsidiary of ST Telemedia. He was also Director (HR) for the National University Hospital.

Mr Goh holds a Bachelor of Mechanical Engineering from the National University of Singapore.

ADDING VALUE

We broaden our capabilities, leverage technologies and increase efficiencies to deliver better services and solutions

OPERATIONS REVIEW

PERSONAL COMMUNICATIONS SOLUTIONS SERVICES ("PCS")

PCS Division registered revenue of S$168.1 million and PBT of S$4.1 million for the year ended 31 December 2019 ("FY2019"), which represented 53.6% and 56.2% of total Group revenue and PBT respectively. Compared to the financial year ended 31 December 2018 ("FY2018"), PCS Division's revenue declined by 52.0% due to lower equipment sales to a major customer in Singapore and lower prepaid sales. This was partially mitigated by field and cabling services revenue and commission income. PCS Division's PBT remained at the same level year-on-year, with higher PBT from its Singapore operations attributed to higher margin service revenue, offset by lower PBT from its Malaysia operations due to lower variable commission recognised.

In the year, PCS Division's relationships with its principals and customers remained steadfast, and it played an integral and active part in many marketing campaigns. These include flagship and new product launches such as Samsung Note 10 pre-order roadshows, as well as Huawei Mate 20 Series closed-door events. It also partnered with StarHub Ltd ("StarHub") in mega roadshows to promote StarHub's offerings. Beyond marketing support, PCS Division provided value-added services such as dedicating resources to assist in operational and other managed services for its principals.

PCS Division has augmented its market presence. It grew its channel retailers by engaging them in aggressive channel programmes. It continued to strengthen business ties with retail partners such as Courts, Best Denki and Mustafa Centre, organising attractive promotions and tie-ups. It has also expanded its network by forming a strategic partnership with airport retailer, Sprint-cass. In addition, it secured exclusive distribution rights for Apeman, a leader in dash and sports smart camera products in Singapore, Malaysia, Indonesia, Brunei and Laos.

PCS Division managed 13 retail touchpoints which comprised its own branded Planet Telecoms retail chain, StarHub Platinum outlets, and Samsung and Huawei concept stores in Singapore. It garnered several awards in recognition of its business and operational excellence, such as from StarHub for Platinum Shop Best VAS Attachment as well as Top NPS and Top Sales. The Division also offered mobile handset delivery and last mile services for StarHub. Its field and cabling support services for StarHub's TV and broadband cable-to-fibre migration performed well in the year.

In Malaysia, PCS Division provided U Mobile Sdn Bhd with integrated managed services, including maintaining customer service standards, enhancing operational efficiencies and staff training, as well as supporting its marketing and outreach campaigns.

INFO-COMMUNICATIONS TECHNOLOGY SERVICES ("ICT")

ICT Division registered revenue of S$67.0 million and PBT of S$1.1 million, or 21.4% and 15.1% of total Group revenue and PBT respectively in FY2019. The 7.0% decrease in revenue compared to FY2018, was mainly on account of lower software sales and maintenance revenue. In addition, there were lower enterprise network products distribution sales following the disposal of this business in the third quarter of FY2018. ICT Division's turnaround from a loss before tax of S$0.9 million in

OPERATIONS REVIEW

FY2018 to a profitable position of S$1.1 million in FY2019, represented a 222.0% year-on-year increase. This was due mainly to higher margin service revenue and lower operating expenses, partially offset by a lower share of profit from an associate.

ICT Division continued with its operational restructuring while strengthening its capabilities to capture higher margin application-related solutions as well as to leverage the enterprise cloud adoption trend. In spite of the challenging operating environment for the enterprise space due to the uncertainties and weakness in the economy, ICT Division made good progress in FY2019. It secured a series of notable public sector and enterprise contracts spanning across industries, such as financial, healthcare, education and hospitality. These contracts are in the areas of customer relationship management ("CRM"), on-premise and Cloud-based unified communications ("UC"), contact centre ("CC"), campus management, Internet Protocol TV and traditional IT infrastructure solutions. One of the contracts awarded was a sizeable smart government project. Additionally, ICT Division successfully commissioned and delivered its driving/riding simulator training solution to the three largest driving schools in Singapore.

In terms of overseas expansion, it has incorporated a new subsidiary in China to take advantage of business collaborations and opportunities in the market.

The Division was conferred with business accolades by its partners and the industry in 2019, such as Avaya – Top Value-Added Reseller for Singapore, Smartmatic – APAC Partner Award for 1st strategic win of a smart government project in Singapore, and Project Management Institute Singapore Chapter – First prize winner for Project of the Year 2018-19 (Business & Information Systems Category) for Energy Market Authority Microsoft CRM project.

NETWORK ENGINEERING SERVICES ("ENGINEERING")

Engineering Division's revenue in FY2019 was S$78.5 million and its PBT was S$2.1 million. This represented 25.0% and 28.8% of total Group revenue and PBT respectively. The 15.0% growth in revenue compared to FY2018, was due to increase in revenue for all operations except Singapore. The 28.0% decline in PBT was a result of weaker performances from the Philippines and Malaysia, and relatively flat performances from Singapore, Indonesia and Vietnam.

Generally, the Division continued to face challenges brought about by intense competition, margin pressure and capex reduction in the telco industry. Still, Engineering Division managed to secure a steady stream of multiyear, multimillion-dollar projects from operators and major equipment manufacturers. These include among others, a three-year Huawei frame contract for in-building network coverage in the Philippines, a two-year Nokia frame contract for rollout and radio network planning/optimisation for H3I Project in Indonesia, and a two-year Huawei frame contract for radio network optimisation in Malaysia.

Regionally, it maintained its leadership position for radio network planning and optimisation services in Indonesia and Malaysia, and secured leadership position for network rollout services in Indonesia, while expanding its reach and range of network rollout services in Malaysia and the Philippines.

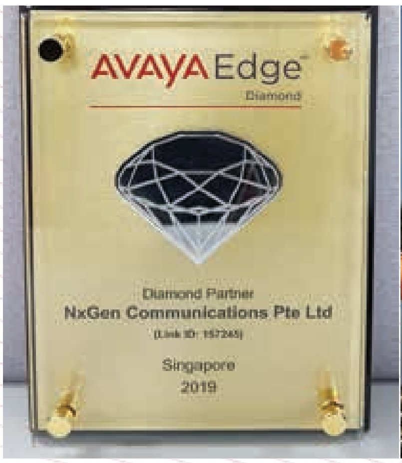
Some of the accolades and distinctions the Division won in the year included from Huawei – National Excellent Quality for Indonesia, Huawei – Regional Best Collaboration Award for Philippines, Huawei – Regional Excellent Quality Award for Malaysia, and Nokia – Most Preferred Partner Award for Singapore.

OPERATIONS REVIEW

OUTLOOK AND GROWTH PROSPECTS

The coming year will pose challenges such as the global economic fallout from the COVID-19 pandemic, unresolved US-China trade disputes, as well as political tensions globally. Nevertheless, there are discernible trends in consumer lifestyle, business processes and industry transformation, brought about by the convergence of artificial intelligence, Internet of Things, smart cities and 5G rollout. These present new opportunities for the industry, which the Group is well-positioned to capitalise on for long-term growth with our capabilities and expertise built over the years.

For PCS Division, it will continue to strengthen and expand its products and service offerings in the consumer space, and to augment and replicate its distribution, retail, fulfilment and management capabilities to different industries. ICT Division will capitalise on the rising demand for both on-premise and cloud-based CRM, UC/CC as well as solutions for innovative infotainment, smart facility and asset management, and smart nation. Engineering Division will leverage the continuous network rollout and upgrade opportunities presented by regional operators, as well as the much anticipated 5G implementation in the industry. The Group will also continue to focus on expanding its regional footprint for all its Divisions in order to diversify its markets and accelerate growth.



FOCUSING ON RELATIONSHIPS

We strengthen our business partnerships, enhance our customer experience and increase our stakeholder engagement to ensure we are in touch with their needs

COMMITMENT TO GENERATING RETURNS

We create synergies for business partners, generate returns for shareholders and contribute to the betterment of society

PLANET TOUCHPOINTS

NORTH

PLANET TELECOMS
21 Choa Chu Kang Avenue 4
#B1-16 Lot 1 Shoppers' Mall
Singapore 689812
Tel: +65 6765 6138
Nearest MRT: NS4 JS1 BP1
Choa Chu Kang
Opening hours: 11am to 9pm daily

PLANET TELECOMS
30 Sembawang Drive
#02-03 Sun Plaza
Singapore 757713
Tel: +65 6257 0467
Nearest MRT: NS11 Sembawang
Opening hours: 11am to 9pm daily

SAMSUNG EXPERIENCE STORE
23 Serangoon Central
#04-42 NEX Mall
Singapore 556083
Tel: +65 6636 7392
Nearest MRT: NE12 CC13 Serangoon
Opening hours: 11am to 9pm daily

STARHUB CAUSEWAY POINT
1 Woodlands Square
#03-07/08/09/10 Causeway Point
Singapore 738099
Tel: +65 6499 8951
Nearest MRT: NS9 TE2 Woodlands
Opening hours: 11am to 9pm daily

STARHUB WATERWAY POINT
83 Punggol Central
#B1-27 Waterway Point
Singapore 828761
Tel: +65 6385 9551
Nearest MRT: NE17 PTC Punggol
Opening hours: 11am to 9pm daily

EAST

HUAWEI CONCEPT STORE
200 Victoria Street
#01- 54/54A Bugis Junction
Singapore 188021
Tel: +65 6253 7728
Nearest MRT: EW12 DT14 Bugis
Opening hours: 11am to 9pm daily

PLANET TELECOMS
5 Changi Business Park Central 1
#01-54 Changi City Point
Singapore 486038
Tel: +65 6442 1373
Nearest MRT: CG1 DT35 Expo
Opening hours: 11am to 9pm daily

SAMSUNG EXPERIENCE STORE
311 New Upper Changi Road
#B1-07 Bedok Mall
Singapore 467360
Tel: +65 6785 1118
Nearest MRT: EW5 Bedok
Opening hours: 11am to 9pm daily

STARHUB BUGIS JUNCTION
200 Victoria Street
#01-83/84 Bugis Junction
Singapore 188021
Tel: +65 6338 7721
Nearest MRT: EW12 DT14 Bugis
Opening hours: 11am to 9pm daily

STARHUB PARKWAY PARADE
80 Marine Parade Road
#B1-30/32 Parkway Parade
Singapore 449269
Tel: +65 6720 1462
Nearest MRT: EW7 Eunos
Opening hours: 11am to 9pm daily

WEST

HUAWEI CONCEPT STORE
1 Jurong West Central 2
#B1-31 Jurong Point Shopping Centre
Singapore 648886
Tel: +65 6254 5498
Nearest MRT: EW27 JS8 Boon Lay
Opening hours: 11am to 9pm daily

PLANET TELECOMS
2 Jurong East Street 21
#01-59A IMM
Singapore 609601
Tel: +65 6563 1495
Nearest MRT: EW24 NS1 JE5
Jurong East
Opening hours: 11am to 9pm daily

STARHUB WESTGATE
3 Gateway Drive
#03-28 Westgate
Singapore 608532
Tel: +65 6591 9260
Nearest MRT: EW24 NS1 JE5
Jurong East
Opening hours: 11am to 9pm daily

VALUES

INTEGRITY
COMMITMENT
EXCELLENCE
VALUE CREATION
SOCIALLY RESPONSIBLE
FUN@WORK

GROUP STRUCTURE

AS AT 31 DECEMBER 2019

TeleChoice International Limited

PERSONAL COMMUNICATIONS SOLUTIONS

- 100% PLANET TELECOMS (S) PTE LTD
- 100% PLANET MANAGED SERVICES PTE. LTD.
- 100% PLANET SMART SERVICES PTE. LTD.
- 100% PLANET TELECOMS MANAGED SERVICES SDN. BHD.

INFO-COMMUNICATIONS TECHNOLOGY

- 100% NEXWAVE TELECOMS PTE. LTD.
- 100% S & I SYSTEMS PTE LTD
  - 49.6% SUNWAY S&I SYSTEMS (THAILAND) LTD
  - 51% SUNWAY S&I SYSTEMS SDN. BHD.*
- 100% NXGEN COMMUNICATIONS PTE LTD
  - 100% NXGEN COMMUNICATIONS (M) SDN BHD
  - 100% NXGEN INC.
  - 29.41% MVI SYSTEMS LIMITED
    - 100% MVI SYSTEMS (MACAU) LIMITED

NETWORK ENGINEERING

- 100% NEXWAVE TECHNOLOGIES PTE LTD
  - 100% NEXWAVE TECHNOLOGIES VIETNAM COMPANY LIMITED
  - 100% N-WAVE TECHNOLOGIES PHILIPPINES, INC.
  - 99% PT NEXWAVE (1% held directly by TeleChoice International Limited)
- 100% N-WAVE TECHNOLOGIES (MALAYSIA) SDN BHD

* The subsidiary is under members' voluntary liquidation

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Bertie Cheng (Chairman)
Yap Boh Pin
Tang Yew Kay Jackson
Ronald Seah Lim Siang
Stephen Geoffrey Miller
Ho Koon Lian Irene
Lim Chai Hock Clive

COMPANY SECRETARY

Chan Jen Keet

REGISTERED OFFICE

1 Temasek Avenue
#33-01 Millenia Tower
Singapore 039192

EXTERNAL AUDITORS

KPMG LLP
Audit Partner: Jeya Poh Wan S/O
K. Suppiah
(Partner since financial year ended
31 December 2019)

DIRECTORY OF SUBSIDIARIES AND ASSOCIATES

CORPORATE

Singapore

TeleChoice International Limited
6 Serangoon North Avenue 5
#03-16
Singapore 554910
Tel: +65 6826 3600
Fax: +65 6826 3610
Website: www.telechoice.com.sg

PERSONAL COMMUNICATIONS SOLUTIONS SERVICES

Singapore

TeleChoice International Limited
Planet Telecoms (S) Pte Ltd
Planet Managed Services Pte. Ltd.
Planet Smart Services Pte. Ltd.
5A Toh Guan Road East
#06-02A
Singapore 608830
Tel: +65 6826 3600
Fax: +65 6568 2000

Malaysia

Planet Telecoms Managed Services
Sdn. Bhd.
Level 7
07-01 Amoda Building
No 22 Jalan Imbi
55100 Kuala Lumpur
Malaysia
Tel: +60 3 2110 3597
Fax: +60 3 2110 3598

INFO-COMMUNICATIONS TECHNOLOGY SERVICES

Singapore

NexWave Telecoms Pte. Ltd.
NxGen Communications Pte Ltd
S & I Systems Pte Ltd
6 Serangoon North Avenue 5
#03-16
Singapore 554910
Tel: +65 6826 3600
Fax: +65 3157 1550/3700/2301

Malaysia

Sunway S&I Systems Sdn Bhd
305 (Suite 1) Block E
Pusat Dagangan Phileo Damansara 1
9 Jalan 16/11 Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan
Malaysia

NxGen Communications (M) Sdn Bhd
D3A12 Block D Kelana Square
Jln SS7/26 Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel: +60 3 7662 9500
Fax: +60 3 7662 9566

Philippines

NxGen Inc.
Unit 717
7th Floor Globe Telecom Plaza 1
Pioneer Street
Mandaluyong City 1550
Philippines
Tel: +632 747 0466

Thailand

Sunway S&I Systems (Thailand) Ltd
719 KPN Tower 21st Floor
Rama 9 Road
Bangkapi Huay Kwang
Bangkok 10310
Thailand

CORPORATE INFORMATION

Hong Kong

MVI Systems Limited
11/F Sitoy Tower
164 Wai Yip Street
Kwun Tong Kowloon
Hong Kong
Tel: +852 2961 4268
Fax: +852 3007 2276

Macau

MVI Systems (Macau) Limited
Avenida da Praia
Grande No. 762-804
Edf. China Plaza
14 Andar G
Macau
Tel: +852 2961 4268
Fax: +852 3007 2276

Taiwan

MVI Systems (Taiwan)
Representative Office
6/F No. 34
Jianguo 2nd Road
Sanmin District
Kaohsiung City
Taiwan 807
Tel: +886 7 236 6822

NETWORK ENGINEERING SERVICES

Singapore

NexWave Technologies Pte Ltd
6 Serangoon North Avenue 5
#03-16
Singapore 554910
Tel: +65 6826 3600
Fax: +65 6826 3610

Malaysia

N-Wave Technologies (Malaysia) Sdn Bhd
D3A12 Block D Kelana Square
Jln SS7/26 Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel: +60 3 7880 6611
Fax: +60 3 7880 8393

Indonesia

PT NexWave
Jalan Tebet Raya No 5
Tebet Barat Tebet
Jakarta Selatan 12810
Indonesia
Tel: +62 21 829 0809
Fax: +62 21 829 2502

Philippines

N-Wave Technologies Philippines, Inc
Unit 717
7th Floor Globe Telecom Plaza 1
Pioneer Street
Mandaluyong City 1550
Philippines
Tel: +632 747 0466

Vietnam

NexWave Technologies Vietnam
Company Limited
42/33 Hoang Dieu
Ward 12 District 4
Ho Chi Minh City
Vietnam
Tel: +84 286 292 8298

CORPORATE **GOVERNANCE**

Our Board of Directors and Management are committed to maintaining high standards of corporate governance, to protect the interests of our shareholders and other stakeholders.

This Report describes our corporate governance practices, with reference to the principles set out in the revised Code of Corporate Governance issued by the Monetary Authority of Singapore ("**MAS**") on 8 August 2018 ("**Code 2018**"), for the financial year ended 31 December 2019.

(A) BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

Our Board is responsible for guiding our overall strategic direction, corporate governance, sets organisation culture and providing oversight in the proper conduct of our businesses. The Board supervises the achievements of Management's performance targets which align the interests of the Board and Management with that of the shareholders, whilst balancing the interests of all shareholders.

The Board meets regularly to review our key activities and business strategies. Regular Board Meetings are held quarterly to deliberate on strategic matters and policies including significant acquisitions and disposals, the annual budget, review the performance of the business and approve the release of the quarterly and year-end reports. Where necessary, we convene additional Board sessions to address significant transactions or developments. Where a physical Board meeting is not possible, timely communication with members of our Board is effected through electronic means, which include electronic mail and teleconference. Our Constitution provides for Directors to participate in meetings by teleconference or videoconference. Where necessary, Management will arrange to brief each Director, before seeking our Board's approval.

Unless delegated, all transactions of the Company are approved by the Board. Any Director who has an interest or relationship that is likely to interfere or impact on his/her independence or conflict with a subject under discussion or consideration by the Board is required to immediately declare his/her interest or relationship or conflict and, if required by the Board, abstain from further discussion and/or voting the matter.

Management provides complete, adequate and timely information to our Board, on our affairs and issues requiring our Board's attention, as well as monthly reports providing updates on our key operational activities and financial performance. The monthly flow of information and reports allows our Directors to make informed decisions and also to keep abreast of key challenges and opportunities between our Board meetings.

Frequent dialogue takes place between Management and members of our Board, and our President encourages all Directors to interact directly with all members of our Management team.

Our Board has separate and independent access to our senior Management and the Company Secretary at all times and are free to conduct independent or collective discussions with Management, the Company Secretary and independent professional advice, if necessary, on any area of interest or concern.

We have always believed that we should conduct ourselves in ways that deliver maximum sustainable value to our shareholders. We promote best practices as a means to build an excellent business for our shareholders. Our Board has overall accountability to our shareholders for our performance and in ensuring that we are well managed. Management provides our Board members with monthly business and financial reports, comparing actual performance with budget and highlighting key business indicators and major issues that are relevant to our performance, position and prospects.

CORPORATE **GOVERNANCE**

The Board has also established an Executive Committee ("**EC**") to oversee major business and operational matters. The EC comprises Bertie Cheng, Ronald Seah Lim Siang, Stephen Geoffrey Miller and Lim Chai Hock Clive.

Management regularly consults and updates the EC on all major business and operational issues. The Board is also supported by other Board committees which are delegated with specific responsibilities, as described under "Principle 4: Board Membership" of this Report.

The Board, upon the recommendation of the Audit Committee ("**AC**"), has adopted a comprehensive set of internal controls, which sets out the authority and approval limits for capital and operating expenditure, investments and divestments, bank borrowings and cheque signatories arrangements at Board level. Authority and approval sub-limits are also provided at Management levels to facilitate operational efficiency.

Management monitors changes to regulations and accounting standards closely. Updates and briefings on regulatory requirements are conducted either during Board sessions or by circulation of papers. Directors are also encouraged to attend seminars and training (including those conducted by Singapore Institute of Directors ("**SID**") in conjunction with SGX-ST) that may be relevant to their responsibilities and duties as directors, at the Company's cost, to continually develop and refresh their professional knowledge and skills and to keep themselves abreast of relevant developments in the Group's business and the regulatory and industry-specific environments in which the Group operates. This enables the Directors to serve effectively and contribute to the Board. The Directors are regularly provided with a list of upcoming seminars and trainings conducted by the SID and/or SGX-ST.

The Company's practice is to issue a letter of appointment setting out the duties and obligations of new Directors upon their appointment. New Directors are given briefings by Management on the business activities of the Group and its strategic directions. New Directors are also given manuals containing, among others, relevant information on the Group and information about their statutory and other responsibilities as Directors. New Directors who have no prior experience as directors of a listed company will also be required to attend relevant training by accredited trainers.

To help ensure compliance with the applicable securities and insider trading laws, including the best practices set out in the SGX-ST Listing Manual (the "**Listing Manual**"), we have adopted and implemented our Guidelines on Dealing in Securities of TeleChoice (the "**Guidelines**"). We send regular compliance notices to all Directors and employees. In accordance with Rule 1207(19) of the Listing Manual, all our Directors and employees are prohibited from dealing in our securities during the period of, two weeks before the respective announcement of our first quarter, second quarter and third quarter financial results, and one month before the announcement of our full year financial results. Restrictions are lifted from the date of the announcement of the respective results. Similar dealing restrictions also apply in the Company's acquisition of its securities pursuant to its share purchase mandate. All our Directors and employees, and those of our subsidiaries and associates, are advised not to deal in our securities on short term considerations and are also advised to comply with the Guidelines and observe applicable insider trading laws at all times.

CORPORATE **GOVERNANCE**

Principle 2: Board Composition and Guidance

To be effective, we believe our Board should comprise a majority of Non-Executive Directors independent of Management, with the right core competencies and appropriate balance and diversity of skills, knowledge and experience and other aspects of diversity, such as age, from time to time determined by the Board to enable them to contribute effectively.

Our Board currently comprises seven (7) Directors, all of whom are Non-Executive Directors and independent of Management. Our Board comprises a majority of Independent Directors, namely Bertie Cheng, Yap Boh Pin, Tang Yew Kay Jackson and Ronald Seah Lim Siang, which helps ensure a strong element of independence in all our Board's deliberations.

Our Board consists of Directors who are business leaders and professionals of high caliber and integrity, collectively with a broad range of core competencies and experience in enterprise and banking, accounting and finance, investment, risk management, regulatory, technology, business and industry knowledge, management and strategic planning experience.

The composition of our Board enables Management to benefit from an outside diverse and objective perspective of issues that are brought before our Board. It also enables our Board to interact and work with Management through a robust exchange of ideas and views to help shape the strategic directions. This, coupled with a clear separation of the role of our Chairman and our President, provides a healthy professional relationship between our Board and Management, with clarity of roles and robust oversight.

Profiles of each Director are found on pages 8 to 11 of this Annual Report.

Principle 3: Chairman and President

We believe there should be a clear separation of the roles and responsibilities between our Chairman and President. Our Chairman and the President are separate persons and are not related to each other in order to maintain an effective balance of power, increased accountability and greater capacity of the Board for independent decision making.

Our Chairman is Bertie Cheng, an Independent Non-Executive Director. Our Chairman leads the Board and ensures that our Board members work together with Management, with the capability and moral authority to engage and contribute effectively and constructively on various matters, including strategic issues and business planning processes.

Our President, Lim Shuh Moh Vincent, is charged with full executive responsibility for the running of our businesses, making operational decisions and implementing business directions, strategies and policies. Our President is supported on major business and operational issues by the oversight of our EC.

CORPORATE **GOVERNANCE**

Principle 4: Board Membership

We believe that Board renewal must be an ongoing process, to ensure good governance, and maintain relevance to the changing needs of the Company and business. As required by our Constitution, our Directors are subject to retirement and re-election by shareholders as part of the Board renewal process. Nominations and election of Board members are the prerogatives and rights of all our shareholders.

In carrying out its functions, our Board is supported by key Board committees, namely the AC, the Remuneration Committee ("**RC**"), the Nominating Committee ("**NC**") and the EC. Each of our Board committees has been established with clear charters setting out their respective areas of authority, terms of reference and committee procedures. Other Board committees can be formed from time to time to look into specific areas as and when the need arises. Membership in the different committees is carefully managed to ensure that there is equitable distribution of responsibilities amongst Board members, to maximise the effectiveness of the Board and foster active participation and contribution from Board members. Diversity of experiences and appropriate skills are also considered, along with the need to ensure appropriate checks and balances between the different Board committees.

Details of frequency and participation at our Board, AC, RC, NC, EC and general meetings for FY19 are set out in Table 1.

Table 1
FY19 – Directors' Attendance at Board, Board Committees and Annual General Meetings

	Board		Audit Committee		Remuneration Committee		Nominating Committee		Executive Committee		Annual General Meeting	
Director	No. of Meetings Held	No. of Meetings Attended (% Attendance)	No. of Meetings Held	No. of Meetings Attended (% Attendance)	No. of Meetings Held	No. of Meetings Attended (% Attendance)	No. of Meetings Held	No. of Meetings Attended (% Attendance)	No. of Meetings Held	No. of Meetings Attended (% Attendance)	No. of Meetings Held	No. of Meetings Attended (% Attendance)
Bertie Cheng	4	4 (100%)	NA	NA	1	1 (100%)	1	1 (100%)	0	–	1	1 (100%)
Yap Boh Pin	4	4 (100%)	6	6 (100%)	NA	NA	1	1 (100%)	NA	NA	1	1 (100%)
Tang Yew Kay Jackson	4	4 (100%)	6	6 (100%)	NA	NA	NA	NA	NA	NA	1	1 (100%)
Ronald Seah Lim Siang	4	2 (50%)	NA	NA	1	1 (100%)	NA	NA	0	–	1	1 (100%)
Stephen Geoffrey Miller	4	4 (100%)	NA	NA	1	1 (100%)	1	1 (100%)	0	–	1	1 (100%)
Ho Koon Lian Irene	4	4 (100%)	6	6 (100%)	NA	NA	NA	NA	NA	NA	1	1 (100%)
Lim Chai Hock Clive	4	3 (75%)	NA	NA	NA	NA	NA	NA	0	–	1	1 (100%)

CORPORATE **GOVERNANCE**

Our NC is chaired by an Independent Non-Executive Director, Bertie Cheng and also comprises Yap Boh Pin (Independent Non-Executive Director) and Stephen Geoffrey Miller (Non-Executive Director). The members of our NC (including the Chairman) are all Non-Executive Directors independent of Management.

Our NC's responsibilities include:–

a. recommendations to the Board on the selection, appointment and re-appointment of the Company's Directors;

b. determining the independence of a Director on an annual basis;

c. deciding how the Board's performance and the performance of the Chairman, Board committees and each individual Directors are to be evaluated;

d. recommendations to the Board on the review of board succession plans for Directors and Key Management Personnel (defined as the President and other persons having authority and responsibility for planning, directing and controlling the activities of the Company); and

e. recommendations to the Board on training and professional development programs for the Board.

In proposing candidates for appointment or re-election as Directors, the NC considers several factors, including the composition, the diversity and the need for progressive renewal of the Board, each candidate's competencies, commitment, contribution and performance (including attendance, preparedness, participation and candour) and potential conflicts of interest. This ensures that the Board composition reflects an appropriate mix having regard to skills, experience, expertise, diversity and independence, which enables the Board to stay engaged and agile in meeting the needs of the Group. External consultants are engaged to assist with the selection process, if necessary.

Our Constitution requires one-third of our Directors to retire and subject themselves to re-election by shareholders at every annual general meeting ("**AGM**") ("**one-third rotation rule**"). In other words, no Director stays in office for more than three years without being re-elected by our shareholders.

In addition, a newly-appointed Director is required to submit himself/herself for retirement and re-election at the AGM immediately following his/her appointment. Thereafter, he/she is subject to the one-third rotation rule.

Principle 5: Board Performance

We believe that Board performance is ultimately reflected in our business performance. Our Board should ensure compliance with applicable laws and all Board members should act in good faith, with due diligence and care, in our best interests and the best interests of our shareholders.

Our Board, through the delegation of its authority to the NC, has used its best efforts to ensure that our Directors are equipped with the necessary background, experience and expertise in technology, business, finance and management skills to make valuable contributions and that each Director brings to our Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

CORPORATE GOVERNANCE

Our NC has implemented a framework for assessing Board performance and diversity, and undertakes regular reviews of the performance and diversity of our Board, our Chairman, our committees and each individual Director, with inputs from our other Board members. The results of the Board appraisal exercise, which is conducted at least once annually, are circulated to all Directors for information and feedback. The information gleaned from the completed Board appraisal exercise(s) are taken into consideration by the NC, in determining whether there are any changes needed to the appraisal system, prior to the commencement of the next Board appraisal cycle. In addition, our NC also reviews the performance of Directors who hold multiple board representations and has established a guideline that (a) a Director holding a full time position should not be a Director of more than four listed companies; and (b) a “professional” Director should not be a Director of more than six listed companies. However, the NC has the discretion to deviate from this guideline on a case-by-case assessment.

As at 31 December 2019, all of our four Independent Directors, namely Bertie Cheng, Yap Boh Pin, Tang Yew Kay Jackson and Ronald Seah Lim Siang, had served on our Board for more than nine years. Our NC conducts rigorous review of the independence of our non-executive directors particularly for those directors who have served on our Board for more than nine years. Our Board takes the view that the key consideration in ascertaining the effectiveness of a Director’s independence is the ability to exercise independent judgement with a view to the best interests of the Company. After due and careful rigorous review, our Board is of the view that Bertie Cheng, Yap Boh Pin, Tang Yew Kay Jackson and Ronald Seah Lim Siang remain independent in their exercise of Board duties as they have continued to demonstrate independent mindedness and conduct, including expressing their own views on issues and challenging Management. Each of these Independent Directors has declared their independence and has no relationship with Management that could adversely impinge on their independence in the discharge of their duties as Directors on our Board.

One of our Independent Directors, Ronald Seah Lim Siang, has declared that he and his brother, Peter Seah Lim Huat, are both directors in related corporations of the Company which have business transactions with the Group. Ronald Seah Lim Siang continued to demonstrate strong independence in character and judgement in the discharge of his responsibilities as a Director on our Board. He has continued to express his individual view points, debated issues and objectively scrutinised and challenged Management. After taking into account the views of the NC, our Board is of the view that Ronald Seah Lim Siang remains independent in his exercise of Board duties.

(B) REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

Principle 7: Level and Mix of Remuneration

Principle 8: Disclosure on Remuneration

We believe that a framework of remuneration for our senior Management and key staff should not be taken in isolation. It should be linked to the development of our senior Management and key staff to ensure that there is a continual development of talent and renewal of strong and sound leadership for our continued success. For this reason, our RC oversees the compensation package for our senior Management and key staff.

CORPORATE GOVERNANCE

Our RC is responsible for reviewing cash and long-term incentive compensation policies for our President, senior Management and key staff. Our RC is chaired by an Independent Non-Executive Director, Bertie Cheng and also comprises Ronald Seah Lim Siang (Independent Non-Executive Director) and Stephen Geoffrey Miller (Non-Executive Director). The members of our RC (including the Chairman) are all Non-Executive Directors independent of Management. From time to time, we may co-opt an outside member into our RC to provide additional perspectives on talent management and remuneration practices.

Our RC has access to expert professional advice on human resource matters whenever there is a need to consult externally. Aon Hewitt Singapore Pte. Ltd. ("**Aon**") was appointed to provide professional advice on certain human resource matters. Aon only provides human resource consulting services to the Company and has no other relationships with the Company. In its deliberations, our RC takes into consideration industry practices and norms in compensation. Our President is not present during the discussions relating to his own compensation, and terms and conditions of service, and the review of his performance. However, our President will be in attendance when our RC discusses the policies and compensations of our senior Management and key staff, as well as major compensation and incentive policies such as share options, stock purchase schemes, framework for bonus, staff salary and other incentive schemes.

All decisions at any RC meeting are decided by a majority of votes of RC members present and voting (the decision of the RC shall at all times exclude the vote, approval or recommendation of any member having a conflict of interest in the subject matter under consideration).

The RC is guided by its Terms of Reference which are aligned with requirements under the Code 2018.

Our RC's responsibilities include:

a. review and recommend to the Board the cash and long-term incentive compensation policies and framework and fee schedule for Directors and Key Management Personnel of the Company;

b. administer and review any proposed amendments to the TeleChoice Restricted Share Plan, the TeleChoice Performance Share Plan and such other similar share schemes or plans that may be adopted by the Company from time to time;

c. review and recommend to the Board for approval, on an annual basis, the specific remuneration packages of each Director and the Key Management Personnel of the Company. Where the RC deems appropriate, it may, in consultation with the Chairman of the Board, make the relevant recommendations in respect of the remuneration of Director or Key Management Personnel, to the entire Board for approval; and

d. undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters which require the attention of the RC.

The term "Key Management Personnel" shall mean the President and other persons having authority and responsibility for planning, directing and controlling the activities of the Company.

CORPORATE **GOVERNANCE**

Executive Remuneration for the President and Key Management Personnel

Remuneration for Key Management Personnel comprises a fixed component, a variable cash component, a share-based component and benefits-in-kind.

A. Fixed Component:

The Fixed Component comprises the annual base salary, annual wage supplement and monthly allowances.

B. Variable Cash Component:

The Variable Cash Component, including the Performance Bonus and the Discretionary Bonus, is a remuneration component linked to the achievement of annual performance targets for each Key Management Personnel as agreed with the Board at the beginning of each financial year. Performance objectives aligned to the overall business metrics and strategic goals of the Company are cascaded down throughout the organisation through the use of Performance Scorecards, thereby creating greater alignment between the performance of the Company, business units and the individual employees. These performance objectives could be in the form of both quantitative and qualitative measures which are aligned to the Company's business strategy. In determining the final payout for each Key Management Personnel, the RC considers the overall performance of the Company, funding affordability and individual performance.

C. Share-Based Component:

The aggregate number of new shares to be issued, when aggregated with existing shares (including treasury shares, if any, and cash equivalents) delivered and/or to be delivered pursuant to the TeleChoice Restricted Share Plan (the "**TeleChoice RSP**") (as amended) and the TeleChoice Performance Share Plan (the "**TeleChoice PSP**") (as amended) (collectively referred to as the "**Share Plans**") then in force, shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) from time to time. To align the interest of the Key Management Personnel and that of shareholders, the Key Management Personnel are required to retain a certain percentage of shares acquired through the share-based plans, up to the lower of: (1) a percentage of total number of shares acquired under the Share Plans for FY07 and onwards based on position level; or (2) the number of TeleChoice shares to be retained in order to meet the minimum value, which is set at a percentage of annual base salary based on position level.

Please refer to the section on Equity Compensation Benefits in the Directors' Statement on pages 77 to 79 of this Annual Report for the details of the Share Plans as well as awards granted under the Share Plans.

CORPORATE **GOVERNANCE**

TeleChoice RSP

Under the TeleChoice RSP (as amended), conditional awards vest over a three-year period, once the RC is, at its sole discretion, satisfied that the performance and extended service conditions are attained. For RSP grants for 2017 onwards, the total number of shares to be awarded depends on the level of attainment of the individual performance targets.

TeleChoice PSP

Under the TeleChoice PSP (as amended), conditional awards of shares are granted. Awards represent the right of a participant to receive fully paid shares upon the participant achieving certain pre-determined performance targets which are set based on corporate objectives aimed at sustaining longer-term growth. After the awards vest, the shares comprised in the awards are issued at the end of the performance and/or service period once the RC is, at its sole discretion, satisfied that the prescribed performance targets have been achieved. The actual number of shares given will depend on the level of achievement of the prescribed performance targets over the performance period, currently prescribed to be a three-year period. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. The performance measures used in the TeleChoice PSP grants are Total Shareholder Return against Cost of Equity Hurdles (i.e. measure of absolute performance) and Return on Capital Employed (i.e. measure of capital efficiency). The Company has attained an achievement factor which is reflective of partially meeting the pre-determined target performance levels based on the performance period from FY17 to FY19.

D. Benefits-In-Kind:

Benefits provided are comparable with local market practices and include non-cash benefits such as leave, medical benefits and handphones.

In performing the duties as required under its Terms of Reference, the RC ensures that remuneration paid to the Key Management Personnel is strongly linked to the achievement of business and individual performance targets, industry practices and compensation norms and the need to ensure the continuing development of talents. The performance targets as determined by the RC are set at realistic yet stretched levels each year to motivate a high degree of business performance with emphasis on both short-term and long-term quantifiable objectives. The RC also considers the tight talent market for senior Management in setting total compensation levels. The RC is satisfied that the level and mix of remuneration is appropriate and is aligned with pay-for-performance principles.

Under the Code 2018, the compensation system should take into account the risk policies of the Company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. The RC has reviewed the various compensation risks that may arise and introduced mitigating policies to better manage risk exposures identified. The RC will also undertake periodic reviews of the compensation related risks in future.

For FY19, there were no termination, retirement and post-employment benefits granted to Key Management Personnel.

There is no employee who is an immediate family member of a Director or the President, whose remuneration exceeds S$50,000 a year.

CORPORATE **GOVERNANCE**

Details of remuneration paid to our President and top four (4) Key Management Personnel for FY19 are set out in Table 2 below. For competitive reasons, the Company is only disclosing the band of remuneration of our President and each Key Management Personnel for FY19, within bands of S$250,000.

Table 2: FY19 – President and Top Four (4) Key Management Personnel's Remuneration

Name	Fixed Component %	Variable Cash Component %	Share-Based Component %	Benefits-In-Kind %	Remuneration Bands(1)
Lim Shuh Moh Vincent	60	14	23	3	C
Lee Yoong Kin	67	14	15	4	B
Pauline Wong Mae Sum	64	17	16	3	B
Wong Loke Mei	66	17	13	4	A
Goh Song Puay	66	19	12	3	A

Notes:–
(1) Remuneration Bands:
"A" refers to remuneration between S$250,001 and S$500,000.
"B" refers to remuneration between S$500,001 and S$750,000.
"C" refers to remuneration between S$750,001 and S$1,000,000.

For FY19, the aggregate total remuneration paid to the President and top four (4) Key Management Personnel (who are not Directors) amounted to approximately S$3,125,981.

Remuneration for Directors

We remunerate our Directors with Directors' fees which take into account the nature of their responsibilities. The remuneration structure is based on a scale of basic retainer fees as Director and additional fees for serving on Board Committees as set out in Table 3 below. The Directors' remuneration for the financial year ended 31 December 2019 will be subject to shareholders' approval at the forthcoming AGM.

CORPORATE **GOVERNANCE**

Table 3: FY19 – Scale of Fees

Basic Retainer Fee	S$
Board Chairman[(1)]	85,000
Board Member	42,000
Fee for appointment to the Audit Committee	
Committee Chairman[(1)]	26,000
Committee Member	20,000
Fee for appointment to the Remuneration Committee	
Committee Chairman[(1)]	17,000
Committee Member	9,500
Fee for appointment to the Nominating Committee	
Committee Chairman[(1)]	17,000
Committee Member	7,500

Note:–
(1) Board and Committee Chairman Fee includes Annual Basic Retainer as Board Member or Committee Member (as the case may be).

To align the interests of the Directors to that of the shareholders, Directors who served on the Board during FY19 (other than Lim Chai Hock Clive, in respect of whom please refer to the paragraph below) will be remunerated as to approximately 70 percent (70%) of his/her total Directors' remuneration in cash and approximately 30 percent (30%) of his/her total Directors' remuneration in the form of a restricted share award pursuant to the TeleChoice RSP (as amended). The number of shares to be awarded will be based on the volume-weighted average price ("**VWAP**") of a share listed on the SGX-ST over the 14 market days commencing on (and including) the first ex-dividend date that immediately follows the date of this AGM (and in the event that no dividend is declared at such last concluded AGM, the VWAP of a share listed on the SGX-ST over the 14 market days commencing after the date of such last concluded AGM). The number of shares to be awarded will be rounded down to the nearest thousand shares, and any residual balance settled in cash. The restricted share awards will consist of the grant of fully paid shares, without any performance or vesting conditions attached. However, in order to encourage alignment of interests of the Directors with the interests of shareholders, a Director is required to hold such number of shares equivalent to at least (i) the prevailing annual basic Board retainer fee, based on the VWAP of a share listed on the SGX-ST over the 14 days market days from (and including) the first ex-dividend date (if any) following the date of the Company's last concluded AGM (and in the event that no dividend is declared at such last concluded AGM, the VWAP of a share listed on the SGX-ST over the 14 market days commencing after the date of such last concluded AGM); or (ii) the total number of shares awarded to that Director under the TeleChoice RSP (as amended) for FY13 and onwards, whichever is lower. Notwithstanding the foregoing, a Director is permitted to dispose of all of his/her shares after the first anniversary of the date of his/her cessation as a Director of the Company.

CORPORATE **GOVERNANCE**

In relation to Lim Chai Hock Clive, it is proposed that the entire amount of his Director's remuneration for FY19 be paid to him in cash in full. Lim Chai Hock Clive is a controlling shareholder of the Company, and approval of independent shareholders by way of a separate resolution for the grant of the specific number of share awards to him is required under Listing Rule 853. However, as the number of share awards to be granted to Lim Chai Hock Clive would have been computed only after the date of the AGM (as described above), such number of awards would not be known until after the AGM, and it is therefore not possible to seek approval for the grant of the specific number of share awards to him at the AGM. In view of the difficulties that the Company would face in complying with the Listing Rule 853 for the grant of share awards to Lim Chai Hock Clive, the Company is therefore proposing to pay him in cash in full instead.

The following Table 4 shows the total composition of Directors' remuneration for FY19.

Table 4: FY19 – Directors' Remuneration

	Total Directors' Remuneration[1]		
Name	**Cash-based**	**Share-based**	**Total**
Bertie Cheng	$83,300	$35,700	$119,000
Yap Boh Pin	$52,850	$22,650	$75,500
Tang Yew Kay Jackson	$43,400	$18,600	$62,000
Ronald Seah Lim Siang	$36,050	$15,450	$51,500
Stephen Geoffrey Miller	$41,300[2]	$17,700	$59,000
Ho Koon Lian Irene	$43,400[2]	$18,600	$62,000
Lim Chai Hock Clive[3]	$42,000	–	$42,000

Notes:–
(1) The aggregate amount of these fees is subject to approval by shareholders at the upcoming AGM for FY19.
(2) These fees are payable to STT Communications Ltd.
(3) As explained above, Lim Chai Hock Clive will be paid his Director's remuneration of $42,000 in cash in full.

From FY14, the Company has implemented a contractual "Clawback" provision in the event that the executive Director or Key Management Personnel of the Company engages in fraud or misconduct, which results in restatement of the Company's financial results or a fraud/misconduct resulting in financial loss to the Company. The Board may pursue to reclaim the unvested components of remuneration from the executive Director or Key Management Personnel from all incentive plans for the relevant period, to the extent such incentive has been earned but not yet released or disbursed. The Board, taking into account the RC's recommendation, can decide whether and to what extent, such recoupment of the incentive is appropriate, based on the specific facts and circumstances of the case.

CORPORATE **GOVERNANCE**

(C) ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Company and its subsidiaries (the "**Group**") has in place an Enterprise Risk Management ("**ERM**") Framework, which governs the process of identification, prioritisation, assessment, management and monitoring of key financial, operational, compliance and IT risks to the Group. The key risks of the Group are deliberated by Management and reported to the AC. Integral to the ERM is a Group-wide system of internal controls.

The Board, with the advice of the AC, determines the Group's level of risk tolerance and risk policies and the AC oversees Management in the design, implementation and monitoring of the risk management and internal control systems. The Board and the AC are supported by Management and various independent professional service providers such as external and internal auditors to review the adequacy and effectiveness of the Group's risk management and internal controls systems.

The Board, with the concurrence of the AC, commented that the Group's internal controls and risk management systems are adequate and effective in addressing the financial, operational, compliance and IT risks of the Group. The Board acknowledges that it is responsible for the Group's overall risk management and internal control system framework, but recognises that there is no system that will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has received the following assurances from:

a. the President and the Chief Financial Officer ("**CFO**") that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

b. the President and other relevant Key Management Personnel that the Group's risk management and internal control system are effective and adequate.

Principle 10: Audit Committee

Our AC consists of three (3) Non-Executive Directors, two of whom including the Chairman are Independent Directors. The AC members are Yap Boh Pin as Chairman, Tang Yew Kay Jackson and Ho Koon Lian Irene. Our AC members bring with them invaluable professional and managerial expertise in the accounting and financial sectors.

Our AC's responsibilities include reviewing our annual audit plan, internal audit processes, the adequacy and effectiveness of internal controls and Interested Party Transactions for which there is a shareholders' mandate renewable annually. In addition, our AC is also responsible for overseeing the Group's risk management framework and policies, including advising the Board on the Group's overall risk tolerance and policies; overseeing Management on the design, implementation and monitoring of the risk management and internal control systems; and reviewing the adequacy and effectiveness of the Group's risk management and internal control systems. Major identified risk categories include strategic, operational, market, compliance and information technology risks. The risk management processes are tailored to address these categories of risks.

CORPORATE **GOVERNANCE**

The AC is supported by senior Management representatives who:–

a. oversee and ensure that our risk management policies are adequate and remain effective;

b. conduct regular reviews to ensure that our business units and key functions adequately prioritise and address risk management issues; and

c. prepare regular updates on risk management issues for the AC.

Our AC has separate and independent access to the external and internal auditors, without the presence of our President and other senior Management members, in order to have free and unfettered access to information that our AC may require.

Our AC has full authority to commission and review findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or violation of any law likely to have a material impact on our operating results. Our AC is also authorised to investigate any matter within its charter with the full co-operation of Management. Our AC reviews and approves the quarterly, half-yearly and annual financial statements and the appointment and re-appointment of auditors before recommending them to the Board for approval.

In 2019, our AC held six meetings and meets with the external and internal auditors without the presence of Management, at least once during the year, to discuss matters it believes should be raised privately.

Our AC reviews the nature and extent of non-audit services, if any, provided by the external auditors during the year to assess the external auditors' independence, adequacy and effectiveness. For details of fees payable to the auditors in respect of audit and non-audit services, please refer to Note 24 of the financial statements on page 141 of this Annual Report. Having been satisfied that the independence of the external auditors is not impaired by their provision of non-audit services, and that Rules 712 and 715 of the Listing Manual have been complied with, the AC has recommended to the Board that KPMG LLP be nominated for re-appointment as the external auditors at the next AGM. To further maintain the independence of KPMG LLP, the AC ensures that the audit partner in-charge of the Group is rotated every five years. For the financial year ended 31 December 2019, the audit partner in-charge has been rotated. None of the Directors (including the AC members) or senior Management is or has in the past two years been a former partner, director or employee of the Group's external auditors.

In line with our commitment to a high standard of internal controls and its zero tolerance approach to fraud, we have put in place a whistle blower policy (the "**Policy**") providing employees a direct channel to the AC, for reporting suspected fraud and possible impropriety in financial reporting, unethical conduct, dishonest practices or other similar matters. This Policy aims at protecting employees against discrimination or retaliation as a result of their reporting information regarding, or their participation in, inquiries, investigations or proceedings involving TeleChoice or its agents. With such a policy in place, we are able to take swift action against any fraudulent conduct and minimise any financial losses arising from such conduct. The Policy is available on our intranet and website for easy access by all employees and the public.

To further emphasise the importance of corporate governance, we have introduced an Anti-Corruption Policy in October 2018. All new employees are required to read, understand and be assessed on these policies as part of the onboard process. There were no incidents of corruption during this period that has a material impact on the Group's operating results or financial position.

Management monitors changes to accounting standards and issues which have a direct impact on financial statements closely. Updates and briefings on regulatory requirements are conducted either during AC sessions or by circulation of papers.

CORPORATE **GOVERNANCE**

Financial Reporting

The AC reviewed the draft financial statements and quarterly results before recommending their approval to the Board. As part of this review, the AC considered significant accounting policies, estimates and significant judgements. The AC also reviewed reports on findings from internal and external audits.

The key audit matters ("**KAM**") in relation to the financial statements considered by the AC and how these were addressed are summarised as follows:–

KAM	AC commentary
Impairment assessment of goodwill	
The annual impairment of goodwill testing is considered to be a key audit matter as significant judgement is required to determine the assumptions to be used to estimate the recoverable amount. The recoverable amount of the cash generating units ("**CGUs**"), which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted cash flow models. These models are based on several key assumptions, including estimates of long term revenue growth rates, operating profit margins and discount rates.	The AC considered the goodwill impairment analysis provided by Management and the views of the external auditors on this issue. The AC reviewed and challenged the key assumptions used in Management's calculations including revenue growth rates, operating profit margins and the discount rates. In its view, the AC also considered reports on forecasts for 2020 to 2022 prepared by Management, firm commitments secured from customers and pipelines, as well as the level of headroom in the value in use model prepared by Management. The AC considered the sensitivity analysis undertaken by Management and the external auditors and the impact on the headroom. On the basis of these reviews, the AC agreed with Management that no impairment on goodwill was necessary as at 31 December 2019.
Valuation of inventories	
The valuation of inventory and the inventory allowance involves subjective estimates and are influenced by assumptions concerning future demand and sales prices.	The AC reviewed and challenged the basis used by Management in estimating the inventory allowance required for slow moving inventory. The AC considered the nature and extent of the work performed by external auditors in ascertaining the adequacy of inventory allowance. The AC also reviewed reports from the Company's internal auditors on inventory valuation. On the basis of these reviews, the AC agreed with Management that the Group's inventory allowance was adequate for the financial year ended 31 December 2019.

CORPORATE **GOVERNANCE**

KAM	AC commentary
Revenue recognition for long term contracts	
Significant judgement is required in determining the stage of completion used for long term projects and for bundled contracts, appropriate allocation of contract value to the different performance obligation is crucial for proper revenue recognition.	The AC reviewed the revenue recognition policies of the Group's various revenue streams and considered them to be appropriate. The AC considered the nature and extent of the work performed by external auditors in ascertaining appropriateness of the Group's revenue recognition policies. The AC also reviewed reports from the Company's internal auditors in relation to work performed on revenue recognition. On the basis of these reviews, the AC concluded that the positions and judgements taken by Management reasonably reflected the extent of the work done and the revenue to be recognised.

All of the matters considered above were discussed with the President and the CFO and the external auditors. The AC was satisfied that each of the matters set out above have been appropriately tested and reviewed by the external auditors and the disclosures relating to each of these matters made in the financial statements were appropriate.

The Group has established an in-house internal audit function. The internal audit is an independent function within the Group. The AC conducts a review of the adequacy, effectiveness and independence of the internal audit function annually to ensure that the internal auditor has direct and unrestricted access to the Chairman of the Board and the AC and that the Group maintains an effective internal audit function that is adequately staffed and independent of the audited activities.

The Head of Internal Audit reports functionally to the AC Chairman and administratively to the President and the CFO. The AC approves the hiring, removal, evaluation and compensation of the Head of Internal Audit. The scope of authority and responsibility of the internal audit function is defined in the Group Internal Audit Charter, which has been approved by the AC.

The professional competence of the internal auditors is maintained or upgraded through training programmes, conferences and seminars that provide updates on auditing techniques, regulations, financial products and services. The internal audit function is staffed with suitably qualified experienced professionals who are at the level of assistant manager and above. The AC is satisfied that the internal audit function has adequate resources to perform its functions effectively and that the internal audit function is independent, effective and adequately resourced. As a member of the Institute of Internal Auditors Singapore ("**IIA**"), the internal audit function is guided by the International Professional Practices Framework issued by IIA.

The primary role of the internal audit function is to help to evaluate the adequacy and effectiveness of the Group's controls and compliance processes. The Group's internal audit approach is aligned with the Group's Risk Management Framework by focusing on key financial and compliance risks. The annual internal audit plan is established in consultation with, but independent of Management. The annual internal audit plan is then reviewed and approved by the AC. All internal audit findings, recommendations and status of remediation, are circulated to the AC, the President and relevant senior Management every quarter.

The Head of Internal Audit presents the internal audit findings to the AC each quarter. The AC meets with the Head of Internal Audit at least once a year, without the presence of Management. The internal auditors have unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

CORPORATE **GOVERNANCE**

(D) SHAREHOLDERS RIGHTS AND ENGAGEMENT

Principle 12: Shareholder Rights and Conduct of General Meetings

Principle 13: Engagement with Shareholders

We believe in having regular communication with shareholders. Our Investor Relations team manages and facilitates effective communication with the Company's shareholders, analysts and other stakeholders in the investment community.

The Board's policy is that shareholders should be equally and timely informed of all major developments and events that impact the Company or its business, in particular, share price-sensitive as well as trade-sensitive information. All announcements including quarterly, half-year and full-year financial results, major developments, press releases, presentations and distribution of notices, are communicated to our shareholders via SGXNET and the Company's website http://www.telechoice.com.sg, which is updated on a regular basis. Annual reports or circulars are made available to all shareholders via electronic communications and/or printed copies, and notices of general meeting are advertised. The Company's website has a dedicated "Investor Relations" link, which features the latest and past financial results and related information, and an investor relations contact is available on the dedicated link to enable shareholders to contact the Company. The Company also undertake regular analyst briefings on its business performance. Information disclosed at such meetings are within the ambit of the Company's SGXNET announcements to ensure that there is fair and non-selective disclosure of information.

We support the Code 2018's principle to encourage greater shareholders' participation at general meetings. Separate resolutions are proposed on each separate issue at our general meetings. To enhance transparency in the voting process, the Company has implemented poll voting for all resolutions tabled at its general meetings. A registered shareholder who is not a relevant intermediary may appoint not more than two proxies to attend and vote at our general meetings. A registered shareholder who is a relevant intermediary may appoint more than two proxies to attend and vote at our general meetings, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder. Shareholders are given the opportunity at the general meetings to share their view and raise queries to the Directors and senior Management on matters relating to the Company and its operations. All Directors together with senior Management and external auditors are also invited to be present at our general meetings to assist in answering questions from our shareholders relating to the conduct of the audit and the preparation and content of the auditors' report. The Company records minutes of all general meetings which are available to shareholders upon request in accordance with applicable laws.

Since FY04, the Board has set a benchmark to declare and pay annual dividends of at least 30% of our annual net profit after tax, subject to the Group's earnings, cash flow and capital requirements. The Company has good track record of adhering to this benchmark and any pay-outs are clearly communicated to shareholders via the financial results announcements through SGXNET.

SUSTAINABILITY **REPORT**

ABOUT THIS REPORT

We are pleased to present TeleChoice International Limited's ("TeleChoice" or "the Group") annual Sustainability Report which covers our environmental, social and governance ("ESG") performance for the financial year from 1 January 2019 to 31 December 2019 ("FY2019").

This report covers ESG performance for our business operations in Singapore and excludes overseas operations unless stated otherwise. We plan to include our offshore operations progressively in the coming years as we gain experience in sustainability reporting.

Reporting Framework

This report has been prepared in accordance with the latest Global Reporting Initiative ("GRI") standards: Core option and also complies with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide. We have included a GRI Content Index at the end of the report.

We have applied the GHG Protocol Corporate Accounting and Reporting Standard for measuring and reporting our carbon emissions footprint.

Reporting Process

The TeleChoice Board of Directors ("the Board") has the overall responsibility for directing the management in the development of sustainability strategy and identifying material ESG factors to be included in the Sustainability Report.

The Board has ultimate responsibility for this report, including its due compliance with the SGX-ST guidelines on corporate governance and sustainability reporting. Apart from determining the material ESG factors as set out in this report, the Board also determines the Group's response to the attendant risks and opportunities.

The Board is assisted by the sustainability management committee ("the Committee"), headed by the President and includes senior executives representing significant functions within the Group. The Committee provided directions concerning the report content, priorities of issues, reporting scope and boundary.

The Committee, in turn, is assisted by a sustainability reporting project team, headed by our Director of Business Development. The project team has the responsibility for collecting, reviewing, verifying and assessing the ESG performance data in preparation of this report.

Report Content and Quality

We had considered the significance of material ESG topics, concerns and expectations of our stakeholders, ESG risks and opportunities and general sustainability trends in our sector in determining the content of our report in the financial year ended 31 December 2019 ("FY2019"). We have reviewed those materiality issues in light of the existing business landscape, industry trends and prevailing regulations.

We have used the GRI Standards defining report quality by applying the principles of accuracy, balance, clarity, comparability, reliability and timeliness.

Data provided in the report has been mainly derived from official records to ensure reasonable accuracy and consistency. We have used internationally accepted measurement units for presenting ESG data. Financial figures are in Singapore dollars unless specified otherwise.

SUSTAINABILITY REPORT

Assurance

We did not obtain external assurance for this Sustainability Report. We have relied on internal verification mechanisms to ensure the accuracy of information. Our ESG performance data is reported in good faith and to the best of our knowledge. ESG data is verified using an internal mechanism and checks. Financial statements included in the Annual Report, however, have been audited by independent auditors.

Availability

This report is published as a part of our Annual Report which is available in printed version upon request as well as in PDF form for download on our website at www.telechoice.com.sg.

Feedback

We welcome stakeholders' views and questions regarding this report. Contact us at sustainability@telechoice.com.sg.

ESG Performance			
ESG Factors	**FY2019**	**FY2018**	**FY2017**
ENVIRONMENTAL			
Total electricity used (kWh)	662,928	689,502	714,268
Electricity used per m^2 (kWh)	136	141	151
Energy intensity per m^2 (GJ)[1]	0.49	0.51	0.54
CO_2 emissions (tCO_2)[2]	475	495	502
General Waste (Kg)[3]	2,050	2,650	2,300
SOCIAL			
Employees			
Total number of employees	397	383	380
New hires	87	153	105
Female employees (%)	40	42	44
Female managers and supervisors (%)	38	36	41
Female Heads of Department (%)	40	45	37
Average training hours per employee (hrs)	17	17	19
Training expenditure per employee ($)	183	66	131
Employee annual attrition rate (%)	23	35	32
Community			
Employee volunteering (days)	24	52	13

SUSTAINABILITY REPORT

ESG Performance			
ESG Factors	**FY2019**	**FY2018**	**FY2017**
FINANCIAL			
Revenue ($m)	313.6	491.7	513.5
Total expenses ($m)	307.0	486.6	504.9
Profit before tax ($m)	7.3	6.1	9.9
Profit after tax and non-controlling interests ($m)	5.4	4.0	8.2
Staff costs[4] ($m)	53.6	47.7	48.4
Income tax expenses ($m)	1.9	1.8	1.6
Dividends declared ($m)	4.5	4.5	7.3

Notes

1. *Energy intensity pertains to purchased electricity*
2. *Includes Scope-1 and Scope-2 emissions*
3. *Waste refers to waste generated from resources and materials used in the course of business as defined in GRI 301 standards*
4. *Included in total expenses*

Our Stakeholders

We are committed to creating long-term value for all our stakeholders.

We deal with a diverse range of stakeholders across our business segments. These include our customers, business partners, suppliers and contractors, investors, regulators and government agencies, communities and employees.

Our approach is to proactively engage with our primary stakeholders who may be impacted by our business operations or who have the potential to affect our business. We believe building trusted relationships with stakeholders is key to sustainable business growth. Through our business policies and strategies, we endeavour to create value for all stakeholders.

Our engagement approaches involve both formal and ongoing methods. Examples of our engagements include informal dialogue, customer satisfaction surveys and feedback channels. We also gain invaluable insights into our stakeholders' expectations and concerns through our routine interactions with them. We use these learnings to make informed management decisions.

SUSTAINABILITY REPORT

A summary of our stakeholders and how we engage with them is presented below.

STAKEHOLDERS	TOPICS AND CONCERNS RAISED	HOW WE ENGAGE	HOW WE ACT
Customers	• Service quality • Attractive pricing • Responsiveness • Good credit terms • Ethical practices • Work safety • Technical expertise	• Customer feedback and engagement forum • Customer survey • Regular meetings • Sales presentations • Project management committee meetings	• Taking a proactive approach • Implementing Quality Control standards • Establishing explicit Service Level Agreements (SLAs) • Strictly adhering to ethical code of conduct • Establishing and conforming to work safety policy • Regular training to build skills • Maintaining safety certifications such as BizSafe and OHSAS 18001
Business Partners	• Key Performance Indicators • Sales growth • Protection of brand image • Customer experience • Trade promotions • Sustainability performance	• Regular communication through meetings and electronic channels • Sustainability Report	• Ongoing training and development of employees • Contribution to trade promotions and marketing campaigns • Measure and monitor energy use in our stores
Employees	• Fair employment policies • Competitive compensation and benefits • Reward for performance • Work-life balance • Career advancement • Training and personal development • Group reputation • Safe work environment	• Orientation sessions • Regular meetings • Feedback channels • Performance appraisals • Exit interviews	• Implementing fair employment policies and practices • Maintaining employee feedback channels • Talent management • Salary benchmarking with market practices • Ongoing training and development • BizSafe compliant workplace

SUSTAINABILITY **REPORT**

STAKEHOLDERS	TOPICS AND CONCERNS RAISED	HOW WE ENGAGE	HOW WE ACT
Investors	• Good governance • Regular dividends • Risk management • Business growth	• Annual General Meetings • Maintenance of an investor relations site which lists the various financial and related announcements • Annual reports • Financial data through quarterly results announcements and other material information posted on SGXNET • Regular analysts' meetings and conference calls to provide information to enable them to produce impartial and insightful reports for investors and the public at large	• Hiring best talent for management team • Succession planning • Ensuring good corporate governance • Ensuring robust risk management • Timely disclosure of material information
Government agencies and regulators	• Compliance • Social responsibility	• Regulatory licensing and filings • Notices • Meetings and seminars	• Ensuring regulatory compliance
Community	• Socially responsible • Contribute to local economy	• Social outreach programmes • Sustainability Report	• Implementing CSR programmes • Contribution to Community Chest • Employee volunteering

Engaging Associations

We actively engage with industry associations relevant to our business interests through memberships and by sharing our experience. Some of our association memberships include:

- Singapore Computer Society
- Singapore Business Federation

SUSTAINABILITY REPORT

MATERIAL FACTORS

Chairman and President's Statement

TeleChoice continues to place emphasis on building a sustainable business, which not only means achieving long-term growth but in a manner that is respectful and mindful of nature as well as the social environment. You will, therefore, see within the pages of our Sustainability Report, our efforts at reducing our carbon footprint, improving our waste management and nurturing a diverse and inclusive workforce, while seeking to ensure profitability and value creation for our shareholders. With regards to the environment, it is not only important that we do what is within our ability to protect it, but imperative that we do so, given the many and increasing natural disasters attributed to climate change. As such the management has identified material ESG issues and will continue to factor them into our business processes to ensure sustained value creation for all stakeholders.

The Sustainability Report, included in this Annual Report, provides information about our ESG performance in FY2019. We have made every effort to improve our sustainability performance in comparison with previous years. Our initiatives are very much at an early stage and a work-in-progress. We would like to take this opportunity to thank our staff, our partners and our shareholders in supporting us in our sustainability journey.

BERTIE CHENG	**VINCENT LIM**
Chairman	President

Our approach to sustainability centres on the management of the environmental, social and economic impacts of our business operations and their potential effect on our stakeholders. Our strategy is to manage our most significant sustainability impacts, risks and opportunities with the aim of creating long-term value for all stakeholders.

Materiality Methodology

We identified the material ESG factors using the Global Reporting Initiative's GRI Standards for Sustainability Reporting which includes guidance for materiality analysis for our inaugural report in FY2017. We have reviewed the material EGG factors using the same methodology for this year's report.

The following steps were undertaken to arrive at the list of material factors for reporting:

1. Identification: We identified sustainability issues that reflect our business' impact on the environment, society and economy and their significance to our stakeholders.

2. Prioritisation: We shortlisted the issues that represent the most significant environmental, social and economic impacts of our operations.

3. Validation: We considered the significance of our material impacts to stakeholders and how they might influence the assessments and decisions of stakeholders.

4. Review: We sought feedback from stakeholders on this report to review our material topics for the next reporting cycle.

5. We also examined sustainability reporting trends among local info-communications and technology ("ICT") and peer companies for benchmarking and made reference to the SGX Sustainability Reporting Guide to complete the materiality assessment.

SUSTAINABILITY REPORT

Materiality Assessment

TeleChoice management team reviewed the material ESG factors based on their knowledge of respective business areas, potential impacts of the Group's business operations, insights from their day-to-day engagement with a range of stakeholders, common challenges facing the ICT industry and the prevailing business and regulatory environment. The team also considered the Group's long-established values and long-term business goals to align these with sustainability strategies.

For this report, we did not engage external stakeholders explicitly to elicit their views on the identified ESG factors. However, the internal stakeholders including the senior management have used their experience of dealing with respective stakeholders and their understanding of stakeholder expectations and concerns in prioritising material factors for reporting.

Board Approval

The senior management extensively discussed the identified list of material factors and then presented them to the Board. The Board reviewed and approved the material factors for sustainability reporting.

Presented below is a summary of our material factors and their boundaries.

Material Topics	Group's Involvement	Material for Business Division(s)
Environment		
Energy	Direct	**Indirect energy** Personal Communications Solutions Services **Direct energy** • Info-communications Technology Services • Network Engineering Services
GHG Emissions	Direct	All
People		
Employment	Direct	All
Attracting and Retaining Talent	Direct	All
Diversity and Equal Opportunity	Direct	All
Training and Education	Direct	All
Occupational Health and Safety	Direct and Indirect	• Info-communications Technology Services • Network Engineering Services
Customers		
Customer Satisfaction	Direct and Indirect	All
Customer Privacy	Direct	All
Community		
Local Communities	Direct	All

SUSTAINABILITY REPORT

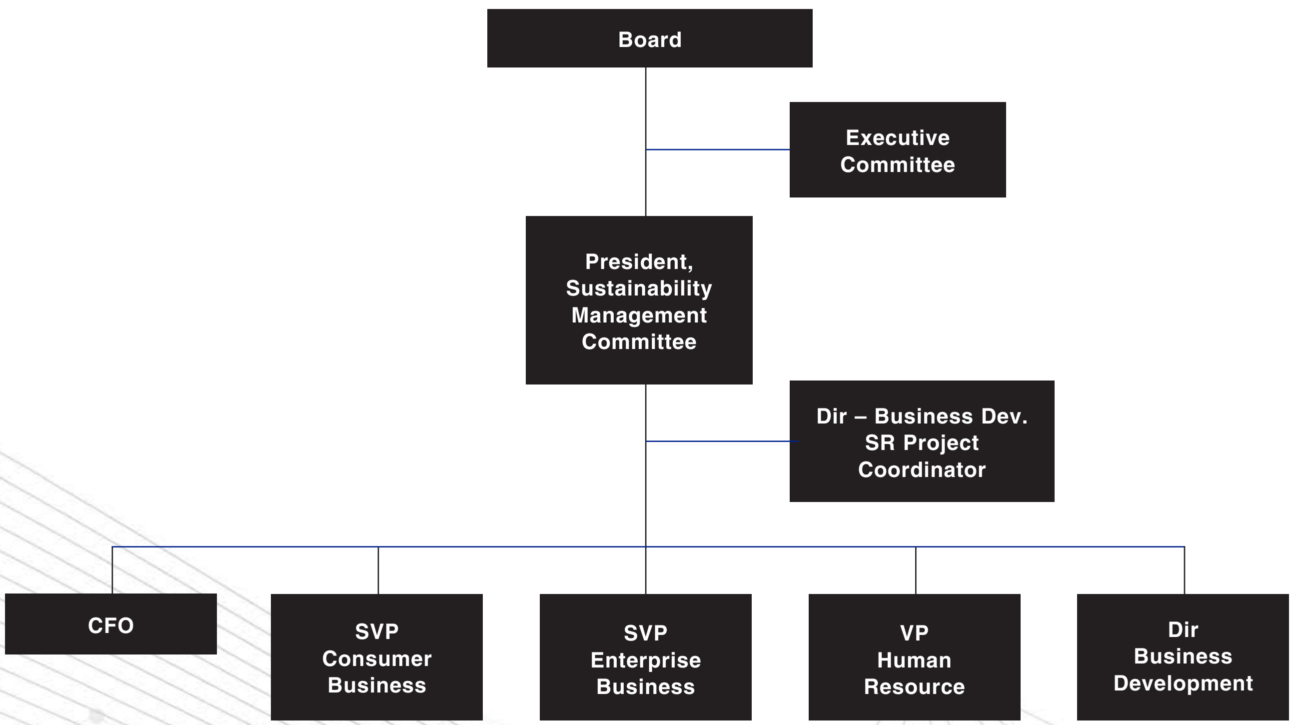
Material Topics	Group's Involvement	Material for Business Division(s)
Economic Performance		
Economic Performance	Direct and Indirect	All
Indirect Economic Impacts	Direct	All
Anti-corruption	Direct and Indirect	All

Sustainability Governance

At TeleChoice, the Board provides strategic direction for addressing sustainability impacts, risks and opportunities. The Board's Executive Committee ("EC") is responsible for reviewing and considering material ESG factors to support sustainable growth of the business. The EC also provides views and recommendations on sustainability strategies and sustainability reporting for the Board's review and approval. Responsibilities of the EC include determining and reviewing ESG targets and overseeing the management and monitoring of material ESG factors.

The Sustainability Management Committee ("SMC"), chaired by the President and represented by senior executives, is responsible for formulating and implementing sustainability strategies, establishing targets, reviewing ESG performance and providing direction for the preparation of sustainability reports. The SMC is assisted by a sustainability reporting project coordinator.

A sustainability reporting project team is responsible for collecting, verifying and providing ESG performance data and information.



SUSTAINABILITY REPORT

Board Statement

The Board is responsible for considering sustainability issues as part of strategy formulation. The Board endorses the identification of the material ESG factors covered in this report. The Board also provides oversight of the management and monitoring of these material ESG factors through regular reporting of the key performance indicators.

AWARDS AND RECOGNITIONS

Our dedication to customer service, quality, efficiency and excellence has won the Group several accolades and recognitions over the years. Some of the more recent awards are listed here.

Received in 2019

- Avaya – Diamond Partner 2019
- Avaya – 2019 Top Enterprise Value-Added Reseller for Singapore
- Ericsson – Certificate of Recognition in Honor of Support & Services to PT. Ericsson
- Huawei – 2019 National Excellent Quality and 2019 Best Project Manager, for Indonesia
- Huawei – 2019 Regional Best Collaboration Award for Philippines
- Huawei – 2019 Regional Excellent Quality Award for Malaysia
- Nokia – Most Preferred Partner Award for Singapore and the region
- Narada – 2019 Million Dollar Sales Award for Indonesia
- Project Management Institute Singapore Chapter – First prize winner for Project of the Year 2018-19 (Business & Information Systems category) for Energy Market Authority Microsoft CRM project
- Smartmatic – APAC Partner Award for 1st strategic win of a smart government project in Singapore
- Q2 Best SES Retail Store Environment
- Q3 Best SES Retail Store Environment
- Q3 Galaxy Service Star Award – Bedok Mall
- StarHub Exclusive Partner – Best VAS Attachment
- StarHub Platinum Shop – Best VAS Attachment
- StarHub Platinum Shop – Top NPS
- StarHub Platinum Shop – Top Sales (E&S)
- StarHub Platinum Shop – Top Sales (Mobile)
- StarHub – Recognition Award for SRAN Project in 2019
- StarHub Top EP – VAS Attachment
- Top Prepaid Distributor (WOW plan take-up and activation)
- TechData – IBM 2019 Best Overall Partner
- 45 retail staff awarded the Excellent Service Award from SPRING Singapore and Singapore Retailers Association (10 Star awards, 23 Gold awards and 12 Silver awards)

SUSTAINABILITY **REPORT**

Received in 2018

- Avaya – Diamond Partner 2018
- Avaya – Innovation Partner of the Year APAC 2018
- Avaya – Partner in Customer Service Excellence (Singapore)
- Avaya – Strategic Avaya Oceana Win Award for Housing Development Board (HDB) Singapore 2018
- Huawei – Best Matured Digital Integration Service (DIS), Business Operation & Sustainable Development Partner Award 2018 (Philippines)
- Huawei – Recognition for Contributions to NLZ Wireless Fast BFT Progress (N-Wave Technologies Philippines Inc)
- Huawei – Subcontractor Award – Best Delivery Efficiency (PT NexWave, for Telkomsel Bali Modernization Project 2018)
- Huawei – Supplier Innovation Award 2018 (PT NexWave, Indonesia)
- IBM – Partner of the Year (Hardware) 2018
- IBM – Partner of the Year (Systems) 2018
- Narada – Million Dollar Sales Award 2018 (PT NexWave)
- Nokia – Recognition Award for StarHub's SRAN Phase 1, 2018
- StarHub Top EP – VAS Attachment
- StarHub Platinum Shop – Best VAS Attachment
- StarHub Platinum Shop – Top Sales (E&S)
- StarHub Platinum Shop – Top Sales (Mobile)
- StarHub Platinum Shop – Top NPS
- Techdata – IBM Systems Top Partner 2018
- Techdata – IBM Overall Top Partner 2018
- 47 retail staff awarded the Excellent Service Award from SPRING Singapore and Singapore Retailers Association (10 Star award, 10 Gold awards and 27 Silver awards)

Received in 2017

- Avaya – Diamond Partner 2017
- Ericsson – Certificate of recognition
- Huawei – Excellent Support Partner
- Huawei – Gold Medal Partner Award (Global Partner Event, Jakarta)
- IBM – Platinum Business Partner
- IBM – Top Performing Business Partner (Power)
- Lenovo – Top Data Centre Group Value Added Partner for Year 2015/2016
- Narada – Million Dollar Sales Award
- Red Hat – Strategic Products Partner of the Year
- SolarWinds Significant Win (Asia)
- Tech Data – Top Partner Contributor Award (Red Hat)

SUSTAINABILITY REPORT

- Tech Data – Top Partner Contributor Award (IBM Power Systems)
- 32 retail staff awarded the Excellent Service Award from SPRING Singapore and Singapore Retailers Association (1 Star award, 15 Gold awards and 16 Silver awards)

The complete list of awards for prior years is available at www.telechoice.com.sg/awards.html.

CUSTOMERS

TeleChoice adopts a customer-centric approach aimed at ensuring an excellent customer experience.

As a leading regional provider of distribution, fulfilment and retail managed services to major mobile device manufacturers and operators, it is critical for us to ensure excellent customer experience at our retail stores, call centres and other touchpoints. Our ability to serve customers efficiently is paramount to growing our business with brands that rely on us for serving their customers.

High-quality customer service is equally important for our enterprise customers to whom we offer ICT and Network Engineering services. Offering trusted and reliable solutions, and high standards of service support are at the core of our customer-centric approach.

We have implemented stringent quality control measures across our businesses to enhance the customer experience.

Ongoing engagement and seeking regular feedback are part of our efforts to deliver superior customer service.

Customer Experience

We measure customer experience at our retail stores through the Net Promoter Score ("NPS") management tool. NPS allows us to measure our customers' overall perception of our service. Based on responses, NPS groups customers into three categories of Promoters (score 9-10), Passives (score 7-8) and Detractors (score 0-6). The Net Promoter Score is calculated by subtracting the percentage of Detractors from the percentage of Promoters. A score of 9 to 10 indicates that a customer is highly likely to recommend a brand to their friends and family.

In 2019, the NPS for the Planet Retail stores improved to 9.32 from 9.17 in the previous year, reflecting higher customer experience. Each of the five Planet Platinum stores covered by NPS maintained a score of more than 9.20 in 2019.

Ensuring Quality Standards

We adopt the highest industry quality standards to provide exceptional customer service. Our quality policy aims for continuous improvement in our management processes. Our subsidiaries, S&I Systems Pte Ltd and PT NexWave, are ISO9001:2015 Quality Management Systems certified which allows them to perform at the highest level of our customers' expectations. PT NexWave has also been ISO OHSAS 18001:2007 Health and Safety Management System certified since 2016. Our overseas subsidiary, N-Wave Technologies Philippines, Inc. obtained ISO 9001:2015 Quality Management System and ISO 45001:2018 Occupational Health and Safety Management System certifications in 2018.

Managing Customer Experience Through Mystery Shopping

Our Planet EP stores participate in a third-party Mystery Shopping Programme ("MSP"). The programme enables us to enhance employees' skills based on the service gaps identified through MSP.

Rewarding Employees for Service Quality

We have implemented recognition schemes to reward employees for exceptional customer service. For example, Hooray programme at our Platinum stores provides rewards to employees for every customer compliment. At Planet stores, employees receive gift vouchers as rewards for customer compliments.

SUSTAINABILITY **REPORT**

To inspire our store staff to aim for excellence and to identify service role models, we participated in Singapore's national Excellent Service Award, managed by six industry-led bodies.

Privacy and Data Protection
We are committed to protecting the privacy of our customers and employees in accordance with the local laws and regulations where we operate our business.

In Singapore, we comply with the Personal Data Protection Act ("PDPA") that governs the collection, use and disclosure of personal data by all private organisations. We have designated individuals to be Data Protection Officers responsible for ensuring that the Group complies with the PDPA and have implemented a personal data protection policy. Our personal data protection policy is set out on our website.

Customers' and employees' data are handled, stored and where applicable, disposed of, with stringent access and security measures to ensure electronic and physical protection from unauthorised use. New employees must read, understand and endorse the personal data protection policy.

There were no substantiated complaints concerning breaches of privacy or loss of data in this reporting period.

Customer compliments:

Hi,

I would like to compliment one of your employees, Bryan, from StarHub Shops @ Parkway Parade for the excellent service he provided to me and my parents on the evening of 02 October 2019. Bryan was patient in explaining the different mobile plans available, took time to contrast the plans with the previous mobile plans that we had, taking time to answer our queries and even went beyond to analyse the many services that we are currently subscribing to. This is simply spot on and we appreciate it. His attention to detail, great communication skills, and excellent customer service made the experience even better than we expected. Our interaction with Bryan left a great impression on us.

Please convey our heartfelt appreciation to him, thank you!

– A happy customer

I just want to commend the professionalism displayed by Sales Representative, Rui Han, at Westgate. He is patient and has an in-depth knowledge on the various services available. He answered all our queries with sincerity, and we are better informed because of him. Please let him know we really appreciate his excellent service. Thank you.

– A happy customer

PEOPLE
Our approach is to attract and retain the best talent, invest in the development of our people and ensure their well-being.

It is vital for us to develop a vibrant workplace where our people can look forward to personal development, career growth, job satisfaction and fulfilment. Our human resources policies keep employees' well-being at the centre. We promote mutual respect, trusted relationships, teamwork and open communication. We invest in our people through regular training and coaching to improve skills and productivity continuously.

SUSTAINABILITY **REPORT**

Our focus is on attracting and retaining the best talent, promoting an inclusive workplace, employee development, employee engagement and improving the well-being of our people. We regularly monitor our performance in these areas and periodically review our policies.

Employee Profile

We employed 332 permanent employees in 2019 and this accounted for 84% of our workforce. The average age of our employees was 38 years.

Supporting Diversity

We respect diversity and are committed to promoting an inclusive workplace. Women represented 37% of full-time employees. The proportion of managerial roles held by women was 38%. Women accounted for 40% of the total Head of Department positions.

Our workforce represents diverse age groups (see chart on page 58). We are proud of our racially diverse workforce which includes some 13 nationalities.

In Singapore, we support the government's policy of rehiring retiring employees to keep them economically active. In 2019, we rehired five retiring employees including four female employees.

Hiring

Our goal is to attract and retain the best talent to serve our customers efficiently. Our policy is to hire based on merit and ability. In 2019, we recruited 87 new employees; 32 of them were women. Of the new hires, 36 were less than 30 years of age, 44 were in the age group of 30 to 50 years, and the remaining 7 were more than 50 years old.

Developing Talent

Talent management is a crucial strategy for us to retain, develop and manage the best people to support our business growth.

We have implemented a comprehensive talent management programme which includes succession planning and a talent review process. Our Talent Management Committee, consisting of the President, Chief Financial Officer, Vice President of Human Resource and the business division heads oversees the programme.

Our Talent Management Framework identifies high potential employees within the Group and provides them development opportunities in the areas of management and leadership. Development plans include special projects and assignments and additional responsibilities to prepare talents for higher roles.

Succession planning is an integral part of our talent management. We have put in place programmes to help build the succession pipeline.

Building Skills Through Training

Employee training and education is a crucial part of our people management. New employees attend an orientation programme to understand the organisation and its corporate governance. Employees have access to several ongoing opportunities for learning new skills. Employees can upskill through instructor-led training, online e-learning and on-the-job training and mentoring. Employees are kept up to date on learning resources through regular learning and development e-newsletters.

Common learning areas include product training, product certification and regulatory certification training, and supervisory and managerial skills training.

SUSTAINABILITY **REPORT**

We organise lunch and learn sessions on supervisory and management skills for our current people managers. Topics include 'Performance Management' and 'Emotional Intelligence'. In addition, there was an increase in the number of lunch and learn sessions organised across various business entities to encourage collaboration in sales and projects.

Our StarHub Platinum shop employees attend customer service training organised by StarHub. Each employee can enrol in three Singapore Workforce Skills Qualifications ("WSQ") modules. Since the start of the programme in 2016, 76 retail employees have attended modules on 'Interact With Customers', 'Selling Products and Services' and 'Maintain Professional Image.'

Our employees deployed at the Samsung concept stores get opportunities to attend training programmes organised by Samsung.

In 2019, our average training hours per employee was 16.9 hours which was similar to the previous year. Our training expenditure per employee, however, increased to $182.5 per employee in 2019 compared to $66 in 2018. The increase was cushioned by government subsidies of $5,658, compared to $1,017 of subsidies received in 2018. Employee training was applied to business-critical areas of project management, and other emerging technologies.

Managing Performance
Through a comprehensive performance management programme, we enable our employees to meet their business and personal development goals consistently. Our performance management system covers all permanent employees. As part of the process, managers hold discussions with their staff at the beginning of the year to establish goals. A formal performance appraisal takes place at the end of the year. Managers are encouraged to have ongoing discussions with their employees to review progress and provide coaching and guidance.

Engaging Employees
Regular communication sessions were held with employees at the corporate level and also amongst the business groups. These sessions include opportunities for employees to give feedback and also for team bonding. In 2019, TeleChoice continued to adopt the 'Dine with Family Day'. There were also more open conversations conducted between employees and supervisors relating to work tasks and development. The President also made periodic visits to retail outlets to engage with employees.

Providing Benefits
We offer competitive wages and benefits to our employees based on a compensation benchmarking study conducted by a third-party. Our full-time staff members are eligible for several employment benefits which are not available to temporary or part-time employees. Some of the benefits include:

1. Specialist Consultation and Treatment claim;
2. Flexi-Benefit with limit for Optical, General Medical, Dental, Mobile Phone and Health Screening;
3. Bonding Funds;
4. Marriage/Family Care/Examination Leave(s)/Shared Parental Leave/Paternity Leave;
5. Executive Health Screening for employees aged 35 years old and above; and
6. Hospitalisation & Surgery/Personal Accident/Term Life Insurance.

SUSTAINABILITY REPORT

Human Rights
We support internationally accepted human rights principles and local regulations. Our policies ban discrimination, forced labour and child labour.

There were no incidents of discrimination, forced labour or child labour in the reporting period.

Freedom of Association
We respect our employees' right to freedom of association and collective bargaining. We work closely with the Singapore Industrial & Services Employees Union ("SISEU") and have signed a memorandum of understanding with SISEU to ensure the well-being of our employees.

As at the end of 2019, 66 employees were active members of SISEU.

Caring for Employees
We have implemented several measures to ensure the well-being of our employees. A Fruit Day is observed once a month, and fresh fruits are provided to employees to encourage a healthy diet. Fruits are also sent off-site to our employees working at our Platinum shops. We offer on-site health screening for early detection of diseases such as hypertension, heart ailments, diabetes and cancer. The basic mass health screening is a Group-paid annual initiative to provide employees the convenience of having their health checked via taking blood samples for laboratory investigation, with optional add-on packages (payable by employees) for more detailed tests. Employees who cannot attend the health screening on the scheduled dates were able to obtain a medical chit to visit the health screening centre directly on their own arrangement, within a specific timeframe.

To strengthen cultural bonding, we give hongbao to our employees to celebrate the Chinese New Year. We also observed early release from work for the eves of the four major public holidays in Singapore.

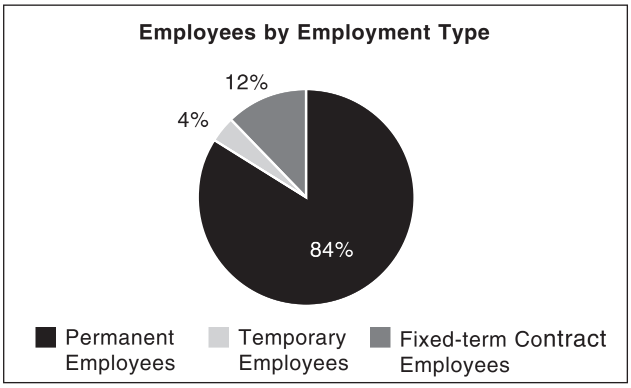
Ensuring Safety and Health
Ensuring the safety and well-being of our employees is a top priority for us. Safety is a material topic for our ICT and Network Engineering divisions where we pay particular attention to safety measures to proactively manage potential safety concerns. We have implemented the necessary measures to promote safe work practices. We assess health and safety risks in our operations and take preventive measures. We regularly monitor and review health and safety performance and comply strictly with prevailing rules and regulations concerning incident reporting should they occur. Workplace health and safety training is provided where applicable and we are in strict compliance with the Workplace Safety and Health Act (Cap 354A).

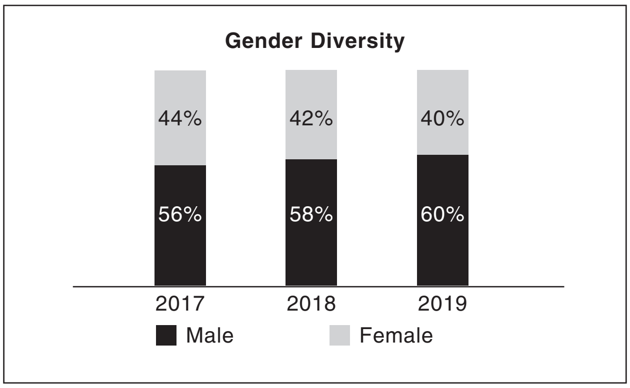
TeleChoice has obtained bizSAFE Level Three certification in Singapore from the Workplace Safety and Health Council which reflects our commitment to ensuring safety at the workplace.

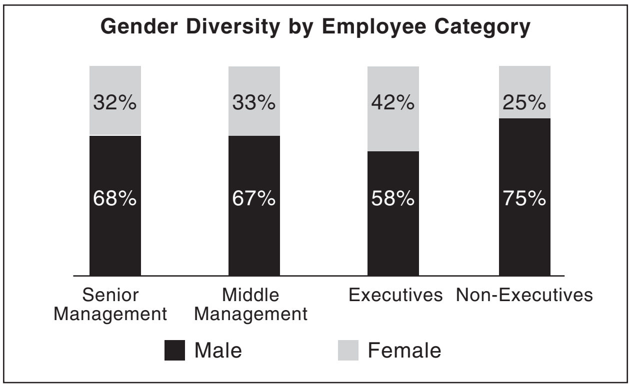
In 2019, there were no recordable incidents of fatalities, injuries, and occupational diseases.

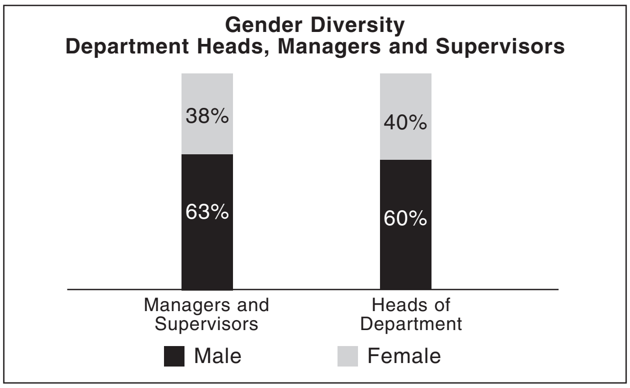
SUSTAINABILITY **REPORT**

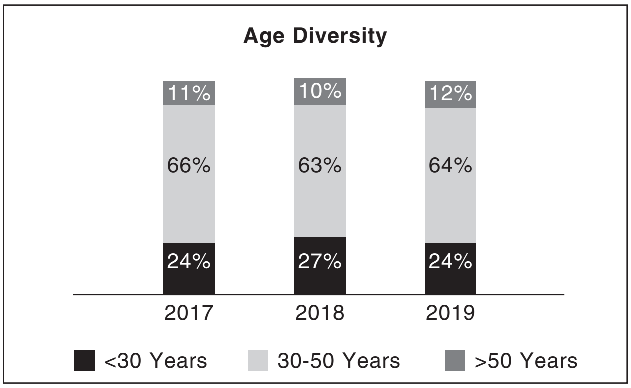
Our People Performance

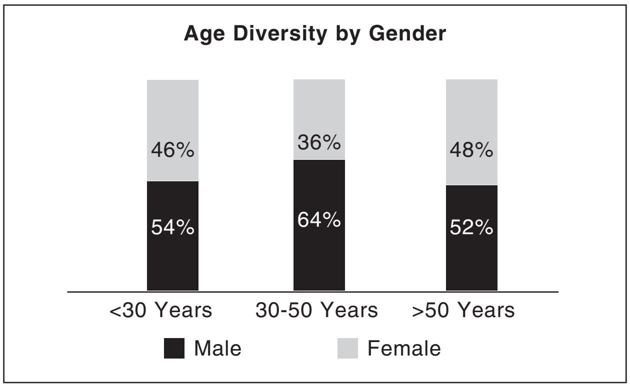


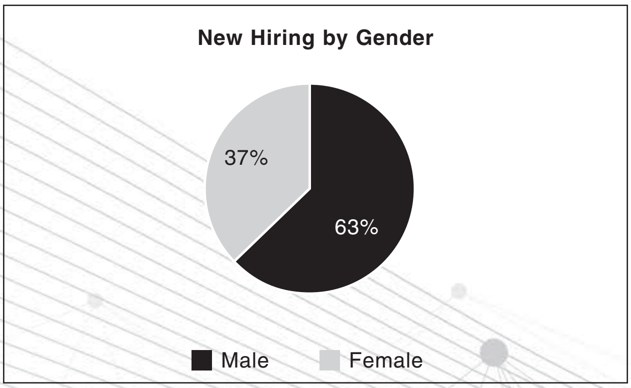


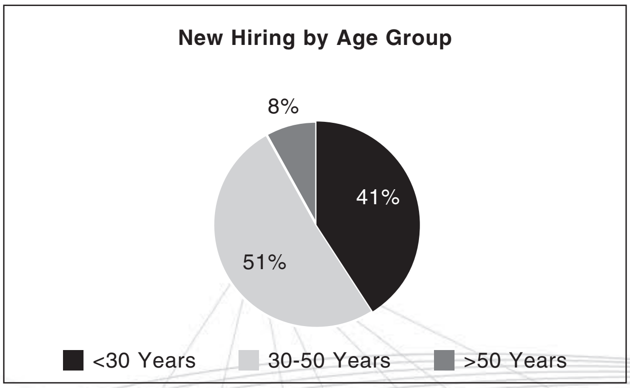




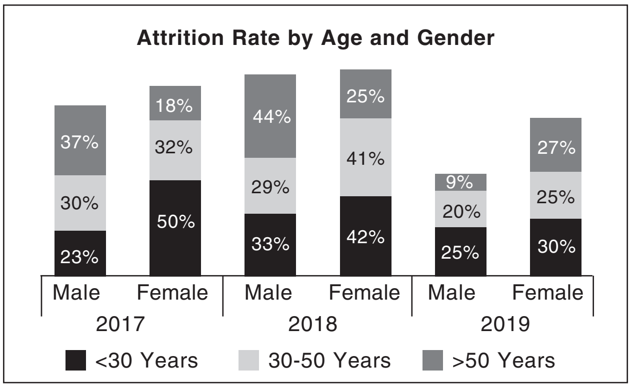


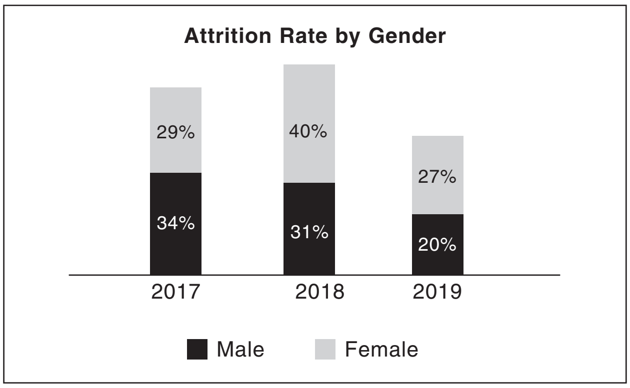


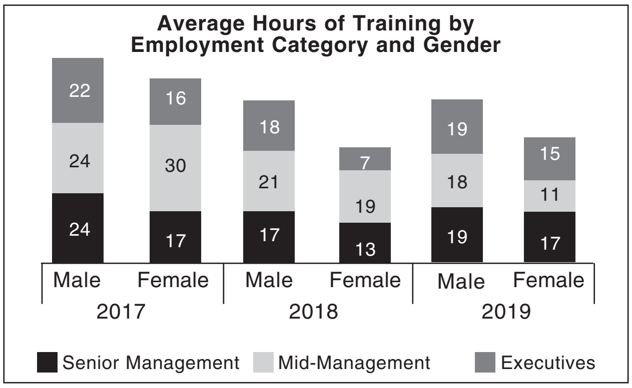


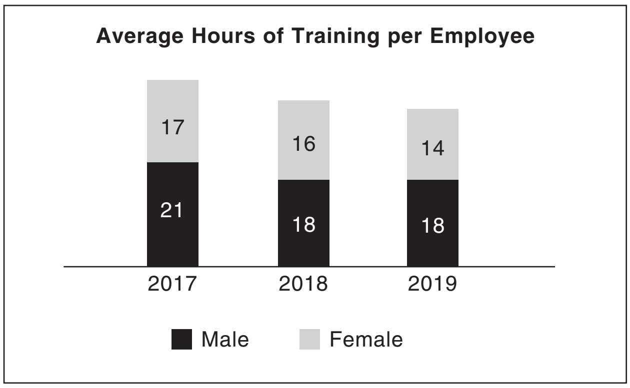


SUSTAINABILITY **REPORT**









Note: Figures may not add due to rounding.

ENVIRONMENT

We are committed to minimising the environmental impact of our business through resource efficiency and conservation.

Electricity, fuel and waste are our primary environmental impacts. The retail stores we manage for our customers use power for lighting and air-conditioning. Vehicles deployed for our engineering and maintenance services consume fuel. We also generate waste mostly from packaging in our stores and warehouses. Our environmental efforts are focused on energy efficiency, reducing and recycling waste and using resources efficiently.

Energy

We measure and monitor our energy consumption and calculate associated carbon emissions to manage our footprint. In 2019, our electricity consumption intensity was 136 kWh/m^2 against 141 kWh/m^2 the year before. The decrease was due to campaigns to inculcate good practices on energy efficiency amongst staff.

Greenhouse Gas ("GHG") Emissions

We monitor Carbon Dioxide ("CO_2") emissions from the use of electricity and fuel consumption. Our combined CO_2 emission from fuel consumption (Scope-1) and purchased electricity (Scope-2) in 2019 was 475 tonnes as compared with 495 tonnes in 2018. Carbon Dioxide emission from purchased electricity accounted for 88% of our total emission, similar to that of the previous year. The slight decrease in emission was on account of lower and more efficient consumption of electricity.

We switched to energy efficient LED lighting in our stores in a progressive manner. We use store renovations as an opportunity to replace older lights with LED lights. We have limited, or no control over air-conditioning in our retail operations as we lease store space in commercial buildings with centralised systems controlled by landlords.

SUSTAINABILITY **REPORT**

We encourage our employees through awareness campaigns to minimise the use of non-essential lighting in the office and to make efforts to conserve water and recycle paper.

Waste Management
Our approach is to make efforts to reduce, reuse and recycle waste. In our retail business, paper, plastic and wooden pallets are the main types of waste generated. Our electronic waste (e-waste) consists of decommissioned office equipment such as personal computers, notebooks, monitors and servers.

In line with StarHub's support towards conserving the environment, our Platinum and EP shops also support the Earth Hour initiative. All shops will dim or turn off non-essential lights during this hour. For example, ePosters, TV screens, lights at handset display sections, will be dimmed or be turned off.

In addition, we have discontinued using paper bags to reduce our environmental footprint. Instead, we now provide re-usable non-woven shopping bags. We also give customers a choice of electronic receipts to save paper. In our offices, we encourage double-sided printing to optimise the use of paper.

We dispose of our waste through licensed waste management contractors. In FY2019, the waste management contractor engaged for pallet disposal will ensure all pallets are recycled for re-use, such as producing furniture or other wood products. Pallets will no longer be incinerated.

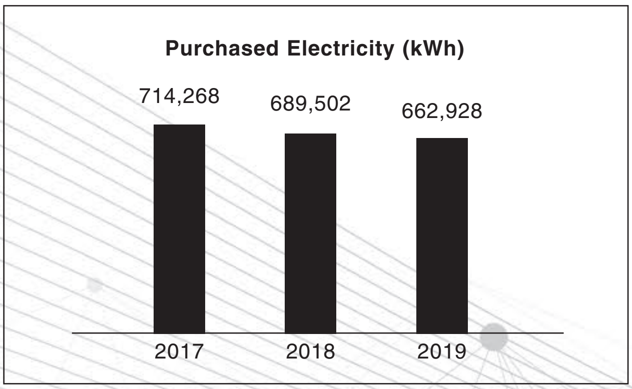
In FY2019, our waste disposal related to business operations decreased to 2,050 kg, from 2,650 kg in FY2018. This was due to further efforts to optimise business operations while maintaining low inventory, resulting in the drop in pallet disposal.

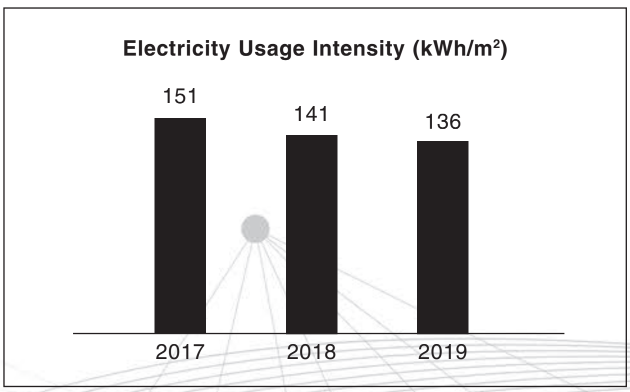
Compliance
We are committed to complying with applicable environmental regulations. There was no incident of non-compliance with environmental laws in the reported period.

As required by the Resource Sustainability Act ("RSA"), recently introduced by the Ministry of Environment and Water Resources ("MEWR"), our processes are compliant and ensure the proper collection and treatment of electrical and electronic waste ("e-Waste").

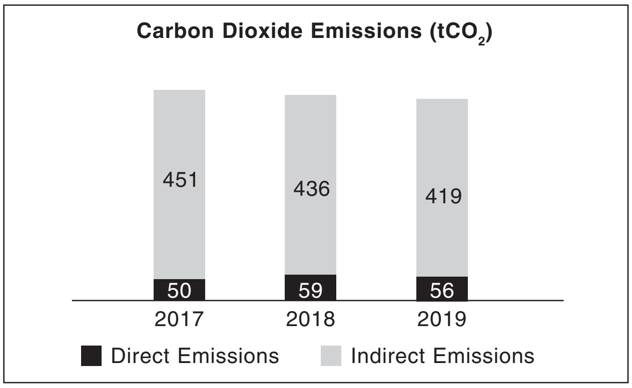
e-Waste bins are situated in all StarHub Platinum shops, as required by RSA, for retailer premises with a floor area of more than 300 sqm. The e-Waste is then collected and disposed of by an NEA licensed operator.

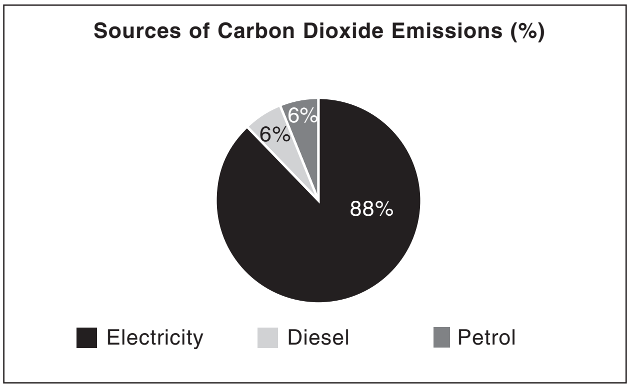
Our Environmental Performance

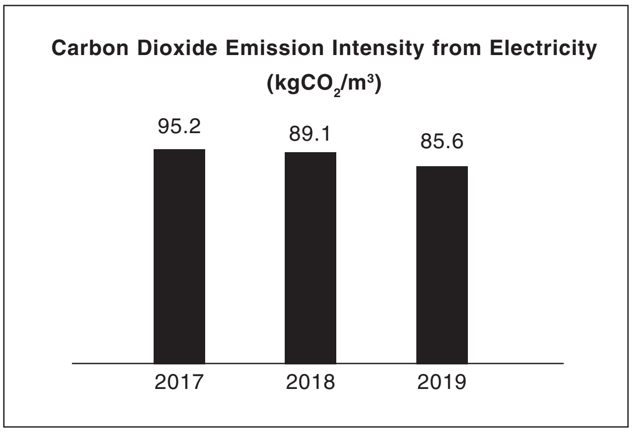


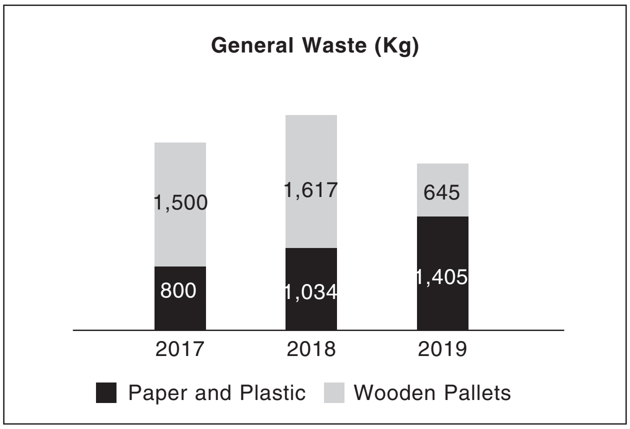


SUSTAINABILITY **REPORT**









Note: Figures may not add due to rounding.

COMMUNITY

We are committed to being a responsible corporate citizen and contributing to community development.

We started our social outreach programme in 2015. Since then, we have reached out to various service user groups including the elderly and disadvantaged hawkers through a three-year partnership with Dignity Kitchen, Dorcas, Lions Befrienders, MINDS Towner Gardens School and Metta School through Community Chest's FUDAI and HeartStrings Walk.

In 2019 we continued our support of Community Chest FUDAI 2019, an annual event that brings together the private and public sectors to share the Lunar New Year festive joy with the less fortunate through the donation and distribution of Fu Dai or fortune goodie bags. Our staff volunteers packed and delivered over 200 Fu Dai which contained 13 essential food items and a commemorative EZ-Link card to beneficiaries staying in the Redhill estate.

For the second year running, TeleChoice participated in the Community Chest Heartstrings Walk, themed "Step Forward, Towards Inclusion". 30 TeleChoice staff and their family members walked and interacted with service users from 4PM ("Persatuan Persuratan Pemuda Pemudi Melayu"). 4PM (pronounced "Empat PM" in Malay), is a voluntary welfare organisation focusing on Malay/Muslim youth development. It organises various services and mentoring programmes for at-risk youth. The event aspires to bring together partners, volunteers and social service users, to collectively build a caring and inclusive society.

SUSTAINABILITY REPORT

ECONOMIC PERFORMANCE

We are committed to creating sustainable value for our shareholders and stakeholders.

For a detailed description of our financial performance, please refer to the Group Financial Review section of the Annual Report. A summarised version of the economic value generated is presented here in line with the GRI Standards.

ECONOMIC PERFORMANCE ($ million)			
Economic performance indicators	FY2019	FY2018	FY2017
Revenue	313.6	491.7	513.5
Profit before tax	7.3	6.1	9.9
Profit after tax and non-controlling interests	5.4	4.0	8.2
Total expenses (including staff costs)	307.0	486.6	504.9
Staff costs	53.6	47.7	48.4
Dividends declared	4.5	4.5	7.3

Financial Assistance from Government

We received $159,000 in 2019, $210,000 in 2018 and $291,000 in 2017 under the Workforce Singapore, wage credit scheme and temporary employment credit in Singapore.

Anti-corruption

Our corporate governance policies cover areas of Fraud, Whistle-Blowing, Document Retention, and Conflict of Interest to facilitate the development of controls that will aid in the detection and prevention of any fraud, misappropriations and other irregularities. To further emphasise the importance of corporate governance, we introduced an Anti-Corruption Policy in October 2018.

All new employees are required to read, understand and be assessed on these policies as part of the onboarding process.

There was one incident of fraud during the period under review. The case was reported to the police.

Compliance

The Group is committed to complying with applicable laws where we operate. We regularly review the local legislation to keep our policies updated. There were no incidents of violations of social or economic regulations in the reported period.

SUSTAINABILITY **REPORT**

GRI CONTENT INDEX 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number(s) and/or URL(s)**
GRI 101: Foundation 2016 (GRI 101 does not include any standards)		
General Disclosures		
GRI 102: General Disclosures 2016	**Organisational Profile**	
	102-1 Name of the organisation	01
	102-2 Activities, brands, products, and services	01
	102-3 Location of headquarters	Singapore
	102-4 Location of operations	01, 21, 24, 25
	102-5 Ownership and legal form	01, 157-158
	102-6 Markets served	01, 21
	102-7 Scale of the organisation	01, 02-03, 24, 44, 58-59
	102-8 Information on employees and other workers	44, 58-59
	102-9 Supply chain	Not applicable as we are mainly a fulfilment and managed services provider for our customers with little or no control over sourcing of products
	102-10 Significant changes to the organisation and its supply chain	None
	102-11 Precautionary Principle or approach	59, 60
	102-12 External initiatives	43, 53
	102-13 Membership of associations	47
	Strategy	
	102-14 Statement from senior decision-maker	06-07, 48
	Ethics and Integrity	
	102-16 Values, principles, standards, and norms of behaviour	26-42, 48, 62
	Governance	
	102-18 Governance structure	26-42, 50
	Stakeholder Engagement	
	102-40 List of stakeholder groups	45-47
	102-41 Collective bargaining agreements	57
	102-42 Identifying and selecting stakeholders	45-47
	102-43 Approach to stakeholder engagement	45-47
	102-44 Key topics and concerns raised	45-47

SUSTAINABILITY **REPORT**

	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	23, 120-122
	102-46 Defining report content and topic Boundaries	48-50
	102-47 List of material topics	48-50
	102-48 Restatements of information	Not applicable as there were no restatements
	102-49 Changes in reporting	43
	102-50 Reporting period	43
	102-51 Date of most recent report	43
	102-52 Reporting cycle	43
	102-53 Contact point for questions regarding the report	44
	102-54 Claims of reporting in accordance with the GRI Standards	43
	102-55 GRI content index	63-68
	102-56 External assurance	44
Material Topics		
Economic		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48-50
	103-2 The management approach and its components	48-50, 62
	103-3 Evaluation of the management approach	62
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	62
	201-4 Financial assistance received from the government	62
Anti-corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48-50
	103-2 The management approach and its components	62
	103-3 Evaluation of the management approach	62
GRI 205: Anti-Corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	62
	205-3 Confirmed incidents of corruption and actions taken	62
Environment		
Energy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48-50
	103-2 The management approach and its components	59
	103-3 Evaluation of the management approach	59-60
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	44, 59-60
	302-3 Energy intensity	60

SUSTAINABILITY REPORT

Emissions		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48-50
	103-2 The management approach and its components	59
	103-3 Evaluation of the management approach	59, 61
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	44, 59, 61
	305-2 Energy indirect (Scope 2) GHG emissions	44, 59, 61
	305-4 GHG emissions intensity	61
Effluents and Waste		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48-50
	103-2 The management approach and its components	60
	103-3 Evaluation of the management approach	60, 61
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	61
Environmental Compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48-50
	103-2 The management approach and its components	59-60
	103-3 Evaluation of the management approach	59-60
GRI 307: Environmental Compliance 2016	GRI 307-1 Non-compliance with environmental laws and regulations	60
Social		
Employment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48-50
	103-2 The management approach and its components	54-57
	103-3 Evaluation of the management approach	54-57
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	44, 58-59
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	56

SUSTAINABILITY **REPORT**

Occupational Health & Safety		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48-50
	103-2 The management approach and its components	57
	103-3 Evaluation of the management approach	57
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	57
	403-2 Hazard identification, risk assessment and incident investigation	57
	403-3 Occupational health services	Not applicable as Singapore operations largely comprise executive, administrative and service staff
	403-4 Worker participation, consultation, and communication on occupational health and safety	57
	403-5 Worker training on occupational health and safety	Not applicable as Singapore operations largely comprise executive, administrative and service staff
	403-6 Promotion of worker health	57
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Not applicable to the nature of our operations
	403-9 Work-related injuries	57
Training and Education		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48-50
	103-2 The management approach and its components	54-56
	103-3 Evaluation of the management approach	54-56
GRI 404: Training and Educations 2016	404-1 Average hours of training per year per employee	44, 56
	404-2 Programs for upgrading employee skills and transition assistance programs	55-56
	404-3 Percentage of employees receiving regular performance and career development reviews	56

SUSTAINABILITY REPORT

Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48-50
	103-2 The management approach and its components	55
	103-3 Evaluation of the management approach	58
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	44, 58
Non-discrimination		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	49
	103-2 The management approach and its components	57
	103-3 Evaluation of the management approach	57
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	57
Freedom of Association and Collective Bargaining		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	57
	103-2 The management approach and its components	57
	103-3 Evaluation of the management approach	57
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	57
Child Labour		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	57
	103-2 The management approach and its components	57
	103-3 Evaluation of the management approach	57
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	57
Forced or Compulsory Labour		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	57
	103-2 The management approach and its components	57
	103-3 Evaluation of the management approach	57
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	57

SUSTAINABILITY **REPORT**

Local Communities		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48-50, 61
	103-2 The management approach and its components	61
	103-3 Evaluation of the management approach	61
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	61
Customer Privacy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48-50
	103-2 The management approach and its components	54
	103-3 Evaluation of the management approach	54
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	54
Socio-economic Compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	62
	103-2 The management approach and its components	62
	103-3 Evaluation of the management approach	62
GRI 419: Socio-economic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	62

FINANCIAL **CONTENTS**

GROUP FINANCIAL **REVIEW**

1.0 OPERATING RESULTS OF THE GROUP

In $ million	FY2019	FY2018	Change
Revenue	**313.6**	**491.7**	**-36%**
Gross profit	33.0	32.0	3%
Other income	0.5	0.7	-29%
Total expenses	(307.1)	(486.6)	-37%
Operating PBT	7.1	5.8	22%
Share of profit of associate (net of tax)	0.2	0.3	-33%
PBT	**7.3**	**6.1**	**20%**
PAT	5.4	4.3	26%
PATMI	**5.4**	**4.0**	**35%**

1.1 REVENUE

Group revenue decreased by 36% or $178.1 million to $313.6 million in FY2019.

Personal Communications Solutions Services (“PCS”) Division contributed to 54% of Group revenue in FY2019 (FY2018: 71%). Revenue decreased by 52% to $168.1 million in FY2019. In FY2019, there were lower equipment sales to a major customer in Singapore and lower prepaid sales. This was partially mitigated by field and cabling services revenue and commission income.

Info-Communications Technology Services (“ICT”) Division contributed to 21% of Group revenue in FY2019 (FY2018: 15%). Revenue decreased by 7% to $67.0 million in FY2019 mainly due to lower software sales, lower maintenance revenue and loss of enterprise network product distribution sales with the disposal of the business in 3Q2018.

Network Engineering Services (“Engineering”) Division contributed to 25% of Group revenue in FY2019 (FY2018: 14%). Revenue increased by 15% to $78.5 million in FY2019. Except for the Singapore operation, all other operations reported an increase in revenue.

1.2 GROSS PROFIT

In $ million	FY2019	FY2018	Change
Gross profit	33.0	32.0	3%
Gross margin	10.5%	6.5%	4.0 ppt

ppt – percentage point

Gross profit increased to $33.0 million in FY2019. In FY2019, PCS and ICT Divisions reported higher gross profit which was partially offset by the lower gross profit from Engineering Division.

GROUP FINANCIAL **REVIEW**

Gross margin improved from 6.5% in FY2018 to 10.5% in FY2019. In FY2019, PCS and ICT Divisions recorded higher gross margin against FY2018 due to higher margin service revenue and lower sales mix in equipment sales. Lower gross margin for Engineering Division in FY2019 was from the overseas operations.

1.3 OTHER INCOME

Other income mainly comprises of interest income and government grants.

Other income in FY2019 was lower due to lower government grants received from wage credit and temporary employment credit scheme. There was also lower recognition of interest accretion income.

1.4 TOTAL EXPENSES

In $ million	FY2019	FY2018	Change
Cost of sales	280.6	459.7	-39.0%
Selling and marketing expenses	7.6	8.5	-10.6%
Administrative expenses	16.9	17.1	-1.2%
Other expenses	0.3	0.2	50.0%
Finance costs	1.7	1.1	54.5%
Total expenses	**307.1**	**486.6**	**-36.9%**
Included in total expenses:			
Staff costs	53.6	47.7	12.4%
Depreciation and amortisation	5.5	2.5	120.0%

Total expenses, including cost of sales, amounted to $307.1 million in FY2019, a decrease of 37% or $179.5 million compared to FY2018. Decrease in total expenses by 37% is in line with the decrease in revenue of 36%.

Cost of sales comprises cost of equipment sold, carrier costs and commissions, costs of cabling and installation, network expenses, depreciation and amortisation and attributable direct overheads. Cost of sales decreased by 39% or $179.1 million against FY2018 due to decrease in revenue in FY2019.

Selling and marketing expenses decreased by 11% or $0.9 million against FY2018 due to lower staff costs, marketing and promotional expenses.

Administrative expenses decreased slightly by 1% or $0.2 million against FY2018 due to lower depreciation of property, plant and equipment as certain assets had been fully depreciated. There was also lower recruitment cost. These were partially offset by increase in share-based payment expenses, higher travelling expenses incurred for business development activities and higher provision in bad debt attributed to certain ICT Division customers and an Engineering Division customer in Malaysia.

Other expenses increased by 50% or $0.1 million against FY2018 due to prior year tax corrections and lower net foreign exchange gain. There was also a loss on disposal of a dormant subsidiary recognised in FY2019.

GROUP FINANCIAL **REVIEW**

Finance costs increased by 55% or $0.6 million against FY2018 due to higher interest expenses from higher bank borrowings at higher interest rate. There was also lease interest recognised arising from the adoption of SFRS(I) 16 Leases.

Staff costs increased by 12% or $5.9 million to $53.6 million was mainly attributable to Engineering Division. There was headcount increase to support engineering projects in Indonesia and the Philippines. This was partially mitigated by the lower staff costs from ICT Division with the disposal of the enterprise network products distribution and lower commission to sales staff.

Depreciation and amortisation costs increased by 120% or $3.0 million to $5.5 million in FY2019. The increase was mainly due to the adoption of SFRS(I) 16 Leases with effect from 1 January 2019. This was partially mitigated by lower depreciation of property, plant and equipment due to assets being fully depreciated.

1.5 SHARE OF PROFIT OF AN ASSOCIATE (NET OF TAX)

Share of profit was from MVI Systems Limited ("MVI"). The higher share of profit of associate in FY2018 was due to a step-up gain recognised upon the completion of the profit guarantee period, of which the Group's stake in MVI had increased from 25.19% to 29.41%.

1.6 PROFIT BEFORE TAX

Profit before tax margin	FY2019	FY2018	Change
PCS	2.5%	1.2%	1.3 ppt
ICT	1.6%	-1.4%	3.0 ppt
Engineering	2.6%	4.3%	-1.7 ppt
Group	**2.3%**	**1.2%**	**1.1 ppt**

Group PBT increased by 20% to $7.3 million in FY2019. PBT margin improved from 1.2% in FY2018 to 2.3% in FY2019. Against FY2018, PCS and ICT Divisions recorded increase in PBT margin while Engineering Division recorded a decrease in PBT margin.

PCS Division contributed to 56% of Group operating PBT in FY2019 (FY2018: 67%). Despite the lower revenue, PBT maintained at $4.1 million in FY2019. PBT increase from the Singapore operations was attributable to higher margin service revenue but was partially offset by the lower variable commission recognised from the Malaysia operation.

ICT Division contributed to 15% of Group operating PBT in FY2019 (FY2018: -15%). The turnaround from FY2018 loss of $0.9 million to PBT of $1.1 million in FY2019 by 222% or $2.0 million was due to higher margin service revenue and lower operating expenses partially offset by a lower share of profit from associate.

Engineering Division contributed to 29% of Group operating PBT in FY2019 (FY2018: 48%). PBT decreased by 28% or $0.8 million to $2.1 million in FY2019. PBT was lower from all operations except for the Singapore operation due to lower margins. Only the Indonesian operation was profitable in FY2019.

GROUP FINANCIAL **REVIEW**

1.7 PROFIT AFTER TAX AND NON-CONTROLLING INTERESTS

In $ million	FY2019	FY2018	Change
Income tax expenses	1.9	1.8	6%
Effective tax rate	25.9%	29.4%	-3.5 ppt
Profit after tax and non-controlling interests	**5.4**	**4.0**	**35%**
Profit after tax margin	1.7%	0.9%	0.8 ppt

Group PATMI increased by 35% to $5.4 million in FY2019.

Income tax expenses in FY2019 were higher than FY2018 by 6% or $0.1 million. The higher income tax expenses in FY2019 was due to higher taxable profits partially mitigated by the refund of prior year tax overpayment. Effective tax rate in FY2019 was lower at 25.9% due to lower profit contribution from overseas entities that had higher statutory tax rates.

2. LIQUIDITY AND CAPITAL RESOURCES

Cash flow (In $ million)	FY2019	FY2018	Change
Cash flow from:			
Operating activities	5.5	(9.7)	157%
Investing activities	(1.1)	(0.5)	120%
Financing activities	(10.1)	(3.9)	159%
Net change in cash and cash equivalents	(5.7)	(14.1)	-60%
Cash and cash equivalents at end of year	**23.1**	**28.8**	**-20%**

Group's cash and cash equivalents decreased by 20% from $28.8 million as at 31 December 2018 to $23.1 million as at 31 December 2019.

The Group's bank borrowings increased from $21.3 million as at 31 December 2018 to $22.2 million as at 31 December 2019.

Net cash decreased from $7.5 million as at 31 December 2018 to $0.9 million as at 31 December 2019. Net cash per share decreased from 1.7 cents per share as at 31 December 2018 to 0.2 cents per share as at 31 December 2019.

Operating Activities

Net cash inflow in FY2019 was positive from operating profits, partially offset by negative changes in working capital due to higher contract assets and lower trade and other payables. The improvement in operating cashflow was mainly due to lower inventories and lower trade and other receivables.

GROUP FINANCIAL **REVIEW**

Investing Activities

Net cash outflow in FY2019 was higher due to consideration paid to acquire the remaining shares of a subsidiary from a non-controlling shareholder. Dividend received from an associate was also lower in FY2019.

Financing Activities

Net cash outflow in FY2019 was higher mainly due to payment of lease liabilities of $4.0 million and lower bank loans, partially mitigated by lower dividend paid. The payment of lease liabilities was disclosed following the adoption of SFRS(I) 16 Leases.

3. SHAREHOLDERS RETURNS

	FY2019	FY2018	Change
Net dividends per share (cents) – ordinary	1.0	1.0	–
Dividends declared ($ million)	4.5	4.5	–
Dividend payout ratio (%)	84.5	113.5	-29.0 ppt
Dividend yield (%)	4.9	4.5	0.4 ppt
Basic Earnings per share (cents)(1)	1.18	0.88	34.1%
Return on equity (%)	7.5	5.7	1.8 ppt
Return on capital employed (%)	6.4	5.3	1.1 ppt
Return on total assets (%)	3.4	2.6	0.8 ppt

Note:

(1) The number of shares used for the purpose of calculating the EPS for FY2019 and FY2018 were 454,217,000 and 454,119,000 respectively.

For FY2019, the Company has proposed the final dividend of 1.0 cents per ordinary share or $4.5 million. Including the $4.5 million of dividend payout in May 2020, total dividend paid since listing in June 2004 will be 30.25 cents per share or $136.5 million. This represented 78.6% of earnings over the same period.

Year-on-year earnings per share increased by 34% from 0.88 cents to 1.18 cents.

Return on equity increased from 5.7% in FY2018 to 7.5% in FY2019 with higher earnings. Higher earnings in FY2019 has also resulted in higher return on capital employed of 6.4% (FY2018: 5.3%) and higher return on total assets of 3.4% (FY2018: 2.6%).

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 88 to 155 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Bertie Cheng
Yap Boh Pin
Tang Yew Kay Jackson
Ronald Seah Lim Siang
Stephen Geoffrey Miller
Ho Koon Lian Irene
Lim Chai Hock Clive

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and related corporations in which interests (fully paid ordinary shares unless otherwise stated) are held	**Holdings at beginning of the year**	**Holdings at end of the year**
The Company		
Ordinary shares		
Bertie Cheng	626,000	167,000
- Held in the name of Hong Leong Finance Nominees Pte Ltd	500,000	1,126,000
Yap Boh Pin	387,000	492,000
- Held in the name of Citibank Nominees Singapore Pte Ltd	150,000	150,000
Tang Yew Kay Jackson	412,000	499,000
Ronald Seah Lim Siang	288,000	360,000
Stephen Geoffrey Miller	79,000	161,000
Ho Koon Lian Irene	200,000	287,000
Lim Chai Hock Clive	183,000	183,000
- Held in the name of Leap International Pte Ltd	–	84,619,200

DIRECTORS' STATEMENT

Name of director and related corporations in which interests (fully paid ordinary shares unless otherwise stated) are held	Holdings at beginning of the year	Holdings at end of the year
Related Corporations		
Mapletree Industrial Trust Management Ltd. Unitholdings in Mapletree Industrial Trust		
Ho Koon Lian Irene	40,000	40,000
Singapore Technologies Engineering Ltd Ordinary shares		
Bertie Cheng	24,180	–
- Held in the name of Hong Leong Finance Nominees Pte Ltd	164,000	–
Ho Koon Lian Irene	6,000	6,000
Singapore Technologies Telemedia Pte Ltd ("ST Telemedia") 5.0% Subordinated Perpetual Securities issued under ST Telemedia's S$2,000,000,000 Multicurrency Debt Issuance Programme		
Stephen Geoffrey Miller	–	S$250,000
Singapore Telecommunications Limited Ordinary shares		
Bertie Cheng	2,720	2,720
Yap Boh Pin	1,550	1,550
Tang Yew Kay Jackson	2,850	2,850
Ho Koon Lian Irene	190	190
StarHub Ltd Ordinary shares		
Stephen Geoffrey Miller	22,700	57,000
Ho Koon Lian Irene	15,000	15,000
STT GDC Pte. Ltd. ("STT GDC") 3.59% Notes issued under STT GDC's S$1,500,000,000 Multicurrency Debt Issuance Programme		
Ho Koon Lian Irene	–	S$250,000

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2020.

Except as disclosed under the "Equity Compensation Benefits" section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Equity Compensation Benefits

Long Term Incentive Plans

The TeleChoice Restricted Share Plan (the "TeleChoice RSP") (as amended) and TeleChoice Performance Share Plan (the "TeleChoice PSP") (as amended) (collectively referred to as the "Plans"), were approved and adopted by the members at an Extraordinary General Meeting of the Company held on 27 April 2007 and certain amendments to the TeleChoice RSP and TeleChoice PSP were approved and adopted by the members at the Annual General Meeting of the Company held on 26 April 2018.

Information regarding the Plans is set out below:

(i) The Plans were established with the objective of motivating senior executives to strive for superior performance and sustaining long-term growth for the Company.

(ii) The Plans are administered by the Company's Remuneration Committee comprising three directors, namely Bertie Cheng, Ronald Seah Lim Siang and Stephen Geoffrey Miller (the "Committee").

(iii) The following persons (collectively referred to as the "Eligible Persons") shall be eligible to participate in the Plans at the absolute discretion of the Committee:

   a. employees and non-executive directors of the Company and/or any of its subsidiaries;

   b. employees and non-executive directors of STT Communications Ltd and its subsidiaries, who may be seconded to render services and contribute to the success of the Group; and

   c. employees of associated companies.

(iv) Controlling shareholders and associates of controlling shareholders of the Company will not be eligible to participate in the Plans.

(v) Under the TeleChoice PSP (as amended), conditional awards of shares are granted. Awards represent the right of a participant to receive fully paid shares upon the participant achieving certain pre-determined performance targets which are set based on corporate objectives aimed at sustaining longer-term growth. The vesting period of the awards granted under the Plans is between one to three years. After the awards vest, the shares comprised in the awards are issued at the end of the performance and/or service period once the Committee is, at its sole discretion, satisfied that the prescribed performance targets have been achieved.

   The actual number of shares given will depend on the level of achievement of the prescribed performance targets over the performance period, currently prescribed to be a three-year period. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded.

(vi) Under the TeleChoice RSP (as amended), conditional awards vest over a three-year period, once the Committee is, at its sole discretion, satisfied that the performance and extended service conditions are attained. For the 2016 RSP grants, the total number of shares to be awarded depends on the level of attainment of the corporate performance targets. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.3 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. For the RSP grants for 2017 onwards, the total number of shares to be awarded depends on the level of attainment of the individual performance targets.

DIRECTORS' STATEMENT

(vii) Since the commencement of the Plans to the financial year ended 31 December 2019, conditional awards aggregating 42,795,810 (2018: 37,945,810) shares have been granted under the aforesaid Plans, representing the number of shares to be delivered based on the achievement against the pre-determined target performance levels. 2,596,340 shares under the Plans were released during the financial year ended 31 December 2019 (2018: 2,537,889 shares).

(viii) During the financial year ended 31 December 2019, conditional awards aggregating 4,250,000 (2018: 3,810,000) shares have been granted under the Plans, representing the number of shares to be delivered based on the achievement against the pre-determined target performance levels. An aggregate 9,309,545 shares under the Plans were outstanding as at 31 December 2019 (2018: 8,043,885 shares).

(ix) During the financial year ended 31 December 2019, restricted share awards aggregating 600,000 (2018: 549,000) shares were also granted under the TeleChoice RSP. These share awards formed 30% (2018: 30%) of the payment of Directors' remuneration for the financial year ended 31 December 2018 (2018: 31 December 2017) to all of the Directors (other than Mr Lim Chai Hock Clive) and were granted without any performance or vesting conditions attached, but subject to a selling moratorium and other terms and conditions.

(x) Since commencement of the Plans, no share awards were granted under the Plans at a discount.

The details of the Plans granted to the Directors of the Company are as follows:

Name of director	Granted during the financial year Share Awards	Aggregate granted since the commencement of the Plans to 31 December 2019 Share Awards	Aggregate exercised/released since the commencement of the Plans to 31 December 2019 Share Awards	Aggregate outstanding as at 31 December 2019 Share Awards
Bertie Cheng	167,000	793,000	793,000	–
Yap Boh Pin	105,000	492,000	492,000	–
Tang Yew Kay Jackson	87,000	399,000	399,000	–
Ronald Seah Lim Siang	72,000	360,000	360,000	–
Stephen Geoffrey Miller	82,000	161,000	161,000	–
Ho Koon Lian Irene	87,000	282,000	282,000	–
Lim Chai Hock Clive	–	183,000	183,000	–

Since the commencement of the Plans, no share awards have been granted to any participant who is a controlling shareholder of the Company or an associate of such controlling shareholder (save for Mr Lim Chai Hock Clive, who was a controlling shareholder of the Company until 26 December 2013, when he then became an associate of a controlling shareholder). Mr Lim Chai Hock Clive had informed the Company and the Company had in turn on 4 March 2019, announced that he had acquired all the shares of Leap International Pte Ltd ("Leap") from his daughter, Ms Lim Shi, and is deemed to be interested in all the shares of the Company that are held by Leap. The grant of the share awards to Mr Lim Chai Hock Clive as part of his director's remuneration for the financial years ended 31 December 2013, 2014, 2015 and 2016 were approved and ratified by the independent members at the Annual General Meeting of the Company held on 26 April 2018.

DIRECTORS' STATEMENT

Set out below are the details of the participants who have received share awards granted under the Plans which represent 5% or more of the total number of share awards granted to date under the Plans. The terms of these share awards are set out above.

Participants	Granted during the financial year Share Awards	Aggregate granted since the commencement of the Plans to 31 December 2019 Share Awards	Aggregate exercised/released since the commencement of the Plans to 31 December 2019 Share Awards	Aggregate outstanding as at 31 December 2019 Share Awards
Loh Sur Jin Andrew	–	4,807,000	2,974,300	–
Lim Shuh Moh Vincent	1,302,000	7,415,970	1,977,253	3,458,710
Lee Yoong Kin	553,000	6,208,440	2,772,603	1,349,295
Pauline Wong Mae Sum	553,000	6,338,440	2,916,343	1,349,295
Wong Loke Mei	305,000	2,358,800	966,944	596,760

The details of the participants who have received share awards granted under the Plans which represent 5% or more of the total number of share awards available to all directors and employees of the Company and its subsidiaries during the financial year ended 31 December 2019 are as follows:

Participants	Number of share awards granted under the Plans during the financial year ended 31 December 2019
Lim Shuh Moh Vincent	1,302,000
Lee Yoong Kin	553,000
Pauline Wong Mae Sum	553,000
Wong Loke Mei	305,000
Goh Song Puay	263,000

Audit Committee

The members of the Audit Committee during the year and at the date of this statement are:

- Yap Boh Pin (Chairman), independent non-executive director
- Tang Yew Kay Jackson, independent non-executive director
- Ho Koon Lian Irene, non-executive director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the best practices as set out in the SGX-ST Listing Manual and the Code of Corporate Governance 2018.

The Audit Committee has held six meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;

- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

DIRECTORS' STATEMENT

The Audit Committee is also responsible for overseeing the Group's risk management framework and policies, in which respect it shall:

- advise the Board on the Group's overall risk tolerance and policies;
- oversee management on the design, implementation and monitoring of the risk management and internal control systems;
- review, at least annually, the adequacy and effectiveness of the Group's risk management and internal control systems, including the financial, operational, compliance and information technology risks, and where required, provide an opinion as to the adequacy and effectiveness of such risk management and internal control systems;
- review reports submitted by the Company's management on (i) changes in the risks highlighted in the last review, and (ii) the Group's ability to respond to risks brought about by changes in its business and the external environment; and
- review and comment on the assurance provided or to be provided to the Board by such members of the Company's senior management team as may be required under applicable laws, regulations and/or guidelines on the integrity of the financial records/statements, as well as the effectiveness of the Group's risk management and internal control systems.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries, and the associated company, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Bertie Cheng
Director

Yap Boh Pin
Director

30 March 2020

INDEPENDENT AUDITORS' REPORT

Members of the Company
TeleChoice International Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of TeleChoice International Limited ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 88 to 155.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *'Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

Impairment assessment of goodwill ($11,736,000)
(Refer to Note 2.4, Note 3.4, Note 3.8 and Note 5 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The Group holds significant amounts of goodwill on the statement of financial position. The recoverable amounts for each cash generating unit ("CGUs") to which goodwill is allocated to have been calculated by the Group based on the value in use ("VIUs") of the CGUs. These VIUs are affected by the Group's judgement over certain key inputs, for example long term revenue growth rates, operating profit margins and discount rates. We focused on the estimated VIUs of the CGUs to which goodwill has been allocated, namely NxGen Communications Pte Ltd and its subsidiaries ("NxGen Group") and S & I Systems Pte Ltd and its subsidiaries ("S & I Group"). These CGUs have net book values of $6,407,000 and $5,329,000 respectively.	We assessed the appropriateness of the determination of CGUs. Our work focused on analysis and challenge of the key assumptions used by the Group in conducting the impairment review as described in Note 5 to the financial statements. This included: • engaging our valuation specialists to independently develop expectations for the discount rates, and comparing the independent expectations to those used by the Group; and • comparing key assumptions for long term revenue growth rates and operating profit margins in the forecasts to actual historical results, firm commitments secured from customers as well as pipelines. We also assessed whether the disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill. *Our findings* We found management's assumptions and resulting estimates to be optimistic. Based on the stress-testing results, there is no impairment required but the headroom remain very thin. The disclosures in Note 5 to the financial statements appropriately describe the inherent degree of subjectivity in the estimates.

INDEPENDENT AUDITORS' REPORT

Valuation of inventories ($17,093,000) **(Refer to Note 2.4, Note 3.5 and Note 9 to the financial statements)**	
The key audit matter	*How the matter was addressed in our audit*
We focused on this area because determination of inventory allowance involves subjective estimates and are influenced by assumptions concerning future demand and sales prices.	We assessed the principles and appropriateness of the Group's policy for inventory allowance based on our understanding of the Group's business and the accuracy of previous provisioning estimates by comparing past provision for inventory to the actual amounts written off. For a sample of inventory items, we compared the unit carrying value to the selling price subsequent to year end where available, or the most recent sale transaction. We also compared the quantity sold subsequent to year end against the amount of inventory on hand at year end. *Our findings* We found that the assumptions and estimates applied in determining inventory allowance were balanced.

INDEPENDENT AUDITORS' REPORT

Revenue recognition for long term contracts ($84,693,000) **(Refer to Note 3.12 and Note 23 to the financial statements)**	
The key audit matter	*How the matter was addressed in our audit*
We focused on long term contracts as the recognition of revenue largely depends on the Group's estimate of percentage of completion for these contracts. We also focused on bundled contracts as allocation of contract value for bundled contracts to different performance obligations require judgement.	We assessed whether the Group's revenue recognition policies for long term contracts complied with SFRS(I) 15 *Revenue from Contracts with Customers* and tested the implementation of those policies. We evaluated and tested the operating effectiveness of the internal controls implemented over the recording of revenue. For a sample of long term contracts, we evaluated the reasonableness of the projects' percentage of completion used to measure revenue by reference to the contract cost incurred to date to the total expected contract cost of the projects. For a sample of bundled contracts, we read extracts of the relevant customer contracts and assessed the reasonableness of the allocation of revenue to different contractual performance obligations under the contracts. *Our findings* We found that the percentage of completion used by the Group reasonably reflects the contract cost incurred to date to the total expected contract cost of the projects. We also found that the revenue had been appropriately allocated to different performance obligations where applicable.

INDEPENDENT **AUDITORS' REPORT**

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Jeya Poh Wan S/O K. Suppiah.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 March 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018* $'000	Company 2019 $'000	Company 2018* $'000
Non-current assets					
Plant and equipment	4	1,023	1,635	114	239
Intangible assets	5	12,526	12,952	164	347
Right-of-use-asset	20	11,616	–	5,565	–
Subsidiaries	6	–	–	35,236	34,542
Associate	7	2,294	2,234	–	–
Deferred tax assets	8	508	909	28	15
Trade and other receivables	10	1,212	1,148	–	–
Total non-current assets		29,179	18,878	41,107	35,143
Current assets					
Inventories	9	17,093	20,258	14,060	17,386
Contract assets	23	42,016	32,473	–	–
Trade and other receivables	10	48,797	54,510	10,130	12,460
Cash and cash equivalents	15	23,090	28,759	5,697	10,277
Total current assets		130,996	136,000	29,887	40,123
Total assets		160,175	154,878	70,994	75,266
Equity					
Share capital	16	21,987	21,987	21,987	21,987
Reserves	17	7,324	6,789	13,408	13,349
Accumulated profits		42,666	41,994	12,143	11,301
Total equity attributable to equity holders of the Company		71,977	70,770	47,538	46,637
Non-controlling interests		11	685	–	–
Total equity		71,988	71,455	47,538	46,637
Non-current liabilities					
Contract liabilities	23	364	–	–	–
Trade and other payables	18	–	79	–	–
Lease liabilities	20	6,712	–	4,196	–
Provisions	21	535	162	294	–
Total non-current liabilities		7,611	241	4,490	–
Current liabilities					
Contract liabilities	23	4,215	4,732	–	–
Current tax payable		87	338	–	19
Trade and other payables	18	49,213	56,633	10,753	19,610
Loans and borrowings	19	22,160	21,324	7,000	9,000
Lease liabilities	20	4,681	–	1,213	–
Provisions	21	220	155	–	–
Total current liabilities		80,576	83,182	18,966	28,629
Total liabilities		88,187	83,423	23,456	28,629
Total equity and liabilities		160,175	154,878	70,994	75,266

* See note 2.5. The Group initially applied SFRS(I) 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying SFRS(I) 16 is recognised in retained earnings at the date of initial application.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	2018* $'000
Revenue	23	313,626	491,717
Cost of sales		(280,618)	(459,731)
Gross profit		33,008	31,986
Other income		406	520
Sales and marketing expenses		(7,531)	(8,443)
Administrative expenses		(16,857)	(17,106)
Other expenses		(333)	(235)
Results from operating activities		8,693	6,722
Finance income	24	87	187
Finance costs	24	(1,693)	(1,132)
Net finance costs		(1,606)	(945)
Share of profit of associate (net of tax)	7	173	314
Profit before tax	24	7,260	6,091
Tax expense	25	(1,879)	(1,793)
Profit for the year		5,381	4,298
Profit attributable to:			
Owners of the Company		5,368	4,003
Non-controlling interests		13	295
Profit for the year		5,381	4,298
Earnings per share			
Basic earnings per share (cents)	26	1.18	0.88
Diluted earnings per share (cents)	26	1.17	0.88

* See note 2.5. The Group initially applied SFRS(I) 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying SFRS(I) 16 is recognised in retained earnings at the date of initial application.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

YEAR ENDED 31 DECEMBER 2019

	Group	
	2019 $'000	2018 $'000
Profit for the year	5,381	4,298
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Defined benefit plan remeasurements	33	86
Tax on items that will not be reclassified to profit or loss	(8)	(21)
	25	65
Items that are or may be reclassified subsequently to profit or loss:		
Translation differences relating to financial statements of foreign subsidiaries	339	(596)
Share of foreign currency translation differences of associate	(6)	15
Foreign currency translation differences on liquidation of a foreign subsidiary reclassified to profit or loss	56	(44)
Exchange differences on monetary items forming part of net investment in foreign operations	87	(200)
	476	(825)
Other comprehensive income for the year, net of tax	501	(760)
Total comprehensive income for the year	5,882	3,538
Total comprehensive income attributable to:		
Owners of the Company	5,869	3,243
Non-controlling interests	13	295
Total comprehensive income for the year	5,882	3,538

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company										
Group	Share capital $'000	Accumulated profits $'000	General reserve $'000	Capital reserves $'000	Goodwill written off $'000	Share option reserve $'000	Reserve for own shares $'000	Exchange translation reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018	21,987	45,196	27	16,287	(1,538)	796	(9)	(8,012)	74,734	390	75,124
Total comprehensive income for the year											
Profit for the year	–	4,003	–	–	–	–	–	–	4,003	295	4,298
Other comprehensive income											
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	–	–	–	(596)	(596)	–	(596)
Share of foreign currency translation differences of associate	–	–	–	–	–	–	–	15	15	–	15
Foreign currency translation differences on liquidation of a foreign subsidiary reclassified to profit or loss	–	–	–	–	–	–	–	(44)	(44)	–	(44)
Exchange differences on monetary items forming part of net investment in foreign operations	–	–	–	–	–	–	–	(200)	(200)	–	(200)
Defined benefit plan remeasurements	–	86	–	–	–	–	–	–	86	–	86
Tax on items that will not be reclassified to profit or loss	–	(21)	–	–	–	–	–	–	(21)	–	(21)
Total other comprehensive income	–	65	–	–	–	–	–	(825)	(760)	–	(760)
Total comprehensive income for the year	–	4,068	–	–	–	–	–	(825)	3,243	295	3,538

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2019

Group	Note	Attributable to owners of the Company Share capital $'000	Accumulated profits $'000	General reserve $'000	Capital reserves $'000	Goodwill written off $'000	Share option reserve $'000	Reserve for own shares $'000	Exchange translation reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Share-based payments expenses	22	–	–	–	–	–	580	–	–	580	–	580
Purchase of treasury shares	16, 17	–	–	–	–	–	–	(655)	–	(655)	–	(655)
Issue of treasury shares	16, 17	–	–	–	42	–	(559)	655	–	138	–	138
Final dividend of 1.6 cents per share (one-tier tax exempt)	17	–	(7,270)	–	–	–	–	–	–	(7,270)	–	(7,270)
Total contributions by and distributions to owners of the Company		–	(7,270)	–	42	–	21	–	–	(7,207)	–	(7,207)
Total transactions with owners of the Company		–	(7,270)	–	42	–	21	–	–	(7,207)	–	(7,207)
At 31 December 2018		21,987	41,994	27	16,329	(1,538)	817	(9)	(8,837)	70,770	685	71,455

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2019

		Attributable to owners of the Company										
Group	Note	Share capital $'000	Accumulated profits $'000	General reserve $'000	Capital reserves $'000	Goodwill written off $'000	Share option reserve $'000	Reserve for own shares $'000	Exchange translation reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 31 December 2018		21,987	41,994	27	16,329	(1,538)	817	(9)	(8,837)	70,770	685	71,455
Adjustment on initial application of SFRS(I) 16 (net of tax)	2.5	–	(177)	–	–	–	–	–	–	(177)	–	(177)
Adjusted balance at 1 January 2019		21,987	41,817	27	16,329	(1,538)	817	(9)	(8,837)	70,593	685	71,278
Total comprehensive income for the year												
Profit for the year		–	5,368	–	–	–	–	–	–	5,368	13	5,381
Other comprehensive income												
Translation differences relating to financial statements of foreign subsidiaries		–	–	–	–	–	–	–	339	339	–	339
Share of foreign currency translation differences of associate		–	–	–	–	–	–	–	(6)	(6)	–	(6)
Foreign currency translation differences on liquidation of a foreign subsidiary reclassified to profit or loss		–	–	–	–	–	–	–	56	56	–	56
Exchange differences on monetary items forming part of net investment in foreign operations		–	–	–	–	–	–	–	87	87	–	87
Defined benefit plan remeasurements		–	33	–	–	–	–	–	–	33	–	33
Tax on items that will not be reclassified to profit or loss		–	(8)	–	–	–	–	–	–	(8)	–	(8)
Total other comprehensive income		–	25	–	–	–	–	–	476	501	–	501
Total comprehensive income for the year		–	5,393	–	–	–	–	–	476	5,869	13	5,882

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2019

Consolidated statement of changes in equity (cont'd)
Year ended 31 December 2019

		Attributable to owners of the Company										
Group	**Note**	**Share capital $'000**	**Accumulated profits $'000**	**General reserve $'000**	**Capital reserves $'000**	**Goodwill written off $'000**	**Share option reserve $'000**	**Reserve for own shares $'000**	**Exchange translation reserve $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Share-based payments expenses	22	–	–	–	–	–	713	–	–	713	–	713
Purchase of treasury shares	16, 17	–	–	–	–	–	–	(783)	–	(783)	–	(783)
Issue of treasury shares	16, 17	–	–	–	183	–	(628)	574	–	129	–	129
Final dividend of 1.0 cents per share (one-tier tax exempt)	17	–	(4,544)	–	–	–	–	–	–	(4,544)	–	(4,544)
Total contributions by and distributions to owners of the Company		–	(4,544)	–	183	–	85	(209)	–	(4,485)	–	(4,485)
Changes in ownership interests in subsidiaries												
Acquisition of non-controlling interests without a change in control	6	–	–	–	–	–	–	–	–	–	(687)	(687)
Total changes in ownership interests in subsidiaries		–	–	–	–	–	–	–	–	–	(687)	(687)
Total transactions with owners of the Company		–	(4,544)	–	183	–	85	(209)	–	(4,485)	(687)	(5,172)
At 31 December 2019		21,987	42,666	27	16,512	(1,538)	902	(218)	(8,361)	71,977	11	71,988

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	2018* $'000
Cash flows from operating activities			
Profit before tax		7,260	6,091
Adjustments for:			
Amortisation of intangible assets	5	484	606
Depreciation of plant and equipment	4	1,074	1,850
Depreciation of right-of-use assets	20	3,982	–
Finance expense	24	1,693	1,132
Finance income	24	(87)	(187)
Loss/(Gain) on disposal of plant and equipment	24	40	(1)
Loss/(Gain) on liquidation of a subsidiary	24	56	(26)
Provision for/(Reversal of) for warranties (net)	21	22	(1)
Share-based payments expenses	22	713	580
Share of profit of associate	7	(173)	(314)
		15,064	9,730
Changes in:			
Inventories		3,170	(1,186)
Contract assets		(9,363)	(7,206)
Trade and other receivables		5,087	14,230
Trade and other payables		(7,364)	(22,399)
Contract liabilities		(137)	(1,741)
Cash generated from/(used in) operations		6,457	(8,572)
Tax paid		(936)	(1,104)
Net cash from/(used in) operating activities		5,521	(9,676)
Cash flows from investing activities			
Acquisition of non-controlling interests	6	(685)	–
Proceeds from disposal of plant and equipment		14	43
Dividends received from associate		107	596
Purchase of plant and equipment		(516)	(687)
Purchase of intangible assets		(58)	(500)
Interest received		15	37
Net cash used in investing activities		(1,123)	(511)
Cash flows from financing activities			
Dividends paid		(4,544)	(7,270)
Interest paid	19	(1,647)	(1,017)
Proceeds from bank loans	19	45,667	49,901
Repayment of short-term loans	19	(44,831)	(44,908)
Purchase of treasury shares	16	(783)	(655)
Payment of lease liabilities	19	(3,958)	–
Net cash used in financing activities		(10,096)	(3,949)
Net decrease in cash and cash equivalents		(5,698)	(14,136)
Cash and cash equivalents at 1 January		28,759	42,926
Effect of exchange rate changes on cash held in foreign currencies		29	(31)
Cash and cash equivalents at 31 December	15	23,090	28,759

* See note 2.5. The Group initially applied SFRS(I) 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying SFRS(I) 16 is recognised in retained earnings at the date of initial application.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 March 2020.

1 Domicile and activities

TeleChoice International Limited ("the Company" or "TeleChoice") is a company incorporated in the Republic of Singapore. The Company has its registered office at 1 Temasek Avenue #33-01, Millenia Tower, Singapore 039192 and its place of business at 5A Toh Guan Road East #06-02A, Singapore 608830.

The financial statements of the Group as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the Group's interest in an associate.

The principal activities of the Company during the financial year are investment holding and those of wholesalers, retailers, suppliers, importers, exporters, distributors, agents and dealers of mobile phones, prepaid cards, radio and telecommunication equipment and accessories and the provision of related services. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

The immediate and ultimate holding companies are STT Communications Ltd ("STTC") and Temasek Holdings (Private) Limited, respectively. These companies are incorporated in the Republic of Singapore. Temasek Holdings (Private) Limited is wholly-owned by the Minister for Finance, a body corporate constituted under the Minister for Finance (Incorporation) Act, Chapter 183.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)").

This is the first set of the Group's annual financial statements in which SFRS(I)16 *Leases* has been applied. The related changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE
FINANCIAL STATEMENTS

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 23 – Revenue: determination of whether the Group acts as an agent in the transaction rather than as a principal for sales to a related party.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 5 – Key assumptions used in determining the recoverable amounts of goodwill arising from the acquisitions of subsidiaries
- Note 6 – Valuation of investment in subsidiaries
- Note 9 – Valuation of inventories
- Note 30 – Valuation of trade receivables and contract assets

2.5 Changes in significant accounting policies

New standards

The Group has applied the following SFRS(I), amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)

Other than SFRS(I) 16, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases assets such as offices, warehouses, copier machines, motor vehicles and a number of retail outlets. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

NOTES TO THE
FINANCIAL STATEMENTS

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if SFRS(I) 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Leases classified as finance leases under SFRS(I) 1-17

As a lessor

The Group leases out telephony system. The lease was classified as finance leases under SFRS(I) 1-17. The Group is not required to make any adjustments on transition to SFRS(I) 16 for lease in which it acts as a lessor, except for a sub-lease. The Group does not have any sub-leases.

Impact on financial statements

Impact on transition*

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	Note	1 January 2019 $'000
Plant and equipment	4	(12)
Right-of-use assets	20	11,039
Lease liabilities	19	11,204
Retained earnings		(177)

* For the impact of SFRS(I) 16 on the income statement for the period, see note 20. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see note 3.9.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the applicable incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 2.85%.

NOTES TO THE FINANCIAL STATEMENTS

	1 January 2019 $'000
Operating lease commitments at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's financial statements	10,124
Discounted using the incremental borrowing rate at 1 January 2019	9,737
- Recognition exemption for leases of low-value assets	(68)
- Recognition exemption for leases with less than 12 months of lease term at transition	(1,547)
- Extension options reasonably certain to be exercised	3,835
- New leases entered before 31 December 2018 that commences after 1 January 2019	(753)
Lease liabilities recognised at 1 January 2019	11,204

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5, which addresses changes in significant accounting policies.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in income statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

NOTES TO THE FINANCIAL STATEMENTS

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in subsidiaries are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Acquisitions from entities under common control

For business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group, the assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investment in associate

Associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investment in associate is accounted for using the equity method. It is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in associate, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the associate's operations or has made payments on behalf of the associate.

Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associate are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries and associate in the separate financial statements

Investments in subsidiaries and associate are stated in the Company's statement of financial position at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies of Group entities at rates of exchange closely approximated to those ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currencies at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currencies translated at the exchange rate at the end of the year. The functional currencies of the Group entities comprise Singapore Dollar, Indonesian Rupiah, Ringgit Malaysia, Thai Baht, Vietnamese Dong and Philippine Peso.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in the income statement.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at the average exchange rates for the year. Equity items are translated at historical transaction rates, with pre-acquisition equity items at the closing exchange rates at acquisition date.

Foreign currency differences are recognised in other comprehensive income and presented in the exchange translation reserve in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in associate that includes a foreign operation while retaining significant influence, the relevant portion of the cumulative amount is reclassified to the income statement.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the exchange translation reserve in equity.

3.3 Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Any gain or loss on disposal of an item of plant and equipment is recognised in the income statement.

NOTES TO THE
FINANCIAL STATEMENTS

Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in the income statement as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in the income statement on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment unless it is included in the carrying amount of another asset.

Depreciation is recognised from the date that the plant and equipment are installed and are ready for use.

The estimated useful lives for the current and comparative years are as follows:

• Leasehold improvements	2-10 years
• Plant and equipment	2-5 years
• Office furniture, fittings and equipment	2-10 years
• Computers	2-5 years
• Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Intangible assets

Customer relationships

Customer relationships acquired in a business combination represent the network of customers where the acquired business has established relationships with the customers particularly in the financial services industry. Amortisation for customer relationships is recognised in the income statement on a straight-line basis over 5 to 7 years, commencing from the date of acquisitions.

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets and is measured as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

Goodwill is measured at cost less accumulated impairment losses and is subjected to testing for impairment, as described in note 3.8.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associate, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associate.

NOTES TO THE FINANCIAL STATEMENTS

Other intangible assets

Other intangible assets comprise computer software, which is stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the income statement as incurred.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets.

Amortisation is calculated based on the cost of the asset, less its residual value. Amortisation is recognised in the income statement on a straight-line basis over their estimated useful lives from the date the asset is available for use. The estimated useful lives of computer software are 2 to 5 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is based on the first-in-first-out principle or specified identification method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.6 Contract assets and contract liabilities

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.7 Financial instruments

Recognition and measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or require prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the income statement. Directly attributable transaction costs are recognised in the income statement as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the income statement. These financial liabilities comprised loans and borrowings, and trade and other payables.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the income statement.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term bank deposits with maturities of three months or less from date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

NOTES TO THE FINANCIAL STATEMENTS

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity. Income tax relating to transactions costs of an equity transaction is accounted for in accordance with SFRS(I) 1-12.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

3.8 Impairment

Non-derivative financial assets and contract assets

The Group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost;
- contract assets; and
- lease receivables.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables (including lease receivables) and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- there is significant delay in payments.

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The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or significant delay in payment; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. Goodwill and intangible assets with indefinite useful lives or not yet available for use are tested for impairment at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in the income statement. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the recoverable amount increases.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.9 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

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The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SFRS(I) 9 to the net investment in the lease (see note 3.8).

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

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Leases - Policy applicable before 1 January 2019

Group as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases by the Group.

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

Group as a lessor

Leases in which a significant portion of the risks and rewards of ownership of the leased assets are transferred to the lessee are classified as finance leases by the Group.

The leased asset is derecognised and the present value of the lease receivable is recognised on the statement of financial position and included in "trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the income statement on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

3.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the income statement during which related services are rendered by employees.

Employee leave entitlements

Employees' entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for the annual leave as a result of services rendered by the employees up to the reporting date.

Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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Share-based payments

Performance Share Plan and Restricted Share Plan

The Performance Share Plan and the Restricted Share Plan are accounted as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant. The share-based expense is amortised and recognised in the income statement on a straight-line basis over the vesting period. At each reporting date, the Company revises its estimates of the number of shares that the participating employees and directors are expected to receive based on non-market vesting conditions. The difference is charged or credited to the income statement, with a corresponding adjustment to equity over the remaining vesting period.

The fair value of the options granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase recorded in equity over the vesting period.

There are group share-based payment arrangements in which employees of the Company's subsidiaries receive remuneration in the form of share-based payments and the Company settles these transactions for its subsidiary. These are regarded as capital contribution and added to cost of investment in subsidiaries in the Company's statement of financial position.

3.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

The provision for warranties is based on estimates made from historical warranty data associated with similar products and services. Claims, when incurred, are charged against this provision.

Reinstatement

Operating lease improvement reinstatement costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the reinstatement liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost. The estimated future costs of reinstatement are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

3.12 Revenue recognition

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the POs if it relates specifically to those POs.

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Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

3.13 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income from banks and financial institutions;
- interest income and expense on lease liabilities; and
- interest expense on borrowings.

Interest income or expense is recognised using the effective interest method, except where collection is contingent upon certain conditions being met, then such income is recognised when received.

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method.

3.14 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the income statement except to the extent it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also included any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associate to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

3.15 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3.16 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's President (chief operating decision-maker) to make discussions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined based on terms agreed between the segments concerned.

Segment capital expenditure comprises additions to plant and equipment and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

3.18 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I) are not expected to have significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *Amendments to References to Conceptual Framework in SFRS(I)s Standards*
- *Definitions of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 *Insurance Contracts*

NOTES TO THE FINANCIAL STATEMENTS

4 Plant and equipment

	Note	Leasehold improvements $'000	Plant and equipment $'000	Office furniture, fittings and equipment $'000	Computers $'000	Motor vehicles $'000	Total $'000
Group							
Cost							
At 1 January 2018		3,035	5,126	1,103	2,206	846	12,316
Translation differences on consolidation		(6)	(112)	(1)	(43)	(26)	(188)
Additions		193	342	58	83	11	687
Disposals/Write off		(115)	(100)	(22)	(433)	–	(670)
At 31 December 2018		3,107	5,256	1,138	1,813	831	12,145
At 1 January 2019		3,107	5,256	1,138	1,813	831	12,145
Adoption of SFRS(I) 16	2.5	(183)*	–	–	–	–	(183)
Adjusted balance at 1 January 2019		2,924	5,256	1,138	1,813	831	11,962
Translation differences on consolidation		4	58	1	18	13	94
Additions		116	194	67	139	–	516
Disposals/Write off		(116)	(537)	(75)	(178)	–	(906)
At 31 December 2019		2,928	4,971	1,131	1,792	844	11,666
Accumulated depreciation							
At 1 January 2018		2,242	4,216	904	1,780	298	9,440
Translation differences on consolidation		(3)	(92)	(1)	(34)	(9)	(139)
Depreciation for the year		619	671	130	269	161	1,850
Disposals/Write off		(113)	(79)	(21)	(428)	–	(641)
At 31 December 2018		2,745	4,716	1,012	1,587	450	10,510
At 1 January 2019		2,745	4,716	1,012	1,587	450	10,510
Adoption of SFRS(I) 16	2.5	(171)*	–	–	–	–	(171)
Adjusted balance at 1 January 2019		2,574	4,716	1,012	1,587	450	10,339
Translation differences on consolidation		3	52	1	17	9	82
Depreciation for the year		324	345	83	164	158	1,074
Disposals/Write off		(113)	(491)	(74)	(174)	–	(852)
At 31 December 2019		2,788	4,622	1,022	1,594	617	10,643
Carrying amounts							
At 1 January 2018		793	910	199	426	548	2,876
At 31 December 2018		362	540	126	226	381	1,635
At 31 December 2019		140	349	109	198	227	1,023

* On transition to SFRS(I) 16, the Group recognised additional right-of-use assets in leasehold improvements, recognised above correspondingly in retained earnings, net right-of-use assets amounting to $12,000.

NOTES TO THE **FINANCIAL STATEMENTS**

	Leasehold improvements $'000	Office furniture, fittings and equipment $'000	Computers $'000	Motor vehicles $'000	Total $'000
Company					
Cost					
At 1 January 2018	636	347	527	153	1,663
Additions	–	7	32	2	41
Write off	–	–	(43)	–	(43)
At 31 December 2018	636	354	516	155	1,661
Additions	6	–	6	–	12
Write off	–	–	(9)	–	(9)
At 31 December 2019	642	354	513	155	1,664
Accumulated depreciation					
At 1 January 2018	461	318	453	14	1,246
Depreciation for the year	124	22	42	31	219
Write off	–	–	(43)	–	(43)
At 31 December 2018	585	340	452	45	1,422
Depreciation for the year	53	10	43	31	137
Write off	–	–	(9)	–	(9)
At 31 December 2019	638	350	486	76	1,550
Carrying amounts					
At 1 January 2018	175	29	74	139	417
At 31 December 2018	51	14	64	110	239
At 31 December 2019	4	4	27	79	114

NOTES TO THE FINANCIAL STATEMENTS

5 Intangible assets

	Computer software $'000	Retail business infrastructure $'000	Customer relationships $'000	Order backlogs $'000	Goodwill $'000	Total $'000
Group						
Cost						
At 1 January 2018	3,014	1,304	6,688	727	11,853	23,586
Translation differences on consolidation	(8)	–	–	–	–	(8)
Additions	500	–	–	–	–	500
Write off	(36)	–	–	–	–	(36)
At 31 December 2018	3,470	1,304	6,688	727	11,853	24,042
Translation differences on consolidation	4	–	–	–	–	4
Additions	58	–	–	–	–	58
Write off	(311)	–	–	–	–	(311)
At 31 December 2019	3,221	1,304	6,688	727	11,853	23,793
Accumulated amortisation and impairment losses						
At 1 January 2018	1,911	1,304	6,455	727	117	10,514
Translation differences on consolidation	(7)	–	–	–	–	(7)
Amortisation charge for the year	373	–	233	–	–	606
Write off	(23)	–	–	–	–	(23)
At 31 December 2018	2,254	1,304	6,688	727	117	11,090
Translation differences on consolidation	4	–	–	–	–	4
Amortisation charge for the year	484	–	–	–	–	484
Write off	(311)	–	–	–	–	(311)
At 31 December 2019	2,431	1,304	6,688	727	117	11,267
Carrying amounts						
At 1 January 2018	1,103	–	233	–	11,736	13,072
At 31 December 2018	1,216	–	–	–	11,736	12,952
At 31 December 2019	790	–	–	–	11,736	12,526

NOTES TO THE FINANCIAL STATEMENTS

The amortisation charge is recognised in the following line items of the consolidated income statement:

	Group	
	2019 $'000	2018 $'000
Cost of sales	23	23
Administrative expenses	461	350
Other expenses	–	233
	484	606

	Computer software $'000
Company	
Cost	
At 1 January 2018	1,260
Additions	78
Write off	(8)
At 31 December 2018 and 31 December 2019	1,330
Accumulated amortisation	
At 1 January 2018	835
Amortisation charge for the year	156
Write off	(8)
At 31 December 2018	983
Amortisation charge for the year	183
At 31 December 2019	1,166
Carrying amounts	
At 1 January 2018	425
At 31 December 2018	347
At 31 December 2019	164

Impairment testing for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to a group of CGUs which is the acquired group of entities. The recoverable amounts of the CGUs were based on the CGU's value in use which was determined by discounting the future cash flows to be generated from the continuing use of the CGUs.

NxGen goodwill impairment test
Carrying value – $6.41 million (2018: $6.41 million)

At the reporting date, management performed an impairment assessment on the goodwill arising from the acquisition of NxGen. The recoverable amount of NxGen was based on its value in use and was determined by discounting the future cash flows to be generated from the continuing use of the CGU.

Key assumptions used in the calculation of recoverable amounts are revenue growth, operating profit margin, discount rate and terminal value growth rate. These assumptions are as follows:

Revenue growth

Management forecasts an increase in revenue from its operations from 2020 to 2024 (2018: 2019 to 2023). Revenue growth was projected taking into account firm commitments secured from customers and pipelines for the next five years.

NOTES TO THE **FINANCIAL STATEMENTS**

Operating profit margin

Management also forecasts an increase in operating profit margin with an average of 11.6% (2018: 11.6%) per annum from 2020 to 2024 (2018: 2019 to 2023) and takes into account future cost efficiencies. Operating profit margin is expected to improve through more value-added services provided to customers.

Discount rate

A discount rate of 12.4% (2018: 12.3%) used in the calculation of net present values is the pre-tax rate that reflects the risk free rate and the premium for specific risks relating to the CGU.

Terminal value growth rate

The CGU used five years of cash flows in its discounted cash flow model using a perpetual model with zero (2018: zero) growth rate.

At the reporting date, based on the key assumptions, management believes that the recoverable amount exceeds its carrying amount and accordingly, goodwill has not been impaired.

Sensitivity to changes in assumptions

Management has identified that if Nxgen is unable to minimally achieve the current year (i.e. FY2019) actual revenue of $10.3 million and a corresponding actual operating profit margin of 7.8%, the likelihood of an impairment on Nxgen's goodwill is highly likely as these two key assumptions used represent its approximate break-even points. At a revenue of $10.3 million and corresponding operating profit margin of 7.8%, the recoverable amount of the CGU amounting to $7.9 million closely approximate its carrying value of $7.3 million.

S&I goodwill impairment test
Carrying value – $5.33 million (2018: $5.33 million)

At the reporting date, management performed an impairment assessment on the goodwill arising from the acquisition of S&I. The recoverable amount of S&I was based on its value in use and was determined by discounting the future cash flows to be generated from the continuing use of the CGU.

Key assumptions used in the calculation of recoverable amounts are revenue growth, operating profit margin, discount rate and terminal value growth rate. These assumptions are as follows:

Revenue growth

Management forecasts an increase in revenue from its operations from 2020 to 2024 (2018: 2019 to 2023). Revenue growth was projected taking into account the new business segment opportunities available in the pipeline for the next five years.

Operating profit margin

Management also forecasts an increase in operating profit margin with an average of 1.8% (2018: 1.3%) per annum from 2020 to 2024 (2018: 2019 to 2023) and takes into account future cost efficiencies. Operating profit margin is expected to improve through increased focus in the IT maintenance and services segment which has higher margins.

Discount rate

A discount rate of 11.7% (2018: 12.0%) used in the calculation of net present values is the pre-tax rate that reflects the risk free rates and the premium for specific risks relating to the CGUs.

NOTES TO THE FINANCIAL STATEMENTS

Terminal value growth rate

The CGU used five years of cash flows in its discounted cash flow model using a perpetual model with zero (2018: zero) growth rate.

At the reporting date, based on the key assumptions, management believes that the recoverable amount exceeds its carrying amount and accordingly, goodwill has not been impaired.

Sensitivity to changes in assumptions

Management has identified that if S&I is unable to minimally achieve the current year (i.e. FY2019) actual revenue of $52.9 million and a corresponding actual operating profit margin of 1.5%, the likelihood of an impairment on S&I's goodwill is highly likely as these two key assumptions used represent its approximate break-even points. At a revenue of $52.9 million and corresponding operating profit margin of 1.5%, the recoverable amount of the CGU amounting to $8.8 million closely approximate its carrying value of $8.4 million.

6 Subsidiaries

	Company	
	2019	2018
	$'000	$'000
Investments in subsidiaries	35,660	37,184
Impairment losses	(424)	(2,642)
	35,236	34,542

Details of subsidiaries are as follows:

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective equity held by the Group 2019 %	2018 %
NexWave Technologies Pte Ltd	Provision of network engineering services	Singapore	100	100
NexWave Telecoms Pte. Ltd.	Provision of telecommunication services	Singapore	100	100
N-Wave Technologies (Malaysia) Sdn Bhd	Provision of network engineering services and consultancy services	Malaysia	100	100
Planet Telecoms Managed Services Sdn. Bhd.	Provision of consultancy services and distribution of mobile phones, prepaid cards and the provision for related services	Malaysia	100	100
Planet Telecoms (S) Pte Ltd	Sale of telecommunication equipment and provision of related services	Singapore	100	100
S & I Systems Pte Ltd	Integrated information technology solutions provider	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective equity held by the Group 2019 %	2018 %
NxGen Communications Pte Ltd	Provision of system integration services	Singapore	100	100
Planet Managed Services Pte. Ltd.	Sale of telecommunication equipment and provision of related services	Singapore	100	100
Planet Smart Services Pte. Ltd.	Provision of infrastructure engineering services, other information technology and computer service activities	Singapore	100	51
Held by NexWave Technologies Pte Ltd:				
PT NexWave	Provision of network engineering services	Indonesia	100	100
N-Wave Technologies Philippines, Inc.	Provision of network engineering services	Philippines	100	100
NexWave Technologies Vietnam Company Limited	Provision of network engineering services	Vietnam	100	100
Held by S & I Systems Pte Ltd:				
Sunway S&I Systems (Thailand) Ltd	Provision of IT consultancy and solutions services	Thailand	49.6	49.6
Sunway S&I Systems Sdn Bhd ^	Trading of computer hardware and software	Malaysia	51.0	51.0
Held by NxGen Communications Pte Ltd:				
NxGen Communications (M) Sdn Bhd	Provision of system integration services	Malaysia	100	100
NxGen Inc.	Provision of information and communication related services	Philippines	100	100

^ Under members' voluntary liquidation

KPMG Singapore is the auditor of all significant Singapore-incorporated subsidiaries. Osman Bing Satrio & Eny, a member of Deloitte Touche Tohmatsu Limited, is the auditor for PT NexWave, a significant subsidiary incorporated in Indonesia. RSM Malaysia, a member of RSM International, is the auditor for Planet Telecoms Managed Services Sdn. Bhd., a significant subsidiary incorporated in Malaysia.

For this purpose, a subsidiary is considered significant as defined under SGX-ST Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

NOTES TO THE FINANCIAL STATEMENTS

Acquisition of non-controlling interests

In January 2019, the Group acquired an additional 49% interest in Planet Smart Services Pte. Ltd. ("PSS"), increasing its ownership from 51% to 100%. The carrying amount of PSS's net assets in the Group's consolidated financial statements on the date of the acquisition was $1,401,000.

	$'000
Carrying amount of non-controlling interests acquired ($1,401,000 x 49%)	687
Consideration paid to non-controlling interests	685
Increase in equity attributable to owners of the Company	2

Impairment assessment for investments in subsidiaries

The Company assesses at the end of each financial year whether there is any indication of impairment for its subsidiaries. This assessment takes into account the financial performance of the subsidiaries, changes in the technological, market, economic or legal environment in which the subsidiaries operate in and changes to the market interest rates.

During the year, as a subsidiary continued to incur losses, the Company assessed the recoverable amount of the cost of investment and recognised an impairment loss of $201,000 in the income statement. The recoverable amount was determined using the fair value less costs to sell approach, taking into consideration the estimated fair values of its underlying net assets, which comprise mainly current assets and liabilities with a short period to maturity.

7 Associate

	Group	
	2019 $'000	2018 $'000
Interest in associate	2,294	2,234

Details of associate as follows:

Name of associate	Principal activities	Principal place of business/ Country of incorporation	Ownership interest held by the Group 2019 %	2018 %
MVI Systems Limited	Provision of Internet Protocol Television ("IPTV") systems, related consulting services and content provision within the IPTV systems	Hong Kong	29.41	29.41

NOTES TO THE FINANCIAL STATEMENTS

The following summarises the financial information of the associate based on its financial statements prepared in accordance with SFRS(I)s, modified for fair value adjustments on acquisition:

	Group 2019 $'000	Group 2018 $'000
Revenue	7,873	6,250
Profit from continuing operations	758	586
Other comprehensive income	(15)	61
Total comprehensive income	743	647
Non-current assets	6,220	5,790
Current assets	4,053	3,699
Current liabilities	(2,297)	(1,890)
Non-current liabilities	(172)	–
Net assets	7,804	7,599
Group's interest in net assets of associate at beginning of the year	2,234	2,501
Group's share of:		
- Profit from continuing operations	173	137
- Other comprehensive income	(6)	15
- Total comprehensive income	167	152
Dividend received during the year	(107)	(596)
Acquisition during the year	–	177
Carrying amount of interest in associate at end of year	2,294	2,234

NOTES TO THE FINANCIAL STATEMENTS

8 Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

	At 1 January 2018 $'000	Charged/ (credited) to income statement (Note 25) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	At 31 December 2018 $'000	Charged/ (credited) to income statement (Note 25) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	At 31 December 2019 $'000
Group									
Deferred tax assets									
Plant and equipment	(341)	(12)	–	7	(346)	38	–	(3)	(311)
Inventories	(78)	(18)	–	–	(96)	19	–	–	(77)
Accruals	(426)	9	21	11	(385)	(58)	8	(7)	(442)
Receivables	(158)	–	–	39	(119)	106	–	–	(13)
Right-of-use assets	–	–	–	–	–	(32)	–	–	(32)
Unutilised capital allowances and tax losses	(25)	(21)	–	–	(46)	46	–	–	–
	(1,028)	(42)	21	57	(992)	119	8	(10)	(875)
Deferred tax liabilities									
Plant and equipment	159	(76)	–	–	83	284	–	–	367
Intangible assets	40	(40)	–	–	–	–	–	–	–
	199	(116)	–	–	83	284	–	–	367

NOTES TO THE FINANCIAL STATEMENTS

	At 1 January 2018 $'000	Charged/ (credited) to income statement $'000	At 31 December 2018 $'000	Charged/ (credited) to income statement $'000	At 31 December 2019 $'000
Company					
Deferred tax assets					
Inventories	(19)	(9)	(28)	6	(22)
Accruals	(33)	19	(14)	(13)	(27)
Right-of-use assets	–	–	–	(17)	(17)
Unutilised tax losses	–	(28)	(28)	28	–
	(52)	(18)	(70)	4	(66)
Deferred tax liability					
Plant and equipment	124	(69)	55	(17)	38

The amounts determined after appropriate offsetting are included in the statement of financial position as follows:

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Deferred tax assets	508	909	28	15

Unrecognised deferred tax assets

The following deductible temporary differences have not been recognised:

	Group 2019 $'000	Group 2018 $'000
Deductible temporary differences	249	687
Unutilised capital allowances	119	82
Unutilised tax losses	382	292
	750	1,061

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised as it is not probable that future taxable profit will be available against which the Group could utilise the benefits therefrom.

Unrecognised deferred tax liabilities

At the reporting date, deferred tax liabilities of $1,786,000 (2018: $1,634,000) for temporary differences of $17,675,000 (2018: $16,001,000) relating to investments in subsidiaries were not recognised as the Group can control the timing of reversal of the taxable temporary differences for all subsidiaries and the temporary differences are not expected to reverse in the foreseeable future.

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9 Inventories

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Raw materials	1,136	1,759	–	–
Inventories held for resale	15,957	18,499	14,060	17,386
	17,093	20,258	14,060	17,386

During the year, the write down and write back of inventories recognised in the consolidated income statement amounted to $921,000 and $375,000 respectively (2018: $371,000 and $1,357,000 respectively), and are included in "cost of sales".

Source of estimation uncertainty

The Group carries out periodic reviews on inventory obsolescence and any decline in the net realisable value below cost will be recorded against inventory balance. Such reviews require management to consider future demand and sales prices for the inventories. The net realisable value represents management's best estimate of the recoverable amount and is based on the evidence available at the end of the reporting date. Management considers ageing analysis and technical assessment of the inventories as part of its inventory obsolescence assessment process. Such evaluation process requires significant judgement and may affect the carrying amount of inventories at the reporting date.

10 Trade and other receivables

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Trade receivables		32,938	25,810	4,341	2,257
Allowance for doubtful receivables		(37)	(24)	–	–
		32,901	25,786	4,341	2,257
Unbilled receivables		2,734	4,023	919	27
Lease receivables (2018: Finance lease receivables)		30	73	–	–
Other receivables and deposits	11	2,635	2,639	2,156	521
Amounts due from:					
- related parties	12	8,684	18,780	218	4,013
- subsidiaries	13	–	–	1,815	4,192
- immediate holding company	14	43	–	–	–
		47,027	51,301	9,449	11,010
Prepayments		1,205	2,352	681	1,450
Deferred expenses		1,777	2,005	–	–
		50,009	55,658	10,130	12,460
Non-current		1,212	1,148	–	–
Current		48,797	54,510	10,130	12,460
		50,009	55,658	10,130	12,460

Unbilled receivables, lease receivables, other receivables and deposits do not carry any credit terms.

Unbilled receivables relate to amounts recognised as revenue that have not been invoiced as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

The movements in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at 1 January	24	105	–	3
Impairment loss/(Reversal of impairment loss) recognised during the year	21	(33)	–	(3)
Amounts written off during the year	(8)	(48)	–	–
Balance at 31 December	37	24	–	–

11 Other receivables and deposits

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deposits	1,312	1,426	14	21
Dividend receivable from subsidiaries	–	–	2,100	500
Other receivables	1,323	1,213	42	–
	2,635	2,639	2,156	521
Non-current	1,072	1,137	–	–
Current	1,563	1,502	2,156	521
	2,635	2,639	2,156	521

Other receivables and deposits do not carry any credit terms.

12 Amounts due from/(to) related parties

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Amounts due from related parties:				
- subsidiaries of holding companies (trade)				
Billed portion	5,059	12,224	218	3,643
Unbilled portion	3,578	6,556	–	370
- subsidiaries of holding companies (non-trade)	47	–	–	–
	8,684	18,780	218	4,013
Amounts due to related parties:				
- subsidiaries of holding companies (trade)	(1,080)	(915)	(380)	(294)
- subsidiaries of holding companies (non-trade)	(17)	(23)	(2)	(9)
	(1,097)	(938)	(382)	(303)

Unbilled receivables relate to amounts recognised as revenue that have not been invoiced as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

The non-trade amounts due from related parties are unsecured, interest-free and have no fixed terms of repayment. The amounts are classified as current as the Group expects to receive payment within the next 12 months. There is no allowance for doubtful debts arising from these outstanding balances as the ECL is not material.

The non-trade amounts due to related parties are unsecured, interest-free and repayable on demand.

13 Amounts due from/(to) subsidiaries

	Company	
	2019 $'000	2018 $'000
Amounts due from subsidiaries:		
- trade	100	439
- non-trade	1,715	3,549
- short-term loan	–	204
	1,815	4,192
Amounts due to subsidiaries:		
- trade	(4)	(10)
- non-trade	–	(114)
	(4)	(124)

The non-trade amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The amounts are classified as current as the Company expects to receive payment within the next 12 months. There is no allowance for doubtful debts arising from these outstanding balances as the ECL is not material.

The short-term loan due from a subsidiary was unsecured, had interest at 3.39% per annum and fully repaid during the year ended 31 December 2019.

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

14 Amounts due from immediate holding company

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Amount due from immediate holding company (trade)	43	–	–	–
Amounts due to immediate holding company (non-trade)	–	(238)	–	(235)

The non-trade amounts due to the immediate holding company are unsecured, interest-free and repayable on demand.

15 Cash and cash equivalents

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash at banks and in hand	22,085	28,759	5,697	10,277
Short-term bank deposits	1,005	–	–	–
	23,090	28,759	5,697	10,277

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019, the Group has cash and cash equivalents totalling $4,312,000 (2018: $3,073,000) which are held in countries with foreign exchange controls.

The effective interest rates related to short-term bank deposits was 1.43% as at 31 December 2019 (2018: nil) per annum.

16 Share capital

	Group and Company			
	2019		2018	
	No. of shares ('000)	$'000	No. of shares ('000)	$'000
Fully paid ordinary shares with no par value:				
At 1 January and 31 December	454,423	21,987	454,423	21,987

During the year, the Company completed the buy-back of 3,600,000 (2018: 2,538,500) ordinary shares under the terms of the Share Purchase Mandate approved by its shareholders on 23 April 2019. The total consideration for these shares bought back from the market is $783,000 (2018: $655,000), being the market price, including incidental cost. This amount was classified as a deduction from equity under "reserve for own shares".

During the year, 2,596,340 (2018: 2,537,889) ordinary shares were awarded to eligible directors and employees under the TeleChoice Restricted Share Plan (as amended) and TeleChoice Performance Share Plan (as amended) (see Note 22). Total cost of the shares awarded was $574,000 (2018: $655,000). As at 31 December 2019, the Company held 1,038,975 (2018: 35,315) of its own uncancelled shares.

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

Capital management

The Board's policy when managing capital is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to maximise shareholder value. The Board of Directors monitors the return on capital employed, which the Group defines as earnings before interest divided by capital employed. The Board also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital employed of between 6% – 10% (2018: 6% – 10%). In 2019, the return was 6.4% (2018: 5.3%). In comparison, the interest expense on interest-bearing borrowings (excluding liabilities with imputed interest and lease liabilities) was 1.94% to 9.05% (2018: 2.10% to 10.10%) per annum.

From time to time, the Group purchases its own shares from the market and the timing of the purchases depends on market prices. Primarily, the shares purchased are intended to be used for issuing shares under the Group's long-term incentive plans. Buy and sell decisions are made based on the requirements under the plans.

The Board defines "capital" to include funds raised through the issuance of ordinary share capital, accumulated profits and proceeds raised from debt facilities.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

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17 Reserves

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Capital reserves	16,512	16,329	12,788	12,605
General reserve	27	27	–	–
Reserve for own shares	(218)	(9)	(218)	(9)
Share option reserve	902	817	838	753
Goodwill written off	(1,538)	(1,538)	–	–
Exchange translation reserve	(8,361)	(8,837)	–	–
	7,324	6,789	13,408	13,349

In accordance with the merger relief provisions of Section 69(B) of the Singapore Companies Act, Chapter 50, the capital reserve of the Company mainly comprises reserve arising from the excess of the fair value of the Company's share issued as consideration for the acquisition of subsidiaries over their par value.

Capital reserves of the Group comprise merger reserve of $17,024,000 (2018: $17,024,000) and losses on the reissuance of treasury shares of $512,000 (2018: $695,000), totalling $16,512,000 (2018: $16,329,000).

Merger reserve comprises the following:

	2019	2018
	$'000	$'000
Aggregate of share capital of subsidiaries acquired	23,403	23,403
Aggregate of losses of subsidiaries prior to acquisition by STTC	(6,372)	(6,372)
Acquisition of additional 7% equity interest in NexWave Solutions Pte. Ltd. by STTC	1,455	1,455
Goodwill on acquisition of subsidiaries by STTC	1,538	1,538
Cost of investment paid by STTC	20,024	20,024
Par value of shares issued for acquisition of subsidiaries	(3,000)	(3,000)
	17,024	17,024

The Group is required to transfer 20% of the registered share capital of its Indonesian subsidiary's net profit in each year to general reserve if there are available retained earnings, until the general reserve reaches 20% of its registered share capital. The Indonesian subsidiary's general reserve reached 20% of its registered share capital in 2009.

Reserve for own shares comprises the cost of the Company's shares held by the Group. As at 31 December 2019, the Group held 1,038,975 of the Company's shares (2018: 35,315 shares).

The share option reserve comprises the cumulative value of the employee services received for the outstanding share options.

The goodwill written off represents the excess of consideration paid on the acquisition of subsidiaries prior to 1 January 2001 over the share of the fair value of net assets acquired. In 2013, the Group transferred the goodwill written off of $570,000 to capital reserve upon liquidation of a subsidiary, NexWave Solutions Pte. Ltd.

The exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and from the monetary items which form part of the Group's net investment in foreign subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

Dividends

The following exempt (one-tier) dividends were declared and paid by the Group and Company:

For the year ended 31 December 2019

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Paid by the Company to owners of the Company		
1.0 cents per qualifying ordinary share (2018: 1.6 cents)	4,544	7,270

18 Trade and other payables

	Note	Group		Company	
		2019	**2018**	**2019**	**2018**
		$'000	**$'000**	**$'000**	**$'000**
Trade payables		34,162	36,641	8,105	16,303
Accruals for payroll and staff related costs		5,670	5,883	1,200	1,206
Accrued expenses		7,412	12,730	1,052	1,429
Amounts due to:					
- related parties	12	1,097	938	382	303
- subsidiaries	13	–	–	4	124
- immediate holding company	14	–	238	–	235
Financial liabilities at amortised cost		48,341	56,430	10,743	19,600
Prepayments		872	282	10	10
		49,213	56,712	10,753	19,610
Non-current		–	79	–	–
Current		49,213	56,633	10,753	19,610
		49,213	56,712	10,753	19,610

19 Loans and borrowings

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current liability				
Unsecured bank loans	22,160	21,324	7,000	9,000

Terms and debts repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate (%)	Year of maturity	Face value $'000	Carrying amount $'000
Group				
31 December 2019				
Floating rate loans	1.94 – 9.05	2020	22,160	22,160

NOTES TO THE
FINANCIAL STATEMENTS

	Nominal interest rate (%)	Year of maturity	Face value $'000	Carrying amount $'000
Group				
31 December 2018				
Floating rate loans	2.10 – 10.10	2019	21,324	21,324
Company				
31 December 2019				
Floating rate loan	1.94 – 2.34	2020	7,000	7,000
31 December 2018				
Floating rate loans	2.10 – 2.26	2019	9,000	9,000

For certain loans, Group entities are obliged to comply with a number of financial covenants, including maintaining certain financial ratios. All covenants were complied with for the above unsecured bank loans during the financial year, except one loan as described below.

One of the Group's overseas subsidiary has a loan with carrying amount of S$141,000 at 31 December 2019 that exceeded a gearing ratio covenant. The subsidiary has settled the outstanding loan on 24 March 2020.

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments.

	Note	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	1 to 5 years $'000
Group					
2019					
Unsecured bank loans		22,160	(22,204)	(22,204)	–
Lease liabilities	20	11,393	(11,822)	(4,929)	(6,893)
Trade and other payables*	18	48,341	(48,341)	(48,341)	–
		81,894	(82,367)	(75,474)	(6,893)
2018					
Unsecured bank loans		21,324	(21,370)	(21,370)	–
Trade and other payables*	18	56,430	(56,715)	(56,633)	(82)
		77,754	(78,085)	(78,003)	(82)
Company					
2019					
Unsecured bank loans		7,000	(7,008)	(7,008)	–
Lease liabilities	20	5,409	(5,656)	(1,313)	(4,343)
Trade and other payables*	18	10,743	(10,743)	(10,743)	–
		23,152	(23,407)	(19,064)	(4,343)
2018					
Unsecured bank loans		9,000	(9,020)	(9,020)	–
Trade and other payables*	18	19,600	(19,600)	(19,600)	–
		28,600	(28,620)	(28,620)	–

* *Exclude prepayments*

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Loans and borrowings $'000	Total $'000
Balance at 1 January 2018	16,330	16,330
Changes from financing cash flows		
Interest paid	(1,017)	(1,017)
Proceeds from borrowings	49,901	49,901
Repayment of borrowings	(44,908)	(44,908)
Total changes from financing cash flows	3,976	3,976
The effect of changes in foreign exchange rates	1	1
Other changes		
Interest expense	1,017	1,017
Total other changes	1,017	1,017
Balance at 31 December 2018	21,324	21,324

	Lease liabilities $'000 Restated*	Loans and borrowings $'000	Total $'000
Balance at 1 January 2019	11,204	21,324	32,528
Changes from financing cash flows			
Interest paid	(303)	(1,344)	(1,647)
Proceeds from borrowings	–	45,667	45,667
Repayment of borrowings	–	(44,831)	(44,831)
Payment of lease liabilities	(3,958)	–	(3,958)
Total changes from financing cash flows	(4,261)	(508)	(4,769)
The effect of changes in foreign exchange rates	5	–	5
Other changes			
Interest expense	303	1,344	1,647
New leases	4,142	–	4,142
Total other changes	4,445	1,344	5,789
Balance at 31 December 2019	11,393	22,160	33,553

* See note 2.5.

20 Leases

Leases as lessee (SFRS(I) 16)

The Group leases offices, warehouses, a number of retail outlets, copier machines and motor vehicles under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. Previously, these leases were classified as operating leases under SFRS(I) 1-17.

NOTES TO THE FINANCIAL STATEMENTS

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	Leasehold improvements $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
Group				
2019				
Balance at 1 January	10,907	132	–	11,039
Additions to right-of-use assets	4,520	6	29	4,555
Depreciation charge for the year	(3,912)	(55)	(15)	(3,982)
Translation difference on consolidation	4	–	–	4
Balance at 31 December	11,519	83	14	11,616
Company				
2019				
Balance at 1 January	6,446	71	–	6,517
Additions to right-of-use assets	294	6	29	329
Depreciation charge for the year	(1,233)	(33)	(15)	(1,281)
Balance at 31 December	5,507	44	14	5,565

Lease liabilities

	Group $'000	Company $'000
2019		
Non-current	6,712	4,196
Current	4,681	1,213
	11,393	5,409

Amounts recognised in the income statement

	Note	$'000
2019 – Leases under SFRS(I) 16		
Interest on lease liabilities	24	303
Expenses relating to short-term leases		5,465
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		62
Variable lease payments not included in the measurement of lease liabilities		135
2018 – Operating leases under SFRS(I) 1-17		
Lease expense		7,876
Contingent rent expense		125

Amounts recognised in statement of cash flows

	2019 $'000
Total cash outflow for leases	4,261

Extension option

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Finance lease

During the year, the Group has leased out a telephony system.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2019 $'000
Less than one year	33
Between one and five years	–
Total undiscounted lease receivable	33
Unearned finance income	(3)
Net investment in the lease	30

21 Provisions

	Warranties $'000	Reinstatement costs $'000	Total $'000
Group			
At 1 January 2019	155	162	317
Provision made during the year	22	481	503
Provision written back during the year	–	(68)	(68)
Translation difference	3	–	3
At 31 December 2019	180	575	755
31 December 2019			
Non-current	–	535	535
Current	180	40	220
	180	575	755
31 December 2018			
Non-current	–	162	162
Current	155	–	155
	155	162	317

	Reinstatement costs $'000
Company	
At 1 January 2019	–
Provision made during the year	294
At 31 December 2019	294
31 December 2019	
Non-current	294

The provision made for warranties relates mainly to mobile phones, network engineering services and radio and telecommunication equipment sold during the year. The provision is based on estimates made from historical warranty data.

In accordance with terms of the lease agreements, the Group is required to restore the retail outlets and offices to their original condition by the end of the lease terms.

NOTES TO THE FINANCIAL STATEMENTS

22 Equity compensation benefits

TeleChoice Restricted Share Plan and Performance Share Plan

The TeleChoice Restricted Share Plan (the "TeleChoice RSP") (as amended) and TeleChoice Performance Share Plan (the "TeleChoice PSP") (as amended) (collectively referred to as the "Plans"), were approved and adopted by the members at an Extraordinary General Meeting of the Company held on 27 April 2007 and certain amendments to the TeleChoice RSP and TeleChoice PSP were approved and adopted by the members at the Annual General Meeting of the Company held on 26 April 2018.

Information regarding the Plans are set out below:

(i) The Plans were established with the objective of motivating senior executives to strive for superior performance and sustaining long-term growth for the Company.

(ii) The Plans are administered by the Company's Remuneration Committee (the "Committee").

(iii) The following persons (collectively referred to as the "Eligible Persons") shall be eligible to participate in the Plans at the absolute discretion of the Committee:

- employees and non-executive directors of the Company and/or any of its subsidiaries;
- employees and non-executive directors of STTC and its subsidiaries, who may be seconded to render services and contribute to the success of the Group; and
- employees of associated companies.

(iv) Controlling shareholders and associates of controlling shareholders of the Company will not be eligible to participate in the Plans.

(v) Under the TeleChoice PSP (as amended), conditional awards of shares are granted. Awards represent the right of a participant to receive fully paid shares upon the participant achieving certain pre-determined performance targets set based on corporate objectives aimed at sustaining longer-term growth. After the awards vest, and the shares comprised in the awards are issued at the end of the performance and/or service period once the Committee is, at its sole discretion, satisfied that the prescribed performance targets have been achieved.

(vi) The actual number of shares given will depend on the level of achievement of the prescribed performance targets over the performance period, currently prescribed to be a three-year period. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded.

(vii) Under the TeleChoice RSP (as amended), conditional awards vest over a three-year period, once the Committee is, at its sole discretion, satisfied that the performance and extended service conditions are attained. For the 2016 RSP grants, the total number of shares to be awarded depends on the level of attainment of the corporate performance targets. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.3 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. For the RSP grants for 2017 onwards, the total number of shares to be awarded depends on the level of attainment of the individual performance targets.

(viii) The vesting period of the shares granted under the Plans is between one to three years.

(ix) As at 31 December 2019, the initial awards of 12,875,890 (2018: 11,627,890) shares under the TeleChoice PSP and the initial awards of 29,919,920 (2018: 26,317,920) shares under the TeleChoice RSP were made to Eligible Persons. As at 31 December 2019, awards of 3,660,000 (2018: 3,400,000) shares under the TeleChoice PSP and 5,649,545 (2018: 4,643,885) shares under the TeleChoice RSP were outstanding.

NOTES TO THE FINANCIAL STATEMENTS

The key assumptions applied in estimating the fair values under the TeleChoice PSP are as follows:

Date of grant of shares	3 June 2019	1 June 2018	1 June 2017	1 June 2016
Fair value at grant date	$0.138	$0.160	$0.112	$0.175
Assumptions under Monte-Carlo Model				
Expected Volatility				
TeleChoice International Limited	10.44%	13.75%	15.89%	16.02%
Straits Times Index	N/A	N/A	N/A	11.85%
Risk-free interest rates	1.89%	2.05%	1.31%	1.77%

The key assumptions applied in estimating the fair values under TeleChoice RSP are as follows:

Date of grant of shares	3 June 2019	1 June 2018	1 June 2017	1 June 2016
Fair value at grant date:				
For RSP vested 12 months from grant date	$0.212	N/A	N/A	N/A
For RSP vested 24 months from grant date	$0.203	$0.240	$0.245	$0.220
For RSP vested 36 months from grant date	$0.194	$0.225	$0.231	$0.205
For RSP vested 48 months from grant date	N/A	$0.211	$0.219	$0.190
Assumptions under Monte-Carlo Model				
Expected Volatility				
TeleChoice International Limited	10.44%	13.75%	15.89%	16.02%
Risk-free interest rates				
Singapore 1-year Government Bond yield	1.84%	1.71%	1.07%	N/A
Singapore 2-year Government Bond yield	1.87%	1.93%	1.21%	1.09%
Singapore 3-year Government Bond yield	1.89%	2.05%	1.31%	1.28%
Singapore 4-year Government Bond yield	N/A	N/A	N/A	1.50%

The fair value of the shares is estimated using the Monte-Carlo simulation methodology at the measurement dates, which are grant dates of these share awards. The accrual for the share expenses under the Plans has been estimated on the basis that the Group will be on target in respect of the performance conditions. During the financial year, the Group expensed off $713,000 (2018: $580,000) to the income statement based on the fair value of the PSP and RSP at the grant date.

23 Revenue

	Group	
	2019 $'000	2018 $'000
Equipment and cards sales	183,637	373,793
Voice services, mobile data and location tracking services	3,087	3,552
Logistic and consultancy services	26,182	22,841
Maintenance support services	12,974	16,279
Network engineering projects	71,007	59,301
Info-communication technology projects	16,739	15,951
Revenue from contracts with customers	313,626	491,717

The following tables provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

NOTES TO THE FINANCIAL STATEMENTS

Personal Communications Solutions Services ("PCS") segment

Nature of goods or services	The PCS segment generates revenue from the supply of equipment and prepaid cards, provision of fulfilment and managed services relating to mobile communication devices, wearables and accessories. It also provides retail management services, mobile delivery and field and cabling installation services.
When revenue is recognised	Revenue from sales of equipment and prepaid cards is recognised at a point in time, when significant risks and rewards are transferred to the customers. Revenue from retail management and other services is recognised on a monthly basis when services are rendered.
Significant payment terms	Invoices are issued when goods are delivered, services are rendered or upon receipt of purchase orders for services rendered and payable by cash on delivery or based on respective customers' credit terms for our Channel sales customers.
Obligations for warranties	Mobile devices sold are under the manufacturers' product warranties.

Equipment and cards sales revenue, in which certain sales of mobile communication devices and accessories are made to related parties. Management has considered the following factors in distinguishing between an agent and a principal and concluded that the Group acts as a principal in the transaction rather than as the agent:

- The Group has the primary responsibility for fulfilling the order and providing the equipment to the related parties; and
- The Group is required to bear inventory risk of loss and damage upon delivery of equipment by manufacturers. The related parties have the rights or entitlement to cancel the purchase order issued to the Group prior to the receipt of such equipment ordered.

Info-Communications Technology Services ("ICT") segment

Nature of goods or services	The ICT segment generates revenue from the provision of integrated info-communication technology solutions services and telecommunication services. Hardware, software, and installation and professional services may be sold separately or in bundled contracts. For bundled contracts, each of these components are accounted for as a separate performance obligation if they are distinct. If the bundled contract required significant customisation features before customer can benefit from it, it will be accounted as single performance obligation.
When revenue is recognised	Revenue from sales of equipment and software is recognised at point of sales. Revenue from voice services, mobile data and location tracking services is recognised upon usage by customers. Revenue from the provision of maintenance support service is recognised on a straight-line basis over the contractual periods. For info-communication technology projects, the Group has assessed that these contracts qualify for over time revenue recognition as the customised system is made to customers' specifications and has no alternative use for the Group due to contractual restrictions, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to management's estimate of the total contract costs of each contract.

NOTES TO THE FINANCIAL STATEMENTS

Significant payment terms	Invoices are issued when goods are delivered or services are rendered and are payable based on the invoice credit terms. Progress billings to the customers are based on payment schedules in the contracts that are dependent on the achievement of specified milestones. If the value of the services rendered exceeds payments received from the customers, a contract asset is recognised.
Obligations for warranties	Products and performance warranty periods are generally in line with the maintenance contracts periods signed by the customers. The obligations for warranties are borne back-to-back by the suppliers, and are generally in the range of one to three years.

Network Engineering Services (“Engineering”) segment

Nature of goods or services	The Engineering segment generates revenue from the provision of network engineering services and supply of specialised telecommunications products.
When revenue is recognised	Revenue from sales of goods is recognised at point of sales. Revenue from the provision of maintenance support service is recognised on a straight-line basis over the contractual periods. For network engineering projects, the Group has assessed that these contracts qualify for over time revenue recognition as the customised equipment is made to customers’ specifications and has no alternative use for the Group due to contractual restrictions, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to management’s estimate of the total contract costs of each contract.
Significant payment terms	Invoices are issued when goods are delivered or services are rendered and are payable based on the invoice credit terms. Progress billings to the customers are based on payment schedules in the contracts that are dependent on the achievement of specified milestones. If the value of the services rendered exceeds payments received from the customers, a contract asset is recognised.
Obligations for warranties	Certain network engineering services have a standard warranty period of one to three years from final acceptance date. The obligations for warranties on telecommunication equipment sold are generally borne by the equipment suppliers.

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers on the statement of financial position as at 31 December.

	2019 $’000	**2018 $’000**
Trade receivables	41,581	44,566
Contract assets	42,016	32,473
Contract liabilities	(4,579)	(4,732)

NOTES TO THE FINANCIAL STATEMENTS

	Contract liabilities 2019 $'000	Contract liabilities 2018 $'000
Non-current	364	–
Current	4,215	4,732
	4,579	4,732

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on network engineering projects, and info-communication technology projects. The contract assets are transferred to unbilled receivables when the rights become unconditional and then to trade receivables upon invoicing.

Contract liabilities primarily relate to advance consideration received from customers for maintenance services that have not been rendered or ongoing info-communication technology service projects at the reporting date.

Significant changes in the contract assets and contract liabilities during the period are as follows.

	Contract assets		Contract liabilities	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	4,273	4,728
Increases due to cash received/progress billings, excluding amounts recognised as revenue during the year	–	–	(4,120)	(3,892)
Contract assets reclassified to trade receivables	(29,624)	(22,484)	–	–
Contract assets recognised, net of reclassification to receivables	38,747	30,149	–	–

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date.

	Within 1 year		Within 2 – 5 years		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Maintenance support services and info-communication technology projects	1,905	3,596	3,524	3,787	5,429	7,383

Variable consideration that is constrained and therefore not included in the transaction price is excluded in the amounts presented above.

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

NOTES TO THE FINANCIAL STATEMENTS

24 Profit before tax

Profit before tax is arrived at after charging/(crediting) the following items:

	Note	Group 2019 $'000	Group 2018 $'000
Amortisation of intangible assets	5	484	606
Depreciation of plant and equipment	4	1,074	1,850
Depreciation of right-of-use assets	20	3,982	–
Audit fees paid to:			
- auditors of the Company		236	251
- other auditors		73	72
Non-audit fees paid to:			
- auditors of the Company		–	4
Cost of inventories recognised as an expense in income statement		157,946	344,917
Directors' remuneration		471	471
Government grants		(307)	(210)
Loss/(Gain) on liquidation of a subsidiary		56	(26)
Exchange gain		(54)	(141)
Impairment loss on/(Reversal of impairment loss on) trade receivables	10	21	(33)
Loss/(Gain) on disposal of plant and equipment		40	(1)
Employee benefits expense			
Staff costs		53,611	47,684
Contributions to defined contribution plans, included in staff costs		3,104	3,207
Share-based payments expenses, included in staff costs	22	713	580
Finance income			
Interest income			
- banks and financial institutions		(14)	(36)
- interest accretion		(72)	(150)
- lease receivables		(1)	(1)
		(87)	(187)
Finance costs			
Interest expense			
- banks and financial institutions		1,344	1,008
- leases liabilities	20	303	–
- a non-controlling interest		–	9
- interest accretion		46	115
		1,693	1,132

NOTES TO THE FINANCIAL STATEMENTS

25 Tax expense

	Group 2019 $'000	Group 2018 $'000
Current tax expense		
Current year	1,511	1,819
(Over)/Under provision in respect of prior years	(35)	132
	1,476	1,951
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	297	(158)
Under provision in respect of prior years	106	–
	403	(158)
Tax expense	1,879	1,793

Reconciliation of effective tax rate

	Group 2019 $'000	Group 2018 $'000
Profit before taxation	7,260	6,091
Income tax using Singapore tax rate of 17% (2018: 17%)	1,234	1,035
Non-deductible expenses	457	122
Tax-exempt income	(190)	(74)
Tax rebate	(11)	(10)
Changes in other unrecognised temporary differences	(42)	–
Deferred tax assets not recognised	–	80
Effect of results of associate presented net of tax	(29)	(53)
Effect of different tax rates in other countries	389	561
Under provision in respect of prior years	71	132
	1,879	1,793

26 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the Group's profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group 2019 $'000	Group 2018 $'000
Profit attributable to equity holders of the Company	5,368	4,003

	Group Number of shares 2019 ('000)	Group Number of shares 2018 ('000)
Issued ordinary shares at beginning of the year	454,423	454,423
Effect of own shares held	(206)	(304)
Weighted average number of ordinary shares during the year	454,217	454,119

NOTES TO THE FINANCIAL STATEMENTS

Diluted earnings per share

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options with the potential ordinary shares weighted for the period outstanding.

	Group	
	2019 $'000	2018 $'000
Diluted earnings per share is based on:		
Profit attributable to equity holders of the Company	5,368	4,003

	Group Number of shares	
	2019 ('000)	2018 ('000)
Weighted average number of ordinary shares (basic)	454,217	454,119
Effect of RSP shares vested but not released	2,647	2,224
Weighted average number of ordinary shares (diluted) during the year	456,864	456,343

	Group	
	2019	2018
Earnings per share		
Basic earnings per share (cents)	1.18	0.88
Diluted earnings per share (cents)	1.17	0.88

27 Significant related party transactions

Related party transactions

In the normal course of business, the Group purchases and sells products and services to related parties. Significant transactions with related parties, other than those disclosed elsewhere in the financial statements, are as follows:

	Group	
	2019 $'000	2018 $'000
Ultimate holding company		
Revenue from sale of products and provision of services	–	3
Immediate holding company		
Revenue from sale of products and provision of services	108	18
Purchase of products and services	–	(8)
Management fees paid/payable	(33)	(78)
Other related parties		
Revenue from sale of products and provision of services	58,959	227,506
Purchase of products and services	(37,230)	(66,275)
Shared service expense	(2,073)	(1,904)
Telecommunication services received	(437)	(457)
Associate company		
Purchase of products and services	(703)	–

NOTES TO THE FINANCIAL STATEMENTS

Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group.

Key management personnel compensation comprised:

	Group	
	2019	**2018**
	$'000	**$'000**
Short-term employment benefits		
- Directors	342	342
- Other key management personnel	2,532	2,508
Post-employment benefits (including defined contribution plans)		
- Other key management personnel	594	665
Share-based payments		
- Directors	129	129
- Other key management personnel	560	491
	4,157	4,135

28 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they required different marketing and technical expertise. For each of the strategic business units, the Group's President reviews internal management reports on a monthly basis. The following describes the operations in each of the Group's reportable segments:

Personal Communications Solutions Services ("PCS"): This division is a regional provider of fulfilment and managed services. It provides distribution and supply chain management services relating to mobile communication devices, wearables and accessories. In Singapore, it operates a retail chain under the Planet Telecoms brand, and it is the only StarHub Ltd ("StarHub") Exclusive Partner to manage five StarHub Platinum Shops. In addition, it is the appointed distributor of StarHub's prepaid card business, and also provides StarHub with mobile handset delivery and last mile services. PCS also manages concept stores for major mobile device manufacturers such as Samsung and Huawei. In Malaysia, PCS provides retail management, fulfilment and supply chain services to U Mobile Sdn Bhd, a data-centric and multiple award-winning mobile data service company in Malaysia. PCS also operates an e-commerce site, www.eplanetworld.com, which offers the latest mobile phones and tablets as well as accessories for online shoppers.

Info-Communications Technology Services ("ICT"): This division is a leading regional integrated info-communications solutions provider. It provides consultancy and system integration services for enterprise IT infrastructure and cutting-edge business solutions and applications. Its extensive offerings include managed and hosted services, fixed and wireless networking, as well as campus management, customer relationship management, contact centre and unified communications solutions. It also provides consultancy and managed services to help companies adopt cloud, big data, analytics, Internet of Things and smart learning solutions to transform their businesses. In addition, ICT provides Internet Protocol television solutions for the hospitality industry, and has a Service-Based Operator licence that offers IDD, SMS broadcast and other enterprise mobility solutions and services.

Network Engineering Services ("Engineering"): This division is a regional provider of network engineering services and supplier of specialised telecommunications products. It designs, builds and manages telecommunications networks and provides a comprehensive suite of specialised products and solutions to address the network infrastructure needs of fixed and mobile operators in Asia-Pacific. Its services encompass radio network planning and optimisation, transmission network planning, network implementation, maintenance and project management. Engineering also offers an extensive range of innovative and cost-effective products for telecommunications access and coverage needs, as well as for power supply and power backup requirements.

NOTES TO THE
FINANCIAL STATEMENTS

Information about reportable segments

	Personal Communications Solutions Services		Info-Communications Technology Services		Network Engineering Services		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Equipment and cards sales	141,920	328,987	34,290	36,188	7,427	8,618	183,637	373,793
Voice services, mobile data and location tracking services	–	–	3,087	3,552	–	–	3,087	3,552
Logistic and consultancy services	26,182	22,841	–	–	–	–	26,182	22,841
Maintenance support services	–	–	12,884	16,038	90	241	12,974	16,279
Network engineering projects	–	–	–	–	71,007	59,301	71,007	59,301
Info-communication technology projects	–	–	16,739	15,951	–	–	16,739	15,951
Total revenue from external customers	168,102	351,828	67,000	71,729	78,524	68,160	313,626	491,717
Inter-segment revenue	–	–	98	247	–	–	98	247
	168,102	351,828	67,098	71,976	78,524	68,160	313,724	491,964
Timing of revenue recognition								
Products transferred at a point in time	168,102	351,828	44,477	39,740	16,354	20,255	228,933	411,823
Products and services transferred over time	–	–	22,523	31,989	62,170	47,905	84,693	79,894
	168,102	351,828	67,000	71,729	78,524	68,160	313,626	491,717

NOTES TO THE FINANCIAL STATEMENTS

	Personal Communications Solutions Services		Info-Communications Technology Services		Network Engineering Services		Total	
	2019 $'000	2018* $'000	2019 $'000	2018* $'000	2019 $'000	2018* $'000	2019 $'000	2018* $'000
Interest income	51	31	168	224	7	14	226	269
Interest expenses	561	248	188	169	1,083	797	1,832	1,214
Amortisation of intangible assets	280	253	183	324	21	29	484	606
Depreciation of plant and equipment	351	611	104	147	619	1,092	1,074	1,850
Depreciation of right-of-use assets	3,734	–	17	–	231	–	3,982	–
Reportable segment profit before income tax	4,133	4,120	904	(1,286)	2,050	2,943	7,087	5,777
Share of profit of associate (net of tax)	–	–	173	314	–	–	173	314
Reportable segment assets	50,330	50,737	50,439	54,042	57,112	47,865	157,881	152,644
Investment in associate	–	–	2,294	2,234	–	–	2,294	2,234
Capital expenditure								
- Plant and equipment	155	218	56	93	305	376	516	687
- Intangible assets	7	87	43	384	8	29	58	500
Reportable segment liabilities	32,727	32,972	26,834	29,772	28,626	20,679	88,187	83,423

* The Group initially applied SFRS(I)16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (see note 2.5). As a result, the Group recognised $11,039,000 of right-of-use assets and $11,204,000 of liabilities from those lease contracts. The assets and liabilities are included in all the segments as at 31 December 2019. The Group has applied SFRS(I) 16 using the modified retrospective approach, under which comparative information is not restated (see note 2.5).

NOTES TO THE FINANCIAL STATEMENTS

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities and other material items:

	Group	
	2019	**2018**
	$'000	**$'000**
Revenue		
Total revenue for reportable segments	313,724	491,964
Elimination of inter-segment revenue	(98)	(247)
Consolidated revenue	313,626	491,717
Profit or loss		
Total profit or loss for reportable segments	7,087	5,777
Share of profit of associate	173	314
Consolidated profit before income tax	7,260	6,091
Assets		
Total assets for reportable segments	157,881	152,644
Investment in associate	2,294	2,234
Consolidated total assets	160,175	154,878
Liabilities		
Total liabilities for reportable segments	88,187	83,423

	Reportable segment totals $'000	Adjustments $'000	Consolidated totals $'000
Other material items 2019			
Interest income	(226)	139	(87)
Interest expenses	1,832	(139)	1,693
Capital expenditure			
- plant and equipment	516	–	516
- intangible assets	58	–	58
Other material items 2018			
Interest income	(269)	82	(187)
Interest expenses	1,214	(82)	1,132
Capital expenditure			
- plant and equipment	687	–	687
- intangible assets	500	–	500

Geographical segments

The Group has operations primarily in Singapore, Indonesia, Philippines and Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

NOTES TO THE FINANCIAL STATEMENTS

	Revenue $'000	Non-current assets* $'000
31 December 2019		
Singapore	242,596	24,276
Indonesia	55,465	639
Malaysia	8,747	89
Philippines	4,772	136
Hong Kong	297	2,294
Other countries	1,749	25
	313,626	27,459
31 December 2018		
Singapore	436,182	13,763
Indonesia	43,316	683
Malaysia	7,839	62
Philippines	2,964	63
Hong Kong	1,073	2,234
Other countries	343	16
	491,717	16,821

* Non-current assets presented consist of plant and equipment, intangible assets and investment in associate.

Major customer

Revenue from one customer of the Group's Personal Communications Solutions Services segment represents approximately 17% (2018: 44%) of the Group's total revenue.

29 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability:

(i) Trade and other receivables

The fair value of non-current trade and other receivables (excluding prepayments and deferred expenses) is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(ii) Non-derivative financial liabilities

The fair value of non-derivative financial liabilities (excluding prepayments), which is determined for measurement upon acquisition and disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(iii) Share based payments

The fair value measurement for share based payments is described in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk management

Overview

The Group's activities expose it to credit risk, liquidity risk and market risk (including interest rate risk and currency risk). The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Cash and cash equivalents

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2019, the Group has 14% (2018: 27%) of total receivables due from 1 (2018: 1) major customer, and approximately 17% (2018: 44%) of the Group's revenue is attributable to sales transactions with this 1 (2018: 1) customer.

The Group has a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and in some cases bank references. Otherwise, the credit quality of customers is assessed after taking account its financial position and past experience with the customers. Credit exposure to customers is restricted by credit limits that are monitored by management on an ongoing basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or incorporated entity, whether they are a multinational corporation, wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade receivables comprise mainly Group's amounts due from related parties and multinational corporations.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

There are no other significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

NOTES TO THE
FINANCIAL STATEMENTS

Impairment losses on financial assets recognised in the income statement were as follows:

	Note	Group 2019 $'000	Group 2018 $'000
Impairment loss on/(Reversal of impairment loss on) trade receivables	10	21	(33)

Exposure to credit risk

The Group's and Company's primary exposure to credit risk arises through its trade receivables and amounts due from related parties. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. As a result, management believes that no additional credit risk beyond the amounts provided for is inherent in the Group's trade receivables and balances due from related parties.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets at the reporting date (by type of customer).

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Related companies	11,355	21,924	218	4,452
Multinational companies	32,952	27,327	–	–
Other companies	42,024	31,811	5,260	2,284
	86,331	81,062	5,478	6,736

Expected credit loss assessment

The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets. In calculating the expected credit loss rates, the Group considers historical loss rates and, if relevant, adjustment for forward looking economic factors affecting the customers' ability to settle the outstanding receivables.

The Group and Company's exposure to credit risk and ECL relating to trade receivables and contract assets at the reporting date is as follows.

	Expected loss rate %	Gross 2019 $'000	Impairment 2019 $'000	Gross 2018 $'000	Impairment 2018 $'000
Group					
No credit terms	–	48,330	–	43,052	–
Not past due	0.02	28,339	5	28,522	1
Past due 0 – 30 days	0.06	7,875	5	5,446	10
Past due 31 – 120 days	1.04	1,630	17	3,671	10
Past due 121 – 360 days	5.96	151	9	361	2
More than one year	2.33	43	1	34	1
		86,368	37	81,086	24
Company					
No credit terms	–	894	–	397	–
Not past due	–	3,829	–	5,246	–
Past due 0 – 30 days	–	723	–	469	–
Past due 31 – 120 days	–	32	–	624	–
Past due 121 – 360 days	–	–	–	–	–
More than one year	–	–	–	–	–
		5,478	–	6,736	–

NOTES TO THE FINANCIAL STATEMENTS

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group maintains sufficient level of cash and cash equivalents to meet its working capital and service its financial obligation. When required, the Group also obtains short-term bridging arrangement with banks to pay for their purchases of equipment.

Management monitors cash flow requirements through regular cash flow forecast carried out at the operating companies' level in accordance with the working capital requirement. The Group sets asset productivity targets which vary by entity and location taking into consideration the business environment that the entity operates in. Asset productivity targets used include debtor and inventory turnover days.

In addition, the Group maintains total lines of credit of $137 million (2018: $136 million) for revolving credit and working capital line facilities, at a margin over cost of funds.

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to cash flow interest rate risks arises mainly from short-term floating rate borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk.

Effective interest rate and repricing analysis

In respect of the interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they reprice:

	Effective interest %	Within 1 year $'000
Group		
31 December 2019		
Financial liabilities		
Unsecured bank loans	1.94 – 9.05	22,160
31 December 2018		
Financial liabilities		
Unsecured bank loans	2.10 – 10.10	21,324
Company		
31 December 2019		
Financial liabilities		
Unsecured bank loans	1.94 – 2.34	7,000
31 December 2018		
Financial liabilities		
Unsecured bank loans	2.10 – 2.26	9,000

Fair value sensitivity analysis

The Group does not account for any financial assets and liabilities at FVTPL. Therefore, a change in interest rates at the reporting date would not affect the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Cash flow sensitivity analysis

The Group's borrowings at variable rates are denominated mainly in Singapore Dollar and Indonesian Rupiah. If the interest rates increase/(decrease) by 100 basis point with all other variables being held constant, the profit before tax will be higher/(lower) by the amounts shown below.

	Profit before tax	
	100 bp increase $'000	**100 bp decrease $'000**
Group		
31 December 2019		
Loans and borrowings	(222)	222
31 December 2018		
Loans and borrowings	(213)	213
Company		
31 December 2019		
Loans and borrowings	(70)	70
31 December 2018		
Loans and borrowings	(90)	90

Foreign currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings, including intercompany sales, purchases and inter-company balances, that are denominated in a currency other than the respective functional currencies of Group entities. The functional currencies of Group entities are primarily the Singapore dollar ("SGD"). The currency in which these transactions primarily are denominated is US dollar ("USD").

The Company's investments and long-term loan to its subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

The Group's and Company's exposure to foreign currency are as follows:

	USD $'000
Group	
31 December 2019	
Trade and other receivables	396
Cash and cash equivalents	2,316
Trade and other payables	(3,967)
Net exposure	(1,255)
31 December 2018	
Trade and other receivables	1,196
Cash and cash equivalents	4,492
Trade and other payables	(6,225)
Net exposure	(537)

NOTES TO THE FINANCIAL STATEMENTS

	USD $'000
Company	
31 December 2019	
Trade and other receivables	194
Cash and cash equivalents	38
Net exposure	232
31 December 2018	
Cash and cash equivalents	54
Trade and other payables	(1,018)
Net exposure	(964)

Sensitivity analysis

A 10 percent strengthening of the following currency against the Group entities' functional currencies at 31 December would have increased/(decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit before tax	
	Group $'000	Company $'000
31 December 2019		
USD	(126)	23
31 December 2018		
USD	(54)	(96)

A 10 percent weakening of the above currency against the Group entities' functional currencies at 31 December would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

Estimating the fair values

As at 31 December 2019, the fair value of non-current other receivables and other payables amounted to $1,212,000 (2018: $1,148,000) and nil (2018: $79,000) respectively.

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and loans and borrowings) are assumed to approximate their fair values because of the short period to maturity.

NOTES TO THE FINANCIAL STATEMENTS

Accounting classifications

	Note	Amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000
Group				
31 December 2019				
Financial assets not measured at fair value				
Trade and other receivables	10	47,027	–	47,027
Cash and cash equivalents	15	23,090	–	23,090
		70,117	–	70,117
Financial liabilities not measured at fair value				
Trade and other payables	18	–	48,341	48,341
Loans and borrowings	19	–	22,160	22,160
		–	70,501	70,501
Company				
31 December 2019				
Financial assets not measured at fair value				
Trade and other receivables	10	9,449	–	9,449
Cash and cash equivalents	15	5,697	–	5,697
		15,146	–	15,146
Financial liabilities not measured at fair value				
Trade and other payables	18	–	10,743	10,743
Loans and borrowings	19	–	7,000	7,000
		–	17,743	17,743
Group				
31 December 2018				
Financial assets not measured at fair value				
Trade and other receivables	10	51,301	–	51,301
Cash and cash equivalents	15	28,759	–	28,759
		80,060	–	80,060
Financial liabilities not measured at fair value				
Trade and other payables	18	–	56,430	56,430
Loans and borrowings	19	–	21,324	21,324
		–	77,754	77,754
Company				
31 December 2018				
Financial assets not measured at fair value				
Trade and other receivables	10	11,010	–	11,010
Cash and cash equivalents	15	10,277	–	10,277
		21,287	–	21,287
Financial liabilities not measured at fair value				
Trade and other payables	18	–	19,600	19,600
Loans and borrowings	19	–	9,000	9,000
		–	28,600	28,600

NOTES TO THE FINANCIAL STATEMENTS

31 Contingent liability

The Company issued corporate guarantees amounting to $24,083,000 (2018: $20,887,000) in favour of subsidiaries to cover purchases and bank facilities per the terms of the agreements.

32 Subsequent events

On 21 February 2020, the directors proposed a final dividend of 1 cent per ordinary share (one-tier tax exempt) in respect of financial year ended 31 December 2019. The proposed final dividend amounting to S$4,534,000 has not been recognised as at year end and is subject to shareholders' approval at the forthcoming Annual General Meeting of the Company in 2020.

On 6 March 2020, the Company's wholly-owned subsidiary, S&I System Pte Ltd, incorporated a subsidiary, TeleChoice Technologies (Shanghai) Co. Ltd. ("TTS") in the People's Republic of China with a registered capital of US$150,000. The principal activities of TTS are to provide info-communications technology consultancy and services.

Since January 2020, the COVID-19 outbreak has impacted the global business environment and could affect the business and economic activities of the Group to some extent. The temporary lockdown imposed by certain countries has resulted in, at the date of this report, the temporary closure of the Group's 10 retail outlets that it is operating for a Telecommunication customer in Malaysia, affecting the Group's PCS segment. As the situation is rapidly evolving, the effects of the outbreak are subjected to significant levels of uncertainty, with the full range of possible effects presently unknown.

SUPPLEMENTARY **INFORMATION**

(SGX-ST LISTING MANUAL DISCLOSURE REQUIREMENTS)

1 DIRECTORS' REMUNERATION

None of the directors of the Company receives remuneration from the Group (other than Directors' Fee and Benefits for Non-Executive Directors) for the financial years ended 2019 and 2018.

2 INTERESTED PERSON TRANSACTIONS

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual	
		2019 **$'000**	**2018** **$'000**
Transactions for the sales of goods and services			
Temasek Holdings (Private) Limited and its Associates	Controlling shareholder and its associates	59,067	227,527
Transactions for the purchase of goods and services			
Temasek Holdings (Private) Limited and its Associates	Controlling shareholder and its associates	39,739	68,644
Management services			
Temasek Holdings (Private) Limited and its Associates	Controlling shareholder and its associates	33	78
Total Interested Person Transactions		**98,839**	**296,249**

There were no interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual).

3 MATERIAL CONTRACTS

There was no material contract entered into or still subsisting at the end of the financial year, for the purpose of Rule 1207(8) of the SGX-ST Listing Manual.

SHAREHOLDINGS **STATISTICS**

AS AT 16 MARCH 2020

Class of shares – Ordinary shares
Voting rights – 1 vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	3	0.15	187	0.00
100 – 1,000	86	4.20	77,604	0.02
1,001 – 10,000	892	43.62	4,831,647	1.06
10,001 – 1,000,000	1,045	51.10	88,302,408	19.43
1,000,001 and above	19	0.93	361,210,654	79.49
	2,045	100.00	454,422,500	100.00

TOP 21 SHAREHOLDERS

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	%*
1	STT COMMUNICATIONS LTD	228,937,500	50.52
2	LEAP INTERNATIONAL PTE LTD	84,619,200	18.67
3	DBS NOMINEES PTE LTD	7,932,280	1.75
4	TAN CHWEE HUAT	5,030,000	1.11
5	HONG LEONG FINANCE NOMS PTE LTD	4,460,000	0.98
6	CHOO SOON KIAH	3,970,000	0.88
7	NG HIAN CHOW	3,639,000	0.80
8	PAULINE WONG MAE SUM (PAULINE HUANG MEIXIN)	3,313,343	0.73
9	LOH SUR JIN ANDREW	2,974,300	0.66
10	LEE YOONG KIN	2,797,603	0.62
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,103,300	0.46
12	LIM SHUH MOH	1,977,253	0.44
13	OCBC NOMINEES SINGAPORE PTE LTD	1,760,900	0.39
14	RAFFLES NOMINEES (PTE) LIMITED	1,561,000	0.34
15	JACQUELINE TAN KIM HOIE	1,466,000	0.32
16	CHEN WEI CHING	1,300,000	0.29
17	KOH KEE BOON	1,300,000	0.29
18	OH HOON JIUN	1,030,000	0.23
19	KIAHONG INVESTMENTS PTE LTD	1,000,000	0.22
20	LIM SIOW SUN NEE LAU YUEN LING	1,000,000	0.22
21	YEE LAT SHING	1,000,000	0.22
		363,171,679	80.14

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 16 March 2020 of 453,183,525 shares (which excludes 1,238,975 shares which are held as treasury shares representing approximately 0.27% of the total number of issued shares excluding treasury shares). There were no subsidiary holdings (as defined in the SGX-ST Listing Manual) as at 16 March 2020.

SHAREHOLDINGS **STATISTICS**

AS AT 16 MARCH 2020

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%[3]	Deemed Interest	%[3]
Leap International Pte Ltd	84,619,200	18.67	–	–
Lim Chai Hock Clive[1]	183,000	0.04	84,619,200	18.71
STT Communications Ltd[2]	228,937,500	50.52	–	–
Singapore Technologies Telemedia Pte Ltd[2]	–	–	228,937,500	50.52
Temasek Holdings (Private) Limited[2]	–	–	228,937,500	50.52

Notes:

(1) Lim Chai Hock Clive owns 100% of the interest in Leap International Pte Ltd ("Leap International"). Accordingly, Lim Chai Hock Clive is deemed interested in all the shares held by Leap International. Lim Chai Hock Clive holds a total (direct and deemed) interest in 84,802,200 shares, representing 18.71% of the issued share capital of the Company.

(2) STT Communications Ltd ("STTC") is a subsidiary of Singapore Technologies Telemedia Pte Ltd ("STT"), which is a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek"). Temasek and STT are deemed to be interested in the 228,937,500 shares held by STTC by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.

(3) The percentage of shareholdings was computed based on the issued share capital of the Company as at 16 March 2020 of 453,183,525 shares (which excludes 1,238,975 shares which are held as treasury shares as at that date).

Shareholdings Held in Hands of Public

Based on information available to the Company, approximately 29.62% of the Company's shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. Therefore the Company has complied with Rule 723 of the Listing Manual.

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