TeleChoice

DEEPENING CAPABILITIES
PURSUING NEW OPPORTUNITIES
EXPANDING BEYOND

ANNUAL REPORT • 2018

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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. Incorporated in Singapore on 28 April 1998 and listed on the Mainboard of the Singapore Exchange Securities Trading Limited on 25 June 2004, TeleChoice is a subsidiary of ST Telemedia, an active investor in the Communications & Media, Data Centres, and Infrastructure Technology businesses.

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 through two subsidiaries, Planet Telecoms (S) Pte Ltd and Planet Managed Services Pte. Ltd. Besides being the only StarHub Ltd (“StarHub”) Exclusive Partner to manage five StarHub Platinum Shops, it also manages concept stores for major mobile device manufacturers. In addition, it is the appointed master distributor of StarHub’s prepaid card business. Through Planet Smart Services Pte. Ltd., it provides StarHub with mobile handset delivery and field and cabling services.

Through its Malaysia subsidiary, it 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 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 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 offers Internet Protocol television solutions for the hospitality industry and also has a Service–Based Operator licence that offers IDD, SMS broadcast as well as mobility solutions and services for the consumer and enterprise markets.

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 cost-effective 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.

It 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

SEGMENTAL HIGHLIGHTS

PERSONAL COMMUNICATIONS SOLUTIONS SERVICES ("PCS")

- Partnership with key principals on retail strategies and new product launches:
  - Expanded Huawei's retail presence with opening of third retail concept at Bugis Junction
  - Appointed pre-order fulfilment partner for the launch of Huawei Mate 20 series mobile phone
- Marketing support for open channel customers and principals:
  - Successful launch event for Huawei Mate 20 series mobile phone at Causeway Point and implementation of publicity campaign
- Recognition by major customer with the following award wins:
  - StarHub Top EP – VAS Attachment
  - StarHub Platinum Shop Top Sales – Mobile
  - StarHub Platinum Shop Top Sales – E&S
  - StarHub Platinum Shop Best NPS – 2018
  - StarHub Top Platinum – VAS Attachment

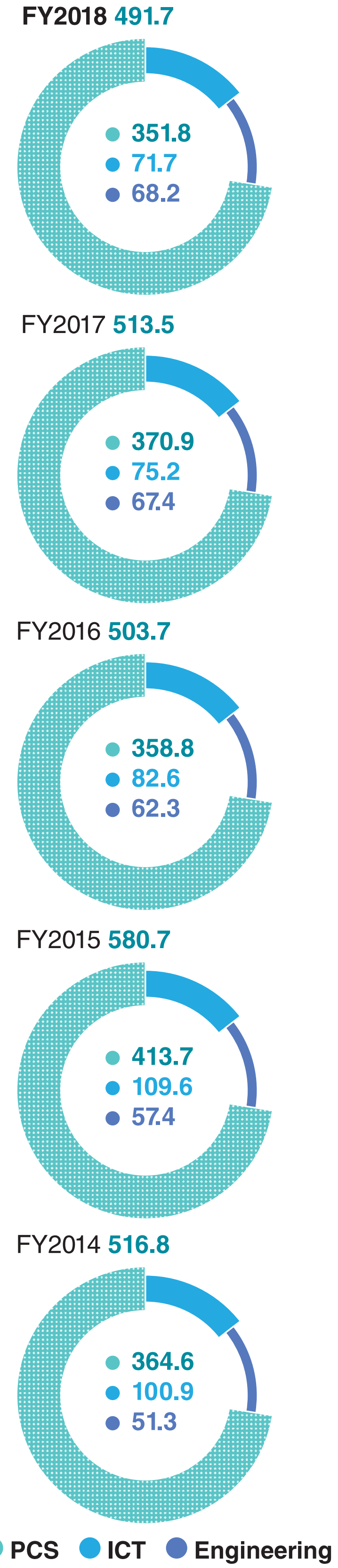
INFO-COMMUNICATIONS TECHNOLOGY SERVICES ("ICT")

- Accorded highest-tier partnership recognition by Avaya (Diamond Partner 2018) in recognition of NxGen Communications Pte Ltd at Diamond GEM Level – the highest GEM level within the Avaya Edge Program
- Recognised by partners via multiple awards in 2018, including the following:
  - Avaya Partner in Customer Excellence (Singapore) for achieving exceptional customer satisfaction scores
  - Avaya Strategic Oceana Win Award and Avaya APAC Innovation Partner of the Year Award for major Oceana Omni-channel Contact Centre win for a government agency
  - IBM Systems Top Partner 2018 and IBM Overall Top Partner 2018 by TechData
- Reaffirmed government and public sector credentials by securing a number of Infocomm Media Development Authority bulk tender wins relating to the supply of infrastructure, database/middleware and application maintenance services to government agencies, as well as a portion of GovTech's Platform-as-a-Service project
- Secured a series of sizeable enterprise IT infrastructure, unified communications and contract centre and IPTV wins in the financial, healthcare, education and hospitality sectors

NETWORK ENGINEERING SERVICES ("ENGINEERING")

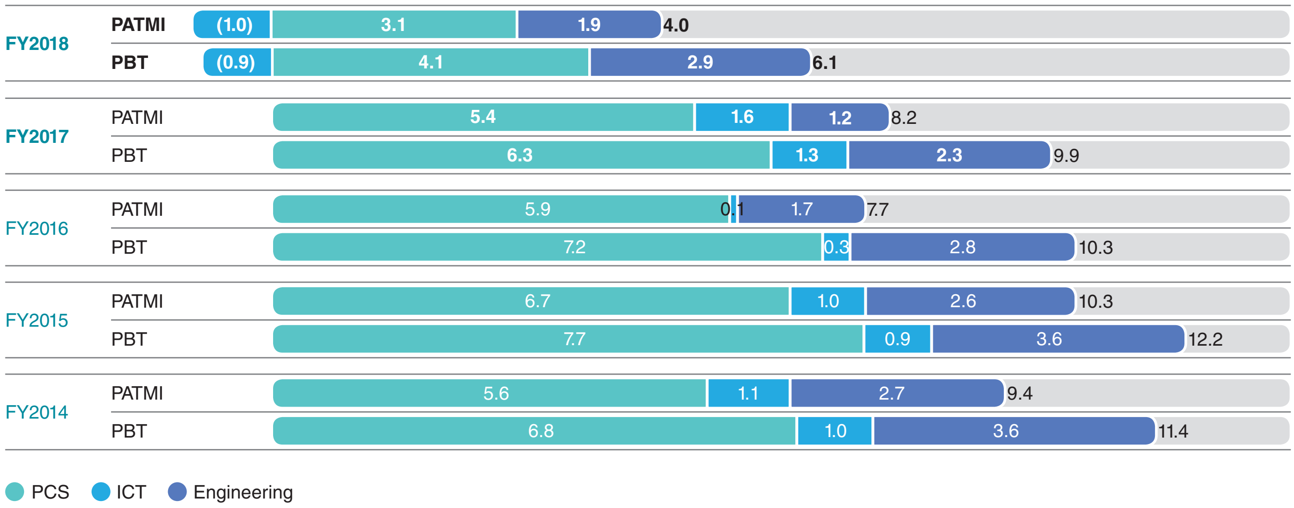
- Recognised by partners via multiple awards in 2018, including the following:
  - Nokia's Most-Preferred-Partner Award for Singapore and the region
  - Nokia 2018 – Committed Partner Award for Singapore
  - Huawei 2018 – Best Delivery Efficiency Award for Indonesia
  - Huawei 2018 – Supplier Innovation Award for Indonesia
  - Narada 2018 – Million Dollar Sales Award for Indonesia
  - Huawei 2018 – Best Matured DIS Business Operation and Sustainable Development Partner Award for Philippines
  - Huawei 2018 – Recognition for NLZ Wireless Fast BFT Progress Award for Philippines
- Secured a steady stream of multi-year, multi-million dollar projects from operators and major equipment vendors despite challenging market environment:
  - Mobile network rollout services for StarHub Ltd and TPG Telecom Pte Ltd in Singapore
  - Awarded three-year Huawei Frame Contract for Radio Network Planning and Optimisation in Indonesia
  - Awarded three-year Huawei Frame Contract for TI in Indonesia
  - Awarded three-year Ericsson Site Service Purchase Agreement in Indonesia
  - Awarded three-year Telkomsel IBC contract in Indonesia
  - Awarded two-year Huawei Frame Contract for TI in the Philippines
  - Awarded one-year Huawei Contract for IBC in the Philippines
- Maintained leadership position for radio network planning and optimisation services in Indonesia and grew related service revenues in Indonesia, Malaysia and the Philippines
- Expanded range of network engineering services in Malaysia and the Philippines

REVENUE (S$ MILLION)

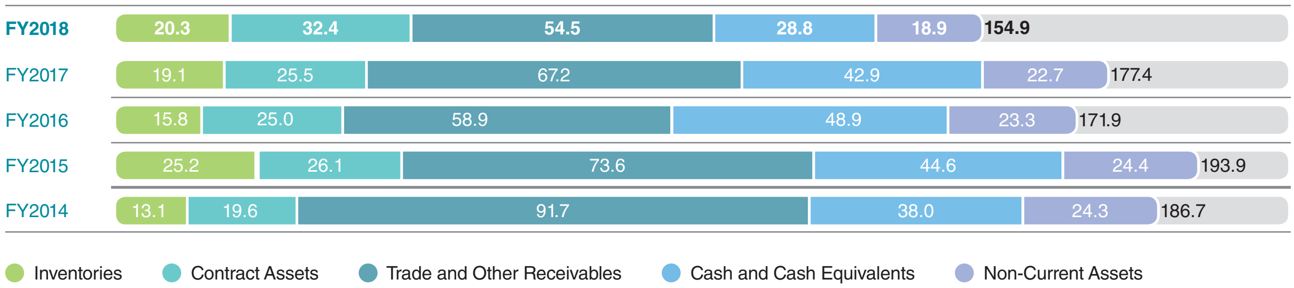


FINANCIAL HIGHLIGHTS

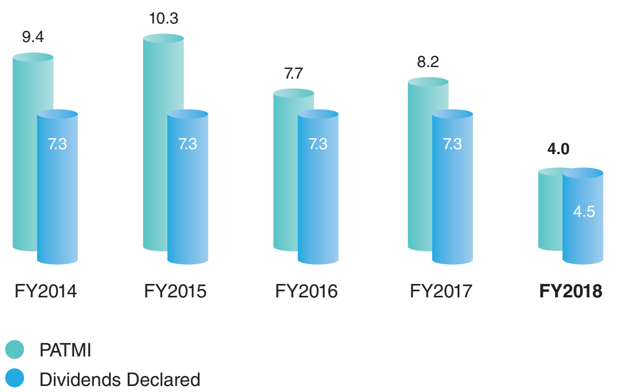
EARNINGS (S$ MILLION)



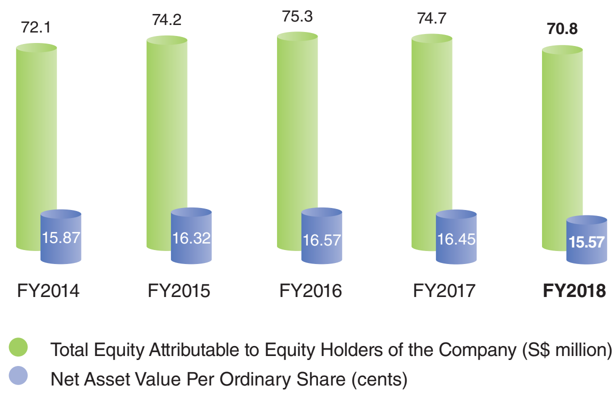
TOTAL ASSETS (S$ MILLION)



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

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

The financial year ended 31 December 2018 ("FY2018") was a challenging year. While the global economy had a good start, the uncertainty caused by the US-China trade wars, European Union concern over Brexit, China's slowing economy and political tensions around the world led to a weaker second half. Singapore's economy reflected this state of affairs, growing by 3.2%, a moderation from 3.9% growth in 2017.[1]

For the telecommunications sector, it was a year marked by price pressures and margin erosion with the entry of a fourth telco into the market. This has caused the incumbents to reduce prices to maintain market share and to restructure for cost containment as mobile data continued to be commoditised. As a downstream player in the industry, TeleChoice International Limited ("TeleChoice" or the "Group"), has likewise been impacted.

FINANCIAL HIGHLIGHTS

Consequently, for FY2018, we registered lower revenue of S$491.7 million, a 4.2% decrease from S$513.5 million in the financial year ended 31 December 2017 ("FY2017") due to lower revenue from the Personal Communications Solutions Services ("PCS") and Info-communications Technology Services ("ICT") Divisions, even though it was partially mitigated by higher revenue from the Network Engineering Services ("Engineering") Division. Profit before Tax ("PBT") was S$6.1 million, which was a 38.4% decrease from PBT in FY2017 of S$9.9 million. The lower PBT was attributed to PCS Division's lower contribution and ICT Division's loss, mitigated by Engineering Division's higher contribution. On the balance sheet, cash and cash equivalents stood at S$28.8 million as at 31 December 2018, with net asset value per share of 15.57 cents.

REWARDING SHAREHOLDERS

Despite the weaker financial performance, the Board has declared a final dividend of S$0.01 per ordinary share (one-tier, tax-exempt), in keeping with our commitment to provide returns to shareholders while taking into consideration the needs of the Group for future investments as well as the prevailing challenging operating environment. The dividend translates into a dividend payout ratio of 113.5% of FY2018 net profit and a dividend yield of 4.5%.[2] This is above our benchmark dividend payout of at least 30% of our annual net profit, subject to earnings, cash flow and capital requirements.

PURSUING NEW OPPORTUNITIES – LEVERAGING ON COMPETENCIES

In the highly competitive telecommunications environment in Singapore, as in the rest of the developed markets, it has become increasingly difficult to differentiate services as voice and messaging services, and other traditional revenue streams have declined. Mobile data has become the new frontier for competition, especially since network quality is no longer a key differentiator. As such, telcos and the new entrants such as the mobile virtual network operators, are seeking ways to offer better customer experience in an already saturated market. Aside from that, cost structures are being examined in the face of thinning margins. TeleChoice, as a services provider to the telecommunications industry, has had to restructure our resources so as to direct our efforts to areas which will afford us a competitive advantage leveraging on our competencies and ability to add value.

PCS Division continues to add new services to its fulfilment and managed services, while at the same time developing new customer relationships. Planet Telecoms (S) Pte Ltd has managed to bring in new principals into its customer network. Planet Smart Services Pte. Ltd.'s services such as cabling, mobile handset and set-top box delivery and installation, have been broadened to provide a more attractive value proposition to principals. It is seeking to capitalise on its distribution network to widen its offerings beyond the telecommunications industry into other areas of retail both in Singapore and regionally.

ICT Division has undergone a restructuring of its assets and resources, as it moves away from low-margin product distribution services and into higher-margin applications and solutions for private enterprises and public sector entities. Unfortunately, it was the hardest hit among the Group's Divisions in FY2018 due to the reduction in enterprise investment in the face of economic uncertainty. Nevertheless, we remain confident in our ability to turn around its performance, given the restructuring and reorganisation of its various business units. This has been undertaken with an emphasis on allocating resources to areas which it has key differentiating competencies, and offering a more compelling customer experience so as to lead to sustainable growth.

Engineering Division, while also facing challenges in the telecommunications industry, has managed to maintain its leadership position in network services in Indonesia, with a growing footprint in other markets such as Malaysia and the Philippines. We see opportunities in Vietnam and we have increased our investment in our wholly-owned subsidiary, NexWave Technologies Vietnam Company Limited, as it intensifies its activities in that market. It is also exploring inroads into a new market as network rollout and upgrade opportunities with regional telcos provide avenues to mitigate some of the near-term challenges facing the mature telecommunications market in Singapore.

CORPORATE ACHIEVEMENTS AND SUSTAINABILITY HIGHLIGHTS

In the year, TeleChoice was recognised for its investor relations practices having been awarded the Best Investor Relations Award (Bronze) in the category for listed companies with market capitalisation of S$300 million and below at the Singapore Corporate Awards 2018. The award bears testament to our commitment to our stakeholders, especially our shareholders, in terms of the quality, fairness and corporate transparency of our disclosures so that they are able to make informed decisions about their investments in our Group.

We also continue to play a part as a responsible corporate citizen, ensuring we minimise our environmental impact in practical yet effective ways. Our community outreach efforts included active participation in various fundraising initiatives which is an important feature of our corporate social responsibility programme.

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 our sustainability and outreach efforts.

OUTLOOK FOR THE YEAR AHEAD

The telecommunications industry is undergoing a challenging period. As with most mature markets, competition for consumers is keen with little room for differentiation. With margin protection and cost containment a key focus for telcos, the Group will continue to face price pressures. Compounding the particular industry challenges is the general business environment with a tight labour market, rising interest rates and slowing economy. We will, therefore, look for opportunities to mitigate these challenges, either within or outside of the industry.

We have confidence in our strategic direction and our ability to leverage on our competencies to exploit opportunities that irreversible technological trends such as 5G, digitalisation and application-driven networks will herald. We will focus on enhancing our existing capabilities, build new competencies and seek ways to differentiate our services so as to sustain our competitive advantage.

APPRECIATION

In conclusion, we would like to offer our appreciation to our shareholders for their support, the Board of Directors for their strategic counsel, the management and staff for their hard work, and our principals, partners and customers for their patronage.

BERTIE CHENG
Chairman

VINCENT LIM
President

1 Ministry of Trade and Industry. "MTI Maintains 2019 GDP Growth Forecast at "1.5 to 3.5 Per Cent"
2 Based on closing share price of S$0.22 on 31 December 2018

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-appointed on 28 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 and Baiduri Bank Berhad. He is also the Non-Executive Chairman of Tee International Limited. 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.

Past directorships in listed companies and principal commitments (from 1 January 2016 to 31 December 2018)
- *Nil*

YAP BOH PIN

Independent Director

Appointed on 6 May 2004
Last re-appointed on 28 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.

Past directorships in listed companies and principal commitments (from 1 January 2016 to 31 December 2018)
- *Nil*

BOARD OF DIRECTORS

TANG YEW KAY JACKSON

Independent Director

Appointed on 1 November 2006
Last re-elected on 27 April 2017

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.

Past directorships in listed companies and principal commitments (from 1 January 2016 to 31 December 2018)
- *Nil*

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, M&C Business Trust Management Limited and PGG Wrightson Limited, a company listed on the New Zealand Stock Exchange. 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.

Past directorships in listed companies and principal commitments (from 1 January 2016 to 31 December 2018)
- *Nil*

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.

Past directorships in listed companies and principal commitments (from 1 January 2016 to 31 December 2018)
- *Advanced Info Service Public Company Limited*

HO KOON LIAN IRENE

Non-Executive Director

Appointed on 5 May 2015
Last re-elected on 28 April 2016

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 STT 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.

Past directorships in listed companies and principal commitments (from 1 January 2016 to 31 December 2018)
- *Nil*

LIM CHAI HOCK CLIVE

Non-Executive Director

Appointed on 29 September 1999
Last re-elected on 27 April 2017

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 communication 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.

Past directorships in listed companies and principal commitments (from 1 January 2016 to 31 December 2018)
- *Nil*

EXECUTIVE MANAGEMENT

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

EXECUTIVE MANAGEMENT

VINCENT LIM SHUH MOH

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 pre-sales and product specialist function, global delivery competencies and vendor management. He oversaw more than $420 million of product business 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 included the development of SCS' Enterprise Computing business unit which registered exponential growth under his leadership, securing several multi-million 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 the Divisions.

He has over 30 years of senior business and operational experience in the IT and telecommunications industry, 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 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 a MBA from the National University of Singapore.

EXECUTIVE MANAGEMENT

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). 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 been a key contributor to the significant growth and success of the PCS Division. She 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.

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 our Group in June 1995 as an Accountant. She 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 a 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 Resource

Mr Goh is responsible for the management of local and regional human resource functions for 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.

DEEPENING
CAPABILITIES

Strengthening capabilities to
better serve the market and
exploring new growth avenues

OPERATIONS REVIEW

PERSONAL COMMUNICATIONS SOLUTIONS SERVICES ("PCS")

PCS Division registered revenue of S$351.8 million and profit before tax ("PBT") of S$4.1 million in FY2018, which represents 71.5% and 67.2% of total Group revenue and PBT respectively. The 5.0% or S$19.1 million revenue decrease was because of lower equipment sales to a major customer in Singapore and lower prepaid revenue, mitigated by higher channel sales. PBT decrease of S$2.2 million or 35.0% was due to lower variable fee recognised for its Malaysia operations and lesser incentives received for its Singapore operations. In addition, the StarHub Ltd ("StarHub") logistics contract was not renewed upon its expiry on 30 June 2017.

In FY2018, PCS Division continued its close collaboration with mobile handset principals, providing fulfilment and managed services and aligning its offerings closely with the marketing strategies of its principals. Its retail arm, Planet Telecoms (S) Pte Ltd ("Planet"), opened three concept stores in partnership with Huawei Consumer Business ("Huawei") at strategic, high-traffic locations. The stores, its first for Huawei, expanded Planet's retail network to 15 outlets in Singapore, adding to the concept stores and Platinum outlets it already operates and manages for Samsung and StarHub respectively. PCS Division played an integral part in the marketing programmes and new launches of Samsung and Huawei's iconic handsets. Planet was recognised by its partners, clinching several awards and business accolades such as StarHub Platinum Shop Top Sales – Mobile and StarHub Platinum Shop Best NPS.

PCS Division has successfully increased its offerings in enterprise and infotainment in addition to continuing with mobile handset delivery services and field and cabling services by its subsidiary, Planet Smart Services Pte. Ltd.

In Malaysia, Planet Telecoms Managed Services Sdn. Bhd. provided promotional and marketing support for U Mobile Sdn Bhd ("U Mobile") as part of its managed services which also included undertaking the operations of the U Mobile shops, maintaining customer service standards, enhancing operating efficiencies and providing training for staff in management and soft skills.

INFO-COMMUNICATIONS TECHNOLOGY SERVICES ("ICT")

ICT Division posted revenue of S$71.7 million or 14.6% of total Group revenue in FY2018. The decrease in revenue of S$3.5 million or 5.0% was mainly due to the sale of the enterprise networks product distribution business in the third quarter of FY2018. ICT Division posted a loss before tax of S$0.9 million, a S$2.2 million or 169% decrease from FY2017 PBT. This was on account of lower revenue and lower gross margin coupled with higher operating expenses incurred due to internal operational restructuring.

ICT Division faced a challenging operating environment in FY2018. Fierce competition amidst the presence of many disruptive technologies has impacted operating margins. Some government agencies' projects were also delayed due to the refocusing on and reviewing of cybersecurity measures after the SingHealth cyber attack. Furthermore, the tight labour market and high business costs continue to put a squeeze on margins and hence profitability. ICT Division has undertaken some operational restructuring, including the divestment of its enterprise networks product distribution business, as well as taking steps to strengthen its ability to address higher-margin, value-added application-related solutions and cloud services opportunities in the market.

OPERATIONS REVIEW

Despite the challenges, ICT Division has secured a series of sizeable public sector and enterprise contracts in the financial, healthcare, education and hospitality sectors. It won its first major Avaya Oceana Omni-channel Contact Centre project with a big government agency and has various project wins on Redhat Openshift, Oracle Open Source Database, and AWS and Azure public clouds. Its initiatives to move into higher value-added services are also gaining traction with multiple wins in government agencies and institutes of higher learning for Microsoft Dynamic CRM and Oracle/Peoplesoft Campus Management solutions. Its investment in MVI Systems Limited ("MVI") is on track, as MVI widened its service offerings and secured a series of Internet Protocol television wins with leading Asia-Pacific hotels.

ICT Division was once again recognised by partners for its contribution and service standards. It was awarded the highest-tier partnership recognition by Avaya with the 2018 Diamond Partner award. Its excellence in business delivery and customer service was recognised by the awards it garnered in FY2018, among them being the Avaya Partner in Customer Excellence (Singapore), the Avaya APAC Innovation Partner of the Year Award and the Avaya Strategic Oceana Win Award. ICT Division was also recognised by TechData with its 2018 IBM Systems Top Partner Award and IBM Overall Top Partner Award. In addition, it received the following notable awards in 2018 for its 2017 contributions and collaborations with key partners: (i) IBM 2017 – Top Performing Business Partner (Power/Hardware) Award; (ii) Lenovo 2017 – Data Center Platinum Partner Award; and (iii) Huawei 2017 – Active Contribution Award.

NETWORK ENGINEERING SERVICES ("ENGINEERING")

Engineering Division's FY2018 revenue was S$68.2 million with PBT of S$2.9 million, which was 13.9% and 47.5% of total Group revenue and PBT respectively. The growth of S$0.8 million or 1.0% in revenue was from Philippine and Singapore operations while the strong PBT growth of S$0.6 million or 26.0% was from increased contribution from Engineering Division's Indonesia, Philippine and Singapore operations.

The operating environment for Singapore telecommunications industry remained challenging. Widespread adoption of over-the-top services continued to impact telecommunications operators' revenue from high-margin basic services such as voice and SMS. The entry of TPG Telecom Pte Ltd ("TPG"), the fourth telco, and multiple mobile virtual network operators ("MVNOs") added to the woes. Fierce competition on price and data bundles has further eroded the operators' operating margins. This has resulted in operational restructuring and implementing of cost control measures by existing players, which did not augur well for Engineering Division. Despite this, Engineering Division managed to improve its performance year-on-year, largely due to its overseas operations as regional operators continued to upgrade their networks and roll out new services. Overall PBT margin improved significantly due to better operational efficiency. Enhanced regional collaboration on sales and project delivery has also resulted in better economies of scale and cost efficiency.

OPERATIONS REVIEW

Engineering Division undertook network rollout services for TPG in Singapore while maintaining its leadership position in radio network planning and optimisation services in Indonesia. It also expanded its collaborative partnerships with Huawei in Malaysia and the Philippines, particularly in the areas of network rollout, drive test and optimisation services. This is best demonstrated by the steady stream of multi-year, multi-million dollar projects which Engineering Division had successfully secured from regional operators and major equipment vendors, including sizable contracts with Huawei, Nokia and Ericsson.

Engineering Division received several accolades, a testament to the service standards and value-added collaborations with its clients. Notable among the awards were: (i) Nokia's Most-Preferred-Partner Award for Singapore and the region; (ii) Nokia 2018 – Committed Partner Award for Singapore; (iii) Huawei 2018 – Best Delivery Efficiency Award for Indonesia; (iv) Huawei 2018 – Supplier Innovation Award for Indonesia; and (v) Huawei 2018 – Best Matured DIS Business Operation and Sustainable Development Partner Award for Philippines.

LONG-TERM GROWTH PROSPECTS

Short-term growth of the info-communications industry is under increasing pressure – the anticipation of a decelerating global economy, a weaker Singapore economy, coupled with intense competition among telcos and MVNOs, and mobile data being commoditised. There are, however, irreversible trends which will provide the impetus for growth. Lifestyle changes brought about by an ever-increasing interconnected world, digitalisation of industries and the rising affluence and growing middle class of regional economies will provide opportunities for all our Divisions.

PCS Division will capitalise on its fulfilment and management capabilities to explore other growth avenues regionally, within as well as outside the telecommunications industry. ICT Division will leverage on the rising demand for IT technology in sectors such as the financial, educational and medical industries as well as the push towards digitalisation and Smart City initiatives. Engineering Division will capitalise on regional network engineering demands and the accelerating move towards the implementation of 5G network.

PURSUING
NEW OPPORTUNITIES

Building differentiating competencies
through higher value-added
solutions for sustainable growth

EXPANDING
BEYOND

Growing regional footprint and
making inroads into new markets

GROUP STRUCTURE

AS AT 31 DECEMBER 2018

TeleChoice International Limited

PERSONAL COMMUNICATIONS SOLUTIONS

- 100% PLANET TELECOMS (S) PTE LTD
- 100% PLANET MANAGED SERVICES PTE. LTD.
- 51% PLANET SMART SERVICES PTE. LTD.*
- 100% TELECHOICE (INDONESIA) 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% PT NEXWAVE
- 100% N-WAVE TECHNOLOGIES (MALAYSIA) SDN BHD

* The subsidiary became a wholly-owned subsidiary on 2 January 2019

** The subsidiary has applied to be struck off

VALUES

INTEGRITY • COMMITMENT •
EXCELLENCE • VALUE CREATION •
SOCIALLY RESPONSIBLE •
FUN@WORK

PLANET TOUCHPOINTS

NORTH

HUAWEI CONCEPT STORE
21 Choa Chu Kang Avenue 4
#B1-01A Lot 1 Shoppers' Mall
Singapore 689812
Tel: +65 6762 1008
Nearest MRT: NS4 JS1 BP1
Choa Chu Kang
Opening hours: 11am to 9pm daily

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

PLANET TELECOMS
33 Sengkang West Avenue
#B1-24 The Seletar Mall
Singapore 797653
Tel: +65 6702 2996
Nearest MRT: NE16 STC Sengkang
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 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

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

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

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

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: Gerald Low Gin Cheng
(Partner since financial year ended
31 December 2014)

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
TeleChoice (Indonesia) Pte Ltd
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
Website: www.telechoice.com.sg

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
Website: www.telechoice.com.sg

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
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
Email: enquiry@mviptv.com
Website: www.mviptv.com

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
Website: www.telechoice.com.sg

Malaysia

N-Wave Technologies (Malaysia) Sdn Bhd
D3A12 Block D Kelana Square
Jln SS7/26 Kelana Jaya
47301 Petaling Jaya
Selangor
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 2 May 2012 ("**Code 2012**"), for the financial year ended 31 December 2018.

On 6 August 2018, the MAS issued a revised Code of Corporate Governance ("**Code 2018**") and accompanying Practice Guidance. The Code 2018 supersedes and replaces the Code 2012 and will apply to annual reports covering financial years commencing from 1 January 2019. The Company will review and, where appropriate, adopt the corporate governance practices to comply with the Code 2018 which will be set out in the Company's annual report commencing from financial year ending 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, and providing oversight in the proper conduct of our businesses.

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. Unless delegated, all transactions of the Company are approved by the Board.

Our Constitution provides for Directors to participate in meetings by teleconference or videoconference.

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 that may be relevant to their responsibilities and duties as directors, at the Company's cost.

CORPORATE GOVERNANCE

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.

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.

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 a balance and diversity of skills and experience 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.

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 in order to maintain an effective balance of power and responsibilities.

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.

CORPORATE GOVERNANCE

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.

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 and EC meetings for FY18 are set out in Table 1.

Table 1
FY18 – Directors' Attendance at Board and Board Committees Meetings

	Board		Audit Committee		Remuneration Committee		Nominating Committee		Executive Committee	
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)
Bertie Cheng	4	4 (100%)	NA	NA	1	1 (100%)	1	1 (100%)	0	–
Yap Boh Pin	4	4 (100%)	6	6 (100%)	NA	NA	1	1 (100%)	NA	NA
Tang Yew Kay Jackson	4	4 (100%)	6	6 (100%)	NA	NA	NA	NA	NA	NA
Ronald Seah Lim Siang	4	3 (75%)	NA	NA	1	1 (100%)	NA	NA	0	–
Stephen Geoffrey Miller	4	4 (100%)	NA	NA	1	1 (100%)	1	1 (100%)	0	–
Ho Koon Lian Irene	4	4 (100%)	6	6 (100%)	NA	NA	NA	NA	NA	NA
Lim Chai Hock Clive	4	2 (50%)	NA	NA	NA	NA	NA	NA	–	–

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 the President; and

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

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.

Our NC has implemented a framework for assessing Board performance, and undertakes regular reviews of the performance 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

CORPORATE GOVERNANCE

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 2018, three of our four Independent Directors, namely Bertie Cheng, Yap Boh Pin and Tang Yew Kay Jackson, 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 and Tang Yew Kay Jackson 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.

Principle 6: Access to Information

We believe that our Board should be provided with complete, adequate and timely information prior to Board meetings and as and when the need arises.

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.

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. Alternatively, Management will arrange to personally meet and brief each Director, before seeking our Board's approval.

Our Board has separate and independent access to our senior Management and the Company Secretary at all times. Our Board also has access to independent professional advice, if necessary.

CORPORATE GOVERNANCE

Likewise, 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.

(B) REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: 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.

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 2012.

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;

CORPORATE GOVERNANCE

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.

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.

CORPORATE GOVERNANCE

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.

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 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 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 not meeting the pre-determined target performance levels based on the performance period from FY16 to FY18.

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 President and Key Management Personnel is strongly linked to the achievement of business and individual performance targets. 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 2012, 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 FY18, there were no termination, retirement and post-employment benefits granted to the President and Key Management Personnel.

CORPORATE GOVERNANCE

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

Details of remuneration paid to our President and top four (4) Key Management Personnel for FY18 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 FY18, within bands of S$250,000.

Table 2: FY18 – 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	59	12.5	26	2.5	C
Lee Yoong Kin	67	12	18	3	B
Pauline Wong Mae Sum	64	15	18	3	B
Wong Loke Mei	65	17	12	6	B
Goh Song Puay	65	17	13	5	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 FY18, the aggregate total remuneration paid to the President and top four (4) Key Management Personnel (who are not Directors) amounted to approximately S$3,173,492.

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 2018 will be subject to shareholders' approval at the forthcoming AGM.

CORPORATE GOVERNANCE

Table 3: FY18 – 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 and Executive 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 FY18 (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 total Directors' remuneration in cash and approximately 30 percent (30%) of his 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 shares after the first anniversary of the date of his 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 FY18 (including the amount of $12,600 which would otherwise have been paid in the form of share awards under the TeleChoice RSP (as amended)) 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 FY18.

Table 4: FY18 – 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 FY18.

(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 10: Accountability

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.

Principle 11: 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, is of the opinion that the Group's internal controls 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 assurance from the President and the Chief Financial Officer ("**CFO**") that:

a. 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 Group's risk management and internal control systems are effective and adequate.

CORPORATE GOVERNANCE

Principle 12: 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 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 and compliance risks. The risk management processes are tailored to address these categories of risks.

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 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 2018, 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 provided by the external auditors during the year to assess the external auditors' independence. For details of fees payable to the auditors in respect of audit and non-audit services, please refer to Note 23 of the financial statements on page 151 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.

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 is accessible by all employees.

CORPORATE GOVERNANCE

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 reported incidents of corruption during this period.

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.

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 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 2019 to 2021 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 2018.

CORPORATE GOVERNANCE

KAM	AC commentary
Valuation of inventories The valuation of inventory and the inventory allowance include 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 2018.
Revenue recognition 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.

CORPORATE GOVERNANCE

Principle 13: Internal Audit

The Group has established an in-house internal audit function. The internal audit is an independent function within the Group. 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. 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.

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

We believe in having regular communication with shareholders and also timely disclosure of information to shareholders through SGXNET.

Our Investor Relations team manages investor relations and has arranged a series of events during the year to brief the media and investment analysts on our performance.

For the release of the respective quarterly and year-end results, the announcement is first released via SGXNET. Thereafter, the media and investor analysts meet with Management for briefing(s) within the ambit of our SGXNET announcements to ensure that there is fair and non-selective disclosure of information.

CORPORATE GOVERNANCE

We support the Code 2012's principle to encourage greater shareholders' participation at general meetings of shareholders. 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. Our external auditors are also invited to be present at our AGMs to assist our Directors in answering questions from our shareholders relating to the conduct of the audit and the preparation and content of the auditors' report.

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. Our Company has consistently managed to adhere to this benchmark.

Financial and other information (including news releases and SGXNET announcements) are made available on our website at www.telechoice.com.sg which is updated on a regular basis.

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 2018 to 31 December 2018 ("FY2018").

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 Sustainability Reporting Standards ("GRI Standards"): Core option and also complies with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide.

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. The Committee provided direction concerning the report content, priorities of issues, reporting scope and boundaries.

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, verifying and providing ESG performance data.

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 inaugural report for the financial year ended 31 December 2017 ("FY2017"). For the FY2018 report, we have reviewed those materiality issues in light of the existing business landscape, industry trends, prevailing regulations as well as stakeholder views. The materiality issues remain unchanged for this report.

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

Data provided in this 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 Singaporean dollars unless specified otherwise.

Restatements

We have made restatements to our electricity usage to include our corporate headquarters premises for the period under review with comparisons to the preceding two years, so as to provide a more comprehensive overview of this materiality metric.

SUSTAINABILITY REPORT

Assurance

We did not obtain external assurance for this 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 and 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	**FY2018**	**FY2017**	**FY2016**
ENVIRONMENTAL			
Total electricity used (kWh)	689,502	714,268	731,086
Electricity used per m^2 (kWh)	141	151	153
Energy intensity per m^2 (GJ)[1]	0.51	0.54	0.55
CO_2 emissions (tCO_2)[2]	495	502	511
General Waste (Kg)[3]	2,650	2,300	4,590
SOCIAL			
Employees			
Total number of full-time employees	383	380	439
New hires	153	105	135
Female employees (%)	42	44	43
Female managers and supervisors (%)	36	41	39
Female Heads of Department (%)	45	37	36
Average training hours per employee (hrs)	17	19	25
Training expenditure per employee ($)	66	131	181
Employee annual attrition rate (%)	35	32	27
Community			
Employee volunteering (days)	52	13	26

SUSTAINABILITY REPORT

ESG Performance			
ESG Factors	**FY2018**	**FY2017**	**FY2016**
FINANCIAL			
Revenue ($m)	491.7	513.5	503.7
Total expenses ($m)	486.6	504.9	494.8
Profit before tax ($m)	6.1	9.9	10.3
Profit after tax and non-controlling interests ($m)	4.0	8.2	7.7
Staff costs[4] ($m)	47.7	48.4	46.8
Income tax expenses ($m)	1.8	1.6	2.6
Dividends declared ($m)	4.5	7.3	7.3

Notes

1. *Energy intensity pertains to purchased electricity. This report includes restated amounts of electricity used for FY2016 and FY2017 at TeleChoice headquarters premises*
2. *Includes Scope-1 and Scope-2 emissions. Emission numbers for FY2016 and FY2017 were restated to include emissions due to electricity use at Telechoice headquarters premises*
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 of 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 the 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 employee engagement surveys, 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	• Implementing Quality Control standards • Taking proactive approach • Establishing explicit Service Level Agreements ("SLA") • Strict adherence to ethical code of conduct • Work safety policy • Regular training to build skills • Maintaining safety certifications such as bizSAFE and OHSAS 18001
Business Partners	• Key Performance Indicators • Grow sales • Protect brand image • Customer experience • Trade promotions • Sustainability performance	• Regular communication through meetings and electronic channels • Sustainability report	• Ongoing training and development of employees • Contribute 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 session • Employee Engagement Survey • Regular meetings • Feedback channels • Performance appraisals • Exit interviews	• Implementing fair employment policies and practices • Conducting Employee Engagement Surveys • 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 website 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 • 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's and President's Statement

Sustainability remains a key focus of TeleChoice as we recognise the responsibiity and impact we have in conserving the natural environment, contributing meaningfully to the communities around us and providing a safe, diverse and inclusive workplace. TeleChoice remains committed to managing its ESG impacts, risks and opportunities in a diligent manner which aligns with our strategic business objectives and those of our stakeholders. We recognise that increasingly, stakeholders and the wider investing community are placing emphasis on long-term sustainable practices which will ensure the continued growth and profitability of the Group. As such we will continue to integrate material ESG issues into our business processes to ensure continued and sustained value creation for all stakeholders.

The Sustainability Report, included in this Annual Report, provides information about our ESG performance in FY2018. We have made every effort to improve our sustainability performance in comparison with previous years. We are encouraged to see very tangible results in certain areas, such as in employee engagement and employee volunteerism. Our efforts at improving our performance across all materiality aspects is an ongoing process and we remain focused in achieving this in the coming years. We would like to take this opportunity to thank our staff, our partners and our shareholders in supporting us in our sustainability endeavours.

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 an aim of creating long-term value for all stakeholders.

Materiality Methodology

We identified the material ESG factors using the GRI Standards which includes guidance for materiality analysis for our inaugural report for FY2017. We have reviewed the material EGG factors using the same methodology for this 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. We also consulted 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 their respective business areas, potential impacts on 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. TeleChoice management 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 take 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 stakeholders' expectations and concerns in prioritising material factors for reporting.

Board's Approval

TeleChoice management team 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	Personal Communications Solutions Services

SUSTAINABILITY REPORT

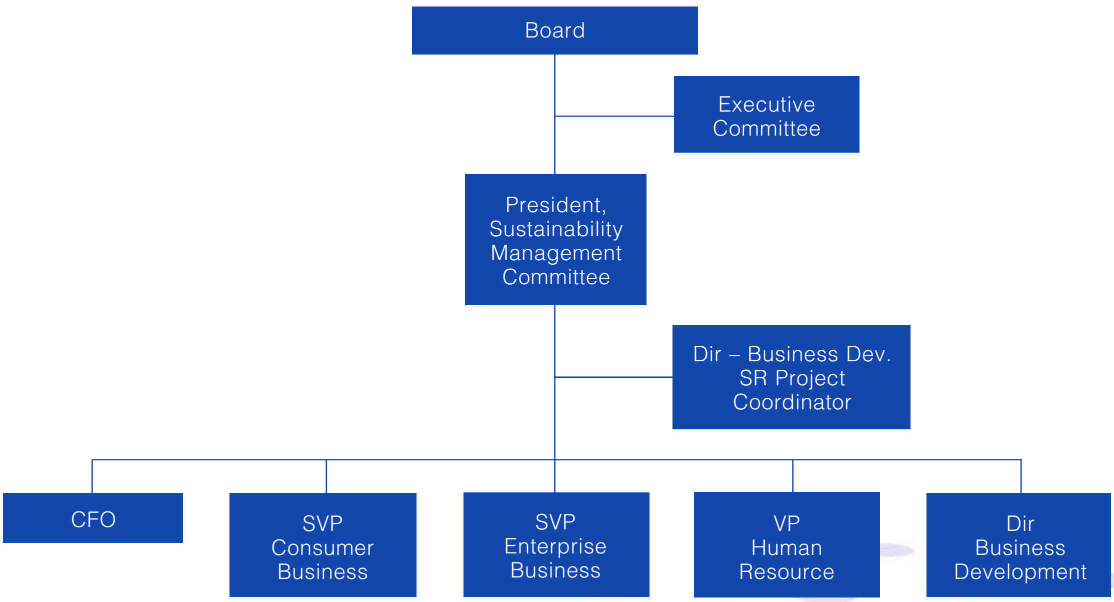
Material Topics	Group's Involvement	Material for Business Division(s)
Community		
Local Communities	Direct	All
Economic Performance		
Economic Performance	Direct and Indirect	All
Indirect Economic Impacts	Direct	All
Anti-corruption	Direct and Indirect	All

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, for establishing targets, for reviewing ESG performance and for 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 2018

- Avaya Diamond Partner 2018
- Avaya Partner in Customer Service Excellence (Singapore)
- Avaya Strategic Oceana Win Award for a government agency
- Avaya APAC Innovation Partner of the Year Award for major Oceana Omni-channel Contact Centre win for a government agency
- Huawei Supplier Innovation Award 2018 (PT NexWave, Indonesia)
- Huawei Best Matured Digital Integration Service (DIS), Business Operation & Sustainable Development Partner Award 2018 (Philippines)
- Huawei Subcontractor Award – Best Delivery Efficiency (PT NexWave, for Telkomsel Bali Modernization Project 2018)
- Huawei Recognition for Contributions to NLZ Wireless Fast BFT Progress (N-Wave Technologies Philippines Inc)
- 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 Top Sales – Mobile
- StarHub Platinum Shop Top Sales – E&S
- StarHub Platinum Shop Best NPS – 2018
- StarHub Top Platinum – VAS Attachment
- 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)
- Techdata – IBM Systems Top Partner 2018
- Techdata – IBM Overall Top Partner 2018

SUSTAINABILITY REPORT

Received in 2017

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

Received in 2016

- The Loyalty Award by Narada
- Best Quality Award by Huawei
- Best Project Manager Award by Huawei
- Best Performance Partner for Nokia Telkomsel Project
- Certificate of Appreciation by Telkomsel
- Certificate of Recognition by Ericsson
- StarHub Highest Sales Growth Award
- StarHub Platinum Shop Top Sales (Mobile)
- StarHub Platinum Shop Top Sales (E&S)
- StarHub Best NPS 2016 Platinum Shop
- StarHub Top EP VAS Attachment

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

SUSTAINABILITY REPORT

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 in 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 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 NPS 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 2018, the NPS for Planet's retail stores improved to 9.17 from 9.15 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 in 2018, as in the previous year.

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 Planet Platinum stores provides rewards to employees for every compliment from customers. At Planet retail stores, employees receive gift vouchers as rewards for compliments from customers.

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

SUSTAINABILITY REPORT

Privacy and Data Protection

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

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.

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 have to read, understand and endorse the personal data protection policy.

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

Customer compliments:

I would like to compliment Jennifer Chew Ee Leng and Fu Yong Ze from Waterway Point StarHub. I went there yesterday with my mum and aunty as their contracts were due for renewal. Jennifer and Yong Ze showed great patience and really took time and effort to attend to us and explain the mobile plan, functions of phone etc. We actually spent more than an hour to get things right and yet they continued to show such warmth and professionalism. Especially Jennifer. My mum is not a very decisive shopper and can be troublesome at times. Thank you for your kind help. Excellent service!

– A happy customer

My customer service personnel, Eric Chang, was very approachable and helpful in his explanation when I inquired about re-contracting or changing the services within my account. Thank you for the patience and good service.

– 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.

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 383 full-time employees as at the end of 2018. Permanent employees accounted for 81% of our workforce. The average age of our employees was 37 years.

SUSTAINABILITY REPORT

Supporting Diversity

We respect diversity and are committed to promoting an inclusive workplace. Women represented 42% of full-time employees. The proportion of managerial roles held by women was 36%. Women accounted for 45% of the total Head of Departments positions.

Our workforce represents diverse age groups (see chart on page 58). We are proud of our racially diverse workforce which includes at least 11 nationalities.

In Singapore, we support the Government's policy of rehiring retiring employees to keep them economically active. In 2018, we rehired five retiring employees including three 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 2018, we recruited 153 new employees; 66 of them were women. Of the new hires, 66 were less than 30 years of age, 78 were in the age group of 30 to 50 years, and the remaining 9 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. The Talent Management Committee meets twice a year for talent review.

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. There are also check-in sessions with management to help in engagement and culture building. 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 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.

We organise Lunch and Learn sessions on supervisory and management skills for our current people managers. Topics include 'Effective Delegation', 'Having Difficult Conversations' and 'Motivation and Engagement'.

SUSTAINABILITY REPORT

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 2018, our average training hours per employee was 16.8 hours as compared with 19.1 hours per employee in the prior year. Our training expenditure per employee was $66 in 2018. The reason for the decrease in employee training hours was due to the increased demands of external projects and focus on essential business operations.

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

Keeping our employees engaged and motivated is a key priority. TeleChoice has begun conducting regular Employee Engagement Surveys in an effort to get employee feedback and suggestions on matters that are pertinent to them so as to build a supportive and inclusive organisation where employees are involved, empowered and engaged in working towards excellence. TeleChoice embarked on its first Employee Engagement Survey in 2015.

The first voluntary survey saw a healthy participation rate of 90%. The survey findings were reviewed by the management and employee-driven focus group discussions were conducted to obtain more insights. Action plans were crafted based on these results.

These follow-up activities spurred new initiatives such as more regular feedback sessions with employees, improving existing policies to cater for team bonding and work-life harmony activities such as 'Dine with Family Day'. There are also more open conversations conducted between employees and supervisors relating to work tasks and development. In addition, the President has started sending regular email messages to all employees to enhance direct communication starting from 2017. The President also makes periodic visits to retail outlets to speak with employees.

Providing Benefits

We offer competitive wages and benefits to our employees based on compensation benchmarking study conducted by a third party. Our full-time employees 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 claims;
2. Flexi-Benefits with limits 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 2018, 73 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 hongbaos to our employees to celebrate the Chinese New Year. Some of the examples of other fun initiatives include a year-end party, periodic dinner and dance events and movie nights. Also, we observed early release from work on the eves of the four major public holidays in Singapore.

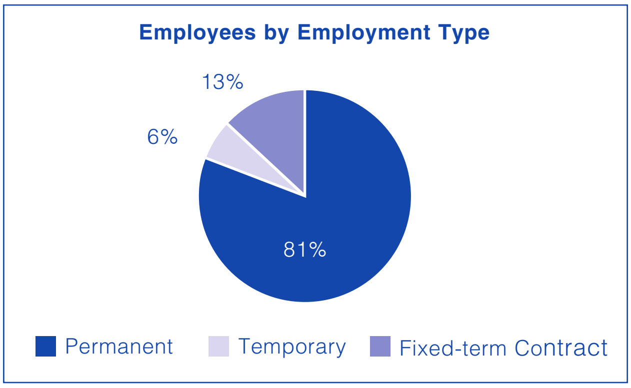
Ensuring Safety and Health
Ensuring the safety and well-being of our employees is a top priority for us. Safety is a material topic for our ICT and Network Engineering divisions where we pay particular attention to safety measures to proactively manage potential safety concerns. We have implemented the 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).

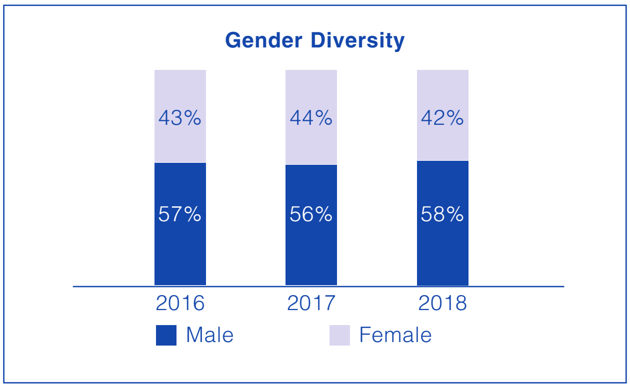
TeleChoice has obtained bizSAFE Level Three certification in Singapore from the Workplace Safety and Health Council which reflects our commitment to ensuring safety at workplace.

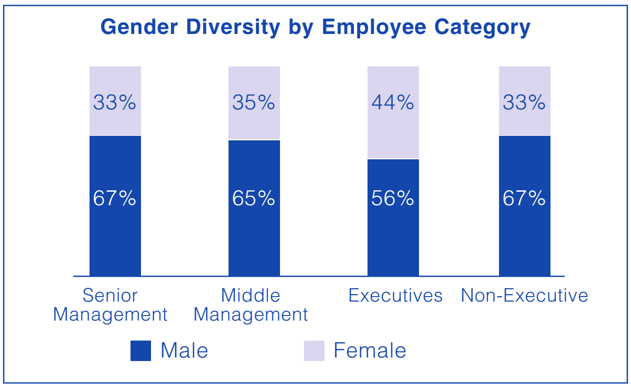
In 2018, there were no recordable incidents of fatalities, injuries, and occupational diseases.

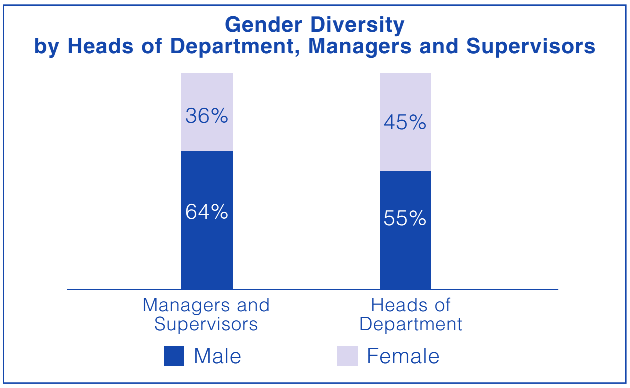
SUSTAINABILITY REPORT

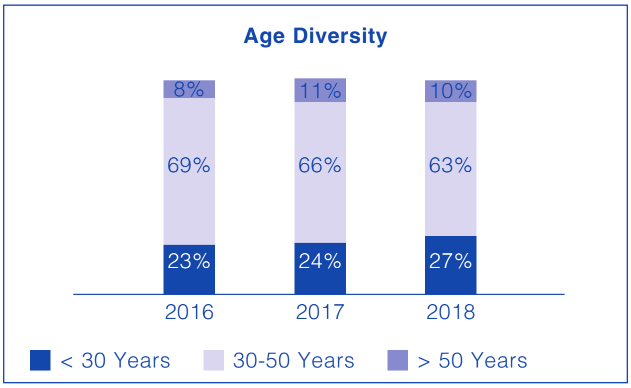
Our People Performance

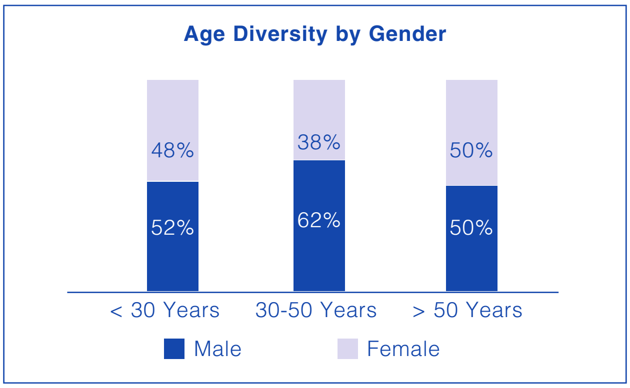


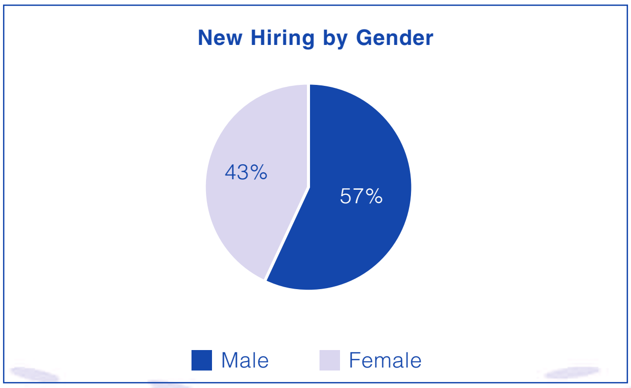


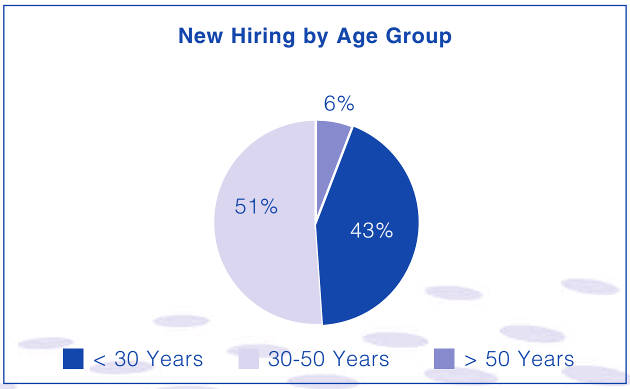












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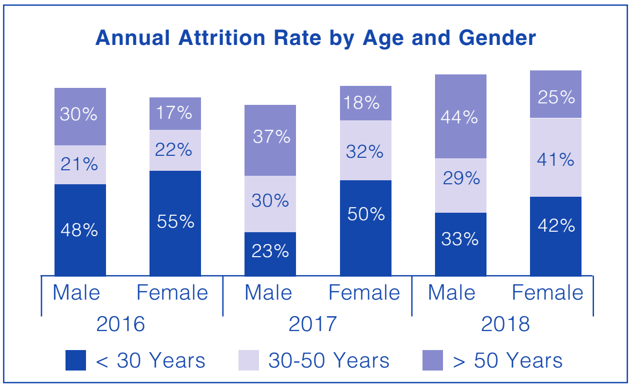
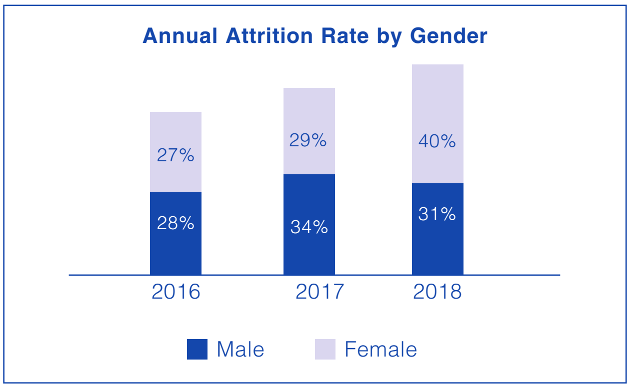
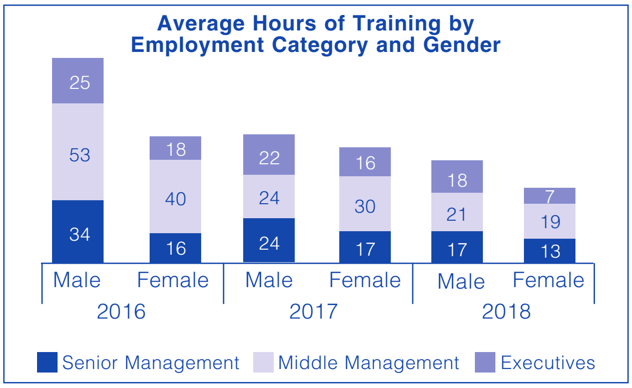
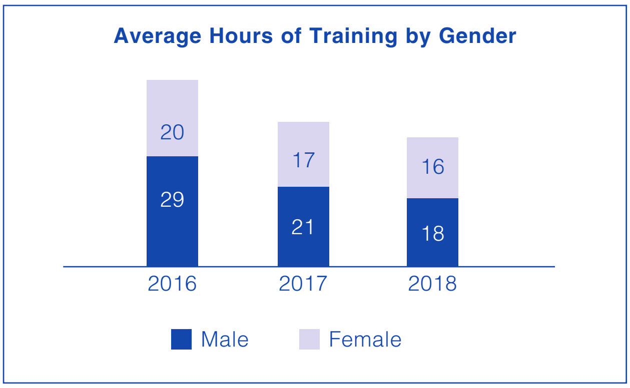








Note: figures in charts may not add up to 100 percent due to rounding.

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.

For this report, we have restated electricity usage and carbon emission numbers for FY2016 and FY2017 to include those contributed by TeleChoice headquarters premises to provide a complete usage trend.

Energy

We measure and monitor our energy consumption, and calculate associated carbon emissions to manage our footprint. In 2018, our electricity consumption intensity was 141 kWh/m^2 as against 151 kWh/m^2 in 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 Carbon Dioxide emission from fuel consumption (Scope-1) and purchased electricity (Scope-2) in 2018 was 495 tonnes as compared with 502 tonnes in 2017. Carbon Dioxide emission from purchased electricity accounted for 88% of our total emission. The slight decrease in Carbon Dioxide emission was on account of lower and more efficient consumption of electricity.

SUSTAINABILITY REPORT

We have started switching 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.

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.

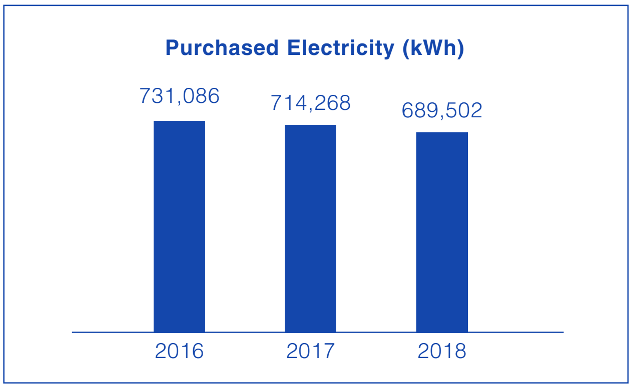
We dispose of our waste through licensed waste management contractors.

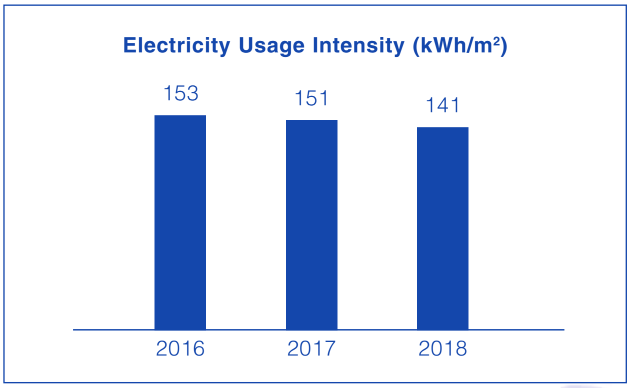
In 2018, our waste disposal related to business operations increased slightly to 2,650 kg from 2,300 kg in FY2017 due to a one-off 'spring cleaning' initiative across all business units of the Personal Communications Solutions Services division so as to make more effective use of space.

Compliance

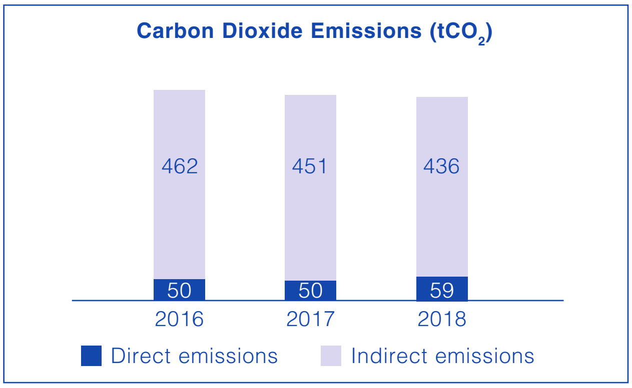
We are committed to complying with applicable environmental regulations. There were no incidents of non-compliance with environmental laws in the reporting period.

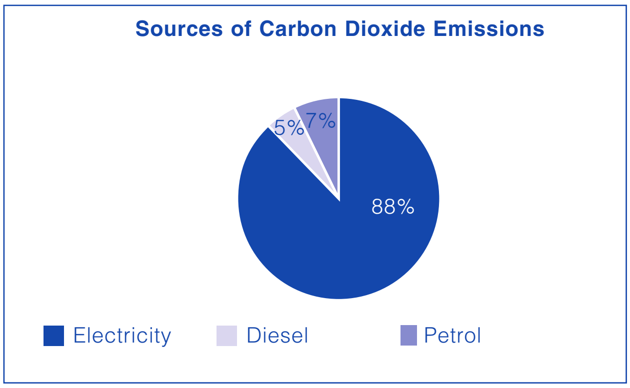
Our Environmental Performance

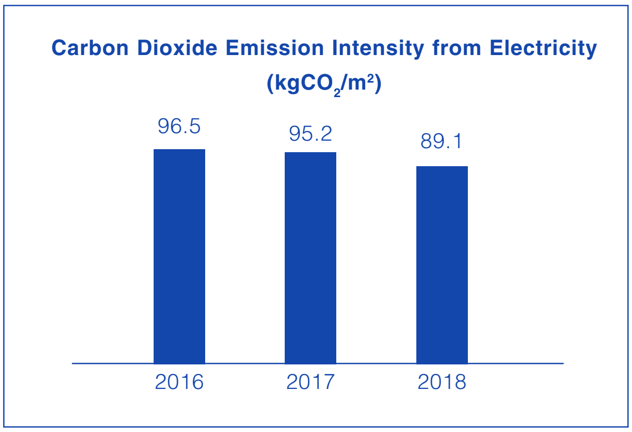


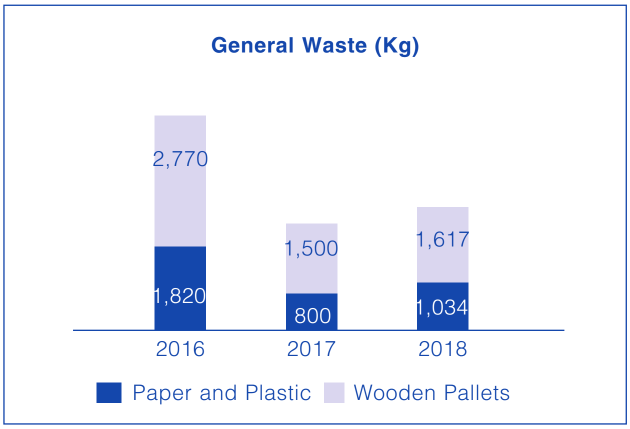


SUSTAINABILITY REPORT









Note: these figures may not tally with the table on page 44 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 such as the elderly and disadvantaged hawkers through a three-year partnership with Dignity Kitchen.

In 2018, TeleChoice kicked off the first Corporate Social Responsibility ("CSR") event of the year with our participation in Community Chest Fu Dai 2018, 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 Clementi estate.

In conjunction with Community Chest's 35th anniversary and as part of the Group's CSR initiatives, TeleChoice participated in the Heartstrings Walk 2018 on 25 August 2018. Organised by Community Chest and Marina Bay Sands, the event aspires to bring together partners, volunteers and social service users, to collectively build a caring and inclusive society. Some 80 staff and their family members mingled with 30 members from the Singapore Cancer Society in the 4km FUN Walk and Family Carnival along the picturesque Marina Bay Waterfront Circuit. At the same event, TeleChoice also sent two teams of four marathoners each to participate in the Race to the Sky Vertical Marathon which involved a sprint up 57 storeys to the Marina Bay Sands Skypark.

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In addition, through TeleChoice's subsidiary, S & I Systems Pte Ltd, we participated in the SGX Bull Charge Charity Run for the fourth straight year. The beneficiaries for the 2018 run included AWWA, Autism Association Singapore, Community Chest, Fei Yue Community Services, HCSA Community Services, and Shared Services for Charities.

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	**FY2018**	**FY2017**	**FY2016**
Revenue	491.7	513.5	503.7
Profit before tax	6.1	9.9	10.3
Profit after tax and non-controlling interests	4.0	8.2	7.7
Total expenses (including staff costs)	486.6	504.9	494.8
Staff costs	47.7	48.4	46.8
Dividends declared	4.5	7.3	7.3

Financial Assistance from Government

We received $210,000 in 2018 and $291,000 in 2017 under the 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 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 onboarding process.

There were no reported incidents of corruption during the reporting period.

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 reporting period.

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GRI CONTENT INDEX

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, 23, 24, 25
	102-5 Ownership and legal form	01, 173, 174
	102-6 Markets served	01, 23
	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 fulfillment 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	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

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	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
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	21, 125-128
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	102-47 List of material topics	48-50
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	102-51 Date of most recent report	43
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	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	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

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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	59-60
	103-3 Evaluation of the management approach	59-60
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	44, 59-61
	302-3 Energy intensity	59-61
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	59-60
	103-3 Evaluation of the management approach	59-60
GRI 305: Emissions 2016	305-1 Direct (Scope-1) GHG emissions	61
	305-2 Energy indirect (Scope-2) GHG emissions	44, 61
	305-4 GHG emissions intensity	44, 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
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	44, 60
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	307-1 Non-compliance with environmental laws and regulations	60

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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
	103-3 Evaluation of the management approach	54
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
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

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GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	44, 59
	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
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	55
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	57
	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

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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
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	61-62
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

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GROUP FINANCIAL REVIEW

1.0 OPERATING RESULTS OF THE GROUP

In $ million	FY2018	FY2017	Change
Revenue	**491.7**	**513.5**	**-4%**
Gross profit	32.0	37.7	-15%
Other income	0.7	1.0	-30%
Total expenses	(486.6)	(504.9)	-4%
Operating PBT	5.8	9.6	-40%
Share of profit of associate (net of tax)	0.3	0.3	–
PBT	**6.1**	**9.9**	**-38%**
PAT	4.3	8.3	-48%
PATMI	**4.0**	**8.2**	**-51%**

1.1 Revenue

Group revenue decreased by 4% or $21.8 million to $491.7 million in FY2018.

Personal Communications Solutions Services ("PCS") business division contributed to 71% of Group revenue in FY2018 (FY2017: 72%). Revenue decreased by 5% to $351.8 million in FY2018. In FY2018, there were lower equipment sales to a major customer in Singapore and lower prepaid revenue. This was partially mitigated by higher channel sales.

Info-Communications Technology Services ("ICT") business division contributed to 15% of Group revenue in FY2018 (FY2017: 15%). Revenue decreased by 5% to $71.7 million in FY2018 mainly due to the sale of the enterprise network product distribution business in 3Q2018.

Network Engineering Services ("Engineering") business division contributed to 14% of Group revenue in FY2018 (FY2017: 13%). Revenue increased by 1% to $68.2 million in FY2018. Revenue increase was from Philippine and Singapore operations.

1.2 Gross profit

In $ million	FY2018	FY2017	Change
Gross profit	**32.0**	**37.7**	**-15%**
Gross margin	6.5%	7.3%	-0.8 ppt

ppt – percentage point

Gross profit decreased to $32.0 million in FY2018. In FY2018, PCS and ICT business divisions reported lower gross profit which was partially mitigated by the higher gross profit from the Engineering business division.

GROUP FINANCIAL REVIEW

Gross margin reduced from 7.3% in FY2017 to 6.5% in FY2018. PCS and ICT business divisions recorded lower gross margin against FY2017 due to lower revenue. Higher gross margin from Engineering business division in FY2018 was mainly due to better operational efficiency.

1.3 Other income

Other income mainly comprises interest income and government grants.

In FY2018, there were lower government grants received from the wage credit and temporary employment credit scheme. There was also lower recognition of interest accretion income.

1.4 Total expenses

In $ million	FY2018	FY2017	Change
Cost of sales	459.7	475.8	-3%
Selling and marketing expenses	8.5	10.5	-19%
Administrative expenses	17.1	17.0	1%
Other expenses	0.2	0.4	-50%
Finance costs	1.1	1.2	-8%
Total expenses	**486.6**	**504.9**	**-4%**
Included in total expenses:			
Staff costs	47.7	48.4	-1%
Depreciation and amortisation	2.5	2.7	-7%

Total expenses, including cost of sales, amounted to $486.6 million in FY2018, a decrease of 4% or $18.3 million compared to FY2017. Decrease in total expenses by 4% is in line with the decrease in revenue of 4%.

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 3% or $16.1 million against FY2017 due to decrease in revenue in FY2018.

Selling and marketing expenses decreased by 19% or $2.0 million against FY2017 due to lower staff costs and lower marketing and promotional expenses.

Administrative expenses increased slightly by 1% or $0.1 million against FY2017 due to increase in share-based payment expenses and restructuring costs for ICT business division incurred during the year. These were partially offset by lower professional fees.

Other expenses decreased by 50% or $0.2 million against FY2017 due to a net foreign exchange gain in FY2018 compared to a net exchange loss in FY2017.

Finance costs decreased by 8% or $0.1 million against FY2017 due to lower interest accretion expenses.

GROUP FINANCIAL REVIEW

Staff costs decreased by 1% or $0.7 million to $47.7 million. Staff cost in PCS and Engineering business divisions were lower in FY2018. The lower staff cost from PCS business division was due to the lower headcount as a result of the loss of the StarHub Ltd Logistics Contract. Engineering business division lower staff cost was due to cost efficiency. These reductions were partially offset by the restructuring cost incurred for ICT business division.

Depreciation and amortisation costs decreased by 7% or $0.2 million. In FY2018, there was lower depreciation attributed to assets being fully depreciated. This was partially offset by higher amortisation costs from the new ERP systems implemented during the year.

1.5 Share of profit of associate (net of tax)

Share of profit was from MVI Systems Limited ("MVI"). Further to the completion of the profit guarantee period, with effect from August 2018, the Group's stake in MVI has increased from 25.19% to 29.41%. There was a step-up acquisition gain recognised in FY2018. In FY2017, the share of profit of $0.4 million was reduced by the amortisation expenses from intangible asset (comprising order books) of $0.08 million.

1.6 Profit before tax

Profit before tax margins	FY2018	FY2017	Change
PCS	1.2%	1.7%	-0.5 ppt
ICT	-1.4%	1.7%	-3.1 ppt
Engineering	4.3%	3.3%	1.0 ppt
Group	**1.2%**	**1.9%**	**-0.7 ppt**

Group PBT decreased by 38% to $6.1 million in FY2018. PBT margin declined from 1.9% in FY2017 to 1.2% in FY2018. Against FY2017, PCS and ICT business divisions recorded decrease in PBT margin while Engineering business division recorded a increase in PBT margin.

PCS business division contributed to 67% of Group operating PBT in FY2018 (FY2017: 64%). PBT decreased by 35% or $2.2 million to $4.1 million in FY2018 was due to lower variable fee recognised by Malaysia operations and lower incentives received by Singapore operations.

ICT business division contributed to a negative of 15% of Group operating PBT in FY2018 (FY2017: 13%). The decrease from FY2017 PBT of $1.3 million to a loss of $0.9 million in FY2018 by 169% or $2.2 million was due to lower gross profit with lower gross margin. There were also higher operating expenses incurred for restructuring.

Engineering business division contributed to 48% of Group operating PBT in FY2018 (FY2017: 23.0%). PBT increased by 26% or $0.6 million to $2.9 million in FY2018. The improvements were from Indonesia, Philippine and Singapore operations.

GROUP FINANCIAL REVIEW

1.7 Profit after tax and non-controlling interests

In $ million	FY2018	FY2017	Change
Income tax expenses	1.8	1.6	13%
Effective tax rate	29.4%	16.4%	13.0 ppt
Profit after tax and non-controlling interests	**4.0**	**8.2**	**-51%**
Profit after tax margin	0.9%	1.6%	-0.7 ppt

Group **PATMI** decreased by 51% to $4.0 million in FY2018.

Income tax expenses were higher than FY2017 by 13% or $0.2 million. The lower income tax expenses in FY2017 was mainly due to higher claims for allowances under the Productivity and Innovative Credit Scheme for the Singapore entities. There was also prior year tax adjustment for differences between final tax assessment and tax estimates made in both years.

2. LIQUIDITY AND CAPITAL RESOURCES

Cash flow (in $ million)	FY2018	FY2017	Change
Cash flow from:			
Operating activities	(9.7)	1.5	-747%
Investing activities	(0.5)	(2.6)	-81%
Financing activities	(3.9)	(4.4)	-11%
Net change in cash and cash equivalents	(14.1)	(5.5)	156%
Cash and cash equivalents at end of year	**28.8**	**42.9**	**-33%**

Group's cash and cash equivalents decreased by 33% from $42.9 million as at 31 December 2017 to $28.8 million as at 31 December 2018.

The Group's bank borrowings increased from $16.3 million as at 31 December 2017 to $21.3 million as at 31 December 2018.

Net cash decreased from $26.6 million as at 31 December 2017 to $7.5 million as at 31 December 2018. Net cash per share decreased from 5.9 cents per share as at 31 December 2017 to 1.7 cents per share as at 31 December 2018.

Operating Activities

Net cash outflow in FY2018 was due to negative changes in working capital due to higher contract assets and lower trade and other payables.

GROUP FINANCIAL REVIEW

Investing Activities

Lower net cash outflow in FY2018 was due to lower purchase of intangible assets and property, plant and equipment. There was dividend received from an associate in FY2018.

Financing Activities

Lower net cash outflow in FY2018 was due to additional bank borrowings.

3. SHAREHOLDERS RETURNS

	FY2018	FY2017	Change
Net dividends per share (cents) – ordinary	1.0	1.6	-38%
Dividends declared ($ million)	4.5	7.3	-38%
Dividend payout ratio (%)	113.5	89.0	24.5 ppt
Dividend yield (%)	4.5	6.4	-1.9 ppt
Basic Earnings per share (cents)(1)	0.88	1.80	-51%
Return on equity (%)	5.7%	10.9%	-5.2 ppt
Return on capital employed (%)	5.3%	9.9%	-4.6 ppt
Return on total assets (%)	2.6%	4.6%	-2.0 ppt

Note:

(1) The number of shares used for the purpose of calculating the EPS for FY2018 and FY2017 were 454,119,000 and 454,307,000 respectively.

For FY2018, 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 2019, total dividend paid since listing in June 2004 will be 29.25 cents per share or $131.9 million. This represents 78.4% of earnings over the same period.

Year-on-year earnings per share decreased by 51% from 1.80 cents to 0.88 cents.

Return on equity decreased from 10.9% in FY2017 to 5.7% in FY2018 with lower earnings. Lower earnings in FY2018 has also resulted in lower return on capital employed of 5.3% (FY2017: 9.9%) and lower return on total assets of 2.6% (FY2017: 4.6%).

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 2018.

In our opinion:

(a) the financial statements set out on pages 89 to 171 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 2018 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	464,000	626,000
– Held in the name of Hong Leong Finance Nominees Pte Ltd	500,000	500,000
Yap Boh Pin	297,000	387,000
– Held in the name of Citibank Nominees Singapore Pte Ltd	150,000	150,000
Tang Yew Kay Jackson	338,000	412,000
Ronald Seah Lim Siang	218,000	288,000
Stephen Geoffrey Miller	–	79,000
Ho Koon Lian Irene	126,000	200,000
Lim Chai Hock Clive	183,000	183,000

DIRECTORS' STATEMENT

Directors' interests (Continued)

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	24,180
– Held in the name of Hong Leong Finance Nominees Pte Ltd	164,000	164,000
Ho Koon Lian Irene	6,000	6,000
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
Ho Koon Lian Irene	15,000	15,000

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 2019.

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 associate 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

Long Term Incentive Plans (Continued)

(vii) Since the commencement of the Plans to the financial year ended 31 December 2018, conditional awards aggregating 37,945,810 (2017: 33,586,810) 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. 2,537,889 shares under the Plans were released during the financial year ended 31 December 2018 (2017: 2,351,618 shares).

(viii) During the financial year ended 31 December 2018, conditional awards aggregating 3,810,000 (2017: 3,635,000) 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 8,043,886 shares under the Plans were outstanding as at 31 December 2018 (2017: 8,871,176 shares).

(ix) During the financial year ended 31 December 2018, restricted share awards aggregating 549,000 (2017: 607,000) shares were also granted under the TeleChoice RSP. These share awards formed 30% (2017: 30%) of the payment of Directors' remuneration for the financial year ended 31 December 2017 (2017: 31 December 2016) 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 2018 Share Awards	Aggregate exercised/ released since the commencement of the Plans to 31 December 2018 Share Awards	Aggregate outstanding as at 31 December 2018 Share Awards
Bertie Cheng	162,000	626,000	626,000	–
Yap Boh Pin	90,000	387,000	387,000	–
Tang Yew Kay Jackson	74,000	312,000	312,000	–
Ronald Seah Lim Siang	70,000	288,000	288,000	–
Stephen Geoffrey Miller	79,000	79,000	79,000	–
Ho Koon Lian Irene	74,000	195,000	195,000	–
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 until 26 December 2013, when he then became an associate of a controlling shareholder). The grant of the shares 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

Long Term Incentive Plans (Continued)

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 2018 Share Awards	Aggregate exercised/ released since the commencement of the Plans to 31 December 2018 Share Awards	Aggregate outstanding as at 31 December 2018 Share Awards
Loh Sur Jin Andrew	–	4,807,000	2,974,300	–
Lim Shuh Moh Vincent	1,331,000	6,113,970	1,550,606	3,061,357
Lee Yoong Kin	566,000	5,655,440	2,465,107	1,358,790
Pauline Wong Mae Sum	566,000	5,785,440	2,608,847	1,358,790
Wong Loke Mei	269,000	2,053,800	745,823	512,881

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 2018 are as follows:

Participants	Number of share awards granted under the Plans during the financial year ended 31 December 2018
Lim Shuh Moh Vincent	1,331,000
Lee Yoong Kin	566,000
Pauline Wong Mae Sum	566,000
Wong Loke Mei	269,000
Goh Song Puay	269,000

DIRECTORS' STATEMENT

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 2012.

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).

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.

DIRECTORS' STATEMENT

Audit Committee (Continued)

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

29 March 2019

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 2018, 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 89 to 171.

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 2018 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

Report on the audit of the financial statements (Continued)

Key audit matters (Continued)

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: • using our valuations 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 revenue growth rates and operating profit margins in the forecasts to historical results, firm commitments secured from customers, pipelines as well as economic and industry forecasts. 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 that the assumptions and resulting estimates were balanced and that the disclosures in Note 5 to the financial statements appropriately describe the inherent degree of subjectivity in the estimates.

INDEPENDENT AUDITORS' REPORT

Report on the audit of the financial statements (Continued)

Key audit matters (Continued)

Valuation of inventories ($20,258,000) **(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

Report on the audit of the financial statements (Continued)

Key audit matters (Continued)

Revenue recognition for long term contracts ($79,894,000) (Refer to Note 3.12 and Note 22 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 status and progress 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 status and progress of the projects. We also found that the revenue had been appropriately allocated to different performance obligations where applicable.

INDEPENDENT AUDITORS' REPORT

Report on the audit of the financial statements (Continued)

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

Report on the audit of the financial statements (Continued)

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 Low Gin Cheng, Gerald.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
29 March 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Non-current assets							
Plant and equipment	4	**1,635**	2,876	3,639	**239**	417	415
Intangible assets	5	**12,952**	13,072	12,448	**347**	425	122
Subsidiaries	6	**–**	–	–	**34,542**	38,082	37,659
Associate	7	**2,234**	2,501	2,231	**–**	–	–
Deferred tax assets	8	**909**	829	600	**15**	–	–
Trade and other receivables	10	**1,148**	3,450	4,422	**–**	–	–
Total non-current assets		**18,878**	22,728	23,340	**35,143**	38,924	38,196
Current assets							
Inventories	9	**20,258**	19,082	15,874	**17,386**	15,751	12,904
Contract assets	22	**32,473**	25,484	24,972	**–**	–	–
Trade and other receivables	10	**54,510**	67,168	58,862	**12,460**	27,180	21,628
Cash and cash equivalents	15	**28,759**	42,926	48,870	**10,277**	14,273	19,693
Total current assets		**136,000**	154,660	148,578	**40,123**	57,204	54,225
Total assets		**154,878**	177,388	171,918	**75,266**	96,128	92,421
Equity							
Share capital	16	**21,987**	21,987	21,987	**21,987**	21,987	21,987
Reserves	17	**6,789**	7,551	9,053	**13,349**	13,286	13,377
Accumulated profits		**41,994**	45,196	44,244	**11,301**	12,119	14,236
Total equity attributable to equity holders of the Company		**70,770**	74,734	75,284	**46,637**	47,392	49,600
Non-controlling interests		**685**	390	6	**–**	–	–
Total equity		**71,455**	75,124	75,290	**46,637**	47,392	49,600

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Non-current liabilities							
Deferred tax liabilities	8	**–**	–	–	**–**	72	45
Trade and other payables	18	**79**	2,071	3,354	**–**	–	–
Loans and borrowings	19	**–**	–	4,992	**–**	–	4,992
Provisions	20	**162**	–	–	**–**	–	–
Total non-current liabilities		**241**	2,071	8,346	**–**	72	5,037
Current liabilities							
Contract liabilities	22	**4,732**	6,451	4,605	**–**	–	–
Current tax payable		**338**	157	781	**19**	19	264
Trade and other payables	18	**56,633**	76,931	75,474	**19,610**	44,645	37,517
Loans and borrowings	19	**21,324**	16,330	7,116	**9,000**	4,000	–
Provisions	20	**155**	324	306	**–**	–	3
Total current liabilities		**83,182**	100,193	88,282	**28,629**	48,664	37,784
Total liabilities		**83,423**	102,264	96,628	**28,629**	48,736	42,821
Total equity and liabilities		**154,878**	177,388	171,918	**75,266**	96,128	92,421

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000
Revenue	22	**491,717**	513,495
Cost of sales		**(459,731)**	(475,799)
Gross profit		**31,986**	37,696
Other income		**520**	676
Sales and marketing expenses		**(8,443)**	(10,532)
Administrative expenses		**(17,106)**	(16,955)
Other expenses		**(235)**	(443)
Results from operating activities		**6,722**	10,442
Finance income	23	**187**	311
Finance costs	23	**(1,132)**	(1,190)
Net finance costs		**(945)**	(879)
Share of profit of associate (net of tax)		**314**	318
Profit before tax	23	**6,091**	9,881
Tax expense	24	**(1,793)**	(1,625)
Profit for the year		**4,298**	8,256
Profit attributable to:			
Owners of the Company		**4,003**	8,166
Non-controlling interests		**295**	90
Profit for the year		**4,298**	8,256
Earnings per share			
Basic earnings per share (cents)	25	**0.88**	1.80
Diluted earnings per share (cents)	25	**0.88**	1.80

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Group	
	2018	**2017**
	$'000	**$'000**
Profit for the year	**4,298**	8,256
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Defined benefit plan remeasurements	**86**	75
Tax on items that will not be reclassified to profit or loss	**(21)**	(19)
	65	56
Items that are or may be reclassified subsequently to profit or loss:		
Translation differences relating to financial statements of foreign subsidiaries	**(596)**	(805)
Share of foreign currency translation differences of associate	**15**	(48)
Foreign currency translation differences on liquidation of a foreign subsidiary reclassified to profit or loss	**(44)**	–
Exchange differences on monetary items forming part of net investment in foreign operations	**(200)**	(558)
	(825)	(1,411)
Other comprehensive income for the year, net of tax	**(760)**	(1,355)
Total comprehensive income for the year	**3,538**	6,901
Total comprehensive income attributable to:		
Owners of the Company	**3,243**	6,811
Non-controlling interests	**295**	90
Total comprehensive income for the year	**3,538**	6,901

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the Company										
Group	Note	Share capital $'000	Accumulated profits $'000	General reserve $'000	Capital reserves $'000	Goodwill writtenoff $'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 2017		21,987	44,244	27	16,370	(1,538)	800	(5)	(6,601)	75,284	6	75,290
Total comprehensive income for the year												
Profit for the year		–	8,166	–	–	–	–	–	–	8,166	90	8,256
Other comprehensive income												
Translation differences relating to financial statements of foreign subsidiaries		–	–	–	–	–	–	–	(805)	(805)	–	(805)
Share of foreign currency translation differences of associate		–	–	–	–	–	–	–	(48)	(48)	–	(48)
Exchange differences on monetary items forming part of net investment in foreign operations		–	–	–	–	–	–	–	(558)	(558)	–	(558)
Defined benefit plan remeasurements		–	75	–	–	–	–	–	–	75	–	75
Tax on items that will not be reclassified to profit or loss		–	(19)	–	–	–	–	–	–	(19)	–	(19)
Total other comprehensive income		–	56	–	–	–	–	–	(1,411)	(1,355)	–	(1,355)
Total comprehensive income for the year		–	8,222	–	–	–	–	–	(1,411)	6,811	90	6,901
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Share-based payments expenses	21	–	–	–	–	–	369	–	–	369	–	369
Purchase of treasury shares	16, 17	–	–	–	–	–	–	(615)	–	(615)	–	(615)
Issue of treasury shares	16, 17	–	–	–	(83)	–	(373)	611	–	155	–	155
Final dividend of 1.6 cents per share (one-tier tax exempt)		–	(7,270)	–	–	–	–	–	–	(7,270)	–	(7,270)
Total contributions by and distributions to owners of the Company		–	(7,270)	–	(83)	–	(4)	(4)	–	(7,361)	–	(7,361)
Changes in ownership interests in a subsidiary												
Contribution by a non-controlling interest		–	–	–	–	–	–	–	–	–	294	294
Total changes in ownership interests in a subsidiary		–	–	–	–	–	–	–	–	–	294	294
Total transactions with owners of the Company		–	(7,270)	–	(83)	–	(4)	(4)	–	(7,361)	294	(7,067)
At 31 December 2017		21,987	45,196	27	16,287	(1,538)	796	(9)	(8,012)	74,734	390	75,124

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

		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 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
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Share-based payments expenses	21	–	–	–	–	–	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)		–	(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 CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000
Cash flows from operating activities			
Profit before tax		**6,091**	9,881
Adjustments for:			
Amortisation of intangible assets	5	**606**	476
Depreciation of plant and equipment	4	**1,850**	2,193
Finance expense	23	**1,132**	1,190
Finance income	23	**(187)**	(311)
(Gain)/loss on disposal of plant and equipment	23	**(1)**	13
Gain on liquidation of a subsidiary	23	**(26)**	–
Provision for warranties (net)		**(1)**	(30)
Share-based payments expenses	21	**580**	369
Share of profit of associate		**(314)**	(318)
		9,730	13,463
Changes in:			
Inventories		**(1,186)**	(3,450)
Contract assets		**(7,206)**	(512)
Trade and other receivables		**14,230**	(8,069)
Trade and other payables		**(22,399)**	(28)
Contract liabilities		**(1,741)**	1,846
Cash generated from operations		**(8,572)**	3,250
Tax paid		**(1,104)**	(1,741)
Net cash (used in)/from operating activities		**(9,676)**	1,509
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		**43**	–
Dividends received from associate		**596**	–
Purchase of plant and equipment		**(687)**	(1,569)
Purchase of intangible assets		**(500)**	(1,100)
Interest received		**37**	56
Net cash used in investing activities		**(511)**	(2,613)
Cash flows from financing activities			
Contribution by a non-controlling interest		**–**	294
Dividends paid		**(7,270)**	(7,270)
Interest paid		**(1,017)**	(1,002)
Proceeds from bank loans		**49,901**	15,039
Repayment of short-term loans		**(44,908)**	(10,816)
Purchase of treasury shares	16	**(655)**	(615)
Net cash used in financing activities		**(3,949)**	(4,370)
Net decrease in cash and cash equivalents		**(14,136)**	(5,474)
Cash and cash equivalents at 1 January		**42,926**	48,870
Effect of exchange rate changes on cash held in foreign currencies		**(31)**	(470)
Cash and cash equivalents at 31 December	15	**28,759**	42,926

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 29 March 2019.

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 2018 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 are prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)"). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore ("FRS"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in Note 33.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

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.

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 22 – 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 29 – Valuation of trade receivables and contract assets

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

Acquisitions before 1 January 2017

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

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combinations (Continued)

Acquisitions from 1 January 2017

Identifiable assets acquired and 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 acquisition date 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 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 past and/or future services.

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, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, 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 transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in the income statement. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Transaction eliminations 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 are stated in the Company's statement of financial position at cost less accumulated impairment losses.

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 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 Dollars, Indonesian Rupiah, United States Dollars, 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

Foreign operations (Continued)

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.

When 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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Plant and equipment (Continued)

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 as 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 relationship is recognised in the income statement on a straight-line basis over 5 to 7 years, commencing from the date of acquisition.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Inventories (Continued)

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.

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, 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 – Policy applicable from 1 January 2018

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

Classification and subsequent measurement (Continued)

Non-derivative financial assets – Policy applicable from 1 January 2018 (Continued)

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 fair value through profit or loss:

- 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.

Business model assessment – Policy applicable from 1 January 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

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; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Non-derivative financial assets – Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

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 assets – Policy applicable before 1 January 2018

The Group classified its non-derivative financial assets as loans and receivables.

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets were recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised trade and other receivables, and cash and cash equivalents.

Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

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

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss ("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 profit or loss. 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 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

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, net of any tax effects.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, 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

Policy applicable from 1 January 2018

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

- financial assets measured at amortised cost; and
- contract assets (as defined in SFRS(I) 15).

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 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

Non-derivative financial assets and contract assets (Continued)

General approach (Continued)

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 borrower 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

Non-derivative financial assets and contract assets (Continued)

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 borrower or issuer;
- a breach of contract such as a default or significant delay in payment; or
- it is probable that the borrower 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.

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL, including an interest in associate, was assessed at each reporting date to determine whether there is any objective evidence that it was impaired. A financial asset was considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor would enter bankruptcy or economic conditions that correlate with defaults.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

Policy applicable before 1 January 2018 (Continued)

The Group considered evidence of impairment for loans and receivables and contract assets at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in the income statement and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through the income statement.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

Non-financial assets (Continued)

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.

Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. 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 amount 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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases (Continued)

Group as a lessor (Continued)

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 when incurred.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employee benefits (Continued)

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 transaction 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 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 performance obligations if it relates specifically to those performance obligations.

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; 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Finance income and finance costs (Continued)

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.

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 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.

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 the laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Tax (Continued)

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, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.18 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 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)s are effective for annual periods beginning after 1 January 2018:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

The Company has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Company's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Company, is as described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 New standards and interpretations not adopted (Continued)

SFRS(I) 16 (Continued)

The Group and the Company plan to apply SFRS(I) 16 on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of accumulated profits at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

The Group and the Company as lessee

The Group and the Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16.

For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.

As at 1 January 2019, the Group expects an increase in ROU assets of $10,945,000, a decrease in property, plant and equipment of $13,000, an increase in lease liabilities of $11,106,000, and a decrease in retained earnings of $174,000. The Company expects an increase in ROU assets of $6,481,000, an increase in lease liabilities of $6,591,000, and a decrease in retained earnings of $110,000.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group’s finance leases.

The Group and the Company as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

No significant impact is expected for other leases in which the Group is a lessor.

NOTES TO THE FINANCIAL STATEMENTS

4 PLANT AND EQUIPMENT

	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 2017	2,745	5,650	1,078	2,254	664	12,391
Translation differences on consolidation	(9)	(191)	(3)	(71)	(48)	(322)
Additions	333	480	103	423	230	1,569
Disposals/Write off	(34)	(813)	(75)	(400)	–	(1,322)
At 31 December 2017	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**
Accumulated depreciation						
At 1 January 2017	1,637	4,282	833	1,849	151	8,752
Translation differences on consolidation	–	(134)	(1)	(56)	(13)	(204)
Depreciation for the year	639	863	147	384	160	2,193
Disposals/Write off	(34)	(795)	(75)	(397)	–	(1,301)
At 31 December 2017	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**
Carrying amounts						
At 1 January 2017	1,108	1,368	245	405	513	3,639
At 31 December 2017	793	910	199	426	548	2,876
At 31 December 2018	**362**	**540**	**126**	**226**	**381**	**1,635**

NOTES TO THE FINANCIAL STATEMENTS

4 PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements $'000	Office furniture, fittings and equipment $'000	Computers $'000	Motor vehicles $'000	Total $'000
Company					
Cost					
At 1 January 2017	635	357	628	–	1,620
Additions	1	–	68	153	222
Write off	–	(10)	(169)	–	(179)
At 31 December 2017	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**
Accumulated depreciation					
At 1 January 2017	337	279	589	–	1,205
Depreciation for the year	124	49	33	14	220
Write off	–	(10)	(169)	–	(179)
At 31 December 2017	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**
Carrying amounts					
At 1 January 2017	298	78	39	–	415
At 31 December 2017	175	29	74	139	417
At 31 December 2018	**51**	**14**	**64**	**110**	**239**

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 2017	3,541	1,304	6,688	727	11,853	24,113
Translation differences on consolidation	(17)	–	–	–	–	(17)
Additions	1,100	–	–	–	–	1,100
Write off	(1,610)	–	–	–	–	(1,610)
At 31 December 2017	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**
Accumulated amortisation and impairment losses						
At 1 January 2017	3,314	1,304	6,203	727	117	11,665
Translation differences on consolidation	(17)	–	–	–	–	(17)
Amortisation charge for the year	224	–	252	–	–	476
Write off	(1,610)	–	–	–	–	(1,610)
At 31 December 2017	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**
Carrying amounts						
At 1 January 2017	227	–	485	–	11,736	12,448
At 31 December 2017	1,103	–	233	–	11,736	13,072
At 31 December 2018	**1,216**	**–**	**–**	**–**	**11,736**	**12,952**

NOTES TO THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS (CONTINUED)

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

	Group 2018 $'000	Group 2017 $'000
Cost of sales	**23**	21
Administrative expenses	**350**	203
Other expenses	**233**	252
	606	476

	Computer software $'000
Company	
Cost	
At 1 January 2017	1,173
Additions	455
Write off	(368)
At 31 December 2017	1,260
Additions	78
Write off	(8)
At 31 December 2018	**1,330**
Accumulated amortisation	
At 1 January 2017	1,051
Amortisation charge for the year	152
Write off	(368)
At 31 December 2017	835
Amortisation charge for the year	156
Write off	(8)
At 31 December 2018	**983**
Carrying amounts	
At 1 January 2017	122
At 31 December 2017	425
At 31 December 2018	**347**

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.

NOTES TO THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS (CONTINUED)

Impairment testing for cash generating units containing goodwill (Continued)

NxGen goodwill impairment test
Carrying value – $6.41 million (2017: $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 2019 to 2023 (2017: 2018 to 2022). Revenue growth was projected taking into account firm commitments secured from customers and pipelines, and estimated sales volume and price erosion for the next five years.

Operating profit margin

Management also forecasts gradual increase in operating profit margin based on historical records over the past five years 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 12.3% (31 December 2017: 12.8%, 1 January 2017: 12.7%) 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 (31 December 2017: zero, 1 January 2017: 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

A reasonably possible change to the above key assumptions applied is not likely to cause the recoverable value to be lower than the carrying value.

NOTES TO THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS (CONTINUED)

Impairment testing for cash generating units containing goodwill (Continued)

S&I goodwill impairment test
Carrying value – $5.33 million (2017: $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 2019 to 2023 (2017: 2018 to 2022). Revenue growth was projected taking into account the new business segment opportunities available in the pipeline and estimated sales volume and price growth for the next five years.

Operating profit margin

Management also forecasts gradual increase in operating profit margin based on historical records over the past five years 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 12.0% (31 December 2017: 12.5%, 1 January 2017: 13.0%) 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.

Terminal value growth rate

The CGU used five years of cash flows in its discounted cash flow model using a perpetual model with zero (31 December 2017: zero, 1 January 2017: 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

As at 31 December 2018, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately $5,088,000. Management has identified that a reasonably possible change in operating profit margin by 0.7% would cause the carrying amount to be equal to the recoverable amount. As at 31 December 2017 and 1 January 2017, it was not likely that a reasonably possible change to the above key assumptions applied would cause the recoverable value to be lower than the carrying value.

NOTES TO THE FINANCIAL STATEMENTS

6 SUBSIDIARIES

	Company 31 December 2018 $'000	Company 31 December 2017 $'000	Company 1 January 2017 $'000
Investments in subsidiaries	**37,184**	40,724	40,301
Impairment losses	**(2,642)**	(2,642)	(2,642)
	34,542	38,082	37,659

Details of subsidiaries are as follows:

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective equity held by the Group 31 December 2018 %	Effective equity held by the Group 31 December 2017 %	Effective equity held by the Group 1 January 2017 %
NexWave Technologies Pte Ltd	Provision of network engineering services	Singapore	**100**	100	100
NexWave Telecoms Pte. Ltd.	Provision of telecommunication services	Singapore	**100**	100	100
N-Wave Technologies (Malaysia) Sdn Bhd	Provision of network engineering services and consultancy services	Malaysia	**100**	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	100
Planet Telecoms (S) Pte Ltd	Sale of telecommunication equipment and provision of related services	Singapore	**100**	100	100

NOTES TO THE FINANCIAL STATEMENTS

6 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective equity held by the Group 31 December 2018 %	31 December 2017 %	1 January 2017 %
S & I Systems Pte Ltd	Integrated information technology solutions provider	Singapore	**100**	100	100
NxGen Communications Pte Ltd	Provision of system integration services	Singapore	**100**	100	100
Planet Managed Services Pte. Ltd.	Sale of telecommunication equipment and provision of related services	Singapore	**100**	100	100
Planet Smart Services Pte. Ltd.	Provision of infrastructure engineering services, other information technology and computer service activities	Singapore	**51**	51	51
TeleChoice (Indonesia) Pte Ltd*	Dormant	Singapore	**100**	100	100
Held by TeleChoice (Indonesia) Pte Ltd:					
PT TeleChoice Indonesia^	Dormant	Indonesia	**–**	100	100
Held by NexWave Technologies Pte Ltd:					
PT NexWave	Provision of network engineering services	Indonesia	**100**	100	100

NOTES TO THE FINANCIAL STATEMENTS

6 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective equity held by the Group 31 December 2018 %	31 December 2017 %	1 January 2017 %
N-Wave Technologies Philippines, Inc.	Provision of network engineering services	Philippines	**100**	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	49.6
Sunway S&I Systems Sdn Bhd	Trading of computer hardware and software	Malaysia	**51.0**	51.0	51.0
Held by NxGen Communications Pte Ltd:					
NxGen Communications (M) Sdn Bhd	Provision of system integration services	Malaysia	**100**	100	100
NxGen Inc.	Provision of information and communication related services	Philippines	**100**	100	100

* The subsidiary has applied to be struck off.
^ The subsidiary was liquidated during the year.
# Newly incorporated in 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS

6 SUBSIDIARIES (CONTINUED)

For this purpose, a subsidiary is considered significant as defined under SGX-ST Listing Manual if its net tangible assets represents 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.

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 changes in the technological, market, economic or legal environment in which the subsidiaries operate in and changes to the market interest rates. Based on management's assessment, no further impairment is required in respect of subsidiaries.

7 ASSOCIATE

		Group	
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Interest in associate	**2,234**	2,501	2,231

Details of associate as follows:

Name of associate	Principal activities	Principal place of business/ Country of incorporation	Ownership interest held by the Group		
			31 December 2018 %	31 December 2017 %	1 January 2017 %
MVI Systems Limited	Provision of Internet Protocol Television ("IPTV") systems, related consulting services and content provision within the IPTV systems	Hong Kong	**29.41**	25.19	25.19

NOTES TO THE FINANCIAL STATEMENTS

7 ASSOCIATE (CONTINUED)

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 2018 $'000	Group 2017 $'000
Revenue	**6,250**	8,090
Profit from continuing operations	**586**	1,264
Other comprehensive income	**61**	(189)
Total comprehensive income	**647**	1,075
Non-current assets	**5,790**	6,837
Current assets	**3,699**	5,442
Current liabilities	**(1,890)**	(2,347)
Net assets	**7,599**	9,932
Group's interest in net assets of associate at beginning of the year	**2,501**	2,231
Group's share of:		
– Profit from continuing operations	**137**	318
– Other comprehensive income	**15**	(48)
– Total comprehensive income	**152**	270
Dividend received during the year	**(596)**	–
Acquisition during the year	**177**	–
Carrying amount of interest in associate at end of year	**2,234**	2,501

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 2017 $'000	Charged/ (credited) to income statement (Note 24) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	At 31 December 2017 $'000	Charged/ (credited) to income statement (Note 24) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	At 31 December 2018 $'000
Group									
Deferred tax assets									
Plant and equipment	(119)	(231)	–	9	(341)	(12)	–	7	**(346)**
Inventories	(67)	(11)	–	–	(78)	(18)	–	–	**(96)**
Accruals	(627)	159	19	23	(426)	9	21	11	**(385)**
Receivables	–	(147)	–	(11)	(158)	–	–	39	**(119)**
Unutilised capital allowances and tax losses	–	(25)	–	–	(25)	(21)	–	–	**(46)**
	(813)	(255)	19	21	(1,028)	(42)	21	57	**(992)**
Deferred tax liabilities									
Plant and equipment	130	29	–	–	159	(76)	–	–	**83**
Intangible assets	83	(43)	–	–	40	(40)	–	–	**–**
	213	(14)	–	–	199	(116)	–	–	**83**

NOTES TO THE FINANCIAL STATEMENTS

8 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

	At 1 January 2017 $'000	Charged/ (credited) to income statement $'000	At 31 December 2017 $'000	Charged/ (credited) to income statement $'000	At 31 December 2018 $'000
Company					
Deferred tax assets					
Inventories	(13)	(6)	(19)	(9)	**(28)**
Accruals	(32)	(1)	(33)	19	**(14)**
Unutilised tax losses	–	–	–	(28)	**(28)**
	(45)	(7)	(52)	(18)	**(70)**
Deferred tax liability					
Plant and equipment	90	34	124	(69)	**55**

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

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Deferred tax assets	**909**	829	600	**15**	–	–
Deferred tax liabilities	**–**	–	–	**–**	72	45

Unrecognised deferred tax assets

The following deductible temporary differences have not been recognised:

	Group	
	2018 $'000	2017 $'000
Deductible temporary differences	**678**	319
Unutilised capital allowances	**83**	90
Unutilised tax losses	**1,989**	1,897
	2,750	2,306

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.

NOTES TO THE FINANCIAL STATEMENTS

8 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Unrecognised deferred tax liabilities

At the reporting date, deferred tax liabilities of $1,640,000 (2017: $1,492,000) for temporary differences of $16,044,000 (2017: $14,653,000) 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.

9 INVENTORIES

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Raw materials	**1,759**	1,701	659	**–**	–	–
Inventories held for resale	**18,499**	17,381	15,215	**17,386**	15,751	12,904
	20,258	19,082	15,874	**17,386**	15,751	12,904

During the year, the write down and write back of inventories recognised in the consolidated income statement amounted to $371,000 and $1,357,000 respectively (2017: $1,325,000 and $785,000 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.

NOTES TO THE FINANCIAL STATEMENTS

10 TRADE AND OTHER RECEIVABLES

	Note	Group 31 December 2018 $'000	Group 31 December 2017 $'000	Group 1 January 2017 $'000	Company 31 December 2018 $'000	Company 31 December 2017 $'000	Company 1 January 2017 $'000
Trade receivables		**25,810**	25,730	24,092	**2,257**	2,867	2,016
Allowance for doubtful receivables		**(24)**	(105)	(199)	**–**	(3)	(3)
		25,786	25,625	23,893	**2,257**	2,864	2,013
Unbilled receivables		**4,023**	6,078	8,176	**27**	87	278
Finance lease receivables		**73**	141	183	**–**	–	–
Other receivables and deposits	11	**2,639**	1,413	1,841	**521**	12	22
Amounts due from:							
– related parties	12	**18,780**	33,389	25,124	**4,013**	18,061	12,080
– subsidiaries	13	**–**	–	–	**4,192**	5,924	6,779
– immediate holding company	14	**–**	2	4	**–**	2	4
– ultimate holding company	14	**–**	–	191	**–**	–	–
		51,301	66,648	59,412	**11,010**	26,950	21,176
Prepayments		**2,352**	1,877	2,190	**1,450**	230	452
Deferred expenses		**2,005**	2,093	1,682	**–**	–	–
		55,658	70,618	63,284	**12,460**	27,180	21,628
Non-current		**1,148**	3,450	4,422	**–**	–	–
Current		**54,510**	67,168	58,862	**12,460**	27,180	21,628
		55,658	70,618	63,284	**12,460**	27,180	21,628

Unbilled receivables, finance 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.

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

	Group $'000	Company $'000
At 1 January 2017 per FRS 39	199	3
Impairment loss recognised	21	–
Amounts written off	(115)	–
At 31 December 2017 per FRS 39	105	3

NOTES TO THE FINANCIAL STATEMENTS

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group Lifetime ECL $'000	Company Lifetime ECL $'000
At 1 January 2018 per FRS 39	**105**	**3**
Adjustment on initial application of SFRS(I) 9	**–**	**–**
At 1 January 2018 per SFRS(I) 9	**105**	**3**
Reversal of impairment loss recognised	**(33)**	**(3)**
Amounts written off	**(48)**	**–**
At 31 December 2018 per SFRS(I) 9	**24**	**–**

Finance lease receivables

The Group entered into a non-cancellable finance lease agreement. Effective interest rate at the reporting date was 3.19% (2017: 3.19%) per annum. At the reporting date, the Group's finance lease receivables are as follows:

	Gross investment 31 December 2018 $'000	Unearned finance income 31 December 2018 $'000	Net investment 31 December 2018 $'000	Gross investment 31 December 2017 $'000	Unearned finance income 31 December 2017 $'000	Net investment 31 December 2017 $'000	Gross investment 1 January 2017 $'000	Unearned finance income 1 January 2017 $'000	Net investment 1 January 2017 $'000
Group									
Within one year	**65**	**3**	**62**	65	3	62	65	6	59
Between one and five years	**12**	**1**	**11**	81	2	79	130	6	124
	77	**4**	**73**	146	5	141	195	12	183

11 OTHER RECEIVABLES AND DEPOSITS

	Group 31 December 2018 $'000	Group 31 December 2017 $'000	Group 1 January 2017 $'000	Company 31 December 2018 $'000	Company 31 December 2017 $'000	Company 1 January 2017 $'000
Deposits	**1,426**	1,105	1,378	**21**	12	21
Dividend receivable from a subsidiary	**–**	–	–	**500**	–	–
Other receivables	**1,213**	308	463	**–**	–	1
	2,639	1,413	1,841	**521**	12	22
Non-current	**1,137**	906	833	**–**	–	–
Current	**1,502**	507	1,008	**521**	12	22
	2,639	1,413	1,841	**521**	12	22

Other receivables and deposits do not carry any credit terms.

NOTES TO THE FINANCIAL STATEMENTS

12 AMOUNTS DUE FROM/(TO) RELATED PARTIES

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Amounts due from related parties:						
– subsidiaries of holding companies (trade)						
Billed portion	**12,224**	26,452	18,895	**3,643**	15,857	9,310
Unbilled portion	**6,556**	6,937	6,229	**370**	2,204	2,770
	18,780	33,389	25,124	**4,013**	18,061	12,080
Amounts due to related parties:						
– subsidiaries of holding companies (trade)	**(915)**	(1,366)	(2,533)	**(294)**	(562)	(1,035)
– subsidiaries of holding companies (non-trade)	**(23)**	(76)	(32)	**(9)**	(9)	(9)
	(938)	(1,442)	(2,565)	**(303)**	(571)	(1,044)

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

There is no allowance for doubtful debts arising from amounts due from related parties as the ECL is not material.

13 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Amounts due from subsidiaries:			
– trade	**439**	764	379
– non-trade	**3,549**	2,855	3,400
– short-term loans	**204**	2,305	3,000
	4,192	5,924	6,779
Amounts due to subsidiaries:			
– trade	**(10)**	–	–
– non-trade	**(114)**	(109)	(71)
– short-term loan	**–**	(6,340)	(6,340)
	(124)	(6,449)	(6,411)

NOTES TO THE FINANCIAL STATEMENTS

13 AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

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

The short-term loans due from subsidiaries are unsecured, bear interest at 3.39% (31 December 2017: 3.63%, 1 January 2017: 2.60% to 2.70%) per annum and repayable on demand.

The short-term loan due to a subsidiary was unsecured, interest-free and fully repaid during the year ended 31 December 2018.

There is no allowance for doubtful debts arising from amounts due from subsidiaries as the ECL is not material.

14 AMOUNTS DUE FROM/(TO) HOLDING COMPANIES

	Group			Company		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**	**31 December 2018 $'000**	**31 December 2017 $'000**	**1 January 2017 $'000**
Amounts due from holding companies:						
– immediate holding company (non-trade)	**–**	2	4	**–**	2	4
– ultimate holding company (trade)	**–**	–	191	**–**	–	–
	–	2	195	**–**	2	4
Amounts due to immediate holding company (non-trade)	**(238)**	(229)	(190)	**(235)**	(227)	(190)

The non-trade amounts due from/(to) the immediate and ultimate holding companies are unsecured, interest-free and repayable on demand.

There is no allowance for doubtful debts arising from the amounts due from immediate holding company and ultimate holding company as the ECL is not material.

NOTES TO THE FINANCIAL STATEMENTS

15 CASH AND CASH EQUIVALENTS

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Cash at banks and in hand	**28,759**	41,923	48,335	**10,277**	14,273	19,693
Short-term bank deposits	**–**	1,003	535	**–**	–	–
	28,759	42,926	48,870	**10,277**	14,273	19,693

As at 31 December 2018, the Group has cash and cash equivalents totalling $3,073,000 (31 December 2017: $3,908,000; 1 January 2017: $4,379,000) which are held in countries with foreign exchange controls.

The effective interest rate related to short-term bank deposits was 0.79% as at 31 December 2017 (1 January 2017: 3.15% – 4.00%) per annum.

16 SHARE CAPITAL

	Group and Company			
	2018		2017	
	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 2,538,500 (2017: 2,370,000) ordinary shares under the terms of the Share Purchase Mandate approved by its shareholders on 26 April 2018. The total consideration for these shares bought back from the market is $655,000 (2017: $615,000), being the market price, including incidental cost. This amount was classified as a deduction from equity under "reserve for own shares".

During the year, 2,537,889 (2017: 2,351,618) 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 21). Total cost of the shares awarded was $655,000 (2017: $611,000). As at 31 December 2018, the Company held 35,315 (2017: 34,704) 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.

NOTES TO THE FINANCIAL STATEMENTS

16 SHARE CAPITAL (CONTINUED)

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% (2017: 7% – 10%). In 2018, the return was 5.3% (2017: 9.9%). In comparison, the interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 2.10% to 10.10% (2017: 1.64% to 8.95%) 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.

17 RESERVES

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Capital reserves	**16,329**	16,287	16,370	**12,605**	12,563	12,646
General reserve	**27**	27	27	**–**	–	–
Reserve for own shares	**(9)**	(9)	(5)	**(9)**	(9)	(5)
Share option reserve	**817**	796	800	**753**	732	736
Goodwill written off	**(1,538)**	(1,538)	(1,538)	**–**	–	–
Exchange translation reserve	**(8,837)**	(8,012)	(6,601)	**–**	–	–
	6,789	7,551	9,053	**13,349**	13,286	13,377

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.

NOTES TO THE FINANCIAL STATEMENTS

17 RESERVES (CONTINUED)

Capital reserves of the Group comprise merger reserve of $17,024,000 (31 December 2017: $17,024,000; 1 January 2017: $17,024,000) and losses on the reissuance of treasury shares of $695,000 (31 December 2017: $737,000; 1 January 2017: $654,000).

Merger reserve comprises the following:

	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Aggregate of share capital of subsidiaries acquired	**23,403**	23,403	23,403
Aggregate of losses of subsidiaries prior to acquisition by STTC	**(6,372)**	(6,372)	(6,372)
Acquisition of additional 7% equity interest in NexWave Solutions Pte. Ltd. by STTC	**1,455**	1,455	1,455
Goodwill on acquisition of subsidiaries by STTC	**1,538**	1,538	1,538
Cost of investment paid by STTC	**20,024**	20,024	20,024
Par value of shares issued for acquisition of subsidiaries	**(3,000)**	(3,000)	(3,000)
	17,024	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 2018, the Group held 35,315 of the Company's shares (31 December 2017: 34,704 shares; 1 January 2017: 16,322 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

18 TRADE AND OTHER PAYABLES

		Group			Company		
		31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Trade payables		36,641	51,828	45,924	16,303	33,833	25,334
Accruals for payroll and staff related costs		5,883	5,293	6,452	1,206	1,463	1,547
Accrued expenses		12,730	19,781	23,632	1,429	2,102	2,991
Amounts due to:							
– related parties	12	938	1,442	2,565	303	571	1,044
– subsidiaries	13	–	–	–	124	6,449	6,411
– holding companies	14	238	229	190	235	227	190
Financial liabilities at amortised cost		56,430	78,573	78,763	19,600	44,645	37,517
Prepayments		282	429	65	10	–	–
		56,712	79,002	78,828	19,610	44,645	37,517
Non-current		79	2,071	3,354	–	–	–
Current		56,633	76,931	75,474	19,610	44,645	37,517
		56,712	79,002	78,828	19,610	44,645	37,517

19 LOANS AND BORROWINGS

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Non-current liability						
Unsecured bank loans	–	–	4,992	–	–	4,992
Current liability						
Unsecured bank loans	21,324	16,330	7,116	9,000	4,000	–

NOTES TO THE FINANCIAL STATEMENTS

19 LOANS AND BORROWINGS (CONTINUED)

Terms and debts repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	31 December 2018				31 December 2017				1 January 2017			
	Nominal interest rate (%)	Year of maturity	Face value $'000	Carrying amount $'000	Nominal interest rate (%)	Year of maturity	Face value $'000	Carrying amount $'000	Nominal interest rate (%)	Year of maturity	Face value $'000	Carrying amount $'000
Group												
Fixed rate loans	**–**	**–**	**–**	**–**	–	–	–	–	3.45	2018	5,000	4,992
Floating rate loans	**2.10 – 10.10**	**2019**	**21,324**	**21,324**	1.64 – 8.95	2018	16,330	16,330	2.65 – 9.20	2017	7,116	7,116
			21,324	**21,324**			16,330	16,330			12,116	12,108
Company												
Fixed rate loan	**–**	**–**	**–**	**–**	–	–	–	–	3.45	2018	5,000	4,992
Floating rate loan	**2.10 – 2.26**	**2019**	**9,000**	**9,000**	1.64	2018	4,000	4,000	–	–	–	–
			9,000	**9,000**			4,000	4,000			5,000	4,992

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.

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments.

NOTES TO THE FINANCIAL STATEMENTS

19 LOANS AND BORROWINGS (CONTINUED)

Terms and debts repayment schedule (Continued)

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	1 to 5 years $'000
Group				
2018				
Unsecured bank loans	**21,324**	**(21,370)**	**(21,370)**	**–**
Trade and other payables*	**56,430**	**(56,715)**	**(56,633)**	**(82)**
	77,754	**(78,085)**	**(78,003)**	**(82)**
2017				
Unsecured bank loans	16,330	(16,362)	(16,362)	–
Trade and other payables*	78,573	(78,614)	(76,502)	(2,112)
	94,903	(94,976)	(92,864)	(2,112)
Company				
2018				
Unsecured bank loans	**9,000**	**(9,020)**	**(9,020)**	**–**
Trade and other payables*	**19,600**	**(19,600)**	**(19,600)**	**–**
	28,600	**(28,620)**	**(28,620)**	**–**
2017				
Unsecured bank loans	4,000	(4,008)	(4,008)	–
Trade and other payables*	44,645	(44,645)	(44,645)	–
	48,645	(48,653)	(48,653)	–

* Exclude prepayments

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Loans and borrowings $'000
Balance at 1 January 2017	12,108
Changes from financing cash flows	
Interest paid	(1,002)
Proceeds from borrowings	15,039
Repayment of borrowings	(10,816)
Total changes from financing cash flows	3,221
The effect of changes in foreign exchange rates	(1)
Other changes	
Interest expense	1,002
Total other changes	1,002
Balance at 31 December 2017	16,330

NOTES TO THE FINANCIAL STATEMENTS

19 LOANS AND BORROWINGS (CONTINUED)

Terms and debts repayment schedule (Continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities (Continued)

	Loans and borrowings $'000
Balance at 1 January 2018	**16,330**
Changes from financing cash flows	
Interest paid	**(1,017)**
Proceeds from borrowings	**49,901**
Repayment of borrowings	**(44,908)**
Total changes from financing cash flows	**3,976**
The effect of changes in foreign exchange rates	**1**
Other changes	
Interest expense	**1,017**
Total other changes	**1,017**
Balance at 31 December 2018	**21,324**

20 PROVISIONS

	Warranties $'000	Reinstatement costs $'000	Total $'000
Group			
At 1 January 2018	**161**	**163**	**324**
Provision made	**–**	**11**	**11**
Provision written back	**(1)**	**(12)**	**(13)**
Translation difference	**(5)**	**–**	**(5)**
At 31 December 2018	**155**	**162**	**317**
31 December 2018			
Non-current	**–**	**162**	**162**
Current	**155**	**–**	**155**
	155	**162**	**317**
31 December 2017			
Current	161	163	324
1 January 2017			
Current	205	101	306

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.

NOTES TO THE FINANCIAL STATEMENTS

20 PROVISIONS (CONTINUED)

In accordance with terms of the lease agreements, the Group is required to restore the retail outlets to their original condition by the end of the lease terms.

21 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.

(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 associate 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

21 EQUITY COMPENSATION BENEFITS (CONTINUED)

TeleChoice Restricted Share Plan and Performance Share Plan (Continued)

(vi) Under the TeleChoice RSP (as amended), conditional awards vest over a three-year periods, 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.

(vii) The vesting period of the shares granted under the Plans is between one to three years.

(viii) As at 31 December 2018, the initial awards of 11,627,890 (2017: 10,350,890) shares under the TeleChoice PSP and the initial awards of 26,317,920 (2017: 23,235,920) shares under the TeleChoice RSP were made to Eligible Persons. As at 31 December 2018, awards of 3,400,000 (2017: 2,995,320) shares under the TeleChoice PSP and 4,643,885 (2017: 5,875,856) shares under the TeleChoice RSP were outstanding.

The key assumptions applied in estimating the fair values under the TeleChoice PSP are as follows:

Date of grant of shares	**1 June 2018**	**1 June 2017**	**1 June 2016**	**3 June 2015**
Fair value at grant date	**$0.160**	$0.112	$0.175	$0.179
Assumptions under Monte-Carlo Model Expected Volatility				
TeleChoice International Limited	**13.75%**	15.89%	16.02%	12.89%
Straits Times Index	**N/A**	N/A	11.85%	8.76%
Risk-free interest rates	**2.05%**	1.31%	1.77%	2.00%

NOTES TO THE FINANCIAL STATEMENTS

21 EQUITY COMPENSATION BENEFITS (CONTINUED)

TeleChoice Restricted Share Plan and Performance Share Plan (Continued)

The key assumptions applied in estimating the fair values under TeleChoice RSP are as follows:

Date of grant of shares	1 June 2018	1 June 2017	1 June 2016	3 June 2015
Fair value at grant date:				
For RSP vested 24 months from grant date	**$0.240**	$0.245	$0.220	$0.233
For RSP vested 36 months from grant date	**$0.225**	$0.231	$0.205	$0.218
For RSP vested 48 months from grant date	**$0.211**	$0.219	$0.190	$0.204
Assumptions under Monte-Carlo Model Expected Volatility				
TeleChoice International Limited	**13.75%**	15.89%	16.02%	12.89%
Risk-free interest rates				
Singapore 1-year Government Bond yield	**1.71%**	1.07%	N/A	N/A
Singapore 2-year Government Bond yield	**1.93%**	1.21%	1.09%	1.13%
Singapore 3-year Government Bond yield	**2.05%**	1.31%	1.28%	1.40%
Singapore 4-year Government Bond yield	**N/A**	N/A	1.50%	1.71%

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 $580,000 (2017: $369,000) to the income statement based on the fair value of the PSP and RSP at the grant date.

22 REVENUE

	Group	
	2018	**2017**
	$'000	**$'000**
Equipment and cards sales	**373,793**	397,839
Voice services, mobile data and location tracking services	**3,552**	4,900
Logistic and consultancy services	**22,841**	20,421
Maintenance support services	**16,279**	14,387
Network engineering projects	**59,301**	60,526
Info-communication technology projects	**15,951**	15,422
Revenue from contracts with customers	**491,717**	513,495

NOTES TO THE FINANCIAL STATEMENTS

22 REVENUE (CONTINUED)

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.

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 or services are rendered and are 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.

NOTES TO THE FINANCIAL STATEMENTS

22 REVENUE (CONTINUED)

Info-Communications Technology Services (“ICT”) segment (Continued)

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.
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.

NOTES TO THE FINANCIAL STATEMENTS

22 REVENUE (CONTINUED)

Network Engineering Services ("Engineering") segment (Continued)

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.

	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Trade receivables	**25,786**	25,625	23,893
Contract assets	**32,473**	25,484	24,972
Contract liabilities	**(4,732)**	(6,451)	(4,605)

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.

NOTES TO THE FINANCIAL STATEMENTS

22 REVENUE (CONTINUED)

Contract balances (Continued)

Significant changes in the contract assets and contract liabilities during the period are as follows.

	Contract assets		Contract liabilities	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**–**	–	**4,728**	3,834
Increases due to cash received/ progress billings, excluding amounts recognised as revenue during the year	**–**	–	**(3,892)**	(5,633)
Contract asset reclassified to trade receivables	**(22,484)**	(22,338)	**–**	–
Contract assets recognised, net of reclassification to receivables	**30,149**	23,835	**–**	–

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 $'000	Within 2 – 5 years $'000	Total $'000
Maintenance support services and info-communication technology projects	3,596	3,787	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

23 PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting) the following items:

	Note	Group 2018 $'000	Group 2017 $'000
Depreciation of plant and equipment	4	**1,850**	2,193
Amortisation of intangible assets	5	**606**	476
Audit fees paid to:			
– auditors of the Company		**251**	245
– other auditors		**72**	68
Non-audit fees paid to:			
– auditors of the Company		**4**	16
Cost of inventories recognised as an expense in income statement		**344,917**	363,059
Directors' remuneration		**471**	510
Government grants		**(210)**	(291)
Gain on liquidation of a subsidiary		**(26)**	–
Exchange (gain)/loss		**(141)**	29
(Reversal of)/Impairment loss on trade receivables and contract assets	10	**(33)**	21
(Gain)/loss on disposal of plant and equipment		**(1)**	13
Operating lease expenses		**7,876**	7,796

	Note	Group 2018 $'000	Group 2017 $'000
Employee benefits expense			
Staff costs		**47,684**	48,400
Contributions to defined contribution plans, included in staff costs		**3,207**	3,276
Share-based payments expenses, included in staff costs	21	**580**	369
Finance income			
Interest income			
– banks and financial institutions		**(37)**	(56)
– interest accretion		**(150)**	(255)
		(187)	(311)
Finance costs			
Interest expense			
– banks and financial institutions		**1,008**	1,002
– a non-controlling interest		**9**	–
– interest accretion		**115**	188
		1,132	1,190

NOTES TO THE FINANCIAL STATEMENTS

24 TAX EXPENSE

	Group	
	2018	2017
	$'000	$'000
Current tax expense		
Current year	**1,819**	2,027
Under/(Over) provision in respect of prior years	**132**	(133)
	1,951	1,894
Deferred tax credit		
Origination and reversal of temporary differences	**(158)**	(269)
Tax expense	**1,793**	1,625
Reconciliation of effective tax rate		
Profit before taxation	**6,091**	9,881
Income tax using Singapore tax rate of 17% (2017: 17%)	**1,035**	1,680
Non-deductible expenses	**122**	719
Tax-exempt income	**(74)**	(344)
Tax incentive	**–**	(814)
Tax rebate	**(10)**	–
Recognition of tax effect of previously unrecognised tax losses	**–**	(9)
Deferred tax assets not recognised	**80**	67
Effect of results of associate presented net of tax	**(53)**	(54)
Effect of different tax rates in other countries	**561**	513
Under/(Over) provision in respect of prior years	**132**	(133)
	1,793	1,625

25 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	
	2018	2017
	$'000	$'000
Profit attributable to equity holders of the Company	**4,003**	8,166

	Group Number of shares	
	2018	2017
	('000)	('000)
Issued ordinary shares at beginning of the year	**454,423**	454,423
Effect of own shares held	**(304)**	(116)
Weighted average number of ordinary shares during the year	**454,119**	454,307

NOTES TO THE FINANCIAL STATEMENTS

25 EARNINGS PER SHARE (CONTINUED)

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	
	2018	**2017**
	$'000	**$'000**
Diluted earnings per share is based on:		
Profit attributable to equity holders of the Company	**4,003**	8,166

	Group	
	Number of shares	
	2018	**2017**
	('000)	**('000)**
Weighted average number of ordinary shares (basic)	**454,119**	454,307
Effect of RSP shares vested but not released	**2,224**	888
Weighted average number of ordinary shares (diluted) during the year	**456,343**	455,195

	Group	
	2018	**2017**
Earnings per share		
Basic earnings per share (cents)	**0.88**	1.80
Diluted earnings per share (cents)	**0.88**	1.80

26 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	
	2018	**2017**
	$'000	**$'000**
Ultimate holding company		
Revenue from sale of products and provision of services	**3**	17
Immediate holding company		
Revenue from sale of products and provision of services	**18**	11
Purchase of products and services	**(8)**	(9)
Management fees paid/payable	**(78)**	(86)
Other related parties		
Revenue from sale of products and provision of services	**227,506**	233,728
Purchase of products and services	**(66,275)**	(95,697)
Rental and warehouse expenses	**(1,904)**	(1,708)
Telecommunication services received	**(457)**	(624)

NOTES TO THE FINANCIAL STATEMENTS

26 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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	
	2018	2017
	$'000	$'000
Short-term employment benefits		
– Directors	**342**	372
– Other key management personnel	**2,508**	2,972
Post-employment benefits (including defined contribution plans)		
– Other key management personnel	**665**	603
Share-based payments		
– Directors	**129**	138
– Other key management personnel	**491**	310
	4,135	4,395

27 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 through two subsidiaries, Planet Telecoms (S) Pte Ltd and Planet Managed Services Pte. Ltd.. Besides being the only StarHub Ltd ("StarHub") Exclusive Partner to manage five StarHub Platinum shops, it also manages concept stores for major mobile device manufacturers. In addition, it is the appointed master distributor of StarHub's prepaid card business. Through Planet Smart Services Pte. Ltd., it provides StarHub with mobile handset delivery and field and cabling services. Through its Malaysian subsidiary, it 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.

NOTES TO THE FINANCIAL STATEMENTS

27 OPERATING SEGMENTS (CONTINUED)

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 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 offers Internet Protocol television solutions for the hospitality industry and also has a Service–Based Operator licence that offers IDD, SMS broadcast as well as mobility solutions and services for the consumer and enterprise markets.

Network Engineering Services: 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 cost-effective 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. It 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.

Information about reportable segments

	Personal communications solutions services		Info-communications technology services		Network engineering services		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Equipment and cards sales	**328,987**	350,511	**36,188**	40,768	**8,618**	6,560	**373,793**	397,839
Voice services, mobile data and location tracking services	**–**	–	**3,552**	4,900	**–**	–	**3,552**	4,900
Logistic and consultancy services	**22,841**	20,421	**–**	–	**–**	–	**22,841**	20,421
Maintenance support services	**–**	–	**16,038**	14,061	**241**	326	**16,279**	14,387
Network engineering projects	**–**	–	**–**	–	**59,301**	60,526	**59,301**	60,526
Info-communication projects	**–**	–	**15,951**	15,422	**–**	–	**15,951**	15,422
Total revenue from external customers	**351,828**	370,932	**71,729**	75,151	**68,160**	67,412	**491,717**	513,495
Inter-segment revenue	**–**	9	**247**	234	**–**	125	**247**	368
	351,828	370,941	**71,976**	75,385	**68,160**	67,537	**491,964**	513,863
Timing of revenue recognition								
Products transferred at a point in time	**351,828**	370,932	**39,740**	45,668	**20,255**	13,929	**411,823**	430,529
Products and services transferred over time	**–**	–	**31,989**	29,483	**47,905**	53,483	**79,894**	82,966
	351,828	370,932	**71,729**	75,151	**68,160**	67,412	**491,717**	513,495
Interest income	**31**	82	**224**	286	**14**	36	**269**	404
Interest expenses	**248**	275	**169**	269	**797**	739	**1,214**	1,283
Depreciation of plant and equipment	**611**	641	**147**	199	**1,092**	1,353	**1,850**	2,193
Amortisation of intangible assets	**253**	174	**324**	272	**29**	30	**606**	476
Reportable segment profit before income tax	**4,120**	6,328	**(1,286)**	980	**2,943**	2,255	**5,777**	9,563

NOTES TO THE FINANCIAL STATEMENTS

27 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments (Continued)

	Personal communications solutions services		Info-communications technology services		Network engineering services		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Share of profit of associate (net of tax)	**–**	–	**314**	318	**–**	–	**314**	318
Reportable segment assets	**50,737**	68,829	**54,042**	58,962	**47,865**	47,096	**152,644**	174,887
Investment in associate	**–**	–	**2,234**	2,501	**–**	–	**2,234**	2,501
Capital expenditure								
– Plant and equipment	**218**	612	**93**	83	**376**	874	**687**	1,569
– Intangible assets	**87**	657	**384**	443	**29**	–	**500**	1,100
Reportable segment liabilities	**32,972**	46,760	**29,772**	32,490	**20,679**	23,014	**83,423**	102,264

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities and other material items:

	Group	
	2018 $'000	2017 $'000
Revenue		
Total revenue for reportable segments	**491,964**	513,863
Elimination of inter-segment revenue	**(247)**	(368)
Consolidated revenue	**491,717**	513,495
Profit or loss		
Total profit or loss for reportable segments	**5,777**	9,563
Share of profit of associate	**314**	318
Consolidated profit before income tax	**6,091**	9,881
Assets		
Total assets for reportable segments	**152,644**	174,887
Investments in an associate	**2,234**	2,501
Consolidated total assets	**154,878**	177,388
Liabilities		
Total liabilities for reportable segments	**83,423**	102,264

NOTES TO THE FINANCIAL STATEMENTS

27 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments (Continued)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities and other material items: (Continued)

	Reportable segment totals $'000	Adjustments $'000	Consolidated totals $'000
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**
Other material items 2017			
Interest income	(404)	93	(311)
Interest expenses	1,283	(93)	1,190
Capital expenditure			
– plant and equipment	1,569	–	1,569
– intangible assets	1,100	–	1,100

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.

	Revenue $'000	Non-current assets* $'000
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**

NOTES TO THE FINANCIAL STATEMENTS

27 OPERATING SEGMENTS (CONTINUED)

Geographical segments (Continued)

	Revenue $'000	Non-current assets* $'000
31 December 2017		
Singapore	450,085	14,369
Indonesia	45,219	1,267
Malaysia	11,388	125
Philippines	2,140	160
Hong Kong	4,048	2,501
Other countries	615	27
	513,495	18,449

* 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 44% (2017: 43%) of the Group's total revenue.

28 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 21.

NOTES TO THE FINANCIAL STATEMENTS

29 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 2018, the Group has 27% (2017: 41%) of total receivables due from 1 (2017: 1) major customer, and approximately 44% (2017: 43%) of the Group's revenue is attributable to sales transactions with this 1 (2017: 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.

NOTES TO THE FINANCIAL STATEMENTS

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

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.

Impairment losses on financial assets recognised in the income statement were as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
(Reversal of)/Impairment loss on trade receivables	**(33)**	21

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			Company		
	31 December 2018	**31 December 2017**	**1 January 2017**	**31 December 2018**	**31 December 2017**	**1 January 2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Related companies	**21,924**	36,318	28,510	**4,452**	18,825	12,459
Multinational companies	**27,327**	18,921	22,982	**–**	–	–
Other companies	**31,811**	35,337	30,864	**2,284**	2,951	2,291
	81,062	90,576	82,356	**6,736**	21,776	14,750

NOTES TO THE FINANCIAL STATEMENTS

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

Expected credit loss assessment as at 1 January and 31 December 2018

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 31 December 2018 $'000	Impairment 31 December 2018 $'000	Gross 31 December 2017 $'000	Impairment 31 December 2017 $'000	Gross 1 January 2017 $'000	Impairment 1 January 2017 $'000
Group							
No credit terms	–	**43,052**	**–**	38,499	–	39,377	–
Not past due	*	**28,522**	**1**	29,810	–	23,901	–
Past due 0 – 30 days	0.18	**5,446**	**10**	10,893	2	8,172	10
Past due 31 – 120 days	0.27	**3,671**	**10**	8,620	21	5,586	65
Past due 121 – 360 days	0.55	**361**	**2**	2,410	52	5,024	110
More than one year	2.94	**34**	**1**	449	30	495	14
		81,086	**24**	90,681	105	82,555	199
Company							
No credit terms	–	**397**	**–**	2,291	–	3,048	–
Not past due	–	**5,246**	**–**	14,099	–	7,085	–
Past due 0 – 30 days	–	**469**	**–**	2,684	–	1,197	–
Past due 31 – 120 days	–	**624**	**–**	2,229	–	44	–
Past due 121 – 360 days	–	**–**	**–**	473	–	2,890	–
More than one year	–	**–**	**–**	3	3	489	3
		6,736	**–**	21,779	3	14,753	3

* Less than 0.01%

NOTES TO THE FINANCIAL STATEMENTS

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

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. 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 $136 million (2017: $127 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 risk 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 2018		
Financial liabilities		
Unsecured bank loans	**2.10 – 10.10**	**21,324**
31 December 2017		
Financial liabilities		
Unsecured bank loans	1.64 – 8.95	16,330

NOTES TO THE FINANCIAL STATEMENTS

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Cash flow and fair value interest rate risk (Continued)

Effective interest rate and repricing analysis (Continued)

	Effective interest %	Within 1 year $'000
Company		
31 December 2018		
Financial liabilities		
Unsecured bank loan	**2.10 – 2.26**	**9,000**
31 December 2017		
Financial liabilities		
Unsecured bank loans	1.64	4,000

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 profit or loss.

Cash flow sensitivity analysis

The Group's borrowings at variable rates are denominated mainly in Singapore Dollars 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 2018		
Loans and borrowings	**(213)**	**213**
31 December 2017		
Loans and borrowings	(163)	163
Company		
31 December 2018		
Loans and borrowings	**(90)**	**90**

NOTES TO THE FINANCIAL STATEMENTS

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Cash flow sensitivity analysis (Continued)

	Profit before tax 100 bp increase $'000	Profit before tax 100 bp decrease $'000
Company		
31 December 2017		
Loans and borrowings	(40)	40

Foreign currency risk

The Group is exposed to foreign currency risk in respect of bank deposits as well as sales and purchases that are denominated in a currency other than the Group entities' functional currencies. The currencies giving rise to this risk are primarily the Ringgit Malaysia ("RM") and the US dollar ("USD"). The risk arises mainly from timing mismatches between such sales and purchases denominated in these currencies. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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 currencies are as follows:

	RM $'000	USD $'000
Group		
31 December 2018		
Trade and other receivables	**125**	**1,196**
Cash and cash equivalents	**97**	**4,492**
Trade and other payables	**(48)**	**(6,225)**
Net exposure	**174**	**(537)**
31 December 2017		
Trade and other receivables	1	2,014
Cash and cash equivalents	45	5,041
Trade and other payables	(29)	(9,643)
Net exposure	17	(2,588)

NOTES TO THE FINANCIAL STATEMENTS

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Foreign currency risk (Continued)

	RM $'000	USD $'000
1 January 2017		
Trade and other receivables	161	3,548
Cash and cash equivalents	165	5,315
Trade and other payables	(156)	(11,192)
Net exposure	170	(2,329)
Company		
31 December 2018		
Cash and cash equivalents	**–**	**54**
Trade and other payables	**–**	**(1,018)**
Net exposure	**–**	**(964)**
Company		
31 December 2017		
Cash and cash equivalents	–	127
Trade and other payables	–	(5,456)
Net exposure	–	(5,329)
1 January 2017		
Cash and cash equivalents	–	323
Trade and other payables	–	(2,319)
Net exposure	–	(1,996)

Sensitivity analysis

A 10 percent strengthening of the following currencies 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 2018		
RM	**17**	**–**
USD	**(54)**	**(96)**
	(37)	**(96)**
31 December 2017		
RM	2	–
USD	(259)	(533)
	(257)	(533)

NOTES TO THE FINANCIAL STATEMENTS

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Sensitivity analysis (Continued)

A 10 percent weakening of the above currencies against the Group entities' functional currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Estimating the fair values

As at 31 December 2018, the fair value of non-current other receivables and other payables amounted to $1,148,000 (31 December 2017: $3,450,000; 1 January 2017: $4,422,000) and $82,000 (31 December 2017: $2,071,000; 1 January 2017: $3,354,000) 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.

Accounting classifications

	Note	Amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000
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

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Accounting classifications (Continued)

	Note	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000
Group				
31 December 2017				
Financial assets not measured at fair value				
Trade and other receivables	10	66,648	–	66,648
Cash and cash equivalents	15	42,926	–	42,926
		109,574	–	109,574
Financial liabilities not measured at fair value				
Trade and other payables	18	–	78,573	78,573
Loans and borrowings	19	–	16,330	16,330
		–	94,903	94,903
1 January 2017				
Financial assets not measured at fair value				
Trade and other receivables	10	59,412	–	59,412
Cash and cash equivalents	15	48,870	–	48,870
		108,282	–	108,282
Financial liabilities not measured at fair value				
Trade and other payables	18	–	78,763	78,763
Loans and borrowings	19	–	12,108	12,108
		–	90,871	90,871

NOTES TO THE FINANCIAL STATEMENTS

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Accounting classifications (Continued)

	Note	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000
Company				
31 December 2017				
Financial assets not measured at fair value				
Trade and other receivables	10	26,950	–	26,950
Cash and cash equivalents	15	14,273	–	14,273
		41,223	–	41,223
Financial liabilities not measured at fair value				
Trade and other payables	18	–	44,645	44,645
Loans and borrowings	19	–	4,000	4,000
		–	48,645	48,645
1 January 2017				
Financial assets not measured at fair value				
Trade and other receivables	10	21,176	–	21,176
Cash and cash equivalents	15	19,693	–	19,693
		40,869	–	40,869
Financial liabilities not measured at fair value				
Trade and other payables	18	–	37,517	37,517
Loans and borrowings	19	–	4,992	4,992
		–	42,509	42,509

30 OPERATING LEASES

The Group leases offices, warehouses and a number of retail outlets 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.

Contingent rent recognised as an expense during the year ended 31 December 2018 amounted to $125,000 (2017: $96,000).

NOTES TO THE FINANCIAL STATEMENTS

30 OPERATING LEASES (CONTINUED)

At 31 December 2018, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Payable:						
Within 1 year	**4,965**	4,688	4,935	**817**	1,248	1,222
After 1 year but within 5 years	**4,992**	3,052	7,133	**2,033**	473	1,721
After 5 years	**167**	–	108	**167**	–	–
	10,124	7,740	12,176	**3,017**	1,721	2,943

31 CONTINGENT LIABILITY

The Company issued corporate guarantees amounting to $20,887,000 (2017: $17,439,000) in favour of subsidiaries to cover purchases and bank facilities per the terms of the agreements.

32 SUBSEQUENT EVENTS

On 2 January 2019, the Company entered into a sale and purchase agreement with a non-controlling interest in connection with the purchase of 294,000 ordinary shares, representing 49% of the share capital of a subsidiary, Planet Smart Services Pte. Ltd.. Upon completion, Planet Smart Services Pte. Ltd. became a wholly-owned subsidiary of the Company.

On 22 February 2019, the directors proposed a final dividend of 1 cent per ordinary share (one-tier tax exempt) in respect of financial year ended 31 December 2018. The proposed final dividend amounting to S$4,544,000 has not been recognised as at year end and is subject to shareholders' approval at the forthcoming Annual General Meeting of the Company in 2019.

33 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual periods beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

33 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statements of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statements of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration.*

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 15.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 1 and SFRS(I) 15 on the Group's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018. There were no material adjustments to the Group's statement of financial position as at 1 January 2017, 31 December 2017 and 1 January 2018, the Group's income statement and statement of other comprehensive income and statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I) 1 and SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

33 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Summary of quantitative impact (Continued)

Consolidated statement of financial position

	1 January 2018 and 31 December 2017			1 January 2017		
	FRS Framework $'000	SFRS(I) 15 $'000	SFRS(I) Framework $'000	FRS Framework $'000	SFRS(I) 15 $'000	SFRS(I) Framework $'000
Non-current assets						
Plant and equipment	2,876	–	2,876	3,639	–	3,639
Intangible assets	13,072	–	13,072	12,448	–	12,448
Associate	2,501	–	2,501	2,231	–	2,231
Deferred tax assets	829	–	829	600	–	600
Trade and other receivables	3,450	–	3,450	4,422	–	4,422
Total non-current assets	22,728	–	22,728	23,340	–	23,340
Current assets						
Inventories	19,082	–	19,082	15,874	–	15,874
Work-in-progress	25,484	(25,484)	–	24,972	(24,972)	–
Contract assets	–	25,484	25,484	–	24,972	24,972
Trade and other receivables	67,168	–	67,168	58,862	–	58,862
Cash and cash equivalents	42,926	–	42,926	48,870	–	48,870
Total current assets	154,660	–	154,660	148,578	–	148,578
Total assets	177,388	–	177,388	171,918	–	171,918
Equity						
Share capital	21,987	–	21,987	21,987	–	21,987
Reserves	7,551	–	7,551	9,053	–	9,053
Accumulated profits	45,196	–	45,196	44,244	–	44,244
Total equity attributable to equity holders of the Company	74,734	–	74,734	75,284	–	75,284
Non-controlling interests	390	–	390	6	–	6
Total equity	75,124	–	75,124	75,290	–	75,290
Non-current liabilities						
Loans and borrowings	–	–	–	4,992	–	4,992
Trade and other payables	2,071	–	2,071	3,354	–	3,354
Deferred tax liabilities	–	–	–	–	–	–
Total non-current liabilities	2,071	–	2,071	8,346	–	8,346
Current liabilities						
Loans and borrowings	16,330	–	16,330	7,116	–	7,116
Current tax payable	157	–	157	781	–	781
Trade and other payables	76,931	–	76,931	75,474	–	75,474
Provisions	324	–	324	306	–	306
Contract liabilities	–	6,451	6,451	–	4,605	4,605
Excess of progress billing over work-in-progress	41	(41)	–	51	(51)	–
Deferred revenue	6,410	(6,410)	–	4,554	(4,554)	–
Total current liabilities	100,193	–	100,193	88,282	–	88,282
Total liabilities	102,264	–	102,264	96,628	–	96,628
Total equity and liabilities	177,388	–	177,388	171,918	–	171,918

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 2018 and 2017.

2 INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual	
	2018	**2017**
	$'000	**$'000**
Transactions for the sales of goods and services		
Temasek Holdings (Private) Limited and its Associates	227,527	233,985
Transactions for the purchase of goods and services		
Temasek Holdings (Private) Limited and its Associates	68,644	98,038
Management services		
Temasek Holdings (Private) Limited and its Associates	78	86
Total Interested Person Transactions	**296,249**	**332,109**

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 11 MARCH 2019

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	0.14	187	0.00
100 – 1,000	88	4.20	79,649	0.02
1,001 – 10,000	912	43.55	4,937,177	1.09
10,001 – 1,000,000	1,072	51.20	86,043,245	18.93
1,000,001 and above	19	0.91	363,362,242	79.96
	2,094	100.00	454,422,500	100.00

TOP 21 SHAREHOLDERS

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	%*
1	STT COMMUNICATIONS LTD	228,937,500	50.38
2	LEAP INTERNATIONAL PTE LTD	87,586,000	19.28
3	DBS NOMINEES PTE LTD	8,140,480	1.79
4	TAN CHWEE HUAT	5,030,000	1.11
5	HONG LEONG FINANCE NOMS PTE LTD	4,468,000	0.98
6	CHOO SOON KIAH	3,970,000	0.87
7	NG HIAN CHOW	3,639,000	0.80
8	PAULINE WONG MAE SUM (PAULINE HUANG MEIXIN)	3,005,848	0.66
9	LOH SUR JIN ANDREW	2,974,300	0.65
10	LEE YOONG KIN	2,490,108	0.55
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,063,000	0.45
12	OCBC NOMINEES SINGAPORE PTE LTD	1,756,900	0.39
13	LIM SHUH MOH	1,550,606	0.34
14	TAN KIA HONG @TANG KIA HONG	1,495,700	0.33
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	RAFFLES NOMINEES (PTE) LIMITED	1,158,800	0.26
19	OH HOON JIUN	1,030,000	0.23
20	LIM SIOW SUN NEE LAU YUEN LING	1,000,000	0.22
21	YEE LAT SHING	1,000,000	0.22
		365,362,242	80.41

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 11 March 2019 of 454,387,185 shares (which excludes 35,315 shares which are held as treasury shares representing approximately 0.0078% 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 11 March 2019.

SHAREHOLDINGS STATISTICS

AS AT 11 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%[3]	Deemed Interest	%[3]
Leap International Pte Ltd	87,586,000	19.28	–	–
Lim Chai Hock Clive[1]	183,000	0.04	87,586,000	19.28
STT Communications Ltd[2]	228,937,500	50.38	–	–
Singapore Technologies Telemedia Pte Ltd[2]	–	–	228,937,500	50.38
Temasek Holdings (Private) Limited[2]	–	–	228,937,500	50.38

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 87,769,000 shares, representing 19.32% of the issued share capital of the Company.

(2) STT Communications Ltd ("**STTC**") is a wholly-owned 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 11 March 2019 of 454,387,185 shares (which excludes 35,315 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 29.38% 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.

NOTICE OF TWENTY-FIRST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting of TeleChoice International Limited (the "**Company**") will be held at Genting 1 Ballroom, Genting Hotel Jurong, Level 1, 2 Town Hall Link Singapore 608516 on 23 April 2019 at 10.30 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018 together with the Auditors' Report thereon. **Resolution 1**

2. To declare a final tax exempt (one-tier) dividend of 1.0 cents per ordinary share in the capital of the Company ("**Share**"), for the financial year ended 31 December 2018. **Resolution 2**

3. To re-elect Mr Tang Yew Kay Jackson, who is retiring in accordance with Regulation 99 of the Constitution of the Company. **Resolution 3**

   See Explanatory Note (a)

4. To re-elect Ms Ho Koon Lian Irene, who is retiring in accordance with Regulation 99 of the Constitution of the Company. **Resolution 4**

   See Explanatory Note (b)

5. To re-elect Mr Lim Chai Hock Clive, who is retiring in accordance with Regulation 99 of the Constitution of the Company. **Resolution 5**

   See Explanatory Note (c)

6. To approve the sum of $429,000 to be paid as Directors' Remuneration to all of the Directors (other than Mr Lim Chai Hock Clive) for the financial year ended 31 December 2018 comprising: **Resolution 6**

   (a) $300,300 to be paid in cash (2017: $322,700) (2016: $328,300); and

   (b) $128,700 to be paid in the form of restricted share awards pursuant to the TeleChoice Restricted Share Plan (the "**TeleChoice RSP**") (as amended) (2017: $138,300) (2016: $140,700).

   See Explanatory Note (d)

7. To approve the sum of $42,000 to be paid as Directors' Remuneration to Mr Lim Chai Hock Clive for the financial year ended 31 December 2018 in cash (2017: $49,500) (2016: $48,500). **Resolution 7**

   See Explanatory Note (e)

8. To re-appoint KPMG LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**

NOTICE OF TWENTY-FIRST ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

9. That authority be and is hereby given to the Directors to: **Resolution 9**

(a) (i) issue Shares whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution), does not exceed 50% of the issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph 9(ii) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph 9(ii) below);

(ii) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph 9(i) above, the percentage of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, and adjusting for: (1) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and (2) any subsequent bonus issue, consolidation or subdivision of Shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

NOTICE OF TWENTY-FIRST ANNUAL GENERAL MEETING

(iv) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

See Explanatory Note (f)

10. That authority be and is hereby given to the Directors to: **Resolution 10**

(a) offer and grant awards in accordance with the rules and terms of the TeleChoice RSP (as amended) and/or the TeleChoice Performance Share Plan (the "**TeleChoice PSP**") (as amended) (the TeleChoice RSP and the TeleChoice PSP shall collectively be referred to as the "**Share Plans**"); and

(b) allot and issue from time to time such number of Shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of the awards granted under the TeleChoice RSP (as amended) and/or the TeleChoice PSP (as amended),

provided that the aggregate number of Shares to be issued under the Share Plans shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

See Explanatory Note (g)

11. That: **Resolution 11**

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("**Chapter 9**") of SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Annexure to the Appendix to the Annual Report dated 8 April 2019 (the "**Appendix**") with any party who is of the class of interested persons described in the Annexure to the Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

(b) the approval given in sub-paragraph 11(a) above (the "**Shareholders' Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution.

See Explanatory Note (h)

NOTICE OF TWENTY-FIRST ANNUAL GENERAL MEETING

12. That: **Resolution 12**

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued Shares in the capital of the Company not exceeding in aggregate the Maximum Limit (as defined in sub-paragraph 12(c) below), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as defined in sub-paragraph 12(c) below), whether by way of:

(i) market purchase(s) on the SGX-ST through the SGX-ST's trading system and/or any other securities exchange ("**Other Exchange**") on which the Shares may for the time being be listed and quoted ("**Market Purchases**"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act ("**Off-Market Purchases**"),

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held; or

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or

(iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

NOTICE OF TWENTY-FIRST ANNUAL GENERAL MEETING

(c) in this Resolution:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the last five consecutive Market Days (as defined in this sub-paragraph 12(c) below) on which the Shares are transacted on the SGX-ST or, as the case may be, Other Exchange, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST, or as the case may be, Other Exchange, for any corporate action which occurs after the relevant five Market Day period;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Market Day**" means a day on which the SGX-ST, or as the case may be, Other Exchange is open for trading in securities;

"**Maximum Limit**" means that number of issued Shares representing 10% of the issued ordinary Shares in the capital of the Company as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and subsidiary holdings as at that date); and

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase of a Share, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase of a Share, 110% of the Average Closing Price; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

See Explanatory Note (i)

NOTICE OF TWENTY-FIRST ANNUAL GENERAL MEETING

OTHER BUSINESS

13. To transact any other business that may be transacted at an Annual General Meeting of the Company.

By Order of The Board

Chan Jen Keet
Company Secretary

Singapore, 8 April 2019

Notes:

1. The Chairman of the Annual General Meeting will be exercising his right under Regulation 68(B) of the Constitution of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members at the Annual General Meeting and at any adjournment thereof. Accordingly, each resolution at the Annual General Meeting will be voted on by way of poll.

2. (a) A member of the Company who is not a relevant intermediary (as defined below) is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

   (b) A member of the Company who is a relevant intermediary (as defined below) is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   The term "relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.

3. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

4. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Company's registered office at 1 Temasek Avenue #33-01 Millenia Tower Singapore 039192 (Attention: The Company Secretary) not later than 72 hours before the time appointed for the Annual General Meeting.

Notice of Books Closure and Dividend Payment Dates

Subject to shareholders' approval of the payment of the proposed final dividend at the Twenty-First Annual General Meeting to be convened on 23 April 2019, the Share Transfer Books and Register of Members of the Company will be closed on 6 May 2019.

Duly completed transfers received by the Company's Registrar, M & C Services Private Limited, 112 Robinson Road #05-01 Singapore 068902, up to 5.00 p.m. on 3 May 2019 (the "**Entitlement Date**") will be registered to determine shareholders' entitlement to the proposed final dividend. Subject as aforesaid, persons whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on the Entitlement Date, will be entitled to the proposed final dividend.

The proposed final dividend, if approved by shareholders of the Company, will be paid on 21 May 2019.

EXPLANATORY NOTES:

(a) Ordinary Resolution No. 3 is to approve the re-election of Mr Tang Yew Kay Jackson, who is retiring by rotation, in accordance with Regulation 99 of the Constitution of the Company. Upon his re-election, Mr Tang, who is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST, will remain as a member of the Audit Committee of the Company.

(b) Ordinary Resolution No. 4 is to approve the re-election of Ms Ho Koon Lian Irene, who is retiring by rotation, in accordance with Regulation 99 of the Constitution of the Company. Upon her re-election, Ms Ho, who is considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST, will remain as a member of the Audit Committee of the Company.

(c) Ordinary Resolution No. 5 is to approve the re-election of Mr Lim Chai Hock Clive, who is retiring by rotation, in accordance with Regulation 99 of the Constitution of the Company. Upon his re-election, Mr Lim will remain as a member of the Executive Committee of the Company.

NOTICE OF TWENTY-FIRST ANNUAL GENERAL MEETING

(d) Ordinary Resolution No. 6 is to approve the payment of an aggregate sum of $429,000 as Directors' remuneration for the financial year ended 31 December 2018 to all of the Directors (other than Mr Lim Chai Hock Clive). If Ordinary Resolution No. 6 is approved, each of the Directors (other than Mr Lim Chai Hock Clive) will receive approximately 70% of his Directors' remuneration in cash and approximately 30% of his Directors' remuneration in the form of a restricted share award pursuant to the TeleChoice Restricted Share Plan ("**TeleChoice RSP**") (as amended). Please refer to the section on "Remuneration Matters" in the Corporate Governance Report on pages 31 to 36 of the Annual Report 2018 for the rationale in including a share component to the Directors' remuneration. 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 Annual General Meeting (and in the event that no dividend is declared at such last concluded Annual General Meeting, the VWAP of a Share listed on the SGX-ST over the 14 market days commencing after the date of such last concluded Annual General Meeting). 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 interest 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 market days from (and including) the first ex-dividend date (if any) following the date of the Company's last concluded Annual General Meeting (and in the event that no dividend is declared at such last concluded Annual General Meeting, the VWAP of a Share listed on the SGX-ST over the 14 market days commencing after the date of such last concluded Annual General Meeting); or (ii) the total number of Shares awarded to that Director under the TeleChoice RSP (as amended) for the financial year ended 31 December 2013 and onwards, whichever is lower. Notwithstanding the foregoing, a Director is permitted to dispose of all of his Shares after the first anniversary of the date of his cessation as a Director of the Company.

(e) Ordinary Resolution No. 7 is to approve the payment of $42,000 as Director's remuneration for the financial year ended 31 December 2018 to Mr Lim Chai Hock Clive. It is proposed that the entire amount of his Director's remuneration (including the amount of $12,600 which would otherwise have been paid in the form of share awards under the TeleChoice RSP (as amended)) be paid to him in cash. Mr 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 Mr Lim Chai Hock Clive would have been computed only after the date of the Annual General Meeting (as described in Explanatory Note (d) above), such number of awards would not be known until after the Annual General Meeting, and it is therefore not possible to seek approval for the grant of the specific number of share awards to him at the Annual General Meeting. In view of the difficulties that the Company would face in complying with the Listing Rule 853 for the grant of share awards to Mr Lim Chai Hock Clive, the Company is therefore proposing to pay him in cash in full instead.

(f) Ordinary Resolution No. 9 is to authorise the Directors to issue Shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such instruments, up to an amount not exceeding in total 50% of the issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, with a sub-limit of 20% for issues other than on a *pro rata* basis to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued share capital shall be based on the issued share capital of the Company at the time that Ordinary Resolution No. 9 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution No. 9 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of Shares.

(g) Ordinary Resolution No. 10 is to authorise the Directors to offer and grant awards and to allot and issue Shares in the capital of the Company in accordance with the rules and terms of the TeleChoice RSP (as amended) and/or the TeleChoice Performance Share Plan (the "**TeleChoice PSP**") (as amended) (the TeleChoice RSP and the TeleChoice PSP shall collectively be referred to as the "**Share Plans**"), provided that the aggregate number of Shares to be allotted and issued pursuant to the Share Plans shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time. Details of the Share Plans are set out in the Company's Circular to Shareholders dated 11 April 2007 and the Company's Appendix to the Annual Report dated 11 April 2018.

(h) Ordinary Resolution No. 11 is to renew the mandate to allow the Company, its subsidiaries and its associated companies that are entities at risk or any of them to enter into certain interested person transactions with certain classes of interested persons as described in the Annexure to the Appendix to the Annual Report dated 8 April 2019 (the "**Appendix**"). The authority will, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company.

(i) Ordinary Resolution No. 12 is to renew the mandate to allow the Company to purchase or acquire issued ordinary Shares in the capital of the Company on the terms and subject to the conditions of the Resolution.

The Company may use internal resources or external borrowings or a combination of both to fund the purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the financial position of the Company, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired and the price at which such Shares were purchased or acquired.

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Company and the Company and its subsidiaries for the financial year ended 31 December 2018, based on certain assumptions, are set out in paragraph 3.7.3 of the Letter to Shareholders in the Appendix.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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TELECHOICE INTERNATIONAL LIMITED

(Registration No. 199802072R)
(Incorporated in the Republic of Singapore)

PROXY FORM

Twenty-First Annual General Meeting

IMPORTANT

1. A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the capital of TeleChoice International Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of the Twenty-First Annual General Meeting dated 8 April 2019.

I/We ____ (Name) NRIC/Passport/Co. Reg. No. ______________

of ____ (Address)

being a member/members of TELECHOICE INTERNATIONAL LIMITED (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of shares	%
and/or (delete as appropriate)				

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Twenty-First Annual General Meeting ("**AGM**") of the Company to be held at Genting 1 Ballroom, Genting Hotel Jurong, Level 1, 2 Town Hall Link Singapore 608516 on 23 April 2019 at 10.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM and at any adjournment thereof as indicated hereunder. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM and at any adjournment thereof. (Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of AGM.)

NOTE: The Chairman of the AGM will be exercising his right under Regulation 68(B) of the Constitution of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members at the AGM and at any adjournment thereof. Accordingly, each resolution at the AGM will be voted on by way of a poll.

No.	Ordinary Resolutions	For	Against
	Ordinary Business		
1.	Adoption of Financial Statements, Directors' Statement and Auditors' Report		
2.	Declaration of Final Tax Exempt (one-tier) Dividend		
3.	Re-election of Mr Tang Yew Kay Jackson as Director		
4.	Re-election of Ms Ho Koon Lian Irene as Director		
5.	Re-election of Mr Lim Chai Hock Clive as Director		
6.	Approval of Directors' Remuneration to all of the Directors (other than Mr Lim Chai Hock Clive)		
7.	Approval of Directors' Remuneration to Mr Lim Chai Hock Clive		
8.	Re-appointment of KPMG LLP as Auditors		
	Special Business		
9.	Authority for Directors to issue shares		
10.	Authority for Directors to offer and grant awards, and allot and issue shares, pursuant to the TeleChoice Restricted Share Plan (as amended) and the TeleChoice Performance Share Plan (as amended)		
11.	Approval of Renewal of the Shareholders' Mandate for Interested Person Transactions		
12.	Approval of Renewal of the Share Purchase Mandate		

Dated this ____________ day of ________________ 2019.

Total Number of Shares Held

____
Signature(s) or Common Seal of Member(s)

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. (a) A member of the Company who is not a relevant intermediary (as defined below) is entitled to appoint not more than two proxies to attend, speak and vote at the AGM in his stead. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 percent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

   (b) A member of the Company who is a relevant intermediary (as defined below) is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   The term "relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore (the "**Act**").

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 1 Temasek Avenue #33-01 Millenia Tower Singapore 039192 (Attention: Company Secretary) not later than 72 hours before the time appointed for the AGM.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Act.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Fold along this line

Affix
Postage
Stamp

TELECHOICE INTERNATIONAL LIMITED
1 Temasek Avenue #33-01
Millenia Tower
Singapore 039192

Attention: Company Secretary

Fold along this line

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6 SERANGOON NORTH AVENUE 5 #03-16 • SINGAPORE 554910
TEL: 65 6826 3600 • FAX: 65 6826 3610
WWW.TELECHOICE.COM.SG
COMPANY REGISTRATION NO. 199802072R