



TELECHOICE INTERNATIONAL LIMITED
(REG. NO. 199802072R)

PART I - UNAUDITED RESULTS FOR THE 1ST QUARTER ENDED 31 MARCH 2014

1(a)(i) INCOME STATEMENT FOR THE 1ST QUARTER ENDED 31 MARCH 2014

In S\$'000	1Q2014	1Q2013	+/- %
Revenue	124,654	116,813	6.7%
Cost of sales	(115,016)	(107,628)	6.9%
Gross profit	9,638	9,185	4.9%
Gross Margin %	7.7%	7.9%	-0.2 ppt
Other income (Note 1)	283	156	81.4%
Selling and marketing expenses (Note 2)	(2,508)	(2,655)	-5.5%
Administrative expenses	(4,541)	(4,568)	-0.6%
Other expenses (Note 3)	(334)	(243)	37.4%
Net finance costs (Note 4)	(194)	(273)	-28.9%
Profit before income tax	2,344	1,602	46.3%
% of revenue	1.9%	1.4%	0.5 ppt
Income tax expense (Note 5)	(760)	(499)	52.3%
Profit for the period	1,584	1,103	43.6%
Attributable to:			
Equity holders of the Company	1,621	1,160	39.7%
% of revenue	1.3%	1.0%	0.3 ppt
Non-controlling interests	(37)	(57)	-35.1%
	1,584	1,103	43.6%
No. of shares (in '000)	454,026	453,811	
Earnings per share (in cents)			
Basic	0.36	0.26	
Diluted	0.36	0.26	

STATEMENT OF COMPREHENSIVE INCOME FOR THE 1ST QUARTER ENDED 31 MARCH 2014

In S\$'000	1Q2014	1Q2013	+/- %
Profit for the period	1,584	1,103	43.6%
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Translation differences relating to financial statements of foreign subsidiaries	613	275	122.9%
Foreign currency translation differences on disposal of foreign subsidiaries reclassified to profit or loss	-	(24)	nm
Exchange differences on monetary items forming part of net investment in a foreign operations	319	120	165.8%
Total comprehensive income for the period	2,516	1,474	70.7%
Attributable to:			
Equity holders of the Company	2,579	1,539	67.6%
Non-controlling interests	(63)	(65)	-3.1%
Total comprehensive income for the period	2,516	1,474	70.7%

nm - not meaningful



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1(a)(ii) PROFIT BEFORE TAXATION HAS BEEN ARRIVED AT AFTER CHARGING/(CREDITING):

In S\$'000	1Q2014	1Q2013	+/- %
Staff costs (Note 6)	10,152	10,244	-0.9%
Directors' remuneration (Note 7)	117	98	19.4%
Depreciation of property, plant and equipment (Note 8)	363	406	-10.6%
Amortisation of intangible assets (Note 9)	415	368	12.8%
(Reversal)/Provision for bad debts (Note 10)	(28)	(31)	-9.7%
Exchange (gain)/loss (Note 11)	19	(59)	nm

Notes:

- (1) Higher other income in 1Q2014 was from payouts under the Wage Credit Scheme and cash bonus received under the Productivity and Innovation Credit Scheme.
- (2) Lower selling and marketing expenses in 1Q2014 were from lower payroll cost.
- (3) Higher other expenses in 1Q2014 were due to exchange loss and loss on disposal of property, plant and equipment due to the closure of a retail outlet. In 1Q2013, there was an exchange gain.
- (4) Lower net finance cost in 1Q2014 was due to lower borrowings and higher interest income from bank deposits.
- (5) The higher income tax expenses in 1Q2014 were due to higher profits. Effective tax rate in 1Q2014 and 1Q2013 were high with higher profit contribution from overseas entities that have higher statutory tax rates.
- (6) Lower staff costs in 1Q2014 were mainly attributable to lower headcount with the completion of Engineering projects in Indonesia.
- (7) Higher directors' remuneration was approved by shareholders at the Company's Annual General Meeting held on 28 April 2014 (of which 15% of such remuneration will be paid in the form of restricted share awards to be granted pursuant to the TeleChoice restricted share plan).
- (8) Lower depreciation in 1Q2014 for the current review period as some of the assets had been fully depreciated.
- (9) Higher amortisation of intangible assets was mainly from the eplanet ecommerce portal.
- (10) Reversal for bad debts in 1Q2014 was mainly attributed to a PCS customer whilst the amount in 1Q2013 was attributed to ICT customers.
- (11) Exchange loss in 1Q2014 arose mainly from USD payable balances due to the strengthening of the currency. Exchange gain in 1Q2013 arose mainly from cash balances denominated in USD.



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1(b)(i) STATEMENT OF FINANCIAL POSITION AS AT

In S\$'000	Group		Company	
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
Non-current assets (Note 1)				
Subsidiaries	-	-	36,530	36,516
Jointly-controlled entity	-	-	-	-
Property, plant and equipment	2,321	2,437	168	161
Intangible assets	15,145	15,586	258	276
Deferred tax assets	1,022	968	36	36
Other receivables	1,218	807	-	-
	19,706	19,798	36,992	36,989
Current assets (Note 2)				
Inventories	34,524	16,927	23,766	6,504
Work-in-progress	21,948	22,220	-	-
Trade and other receivables	55,152	63,400	20,287	28,451
Cash and cash equivalents	40,631	48,906	22,725	24,303
	152,255	151,453	66,778	59,258
Total assets	171,961	171,251	103,770	96,247
Equity				
Share capital	21,955	21,893	21,955	21,893
Other reserves	9,930	8,928	13,448	13,404
Accumulated profits	40,259	38,638	17,250	16,548
Equity attributable to equity holders of the Company	72,144	69,459	52,653	51,845
Non-controlling interests	192	255	-	-
Total equity	72,336	69,714	52,653	51,845
Non-current liabilities (Note 3)				
Deferred tax liabilities	477	540	-	-
Loans and borrowings	10,000	10,000	10,000	10,000
Other payables	150	150	-	-
	10,627	10,690	10,000	10,000
Current liabilities (Note 4)				
Trade and other payables	74,443	74,489	40,724	34,260
Excess of progress billings over work-in-progress	525	828	-	-
Provision for warranties	220	203	25	25
Current tax payable	1,524	721	262	117
Loans and borrowings	8,333	9,860	-	-
Deferred revenue	3,953	4,746	106	-
	88,998	90,847	41,117	34,402
Total liabilities	99,625	101,537	51,117	44,402
Total equity and liabilities	171,961	171,251	103,770	96,247

Notes:

- (1) Marginally lower non-current assets as a result of depreciation of property, plant and equipment, amortisation of intangible assets offset by higher deferred tax assets and other receivables.
- (2) Higher current assets by \$0.8M from higher inventories purchased for sales in 2Q2014. This was offset by lower work-in-progress, trade receivables and cash balances.
- (3) Lower non-current liabilities by \$0.06M due to lower deferred tax liabilities.
- (4) Lower current liabilities by \$1.8M was mainly due to repayment of bank borrowings and lower deferred revenue offset by higher current tax payable.



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1(b)(ii) GROUP BORROWING

In S\$'000	As at 31/03/2014	As at 31/12/2013
Amount repayable in one year or less		
Bank loan – unsecured	8,333	9,860
Amount repayable after one year		
Bank loan - unsecured	10,000	10,000
Total	<u>18,333</u>	<u>19,860</u>

Details of any collateral

Nil

1(c) CONSOLIDATED CASH FLOW STATEMENT FOR THE 1ST QUARTER ENDED 31 MARCH 2014

In S\$'000	1Q2014	1Q2013
Operating Activities		
Profit before income tax	2,344	1,602
Adjustments for:		
Amortisation of intangible assets	415	368
Depreciation of property, plant and equipment	363	406
Finance costs	249	280
Finance income	(55)	(7)
Loss/(Gain) on disposal of property, plant and equipment and intangible assets	14	(3)
Gain on disposal of subsidiaries	(11)	(24)
Provision for warranties	4	33
Share-based payments expenses	55	54
Cash from operating profit before working capital changes	3,378	2,709
Changes in working capital	(8,646)	(13,563)
Cash generated from operations	(5,268)	(10,854)
Income tax paid	(51)	(130)
Net cash (outflow)/inflow from operating activities	(5,319)	(10,984)
Investing Activities		
Dividend paid to selling shareholders of a subsidiary	(1,438)	(1,438)
Purchase of intangible assets	(94)	(70)
Purchase of property, plant and equipment	(232)	(230)
Proceeds from disposal of property, plant and equipment	3	7
Proceeds from disposal of subsidiary	(13)	-
Interest received	55	7
Net cash (outflow)/inflow from investing activities	(1,719)	(1,724)
Financing Activities		
Balances with related corporations (non-trade)	372	464
Interest paid	(164)	(181)
Proceeds from issue of shares under Pre-IPO Share Option Scheme	51	-
Proceeds from bank loans	1,073	6,823
Repayment of short term bank loans	(2,600)	(6,736)
Net cash (outflow)/inflow from financing activities	(1,268)	370
Net decrease in cash and cash equivalents	(8,306)	(12,338)
Cash and cash equivalents at beginning of period	48,906	51,572
Effect of exchange rate changes on balances held in foreign currency	31	42
Cash and cash equivalents at end of period	40,631	39,276

Cash flows from operating activities

Lower net cash outflow in 1Q2014 as compared to the corresponding period last year was mainly due to higher profit and lower negative change in working capital in the current period. Lower negative change in working capital was from higher payable, lower work-in-progress and lower receivables offset by higher inventories.

Cash flows from investing activities

Lower net cash outflow in 1Q2014 was mainly due to higher interest income received from bank deposits.

Cash flow from financing activities

Net cash outflow in 1Q2014 compared to inflow in 1Q2013 was mainly due to higher net repayment of bank borrowings.



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1(d)(i) STATEMENT OF CHANGES IN EQUITY FOR THE 1ST QUARTER ENDED 31 MARCH 2014

In S\$'000	Share capital	Accumulated profits	Other reserves	Total attributable to equity holders of the Company	Non controlling interests	Total equity
GROUP						
At 1 January 2013	21,840	37,516	12,048	71,404	1,297	72,701
Total comprehensive income for the period	-	1,160	379	1,539	(65)	1,474
Share-based payments expenses	-	-	54	54	-	54
Acquisition of non-controlling interests without a change in control	-	(1,258)	-	(1,258)	(975)	(2,233)
At 31 March 2013	21,840	37,418	12,481	71,739	257	71,996
At 1 January 2014	21,893	38,638	8,928	69,459	255	69,714
Total comprehensive income for the period	-	1,621	958	2,579	(63)	2,516
Issue of 243,000 ordinary shares at exercise price of \$0.2079 per share under share option scheme	51	-	-	51	-	51
Share options exercised	11	-	(11)	-	-	-
Share-based payments expenses	-	-	55	55	-	55
At 31 March 2014	21,955	40,259	9,930	72,144	192	72,336
COMPANY						
At 1 January 2013	21,840	19,453	13,512	54,805	-	54,805
Total comprehensive income for the period	-	373	-	373	-	373
Share-based payments to employees of Company's subsidiaries	-	-	23	23	-	23
Share-based payments expenses	-	-	31	31	-	31
At 31 March 2013	21,840	19,826	13,566	55,232	-	55,232
At 1 January 2014	21,893	16,548	13,404	51,845	-	51,845
Total comprehensive income for the period	-	702	-	702	-	702
Issue of 243,000 ordinary shares at exercise price of \$0.2079 per share under share option scheme	51	-	-	51	-	51
Share options exercised	11	-	(11)	-	-	-
Share-based payments to employees of Company's subsidiaries	-	-	14	14	-	14
Share-based payments expenses	-	-	41	41	-	41
At 31 March 2014	21,955	17,250	13,448	52,653	-	52,653



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1(d)(ii) CHANGES IN COMPANY'S SHARE CAPITAL

A) Share Capital

As at 31 March 2014, the share capital of the Company amounted to \$21.955 million comprising 454,236,461 issued ordinary shares excluding treasury shares. (31 March 2013: 453,811,410 ordinary shares excluding treasury shares; 31 December 2013: 453,933,461 ordinary shares excluding treasury shares).

During the first quarter ended 31 March 2014, the Company issued 243,000 ordinary shares pursuant to share options exercised under the Pre-IPO Share Option Scheme at the exercise price of \$0.2079 per share.

B) Employee Share Options

As at 31 March 2014, there were unexercised options of 125,000 (31 March 2013: 580,500) unissued ordinary shares of \$0.2079 each under The TeleChoice Pre-IPO Share Option Scheme.

C) Restricted Share Plan ("RSP") and Performance Share Plan ("PSP")

As at 31 March 2014, the number of outstanding shares granted under the Company's RSP and PSP were 4,469,837 (31 March 2013: 4,139,398) and 1,950,250 (31 March 2013: 2,081,000) respectively.

D) Treasury Shares

During the quarter ended 31 March 2014, the Company did not purchase any of its ordinary shares from the market. As at 31 March 2014, there were 61,039 (31 March 2013: 30,590) treasury shares representing approximately 0.013% of the total issued share capital of the Company.

2. AUDIT

The results have not been audited nor reviewed by auditor.

3. AUDITORS' REPORT

Not applicable.

4. ACCOUNTING POLICIES

The Group has applied the same accounting policies and method of computation in the preparation of the current period financial statements compared to those used in the annual report for the financial year ended 31 December 2013.

In the current financial year, the Group and the Company have adopted all the new and revised Financial Reporting Standards (FRSs) and Interpretations of FRSs (INT FRSs) that are relevant to its operations and effective for annual periods beginning on 1 January 2014. The adoption of these new/revised FRSs and INT FRSs does not result in substantial changes to the Group's and the Company's accounting policies and had no material effect on the amounts reported for the current or prior periods.

5. CHANGES IN ACCOUNTING POLICIES

Not applicable.

6. EARNINGS PER ORDINARY SHARE (EPS)

Group	1Q2014	1Q2013	FY2013
Basic	0.36	0.26	2.13
Diluted	0.36	0.26	2.13

7. NET ASSET VALUE

	GROUP		COMPANY	
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
Net assets value per ordinary share based on issued share capital at the end of the financial period/year (in cents):	15.88	15.30	11.59	11.42

8. REVIEW OF GROUP PERFORMANCE

A) Revenue

S\$M	1Q2014	1Q2013	Growth	
			\$	%
Personal Communications Solutions Services ("PCS")	95.4	83.2	12.2	15%
Info-Comm Technology Services ("ICT")	18.5	20.6	(2.1)	(10%)
Network Engineering Services ("Engineering")	10.7	13.0	(2.3)	(18%)
Total	124.6	116.8	7.8	7%

- **PCS** – Revenue increased by \$12.2M in 1Q2014 from higher channel, regional and retail sales. However, there were lower sales to a major customer in Singapore as well as lower prepaid card sales.
- **ICT** – Revenue decreased by \$2.1M in 1Q2014 mainly due to lower sales by S & I Systems Pte Ltd partly mitigated by higher wholesale and NxGen Communications Pte Ltd revenue.
- **Engineering** – Revenue decreased by \$2.3M in 1Q2014 from lower Radio Network Planning projects and lower power supply product sales in Indonesia.



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B) PBT

S\$M	1Q2014	1Q2013	Growth	
			\$	%
PCS	2.1	1.2	0.9	75%
ICT	(0.5)	(0.2)	(0.3)	(150%)
Engineering	0.7	0.6	0.1	17%
Group PBT	2.3	1.6	0.7	44%

- **PCS** - PBT increased by \$0.9M in 1Q2014 mainly from higher retail commission income from both Singapore and Malaysia operations.
- **ICT** – Losses increased by \$0.3M in 1Q2014 compared to 1Q2013 mainly due to lower revenue and gross profits despite higher gross margins. There were also higher operating expenses.
- **Engineering** – PBT increased by \$0.1M in 1Q2014 with improvements in Singapore and Malaysia partially offset by lower profits contribution from Indonesia.

9. VARIANCE FROM PROSPECT STATEMENT

The Group's operating performance for 1Q2014 was better compared to 1Q2013. This varied from the prospect statement set out in the 2013 full year financial results announcement dated 28 February 2014 which stated that the Group expects 1Q2014 operating performance to be lower than the same period last year.

10. PROSPECTS

Based on the current outlook and barring any unforeseen circumstances, the Group expects 2Q2014 operating performance to be challenging compared to 1Q2014 with 2014 full year's operating performance to be maintained at last year's level.

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

11. DIVIDEND

(a) Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.



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12. **If no dividend has been declared/recommended, a statement to that effect.**
Not applicable.

13. **Interested Person Transactions - DISCLOSURE PURSUANT TO RULE 920(1)(a)(ii)**

In S\$M	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual	
	1Q2014	1Q2013
<u>Transactions for the sales of goods and services</u>		
Temasek Holdings (Private) Limited and its Associates	48.1	61.7
<u>Transactions for the purchases of goods and services</u>		
Temasek Holdings (Private) Limited and its Associates	17.2	16.1
Total Interested Person Transactions	65.3	77.8

There were no interested person transactions during the period 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).

14. **Statement pursuant to Rule 705(5) of the SGX Listing Manual**

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the above unaudited financial statements for the first quarter ended 31 March 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Vincent Lim Shuh Moh
President

Date: 15 May 2014