Meeting New Challenges, Seizing Opportunities, Venturing Forward

2017 Annual Report

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CORPORATE PROFILE

ABOUT TELECHOICE INTERNATIONAL LIMITED

TeleChoice International Limited ("TeleChoice") is a regional diversified provider and enabler of innovative infocommunications 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 Singapore Technologies Telemedia Pte Ltd, an active investor in the Communications, Media and Technology space.

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 mobile delivery and field and cabling services. Through its Malaysian subsidiary, it provides retail management, fulfilment and supply chain services to U Mobile Sdn Bhd, Malaysia's fastest growing full-fledged mobile operator that offers data, voice and messaging services. PCS also operates an e-commerce site, www. eplanetworld.com, which offers the latest mobile phones and tablets as well as accessories for online shoppers.

ENTERPRISE BUSINESS GROUP

INFO-COMMUNICATIONS TECHNOLOGY SERVICES ("ICT")

This Division is a leading regional integrated infocommunications solutions provider. Its extensive offerings include enterprise IT infrastructure, business solutions and integration services, managed and hosted services, fixed and wireless networking solutions, 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. ICT also offers Internet Protocol Television solutions for the hospitality industry, and has a unit that offers distribution services for networking and security products. In addition, under the SunPage brand, ICT 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”)

- Further subscription of shares to complete the 51% holding of Planet Smart Services Pte. Ltd.
- Intensified engagement with mobile handset principals, Samsung and Huawei, on retail strategies and new product launches:
  - Samsung
    - Launch of Connect Home Pro whole-home Wi-Fi systems, an all-in-one solution which provides the entire house with wi-fi and smart home connectivity at our three Samsung Experience Stores
    - Managed all pre-orders of flagship models Galaxy S8, S8 Plus and Note 8 launches
    - Managed and operated the Galaxy Studio Roadshow at Ngee Ann City in conjunction with the launch of Galaxy S8 and S8 Plus
  - Huawei
    - Implemented retail presence of Huawei products at the Planet Exclusive Partner outlets
    - Appointment by Huawei for pre-order fulfilment of their iconic model Mate 9 as well as Mate 10
- Implemented marketing programmes in support of Open Channel customers and principals
  - Launched Samsung Open Market Penetration Plan for 39 key Samsung Retail Partners with sell-out incentives as well as organised open market dealers’ event for the promotion of their new low and mid-tier phones
  - Successful launch of Huawei Nova2i with open channel retailers and implemented publicity campaign for the launch of Huawei P10 and P10 Plus
- Aligned business model and services in line with major customers StarHub Ltd’s (“StarHub”) and U Mobile Sdn Bhd’s (“U Mobile”) competitive strategies
  - StarHub
    - Awarded Mobile Delivery Services and Field and Cabling Services contracts
    - Awarded Highest Number of Effective New TD Point at StarHub Prepaid Distributor Rally 2018
    - Rolled out multi-pronged programmes and incentives to gain channels and retailers sales for prepaid card business as well as to promote higher line activations at Platinum retail outlets
  - U Mobile
    - Rolled out on-the-ground activities to support marketing and build up sales momentum
    - Launch of “My Mobile APP” campaign for 50,000 subscribers to encourage higher adoption rate
    - Launch of new product, WeChat Go SIM, for China residents with a hassle-free and easy-to-use mobile coverage
- Increased collaboration with TeleChoice’s Enterprise Business Group in the Mobile Plan and its value-added services as well as Business Internet services

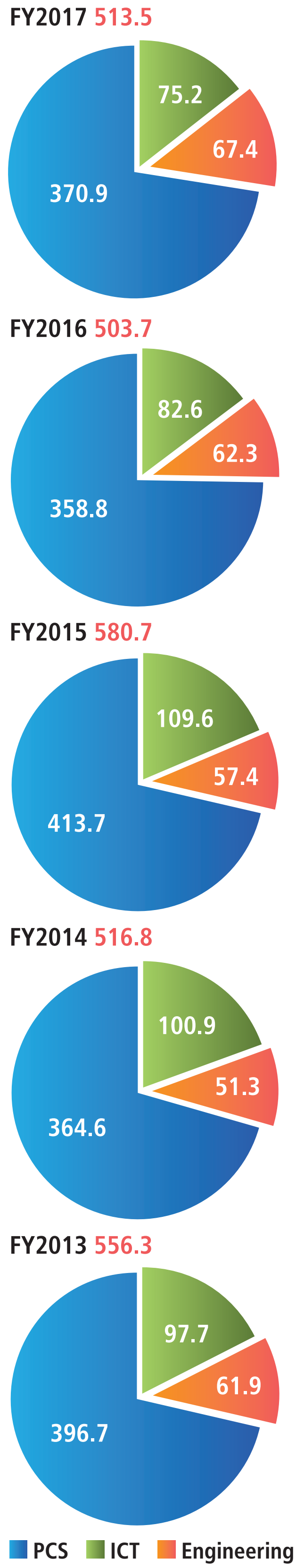
INFO-COMMUNICATIONS TECHNOLOGY SERVICES (“ICT”)

- Reduced share capital in Nexwave Telecoms Pte. Ltd. for capital redeployment with the consolidation of IDD voice-related business
- Accorded highest tier partnership recognition by IBM (Platinum Business Partner) and Avaya (Diamond Partner)
- Recognised by partners via multiple awards in 2017, including the following:
  - 2016 IBM Top Performing Business Partner (Power Systems)
  - Red Hat 2017 Strategic Products Partner of the Year
  - SolarWinds Significant Win 2016 (Asia)
  - Tech Data 2017 Top Partner Contributor Award (Red Hat)
  - Tech Data 2017 Top Partner Contributor Award (IBM Power Systems)
- Reaffirmed our 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”)

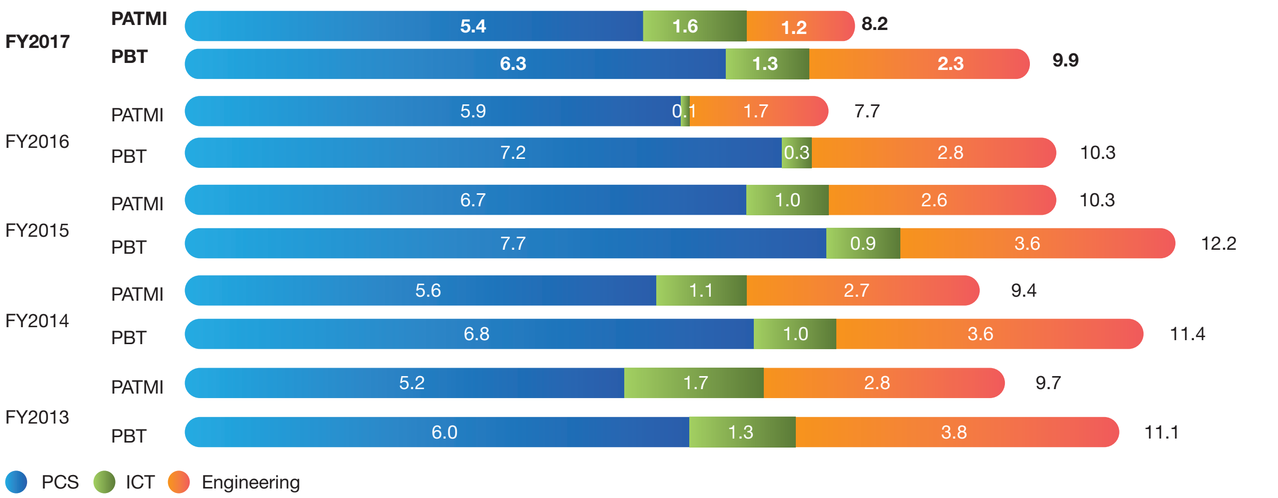
- Incorporation of wholly-owned subsidiary NexWave Technologies Vietnam Company Limited to expand our regional market presence with the provision of network engineering services such as technical consultancy, supply and installation of telecommunication, electrical and computerised equipment in Vietnam
- Recognised by partners via multiple awards in 2017, including the following:
  - Huawei 2017 Excellent Service Award for Singapore
  - Huawei 2017 Gold Medal Partner Award for Indonesia
  - Narada 2017 Million Dollar Sales Award for Indonesia
  - Ericsson 2017 Certification of Recognition Award for Indonesia
  - Huawei 2017 Excellent Support Partner Award for Indonesia
- Accorded Nokia’s Most-Preferred-Partner status for Singapore and the region
- Commenced network rollout services for TPG Telecom, the fourth telco operator in Singapore
- Secured a steady stream of multi-year, multi-million dollar projects from operators and major equipment vendors despite challenging market environment
- 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)

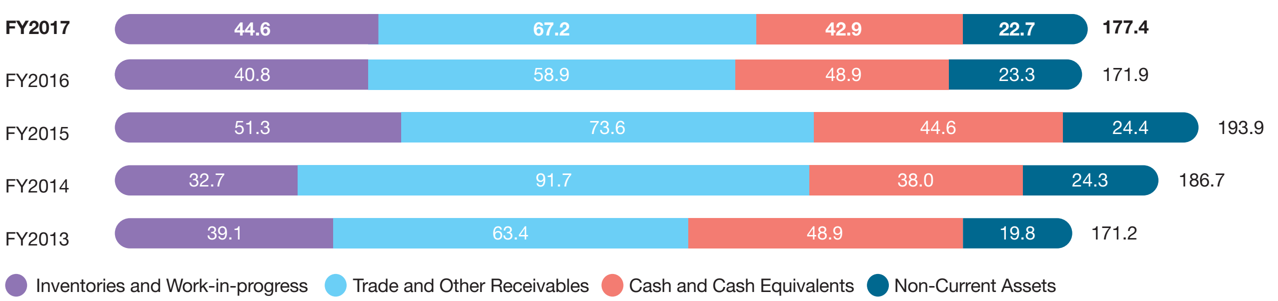


FINANCIAL HIGHLIGHTS

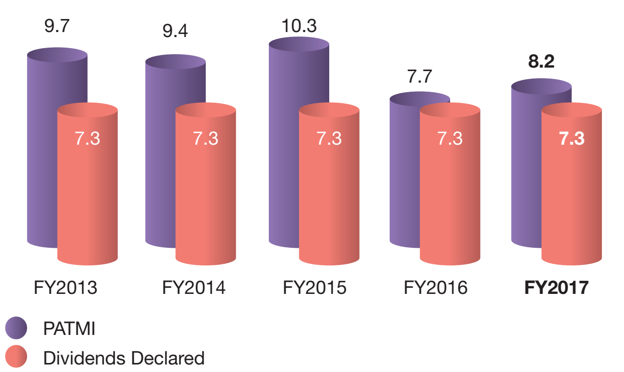
EARNINGS (S$ MILLION)



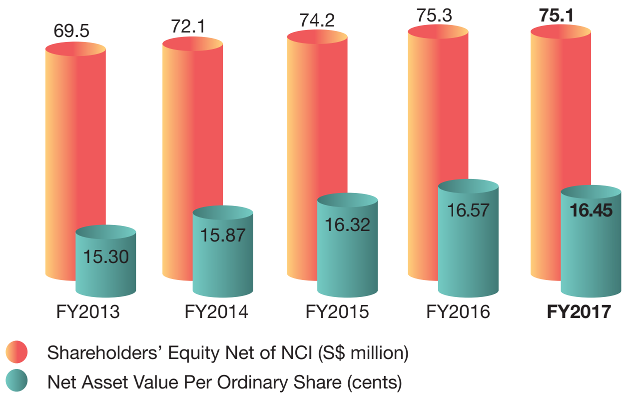
TOTAL ASSETS (S$ MILLION)



DIVIDENDS DECLARED AGAINST PATMI (S$ MILLION)



SHAREHOLDERS' EQUITY NET OF NON-CONTROLLING INTERESTS ("NCI")



VISION

CONNECTING PEOPLE, EMPOWERING BUSINESS

MISSION

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

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

I am pleased to present to you our annual report for the year ended 31 December 2017 ("FY2017"). TeleChoice International Limited ("TeleChoice" or the "Group") ended the year on a positive note with a stronger fourth quarter showing, and posting both revenue and profit improvement. Consequently, the Board will be recommending a final dividend of S$0.016 per ordinary share (one-tier tax exempt) which is the same as that declared in the previous year.

FY2017 FINANCIAL HIGHLIGHTS

While Group revenue rose by 1.9% to S$513.5 million, profit before tax ("PBT") fell slightly to S$9.9 million, or 4.0% lower than FY2016's PBT on the back of lower contribution from the Personal Communications Solutions Services ("PCS") and Network Engineering Services ("Engineering") Divisions. Despite the lower PBT, profit attributable to equity holders increased by 6.6% to S$8.2 million, due to lower income tax expenses. The Group maintained a strong balance sheet as at 31 December 2017, with net asset value per share of 16.45 cents and cash and cash equivalents of S$42.9 million.

REGIONALISATION FOR GROWTH; VERTICALISATION TO ADD VALUE

While the economy picked up over the previous year's lacklustre conditions, the telecommunications sector remained competitive. Faced with weaker earnings, local telcos continued to restructure their businesses, offering new products and services in a bid to keep up with changing consumer habits and the data-centric nature of mobile telephony. Added to this fray was the imminent entry of a new telco player and increased competition from mobile virtual network operators. Persistent challenges were cuts in enterprise spending and project delays which impacted, most specifically, our Info-communications Technology Services ("ICT") Division. Despite having to grapple with specific industry and business challenges, overall, we were able to rise up to the challenges.

PCS Division, while registering higher revenue from its Singapore operations, experienced lower sales from its Malaysian operations. Nevertheless, the Division continued to strengthen its range of services in Singapore, including providing additional StarHub Ltd services for handset home delivery and set top boxes and to expand its retail footprint. It is actively pursuing the provision of retail, fulfilment and supply chain management services in a third market, outside of Singapore and Malaysia. With a growing middle class in Asia-Pacific and high mobile penetration rates, coupled with an insatiable demand for new mobile handsets and wearable devices, PCS Division is well-positioned to benefit from these growth catalysts to augment its presence in existing markets as well as to establish new Asian market footprint.

ICT Division has continued to focus on expanding its upstream and downstream capabilities so as to replicate its service offerings regionally. With its focus on building its enterprise business, the Division has secured more public-sector wins in service contracts in the year. The Division also reaped rewards from its expansion into the infotainment solutions industry with its 25.19% investment in MVI Systems Limited ("MVI"), a leading provider of entertainment solutions to the hospitality industry. MVI contributed profit of S$0.3 million in FY2017, an increase of 109.2% from FY2016. There will be more opportunities for ICT Division, particularly in the enterprise and Government space with digitalisation and connectivity gaining momentum with Singapore's "Smart Nation" ambitions. Growing significance of data centres and the Internet of Things ("IoT") will also provide further impetus for the Division's expansion.

Engineering Division kept its leading position in Radio Network Planning and Optimisation services in Indonesia, successfully exporting these services to Malaysia and the Philippines. It incorporated a wholly-owned subsidiary in Vietnam, NexWave Technologies Vietnam Company Limited, to provide network engineering services, including technical consultancy services and supply and installation of telecommunication, electrical and computerised equipment in that market. Engineering Division stands ready to capitalise on opportunities presented by 4G network extension in second-tier cities and beyond, and connectivity and broadband penetration which are set to intensify in the region.

RESTRUCTURING FOR BETTER INTEGRATION AND IMPROVED PRODUCTIVITY

Internally, we commenced the gradual restructuring of our businesses to streamline our operations, facilitate the sharing of information and expertise and strengthen our internal processes so as to make us more efficient, productive and better able to compete in a fast transforming business environment. Our businesses have been classified according to customer segment, namely Consumer Business and Enterprise Business. A new corporate website was launched in tandem with this restructuring, to represent our integrated services across divisions. We will continue to refine and adjust the work processes in the coming months.

REWARDING SHAREHOLDERS

Since our listing on the Stock Exchange of Singapore, we have demonstrated our commitment to ensuring healthy returns to the Group and our shareholders. For the last five financial years, the Group has maintained a track record of dividend payout of more than 70% of net profit, well above the Group's benchmark dividend payout of at least 30% of its annual net profit after tax.

For FY2017, the Board has proposed a final dividend of S$0.016 per ordinary share, translating to a dividend payout of approximately 89.0% of FY2017 net profit, representing a dividend yield of 6.4% based on the share price of S$0.25 on 31 December 2017.

SUSTAINABILITY AND COMMUNITY SERVICE

Sustainability

The Group is committed to managing its environmental, social and governance ("ESG") impacts, risks and opportunities in a diligent manner.

The Singapore Exchange ("SGX") has introduced rules that require issuers to produce annual sustainability report with effect from the financial year ending 31 December 2017 on a "comply or explain" basis. Complying with the SGX rules, this year we have published our first sustainability report, prepared in accordance with the internationally recognised GRI Standards. The sustainability report included in this Annual Report, provides information about our ESG performance. We will continue to integrate material ESG issues into our business processes to ensure long-term value creation for all stakeholders.

CORPORATE OUTREACH

Continuing our corporate outreach programme, we collaborated with Dignity Kitchen, Singapore's first hawker training school for the disabled and disadvantaged, for the third consecutive year. We supported their twin mission of job creation for the disadvantaged and marginalised, and care and concern for the elderly through our sponsorship of lunch sessions with the elderly and donation towards their cause. Our staff also volunteered during the lunch sessions, helping to bring cheer to the lunch guests.

LOOKING AHEAD

Growth in the year ahead, according to economists, will be moderate.[1] We are, nonetheless, optimistic that there will be opportunities for all our business divisions as major phone manufacturers continue to roll out new devices, enterprises invest in new capabilities and regional telcos augment their infocommunications infrastructures.

APPRECIATION TO ALL

In closing, we would like to express our appreciation to the management and staff for another year of dedication and hard work. Thanks also goes out to our committed Board of Directors for their guidance and counsel, and to our business associates, customers and you, our shareholders, for your continued support.

BERTIE CHENG
Chairman

VINCENT LIM
President

1 Ministry of Trade and Industry, "MTI Expects GDP Growth in 2018 to Moderate but Remain Firm." 14 February 2018. http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/gdp4q2017.pdf

BOARD OF DIRECTORS

BERTIE CHENG

Chairman and Independent Director

Appointed on 6 May 2004
Last re-appointed on 28 April 2016

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 2015 to 31 December 2017)

- *Nil*

YAP BOH PIN

Independent Director

Appointed on 6 May 2004
Last re-appointed on 28 April 2016

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 Lereno Bio-Chem Ltd, serving as Chairman of its Audit Committee and member of its Nominating Committee. 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 is also a member of the Audit Committee of the Chinese Development Assistance Council.

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 2015 to 31 December 2017)

- *Nil*

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 2015 to 31 December 2017)

- *Nil*

RONALD SEAH LIM SIANG

Independent Director

Appointed on 3 May 2012
Last re-elected on 28 April 2016

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 2015 to 31 December 2017)

- *Nil*

BOARD OF DIRECTORS

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 merger 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 2015 to 31 December 2017)
- *Nil*

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 2015 to 31 December 2017)
- *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 2015 to 31 December 2017)

- *Nil*

EXECUTIVE MANAGEMENT

VINCENT LIM SHUH MOH

President

Mr Lim joined TeleChoice 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 (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 ("SOE") 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 Info-Communications Technology Services and Network Engineering Services Divisions.

He has close to 30 years of senior business and operational experience in the IT and telecommunications industry, having worked with Singapore Technologies Telemedia Pte Ltd, ST Electronics (Infocomm 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 Degree (First Class Honours) and a MBA from the National University of Singapore.

PAULINE WONG

Senior Vice-President

Personal Communications Solutions Services Division

Ms Wong joined TeleChoice in December 1999 as Operations Manager for the Personal Communications Solutions Services ("PCS") Division (then known as Distribution Services). In 2006, she was appointed to lead and oversee the overall management of the business unit, 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 Ltd).

Ms Wong graduated with a Bachelor of Business Degree (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.

Ms Wong 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 Singapore Technologies Telemedia Pte Ltd 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 Degree from the National University of Singapore and a MBA from Heroit 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 Singapore Technologies Telemedia Pte Ltd. He was also Director (HR) for the National University Hospital.

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

RESILIENCE LEVERAGING STRENGTHS

Keeping a resilient mindset and a keen eye on the future, we are well-placed to turn challenges into opportunities for growth

OPERATIONS REVIEW

FINANCIAL PERFORMANCE

Group revenue for the year ended 31 December 2017 ("FY2017") was S$513.5 million, a 1.9% increase from S$503.7 million in FY2016, due to higher revenue from Personal Communications Solutions Services ("PCS") and Network Engineering Services ("Engineering") Divisions.

The Group's profit before tax ("PBT") of S$9.9 million was 4.0% lower than FY2016's PBT of S$10.3 million due to lower PBT registered by PCS and Engineering Divisions. PCS Division's lower PBT stemmed from lower profit contribution from Malaysian operations and higher professional fees incurred. Engineering Division's higher gross profit was impacted by higher operating expenses to support overseas operations. Info-Communications Technology Services ("ICT") Division, however, reported higher PBT due to lower operating expenses. The Group, nevertheless, ended the year with a higher profit attributable to equity holders of S$8.2 million, a 6.6% increase compared to S$7.7 million in FY2016, due to lower income tax expenses.

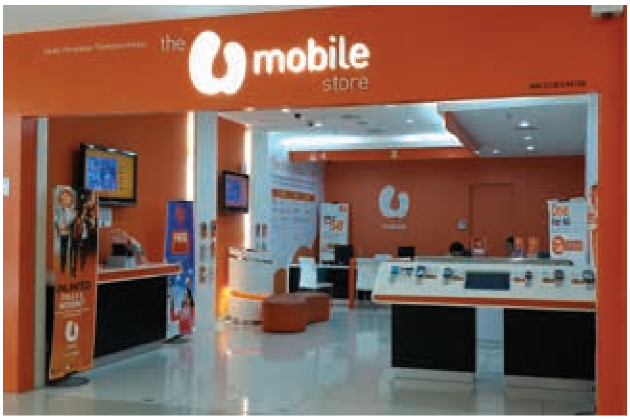
The Group's balance sheet reflected a strong cash position of S$42.9 million as at 31 December 2017, as compared to S$48.9 million for the same period last year.

PERSONAL COMMUNICATIONS SOLUTIONS SERVICES ("PCS")

PCS Division recorded revenue of S$370.9 million and PBT of S$6.3 million in FY2017, 72.2% and 63.6% of total Group revenue and PBT respectively. The revenue increase of S$12.1 million or 3.0% was on account of higher revenue from Singapore, offset by lower revenue from Malaysia. PBT decreased by S$1.0 million or 14.0% due to lower profit contribution from Malaysian operations and higher professional fee incurred.

In Singapore, PCS Division intensified engagement with mobile handset principals on retail strategies and new product launches as well as aligned its business model and services with the competitive strategies of its principals and major customers. The Division's retail arm, Planet Telecoms (S) Pte Ltd and Planet Managed Services Pte. Ltd. were awarded the "Business Retail Partner" and "Master Reseller of Enterprise Business Solutions" respectively by StarHub Ltd ("StarHub"). PCS Division also participated in marketing and related programmes for new phone launches such as managing and operating the Galaxy Studio Roadshow for Samsung at Ngee Ann City for three months and launch of Samsung Open Market Penetration Plan for key Retail Partners. Planet Smart Services Pte. Ltd., PCS Division's joint venture, which provided additional new StarHub services, mobile delivery services and field and cabling services, has progressed well.

In Malaysia, Planet Telecoms Managed Services Sdn. Bhd. continued to provide managed services to U Mobile Sdn Bhd ("U Mobile"). This encompassed conducting the day-to-day operations of the U Mobile shops, undertaking promotional and marketing activities, maintaining customer service standards, improving store operating efficiencies and providing sales staff management and soft skills training for retail sales. It also launched the "My Mobile APP" campaign for 50,000 subscribers to encourage a higher adoption rate.



OPERATIONS REVIEW

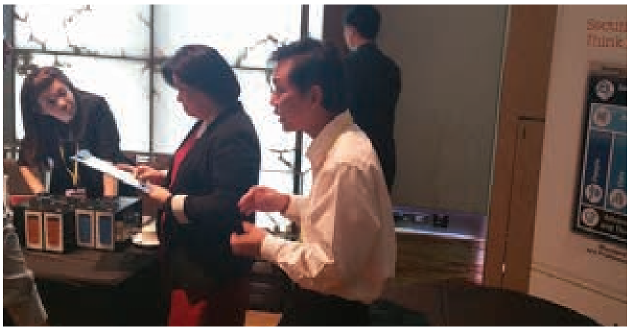
INFO-COMMUNICATIONS TECHNOLOGY SERVICES ("ICT")

ICT Division's revenue was S$75.2 million with PBT of S$1.3 million, which formed 14.6% and 13.1% of total Group revenue and PBT respectively in FY2017. The revenue decrease of S$7.4 million or 9% was mainly due to lower ICT infrastructure sales and lower wholesale voice revenue. Wholesale voice, a declining business, was discontinued in the first quarter of FY2017. The higher PBT of S$1.3 million or 333% was attributed to lower operating expenses.

While the Singapore economy posted relatively strong growth in 2017, infrastructure spending by many of the enterprises were still on the cautious side, while public-sector project tenders and awards were slower than usual. Against the backdrop of such lower activities, ICT Division had to bid more aggressively for its share of projects. Coupled with rising employment costs from a very tight Singapore labour market, margin was hence, somewhat impacted. Nevertheless, the Division succeeded in securing a number of Infocomm Media Development Authority wins, including several bulk tenders relating to the supply of infrastructure, database/middleware and application maintenance services to government agencies. ICT Division was also awarded the Redhat Openshift portion of the GovTech's Platform-as-a-Service project. Other notable wins included the development/trial of Smart Driving Car and Motorcycle Simulator Project from CBS Consortium, a grouping of the three local driving schools, and also a breakthrough Customer Relationship Management project with one of the governmental agencies.

In the commercial space, it continued to secure sizable enterprise IT infrastructure, unified communication and contract centre wins in the financial, healthcare and education sectors. Its strategic investment in MVI Systems Limited ("MVI") – Asia's leading provider of entertainment solutions to the hospitality industry – has opened more doors into both the local and regional hospitality space. On its own, MVI is also making its mark by securing a series of Internet Protocol Television wins with marquee hospitality customers.

The Division continued to forge strong relationships with its existing partners. It was accorded IBM's Platinum Business Partner and Avaya's Diamond Partner status, both of which are the highest tier rating in their respective partner accreditation programmes. Its commitment to customer service and excellence in business delivery were also affirmed by various partner awards and accolades, among them being: (i) IBM Top Performing Business Partner (Power Systems) presented during IBM 2017 Business Partner Connect event; (ii) Red Hat 2017 Strategic Products Partner of the Year; (iii) SolarWinds Significant Win 2016 (Asia) presented during SolarWinds 2017 Asia Channel Partner Awards; (iv) Tech Data 2017 Top Partner Contributor Award (Red Hat); and (v) Tech Data 2017 Top Partner Contributor Award (IBM Power Systems).



NETWORK ENGINEERING SERVICES ("ENGINEERING")

Engineering Division posted a revenue of S$67.4 million and a PBT of S$2.3 million in FY2017, which was 13.2% and 23.2% of total Group revenue and PBT respectively. The YoY revenue growth of S$5.1 million or 8.0% came on the back of increased contribution from all countries except for its Singapore operations. The increasingly saturated telecommunications market in Singapore was impacted by the infusion of a variety of disruptive over-the-top services. In addition, the impending entry of a fourth telco operator posed further uncertainty. In such a setting, there was a general slowdown in industry capex spending and Engineering Division was similarly affected. A combination of lower-margin sales and higher operating expenses incurred to support its expanding overseas operations resulted in a S$0.4 million or 15% decline in PBT.

Despite the challenging environment, Engineering Division managed to improve its sales by continuing to stay relevant to its key customers – the regional telecommunications operators and major equipment vendors. It won a steady stream of multi-year, multi-million dollars projects, and was accorded Nokia's Most-Preferred-Partner status for Singapore and the region. It secured and commenced network rollout services for TPG Telecom, the fourth telco operator in Singapore and continued to maintain leadership telco position in radio network planning and optimisation services in Indonesia. It also expanded its suite of engineering services in Malaysia and the Philippines. In addition, the its Indonesia and Malaysia operations have also started to explore the offering of info-communications technology services to non-telecommunications related enterprises. In May 2017, it incorporated a wholly-owned subsidiary, NexWave Technologies Vietnam Company Limited with the intention of providing network engineering and info-communications technology services in Vietnam.

In recognition of its excellent service standards and partner value proposition, Engineering Division received a number of partner awards and accolades which included: (i) Huawei 2017 Excellent Service Award for Singapore; (ii) Huawei 2017 Gold Medal Partner Award for Indonesia; (iii) Huawei 2017 Excellent Support Partner Award for Indonesia; (iv) Ericsson 2017 Certification of Recognition Award for Indonesia and (v) Narada 2017 Million Dollar Sales Award for Indonesia.

INNOVATION

PURSUING NEW OPPORTUNITIES

Deepening our capabilities and leveraging on our agility and adaptability to add value and seize new market opportunities

AGILITY NAVIGATING CHANGE

Expanding our networks and scaling up our operations as we venture into new territories to serve new customers

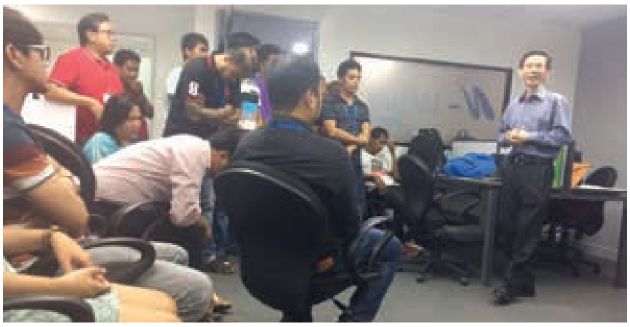
OPERATIONS REVIEW

PROSPECTS AND GROWTH STRATEGIES

Despite the projected slowdown of economic growth, trade tensions between China and the United States which could lead to a global contagion and uncertain political environment regionally, there will be opportunities for our Divisions. Meeting new challenges, seizing opportunities and venturing forward are key to TeleChoice's continued growth with expansion into new markets, enhancement of capabilities and strengthening of existing partnerships with the establishment of new ones.

Launches of mobile handsets by manufacturers, lifestyle trends brought about by technological innovations and growing demand for mobile devices and accessories in the developing markets in the region will afford PCS Division opportunities in retail, fulfilment and managed services.

The on-going emphasis on leveraging IT technology for practically all aspects of government and businesses – from productivity improvement, better citizen and customer engagement to the many emerging innovative applications and solutions – will present tremendous growth opportunities in the ICT industry. Growth technology sectors like Internet of Things, cybersecurity, big data analytics and increasing momentum of Singapore's Smart City initiative will provide the impetus for ICT Division's further growth and expansion. Apart from its core infrastructure business, ICT Division will also focus on extending its reach and value proposition to its public-sector and selected industry customers by strengthening its depth and delivery capability on selected applications and solutions.



Engineering Division's focus will be on expanding its reach and services portfolio in existing and new markets while continuing to seek out more regional growth opportunities. With the continued high customer demand for data and operators' emphasis on higher data throughput rates, network swaps and upgrades will underpin the demand for regional telecommunication network engineering services, especially in radio network planning and optimisation, backhaul transmission and in-building coverage solutions. Investments into the 5G network, which is expected in the next couple of years, will further fuel the growth of Engineering Division.

VALUES

Integrity
Commitment
Excellence
Value Creation
Socially Responsible
Fun@Work

PLANET TOUCHPOINTS

NORTH

SAMSUNG EXPERIENCE STORE
23 Serangoon Central
#04-42 NEX Mall
(S) 556083
Tel: +65 6636 7392
Fax: +65 6636 7391
Email: nex@planet-telecoms.com.sg
Nearest MRT: NE12 CC13 Serangoon
Opening hours: 11am to 9pm daily

STARHUB CAUSEWAY POINT
1 Woodlands Square
#03-07/08/09/10 Causeway Point
(S) 738099
Tel: +65 6499 8951
Fax: +65 6753 6628
Email: cwpsh@planet-telecoms.com.sg
Nearest MRT: NS9 Woodlands
Opening hours: 11am to 9pm daily

PLANET TELECOMS
33 Sengkang West Avenue
#B1-24 The Seletar Mall
(S) 797653
Tel: +65 6702 2996
Fax: +65 6702 2995
Email: stm@planet-telecoms.com.sg
Nearest MRT: NE16 SW5 Sengkang
Opening hours: 11am to 9pm daily

STARHUB WATERWAY POINT
83 Punggol Central
#B1-27 Waterway Point
(S) 828761
Tel: +65 6385 9551
Fax: +65 6385 9544
Email: wwpsh@planet-telecoms.com.sg
Nearest MRT: NE17 PTC Punggol
Opening hours: 11am to 9pm daily

CENTRAL

SAMSUNG EXPERIENCE STORE
290 Orchard Road
#B1-27/27A Paragon
(S) 238859
Tel: +65 6735 5926
Fax: +65 6735 5062
Email: prg@planet-telecoms.com.sg
Nearest MRT: NS22 Orchard
Opening hours: 11am to 9pm daily

SMB HUB @ KILLINEY
59 Killiney Road
(S) 239521
Email: smbhub@planet-telecoms.com.sg
Nearest MRT: NS23 Somerset
Opening hours: 10am to 7pm, Mon – Fri

EAST

SAMSUNG EXPERIENCE STORE
311 New Upper Changi Road
#B1-07 Bedok Mall
(S) 467360
Tel: +65 6785 1118
Fax: +65 6784 1118
Email: bkm@planet-telecoms.com.sg
Nearest MRT: EW5 Bedok
Opening hours: 11am to 9pm daily

STARHUB PARKWAY PARADE
80 Marine Parade Road
#B1-30/32 Parkway Parade
(S) 449269
Tel: +65 6720 1462
Fax: +65 6720 1460
Email: pwp@planet-telecoms.com.sg
Nearest MRT: EW7 Eunos
Opening hours: 11am to 9pm daily

STARHUB BUGIS JUNCTION
200 Victoria Street
#01-83/84 Bugis Junction
(S) 188021
Tel: +65 6338 7721
Fax: +65 6338 0092
Email: bgjsh@planet-telecoms.com.sg
Nearest MRT: EW12 DT14 Bugis
Opening hours: 11am to 9pm daily

SMB HUB @ STARHUB GREEN
67 Ubi Avenue 1
Level 3 South Wing StarHub Green
(S) 408942
Email: smbhub@planet-telecoms.com.sg
Nearest MRT: CC10 DT26 MacPherson
Opening hours: 9am to 6pm, Mon – Fri

WEST

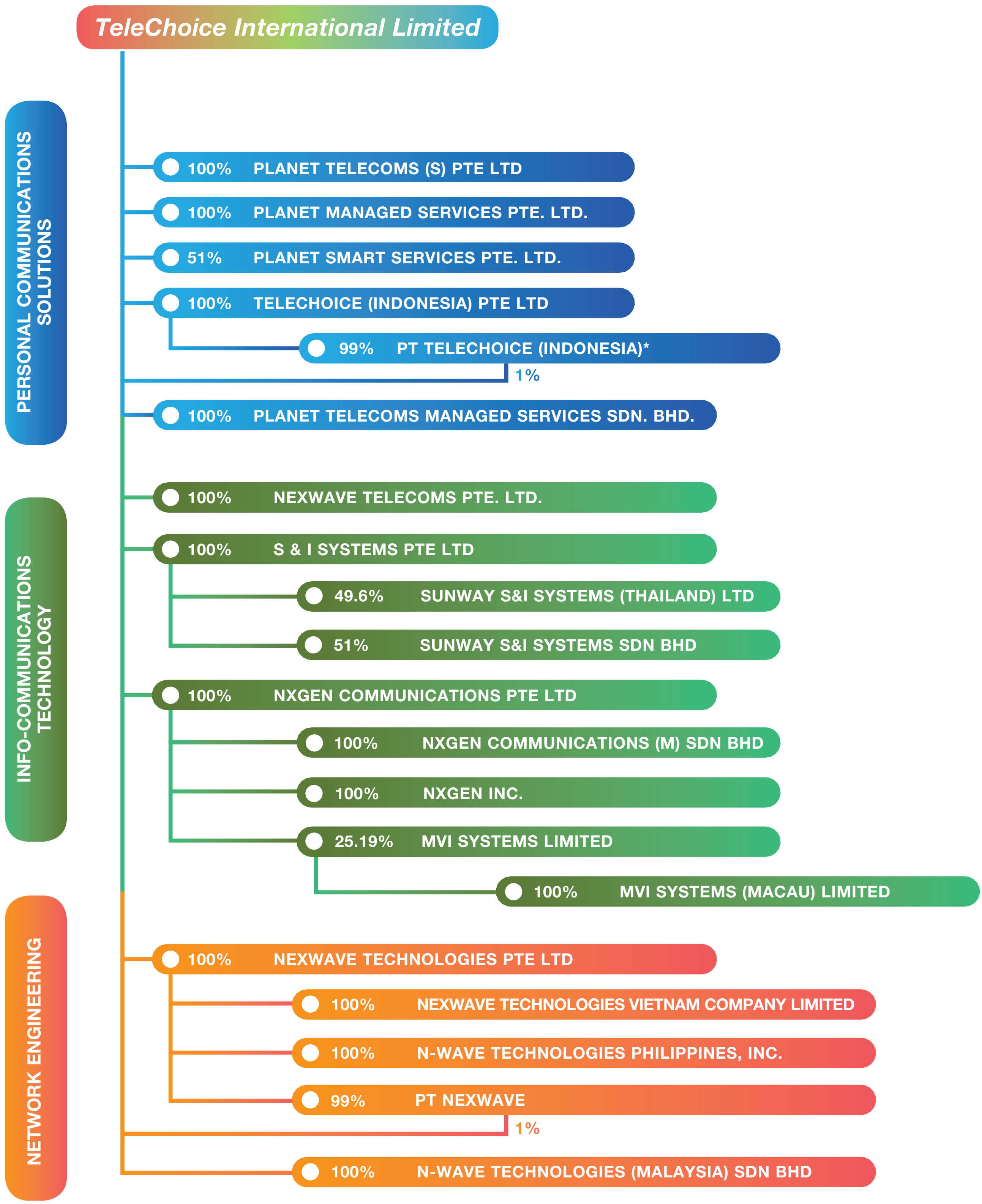
PLANET TELECOMS
21 Choa Chu Kang Avenue 4
#B1-01A Lot 1 Shoppers' Mall
(S) 689812
Tel: +65 6762 1008
Fax: +65 6763 0338
Email: lot1@planet-telecoms.com.sg
Nearest MRT: NS4 BP1 Choa Chu Kang
Opening hours: 11am to 9pm daily

PLANET TELECOMS
2 Jurong Street 21
#01-59A IMM Building
(S) 609601
Tel: +65 6563 1495
Fax: +65 6563 1495
Email: immsh@planet-telecoms.com.sg
Nearest MRT: NS1 EW24 Jurong East
Opening hours: 11am to 9pm daily

STARHUB WESTGATE
3 Gateway Drive
#03-28 Westgate
(S) 608532
Tel: +65 6591 9260
Fax: +65 6465 9139
Email: wgtsh@planet-telecoms.com.sg
Nearest MRT: NS1 EW24 Jurong East
Opening hours: 11am to 9pm daily

GROUP STRUCTURE

AS AT 31 DECEMBER 2017



* This subsidiary is under liquidation.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Chan Jen Keet

REGISTERED OFFICE

1 Temasek Avenue #33-01
Millenia Tower
Singapore 039192

EXTERNAL AUDITORS

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

DIRECTORY OF SUBSIDIARIES AND ASSOCIATES SINGAPORE

Corporate

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

TeleChoice International Limited
TeleChoice (Indonesia) Pte Ltd
Planet Telecoms (S) Pte Ltd
Planet Managed 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
www.planet-telecoms.com.sg

Planet Smart Services Pte. Ltd.
67 Ubi Crescent #06-07/08
Techniques Centre
Singapore 408560
Tel: +65 6749 0688
Fax: +65 6749 3661

Info-Communications Technology Services

NexWave Telecoms Pte. Ltd.
6 Serangoon North Avenue 5 #03-16
Singapore 554910
Tel: +65 6826 3600
Fax: +65 3157 1550
Website: www.nexwavetelecoms.com

S & I Systems Pte Ltd
6 Serangoon North Avenue 5 #03-16
Singapore 554910
Tel: +65 6826 3600
Fax: +65 6826 3700
Website: www.si-asia.com

NxGen Communications Pte Ltd
6 Serangoon North Avenue 5 #03-16
Singapore 554910
Tel: +65 6272 3202
Fax: +65 6272 2301
Website: www.nxg-c.com

Network Engineering Services

NexWave Technologies Pte Ltd
6 Serangoon North Avenue 5 #03-16
Singapore 554910
Tel: +65 6826 3600
Fax: +65 6826 3610
Website: www.nexwave.com.sg

CORPORATE INFORMATION

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

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
Website: www.nxg-c.com

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

INDONESIA

PT TeleChoice (Indonesia)
Menara Kadin Indonesia Lt 30
Jl H R Rasuna Said Blok X-5 Kav 2-3
Jakarta 12950
Indonesia
Tel: +62 21 5289 1919
Fax: +62 21 5299 4599

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

PHILLIPINES

N-Wave Technologies Philippines, Inc.
Unit 604, 6th Floor
Globe Telecom Plaza
1 Pioneer St.
Mandaluyong City, 1550
Philippines
Tel: +632 534 2264/2269

NxGen Inc.
Unit 256 Cityland Pioneer
128 Pioneer Street
Mandaluyong City
Philippines
Tel: +632 534 2264/2269
Website: www.nxg-c.com

THAILAND

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

VIETNAM

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

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

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

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 on 2 May 2012 ("**Code 2012**").

(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 provide 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.

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.

CORPORATE GOVERNANCE

Principle 2: Board Composition and Guidance

To be effective, we believe our Board should comprise a majority of Non-Executive Directors independent of Management, with the right core competencies and 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.

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.

CORPORATE GOVERNANCE

Details of frequency and participation at our Board, AC, RC, NC and EC meetings for FY17 are set out in Table 1.

Table 1
FY17 – 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%)	2	2 (100%)
Yap Boh Pin	4	3 (75%)	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	4 (100%)	NA	NA	1	1 (100%)	NA	NA	2	2 (100%)
Stephen Geoffrey Miller[1]	4	4 (100%)	NA	NA	1	1 (100%)	1	1 (100%)	2	2 (100%)
Ho Koon Lian Irene	4	4 (100%)	6	6 (100%)	NA	NA	NA	NA	NA	NA
Lim Chai Hock Clive	4	3 (75%)	NA	NA	NA	NA	NA	NA	2	2 (100%)
Sio Tat Hiang[2]	0	–	NA	NA	0	–	0	–	0	–

Notes:–

(1) Stephen Geoffrey Miller was appointed as a Director and a member of the RC, NC and EC with effect from 26 January 2017.

(2) Sio Tat Hiang has resigned as a Director and a member of the RC, NC and EC with effect from 26 January 2017.

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.

CORPORATE GOVERNANCE

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 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 2017, 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.

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.

CORPORATE GOVERNANCE

(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;

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

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

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

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

CORPORATE GOVERNANCE

Executive Remuneration for the President and Key Management Personnel

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

A. Fixed Component

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

B. Variable Cash Component

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

C. Share-Based Component

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

Please refer to the section on Equity Compensation Benefits in the Directors' Statement on pages 62 to 64 of this Annual Report for the details of the Share Plans as well as awards granted under the Share Plans. The Share Plans have expired on 27 April 2017 and the Company will be seeking the approval of shareholders for the extension of the duration of the Share Plans for a further period of ten (10) years retrospectively from (and including) 27 April 2017 to (and including) 26 April 2027 ("**Proposed Extension**").

TeleChoice RSP

Under the TeleChoice RSP, 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 FY16 TeleChoice RSP grants, the total number of shares to be awarded depends on the level of attainment of the 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. The performance measures used in the FY16 TeleChoice RSP grants are Net Profit before Tax and Return on Capital Employed. The Company has attained an achievement factor which is reflective of partially meeting the pre-determined target performance levels based on the performance period from FY16 to FY17.

For FY17 onwards, the total number of shares to be awarded depends on the level of attainment of the individual performance targets.

CORPORATE GOVERNANCE

TeleChoice PSP

Under the TeleChoice PSP, conditional awards of shares are granted. Awards represent the right of a participant to receive fully paid shares upon the participant achieving certain pre-determined performance targets which are set based on corporate objectives aimed at sustaining longer-term growth. After the awards vest, the shares comprised in the awards are issued at the end of the performance and/or service period once the RC is, at its sole discretion, satisfied that the prescribed performance targets have been achieved. The actual number of shares given will depend on the level of achievement of the prescribed performance targets over the performance period, currently prescribed to be a three-year period. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. The performance measures used in the TeleChoice PSP grants are Total Shareholder Return against Cost of Equity Hurdles (i.e. measure of absolute performance) and Return on Capital Employed (i.e. measure of capital efficiency). The Company has attained an achievement factor which is reflective of partially meeting the pre-determined target performance levels based on the performance period from FY15 to FY17.

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 FY17, there were no termination, retirement and post-employment benefits granted to the President and Key Management Personnel.

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

Details of remuneration paid to our President and top five (5) Key Management Personnel for FY17 are set out in Table 2. For competitive reasons, the Company is only disclosing the band of remuneration of our President and each Key Management Personnel for FY17, within bands of S$250,000.

CORPORATE GOVERNANCE

Table 2: FY17 – President and Top Five (5) Key Management Personnel's Remuneration

Name	Fixed Component %	Variable Cash Component %	Share-Based Component[2] %	Benefits-In-Kind %	Remuneration Bands[1]
Lim Shuh Moh Vincent	63	16	18	3	C
Lee Yoong Kin	61	20	15	4	B
Pauline Wong Mae Sum	64	17	15	4	B
Wong Loke Mei	63	20	12	5	A
Goh Song Puay	63	20	12	5	A
Raymond Lum Wai Meng	71	17	6	6	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$1,250,000.

(2) The grant of awards under the Share Plans is subject to approval of shareholders for the Proposed Extension and ratification of such grant of awards.

For FY17, the aggregate total remuneration paid to the President and top five (5) Key Management Personnel (who are not Directors) amounted to approximately S$3,574,795.

Remuneration for Directors

We remunerate our Directors with Directors' fees which take into account the nature of their responsibilities and frequency of meetings. The remuneration structure is based on a scale of fees divided into basic retainer fees as Director and additional fees for attendance and serving on Board Committees as set out in Table 3. The Directors' remuneration for the financial year ended 31 December 2017 will be subject to shareholders' approval at the forthcoming AGM.

Table 3: FY17 – Scale of Fees

Basic Retainer Fee	S$
Board Chairman[1]	83,000
Board Member	37,000
Fee for appointment to the Audit Committee	
Committee Chairman[1]	21,000
Committee Member	15,000
Fee for appointment to the Remuneration Committee, Nominating Committee and Executive Committee	
Committee Chairman[1]	15,000
Committee Member	7,500
Attendance Fee for Board/Committee Meetings (per Meeting)	
Meeting in Physical	1,000
Teleconference	500
Off-hour Teleconference	1,000

Note:–

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

CORPORATE GOVERNANCE

To align the interests of the Directors to that of the shareholders, Directors who served on the Board during FY17 (other than Lim Chai Hock Clive, in respect of whom please see the next paragraph) 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. 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 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 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.

In relation to Lim Chai Hock Clive, it is proposed that the entire amount of his Director's remuneration for FY17 (including the amount of $14,850 which would otherwise have been paid in the form of share awards under the TeleChoice RSP) be paid to him in cash in full. Lim Chai Hock Clive is an associate of 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 Annual General Meeting (as described 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 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 FY17.

Table 4: FY17 – Directors' Remuneration

Name	Total Directors' Remuneration(1)		
	Cash-based	Share-based(5)	Total
Bertie Cheng	$95,200	$40,800	$136,000
Yap Boh Pin	$52,850	$22,650	$75,500
Tang Yew Kay Jackson	$43,400	$18,600	$62,000
Ronald Seah Lim Siang	$41,300	$17,700	$59,000
Stephen Geoffrey Miller(3)	$46,550(2)	$19,950	$66,500
Ho Koon Lian Irene	$43,400(2)	$18,600	$62,000
Lim Chai Hock Clive(4)	$49,500	–	$49,500
Sio Tat Hiang(6)	–	–	–

Notes:–

(1) The aggregate amount of these fees is subject to approval by shareholders at the upcoming AGM for FY17.

(2) These fees are payable to STT Communications Ltd.

(3) Stephen Geoffrey Miller was appointed as a Director and a member of the RC, NC and EC with effect from 26 January 2017.

(4) As explained above, Lim Chai Hock Clive will be paid his Director's remuneration of $49,500 in cash in full.

(5) The grant of awards under the TeleChoice RSP is subject to the approval of shareholders for the Proposed Extension.

(6) Sio Tat Hiang has resigned as a Director and a member of the RC, NC and EC with effect from 26 January 2017 and no remuneration was paid to him for FY17.

CORPORATE GOVERNANCE

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 re-instatement 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.

(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.

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.

CORPORATE GOVERNANCE

The AC is supported by senior Management representatives who:–

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

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

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

Our AC has 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 2017, 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 24 of the financial statements on page 122 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.

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.

CORPORATE GOVERNANCE

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 2018 to 2020 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 2017.
Valuation of inventories The valuation of inventory and the inventory allowance include subjective estimates and are influenced by assumptions concerning future 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 2017.
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.

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 http://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") first annual Sustainability Report to share our environmental, social and governance ("ESG") performance. The report covers TeleChoice's ESG performance for a three-year period from 1st January 2015 to 31st December 2017. TeleChoice plans to publish its sustainability report annually combined with the Annual Report.

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 GRI standards: Core option. The report 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 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 Company's response to the attendant risks and opportunities.

The Board is assisted by the sustainability management committee, headed by the president and includes senior members of management representing significant functions. The Committee provided direction concerning the report content, priorities of issues, reporting scope and boundary.

The Committee, in turn, is assisted by a sustainability reporting project team, headed by our vice president of Business Development. The project team has the responsibility for collecting, verifying and providing ESG performance data.

Report Content and Quality
In determining the content of this report, we have considered the significance of material ESG topics, concerns and expectations of our stakeholders, ESG risks and opportunities and general sustainability trends in our sector.

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

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

Restatements
As this is our first sustainability report, restatements do not apply.

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

Availability
This report is published as a part of our Annual Report 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.

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 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 survey, customer satisfaction surveys, and suggestion boxes. 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

ESG Performance			
ESG FACTORS	**FY2015**	**FY2016**	**FY2017**
ENVIRONMENTAL			
Total electricity used (kWh)	463,856	462,625	432,167
Electricity used per m^2 (kWh)	225	212	203
Energy intensity per m^2 (GJ)[1]	0.81	0.76	0.73
CO_2 emissions (tCO_2)[2]	245	245	250
General Waste (Kg)	N/A	4,590	2,300
SOCIAL			
Employees			
Total number of full-time employees	434	439	380
New hires	144	135	105
Female employees	44%	43%	44%
Female managers and supervisors	38%	39%	41%
Female Heads of Department	34%	36%	37%
Average training hours per employee (hrs)	14	25	19
Training expenditure per employee ($)	122	181	131
Employee annual attrition rate	32%	27%	32%
Community			
Employee volunteering (days)	17	26	13
FINANCIAL			
Revenue ($m)	580.7	503.7	513.5
Total expenses ($m)	569.1	494.8	504.9
Profit before tax ($m)	12.2	10.3	9.9
Profit after tax and non-controlling interests ($m)	10.3	7.7	8.2
Staff costs[3] ($m)	45.4	46.8	48.4
Income tax expenses ($m)	2.1	2.6	1.6
Dividends paid to shareholders ($m)	7.3	7.3	7.3

Notes
1. *Energy intensity pertains to purchased electricity*
2. *Includes Scope-1 and Scope-2 emissions*
3. *Included in Total expenses*

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 • Safe work environment • Company reputation	• 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
Investors	• Good governance • Regular dividends • Risk management • Business growth	We engage our shareholders primarily through the Annual General Meetings, maintenance of an investor relations site which lists the various financial and related announcements, annual reports and financial data and through our quarterly results announcements and other material information posted on SGXNET. We also hold analysts meetings regularly, providing them with 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 and meetings • Seminars	• Ensuring regulatory compliance
Community	• Socially responsible • Contribute to local economy	• Social outreach programmes • Sustainability report	• Implementing CSR Programmes • Contributing to Community Chest • Employee volunteering

SUSTAINABILITY REPORT

Chairman and President's Statement

TeleChoice remains committed to managing its environmental, social and governance ("ESG") impacts, risks and opportunities in a diligent manner.

The Singapore Exchange ("SGX") has introduced rules that require issuers to produce an annual sustainability report with effect from the financial year ending 31st December 2017 on 'comply or explain' basis. Complying with the SGX rules, this year we have published our first sustainability report prepared in accordance with the internationally recognised GRI Standards. The sustainability report, included in this Annual Report, provides information about our ESG performance. We will continue to integrate material ESG issues into our business processes to ensure long-term value creation for all stakeholders.

BERTIE CHENG
Chairman

VINCENT LIM
President

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 Infocomm Technology Federation
- Singapore Computer Society
- Singapore Business Federation

Our Values

Integrity
Commitment
Excellence
Value Creation
Socially Responsible
Fun@Work

MATERIAL FACTORS

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 have identified the material ESG factors using the Global Reporting Initiative's GRI Standards for Sustainability Reporting which includes guidance for materiality analysis.

We have followed the following steps 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 seek feedback from stakeholders on this report to review our material topics for the next reporting cycle.

Materiality Assessment
The TeleChoice management team attended a Materiality Assessment and Stakeholder Mapping workshop, facilitated by an external sustainability consultant before the start of the reporting process.

Guided by the facilitator, the TeleChoice management team identified the material ESG factors based on their knowledge of respective business areas, potential impacts of TeleChoice Group's business operations, insights from their day to day engagement with a range of stakeholders and common challenges facing the info-communications and technology ("ICT") industry. The team also considered TeleChoice Group's long-established values and long-term business goals to align these with sustainability strategies.

We also examined sustainability reporting trends among local ICT and peer companies for benchmarking. Also, we consulted the SGX Sustainability Reporting Guide to complete the materiality assessment.

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 stakeholder expectations and concerns in prioritising material factors for reporting.

A formal engagement with select groups of external stakeholders for the next report is under consideration.

SUSTAINABILITY REPORT

Board Approval

The senior management extensively discussed the identified list of material factors and then presented 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 boundary.

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
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 REPORT

SUSTAINABILITY GOVERNANCE

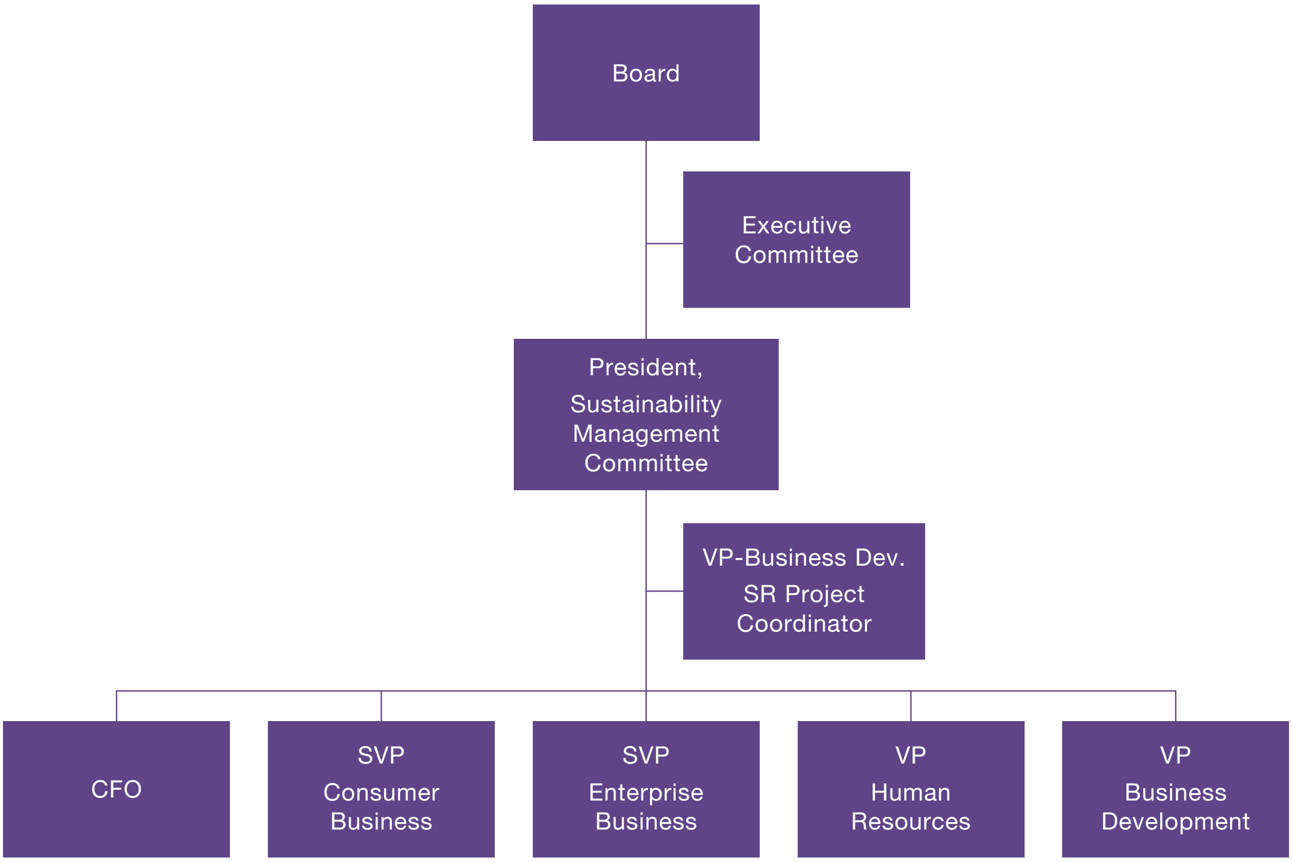
At TeleChoice, the Board provides strategic direction for addressing sustainability impacts, risks and opportunities. The Board's Executive Committee ("EC") is responsible for reviewing and considering material Environmental, Social and Governance ("ESG") factors to support sustainable growth of the 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.

Board Statement

The Board of TeleChoice is responsible for considering sustainability issues as part of strategy formulation. The Board endorses the identification of the material Environmental, Social and Governance ("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.



SUSTAINABILITY REPORT

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 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

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

CUSTOMERS

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

As a leading regional provider of distribution, fulfilment and retail managed services to major mobile device manufacturers and operators, it is critical for us to ensure excellent customer experience at our retail stores, call centres and other touch points. 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 Information and Communications Technology ("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 parts of our efforts to deliver superior customer service.

Customer Experience

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

In 2017, the NPS for the Planet Retail stores improved to 9.15, up from 8.45 in the prior year reflecting higher customer experience. Each of the five Planet Platinum stores covered by NPS had a score of more than 9 for the year 2017.

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 subsidiary S&I Systems Pte Ltd is an ISO9001:2015 Quality Management Systems certified company which allows it to perform at the highest level of our customers' expectations.

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.

SUSTAINABILITY REPORT

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

To inspire our store staff 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.

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 business.

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

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 after reading through the personal data protection policy.

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

Customer compliments:

I did 2 port in transactions at the Waterway StarHub branch, and staff Ms Abigail was superb in her product knowledge and service, giving me very good recommendations to help me make my decision. She was patient, friendly and converse really well. Being in the service line myself, what she displayed was of the highest order, and she is clearly capable of more. Please extend my appreciation to her.
– A happy customer

Excellent service provided by Jenny of Causeway Point StarHub. Was there to recontract my hub club and she was patient in explaining the terms and conditions. An example of a customer service provider. Keep it up.
– 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 380 full time employees as at the end of 2017. Permanent employees accounted for 85% of our workforce. The average age of our employees was 37 years.

Supporting Diversity
We respect diversity and are committed to promoting an inclusive workplace. Women represented 44% of full-time employees. The proportion of managerial roles held by women was 41%. Women accounted for 37% of the total Head of Departments ("HODs") positions.

Our workforce represents diverse age groups (see chart). 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 2017, we rehired three retiring employees including two 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 2017, we recruited 105 new employees, 50 of them were women. Of the new hires, 56 were less than 30 years of age, 43 were in the age group of 30 to 50 years, and the remaining two 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.

SUSTAINABILITY REPORT

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

Our Talent Management Framework identifies high potential employees within the organisation 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 or 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'.

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, 58 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 2017, our average training hours per employee was 19.1 hours as compared with 25 hours per employee in the prior year. For the same period, our training expenditure per employee was $130.60.

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 an ongoing discussion with their employees to review progress and provide coaching and guidance.

Engaging Employees

Keeping our employees engaged and motivated is a key priority. TeleChoice embarked on its first Employee Engagement Survey in 2015. The Employee Engagement Survey further reinforced TeleChoice's efforts in building an organisation where employees stay engaged, empowered and work towards excellence.

The first voluntary survey saw a healthy participation rate of 90%. The survey findings were reviewed by 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 more 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 Group President has started sending out regular email messages to all employees to enhance direct communication starting from 2017. The Group President also makes periodic visits to retail outlets to speak with employees.

The second survey was administered in Oct 2017. The participation rate increased to 94% and the organisation registered a 16% increase in overall engagement score, on par with Singapore's Norm.

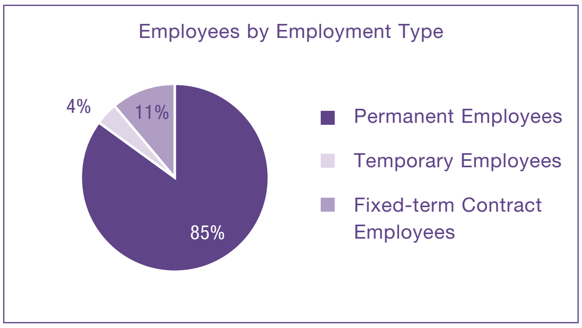
Providing Benefits

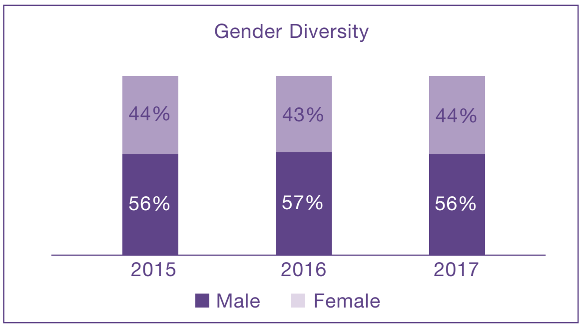
We offer competitive wages and benefits to our employees based on compensation benchmarking study conducted by a third-party. Our full-time staff members are eligible for several employment benefits which are not available to temporary or part-time employees. Some of the benefits include:

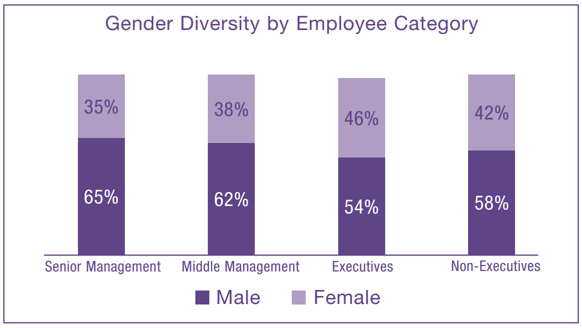
1. Specialist Consultation and Treatment claim;
2. Flexi-Benefit with limit for Optical, General Medical, Dental, Mobile Phone and Health Screening;
3. Bonding Funds;
4. Marriage/Family Care/Examination Leave(s);
5. Executive Health Screening for employees age 35 years old and above;
6. Hospitalisation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

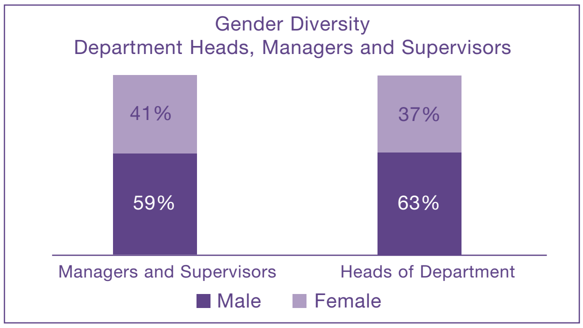
SUSTAINABILITY REPORT

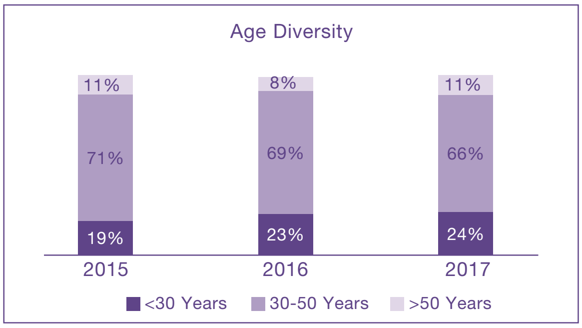
OUR PEOPLE PERFORMANCE

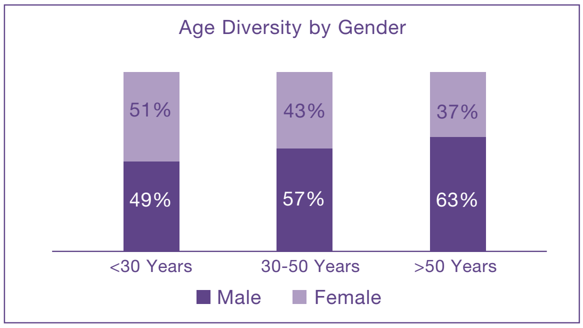


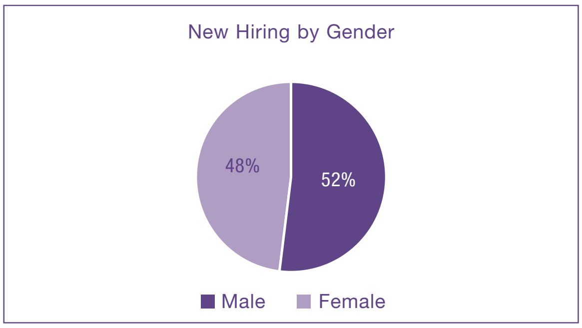


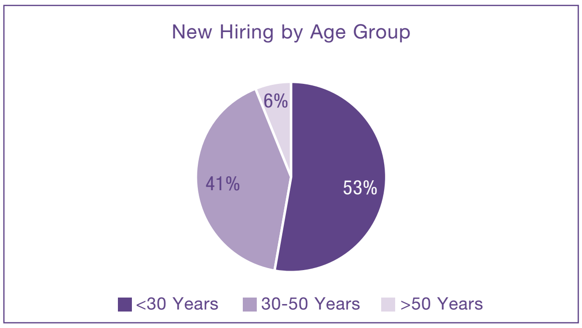


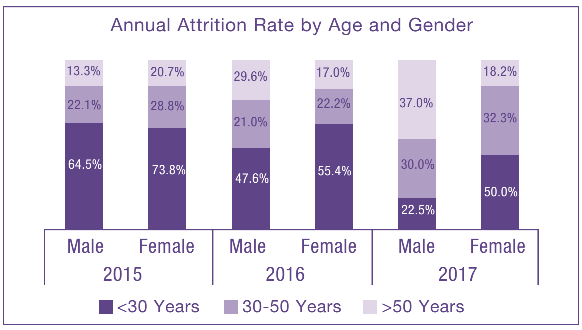


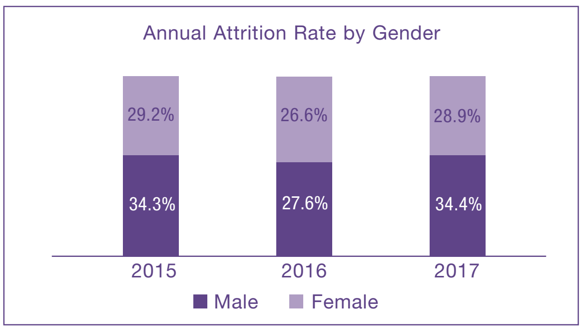




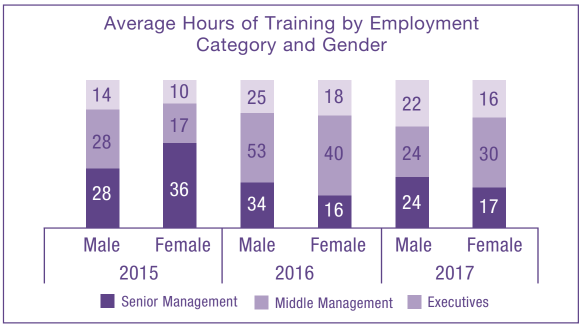


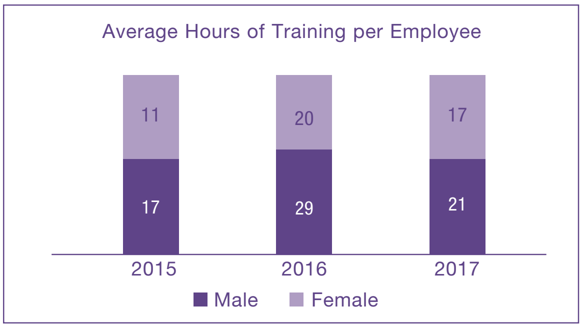






SUSTAINABILITY REPORT





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"). As at the end of 2017, 87 employees were active members of SISEU.

We have signed a memorandum of understanding with SISEU to ensure the well-being of our employees.

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. We offer on-site health screening for early detection of diseases such as hypertension, heart ailments, diabetes and cancer.

To strengthen cultural bonding, we give hongbao 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 event and movie nights. Also, we observed early release from work for the eves of the four major public holidays in Singapore.

Ensuring Safety and Health

Ensuring the safety and well-being of our employees is a top priority for us. Safety is a material topic for our ICT and Engineering divisions where we pay particular attention to proactive 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.

TeleChoice has obtained bizSAFE Level 3 certification in Singapore from the Workplace Safety and Health Council which reflects our commitment to ensuring safety at workplace.

In 2017, there were no recordable incidents of fatalities, injuries, and occupational diseases.

ENVIRONMENT

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

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

Energy

We measure and monitor our energy consumption, and calculate associated carbon emissions to manage our footprint. In 2017, our electricity consumption intensity was 203 kWh/m^2 as against 212 kWh/m^2 in the year before.

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 2017 was 250 tonnes as compared with 245 tonnes in 2016. The slight increase in emission was on account of higher petrol consumption. Carbon Dioxide emission from purchased electricity accounted for 70 per cent of our total emission.

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.

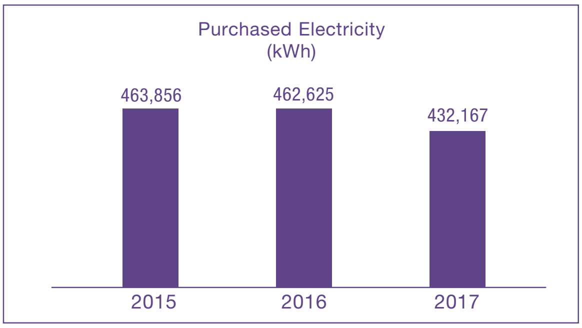
We encourage our employees through awareness campaigns to minimise the non-essential lighting in the office and to make efforts to conserve water and recycle paper.

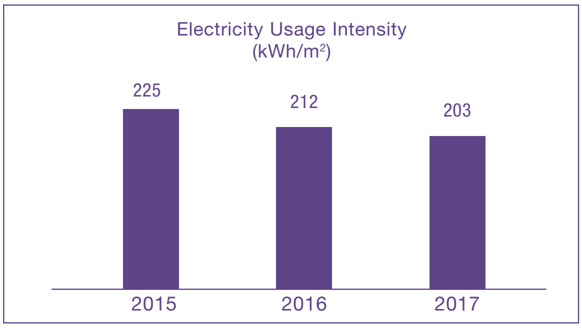
Waste Management

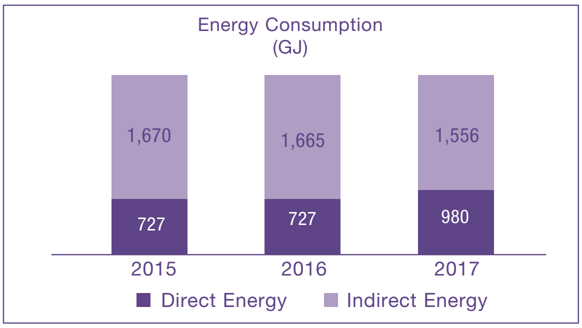
Our approach is to make efforts to reduce, reuse and recycle waste. In our retail business, paper, plastic and wooden pallets are the main types of waste generated. Our electronic waste (e-waste) consists of decommissioned office equipment such as personal computers, notebooks, monitors and servers.

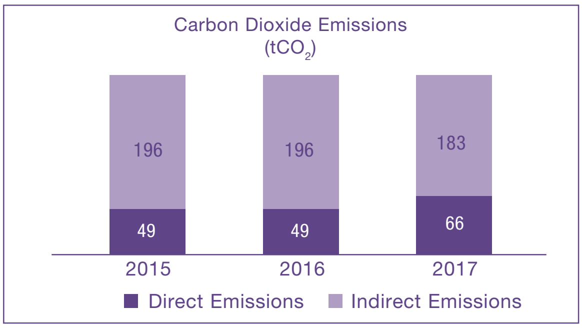
SUSTAINABILITY REPORT

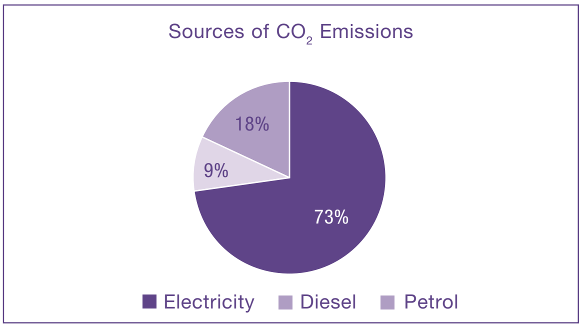
OUR ENVIRONMENTAL PERFORMANCE

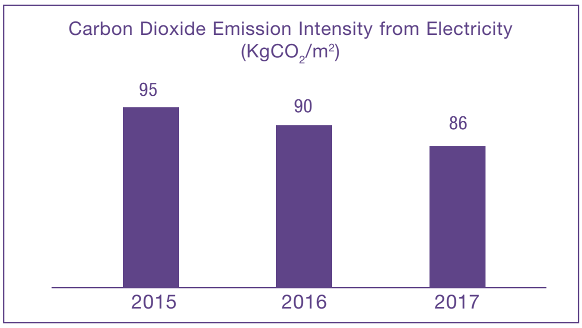


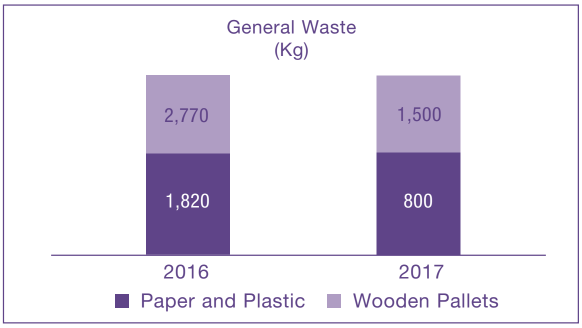












In our Platinum stores, we have discontinued using paper bags to reduce our environmental footprint. Instead, we now provide re-usable non-woven shopping bags. We also give customers a choice of electronic receipts to save paper. In our offices, we encourage double-sided printing to optimise the use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

We dispose of our waste through licensed waste management contractors.

Compliance

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

SUSTAINABILITY REPORT

ECONOMIC PERFORMANCE ($ million)			
Economic performance indicators	**FY2015**	**FY2016**	**FY2017**
Revenue	580.7	503.7	513.5
Profit before tax	12.2	10.3	9.9
Profit after tax and non-controlling interests	10.3	7.7	8.2
Total expenses (including staff costs)	569.1	494.8	504.9
Staff costs	45.4	46.8	48.4
Dividends declared	7.3	7.3	7.3

COMMUNITY

We are committed to be a responsible corporate citizen and contribute to community development.

We started a social outreach programme with the active involvement of employee volunteers in 2015 when we partnered with Dignity Kitchen. Dignity Kitchen is Singapore's first hawker training school for disabled and disadvantaged people. "Lunch Treat For The Elderly" is a social outreach programme run by Dignity Kitchen. Under the initiative, Dignity Kitchen provides city tours for the elderly and the disadvantaged. At the end of the tour, they are treated to a luncheon at Dignity Kitchen. Since 2015, TeleChoice has hosted more than 800 elderly for their lunches, together with active ageing activities such as Karaoke Competitions.

In 2017, in our third-year partnership with Dignity Kitchen, we donated $10,000 in support of the Lunch Treats for the Elderly programme. This year's activities also included a snow skin mooncake-making session for the elderly led by a disadvantaged hawker from Dignity Kitchen. Over 30 staff volunteers from TeleChoice and its parent company, Singapore Technologies Telemedia Pte Ltd, participated enthusiastically alongside the elderly to churn out snow skin mooncakes.

In 2017, through TeleChoice's subsidiary, S & I Systems Pte Ltd, we have also participated in the SGX Bull Charge Charity Run. Beneficiaries of the run include AWWA, Autism Association Singapore, Fei Yue Community Services, Shared Services for Charities and Community Chest.

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 this report. A summarised version of the economic value generated is presented here in line with the GRI Standards.

Financial Assistance from Government

We received $291,000 in 2017 and $563,000 in 2016 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.

All new employees are required to read, understand and be assessed on these policies during the orientation programme.

There were no confirmed incidents of corruption in the reported 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 reported period.

SUSTAINABILITY REPORT

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		
GRI102: General Disclosures 2016	**Organisational Profile**	
	102-1 Name of the organisation	01
	102-2 Activities, brands, products, and services	01
	102-3 Location of headquarters	Singapore
	102-4 Location of operations	01, 21, 24
	102-5 Ownership and legal form	01, 138-139
	102-6 Markets served	01, 21
	102-7 Scale of the organisation	01, 02-03, 21, 24, 39, 47-48
	102-8 Information on employees and other workers	39, 47-48
	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	48
	102-12 External initiatives	38, 44
	102-13 Membership of associations	41
	Strategy	
	102-14 Statement from senior decision-maker	07, 41
	Ethics and Integrity	
	102-16 Values, principles, standards, and norms of behaviour	25-37, 41, 50
	Governance	
	102-18 Governance structure	25-37, 43
	Stakeholder Engagement	
	102-40 List of stakeholder groups	38, 40
	102-41 Collective bargaining agreements	48
	102-42 Identifying and selecting stakeholders	38, 40
	102-43 Approach to stakeholder engagement	38, 40
	102-44 Key topics and concerns raised	38, 40
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	22, 104-105
	102-46 Defining report content and topic Boundaries	41-42
	102-47 List of material topics	41-42
	102-48 Restatements of information	38
	102-49 Changes in reporting	38
	102-50 Reporting period	38
	102-51 Date of most recent report	38
	102-52 Reporting cycle	38
	102-53 Contact point for questions regarding the report	38
	102-54 Claims of reporting in accordance with the GRI Standards	38
	102-55 GRI content index	51-54
	102-56 External assurance	38

SUSTAINABILITY REPORT

GRI Content Index
'In accordance' – Core

GRI Standard	Disclosure	Page Number(s) and/or URL(s)
Material Topics		
Economic		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	41-42
	103-2 The management approach and its components	50
	103-3 Evaluation of the management approach	50
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	40, 50
	201-4 Financial assistance received from the government	50
Anti-corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	41-42
	103-2 The management approach and its components	50
	103-3 Evaluation of the management approach	50
	205-3 Confirmed incidents of corruption and actions taken	50
Environment		
Energy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	41-42
	103-2 The management approach and its components	48, 49
	103-3 Evaluation of the management approach	48, 49
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	39, 48, 49
	302-3 Energy intensity	39, 48, 49
Emissions		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	41-42
	103-2 The management approach and its components	48, 49
	103-3 Evaluation of the management approach	48, 49
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	49
	305-2 Energy indirect (Scope 2) GHG emissions	39, 49
	305-4 GHG emissions intensity	39, 48, 49
Effluents and Waste		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	41-42
	103-2 The management approach and its components	48, 49
	103-3 Evaluation of the management approach	48, 49
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	39, 48, 49
Environmental Compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	41-42
	103-2 The management approach and its components	48, 49
	103-3 Evaluation of the management approach	48, 49
GRI 307: Environmental Compliance 2016	GRI 307-1 Non-compliance with environmental laws and regulations	49

SUSTAINABILITY REPORT

GRI Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number(s) and/or URL(s)**
Social		
Employment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	41-42
	103-2 The management approach and its components	45
	103-3 Evaluation of the management approach	45
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	39
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	46
Occupational Health & safety		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	41-42
	103-2 The management approach and its components	45, 48
	103-3 Evaluation of the management approach	45, 48
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	48
Training and Education		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	41-42
	103-2 The management approach and its components	45, 46
	103-3 Evaluation of the management approach	45, 46
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	39, 48
	404-2 Programs for upgrading employee skills and transition assistance programs	45, 46
	404-3 Percentage of employees receiving regular performance and career development reviews	46
Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	41-42
	103-2 The management approach and its components	45
	103-3 Evaluation of the management approach	45
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	39, 47
Non-discrimination		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48
	103-2 The management approach and its components	48
	103-3 Evaluation of the management approach	48
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	48
Freedom of Association and Collective Bargaining		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48
	103-2 The management approach and its components	48
	103-3 Evaluation of the management approach	48

SUSTAINABILITY REPORT

GRI Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number(s) and/or URL(s)**
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	48
Child Labour		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48
	103-2 The management approach and its components	48
	103-3 Evaluation of the management approach	48
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	48
Forced or Compulsory Labour		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	48
	103-2 The management approach and its components	48
	103-3 Evaluation of the management approach	48
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	48
Local Communities		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	50
	103-2 The management approach and its components	50
	103-3 Evaluation of the management approach	50
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	50
Customer Privacy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	41-42
	103-2 The management approach and its components	45
	103-3 Evaluation of the management approach	45
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	45
Socio-economic Compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	50
	103-2 The management approach and its components	50
	103-3 Evaluation of the management approach	50
GRI 419: Socio-economic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	50

FINANCIAL CONTENTS

GROUP FINANCIAL REVIEW

1.0 Operating Results of the Group

In $ million	FY2017	FY2016	Change (%)
Revenue	**513.5**	**503.7**	**2%**
Gross profit	37.7	38.6	-2%
Other income	1.0	1.2	-17%
Total expenses	(504.9)	(494.8)	2%
Operating PBT	9.6	10.1	-5%
Share of profit of an associate (net of tax)	0.3	0.2	50%
PBT	**9.9**	**10.3**	**-4%**
PAT	8.3	7.7	8%
PATMI	**8.2**	**7.7**	**6%**

1.1 Revenue

Group revenue increased by 2% or $9.8 million to $513.5 million in FY2017.

Personal Communications Solutions Services (“PCS”) contributed to 72% of Group revenue in FY2017 (FY2016: 71%). Revenue increased by 3% to $370.9 million in FY2017. In FY2017, there were higher revenue from Singapore but lower revenue from Malaysia.

Info-Communications Technology Services (“ICT”) contributed to 15% of Group revenue in FY2017 (FY2016: 17%). Revenue decreased by 9% to $75.2 million in FY2017 due to lower equipment sales and wholesale voice revenue which was discontinued in 1QFY2017.

Network Engineering Services (“Engineering”) contributed to 13% of Group revenue in FY2017 (FY2016: 12%). Revenue increased by 8% to $67.4 million in FY2017. Revenue increase was from all operations except for Singapore.

1.2 Gross profit

In $ million	FY2017	FY2016	Change (%)
Gross profit	37.7	38.6	-2%
Gross margin	7.3%	7.7%	-0.4 ppt

ppt – percentage point

Gross profit decreased to $37.7 million in FY2017. PCS and Engineering business divisions reported higher gross profit and ICT business division reported lower gross profit in FY2017.

Gross margin reduced from 7.7% in FY2016 to 7.3% in FY2017. All business divisions recorded lower gross margin against FY2016. PCS lower gross margin was due to higher retail operation costs in Singapore. ICT lower gross margin was due to lower revenue. Lower gross margin from Engineering was mainly due to competitive bidding in all operations.

GROUP FINANCIAL REVIEW

1.3 Other income

Other income mainly comprises interest income and government grants.

In FY2017, there were lower government grants from the wage credit and temporary employment credit scheme and interest income from bank deposits.

1.4 Total expenses

In $ million	FY2017	FY2016	Change (%)
Cost of sales	475.8	465.1	2%
Selling and marketing expenses	10.5	11.3	-7%
Administrative expenses	17.0	16.6	2%
Other expenses	0.4	0.6	-33%
Finance costs	1.2	1.2	–
Total expenses	**504.9**	**494.8**	**2%**
Included in total expenses:			
Staff costs	48.4	46.8	3%
Depreciation and amortisation	2.7	2.8	-4%

Total expenses, including cost of sales, amounted to $504.9 million in FY2017, an increase of 2% or $10.1 million compared to FY2016. Increase in total expenses by 2% is in line with the increase in revenue of 2%.

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 increased by 2% or $10.7 million against FY2016 due to increase in revenue in FY2017.

Selling and marketing expenses decreased by 7% or $0.8 million against FY2016 due to lower staff costs.

Administrative expenses increased by 2% or $0.4 million against FY2016 due to higher staff costs and professional fees incurred.

Other expenses decreased by 33% or $0.2 million against FY2016 due to lower net foreign exchange losses.

Finance costs maintained in FY2017 at $1.2 million.

Staff costs increased by 3% or $1.6 million to $48.4 million which was mainly due to increase in headcount to support Engineering's projects in Indonesia, Malaysia and the Philippines.

Depreciation and amortisation costs decreased by 4% or $0.1 million. The lower depreciation and amortisation costs in FY2017 was attributed to intangible assets being fully amortised.

1.5 Share of profit of an associate (net of tax)

The Company's wholly-owned subsidiary, NxGen Communications Pte Ltd ("NxGen"), had on 16 May 2016 acquired an approximate 25.19% stake in MVI Systems Limited ("MVI"). The share of profit in FY2017 of $0.4 million was reduced by the amortisation expenses from intangible asset (comprising order books) of $0.08 million.

GROUP FINANCIAL REVIEW

1.6 Profit before tax

Profit before tax margins	FY2017	FY2016	Change
PCS	1.7%	2.0%	-0.3 ppt
ICT	1.7%	0.3%	1.4 ppt
Engineering	3.3%	4.5%	-1.2 ppt
Group	**1.9%**	**2.0%**	**-0.1 ppt**

Group PBT decreased by 4% to $9.9 million in FY2017. PBT margin declined from 2% in FY2016 to 1.9% in FY2017. Against FY2016, ICT recorded an increase in PBT margin while PCS and Engineering recorded decreases in PBT margins.

PCS contributed to 64% of Group operating PBT in FY2017 (FY2016: 70%). PBT decreased by 14% or $1.0 million to $6.3 million in FY2017 due to lower profit contribution from the Malaysian operations. There were also higher professional fees incurred for M&A activities.

ICT contributed to 13% of Group operating PBT in FY2017 (FY2016: 3%). PBT increased by 333% or $1.0 million to $1.3 million in FY2017. The lower gross profit was partially mitigated by the lower operating expenses.

Engineering contributed to 23% of Group operating PBT in FY2017 (FY2016: 27%). PBT decreased by 15% or $0.4 million to $2.3 million in FY2017. The higher gross profit was partially offset by the increase in operating expenses to support overseas operations.

1.7 Profit after tax and non-controlling interests

In $ million	FY2017	FY2016	Change (%)
Income tax expenses	1.6	2.6	-38%
Effective tax rate	16.4%	25.6%	-9.2 ppt
Profit after tax and non-controlling interests	**8.2**	**7.7**	**6%**
Profit after tax margin	1.6%	1.5%	0.1 ppt

Group **PATMI** increased by 6% to $8.2 million in FY2017.

Income tax expenses were lower than FY2016 by 38% or $1.0 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 adjustment for the over-provision of income tax in FY2017 while there was under-provision of income tax in FY2016.

2. Liquidity and Capital Resources

Cash flow (in $ million)	FY2017	FY2016	Change (%)
Cash flow from:			
Operating activities	1.5	24.7	-94%
Investing activities	(2.6)	(4.4)	-41%
Financing activities	(4.4)	(16.1)	-73%
Net change in cash and cash equivalents	(5.5)	4.2	-231%
Cash and cash equivalents at end of year	**42.9**	**48.9**	**-12%**

GROUP FINANCIAL REVIEW

Group's cash and cash equivalents decreased by 12% from $48.9 million as at 31 December 2016 to $42.9 million as at 31 December 2017.

The Group's bank borrowings increased from $12.1 million as at 31 December 2016 to $16.3 million as at 31 December 2017.

Net cash decreased from $36.8 million as at 31 December 2016 to $26.6 million as at 31 December 2017. Net cash per share decreased from 8.1 cents per share as at 31 December 2016 to 5.9 cents per share as at 31 December 2017.

Operating Activities

Lower net cash inflow in FY2017 was due to negative changes in working capital from higher trade receivables and higher inventories.

Investing Activities

Higher net cash outflow in FY2016 was mainly due to acquisition of MVI, an associate of NxGen and higher capital expenditure incurred for motor vehicles for projects in Indonesia.

Financing Activities

In FY2017, there were additional bank borrowings. Higher cash outflow in FY2016 was mainly due to higher repayment of bank borrowings.

3. Shareholders Returns

	FY2017	FY2016	Change (%)
Net dividends per share (cents) – ordinary	1.60	1.60	–
Dividends declared ($ million)	7.3	7.3	–
Dividend payout ratio (%)	89.0	94.8	-5.8 ppt
Dividend yield (%)	6.4	6.0	0.4 ppt
Basic Earnings per share (cents)[(1)]	1.80	1.69	7%
Return on equity (%)	10.9%	10.2%	0.7 ppt
Return on capital employed (%)	9.9%	9.7%	0.2 ppt
Return on total assets (%)	4.6%	4.5%	0.1 ppt

Note:

(1) The number of shares used for the purpose of calculating the EPS for FY2017 and FY2016 were 454,307,000 and 454,206,000 respectively.

For FY2017, the Company has proposed the same final dividend of 1.6 cents per ordinary share or $7.3 million as FY2016. Including the $7.3 million of dividend payout in May 2018, total dividend paid since listing in June 2004 will be 28.25 cents per share or $127.4 million. This represents 78% of earnings over the same period.

Year-on-year earnings per share increased by 7% from 1.69 cents to 1.80 cents.

Return on equity increased from 10.2% in FY2016 to 10.9% in FY2017 with higher earnings. Higher earnings in FY2017 has also resulted in higher return on capital employed of 9.9% (FY2016: 9.7%) and return on total assets of 4.6% (FY2016: 4.5%).

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 2017.

In our opinion:

(a) the financial statements set out on pages 74 to 136 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 2017 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; 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 (Appointed on 26 January 2017)
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 infant 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	301,000	464,000
– Held in the name of Hong Leong Finance Nominees Pte Ltd	500,000	500,000
Yap Boh Pin	207,000	297,000
– Held in the name of Citibank Nominees Singapore Pte Ltd	150,000	150,000
Tang Yew Kay Jackson	265,000	338,000
Ronald Seah Lim Siang	147,000	218,000
Ho Koon Lian Irene	53,000	126,000
Lim Chai Hock Clive	126,000	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		
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 date of appointment if later, 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 2018.

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") and TeleChoice Performance Share Plan (the "TeleChoice PSP") (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. The Plans have expired on 27 April 2017, and the Company will be seeking the approval of shareholders for the extension of the duration of the Plans for a further period of ten (10) years retrospectively from (and including) 27 April 2017 to (and including) 26 April 2027 ("Proposed Extension").

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) Under the TeleChoice PSP, 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.

(v) Under the TeleChoice RSP, 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.

(vi) Since the commencement of the Plans to the financial year ended 31 December 2017, conditional awards aggregating 33,586,810 (2016: 29,344,810) 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. 2,351,618 shares under the Plans were released during the financial year ended 31 December 2017 (2016: 1,984,260 shares).

DIRECTORS' STATEMENT

Long Term Incentive Plans (Continued)

(vii) During the financial year ended 31 December 2017, conditional awards aggregating 3,635,000 (2016: 3,476,000) 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. The grant of such awards is subject to the approval of shareholders for the Proposed Extension and ratification of such awards. An aggregate 8,871,176 shares under the Plans were outstanding as at 31 December 2017 (2016: 8,973,778 shares).

(viii) During the financial year ended 31 December 2017, restricted share awards aggregating 607,000 (2016: 534,000) shares were also granted under the TeleChoice RSP. These share awards formed 30% (2016: 30%) of the Directors' remuneration for the financial year ended 31 December 2016 (2016: 31 December 2015) and were granted without any performance or vesting conditions attached, but subject to a selling moratorium and other terms and conditions. The grant of such awards is subject to the approval of shareholders for the Proposed Extension and ratification of such awards.

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

The details of the TeleChoice Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") and the TeleChoice Post-IPO Employee Share Option Scheme (the "Post-IPO Scheme") (collectively referred to as the "Schemes") and Plans granted to the Directors of the Company are as follows:

	Granted during the financial year		Aggregate granted since the commencement of the Schemes and Plans to 31 December 2017		Aggregate exercised/ released since the commencement of the Schemes and Plans to 31 December 2017		Aggregate outstanding as at 31 December 2017	
	Options*	Share Awards^	Options*	Share Awards^	Options*	Share Awards^	Options*	Share Awards
Name of director								
Bertie Cheng	–	163,000	500,000	464,000	500,000	464,000	–	–
Yap Boh Pin	–	90,000	–	297,000	–	297,000	–	–
Tang Yew Kay Jackson	–	73,000	–	238,000	–	238,000	–	–
Ronald Seah Lim Siang	–	71,000	–	218,000	–	218,000	–	–
Ho Koon Lian Irene	–	73,000	–	121,000	–	121,000	–	–
Lim Chai Hock Clive	–	57,000	–	183,000	–	183,000	–	–
Sio Tat Hiang[1]	–	80,000	–	255,000	–	255,000	–	–

[1] Sio Tat Hiang has resigned as a Director with effect from 26 January 2017.

* Particulars of the Schemes have been stated in the previous Directors' Report for the financial year ended 31 December 2014. The Pre-IPO Scheme and Post-IPO Scheme expired on 17 May 2014 and 6 May 2014 respectively. There were no share options outstanding under the Schemes since the end of 2014.

^ The grant of the awards in the financial year ended 31 December 2017 is subject to the approval of shareholders for the Proposed Extension and ratification of such awards. The grant of awards to Mr Lim Chai Hock Clive is subject to further ratification by way of a separate resolution by independent shareholders as he is an associate of a controlling shareholder.

DIRECTORS' STATEMENT

Long Term Incentive Plans (Continued)

Since the commencement of the Schemes and the Plans (as the case may be), no options and share awards (as the case may be) 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 Company will be seeking the approval of independent shareholders for the ratification of the grant of 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.

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 options and share awards granted to date under the Schemes and the Plans. The terms of these share awards are set out above.

	Granted during the financial year		Aggregate granted since the commencement of the Schemes and Plans to 31 December 2017		Aggregate exercised/ released since the commencement of the Schemes and Plans to 31 December 2017		Aggregate outstanding as at 31 December 2017	
	Options*	Share Awards^	Options*	Share Awards^	Options*	Share Awards^	Options*	Share Awards^
Participants								
Loh Sur Jin Andrew	–	–	–	4,807,000	–	2,974,300	–	–
Lim Shuh Moh Vincent	–	1,175,000	–	4,782,970	–	800,785	–	2,877,009
Lee Yoong Kin	–	500,000	–	5,089,440	–	2,122,804	–	1,579,575
Pauline Wong Mae Sum	–	500,000	850,000	5,219,440	850,000	2,266,544	–	1,579,575
Wong Loke Mei	–	235,000	1,000,000	1,784,800	1,000,000	549,529	–	587,085

* Particulars of the Schemes have been stated in the previous Directors' Report for the financial year ended 31 December 2014. The Pre-IPO Scheme and Post-IPO Scheme expired on 17 May 2014 and 6 May 2014 respectively. There were no share options outstanding under the Schemes since the end of 2014.

^ The grant of the awards in the financial year ended 31 December 2017 is subject to the approval of shareholders for the Proposed Extension and ratification of such awards.

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 2017 are as follows:

Participants	Number of share awards granted under the Plans during the financial year ended 31 December 2017*
Lim Shuh Moh Vincent	1,175,000
Lee Yoong Kin	500,000
Pauline Wong Mae Sum	500,000
Wong Loke Mei	235,000
Goh Song Puay	235,000

* The grant of these awards is subject to the approval of shareholders for the Proposed Extension and ratification of such awards.

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-ST 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.

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 and subsidiaries, we have complied with Rules 712 and 715 of the SGX-ST Listing Manual.

DIRECTORS' STATEMENT

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

19 March 2018

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 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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 74 to 136.

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 Financial Reporting Standards in Singapore ("FRSs") 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 2017 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)

<table>
<tr><th colspan="2">Impairment assessment of goodwill ($11,736,000)
(Refer to Note 2.4, Note 3.4, Note 3.9 and Note 5 to the financial statements)</th></tr>
<tr><td>The key audit matter

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 belongs to have been calculated by the Group based on the values-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.</td>
<td>How the matter was addressed in our audit

We assessed the appropriateness of the determination of CGUs.

Our work focused on detailed analysis and challenge of the 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 key macroeconomic assumptions driving the analysis, in particular discount rates, and comparing the independent expectations to those used by the Group; and

• comparing key assumptions for long term revenue growth rates and operating profit margins in the forecasts to historical results, firm commitments secured from customers, pipelines as well as economic and industry forecasts.

We also assessed whether the Group's 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.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

Report on the audit of the financial statements (Continued)

Key audit matters (Continued)

<table>
<tr><th colspan="2">Valuation of inventories ($19,082,000)
(Refer to Note 2.4, Note 3.5 and Note 9 to the financial statements)</th></tr>
<tr><td>The key audit matter

We focused on this area because determination of inventory allowance requires subjective estimates and are influenced by assumptions concerning future demand and sales prices.</td><td>How the matter was addressed in our audit

We assessed the principles and appropriateness of the Group's policy for inventory allowance based on our understanding of the business and the accuracy of previous provisioning estimates by comparing past provision for inventory to the actual amounts written off.

We compared sales volumes for the year and past years against previously forecast amounts to determine the reliability of management's estimates of future demand.

For a sample of inventory items, we compared the unit carrying value to the selling price subsequent to the year end where available, or the most recent sale transaction. We also compared the quantity sold against the amount of inventory on hand.

Our findings

We found that the assumptions and estimates applied in determining the Group's inventory allowance were balanced.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

Report on the audit of the financial statements (Continued)

Key audit matters (Continued)

Revenue recognition for long term contracts ($103,416,000) **(Refer to Note 3.17 and Note 23 to the financial statements)**	
The key audit matter 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.	*How the matter was addressed in our audit* We assessed whether the Group's revenue recognition policies complied with FRSs and tested the implementation of those policies. We evaluated and tested the operating effectiveness of the internal controls 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 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 FRSs, 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 Gerald Low Gin Cheng.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore

19 March 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Property, plant and equipment	4	2,876	3,639	417	415
Intangible assets	5	13,072	12,448	425	122
Subsidiaries	6	–	–	38,082	37,659
Associate	7	2,501	2,231	–	–
Deferred tax assets	8	829	600	–	–
Trade and other receivables	11	3,450	4,422	–	–
Total non-current assets		22,728	23,340	38,924	38,196
Current assets					
Inventories	9	19,082	15,874	15,751	12,904
Work-in-progress	10	25,484	24,972	–	–
Trade and other receivables	11	67,168	58,862	27,180	21,628
Cash and cash equivalents	16	42,926	48,870	14,273	19,693
Total current assets		154,660	148,578	57,204	54,225
Total assets		177,388	171,918	96,128	92,421
Equity					
Share capital	17	21,987	21,987	21,987	21,987
Reserves	18	7,551	9,053	13,286	13,377
Accumulated profits		45,196	44,244	12,119	14,236
Total equity attributable to equity holders of the Company		74,734	75,284	47,392	49,600
Non-controlling interests		390	6	–	–
Total equity		75,124	75,290	47,392	49,600
Non-current liabilities					
Loans and borrowings	20	–	4,992	–	4,992
Trade and other payables	19	2,071	3,354	–	–
Deferred tax liabilities	8	–	–	72	45
Total non-current liabilities		2,071	8,346	72	5,037
Current liabilities					
Loans and borrowings	20	16,330	7,116	4,000	–
Current tax payable		157	781	19	264
Trade and other payables	19	77,255	75,780	44,645	37,520
Excess of progress billings over work-in-progress	10	41	51	–	–
Deferred revenue	23	6,410	4,554	–	–
Total current liabilities		100,193	88,282	48,664	37,784
Total liabilities		102,264	96,628	48,736	42,821
Total equity and liabilities		177,388	171,918	96,128	92,421

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Revenue	23	513,495	503,688
Cost of sales		(475,799)	(465,066)
Gross profit		37,696	38,622
Other income	24	676	786
Sales and marketing expenses		(10,532)	(11,263)
Administrative expenses		(16,955)	(16,584)
Other expenses		(443)	(602)
Results from operating activities		10,442	10,959
Finance income	24	311	407
Finance costs	24	(1,190)	(1,227)
Net finance costs		(879)	(820)
Share of profit of an associate (net of tax)		318	152
Profit before tax	24	9,881	10,291
Tax expense	25	(1,625)	(2,636)
Profit for the year		8,256	7,655
Profit attributable to:			
Owners of the Company		8,166	7,660
Non-controlling interests		90	(5)
Profit for the year		8,256	7,655
Earnings per share (cents)			
Basic earnings per share (cents)	26	1.80	1.69
Diluted earnings per share (cents)	26	1.80	1.69

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Group	
	2017 $'000	2016 $'000
Profit for the year	8,256	7,655
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Defined benefit plan remeasurements	75	75
Tax on items that will not be reclassified to profit or loss	(19)	(19)
	56	56
Items that are or may be reclassified subsequently to profit or loss		
Translation differences relating to financial statements of foreign subsidiaries	(805)	420
Share of foreign currency translation differences of an associate	(48)	21
Exchange differences on monetary items forming part of net investment in foreign operations	(558)	260
	(1,411)	701
Other comprehensive income for the year, net of tax	(1,355)	757
Total comprehensive income for the year	6,901	8,412
Total comprehensive income attributable to:		
Owners of the Company	6,811	8,417
Non-controlling interests	90	(5)
Total comprehensive income for the year	6,901	8,412

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

		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 2016		21,987	43,799	27	16,503	(1,538)	678	–	(7,302)	74,154	11	74,165
Total comprehensive income for the year												
Profit for the year		–	7,660	–	–	–	–	–	–	7,660	(5)	7,655
Other comprehensive income												
Translation differences relating to financial statements of foreign subsidiaries		–	–	–	–	–	–	–	420	420	–	420
Share of foreign currency translation differences of an associate		–	–	–	–	–	–	–	21	21	–	21
Exchange differences on monetary items forming part of net investment in foreign operations		–	–	–	–	–	–	–	260	260	–	260
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	–	–	–	–	–	701	757	–	757
Total comprehensive income for the year		–	7,716	–	–	–	–	–	701	8,417	(5)	8,412
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Share-based payments expenses	22	–	–	–	–	–	397	–	–	397	–	397
Purchase of treasury shares	17, 18	–	–	–	–	–	–	(549)	–	(549)	–	(549)
Issue of treasury shares	17, 18	–	–	–	(133)	–	(275)	544	–	136	–	136
Final dividend of 1.6 cents per share (one-tier tax exempt)		–	(7,271)	–	–	–	–	–	–	(7,271)	–	(7,271)
Total contributions by and distributions to owners of the Company		–	(7,271)	–	(133)	–	122	(5)	–	(7,287)	–	(7,287)
At 31 December 2016		21,987	44,244	27	16,370	(1,538)	800	(5)	(6,601)	75,284	6	75,290

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

		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 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 an 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	22	–	–	–	–	–	369	–	–	369	–	369
Purchase of treasury shares	17, 18	–	–	–	–	–	–	(615)	–	(615)	–	(615)
Issue of treasury shares	17, 18	–	–	–	(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 subsidiary												
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	294	294
Total changes in ownership interests in 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 CASH FLOW STATEMENT

Year ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Operating activities			
Profit before tax		9,881	10,291
Adjustments for:			
Amortisation of intangible assets	5	476	686
Depreciation of property, plant and equipment	4	2,193	2,165
Finance expense	24	1,190	1,227
Finance income	24	(311)	(407)
Loss on disposal of property, plant and equipment	24	13	7
Provision for warranties (net)	21	(30)	(15)
Share-based payments expenses	22	369	397
Share of profit of an associate		(318)	(152)
		13,463	14,199
Changes in working capital:			
Inventories and work-in-progress		(3,972)	10,780
Trade and other receivables		(8,069)	17,540
Trade and other payables		(28)	(15,845)
Changes in deferred revenue		1,856	(174)
Cash generated from operations		3,250	26,500
Income taxes paid		(1,741)	(1,742)
Cash flows from operating activities		1,509	24,758
Investing activities			
Acquisition of an associate		–	(2,058)
Proceeds from disposal of property, plant and equipment and intangible assets		–	32
Purchase of intangible assets and property, plant and equipment		(2,669)	(2,234)
Payment of contingent consideration		–	(163)
Interest received		56	50
Cash flows used in investing activities		(2,613)	(4,373)
Financing activities			
Contribution from non-controlling interests		294	–
Dividends paid		(7,270)	(7,271)
Interest paid		(1,002)	(964)
Proceeds from bank loans		15,039	22,187
Repayment of short-term loans		(10,816)	(29,539)
Purchase of treasury shares	17	(615)	(549)
Cash flows used in financing activities		(4,370)	(16,136)
Net (decrease)/increase in cash and cash equivalents		(5,474)	4,249
Cash and cash equivalents at beginning of the year		48,870	44,584
Effect of exchange rate changes on cash held in foreign currencies		(470)	37
Cash and cash equivalents at end of the year	16	42,926	48,870

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 19 March 2018.

1 DOMICILE AND ACTIVITIES

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

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 of Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the "Group") and the Group's interest in an associate.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements are prepared in accordance with the Singapore Financial Reporting Standards ("FRSs").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies set out 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 has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment 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 11 – Valuation of receivables

2.5 Changes in accounting policies

On 1 January 2017, the Group adopted new or amended FRS and interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see note 20).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

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

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combinations (Continued)

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

For 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 FRSs.

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 profit or loss. 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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which does not exceed one year from the acquisition date, the Group will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date.

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 interest ("NCI") in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

For loans granted to its subsidiaries, the Company evaluates the nature of these funding transactions in order to determine if the loan shall in substance be regarded as part of the Company's net investment in the subsidiary. If so, measurement and disclosures requirements of FRS 39 and FRS 107 would not apply, and such loans would be stated at cost less accumulated impairment in the Company's statement of financial position.

Acquisitions from entities under common control

For business combinations which arise from transfers of interests in entities under the control of the shareholder, the assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an investment in associate or as an available-for-sale financial asset depending on the level of influence retained.

Investment in associate

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

Investments in associates are accounted for using the equity method. They are 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 associates, 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 an 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.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore the carrying amounts of assets and liabilities are not changed and goodwill is not recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the adjustment to non-controlling interests and the fair value of consideration paid is recognised directly in equity and presented as part of equity attributable to owners of the Company.

Options over shares relating to non-controlling interests

The Group evaluates if it has present ownership in the shares subject to the option. If not, the Group applies FRS 27 and recognises non-controlling interests upon acquisition.

When the option remains unexercised, the accounting at each reporting period is as follows:

1) The Group determines the amount that would have been recognised for the non-controlling interests, including an update to reflect its share of profits and losses (and other changes in equity) for the acquiree for the period as required by FRS 27
2) The Group derecognises the non-controlling interests as if was acquired at that date
3) The Group recognises a financial liability in accordance with FRS 39
4) The Group accounts for the difference between 2) and 3) as a change in the non-controlling interests as an equity transaction.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF 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 investment in associates 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.

Accounting for subsidiaries and associate by the Company

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

3.2 Foreign currencies

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 functional currencies of the Group entities comprise Singapore Dollars, Indonesian Rupiah, United States Dollars, Ringgit Malaysia, Thai Baht, Vietnamese Dong and Philippine Peso. Translation differences are dealt with through the income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated 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 the retranslation are recognised in the income statement.

Foreign operations

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency 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 non-controlling interests. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to 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 an associate that includes a foreign operation while retaining significant influence, the relevant portion of the cumulative amount is reclassified to income statement.

Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. When such investment is disposed of, the cumulative amount in equity is transferred to profit or loss as part of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment

Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. 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 property, plant and equipment have different useful lives they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

Subsequent costs

The cost of replacing a component of an item of property, 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 property, plant and equipment are recognised in income statement as incurred.

Depreciation

Depreciation is recognised in income statement on a straight-line basis so as to write off items of property, plant and equipment, and major components that are accounted for separately, over their estimated useful lives, as follows:

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

Depreciation methods, useful lives and residual values are reviewed and adjusted as appropriate, at each reporting date.

3.4 Intangible assets

Retail business infrastructure

Retail business infrastructure acquired in a business combination represents the partnership agreement with a major customer. The retail business infrastructure is amortised in the income statement on a straight-line basis over 3 years, from the date of the agreement.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets (Continued)

Order backlogs

Order backlogs acquired in a business combination represent the contracts and confirmed purchase orders yet to be fulfilled. Order backlogs are amortised to the income statement over the contractual time taken to fulfil the customer orders.

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 represents the excess of:

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

Goodwill is measured at cost less accumulated impairment losses and is subjected to testing for impairment, as described in note 3.9.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, 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 associates.

Other intangible assets

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

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 Company are recognised as intangible assets.

Amortisation is charged to the income statement over their estimated useful lives on a straight-line basis commencing from the date the asset is available for use.

The estimated useful lives of computer software are 2 to 5 years.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Inventories

Inventories, including consignment stocks held for sales at convenience stores, are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis or specified identification method.

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

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

3.6 Work-in-progress

Work-in-progress comprises uncompleted contracts.

When the outcome of such contracts can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The stage of completion is assessed by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs include cost of direct materials, direct labour and other costs incurred in connection with the project.

Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

Work-in-progress is measured at cost plus attributable profit recognised to date, net of progress billings and allowances for foreseeable losses recognised, and is presented in the statement of financial position as work-in-progress (as an asset) or as excess of progress billings over work-in-progress (as a liability), as applicable. The Group reports the net contract position for each contract as either an asset or a liability.

3.7 Financial assets

Non-derivative financial assets

A financial asset is recognised if the Group becomes a party to the contractual provisions of the asset. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset.

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets (Continued)

Loans and receivables

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

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents comprise cash balances and 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.

3.8 Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is 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 has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of loans and receivables is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

All impairment losses are recognised in the income statement. Any impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised in the income statement.

3.9 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories 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 other non-financial assets with infinite useful lives or not 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 exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. The recoverable amount of an asset or cash-generating unit 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. Estimates of future cash flows do not include estimated future cash inflows or outflows that are expected to arise from a future restructuring to which the Group is not yet committed.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of non-financial assets (Continued)

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, cash-generating units 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 cash-generating units 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 cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) 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.

3.10 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.

Where share capital recognised as equity is repurchased and held as treasury shares, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is presented as a deduction from equity. Where such shares are subsequently reissued, sold or cancelled, the consideration received is recognised as a change in equity. No gain or loss is recognised in the income statement.

3.11 Financial liabilities

Non-derivative financial liabilities

A financial liability is recognised if the Group becomes a party to the contractual provisions of the liability. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Group classifies its non-derivative financial liabilities as other financial liabilities.

3.12 Intra-group financial guarantees

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 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.

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 profit or loss 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 profit or loss over the lease term on the same basis as the lease income.

3.14 Employee benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as an 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 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.

3.15 Key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group.

3.16 Provisions

A provision is recognised in the statement of financial position when there is a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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, where appropriate, the risks specific to the liability.

(i) 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.

(ii) 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Revenue recognition

Revenue is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the period arising from the course of activities of the Group and is shown net of any related sales taxes, estimated returns, discount and volume rebates. The Group is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or rendering of services.

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Depending on the substance of sold software (license) along with related incidental maintenance and support, the Group determines whether those represent a sale of goods or sale of services and recognises revenue accordingly.

Income on project work-in-progress is recognised using the stage of completion method (note 3.6).

Revenue from rendering of services that are short duration is recognised when the services are completed. Where a long-term service involves an indeterminate number of acts over a specific time, revenue is recognised on a straight line basis, unless there is evidence the cost to cost method (note 3.6) gives a better reflection of the state of completion.

Revenue for consignment goods sold to convenience stores which have not been sold to consumers is deferred and presented in the statement of financial position as deferred revenue. Revenue from sales of pre-paid phone cards and information technology maintenance services for which services have not been rendered is deferred and presented in the statement of financial position as deferred revenue. Upon the expiry of pre-paid phone cards, any unutilised value of the cards is taken to income statement.

The Group recognises dividend income when the right to receive payment is established.

3.18 Finance income and finance costs

Finance income comprises interest income from banks and financial institutions and reclassification of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues, using the effective interest method, except where collection is contingent upon certain conditions being met, then such income is recognised when received.

Finance cost comprises interest expense on borrowings and unwinding of the discount on long-term contingent consideration and reclassification of net losses previously recognised in other comprehensive income. Interest expense and similar charges are expensed in the income statement in the period in which they are incurred unless these are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, then borrowing cost are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

3.19 Tax

Tax on the results for the year comprises current and deferred tax. Tax is recognised in the income statement except for the tax effects of items recognised directly in equity, which are recognised in the statement of changes in equity.

Current tax is the expected tax payable on the taxable income 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Tax (Continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly-controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

3.20 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.

3.21 Earnings per share

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

3.22 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 property, plant and equipment and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Company in future financial periods, the Company has assessed the potential impact on its financial statements and does not plan to adopt these standards early.

Convergence with International Financial Reporting 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 period 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.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the Group will also concurrently apply 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 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* arising from the amendments to IAS 28 – *Measuring an associate at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 New standards and interpretations not adopted (Continued)

Applicable to 2018 financial statements

New standards

Summary of the requirements	Potential impact on the financial statements
SFRS(I) 15 *Revenue from Contracts with Customers*	
SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, SFRS(I) 15 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services.* SFRS(I) 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. SFRS(I) 15 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.	During 2017, the Group completed its assessment of the impact on the Group financial statements. Based on its assessment, the Group expects the following key changes: Bundled goods and/or services – The Group currently recognises revenue from the sale of software license and installation services as separate performance obligations. Revenue from sale of software license is recognised when significant risk and rewards of ownership are transferred to buyer, whilst, the revenue from rendering of services is recognised using the percentage of completion method. As significant customisation is required to enable the software to function in customer's IT environment and customer is unable to use the software until the customisation services are completed, the bundled customised software license and installation services are not distinct and as a result the Group will have to account for these services promised in a contract as a single performance obligation. Under SFRS(I) 15, revenue is recognised over time if certain conditions are met including that the Group's performance creates an asset that the customer controls. The Group expects to recognise the revenue from sale of software license with significant customisation services over time rather than upon delivery. The Group will be adopting the retrospective approach. The Group does not expect the application of this standard to have a significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 New standards and interpretations not adopted (Continued)

Applicable to 2018 financial statements (Continued)

New standards Summary of the requirements	Potential impact on the financial statements
SFRS(I) 9 *Financial Instruments*	
SFRS(I) 9 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.	During 2017, the Group completed its assessment of the impact on the Group's financial statements. The Group's assessment of the three elements of SFRS(I) 9 is as described below. **Classification and measurement** – There is no significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS(I) 9. **Impairment** – The Group will adopt the simplified approach and does not expect the application of this standard to have a significant impact on the financial statements. **Hedge accounting** – The Group does not have hedge accounting as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 New standards and interpretations not adopted (Continued)

Applicable to 2019 financial statements

New standards Summary of the requirements	Potential impact on the financial statements
SFRS(I) *16 Leases*	
SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. SFRS(I) 16 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor. When effective, SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases-Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied.	The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (refer to Note 31). Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. The operating lease commitments on a discounted basis amount to approximately 3% of the total assets and 6% of total liabilities as at 31 December 2017. Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU assets and lease liabilities to be lower as the lease terms run down. The Group plans to adopt the standard when it becomes effective in 2019. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients in 2018.

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements $'000	Plant and equipment $'000	Office furniture, fittings and equipment $'000	Computers $'000	Motor vehicles $'000	Total $'000
Cost						
At 1 January 2016	2,421	5,012	990	2,085	49	10,557
Translation differences on consolidation	3	112	1	37	15	168
Additions	428	577	92	368	600	2,065
Disposals/Write off	(107)	(51)	(5)	(236)	–	(399)
At 31 December 2016	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
Accumulated depreciation						
At 1 January 2016	1,124	3,408	645	1,663	14	6,854
Translation differences on consolidation	(1)	66	(1)	28	1	93
Depreciation for the year	621	840	194	374	136	2,165
Disposals/Write off	(107)	(32)	(5)	(216)	–	(360)
At 31 December 2016	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
Carrying amount						
At 1 January 2016	1,297	1,604	345	422	35	3,703
At 31 December 2016	1,108	1,368	245	405	513	3,639
At 31 December 2017	793	910	199	426	548	2,876

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold improvements $'000	Office furniture, fittings and equipment $'000	Computers $'000	Motor vehicles $'000	Total $'000
Cost					
At 1 January 2016	635	357	624	–	1,616
Additions	–	–	33	–	33
Write off	–	–	(29)	–	(29)
At 31 December 2016	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
Accumulated depreciation					
At 1 January 2016	210	191	554	–	955
Depreciation for the year	127	88	64	–	279
Write off	–	–	(29)	–	(29)
At 31 December 2016	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
Carrying amount					
At 1 January 2016	425	166	70	–	661
At 31 December 2016	298	78	39	–	415
At 31 December 2017	175	29	74	139	417

NOTES TO THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS

Group	Computer software $'000	Retail business infrastructure $'000	Customer relationships $'000	Order backlogs $'000	Goodwill $'000	Total $'000
Cost						
At 1 January 2016	3,364	1,304	6,688	727	11,853	23,936
Translation differences on consolidation	10	–	–	–	–	10
Additions	169	–	–	–	–	169
Write off	(2)	–	–	–	–	(2)
At 31 December 2016	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
Accumulated amortisation and impairment losses						
At 1 January 2016	2,873	1,304	5,951	727	117	10,972
Translation differences on consolidation	9	–	–	–	–	9
Amortisation charge for the year	434	–	252	–	–	686
Write off	(2)	–	–	–	–	(2)
At 31 December 2016	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
Carrying amount						
At 1 January 2016	491	–	737	–	11,736	12,964
At 31 December 2016	227	–	485	–	11,736	12,448
At 31 December 2017	1,103	–	233	–	11,736	13,072

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	
	2017 **$'000**	**2016** **$'000**
Cost of sales	21	192
Administrative expenses	203	242
Other expenses	252	252
	476	686

Company	**Computer software $'000**	**Total $'000**
Cost		
At 1 January 2016	1,071	1,071
Additions	102	102
At 31 December 2016	1,173	1,173
Additions	455	455
Write off	(368)	(368)
At 31 December 2017	1,260	1,260
Accumulated amortisation		
At 1 January 2016	903	903
Amortisation charge for the year	148	148
At 31 December 2016	1,051	1,051
Amortisation charge for the year	152	152
Write off	(368)	(368)
At 31 December 2017	835	835
Carrying amount		
At 1 January 2016	168	168
At 31 December 2016	122	122
At 31 December 2017	425	425

Impairment testing for customer relationship

On the acquisition of NxGen Group and S&I Group, management identified customer relationships as intangible assets and attributed the intangible assets to individual operating entities acquired, which are the Cash Generating Units ("CGUs") for impairment testing purposes. At the reporting date, management performed an impairment assessment on customer relationships. The recoverable amount was determined to be the value-in-use, which is the discounted future cash flows based on the continuing use of the CGUs. Based on the value-in-use calculations, management concluded that no impairment loss is required for customer relationships.

NOTES TO THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS (CONTINUED)

Impairment testing for cash generating units containing goodwill

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

NxGen goodwill impairment test
Carrying value – $6.41 million (2016: $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 discounted cash flow projection calculations of NxGen

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 2018 to 2022 (2016: 2017 to 2021). Revenue growth was projected taking into account firm commitments secured from customers and pipelines (2016: new business segment opportunities available in the pipeline), and estimated sales volume and price erosion for the next five years (2016: next five years).

Operating profit margin

Management also forecasts gradual increase in operating profit margin based on historical records over the past five years (2016: 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 12.8% (2016: 12.7%) used in the calculation of net present values was 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 (2016: five years) of cash flows in its discounted cash flow model using a perpetual model with zero (2016: zero) growth rate.

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

Sensitivity to changes in assumptions

Management has assumed the lowest revenue in past five years at projected profit margin and zero revenue growth at current operating profit margin (2016: decline in revenue to be double the negative average growth rate for the past five years and at 2016 profit margin level for 2017 to 2021) and the recoverable amount exceeded the carrying amount of the CGU.

The values assigned to the key assumptions represent management's assessment of the future trends of the information technology industry and is based on both external sources and internal sources (historical data).

NOTES TO THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS (CONTINUED)

S&I goodwill impairment test
Carrying value – $5.33 million (2016: $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 discounted cash flow projection calculations of S&I

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 2018 to 2022 (2016: 2017 to 2021). Revenue growth was projected taking into account the new business segment opportunities available in the pipeline (2016: revenue growth with new business segment opportunities available in the pipeline) and estimated sales volume and price growth for the next five years (2016: next five years).

Operating profit margin

Management also forecasts gradual increase in operating profit margin based on historical records over the past five years (2016: 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 12.5% (2016: 13.0%) which was 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 (2016: five years) of cash flows in its discounted cash flow model using a perpetual model with zero (2016: zero) growth rate.

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

Sensitivity to changes in assumptions

Management has assumed the lowest revenue in past five years at projected profit margin and zero revenue growth at current operating profit margin (2016: decline in revenue to be double the negative average growth rate for the past five years and at 2016 profit margin level for 2017 to 2021) and the recoverable amount exceeded the carrying amount of the CGU.

The values assigned to the key assumptions represent management's assessment of the future trends of the information technology industry and is based on both external sources and internal sources (historical data).

NOTES TO THE FINANCIAL STATEMENTS

6 SUBSIDIARIES

	Company 2017 $'000	Company 2016 $'000
Investments in subsidiaries	40,724	40,301
Impairment losses	(2,642)	(2,642)
	38,082	37,659

Details of significant subsidiaries are as follows:

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective equity held by the Group 2017 %	Effective equity held by the Group 2016 %
NexWave Technologies Pte Ltd	Provision of network engineering services	Singapore	100	100
NexWave Telecoms Pte. Ltd.	Provision of telecommunication services	Singapore	100	100
N-Wave Technologies (Malaysia) Sdn Bhd	Provision of network engineering services and consultancy services	Malaysia	100	100
Planet Telecoms Managed Services Sdn. Bhd.	Provision of consultancy services and distribution of mobile phones, prepaid cards and the provision for related services	Malaysia	100	100
Planet Telecoms (S) Pte Ltd	Sale of telecommunication equipment and provision of related services	Singapore	100	100
S & I Systems Pte Ltd	Integrated information technology solutions provider	Singapore	100	100
NxGen Communications Pte Ltd	Provision of system integration services	Singapore	100	100
Planet Managed Services Pte. Ltd.	Sale of telecommunication equipment and provision of related services	Singapore	100	100
Planet Smart Services Pte. Ltd.	Provision of infrastructure engineering services, other information technology and computer service activities	Singapore	51	51
TeleChoice (Indonesia) Pte Ltd	Dormant	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

6 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective equity held by the Group 2017 %	2016 %
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
N-Wave Technologies Philippines, Inc.	Provision of network engineering services	Philippines	100	100
NexWave Technologies Vietnam Company Limited *	Provision of network engineering services	Vietnam	100	–
Held by S & I Systems Pte Ltd:				
Sunway S&I Systems (Thailand) Ltd	Provision of IT consultancy and solutions services	Thailand	49.6	49.6
Sunway S&I Systems Sdn Bhd	Trading of computer hardware and software	Malaysia	51.0	51.0
Held by NxGen Communications Pte Ltd:				
NxGen Communications (M) Sdn Bhd	Provision of system integration services	Malaysia	100	100
NxGen Inc.	Provision of information and communication related services	Philippines	100	100

^ Under members' voluntary liquidation

* 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. McMillan Woods, Chartered Accountants in Malaysia, is the auditor for Planet Telecoms Managed Services Sdn. Bhd., a significant subsidiary incorporated in Malaysia.

For this purpose, a subsidiary is considered significant as defined under SGX-ST Listing Manual if its net tangible assets 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 on its subsidiaries. This assessment takes into account the market value of the subsidiaries, changes in the technological, market, economic or legal environment in which the subsidiaries operate in and changes to the market interest rates. Impairment assessment for investments in subsidiaries was performed to assess for any indication of impairment. Based on management's assessment, no further impairment is required for any subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

7 ASSOCIATE

	Group 2017 $'000	Group 2016 $'000
Interest in associate	2,501	2,231

In 2016, the Group acquired 25.19% ownership interest in MVI Systems Limited for a consideration of $2,058,000. The associate is equity accounted.

Name of associate	Principal activities	Principal place of business/ Country of incorporation	Ownership interest held by the Group 2017 %	Ownership interest held by the Group 2016 %
[1] MVI Systems Limited	Provision of Internet Protocol Television ("IPTV") systems, related consulting services and content provision within the IPTV systems	Hong Kong	25.19	25.19

[1] Audited by PKF Hong Kong

The following summarises the financial information of the Group's associate based on its consolidated financial statements prepared in accordance with FRSs, modified for fair value adjustments on acquisition:

	Group 2017 $'000	Group 2016 $'000
Revenue	8,090	4,948
Profit from continuing operations	1,264	602
Other comprehensive income	(189)	85
Total comprehensive income	1,075	687
Non-current assets	6,837	7,333
Current assets	5,442	4,018
Current liabilities	(2,347)	(2,493)
Net assets	9,932	8,858
Group's interest in net assets of investee at the beginning of the year/date of acquisition	2,231	2,058
Group's share of:		
– Profit from continuing operations	318	152
– Other comprehensive income	(48)	21
– Total comprehensive income	270	173
Carrying amount of interest in investee at end of year	2,501	2,231

NOTES TO THE FINANCIAL STATEMENTS

8 DEFERRED TAX ASSETS AND LIABILITIES

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

Group	At 1 January 2016 $'000	Charged/ (credited) to income statement (Note 25) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	Transfer of Group relief $'000	At 31 December 2016 $'000	Charged/ (credited) to income statement (Note 25) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	At 31 December 2017 $'000
Deferred tax assets										
Property, plant and equipment	(315)	85	115	–	(4)	(119)	(231)	–	9	(341)
Inventories	(74)	7	–	–	–	(67)	(11)	–	–	(78)
Accruals	(692)	56	–	19	(10)	(627)	159	19	23	(426)
Receivables	–	–	–	–	–	–	(147)	–	(11)	(158)
Unutilised capital allowances	–	–	–	–	–	–	(25)	–	–	(25)
	(1,081)	148	115	19	(14)	(813)	(225)	19	21	(1,028)
Deferred tax liabilities										
Property, plant and equipment	119	11	–	–	–	130	29	–	–	159
Intangible assets	127	(44)	–	–	–	83	(43)	–	–	40
	246	(33)	–	–	–	213	(14)	–	–	199

Company	At 1 January 2016 $'000	Charged/ (credited) to income statement $'000	At 31 December 2016 $'000	Charged/ (credited) to income statement $'000	At 31 December 2017 $'000
Deferred tax assets					
Inventories	(24)	11	(13)	(6)	(19)
Accruals	(34)	2	(32)	(1)	(33)
	(58)	13	(45)	(7)	(52)
Deferred tax liabilities					
Property, plant and equipment	99	(9)	90	34	124
	41	4	45	27	72

NOTES TO THE FINANCIAL STATEMENTS

8 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting are included in the statement of financial position as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred tax assets	829	600	–	–
Deferred tax liabilities	–	–	72	45

Unrecognised deferred tax assets

The following deductible temporary differences have not been recognised:

	Group	
	2017 $'000	2016 $'000
Deductible/(Taxable) temporary differences	365	(49)
Unutilised capital allowances	8	64
Unutilised tax losses	1,322	1,367
Unrecognised deferred tax assets	390	332

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.

As at 31 December 2017 and 2016, deferred tax assets were not recognised as it was not probable that future taxable profits would be available against which the Group could utilise the benefits.

Unrecognised deferred tax liabilities

At the reporting date, deferred tax liabilities of $1,931,000 (2016: $1,805,000) for temporary differences of $19,027,000 (2016: $17,838,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

9 INVENTORIES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Raw materials	1,701	659	–	–
Inventories held for resale	17,381	15,215	15,751	12,904
	19,082	15,874	15,751	12,904

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.

During the year, the write down and write back of inventories recognised in the consolidated income statement amounted to $1,325,000 and $785,000 respectively (2016: $857,000 and $1,118,000 respectively).

10 WORK-IN-PROGRESS

	Group	
	2017 $'000	2016 $'000
Cost incurred and attributable profits less foreseeable losses	92,450	86,248
Less: Progress billings	(67,007)	(61,327)
Work-in-progress	25,443	24,921
Comprising:		
Work-in-progress	25,484	24,972
Excess of progress billings over work-in-progress	(41)	(51)

NOTES TO THE FINANCIAL STATEMENTS

11 TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade receivables		25,730	24,092	2,867	2,016
Allowance for doubtful receivables		(105)	(199)	(3)	(3)
		25,625	23,893	2,864	2,013
Unbilled receivables		6,078	8,176	87	278
Finance lease receivables		141	183	–	–
Other receivables and deposits	12	2,929	3,318	94	339
Amounts due from:					
– related parties	13	33,389	25,124	18,061	12,080
– subsidiaries	14	–	–	5,924	6,779
– immediate holding company	15	2	4	2	4
– ultimate holding company	15	–	191	–	–
Loans and receivables		68,164	60,889	27,032	21,493
Prepayments		1,217	1,633	148	135
Deferred expenses		1,237	762	–	–
		70,618	63,284	27,180	21,628
Non-current		3,450	4,422	–	–
Current		67,168	58,862	27,180	21,628
		70,618	63,284	27,180	21,628

The Group's and Company's primary exposure to credit risk arises through its trade and amounts due from related corporations. 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 corporations.

Unbilled receivables relate to accrued sales made that have not been invoiced as at the reporting date.

The maximum exposure to credit risk for loans and receivables at the reporting date (by type of customer) is:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Related parties	33,389	25,124	18,061	12,080
Subsidiaries	–	–	5,924	6,779
Immediate holding company	2	4	2	4
Ultimate holding company	–	191	–	–
Non-related parties:				
– Multinational companies	7,601	8,361	–	–
– Other companies	27,172	27,209	3,045	2,630
	68,164	60,889	27,032	21,493

NOTES TO THE FINANCIAL STATEMENTS

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

Impairment losses

The ageing of loans and receivables at the reporting date is:

	Gross 2017 $'000	Impairment losses 2017 $'000	Gross 2016 $'000	Impairment losses 2016 $'000
Group				
No credit terms	9,148	–	11,677	–
Not past due	36,749	–	30,134	–
Past due 0 – 30 days	10,893	2	8,172	10
Past due 31 – 120 days	8,620	21	5,586	65
Past due 121 – 360 days	2,410	52	5,024	110
More than one year	449	30	495	14
	68,269	105	61,088	199
Company				
No credit terms	181	–	617	–
Not past due	21,465	–	16,259	–
Past due 0 – 30 days	2,684	–	1,197	–
Past due 31 – 120 days	2,229	–	44	–
Past due 121 – 360 days	473	–	2,890	–
More than one year	3	3	489	3
	27,035	3	21,496	3

The change in impairment loss in respect of loans and receivables during the year is as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	199	108	3	45
Impairment loss recognised	21	192	–	–
Amount written off	(115)	(101)	–	(42)
At 31 December	105	199	3	3

Finance lease receivables

The Group entered into a non-cancellable finance lease agreement. Effective interest rate at the reporting date was 3.19% (2016: 2.56%) per annum. At the reporting date, the Group's finance lease receivables are as follows:

	Gross investment 2017 $'000	Unearned finance income 2017 $'000	Net investment 2017 $'000	Gross investment 2016 $'000	Unearned finance income 2016 $'000	Net investment 2016 $'000
Group						
Within one year	65	3	62	65	6	59
Between one and five years	81	2	79	130	6	124
At 31 December	146	5	141	195	12	183

NOTES TO THE FINANCIAL STATEMENTS

12 OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deposits	1,105	1,378	12	21
Other receivables	1,824	1,940	82	318
	2,929	3,318	94	339
Non-current	906	833	–	–
Current	2,023	2,485	94	339
	2,929	3,318	94	339

Other receivables and deposits do not carry any credit terms.

13 AMOUNTS DUE FROM AND TO RELATED PARTIES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Amounts due from related parties:				
– subsidiaries of holding companies:				
Billed portion	26,452	18,895	15,857	9,310
Unbilled portion	6,937	6,229	2,204	2,770
	33,389	25,124	18,061	12,080
Amounts due to related parties:				
– subsidiaries of holding companies (trade)	1,366	2,533	562	1,035
– subsidiary of immediate holding company (non-trade)	76	32	9	9
	1,442	2,565	571	1,044

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

Trade amounts due from related parties include the following:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Retention sum relating to construction work-in-progress	–	1,006	–	–

NOTES TO THE FINANCIAL STATEMENTS

14 AMOUNTS DUE FROM AND TO SUBSIDIARIES

	Company	
	2017 $'000	2016 $'000
Amounts due from subsidiaries:		
– trade	764	379
– non-trade	2,855	3,400
– short-term loan	2,305	3,000
	5,924	6,779
Amounts due to subsidiaries:		
– non-trade	109	71
– short-term loan	6,340	6,340
	6,449	6,411

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

The short-term loans due from subsidiaries are unsecured, interest-bearing at 3.63% (2016: 2.60% to 2.70%) per annum and repayable on demand.

The short-term loan due to subsidiaries are unsecured, interest-free and repayable on demand.

15 AMOUNTS DUE FROM AND TO HOLDING COMPANIES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'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)	229	190	227	190

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

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash at banks and in hand	41,923	48,335	14,273	19,693
Short-term bank deposits	1,003	535	–	–
Cash and cash equivalents in the consolidated cash flow statement	42,926	48,870	14,273	19,693

As at 31 December 2017, the Group has cash and cash equivalents totalling $3,908,000 (2016: $4,379,000) which are held in countries with foreign exchange controls.

The effective interest rate per annum relating to short-term bank deposits is at 0.79% (2016: 3.15% to 4.00%).

NOTES TO THE FINANCIAL STATEMENTS

17 SHARE CAPITAL

	Group and Company			
	2017		2016	
	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 2,370,000 (2016: 2,000,000) ordinary shares under the terms of the Share Purchase Mandate approved by its shareholders on 27 April 2007. The total consideration for these shares bought back from the market is $615,000 (2016: $549,000), being the market price, including incidental cost. This amount was classified as a deduction from equity under "reserve for own shares".

During the year, 2,351,618 (2016: 1,984,260) ordinary shares were awarded to eligible directors and employees under the TeleChoice Restricted Share Plan and TeleChoice Performance Share Plan (see Note 22). Total cost of the shares awarded was $611,000 (2016: $544,000). As at 31 December 2017, the Company held 34,704 (2016: 16,322) of its own uncancelled shares.

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

Capital management

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital employed of between 7% and 10% (2016: 8% and 14%). In 2017, the return was 9.9% (2016: 9.7%). In comparison, the interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 1.64% to 8.95% (2016: 1.30% to 9.20%) 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.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

18 RESERVES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Capital reserves	16,287	16,370	12,563	12,646
General reserve	27	27	–	–
Reserve for own shares	(9)	(5)	(9)	(5)
Share option reserve	796	800	732	736
Goodwill written off	(1,538)	(1,538)	–	–
Exchange translation reserve	(8,012)	(6,601)	–	–
	7,551	9,053	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.

Capital reserves of the Group comprise merger reserve of $17.02 million (2016: $17.02 million) and losses on the reissuance of treasury shares of $0.73 million (2016: $0.65 million).

Merger reserve comprises the following:

	Group	
	2017	2016
	$'000	$'000
Aggregate of share capital of subsidiaries acquired	23,403	23,403
Aggregate of losses of subsidiaries prior to acquisition by STTC	(6,372)	(6,372)
Acquisition of additional 7% equity interest in NexWave Solutions Pte. Ltd. by STTC	1,455	1,455
Goodwill on acquisition of subsidiaries by STTC	1,538	1,538
Cost of investment paid by STTC	20,024	20,024
Par value of shares issued for acquisition of subsidiaries	(3,000)	(3,000)
	17,024	17,024

The Group is required to transfer 20% of the registered share capital of its Indonesian subsidiary's net profit in each year to general reserve if there are available retained earnings, until the general reserve reaches 20% of the registered share capital of its Indonesian subsidiary. 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 2017, the Group held 34,704 of the Company's shares (2016: 16,322).

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 $0.57 million to capital reserve upon liquidation of a subsidiary, NexWave Solutions Pte. Ltd..

The exchange translation reserve of the Group comprises foreign exchange differences arising from the translation of the financial statements of foreign entities whose functional currency is different from that of the Company and from the monetary items which form part of the Group's net investment in foreign subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

19 TRADE AND OTHER PAYABLES

		Group		Company	
		2017	2016	2017	2016
	Note	$'000	$'000	$'000	$'000
Trade payables		51,828	45,924	33,833	25,334
Accruals for payroll and staff related costs		5,293	6,452	1,463	1,547
Accrued expenses		19,781	23,632	2,102	2,991
Amounts due to:					
– related parties	13	1,442	2,565	571	1,044
– subsidiaries	14	–	–	6,449	6,411
– holding companies	15	229	190	227	190
Financial liabilities at amortised cost		78,573	78,763	44,645	37,517
Prepayments		429	65	–	–
Provisions	21	324	306	–	3
		79,326	79,134	44,645	37,520
Non-current		2,071	3,354	–	–
Current		77,255	75,780	44,645	37,520
		79,326	79,134	44,645	37,520

20 LOANS AND BORROWINGS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Non-current liabilities				
Unsecured bank loans	–	4,992	–	4,992
Current liabilities				
Unsecured bank loans	16,330	7,116	4,000	–

NOTES TO THE FINANCIAL STATEMENTS

20 LOANS AND BORROWINGS (CONTINUED)

Terms and debts repayment schedule

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

	2017				2016			
	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	1.64 – 8.95	2018	16,330	16,330	2.65 – 9.20	2017	7,116	7,116
			16,330	16,330			12,116	12,108
Company								
Fixed rate loan	–	–	–	–	3.45	2018	5,000	4,992
Floating rate loan	1.64	2018	4,000	4,000	–	–	–	–
			4,000	4,000			5,000	4,992

For certain loans, the Group is obliged to comply with a number of financial covenants, including maintaining certain financial ratios. All covenants were complied for the above unsecured bank loans during the financial year.

The following are the expected contractual undiscounted cash outflows of financial liabilities:

	Carrying amount $'000	Contractual cash flows $'000	Less than 12 months $'000	1 to 5 years $'000
Group				
2017				
Variable interest rate 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)
2016				
Variable interest rate loans	7,116	(7,147)	(7,147)	–
Fixed interest rate loans	4,992	(5,250)	(173)	(5,077)
Trade and other payables*	78,763	(79,011)	(75,538)	(3,473)
	90,871	(91,408)	(82,858)	(8,550)
Company				
2017				
Variable interest rate loans	4,000	(4,008)	(4,008)	–
Trade and other payables*	44,645	(44,645)	(44,645)	–
	48,645	(48,653)	(48,653)	–
2016				
Fixed interest rate loans	4,992	(5,250)	(173)	(5,077)
Trade and other payables*	37,517	(37,517)	(37,517)	–
	42,509	(42,767)	(37,690)	(5,077)

* Exclude prepayments and provisions

NOTES TO THE FINANCIAL STATEMENTS

20 LOANS AND BORROWINGS (CONTINUED)

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

	Note	Liabilities 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	24	1,002
Total other changes		1,002
Balance at 31 December 2017		16,330

21 PROVISIONS

	Warranties $'000	Reinstatement costs $'000	Total $'000
Group			
At 1 January 2017	205	101	306
Provision made	12	66	78
Provision written back	(42)	(4)	(46)
Translation difference	(14)	–	(14)
At 31 December 2017	161	163	324

	Warranties $'000
Company	
At 1 January 2017	3
Provision made	–
Provision written back	(3)
At 31 December 2017	–

The provision made for warranty costs relates mainly to mobile phones, network engineering services and radio and telecommunication equipment sold during the year. The provision is based on estimates made from historical warranty data.

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

NOTES TO THE FINANCIAL STATEMENTS

22 EQUITY COMPENSATION BENEFITS

TeleChoice Restricted Share Plan and Performance Share Plan

The TeleChoice Restricted Share Plan (the “TeleChoice RSP”) and TeleChoice Performance Share Plan (the “TeleChoice PSP”) (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. The Plans have expired on 27 April 2017, and the Company is seeking the approval of shareholders for the extension of the duration of the Plans for a further period of ten (10) years retrospectively from (and including) 27 April 2017 to (and including) 26 April 2027 (“Proposed Extension”).

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 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) Under the TeleChoice PSP, 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.

(v) Under the TeleChoice RSP, awards granted vest only after the satisfactory completion of time-based service conditions (time-based restricted awards) or where the award is performance-related after a further period of service beyond the performance targets completion date (performance-based restricted awards), 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 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.

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

(vii) As at 31 December 2017, the initial awards of 10,350,890 (2016: 9,215,890) shares under the TeleChoice PSP and the initial awards of 23,235,920 (2016: 20,128,920) shares under the TeleChoice RSP were made to Eligible Persons. The grant of such awards in the financial year ended 2017 is subject to the approval of shareholders for the Proposed Extension and ratification of such awards. As at 31 December 2017, awards of 2,995,320 (2016: 2,732,640) shares under the TeleChoice PSP and 5,875,856 (2016: 6,241,138) shares under the TeleChoice RSP were outstanding.

NOTES TO THE FINANCIAL STATEMENTS

22 EQUITY COMPENSATION BENEFITS (CONTINUED)

TeleChoice Restricted Share Plan and Performance Share Plan (Continued)

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

Date of grant of shares	1 June 2017*	1 June 2016	3 June 2015	2 June 2014
Fair value at grant date	$0.112	$0.175	$0.179	$0.173
Assumptions under Monte-Carlo Model Expected Volatility				
TeleChoice International Limited	15.89%	16.02%	12.89%	14.90%
Straits Times Index	N/A	11.85%	8.76%	14.72%
Risk-free interest rates	1.31%	1.77%	2.00%	1.32%

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

Date of grant of shares	1 June 2017*	1 June 2016	3 June 2015	2 June 2014
Fair value at grant date:				
For RSP vested 24 months from grant date	$0.245	$0.220	$0.233	$0.215
For RSP vested 36 months from grant date	$0.231	$0.205	$0.218	$0.199
For RSP vested 48 months from grant date	$0.219	$0.190	$0.204	$0.185
Assumptions under Monte-Carlo Model Expected Volatility				
TeleChoice International Limited	15.89%	16.02%	12.89%	14.90%

Date of grant of shares	1 June 2017*	1 June 2016	3 June 2015	2 June 2014
Risk-free interest rates				
Singapore 2-year Government Bond yield	1.07%	1.09%	1.13%	0.39%
Singapore 3-year Government Bond yield	1.21%	1.28%	1.40%	0.56%
Singapore 4-year Government Bond yield	1.31%	1.50%	1.71%	0.88%

* The grant of awards on 1 June 2017 is subject to the approval of shareholders for the Proposed Extension and ratification of such awards.

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 $369,000 (2016: $397,000) to the income statement based on the fair value of the PSP and RSP at the grant date.

NOTES TO THE FINANCIAL STATEMENTS

23 REVENUE

Revenue represents the invoiced value of goods sold and services rendered, less discounts, and the value of work done on cabling and installation projects that are undertaken.

	Group	
	2017	**2016**
	$'000	**$'000**
Sale of goods:		
– Equipment and cards sales	393,243	385,349
Rendering of services:		
– Voice services, mobile data and location tracking services	3,121	5,392
– Logistic and consultancy services	13,715	12,098
Contract revenue:		
– Cabling and installation projects	63,922	62,272
– Information technology projects	39,494	38,577
	513,495	503,688

Equipment and cards sales revenue includes Personal Communications Solutions Services ("PCS") business, in which certain sales of mobile communication devices and accessories are made to a related corporation. 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 corporation;
- The Group is required to bear inventory risk of loss and damage upon delivery of equipment by manufacturers. The related corporation has the rights or entitlement to cancel the purchase order issued to the Group prior to the receipt of such equipment ordered; and
- Credit risk with customers or counterparties is borne by the Group.

The conclusion that the Group act as a principal continues to be consistent in 2017.

Deferred revenue in the statement of financial position comprised:

	Group	
	2017	**2016**
	$'000	**$'000**
Information technology maintenance services	6,410	4,070
Personal communication consultancy services	–	484
	6,410	4,554

NOTES TO THE FINANCIAL STATEMENTS

24 PROFIT BEFORE TAX

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

	Note	Group 2017 $'000	Group 2016 $'000
Amortisation expense	5	476	686
Audit fees paid to:			
– auditors of the Company		245	245
– other auditors		68	64
Non-audit fees paid to:			
– auditors of the Company		16	4
Contributions to defined contribution plans, included in staff costs		3,276	3,444
Cost of inventories recognised in income statement		363,059	357,601
Depreciation expense	4	2,193	2,165
Directors' remuneration		510	519
Exchange loss		29	214
Impairment loss on trade and other receivables	11	21	192
Loss on disposal of property, plant and equipment		13	7
Operating lease expenses		7,796	7,415
Provision for warranties, net	21	(30)	(15)
Staff costs		48,400	46,822
Share-based payments expenses, included in staff costs	22	369	397
Share of profit of an associate		(318)	(152)
Write down of inventories to net realisable value	9	1,325	857
Write back of inventories to net realisable value	9	(785)	(1,118)
Other income			
Government grants		(291)	(612)
Others (mainly rental and management service income)		(385)	(174)
		(676)	(786)
Finance income			
Interest income			
– banks and financial institutions		(56)	(49)
– interest accretion		(255)	(358)
		(311)	(407)
Finance costs			
Interest expense			
– banks and financial institutions		1,002	964
– interest accretion		188	263
		1,190	1,227

NOTES TO THE FINANCIAL STATEMENTS

25 TAX EXPENSE

	Group	
	2017 $'000	2016 $'000
Current tax expense		
Current year	2,027	2,262
(Over)/Underprovision in prior years	(133)	259
	1,894	2,521
Deferred tax expense		
Origination and reversal of temporary differences	(269)	115
Tax expense	1,625	2,636

Reconciliation of effective tax rate

	2017 $'000	2016 $'000
Profit before taxation	9,881	10,291
Income tax using Singapore tax rate of 17% (2016: 17%)	1,680	1,749
Tax effect of:		
– Non-deductible expenses	719	819
– Non-taxable income	(344)	(330)
– Tax incentives	(814)	(388)
– Changes in tax rate	–	13
– Recognition of tax effects of previously unrecognised tax losses	(9)	(11)
– Deferred tax asset not recognised	67	–
Effect of results of equity accounted associate presented net of tax	(54)	(26)
Effect of different tax rates in other countries	513	551
(Over)/Underprovision in respect of prior years' tax	(133)	259
	1,625	2,636

On 18 February 2011, the Minister of Finance announced in his Budget Speech a new tax scheme called the Productivity and Innovation Credit scheme ("PIC"), which allows businesses that invest in a range of productivity and innovation activities to claim enhanced deductions and/or allowances at 400% of expenditure incurred for each category of activity from year of assessment 2011 to 2018. Accordingly, the tax charge of the Group had been reduced based on the above tax incentives.

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Group believes that certain positions may not be fully sustained upon review by tax authorities, despite the Group's belief that its tax return positions are supportable. 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 multifaceted 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.

NOTES TO THE FINANCIAL STATEMENTS

26 EARNINGS PER SHARE

	Group 2017 $'000	Group 2016 $'000
Basic earnings per share is based on:		
Profit attributable to equity holders of the Company	8,166	7,660

	Group Number of shares 2017 ('000)	Group Number of shares 2016 ('000)
Issued ordinary shares at beginning of the year	454,423	454,423
Effect of own shares held	(116)	(217)
Weighted average number of ordinary shares during the year	454,307	454,206

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 2017 $'000	Group 2016 $'000
Diluted earnings per share is based on:		
Profit attributable to equity holders of the Company	8,166	7,660

	Group Number of shares 2017 ('000)	Group Number of shares 2016 ('000)
Weighted average number of ordinary shares (basic)	454,307	454,206
Effect of RSP shares vested but not released	888	1,539
Weighted average number of ordinary shares (diluted) during the year	455,195	455,745

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. During the year, there were no share options granted (2016: Nil).

	Group 2017	Group 2016
Earnings per share		
Basic earnings per share (cents)	1.80	1.69
Diluted earnings per share (cents)	1.80	1.69

NOTES TO THE FINANCIAL STATEMENTS

27 SIGNIFICANT 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	
	2017	2016
	$'000	$'000
Ultimate holding company		
Revenue from sale of products and provision of services	246	782
Immediate holding company		
Revenue from sale of products and provision of services	11	24
Purchase of products and services	9	–
Management fees	86	68
Subsidiaries of holding companies		
Revenue from sale of products and provision of services	233,728	197,257
Purchase of products and services	95,705	115,281
Rental and warehouse expenses	1,708	1,719
Telecommunication services received	624	851
Key management personnel		
Short-term employment benefits		
– Directors	357	363
– Other key management personnel	2,972	2,823
Post-employment benefits (including defined contribution plans)		
– Other key management personnel	603	682
Share-based payments		
– Directors	153	156
– Other key management personnel	310	351
	4,395	4,375

NOTES TO THE FINANCIAL STATEMENTS

28 OPERATING SEGMENTS

The Group has 3 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 mobile delivery and field and cabling services. Through its Malaysian subsidiary, it provides retail management, fulfilment and supply chain services to U Mobile Sdn Bhd, Malaysia's fastest growing full-fledged mobile operator that offers data, voice and messaging services. PCS also operates an e-commerce site, www.eplanetworld.com, which offers the latest mobile phones and tablets as well as accessories for online shoppers.

Info-Communications Technology Services ("ICT"): This division is a leading regional integrated infocommunications solutions provider. Its extensive offerings include enterprise IT infrastructure, business solutions and integration services, managed and hosted services, fixed and wireless networking solutions, 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. ICT also offers Internet Protocol Television solutions for the hospitality industry, and has a unit that offers distribution service for networking and security products. In addition, under the SunPage brand, ICT 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 backup requirements.

Geographical segments

The Group has operations primarily in Singapore, Indonesia and Malaysia. The rest are mainly export customers in Hong Kong.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

NOTES TO THE FINANCIAL STATEMENTS

28 OPERATING SEGMENTS (CONTINUED)

Information about Reportable Segments

	Personal communications solutions services		Info-communications technology services		Network engineering services		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue and expenses								
Total revenue from external customers	370,932	358,800	75,151	82,615	67,412	62,273	513,495	503,688
Inter-segment revenue	9	31	234	135	125	–	368	166
	370,941	358,831	75,385	82,750	67,537	62,273	513,863	503,854
Interest income	82	85	286	366	36	47	404	498
Interest expenses	275	368	269	392	739	558	1,283	1,318
Depreciation of property, plant and equipment	641	761	199	276	1,353	1,128	2,193	2,165
Amortisation of intangible assets	174	171	272	496	30	19	476	686
Reportable segment profit before income tax	6,328	7,259	980	102	2,255	2,778	9,563	10,139
Share of profit of an associate (net of tax)	–	–	318	152	–	–	318	152
Reportable segment assets	68,829	63,570	58,962	60,074	47,096	46,043	174,887	169,687
Investment in an associate	–	–	2,501	2,231	–	–	2,501	2,231
Capital expenditure								
– Property, plant and equipment	612	398	83	86	874	1,581	1,569	2,065
– Intangible assets	657	103	443	2	–	64	1,100	169
Reportable segment liabilities	46,760	41,523	32,490	33,122	23,014	21,983	102,264	96,628

NOTES TO THE FINANCIAL STATEMENTS

28 OPERATING SEGMENTS (CONTINUED)

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

	Group 2017 $'000	Group 2016 $'000
Revenue		
Total revenue for reportable segments	513,863	503,854
Elimination of inter-segment revenue	(368)	(166)
Consolidated revenue	513,495	503,688
Profit or loss		
Total profit or loss for reportable segments	9,563	10,139
Share of profit of an associate	318	152
Consolidated profit before income tax	9,881	10,291
Assets		
Total assets for reportable segments	174,887	169,687
Investments in an associate	2,501	2,231
Consolidated total assets	177,388	171,918
Liabilities		
Total liabilities for reportable segments	102,264	96,628

	Reportable segment totals $'000	Adjustments $'000	Consolidated totals $'000
Other material items 2017			
Interest income	(404)	93	(311)
Interest expenses	1,283	(93)	1,190
Capital expenditure			
– property, plant and equipment	1,569	–	1,569
– intangible assets	1,100	–	1,100
Other material items 2016			
Interest income	(498)	91	(407)
Interest expenses	1,318	(91)	1,227
Capital expenditure			
– property, plant and equipment	2,065	–	2,065
– intangible assets	169	–	169

NOTES TO THE FINANCIAL STATEMENTS

28 OPERATING SEGMENTS (CONTINUED)

Geographical information

	Revenue $'000	Non-current assets* $'000
31 December 2017		
Singapore	450,085	14,369
Indonesia	45,219	1,267
Malaysia	11,388	125
Hong Kong	4,048	2,501
Other countries	2,755	187
Consolidated total	513,495	18,449
31 December 2016		
Singapore	442,992	13,875
Indonesia	40,461	1,888
Malaysia	9,981	318
Hong Kong	8,859	2,231
Other countries	1,395	6
Consolidated total	503,688	18,318

* Non-current assets presented consist of property, 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 43% (2016: one customer of the Group's Personal Communications Solutions Services represents approximately 39%) of the Group's total revenue.

29 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability:

(i) Trade and other receivables

The fair value of non-current trade and other receivables 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, which is determined for measurement upon acquisition and disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(iii) Share based payments

The fair value measurement for share based payments is described in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL RISK MANAGEMENT

Overview

The Group's activities expose it to credit risk, liquidity risk and market risk (including interest rate risk and currency risk). The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2017, the Group has 41% (2016: 36%) of total receivables due from 1 (2016: 1) major customer, and approximately 43% (2016: 39%) of the Group's revenue is attributable to sales transactions with this 1 (2016: 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 approved by the Credit Control Committee at the entity level and the continuous monitoring by the Committee.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal 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 and other receivables relate mainly to the Group's related parties and multinational corporations.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

There are no other significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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 are debtor and inventory turnover days.

In addition, the Group maintains total lines of credit of $127 million (2016: $138 million) for revolving credit and working capital line facilities, at a margin over cost of funds.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to cash flow interest rate risks arises mainly from short-term floating rate borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk.

Effective interest rate and repricing analysis

In respect of the interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they reprice:

	Effective interest %	Within 1 year $'000
Group		
31 December 2017		
Financial liabilities		
Unsecured bank loans	1.64 to 8.95	16,330
31 December 2016		
Financial liabilities		
Unsecured bank loans	2.65 to 9.20	12,108
Company		
31 December 2017		
Financial assets		
Loans to subsidiaries	3.63	2,305
Financial liabilities		
Unsecured bank loan	1.64	4,000
31 December 2016		
Financial assets		
Loans to subsidiaries	2.60 to 2.70	3,000
Financial liabilities		
Unsecured bank loans	3.45	4,992

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash flow and fair value interest rate risk (Continued)

Sensitivity analysis

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in Singapore Dollars. 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 2017		
Loans and borrowings	(163)	163
31 December 2016		
Loans and borrowings	(121)	121
Company		
31 December 2017		
Loans to subsidiaries	23	(23)
Loans and borrowings	(40)	40
31 December 2016		
Loans to subsidiaries	30	(30)
Loans and borrowings	(50)	50

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.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (Continued)

The Group's and Company's exposure to foreign currencies are as follows:

	RM $'000	USD $'000
Group		
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)
31 December 2016		
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 2017		
Cash and cash equivalents	–	127
Trade and other payables	–	(5,456)
Net exposure	–	(5,329)
31 December 2016		
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 Singapore Dollar 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 2017		
RM	2	–
USD	(259)	(533)
	(257)	(533)
31 December 2016		
RM	17	–
USD	(233)	(200)
	(216)	(200)

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (Continued)

Sensitivity analysis (Continued)

A 10 percent weakening of the above currencies against Singapore Dollar 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 2017, the fair value of non-current other receivables, other payables and unsecured bank loans amounted to $3,450,000 (2016: $4,422,000), $2,071,000 (2016: $3,354,000) and nil (2016: $4,992,000) 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 other loans and borrowings) are assumed to approximate their fair values because of the short period to maturity.

Accounting classifications

	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	11	68,164	–	68,164
Cash and cash equivalents	16	42,926	–	42,926
		111,090	–	111,090
Financial liabilities not measured at fair value				
Trade and other payables	19	–	78,573	78,573
Loans and borrowings	20	–	16,330	16,330
		–	94,903	94,903
31 December 2016				
Financial assets not measured at fair value				
Trade and other receivables	11	60,889	–	60,889
Cash and cash equivalents	16	48,870	–	48,870
		109,759	–	109,759
Financial liabilities not measured at fair value				
Trade and other payables	19	–	78,763	78,763
Loans and borrowings	20	–	12,108	12,108
		–	90,871	90,871
Company				
31 December 2017				
Financial assets not measured at fair value				
Trade and other receivables	11	27,032	–	27,032
Cash and cash equivalents	16	14,273	–	14,273
		41,305	–	41,305
Financial liabilities not measured at fair value				
Trade and other payables	19	–	44,645	44,645
Loans and borrowings	20	–	4,000	4,000
		–	48,645	48,645

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classifications (Continued)

	Note	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000
31 December 2016				
Financial assets not measured at fair value				
Trade and other receivables	11	21,493	–	21,493
Cash and cash equivalents	16	19,693	–	19,693
		41,186	–	41,186
Financial liabilities not measured at fair value				
Trade and other payables	19	–	37,517	37,517
Loans and borrowings	20	–	4,992	4,992
		–	42,509	42,509

31 COMMITMENTS

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.

At 31 December 2017, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Payable:				
Within 1 year	4,688	4,935	1,248	1,222
After 1 year but within 5 years	3,052	7,133	473	1,721
After 5 years	–	108	–	–
	7,740	12,176	1,721	2,943

NOTES TO THE FINANCIAL STATEMENTS

32 CONTINGENT LIABILITIES

The Company issued corporate guarantees amounting to $17,439,000 (2016: $19,347,000) in favour of subsidiaries to cover purchases and bank facilities per the terms of the agreements. The periods in which the financial guarantees expire are as follows:

	Company	
	2017 **$'000**	**2016** **$'000**
Within 1 year	752	987
After 1 year but within 5 years	230	252
After 5 years	–	230
Upon termination of agreement	16,457	17,878
	17,439	19,347

The principal risk to which the Company is exposed is credit risk in connection with the guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. Guarantees are only given to its subsidiaries.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

The intra-group financial guarantees are eliminated in preparing the consolidated financial statements. Estimates of the Company's obligation arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates.

33 SUBSEQUENT EVENTS

A wholly-owned subsidiary, NexWave Telecoms Pte. Ltd. ("NexWave Telecoms"), has on 31 January 2018 pursuant to a capital reduction exercise reduced its issued and paid-up share capital from S$13,000,000 to $6,660,000 by an amount of $6,340,000, and the total number of issued ordinary shares in the capital of NexWave Telecoms ("Shares") from 13,000,000 Shares to 6,660,000 Shares by way of cancellation of 6,340,000 issued Shares and returning the entire paid-up amount of S$6,340,000 to the Company by way of set-off against a loan amount of S$6,340,000 extended by NexWave Telecoms to the Company.

On 23 February 2018, the directors proposed a final dividend of 1.6 cents per ordinary share (one-tier tax exempt) in respect of financial year ended 31 December 2017. The proposed final dividend amounting to $7,270,000 has not been recognised as at year end and is subject to shareholders' approval at the forthcoming Annual General Meeting of the Company in 2018.

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 2017 and 2016.

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	
	2017	**2016**
	$'000	**$'000**
Transactions for the sales of goods and services		
Temasek Holdings (Private) Limited and its Associates	233,985	198,063
Transactions for the purchase of goods and services		
Temasek Holdings (Private) Limited and its Associates	98,038	117,851
Management services		
Temasek Holdings (Private) Limited and its Associates	86	68
Total Interested Person Transactions	**332,109**	**315,982**

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 12 MARCH 2018

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	1	0.04	50	0.00
100 – 1,000	87	4.06	78,549	0.02
1,001 – 10,000	936	43.66	5,060,096	1.11
10,001 – 1,000,000	1,102	51.40	86,622,808	19.06
1,000,001 and above	18	0.84	362,660,997	79.81
	2,144	100.00	454,422,500	100.00

TOP 20 SHAREHOLDERS

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	%*
1	STT COMMUNICATIONS LTD	228,937,500	50.38
2	LEAP INTERNATIONAL PTE LTD	89,498,000	19.70
3	DBS NOMINEES PTE LTD	8,290,980	1.82
4	TAN CHWEE HUAT	5,030,000	1.11
5	CHOO SOON KIAH	3,970,000	0.87
6	HONG LEONG FINANCE NOMINEES PTE LTD	3,842,000	0.85
7	NG HIAN CHOW	3,639,000	0.80
8	LOH SUR JIN ANDREW	2,974,300	0.65
9	WONG MAE SUM PAULINE (PAULINE HUANG MEIXIN)	2,663,544	0.59
10	LEE YOONG KIN	2,147,804	0.47
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,939,000	0.43
12	TAN KIA HONG	1,793,000	0.39
13	OCBC NOMINEES SINGAPORE PTE LTD	1,756,900	0.39
14	JACQUELINE TAN KIM HOIE	1,466,000	0.32
15	CHEN WEI CHING	1,300,000	0.29
16	KOH KEE BOON	1,300,000	0.29
17	LIM SHUH MOH	1,082,969	0.24
18	OH HOON JIUN	1,030,000	0.23
19	LIM SIOW SUN NEE LAU YUEN LING	1,000,000	0.22
20	YEE LAT SHING	1,000,000	0.22
		364,660,997	80.26

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 12 March 2018 of 454,387,796 shares (which excludes 34,704 shares which are held as treasury shares representing approximately 0.0076% 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 12 March 2018.

SHAREHOLDINGS STATISTICS

AS AT 12 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%[3]	Deemed Interest	%[3]
Leap International Pte Ltd	89,498,000	19.70	–	–
Lim Shi[1]	–	–	89,498,000	19.70
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 Shi owns 100% of the interest in Leap International Pte Ltd ("**Leap International**"). Accordingly, Lim Shi is deemed interested in all the shares held by Leap International.

(2) STT Communications Ltd ("**STTC**") is a subsidiary of Singapore Technologies Telemedia Pte Ltd ("**STT**"), which is a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("**Temasek**"). Temasek and STT are deemed to be interested in the 228,937,500 shares held by STTC by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.

(3) The percentage of shareholdings was computed based on the issued share capital of the Company as at 12 March 2018 of 454,387,796 shares (which excludes 34,704 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 29.18% 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 TWENTIETH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of TeleChoice International Limited (the "Company") will be held at Sunflower Room 1 & 2 @ The Chevrons 48 Boon Lay Way 1st Storey Singapore 609961 on 26 April 2018 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 2017 together with the Auditors' Report thereon. **Resolution 1**

2. To declare a final tax exempt (one-tier) dividend of 1.6 cents per ordinary share in the capital of the Company ("**Share**"), for the financial year ended 31 December 2017. **Resolution 2**

3. To re-elect Mr Bertie Cheng, who is retiring in accordance with Regulation 99 of the Constitution of the Company. **Resolution 3**

   See Explanatory Note (a)

4. To re-elect Mr Yap Boh Pin, 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 Ronald Seah Lim Siang, 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 $461,000 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 2017 and, subject to the passing of Ordinary Resolutions No. 10 and No. 11, such sum shall comprise: **Resolution 6**

   (a) $322,700 to be paid in cash (2016: $328,300) (2015: $287,525); and

   (b) $138,300 to be paid in the form of restricted share awards pursuant to the TeleChoice Restricted Share Plan ("**TeleChoice RSP**") (as extended and amended pursuant to Ordinary Resolutions No. 10 and No. 11 respectively) (2016: $140,700) (2015: $123,225).

   See Explanatory Note (d)

7. To approve the sum of $49,500 to be paid as Directors' Remuneration to Mr Lim Chai Hock Clive for the financial year ended 31 December 2017 in cash (2016: $48,500) (2015: $43,000). **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 TWENTIETH 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

(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)

NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

10. That, pursuant to the Rules of the TeleChoice RSP and the TeleChoice Performance Share Plan ("**TeleChoice PSP**"), the extension of the duration of each of the TeleChoice RSP and the TeleChoice PSP for a further period of 10 years retrospectively from (and including) 27 April 2017 to (and including) 26 April 2027 be and is hereby approved. **Resolution 10**

    See Explanatory Note (g)

11. That, subject to the passing of Ordinary Resolution No. 10: **Resolution 11**

    (a) the Rules of each of the TeleChoice RSP and the TeleChoice PSP be amended in the manner as set out in the Annexure A to the Appendix to the Annual Report dated 11 April 2018 ("**Appendix**"); and

    (b) authority be and is hereby given to the Directors to:

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

        (ii) 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 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 (h)

12. That, subject to the passing of Ordinary Resolutions No. 10 and No. 11: **Resolution 12**

    (a) the grant of awards under the TeleChoice RSP in respect of a total of 2,500,000 Shares to Group Employees (as defined in the Appendix) (to which no value in $ is attributable as the Shares have not been released to these Group Employees); and

    (b) the grant of awards under the TeleChoice PSP in respect of a total of 1,135,000 Shares to Group Employees (to which no value in $ is attributable as the Shares have not been released to these Group Employees),

    be and is hereby approved, confirmed and ratified.

    See Explanatory Note (i)

13. That, subject to the passing of Ordinary Resolutions No. 10 and No. 11, the grant of awards under the TeleChoice RSP in respect of a total of 607,000 Shares (equivalent in value to $155,250) to the Directors and the transfer of a total of 607,000 treasury shares to the Directors pursuant thereto be and is hereby approved, confirmed and ratified. **Resolution 13**

    See Explanatory Note (i)

NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

14. That, subject to the passing of Ordinary Resolutions No. 10 and No. 11, the grant to Mr Lim Chai Hock Clive of awards under the TeleChoice RSP in respect of a total of 183,000 Shares (equivalent in value to $47,250, and the breakdown of which is set out in paragraph 5.2 of the Appendix) be and is hereby approved, confirmed and ratified. **Resolution 14**

    See Explanatory Note (j)

15. That: **Resolution 15**

    (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 Annexure B to the Appendix with any party who is of the class of interested persons described in Annexure B 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 15(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 (k)

16. That: **Resolution 16**

    (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 16(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 16(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**");

NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

(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;

(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 16(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 (l)

OTHER BUSINESS

17. 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, 11 April 2018

NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

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 Twentieth Annual General Meeting to be convened on 26 April 2018, the Share Transfer Books and Register of Members of the Company will be closed on 7 May 2018.

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 4 May 2018 (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 2018.

EXPLANATORY NOTES:

(a) Ordinary Resolution No. 3 is to approve the re-election of Mr Bertie Cheng, who is retiring by rotation, in accordance with Regulation 99 of the Constitution of the Company. Upon his re-election, Mr Cheng will remain as the Chairman of the Board of Directors of the Company and, as the Chairman of the Executive Committee, Nominating Committee and the Remuneration Committee of the Company.

(b) Ordinary Resolution No. 4 is to approve the re-election of Mr Yap Boh Pin, who is retiring by rotation, in accordance with Regulation 99 of the Constitution of the Company. Upon his re-election, Mr Yap, who is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST, will remain as the Chairman of the Audit Committee and a member of the Nominating Committee of the Company.

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

(d) Ordinary Resolution No. 6 is to approve the payment of an aggregate sum of $461,000 as Directors' remuneration for the financial year ended 31 December 2017 to all of the Directors (other than Mr Lim Chai Hock Clive). If Ordinary Resolution No. 6 is approved, and subject to the passing of Ordinary Resolutions No. 10 and No. 11, 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 extended TeleChoice Restricted Share Plan ("**TeleChoice RSP**") (as extended and amended pursuant to Ordinary Resolutions No. 10 and No. 11 respectively). Please refer to the section on "Remuneration Matters" in the Corporate Governance Report on pages 25 to 37 of the Annual Report 2017 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 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. If Ordinary Resolution No. 6 is approved, but Ordinary Resolution No. 10 for the extension of the TeleChoice RSP and Ordinary Resolution No. 11 for authority to be given to the Directors to grant Awards under the TeleChoice RSP are not passed, the payment of the aggregate sum of $461,000 as Directors' remuneration for the financial year ended 31 December 2017 will be made in cash to all of the Directors (other than Mr Lim Chai Hock Clive).

NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

(e) Ordinary Resolution No. 7 is to approve the payment of $49,500 as Director's remuneration for the financial year ended 31 December 2017 to Mr Lim Chai Hock Clive. It is proposed that the entire amount of his Director's remuneration (including the amount of $14,850 which would otherwise have been paid in the form of share awards under the TeleChoice RSP) be paid to him in cash. Mr Lim Chai Hock Clive is an associate of 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 approve the extension of the duration of each of the TeleChoice RSP and the TeleChoice PSP for a further period of ten (10) years retrospectively from (and including) 27 April 2017 to (and including) 26 April 2027. Please see further paragraph 2 of the Appendix to the Annual Report dated 11 April 2018 (the "**Appendix**") for details.

(h) Ordinary Resolution No. 11 is to approve the amendments to the TeleChoice RSP and the TeleChoice PSP as set out in Annexure A to the Appendix, and also 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 and/or 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. Ordinary Resolution No. 11 is subject to the passing of Ordinary Resolution No. 10 for the extension of the duration of each of the TeleChoice RSP and the TeleChoice PSP as explained in Note (g) above.

(i) Ordinary Resolutions No. 12 and No. 13 are to ratify: (i) the grant of Awards in respect of a total of 2,500,000 Shares to Group Employees (as defined in the Appendix) under the TeleChoice RSP (to which no value in $ is attributable as the Shares have not been released to these Group Employees); (ii) the grant of Awards in respect of a total of 607,000 Shares to the Directors under the TeleChoice RSP (equivalent in value to $155,250) and the transfer of 607,000 treasury shares to the Directors pursuant thereto (including Mr Sio Tat Hiang who has resigned with effect from 26 January 2017); and (iii) the grant of Awards in respect of a total of 1,135,000 Shares to Group Employees under the TeleChoice PSP (to which no value in $ is attributable as the Shares have not been released to these Group Employees). These Awards were granted after the expiry of the TeleChoice RSP and the TeleChoice PSP on 27 April 2017. Such ratification will be subject to Ordinary Resolution No. 10 being passed for the extension of the duration of the TeleChoice RSP and the TeleChoice PSP and Ordinary Resolution No. 11 being passed for authority to be given to Directors to grant Awards under the TeleChoice RSP.

(j) Ordinary Resolution No. 14 is to ratify the grant of certain Awards to Mr Lim Chai Hock Clive, a Director and also an associate of a controlling shareholder, as elaborated on in paragraph 5.3 of the Appendix.

(k) Ordinary Resolution No. 15 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 Annexure B to 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.

(l) Ordinary Resolution No. 16 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 2017, based on certain assumptions, are set out in paragraph 7.7.3 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.

TELECHOICE INTERNATIONAL LIMITED

(Registration No. 199802072R)

(Incorporated in the Republic of Singapore)

PROXY FORM

Twentieth 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 Twentieth Annual General Meeting dated 11 April 2018.

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 Twentieth Annual General Meeting ("**AGM**") of the Company to be held at Sunflower Room 1 & 2 @ The Chevrons 48 Boon Lay Way 1st Storey Singapore 609961 on 26 April 2018 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 Bertie Cheng as Director		
4.	Re-election of Mr Yap Boh Pin as Director		
5.	Re-election of Mr Ronald Seah Lim Siang as Director		
6.	Approval of Directors' Remuneration to all of the Directors (other than Mr Lim Chai Hock Clive)		
7.	Approval of Director's 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.	Approval for Extension of the Duration of each of the TeleChoice Restricted Share Plan and the TeleChoice Performance Share Plan		
11.	Approval of Amendments to the Rules of the TeleChoice Restricted Share Plan and the TeleChoice Performance Share Plan and Authority for Directors to offer and grant awards, and allot and issue shares, pursuant to the TeleChoice Restricted Share Plan and the TeleChoice Performance Share Plan		
12.	Ratification of the Grant of Awards to Group Employees under the TeleChoice Restricted Share Plan and TeleChoice Performance Share Plan		
13.	Ratification of the Grant of Awards under the TeleChoice Restricted Share Plan to the Directors		
14.	Ratification of the Grant of Awards under the TeleChoice Restricted Share Plan to Mr Lim Chai Hock Clive		
15.	Approval of Renewal of the Shareholders' Mandate for Interested Person Transactions		
16.	Approval of Renewal of the Share Purchase Mandate		

Dated this ____________ day of __________________ 2018.

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 less 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

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TELECHOICE INTERNATIONAL LIMITED

6 SERANGOON NORTH AVENUE 5 #03-16 | SINGAPORE 554910
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COMPANY REGISTRATION NO.199802072R