TeleChoice

KEEPING PACE • MAKING PROGRESS • EMBRACING CHANGE

ANNUAL REPORT 2014

CONTENTS

CORPORATE PROFILE

ABOUT TELECHOICE INTERNATIONAL LIMITED

(Company Registration No. 199802072R)

TeleChoice International Limited ("TeleChoice") is a regional diversified provider and enabler of innovative info-communications products and services. Incorporated in Singapore on 28 April 1998 and listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 25 June 2004, TeleChoice is a subsidiary of leading info-communications group, Singapore Technologies Telemedia Pte Ltd, which operates in the Asia Pacific, the Americas and Europe.

TeleChoice's three business divisions collectively offer a comprehensive suite of services and solutions for the info-communications industry:

PERSONAL COMMUNICATIONS SOLUTIONS SERVICES ("PCS")

division is a regional provider of fulfilment and managed services, distribution and supply chain management services relating to mobile communication devices and accessories. It operates a retail chain through its subsidiary Planet Telecoms (S) Pte Ltd in Singapore which also manages concept stores for major mobile handset manufacturers. It is the only StarHub Exclusive Partner to manage four StarHub Platinum shops and is the largest distributor of StarHub prepaid cards. Through its Malaysian subsidiary, it provides retail management, fulfilment and supply chain services to U Mobile Sdn Bhd, Malaysia's fourth largest 3G service provider. PCS also operates an e-commerce site, *www.eplanetworld.com*, which boasts more than 1,000 electronic products such as mobile phones, tablets and PC components as well as accessories and peripherals for online shoppers.

INFO-COMMUNICATIONS TECHNOLOGY SERVICES ("ICT")

division is a leading regional integrated info-communications solutions provider. Its extensive offerings include enterprise IT infrastructure, business solutions and integration services, broadband network, fixed and wireless networking solutions, managed and hosted services, telephony and unified communications solutions and cloud computing applications and services. It also provides consultancy, managed operations and utility computing services. Under its SunPage brand, ICT also offers IDD, SMS broadcast as well as mobility solutions and services for the consumer and enterprise markets.

NETWORK ENGINEERING SERVICES ("ENGINEERING")

division is a regional provider of network engineering services and supplier of specialised telecommunication products. It designs, builds and manages telecommunication 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 telecommunication access and coverage needs, as well as for power supply and power backup requirements.

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

SEGMENTAL HIGHLIGHTS

PERSONAL COMMUNICATIONS SOLUTIONS SERVICES ("PCS")

- Planet Telecoms expanded its retail network with new StarHub Platinum Stores at Bugis Junction and Westgate and added another Planet Telecoms at The Seletar Mall
- Expanded StarHub E-load retailers network to more than 300 touch-points and growing
- Planet Telecoms awarded – (i) Star Achiever Award, 2014, (ii) Top Sales, Platinum Shop – Mobile 2014, (iii) Top Sales – Entertainment and SmartLife, 2014, and (iv) Best Net Promoter Score (NPS), 2014
- Added new mobile handset brands, RugGear, OPPO and Alcatel, into distribution line-up and successfully launched RugGear in 10 retail points
- Maintained a well spread out network of 16 U Mobile shops in Malaysia
- First operator in Malaysia to launch OPPO
- Worked closely with U Mobile and manufacturers in launch and go-to-market plans of new models

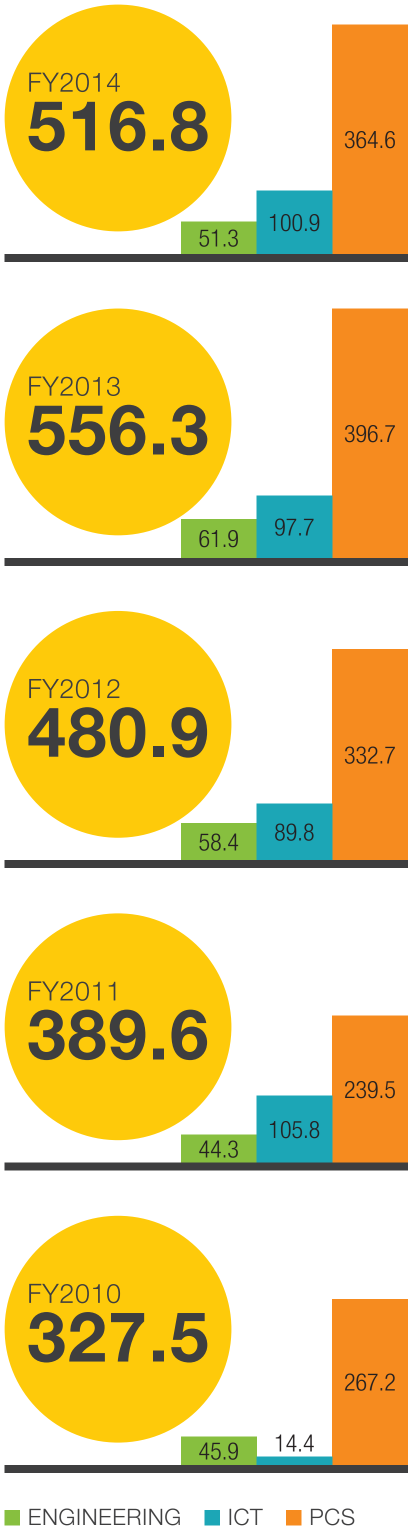
INFO-COMMUNICATIONS TECHNOLOGY SERVICES ("ICT")

- Successful breakthrough into government sector projects with three major public sector project wins, including the supply of a centralised queue management system and a world-class real estate management solution
- Won iDA Public bulk tender for Enterprise Servers and Storage solutions
- Won a number of sophisticated contact centre solution projects, including one sizeable win each from a major hospitality group, a leading international bank as well as a major healthcare service provider
- Partnership with Amazon Web Services, HP and Huawei Enterprise to offer cloud computing and end-to-end enterprise solutions in Singapore
- Improved enterprise solution sales through partnerships with local telco channels
- Added Alcatel-Lucent and Sophos products into distribution line-up

NETWORK ENGINEERING SERVICES ("ENGINEERING")

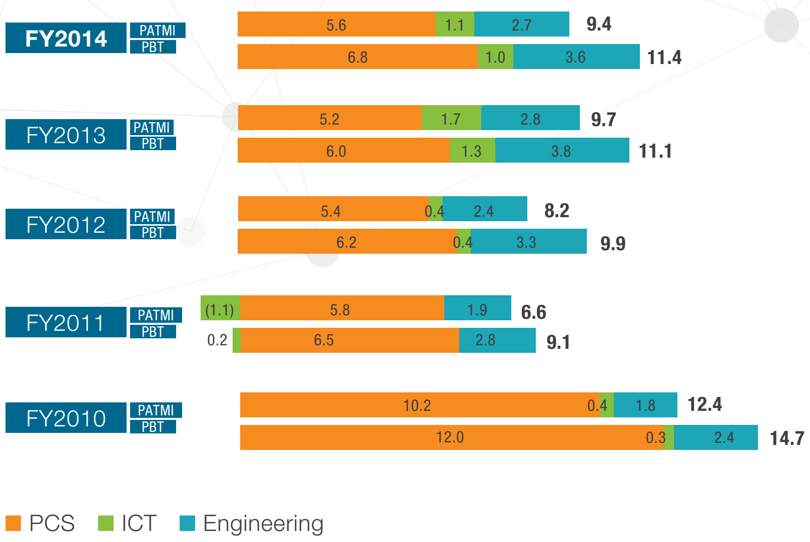
- Maintained leadership position for radio network planning & optimisation in Indonesia
- Secured a steady stream of projects from operators and major equipment vendors despite a challenging market environment in Singapore and Indonesia
- Added three additional operators and one equipment vendor to our Malaysia and Indonesia customer lists
- Secured breakthrough power solution sales in Malaysia
- Improved products order booking from Vietnam
- Enhanced our suite of product offerings to include free air cooling system and rack-based fire-fighting solution for telecommunication applications, as well as smart keys solution for potential application in facility management
- Stepped up regional business development and sales exploration activities

REVENUE (S$ MILLION)

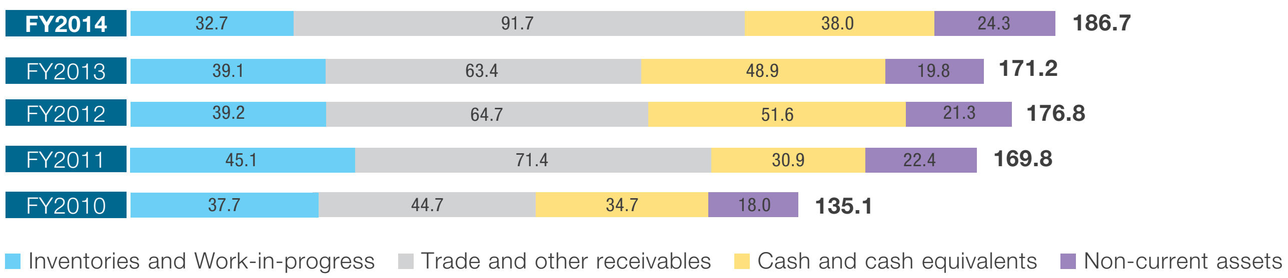


FINANCIAL HIGHLIGHTS

EARNINGS (S$ MILLION)

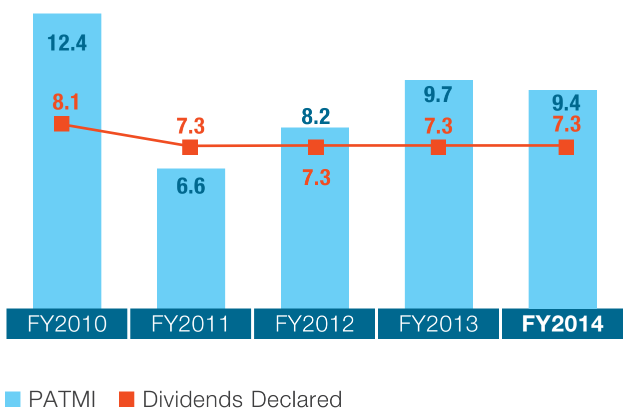


TOTAL ASSETS (S$ MILLION)

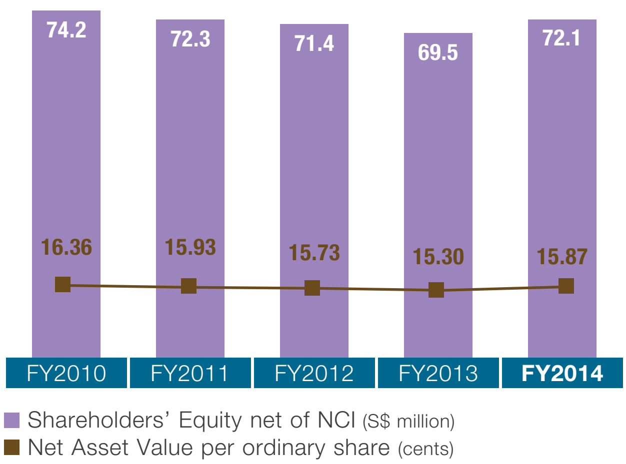


DIVIDENDS DECLARED AGAINST PATMI

(S$ MILLION)



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



OUR VISION

Connecting People,
Empowering Business

OUR MISSION

To be the Leading Provider of Infocomm Solutions through Innovative Products & Services

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

We are pleased to inform you that the financial performance of the TeleChoice Group ("the Group") for the financial year ended 31 December 2014 ("FY2014") showed improved margins against FY2013, despite a challenging year with economic headwinds.

FY2014 Performance

Group revenue for the year was S$516.8 million. The Group registered higher operating profit before tax ("PBT") of S$11.4 million as compared to FY2013 from lower operating expenses. Group net profit after tax was S$9.4 million, with earnings per share of 2.06 cents. The Group kept its balance sheet strong, closing the fiscal year with S$38.0 million in cash as at 31 December 2014.

Focus on Building Relationships

The focus for 2014 was to establish symbiotic relationships with operators and business partners – positioning ourselves as a major outsource and preferred partner across all our business divisions and to evolve from merely selling products to offering end-to-end services. We have met with encouraging success in our endeavors. We also channeled our energies into enterprise sales whilst at the same time seizing opportunities in the consumer space as and when they arose.

In the Personal Communications Solutions Services ("PCS") division, aside from enjoying revenue from newly released handsets from market leaders, Apple and Samsung, we were able to secure distribution rights to more brands of handsets to cater to the wide spectrum of the consumer market. PCS, in keeping with the (overarching) focus of creating value-added relationships with our partners, worked closely with manufacturers in the roll-out of new products and promotions, and played a strategic role in their overall marketing plans. It replicated this strategy in Malaysia where Planet Telecoms Managed Services Sdn Bhd ("PTMS") worked closely with U Mobile Sdn Bhd ("U Mobile"), to expand its touch-points and launch new programmes. Not neglecting our Singapore retail customers, Planet Telecoms (S) Pte Ltd ("Planet Telecoms"), ensured its accessibility to consumers in all parts of Singapore with new stores in the northern and central regions. In the year ahead, the master distributorship for StarHub prepaid cards will enhance revenue streams for this sector as we continue to find other means to increase our service offerings to manufacturers and partners in the various components of PCS' business.

The Info-communications Technology Services ("ICT") division expanded its focus to the public sector and enjoyed success with project wins from various government agencies. ICT positioned itself well to cater to the demand for high-end, sophisticated contact centre solutions particularly in the healthcare and financial services industries. On the product distribution front, effort was put into securing more brands. While the IDD segment remained as competitive as ever, wholesale voice revenue contributed positively to ICT's sales. In FY2015, we anticipate that the government sector will offer opportunities and we will compete selectively for projects in this space on our own as well as in partnership with other players as Singapore progressively implements initiatives of the Smart Nation master plan. We will also keep our focus on the growing data center space, data storage and its concomitant needs being an area which holds much prospect. We will look for ways to enhance our end-to-end service offerings.

While Network Engineering Services ("Engineering") division faced revenue challenges in Singapore and Indonesia, its margins improved due to the nature of the projects undertaken. It held its leadership position in Radio Network Planning and Optimisation and in Malaysia, it maintained its position in In-building Coverage projects. Encouragingly, it secured some breakthrough sales in Vietnam, which is a newer market and it explored project opportunities in the Philippines with its partners. As part of Engineering's expansion strategy into other markets, efforts were stepped up in regional markets. Greater regional focus into new markets will be a key theme for Engineering in FY2015.

Strengthening our Internal Structures

A large portion of our energies was channeled into our move from Clementi Loop to 6 Serangoon North Avenue 5, our new corporate office, and to 5A Toh Guan East, which houses PCS. With a new corporate office, we consolidated our operations, streamlined business processes and leveraged on shared competencies to increase productivity, achieve greater efficiencies, and enhance capabilities.

As we progress in this new millennium where technologies are disrupting the norms of work and everyday life, we have to ensure that we stay on-trend to remain relevant to the needs of not only of our customers but also our internal stakeholders and their work aspirations. We, therefore, looked into working trends that cater to the needs of a new generation of workers. Our new corporate office will cater to the demands for greater collaboration and cross-functional teamwork with more space for interaction and brainstorming.

Aside from providing our staff the necessary hardware, we also ensured that they are equipped with the necessary skill sets to perform to their fullest potential. Hence, despite the logistical and operational demands of our shift to the new corporate office, our Human Resource department dedicated much time and energy into identifying the training and development needs of the organisation for FY2014 and beyond. We expended effort into revamping our talent management and succession planning initiatives to ensure continuity of leadership well into the future, putting in place more formal structures and progression checklists to ensure our objectives in this area are met.

Beyond TeleChoice

As part of our on-going Corporate Social Responsibility programme and in order to provide opportunities for our staff to contribute to the larger community in simple but meaningful ways, we organised three outreach projects: a series of DUCK HiPPO Fun Day City Tours for children from Pathlight School, participation in the SGX Bull Charge 2014 and a hospice visit to Assisi Hospice. In the year ahead, we will continue to support various social programmes with emphasis on helping the disabled, disadvantaged, and medically or socially challenged in the community.

Looking Ahead

We anticipate that the consumer trends facilitating the implementation of the Internet of Things, enterprise needs and regional network upgrading will continue

LETTER TO SHAREHOLDERS

to be the driving forces for opportunities and growth for our various divisions and for which we are well-positioned.

Our strategic direction remains unchanged as we move into FY2015. Additionally, we will continue to improve productivity, motivate our human resource and sharpen our focus on specific business areas to take advantage of new opportunities in FY2015 and beyond.

Appreciation to All

On behalf of the Board, we would like to thank our management and staff for another year of hard work. Appreciation also goes out to our business associates, customers and our shareholders for the unwavering support and belief in the Group and its management team. Lastly but importantly, we would like to acknowledge our dedicated Board of Directors and thank them for their guidance and counsel.

In view of our financial performance in FY2014, the Board has recommended a final dividend of 1.6 cents per ordinary share (one-tier tax exempt). This represents a dividend yield of 6% based on the share price of 26.5 cents on 31 December 2014. We are pleased to report we have an unbroken track record for dividend payout since our listing more than a decade ago and that a total of S$105.6 million or 77% of earnings over the same period have been declared.

We look forward to the opportunity to bring more value to all our stakeholders, business partners and customers in the new year.

BERTIE CHENG
Chairman

VINCENT LIM
President

BOARD OF DIRECTORS

FROM LEFT – RIGHT (STANDING)
Tang Yew Kay Jackson
Yen Se-Hua Stewart
Sio Tat Hiang
Ronald Seah Lim Siang
Lim Chai Hock Clive

FROM LEFT – RIGHT (SEATED)
Yap Boh Pin
Bertie Cheng

BOARD OF **DIRECTORS**

BERTIE CHENG

Chairman and Independent Director

Appointed on 6 May 2004

Last re-appointed on 28 April 2014

Mr Cheng is the Chairman of the Board. He is also the Chairman of the Executive 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, Member of the Board of Trustees, Singapore Professional Executives' Co-operative Ltd (SPEC), Vice-Chairman of the Consumers Association of Singapore (CASE) Endowment Fund and Chairman of the Investment Panel, Spring Seeds Capital Pte Ltd.

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 2012 to 31 December 2014)

- *CFM Holdings Limited*
- *Singapore Technologies Electronics Limited*
- *Chewathai Ltd*

YAP BOH PIN

Independent Director

Appointed on 6 May 2004

Last re-appointed on 28 April 2014

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. In July 2009, Mr Yap was appointed a member of the Board of Directors and Finance Committee of Singapore Heart Foundation.

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 2012 to 31 December 2014)

- *Nil*

BOARD OF DIRECTORS

YEN SE-HUA STEWART

Independent Director

Appointed on 6 May 2004
Last re-elected on 28 April 2014

Mr Yen is the Chairman of the Nominating Committee, and serves as a member of the Remuneration Committee and the Executive Committee.

Mr Yen is currently the Chief Executive Officer of SECOM (Singapore) Pte Ltd, a provider of security services. Mr Yen has held senior management positions in industries such as defence marketing, construction and development, security, hospitality and aviation services.

Mr Yen began his career with the Singapore Ministry of Defence as a systems engineer. Mr Yen later joined Chartered Industries of Singapore Pte Ltd, where he was part of the team that established CDC-Construction and Development Pte Ltd (now known as Sembawang Engineers & Constructors Pte Ltd), a leading design and-build contractor in Singapore for civil engineering, residential and commercial building projects.

Between 2003 and 2012, Mr Yen was an independent director of Hersing Corporation Ltd, a company listed in Singapore. Mr Yen obtained a Bachelor Degree in Engineering from McMaster University in 1972 and also holds a Diploma in Financial Management from New York University.

Past directorships in listed companies and principal commitments (from 1 January 2012 to 31 December 2014)

- *Hersing Corporation Ltd*
- *Reliance Contractors (Pte) Ltd*

TANG YEW KAY JACKSON

Independent Director

Appointed on 1 November 2006
Last re-elected on 26 April 2013

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 2012 to 31 December 2014)

- *Nil*

RONALD SEAH LIM SIANG

Independent Director

Appointed on 3 May 2012
Last re-elected on 26 April 2013

Mr Seah serves as a member of the Audit Committee.

Mr Seah also serves 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.

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 AIG Global Investment Corporation (Singapore) Ltd's Vice-President of Direct Investments. 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.

BOARD OF DIRECTORS

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 2012 to 31 December 2014)

- *Nil*

SIO TAT HIANG

Non-Executive Director

Appointed on 6 May 2004
Last re-elected on 26 April 2013

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

Mr Sio has over 20 years of financial and management experience, and is currently the Executive Director of Singapore Technologies Telemedia Pte Ltd. Mr Sio is also a Non-Executive Director in StarHub Ltd.

Prior to that, he held the position of Executive Vice-President of Singapore Technologies Telemedia Pte Ltd from 1995 to 2010 and the position of Senior Executive Vice-President of Singapore Technologies Telemedia Pte Ltd from 2010 to March 2012.

In 1991, Mr Sio joined Singapore Technologies Holdings Pte Ltd as Vice-President of Corporate Finance, overseeing the treasury and investment management functions of the Singapore Technologies group of companies. He later held the position of Director of Strategic Investment and Group Treasurer and was part of the team which formed Singapore Technologies Telemedia Pte Ltd as the telecommunications branch of the Singapore Technologies group.

Mr Sio obtained a Bachelor Degree in Business Administration from the University of Singapore in 1970, and attended the Senior Management Programme at the London Business School.

Past directorships in listed companies and principal commitments (from 1 January 2012 to 31 December 2014)

- *Nil*

LIM CHAI HOCK CLIVE

Non-Executive Director

Appointed on 29 September 1999
Last re-elected on 28 April 2014

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 2012 to 31 December 2014)

- *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 marine, 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

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 more than 20 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.

EXECUTIVE MANAGEMENT

PAULINE WONG

Senior Vice-President
Personal Communications Solutions Services

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 PCS. She has 20 years of experience in the telecommunications industry spanning corporate planning, strategy setting, business operations 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 SGX-ST 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 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 15 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.

KEEPING PACE

OPERATIONS **REVIEW**

FINANCIAL PERFORMANCE

The Group registered revenue of S$516.8 million for the year ended 31 December 2014 ("FY2014") which was a 7.1% decrease from S$556.3 million in FY2013. The lower revenue performance was attributable to lower revenue from Personal Communications Solutions Services ("PCS") and Network Engineering Services ("Engineering") divisions.

Profitability wise, full year gross profit was S$42.5 million. Gross margin improved by 0.4 percentage points to 8.2% in FY2014 with better profit margins from PCS and Engineering divisions due to a change in sales mix and improvement in Singapore and Malaysia operations respectively. Group PBT rose to S$11.4 million, an improvement of 3.1% compared to S$11.1 million in FY2013 attributable to higher gross margin and lower operating expenses. This translated into net profit of S$9.4 million which was a 3.0% decrease over S$9.7 million in FY2013.

On the balance sheet, the Group's cash position was S$38.0 million as at 31 December 2014, compared to S$48.9 million over the same period last year.

PERSONAL COMMUNICATIONS SOLUTIONS SERVICES ("PCS")

PCS contributed revenue of S$364.6 million and PBT of S$6.8 million in FY2014 which is 70.5% and 59.6% of total Group revenue and operating PBT respectively. The decrease in revenue of 8.1% or S$32.1 million was on account of lower sales to a major Singapore customer and lower prepaid card sales, mitigated by higher channel sales and regional business. PCS' sales were favourably impacted by the positive response to Samsung's GALAXY Note 4 and Note Edge, as well as strong demand for Apple's iPhone 6 and 6 Plus. There was also an influx of more affordable phones such as Alcatel, OPPO and Xiaomi. The Infocomm Development Authority's ("iDA's") restriction on SIM registration affected sales of prepaid cards as did competition from other market forces.

Operating PBT increased by 13.3% or S$0.8 million mainly from higher gross margins and lower operating expenses. Planet Telecoms Managed Services Sdn Bhd ("PTMS") performed strongly despite intense competition from other local operators. PTMS provides U Mobile Sdn Bhd ("U Mobile") in Malaysia with an expanded scope of

services covering retail management, fulfilment and supply chain services. PTMS currently operates a total of 16 U Mobile shops and works closely with U Mobile and manufacturers for new product launches and marketing initiatives.

Planet Telecoms (S) Pte Ltd ("Planet Telecoms") continued to build on its strong relationships with its partners. It opened two new StarHub Platinum outlets, at Bugis Junction and Westgate. It also opened a new Planet Telecoms retail outlet at The Seletar Mall. In total, there are now four StarHub Platinum stores, three Samsung Experience Stores, and four Planet Telecoms retail outlets throughout Singapore. On top of that, Planet Telecoms also ventured into the online space by launching its online shop, ePlanetWorld (www.eplanetworld.com), which gives consumers access to a wide range of competitively priced mobile devices, accessories and IT peripherals.

PCS' excellence in service was recognised through its success in winning four StarHub awards namely (i) Star Achiever Award, 2014, (ii) Top Sales, Platinum Shop – Mobile 2014, (iii) Top Sales – Entertainment and SmartLife, 2014, and (iv) Best Net Promoter Score (NPS), 2014.

EMBRACING CHANGE

OPERATIONS REVIEW

INFO-COMMUNICATIONS TECHNOLOGY SERVICES ("ICT")

ICT improved its revenue by 3.3% year-on-year to S$100.9 million due mainly to a major software & maintenance contract and higher wholesales and enterprise solutions revenue partially offset by lower project revenue. Operating PBT declined by 23.1% to S$1.0 million due to lower gross profit from projects recognised during the year. Excluding the amortisation of intangible assets arising from acquisitions and interest accretion, operating PBT for FY2014 was S$2.5 million. ICT's revenue and operating PBT contribution to the Group was 19.5% and 8.8% of total Group revenue and operating PBT respectively.

ICT made significant headway into the enterprise space. S & I Systems Pte Ltd ("S&I") was successful in securing several government and public sector project wins, which included the implementation of a centralised queue management system to simplify and better manage multiple queuing parties as well as a world-class real estate management solution to streamline processes and improve workplace integration. Additionally, it was among 13 companies qualified by iDA for the bulk tender supply of Agile Application Development and User Experience Design Services for Singapore Government's ICT projects. It has also formed new partnerships with leading principals such as Huawei Enterprise, HP and Amazon Web Services. NxGen Communications Pte Ltd ("NxGen") continued to hold its leadership position in the Financial Services and Healthcare sectors, driven by customers' increasing push for high-end, sophisticated contact centre solutions. NexWave Telecoms enhanced its suite of distribution line-up with the addition of Alcatel-Lucent and

MAKING PROGRESS

OPERATIONS REVIEW

Sophos into its product offerings. It also grew its order book for enterprise products and services and improved enterprise solution sales through partnership with telco channels.

NETWORK ENGINEERING SERVICES ("ENGINEERING")

Engineering division contributed full-year revenue of S$51.3 million, a decrease of 17.1% due to lower transmission equipment and products sales in Singapore and lower revenue recognition from Radio Network Planning projects in Indonesia. These were partly offset by higher revenue from projects in Singapore and products sales in Malaysia. PBT decreased by 5.3% to S$3.6 million mainly due to lower profit contribution from Indonesia operations, but partially mitigated by improved operations in Malaysia. Engineering's revenue and operating PBT contribution to the Group stood at 9.9% and 31.6 % of total Group revenue and operating PBT respectively.

Singapore operations in 2014 were challenged by capex restraints and order delays by customers. The bulk of the LTE network rollout in Singapore has been completed, but there were increased network quality and coverage enhancement activities as a result of iDA's revised quality framework for mobile networks.

In Indonesia, a general market slowdown in the months before and after the political election, coupled by the weak Indonesian Rupiah, had impacted revenue. Elsewhere in the region, network rollouts, refresh and upgrades continued to be the demand driver.

PROSPECTS & GROWTH STRATEGIES

While there is still much uncertainty in the global and local economy with instability in oil prices, deflation in Europe and a slower growth in China, all of which will impact the domestic economy, we are cautiously optimistic in the performance of our business divisions.

The continued demand for smartphones, intelligent wearable and other mobile products will provide opportunities for PCS division. Aside from working to bring in new products and accessories to satisfy consumer demands, PCS will work closely with manufacturers and deeply entrench itself within its channel strategies. PCS will continuously look for further revenue streams and new areas of growth.

ICT success in public sector projects will enhance our track record for more projects in this sector. In particular, we are optimistic of the education sector. This and the Government's Smart Nation Initiative will provide the impetus for future growth. ICT will continue to develop new competencies and expand its product and service offerings in the enterprise space.

Engineering will benefit from regional LTE rollouts, network refresh and upgrades as well as bandwidth/speed enhancements driven by voracious customer demand for ever faster connections to facilitate the advent of newer mobile apps and intelligent devices. It will explore new markets in earnest while maintaining its position of strength in existing markets.

SUSTAINABILITY

SUSTAINABILITY REPORT

Aside from ensuring long-term and sustainable growth for the corporation and returns on shareholder value, TeleChoice is committed to the well-being of the community and the growth, development and health of our employees. This report sets out the various initiatives undertaken in furtherance of these principles during the course of FY2104.

DEVELOPING OUR PEOPLE

Employee Training, Leadership Development and Succession Planning

TeleChoice believes in helping our employees maximise their potential and providing them a clear and structured progression within the organisation. In order to ensure that our training and development programmes meet the organisational as well as employee needs, we conducted an organisational and learning assessment for 2014/2015 in the first quarter of 2014. Through this in-depth assessment, we identified the team, leadership and communication skills training that would enhance these areas of the organisation. Consequently, we worked with the various business unit heads and leaders to organise five Team and Leader workshops for PCS, ICT and Engineering Services divisions.

Recognising the need to better identify, groom and mentor talent within the organisation, we revamped our existing talent management programme which consists of a mentoring programme and a succession planning exercise. We implemented a new Talent Management and Succession Planning for Critical Positions in 2014 initiative. Under this new programme, a new Talent Management Committee, consisting of the Group President, Chief Financial Officer, Vice-President of Human Resource and the Business Unit heads, was formed. The Committee oversees the programme with half yearly presentations on the status of the programme presented to it.

Cascading our Corporate Values

TeleChoice's principles that govern our employee relationship centre on our corporate values. We reinforce those values of integrity, commitment, excellence, value creation, social responsibility and "Fun@Work" through various staff programmes. We conducted three Fun@Work workshops for new staff who joined us in 2014 to cascade the Vision, Mission and Values for building a strong corporate culture. In the course of the year, a total of 50 staff attended these three workshops.

Promoting a Healthy Organisation

"*Health is wealth*". With today's fast-paced and stressful lifestyles, silent killers such as heart disease, diabetes, hypertension and cancers are serious health threats to our well-being. Early detection of such illnesses, which often do not produce warning signs, can be vital in successful treatment. We organised annual health screenings and executive health screening covering

SUSTAINABILITY

these illnesses for our staff. In 2014, a total of 122 staff participated in our annual health screening programme.

Eating healthily is also an important component of overall well-being. To encourage healthy eating habits, we held Bi-Monthly Fruit Days on the last Wednesday of alternate months during which an assortment of fresh fruits, such as bananas, apples and kiwis, were selected and served.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

As one of our corporate values is social responsibility and in line with our aspiration to make a positive contribution to society, particularly the old, sick, disadvantaged or marginalised, we organised three community outreach programmes. We facilitated a DUCK & HiPPO Fun Day City Tour for 600 children with autism from Pathlight School which ran from 19 August to 1 September involving 100 staff volunteers. Additionally, TeleChoice's staff raised S$10,000 with the company matching the amount dollar for dollar, bringing the total amount raised to S$20,000. The proceeds of this fundraising project went towards the sponsoring of the learning journey on the DUCK & HiPPO tour as well as supporting Pathlight School's various programmes such as the assistance of poor and needy students.

TeleChoice's staff also donned their sporting shoes with 20 staff participating in the SGX Bull Charge 2014 Charity Run at The Float in Marina Bay on 14 November 2014 to raise funds in support of Asian Women's Welfare Association, Autism Association, Fei Yue Community Services and Shared Services for Charities.

Rounding off the 2014 calendar of CSR programmes, 20 staff volunteers brought cheer to the Day Care Residents of Assisi Hospice with a lunchtime visit on 17 December 2014. Staff volunteers wore their best smiles and rendered their powerful vocal chords to the Hospice as they sang Christmas carols, played games and lunched together with the residents.

SUSTAINING THE ENVIRONMENT

Through "green" practices which are encouraged within the organisation, we are doing our small part to preserve the environment for future generations. We conscientiously minimise the use of non-essential lighting and electricity in the office and make concerted efforts to conserve water and use recycled paper.

OUR VALUES

Integrity
Commitment
Excellence
Value Creation
Socially Responsible
Fun@Work

PLANET TELECOMS TOUCH-POINTS

NORTH

SAMSUNG EXPERIENCE STORE
23 Serangoon Central
#04-42 NEX Mall
(S) 556083
Tel: 6636 7392
Fax: 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 Causeway Point
(S) 738099
Tel: 6499 8951
Fax: 6753 6628
Email: cwpsh@planet-telecoms.com.sg
Nearest MRT: NS9 Woodlands
Opening hours: 11am to 9pm daily

PLANET TELECOMS
33 Sengkang West Avenue 1
#B1-24 The Seletar Mall
(S) 797533
Tel: 6702 2996
Fax: 6702 2995
Email: stm@planet-telecoms.com.sg
Nearest MRT: NE16 SW5 Sengkang
Opening hours: 11am to 9pm daily

CENTRAL

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

EAST

PLANET TELECOMS
5 Changi Business Park Central 1
#02-21 Changi City Point
(S) 486038
Tel: 6636 1986
Fax: 6636 1985
Email:ccp@planet-telecoms.com.sg
Nearest MRT: CG1 Expo
Opening hours: 11am to 9pm daily

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

PLANET TELECOMS
80 Marine Parade Road
#B1-37 Parkway Parade
(S) 449269
Tel: 6346 2008
Fax: 6346 5008
Email: pwp@planet-telecoms.com.sg
Nearest MRT: EW7 Eunos
Opening hours: 11am to 9pm daily

STARHUB BUGIS
80 Middle Road
#01-83/84 Bugis Junction
(S) 188966
Tel: 6338 7721
Fax: 6338 0092
Email: bgjsh@planet-telecoms.com.sg
Nearest MRT: EW12 DT14 Bugis
Opening hours: 11am to 9pm daily

WEST

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

STARHUB IMM
2 Jurong Street 21
#01-59 IMM Building
(S) 609601
Tel: 6720 2829
Fax: 6720 2827
Email: immsh@planet-telecoms.com.sg
Nearest MRT: NS1 Jurong East
Opening hours: 11am to 9pm daily

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

GROUP STRUCTURE

(As at 31 December 2014)

PERSONAL COMMUNICATIONS SOLUTIONS

- **92%** PLANET TELECOMS (S) PTE LTD
- **100%** TELECHOICE (INDONESIA) PTE LTD
  - **99%** PT TELECHOICE (INDONESIA)
- **1%** PT TELECHOICE (INDONESIA)
- **100%** PLANET TELECOMS MANAGED SERVICES SDN. BHD.
- **100%** PLANET MANAGED SERVICES PTE. LTD.

NETWORK ENGINEERING

- **100%** NEXWAVE TECHNOLOGIES PTE LTD
  - **100%** N-WAVE TECHNOLOGIES PHILIPPINES, INC.
  - **99%** PT NEXWAVE
- **1%** PT NEXWAVE
- **100%** N-WAVE TECHNOLOGIES (MALAYSIA) SDN BHD

INFO-COMMUNICATIONS TECHNOLOGY

- **100%** NEXWAVE TELECOMS PTE. LTD.
  - **100%** SUNPAGE COMMUNICATIONS PTE LTD
- **100%** S & I SYSTEMS PTE LTD
  - **49.6%** SUNWAY S&I SYSTEMS (THAILAND) LTD
  - **94%** U COMPUTING PTE. LTD.^
  - **51%** SUNWAY S&I SYSTEMS SDN BHD
- **100%** NXGEN COMMUNICATIONS PTE LTD
  - **100%** NXGEN COMMUNICATIONS (M) SDN BHD
  - **100%** NXGEN INC.
- **49%** PT SAKALAGUNA SEMESTA^

^ Please refer to Note 35 of the Notes to the Financial Statements

CORPORATE **INFORMATION**

BOARD OF DIRECTORS
Bertie Cheng (Chairman)
Yap Boh Pin
Yen Se-Hua Stewart
Tang Yew Kay Jackson
Ronald Seah Lim Siang
Sio Tat Hiang
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
(Partner since financial year ended 31 December 2014)

DIRECTORY OF SUBSIDIARIES

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

Info-Communications Technology Services
NexWave Telecoms Pte. Ltd.
SunPage Communications 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
U Computing Pte. Ltd.
6 Serangoon North Avenue 5 #03-16
Singapore 554910
Tel: 65 6826 3600
Fax: 65 6826 3700
Website: www.si-asia.com
www.u-computing.com.sg

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

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
Level 12 Menara Sunway
Jalan Lagoon Timur
Bandar Sunway
47500 Selangor D.E.
Malaysia
Tel: 60 3 5639 9996
Fax: 60 3 5639 9515
Website: www.si-asia.com.my

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

CORPORATE **INFORMATION**

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 Sakalaguna Semesta
Rukan Permata Senayan
Blok C-18
Jalan Tentara Pelajar
Jakarta 12210
Indonesia
Tel: 62 21 5794 9491
Fax: 62 21 5794 0750
Website: www.sakalaguna.com

PT NexWave
Jl Dr Sahardjo No. 266
Menteng Dalam
Jakarta Selatan 12870
Indonesia
Tel: 62 21 829 0809
Fax: 62 21 829 2502

PHILLIPINES

N-Wave Technologies Philippines, Inc.
19/F BDO Plaza
8737 Paseo De Roxas Cor
Makati Avenue
Makati City
Philippines
Tel: 63 2 840 3783
Fax: 63 2 813 0885

NxGen Inc.
Unit 1701 Hanston Square Bldg
#17 San Miguel Ave
Ortigas Center, Pasig City 1605
Philippines
Tel: 63 2 655 8343
Fax: 63 2 655 3561
Website: www.nxg-c.com

THAILAND

Sunway S&I Systems (Thailand) Ltd
719 KPN Tower, 21st Floor
Rama 9 Road
Bangkapi, Huaykwang
Bangkok 10310
Thailand
Website: www.si-asia.com

VIETNAM

NexWave Technologies Pte Ltd
Vietnam Representative Office
Unit #3, 4/F Saigon Business Centre
65 Le Loi Boulevard District 1
Ho Chi Minh
Vietnam
Tel: 84 8 3827 0207
Fax: 84 8 3827 0272

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 Articles of Association 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, Yen Se-Hua Stewart, Sio Tat Hiang 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.

CORPORATE **GOVERNANCE**

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

Principle 2: Board Composition and Guidance

To be effective, we believe our Board should comprise a majority of Non-Executive Directors independent of Management, with the right core competencies and a balance and diversity of skills and experience to enable them to contribute effectively.

Our Board currently comprises seven (7) Directors, all of whom are Non-Executive Directors and independent of Management. Our Board comprises a majority of Independent Directors, namely Bertie Cheng, Yap Boh Pin, Yen Se-Hua Stewart, 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 9 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.

CORPORATE **GOVERNANCE**

Principle 4: Board Membership

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

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

Details of frequency and participation at our Board, AC, RC, NC and EC meetings for FY14 are set out in Table 1.

Table 1
FY14 – 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%)	NA	NA	0	–
Yap Boh Pin	4	4 (100%)	4	4 (100%)	NA	NA	1	1 (100%)	NA	NA
Yen Se-Hua Stewart	4	3 (75%)	NA	NA	1	1 (100%)	1	1 (100%)	0	–
Tang Yew Kay Jackson	4	4 (100%)	4	4 (100%)	NA	NA	NA	NA	NA	NA
Ronald Seah Lim Siang	4	3 (75%)	4	4 (100%)	NA	NA	NA	NA	NA	NA
Sio Tat Hiang	4	1 (25%)	NA	NA	1	1 (100%)	1	1 (100%)	0	–
Lim Chai Hock Clive	4	1 (25%)	NA	NA	NA	NA	NA	NA	0	–

Our NC is chaired by an Independent Non-Executive Director, Yen Se-Hua Stewart and also comprises Yap Boh Pin (Independent Non-Executive Director) and Sio Tat Hiang (Non-Executive Director). The members of our NC (including the Chairman) are all Non-Executive Directors independent of Management.

CORPORATE **GOVERNANCE**

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 Articles of Association require 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 for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to the one-third rotation rule. Directors who are more than 70 years of age have to be re-appointed at each AGM under the Companies Act, Cap. 50.

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 2014, three of our five Independent Directors, namely Bertie Cheng, Yap Boh Pin and Yen Se-Hua Stewart, had served on our Board for more than nine years. Bertie Cheng, Yap Boh Pin and Yen Se-Hua Stewart have continued to demonstrate independent mindedness and conduct, including expressing their own views on issues and challenging Management. Each of these Independent Directors (as well as Tang Yew Kay Jackson and Ronald Seah Lim Siang) 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. After due and careful rigorous review, our Board is of the view that Bertie Cheng, Yap Boh Pin and Yen Se-Hua Stewart remain independent in their exercise of Board duties.

CORPORATE **GOVERNANCE**

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.

(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 Yen Se-Hua Stewart (Independent Non-Executive Director) and Sio Tat Hiang (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.

CORPORATE **GOVERNANCE**

Our RC has access to expert professional advice on human resource matters whenever there is a need to consult externally. Carrots Consulting Pte Ltd ("**Carrots**") was appointed to provide professional advice on certain human resource matters. Carrots 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.

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.

CORPORATE **GOVERNANCE**

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, if any) from time to time.

Please refer to the section on Equity Compensation Benefits in the Directors' Report on pages 48 to 52 of this Annual Report for the details of the Share Plans as well as awards granted under the Share Plans.

TeleChoice RSP

Under the TeleChoice RSP, conditional awards vest over a two-year period, once the RC is, at its sole discretion, satisfied that the performance and extended service conditions are attained. 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 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 FY13 to FY14.

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 (the "**TSR**") against Cost of Equity Hurdles (i.e. measure of absolute performance) and TSR against FTSE ST All-Share Index (i.e. measure of relative performance). 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 FY12 to FY14.

CORPORATE **GOVERNANCE**

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 engaged our remuneration consultant, Carrots, to conduct a Pay-for-Performance Alignment study. It was found that there was sufficient evidence indicating Pay-for-Performance Alignment for the Company in both absolute and relative terms for the 6-year period from FY08 to FY13.

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 FY14, 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 executives for FY14 are set out in Table 2 below. For competitive reasons, the Company is only disclosing the band of remuneration of our President and each key executive for FY14, within bands of S$250,000.

Table 2: FY14 – President and Top Five (5) Key Executives' Remuneration

Name	Fixed Component %	Variable Cash Component %	Share-Based Component %	Benefits-In-Kind %	Remuneration Bands[1]
Lim Shuh Moh Vincent	58	17	21	4	C
Lee Yoong Kin	60	16	19	5	B
Pauline Wong Mae Sum	58	18	20	4	B
Wong Loke Mei	64.5	18	12.5	5	A
Goh Song Puay	68	16	10	6	A
Raymond Lum Wai Meng	72	17	5	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$1,000,000.

CORPORATE **GOVERNANCE**

For FY14, the aggregate total remuneration paid to the President and top five (5) key executives (who are not Directors) amounted to approximately S$3,071,201.

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 below. The Directors' remuneration for the financial year ended 31 December 2014 will be subject to shareholders' approval at the forthcoming annual general meeting ("**AGM**").

Table 3: FY14 – Scale of Fees

Basic Retainer Fee	S$
Chairman	70,000
Director	35,000
Fee for appointment to the Audit Committee	
Committee Chairman	20,000
Committee Member	14,000
Fee for appointment to the Remuneration Committee, Nominating Committee and Executive Committee	
Committee Chairman	14,000
Committee Member	7,000
Attendance Fee for Board/Committee Meetings (per Meeting)	
Meeting in Physical	1,000
Teleconference	500
Off-hour Teleconference	1,000

To align the interests of the Directors to that of the shareholders, Directors who served on the Board during FY14 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 trading days commencing on (and including) the ex-dividend date that immediately follows the date of this AGM. The number of shares to be awarded will be rounded down to the nearest thousand shares, and any residual balance settled in cash. The restricted share awards will consist of the grant of fully paid shares, without any performance or vesting conditions attached. However, in order to encourage alignment of interests of the Directors with the interests of shareholders, a Director is required to hold such number of shares equivalent to at least (i) the prevailing annual basic Board retainer fee, based on the VWAP of a share listed on the SGX-ST over the 14 days trading days from (and including) the 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 trading 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.

CORPORATE **GOVERNANCE**

The following Table 4 shows the total composition of Directors' remuneration for FY14.

Table 4: FY14 – Directors' Remuneration

Name	Total Directors' Remuneration[1]		
	Cash-based	Share-based	Total
Bertie Cheng	$72,100	$30,900	$103,000
Yap Boh Pin	$49,700	$21,300	$71,000
Yen Se-Hua Stewart	$47,600	$20,400	$68,000
Tang Yew Kay Jackson	$39,900	$17,100	$57,000
Ronald Seah Lim Siang	$38,500	$16,500	$55,000
Sio Tat Hiang	$41,300[2]	$17,700	$59,000
Lim Chai Hock Clive	$30,100	$12,900	$43,000

Notes:

(1) The aggregate amount of these fees is subject to approval by shareholders at the upcoming AGM for FY14.

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

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 misconduct/fraud 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.

CORPORATE **GOVERNANCE**

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 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, all of whom including the Chairman are Independent Directors. The AC members are Yap Boh Pin as Chairman, Tang Yew Kay Jackson and Ronald Seah Lim Siang. Our AC members bring with them invaluable professional and managerial expertise in the accounting and financial sectors.

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

The AC is supported by senior Management representatives who:

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

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

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

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

CORPORATE **GOVERNANCE**

In 2014, our AC held four 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 25 of the Notes to the Financial Statements on page 113 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 that 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.

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 and suitably qualified experienced professionals who are at the level of manager and above. The AC is satisfied that the internal audit function has adequate resources to perform its functions effectively.

As a corporate member of the Singapore Chapter of the Institute of Internal Auditors (IIA), the internal audit function adopts the International Standards for the Professional Practice of Internal Auditing (the IIA Standards) issued by IIA. The internal audit function has completed its external Quality Assurance Review in 2013 and continues to meet the IIA Standards in all key aspects.

The primary role of 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.

CORPORATE **GOVERNANCE**

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 together with our press release. 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 is entitled to vote in person or by appointing up to two proxies to attend and vote at our general meetings. The Company's Articles of Association do not allow shareholders to vote in absentia at general meetings, except through the appointment of a proxy or proxies to cast their vote in their stead. Hence, our shareholders have the opportunity to direct any queries regarding the resolutions proposed to be passed to our Directors and Management who are present at our general meetings. 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 perform this benchmark in the last few financial years.

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.

FINANCIAL **CONTENTS**

GROUP **FINANCIAL REVIEW**

1.0 OPERATING RESULTS OF THE GROUP

In $ million	FY2014	FY2013	Change (%)
Revenue	**516.8**	**556.3**	**-7%**
Gross profit	42.5	43.5	-2%
Other income	0.9	0.7	29%
Total expenses	**506.3**	**545.9**	**-7%**
PBT	**11.4**	**11.1**	**3%**
PAT	9.2	9.6	-4%
PATMI	**9.4**	**9.7**	**-3%**

1.1 Revenue

Group revenue decreased by 7% or $39.5 million to $516.8 million in FY2014.

Personal Communications Solutions Services ("PCS") contributed to 71% of group revenue in FY2014 (FY2013: 71%). Revenue decreased by 8% to $364.6 million compared to the previous financial year from lower handphone sales to StarHub and lower prepaid card sales. There was also lower revenue from our retail operations in Malaysia. These were mitigated by higher channel and regional sales. Sales to StarHub in FY2014 accounted for almost half of PCS's revenue.

Info-Communications Technology Services ("ICT") contributed to 19% of group revenue in FY2014 (FY2013: 18%). Revenue increased by 3% to $100.9 million in FY2014 due to a major software and maintenance contract, higher wholesales and enterprise solutions revenue. These were partially offset by lower project revenue recognition.

Network Engineering Services ("Engineering") contributed to 10% of group revenue in FY2014 (FY2013: 11%). Revenue decreased by 17% to $51.3 million in FY2014 due to lower transmission equipment and product sales in Singapore, as well as lower revenue recognition from Radio Network Planning projects in Indonesia. These were mitigated by higher projects revenue in Singapore and product sales in Malaysia. Revenue from Indonesia was partially impacted by the weakening of the Indonesian Rupiah.

1.2 Gross profit

In $ million	FY2014	FY2013	Change (%)
Gross profit	42.5	43.5	-2%
Gross margin	8.2%	7.8%	0.4 ppt

ppt – percentage point

Gross profit decreased to $42.5 million. All business divisions reported lower gross profit.

GROUP **FINANCIAL REVIEW**

1.2 Gross profit (continued)

Gross margins improved from 7.8% in FY2013 to 8.2% in FY2014. Excluding the zero margin handset sales to a major customer in Singapore, gross margins would have declined from 12.3% to 12.1% in FY2014. Higher gross margin from PCS was from lower sales of low margin mobile phones. Higher gross margin from Engineering was due to improvement in Singapore and Malaysian operations. ICT's gross margin was lower due to a major software and maintenance contract which was at a lower margin.

1.3 Other income

Other income comprises of interest, subsidy, rebates and rental income.

Higher other income in FY2014 was due to payouts under the Wage Credit Scheme and cash bonus received under the "Productivity and Innovation Credit Scheme". There was also higher interest income from bank deposits and higher interest accretion income from discounting long term receivables.

1.4 Total expenses

In $ million	FY2014	FY2013	Change (%)
Cost of sales	474.3	512.7	-7%
Selling and marketing expenses	10.2	11.0	-7%
Administrative expenses	19.0	19.1	-1%
Other expenses	1.7	2.0	-15%
Finance costs	1.1	1.1	–
Total expenses	**506.3**	**545.9**	**-7%**
Included in total expenses:			
Staff costs	42.2	41.9	1%
Depreciation and amortisation	3.4	3.3	3%

Total expenses, including cost of sales, amounted to $506.3 million in FY2014, a decrease of 7% or $39.6 million compared to FY2013. Decrease in total expenses is in line with decrease in revenue of 7%.

Cost of sales comprises of cost of equipment sold, carrier costs and commissions, costs of cabling and installation, network expenses, depreciation and amortisation and attributable direct overheads. Cost of sales decreased by 7% or $38.4 million over FY2013 due to decrease in revenue in FY2014.

Selling and marketing expenses decreased by 7% or $0.8 million over FY2013 due to lesser marketing vouchers purchased and lower payroll cost.

Administrative expenses were 1% or $0.1 million lower than the previous financial year mainly from lower payroll cost.

GROUP **FINANCIAL REVIEW**

1.4 Total expenses (continued)

Other expenses decreased by 15% or $0.3 million over FY2013 due to lower exchange losses. In FY2013, there was also an impairment of intangible assets. In FY2014, there were property, plant and equipment written off.

Finance costs was maintained at $1.1 million. Finance costs comprise of interest paid and payable to banks and interest accretion from discounting long term trade/dividend payable.

Staff costs increased by 1% to $42.2 million mainly due to increase in headcount to support the retail operations in Singapore.

Depreciation and amortisation cost increased by 3% or $0.1 million. Higher depreciation in FY2014 was due to capital expenditure incurred on renovations with the relocation of offices and warehouses in Singapore. Higher amortisation in FY2014 was due to the eplanet ecommerce portal and capital expenditure incurred on system upgrades.

1.5 Profit before tax

Profit before tax margins	FY2014	FY2013	Change
PCS	1.9%	1.5%	0.4 ppt
ICT	1.0%	1.4%	(0.4) ppt
Engineering	7.0%	6.0%	1.0 ppt
Group	**2.2%**	**2.0%**	**0.2 ppt**

Group PBT increased by 3% to $11.4 million in FY2014. PBT margins improved from 2.0% in FY2013 to 2.2% in FY2014. Except for ICT, both PCS and Engineering recorded increase in PBT margins in FY2014.

PCS contributed to 60% of group operating PBT in FY2014 (FY2013: 54%). PBT increased by 13% or $0.8 million to $6.8 million in FY2014 due to higher gross margins and lower operating expenses. There was also higher profit contribution from its Malaysian operations.

ICT contributed to 9% of group operating PBT in FY2014 (FY2013: 12%). PBT decreased by 23% or $0.3 million to $1.0 million in FY2014. The lower gross profit was partially mitigated by lower operating expenses. Excluding the amortisation of intangible assets arising from the acquisitions and interest accretion, operating PBT for FY2014 and FY2013 were at $2.5 million and $3.0 million respectively.

Engineering contributed to 31% of group operating PBT in FY2014 (FY2013: 34%). PBT decreased by 5% or $0.2 million to $3.6 million in FY2014. The lower PBT from Indonesian operations was partially mitigated by improvements in the Malaysia operations.

GROUP **FINANCIAL REVIEW**

1.6 Profit after tax and non-controlling interests

In $ million	FY2014	FY2013	Change (%)
Income tax expenses	2.2	1.5	47%
Effective tax rate	19.3%	13.3%	6 ppt
Profit after tax and non-controlling interests	**9.4**	**9.7**	**-3%**
Profit after tax margins	1.8%	1.7%	0.1 ppt

The Group's **PATMI** decreased by 3% to $9.4 million in FY2014 due to higher income tax expenses.

Income tax expenses were higher than the last financial year by 47% or $0.7 million. The higher effective tax rate in FY2014 was mainly due to higher profit contribution from overseas entities that have higher statutory tax rates. There were also lower tax incentives qualified under the "Productivity and Innovation Credit Scheme" for the Singapore entities.

2. LIQUIDITY AND CAPITAL RESOURCES

Cashflow (in $ million)	FY2014	FY2013	Change (%)
Cashflow from:			
Operating activities	1.3	13.3	(90%)
Investing activities	(4.3)	(3.6)	(19%)
Financing activities	(8.0)	(12.1)	34%
Net change in cash and cash equivalent	(11.0)	(2.4)	(358%)
Cash and cash equivalents at end of year	**38.0**	**48.9**	**(22%)**

The Group's cash and cash equivalents decreased by 22% from $48.9 million as at 31 December 2013 to $38.0 million as at 31 December 2014.

The Group's bank borrowings increased slightly from $19.9 million as at 31 December 2013 to $20.0 million as at 31 December 2014.

Net cash decreased from $29.0 million as at 31 December 2013 to $18.0 million as at 31 December 2014. Net cash per share decreased to 4.0 cents per share in FY2014 from 6.4 cents per share in FY2013.

GROUP **FINANCIAL REVIEW**

2. LIQUIDITY AND CAPITAL RESOURCES (continued)

Operating Activities

Lower net cash inflow in FY2014 was due to negative change in working capital. Negative change in working capital was from higher work-in-progress, trade and other receivables, offset by higher trade and other payables.

Investing Activities

Higher net cash outflow in FY2014 was due to capital expenditure incurred for the office relocation in Singapore and testing equipment for projects in Indonesia partially offset by the higher interest income received from bank deposits.

Financing Activities

Higher net cash outflow in FY2013 was due to buyback of shares from the minority shareholders of S&I and higher bank loans repayment.

3. SHAREHOLDERS RETURNS

	FY2014	FY2013	Change (%)
Net dividends per share (cents) – ordinary	1.60	1.60	–
Dividends declared ($ million)	7.3	7.3	–
Dividend payout ratio (%)	77.7	75.3	2.4 ppt
Dividends yield (%)	6.0	6.8	(0.8) ppt
Basic Earnings per share (cents)(1)	2.06	2.13	(3%)
Return on equity (%)	13.0%	14.0%	(1.0) ppt
Return on capital employed (%)	11.1%	11.5%	(0.4) ppt
Return on total assets (%)	5.0%	5.6%	(0.6) ppt

Notes:

(1) The number of shares used for the purpose of calculating the EPS for FY2014 and FY2013 were 454,198,000 and 453,924,000 respectively.

For FY2014, the Company has proposed a final dividend of 1.6 cents per ordinary share or $7.3 million, the same as FY2013. Including the $7.3 million of dividend payout in May 2015, total dividend paid since listing in June 2004 will be 23.45 cents per share or $105.6 million. This represents 77% of earnings over the same period.

Year on year earnings per share decreased 3% from 2.13 cents to 2.06 cents.

Return on equity decreased from 14.0% in FY2013 to 13.0% in FY2014 with lower earnings and higher capital base. Lower earnings in FY2014 has also resulted in lower return on capital employed of 11.1% (FY2013: 11.5%) and return on total assets of 5.0% (FY2013: 5.6%).

DIRECTORS' **REPORT**

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 2014.

Directors

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

Bertie Cheng
Yap Boh Pin
Yen Se-Hua Stewart
Tang Yew Kay Jackson
Ronald Seah Lim Siang
Sio Tat Hiang
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	–	64,000
– Held in the name of Hong Leong Finance Nominees Pte Ltd	500,000	500,000
Yap Boh Pin	–	44,000
– Held in the name of ABN AMRO Nominees Singapore Pte Ltd	150,000	150,000
Yen Se-Hua Stewart	–	43,000
– Held in the name of Advanced Guard Limited	150,000	150,000
Tang Yew Kay Jackson	100,000	135,000
Ronald Seah Lim Siang	–	35,000
Sio Tat Hiang	150,000	187,000
Lim Chai Hock Clive	–	28,000

DIRECTORS' REPORT

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		
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
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
SMRT Corporation Ltd		
Ordinary shares		
Lim Chai Hock Clive	100,000	400,000
StarHub Ltd		
Ordinary shares		
Sio Tat Hiang	4,400	15,100

Except as disclosed in this report, 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 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 2015.

Except as disclosed under the "Share Options" section of this report, 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.

Except for salaries, bonuses and fees and those benefits that are disclosed in Notes 25 and 28 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

DIRECTORS' REPORT

Equity Compensation Benefits

a) Share options

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"), were approved and adopted by the members at an Extraordinary General Meeting of the Company held on 7 May 2004.

Pre-IPO Scheme

Information regarding the Pre-IPO Scheme is set out below:

(i) The Pre-IPO Scheme is administered by the Company's Remuneration Committee comprising three directors, namely Bertie Cheng, Yen Se-Hua Stewart and Sio Tat Hiang (the "Committee").

(ii) On 18 May 2004, the Company granted share options to management and employees of the Company, STT Communications Ltd ("STTC"), its immediate holding company, and the subsidiaries of STTC and certain non-executive directors of the Company (collectively referred to as the "Eligible Persons") to subscribe for an aggregate of 20,000,000 shares of the Company.

(iii) Eligible Persons are entitled to exercise the share options subject to the following vesting periods:

Vesting schedule	Percentage of shares over which an option is exercisable (%)
On the date falling twelve months from 18 May 2004	25
On the date falling twenty-four months from 18 May 2004	25
On the date falling thirty-six months from 18 May 2004	25
On the date falling forty-eight months from 18 May 2004	25

(iv) The exercise price for each option is $0.2079. Options granted to non-executive directors (including independent directors) have a life span of five years. Options granted to the Eligible Persons (other than the non-executive directors) have a life span of ten years.

(v) Other than the grant of share options under the Pre-IPO Scheme on 18 May 2004 as stated in paragraph a)(ii) above, no share options were granted under the Pre-IPO Scheme. The Pre-IPO Scheme expired on 17 May 2014.

Post-IPO Scheme

Information regarding the Post-IPO Scheme is set out below:

(i) The Post-IPO Scheme is administered by the Committee.

DIRECTORS' REPORT

Equity Compensation Benefits (continued)

a) Share options (continued)

(ii) The eligible participants of the Post-IPO Scheme are:

- executive and non-executive directors and employees of the Company and its subsidiaries and associated companies.
- executive and non-executive directors and employees of STTC and its subsidiaries.
- controlling shareholders of the Company and the associates of the controlling shareholders.

(iii) The nominal amount of the aggregate number of shares over which the Committee may grant options on any date, when aggregated with the nominal amount of the number of shares issued and issuable in respect of all options granted under the Post-IPO Scheme and other share option schemes of the Company, shall not exceed 15% of the issued and paid-up share capital of the Company on the day preceding the date of the relevant grant.

(iv) Under the Post-IPO Scheme, the exercise price for each ordinary shares in respect of which an option is exercisable is determined by the Committee in its absolute discretion on the date of grant at a maximum discount of 20% to market price determined to be the average of the last dealt prices for the shares on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five consecutive market days immediately preceding the relevant date of grant of the relevant option.

(v) The vesting period of the options granted under the Post-IPO Scheme is between one and two years.

(vi) The exercise price of the options granted under the Post-IPO Scheme shall not be less than $0.02.

(vii) No options were granted under Post-IPO Scheme since its commencement. The Post-IPO Scheme expired on 6 May 2014.

During the financial year ended 31 December 2014, a total of 368,000 (2013: 212,500) options granted under the Pre-IPO Scheme were exercised prior to the expiry of the Pre-IPO Scheme on 17 May 2014. These options were exercised at the exercise price of $0.2079 per option for 368,000 (2013: 212,500) shares of the Company. Following such exercises, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries pursuant to the Schemes as at the end of the financial year.

At the end of the financial year, there were no outstanding options granted under the Schemes on the unissued ordinary shares of the Company.

DIRECTORS' **REPORT**

Equity Compensation Benefits (continued)

b) 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.

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:

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

b. 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

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 two-year period, once the Committee is, at its sole discretion, satisfied that the performance and extended service conditions are attained. 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.

DIRECTORS' REPORT

Equity Compensation Benefits (continued)

b) Long Term Incentive Plans (continued)

(vi) Since the commencement of the Plans to the financial year ended 31 December 2014, conditional awards aggregating 21,633,330 (2013: 18,142,250) shares have been granted under the aforesaid Plans, representing the number of shares to be delivered if the performance targets are achieved at "on-target" level. 1,192,037 shares under the Plans were released during the financial year ended 31 December 2014 (2013: 1,069,551 shares).

(vii) During the financial year ended 31 December 2014, conditional awards aggregating 3,205,080 (2013: 2,514,250) shares have been granted under the Plans, representing the number of shares to be delivered if certain performance targets are achieved at "on-target" level. An aggregate 6,978,850 shares under the Plans were outstanding as at 31 December 2014 (2013: 6,420,087 shares).

(viii) During the financial year ended 31 December 2014, restricted share awards aggregating 286,000 shares were also granted under the TeleChoice RSP on 29 July 2014. These share awards formed 15% of the Directors' remuneration for the financial year ended 31 December 2013 and were granted without any performance or vesting conditions attached, but subject to a selling moratorium and other terms and conditions.

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

The details of 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 2014		Aggregate exercised/ released since the commencement of the Schemes and Plans to 31 December 2014		Aggregate outstanding as at 31 December 2014	
	Options	**Share Awards**	**Options**	**Share Awards**	**Options**	**Share Awards**	**Options**	**Share Awards**
Participants								
Name of director								
Bertie Cheng	–	64,000	500,000	64,000	500,000	64,000	–	–
Yap Boh Pin	–	44,000	–	44,000	–	44,000	–	–
Yen Se-Hua Stewart	–	43,000	–	43,000	–	43,000	–	–
Tang Yew Kay Jackson	–	35,000	–	35,000	–	35,000	–	–
Ronald Seah Lim Siang	–	35,000	–	35,000	–	35,000	–	–
Sio Tat Hiang	–	37,000	–	37,000	–	37,000	–	–
Lim Chai Hock Clive	–	28,000	–	28,000	–	28,000	–	–

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 deemed interested in 15% or more of the Company's issued shares until 26 December 2013, as stated in the table above).

DIRECTORS' REPORT

Equity Compensation Benefits (continued)

b) Long Term Incentive Plans (continued)

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

	Granted during the financial year		Aggregate granted since the commencement of the Schemes and Plans to 31 December 2014		Aggregate exercised/ released since the commencement of the Schemes and Plans to 31 December 2014		Aggregate outstanding as at 31 December 2014	
	Options	Share Awards	Options	Share Awards	Options	Share Awards	Options	Share Awards
Participants								
Loh Sur Jin Andrew	–	–	–	4,807,000	–	2,171,207	–	759,813
Lee Yoong Kin	–	657,720	–	3,273,720	–	1,007,817	–	1,368,293
Pauline Wong Mae Sum	–	657,720	850,000	3,403,720	850,000	1,207,047	–	1,290,893
Wong Loke Mei	–	249,400	1,000,000	1,051,400	1,000,000	260,600	–	419,200

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 2014 are as follows:

Participants	Number of share awards granted under the Plans during the financial year ended 31 December 2014
Lim Shuh Moh Vincent	865,360
Lee Yoong Kin	657,720
Pauline Wong Mae Sum	657,720
Wong Loke Mei	249,400
Goh Song Puay	191,400

Audit Committee

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

- Yap Boh Pin (Chairman), independent non-executive director
- Tang Yew Kay Jackson, independent non-executive director
- Ronald Seah Lim Siang, independent non-executive director

DIRECTORS' **REPORT**

Audit Committee (continued)

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.

The Audit Committee has held four meetings since the last directors' report. 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.

DIRECTORS' **REPORT**

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

20 March 2015

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 58 to 129 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, 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.

On behalf of the Board of Directors

Bertie Cheng
Director

Yap Boh Pin
Director

20 March 2015

INDEPENDENT **AUDITORS' REPORT**

Members of the Company
TeleChoice International Limited

Report on the financial statements

We have audited the accompanying financial statements of TeleChoice International Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 58 to 129.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore

20 March 2015

STATEMENTS OF **FINANCIAL POSITION**

As at 31 December 2014

		Group		Company	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Non-current assets					
Property, plant and equipment	4	**3,336**	2,437	**899**	161
Intangible assets	5	**14,046**	15,586	**110**	276
Subsidiaries	6	**–**	–	**37,124**	36,516
Joint venture	7	**–**	–	**–**	–
Deferred tax assets	8	**730**	968	**–**	36
Trade and other receivables	11	**6,237**	807	**–**	–
Total non-current assets		**24,349**	19,798	**38,133**	36,989
Current assets					
Inventories	9	**13,119**	16,927	**5,483**	6,504
Work-in-progress	10	**19,629**	22,220	**–**	–
Trade and other receivables	11	**91,658**	63,400	**45,109**	28,451
Cash and cash equivalents	16	**37,986**	48,906	**11,901**	24,303
Total current assets		**162,392**	151,453	**62,493**	59,258
Total assets		**186,741**	171,251	**100,626**	96,247
Equity					
Share capital	17	**21,987**	21,893	**21,987**	21,893
Reserves	18	**9,346**	8,928	**13,512**	13,404
Accumulated profits		**40,775**	38,638	**12,913**	16,548
Total equity attributable to equity holders of the Company		**72,108**	69,459	**48,412**	51,845
Non-controlling interests		**169**	255	**–**	–
Total equity		**72,277**	69,714	**48,412**	51,845
Non-current liabilities					
Deferred tax liabilities	8	**366**	540	**22**	–
Loans and borrowings	21	**–**	10,000	**–**	10,000
Trade and other payables	20	**2,734**	150	**–**	–
Total non-current liabilities		**3,100**	10,690	**22**	10,000
Current liabilities					
Trade and other payables	20	**85,598**	74,489	**41,938**	34,260
Excess of progress billings over work-in-progress	10	**303**	828	**–**	–
Loans and borrowings	21	**19,968**	9,860	**10,000**	–
Current tax payable		**396**	721	**229**	117
Provision for warranties	22	**229**	203	**25**	25
Deferred revenue	24	**4,870**	4,746	**–**	–
Total current liabilities		**111,364**	90,847	**52,192**	34,402
Total liabilities		**114,464**	101,537	**52,214**	44,402
Total equity and liabilities		**186,741**	171,251	**100,626**	96,247

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000
Revenue	24	**516,804**	556,274
Cost of sales		**(474,328)**	(512,740)
Gross profit		**42,476**	43,534
Other income	25	**610**	560
Sales and marketing expenses		**(10,155)**	(10,984)
Administrative expenses		**(19,036)**	(19,062)
Other expenses		**(1,692)**	(1,972)
Results from operating activities		**12,203**	12,076
Finance income	25	**281**	96
Finance costs	25	**(1,072)**	(1,107)
Net finance costs		**(791)**	(1,011)
Share of profits of a joint venture (net of tax)		**–**	–
Profit before tax	25	**11,412**	11,065
Tax expense	26	**(2,199)**	(1,469)
Profit for the year		**9,213**	9,596
Profit attributable to:			
Owners of the Company		**9,368**	9,662
Non-controlling interests		**(155)**	(66)
Profit for the year		**9,213**	9,596
Earnings per share (cents)			
Basic earnings per share (cents)	27	**2.06**	2.13
Diluted earnings per share (cents)	27	**2.06**	2.13

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Group	
	2014	2013
	$'000	$'000
Profit for the year	**9,213**	9,596
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Defined benefit plan remeasurements	**52**	(10)
Tax on items that will not be reclassified to profit or loss	**(13)**	3
	39	(7)
Items that are or may be reclassified subsequently to profit or loss		
Translation differences relating to financial statements of foreign subsidiaries	**178**	(2,225)
Foreign currency translation differences on disposal of foreign subsidiaries reclassified to profit or loss	**–**	(24)
Exchange differences on monetary items forming part of net investment in foreign operations	**201**	(764)
	379	(3,013)
Other comprehensive income for the year, net of tax	**418**	(3,020)
Total comprehensive income for the year	**9,631**	6,576
Total comprehensive income attributable to:		
Owners of the Company	**9,717**	6,643
Non-controlling interests	**(86)**	(67)
Total comprehensive income for the year	**9,631**	6,576

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

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
		Attributable to owners of the Company										
At 1 January 2013		21,840	37,516	27	17,383	(2,105)	491	(7)	(3,741)	71,404	1,297	72,701
Total comprehensive income for the year												
Profit for the year		–	9,662	–	–	–	–	–	–	9,662	(66)	9,596
Other comprehensive income												
Translation differences relating to financial statements of foreign subsidiaries		–	–	–	–	–	–	–	(2,224)	(2,224)	(1)	(2,225)
Foreign currency translation differences on disposal of foreign subsidiaries reclassified to profit or loss		–	–	–	–	–	–	–	(24)	(24)	–	(24)
Exchange differences on monetary items forming part of net investment in foreign operations		–	–	–	–	–	–	–	(764)	(764)	–	(764)
Defined benefit plan remeasurements		–	(10)	–	–	–	–	–	–	(10)	–	(10)
Tax on items that will not be reclassified to profit or loss		–	3	–	–	–	–	–	–	3	–	3
Total other comprehensive income		–	(7)	–	–	–	–	–	(3,012)	(3,019)	(1)	(3,020)
Total comprehensive income for the year		–	9,655	–	–	–	–	–	(3,012)	6,643	(67)	6,576
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Issue of 212,500 ordinary shares at exercise price of $0.2079 per share under share option scheme	23	44	–	–	–	–	–	–	–	44	–	44
Share-based payments expenses	23	–	–	–	–	–	166	–	–	166	–	166
Share options exercised	17	9	–	–	–	–	(9)	–	–	–	–	–
Purchase of treasury shares	17, 18	–	–	–	–	–	–	(265)	–	(265)	–	(265)
Issue of treasury shares	17, 18	–	–	–	(43)	–	(214)	257	–	–	–	–
Final dividend of 1.6 cents per share (one-tier tax exempt)		–	(7,264)	–	–	–	–	–	–	(7,264)	–	(7,264)
Transfer of reserves on liquidation of a subsidiary	18	–	–	–	(567)	567	–	–	–	–	–	–
Total contributions by and distributions to owners of the Company		53	(7,264)	–	(610)	567	(57)	(8)	–	(7,319)	–	(7,319)
Changes in ownership interests in subsidiaries												
Acquisition of non-controlling interests without a change in control	30	–	(1,269)	–	–	–	–	–	–	(1,269)	(975)	(2,244)
Total changes in ownership interests in subsidiaries		–	(1,269)	–	–	–	–	–	–	(1,269)	(975)	(2,244)
Total transactions with owners of the Company		53	(8,533)	–	(610)	567	(57)	(8)	–	(8,588)	(975)	(9,563)
At 31 December 2013		21,893	38,638	27	16,773	(1,538)	434	(15)	(6,753)	69,459	255	69,714

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

Year ended 31 December 2014

		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 2014		21,893	38,638	27	16,773	(1,538)	434	(15)	(6,753)	69,459	255	69,714
Total comprehensive income for the year												
Profit for the year		–	9,368	–	–	–	–	–	–	9,368	(155)	9,213
Other comprehensive income												
Translation differences relating to financial statements of foreign subsidiaries		–	–	–	–	–	–	–	109	109	69	178
Exchange differences on monetary items forming part of net investment in foreign operations		–	–	–	–	–	–	–	201	201	–	201
Defined benefit plan remeasurements		–	52	–	–	–	–	–	–	52	–	52
Tax on items that will not be reclassified to profit or loss		–	(13)	–	–	–	–	–	–	(13)	–	(13)
Total other comprehensive income		–	39	–	–	–	–	–	310	349	69	418
Total comprehensive income for the year		–	9,407	–	–	–	–	–	310	9,717	(86)	9,631
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Issue of 368,000 ordinary shares at exercise price of $0.2079 per share under share option scheme	23	77	–	–	–	–	–	–	–	77	–	77
Share-based payments expenses	23	–	–	–	–	–	348	–	–	348	–	348
Share options exercised	17	17	–	–	–	–	(17)	–	–	–	–	–
Purchase of treasury shares	17, 18	–	–	–	–	–	–	(293)	–	(293)	–	(293)
Issue of treasury shares	17, 18	–	–	–	(2)	–	(236)	308	–	70	–	70
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		94	(7,270)	–	(2)	–	95	15	–	(7,068)	–	(7,068)
Total transactions with owners of the Company		94	(7,270)	–	(2)	–	95	15	–	(7,068)	–	(7,068)
At 31 December 2014		21,987	40,775	27	16,771	(1,538)	529	–	(6,443)	72,108	169	72,277

CONSOLIDATED **CASH FLOW STATEMENT**

Year ended 31 December 2014

	Note	Group 2014 $'000	2013 $'000
Operating activities			
Profit before tax		**11,412**	11,065
Adjustments for:			
Amortisation of intangible assets	5	**1,726**	1,556
(Reversal of)/allowance for foreseeable losses		**(39)**	39
Depreciation of property, plant and equipment	4	**1,652**	1,580
Finance expense	25	**1,072**	1,107
Finance income	25	**(281)**	(96)
Loss on disposal of property, plant and equipment	25	**49**	36
Property, plant and equipment written off		**131**	–
Gains on disposal of subsidiaries	25	**(11)**	(24)
Impairment loss on intangible assets	5	**–**	136
Provision made/(written back) for warranties	22	**22**	(28)
Share-based payments expenses	23	**348**	166
		16,081	15,537
Changes in working capital:			
Inventories and work-in-progress		**6,579**	(1,305)
Trade and other receivables		**(33,406)**	1,098
Trade and other payables		**13,853**	556
Changes in deferred income		**137**	(12)
Cash generated from operations		**3,244**	15,874
Income taxes paid		**(1,942)**	(2,540)
Cash flows from operating activities		**1,302**	13,334
Investing activities			
Proceeds from disposal of property, plant and equipment and intangible assets		**18**	15
Amounts owing to selling shareholders of a subsidiary		**(1,438)**	(1,438)
Purchase of intangible assets and property, plant and equipment		**(3,039)**	(2,174)
Disposal of subsidiary, net of cash	6	**(13)**	–
Interest received		**156**	68
Bank deposit pledged	16	**22**	(22)
Cash flows used in investing activities		**(4,294)**	(3,551)
Balance carried forward		**(2,992)**	9,783

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

CONSOLIDATED **CASH FLOW STATEMENT**

Year ended 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000
Balance brought forward		**(2,992)**	9,783
Financing activities			
Acquisition of non-controlling interests	30	**–**	(2,244)
Balances with related corporations (non-trade)		**80**	612
Dividends paid		**(7,270)**	(7,264)
Dividends paid to non-controlling interests		**–**	(100)
Interest paid		**(684)**	(688)
Proceeds from bank loans		**6,941**	19,905
Repayment of short-term loans		**(6,833)**	(22,142)
Purchase of treasury shares	17	**(293)**	(265)
Proceeds from issue of shares under share option scheme		**77**	44
Cash flows used in financing activities		**(7,982)**	(12,142)
Net decrease in cash and cash equivalents		**(10,974)**	(2,359)
Cash and cash equivalents at beginning of the year		**48,884**	51,572
Effect of exchange rate changes on cash held in foreign currencies		**76**	(329)
Cash and cash equivalents at end of the year	16	**37,986**	48,884

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 20 March 2015.

1 DOMICILE AND ACTIVITIES

TeleChoice International Limited (the "Company" or "TeleChoice") is incorporated in the Republic of Singapore 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 a joint venture.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRS).

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 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.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgements (continued)

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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

- Note 24 – Revenue: determination of whether the Company acts as an agent in the transaction rather than as a principal following the renewal of a contract with a related corporation.

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 intangible assets arising from the acquisitions of subsidiaries and investment in subsidiaries
- Note 9 – Valuation of inventories
- Note 11 – Valuation of receivables
- Note 26 – Assessment of income tax provision

2.5 Changes in accounting policies

(i) Subsidiaries

As a result of *FRS 110 Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of FRS 110, the Group reassessed the control conclusion for its investees at 1 January 2014. Based on its assessment, the Group has concluded that there is no impact to the Group's financial statements.

(ii) Offsetting of financial assets and financial liabilities

Under the *Amendments to FRS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Group does not offset receivables and payables due from and due to the same counterparty and therefore the new requirement does not have any impact to the carrying amounts of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Business combinations (continued)

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 balance sheet.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Loss of control (continued)

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 equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investment in a joint venture

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investment in a joint venture is accounted for using the equity method and is recognised initially at cost.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the joint venture, after adjustments to align the accounting policies of the joint venture with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in the joint venture, the carrying amount of that interest, including any long-term investments, is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

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)

Transactions 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 the joint venture is eliminated against the investment to the extent of the Group's interest in the investee. 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 joint venture by the Company

Investments in subsidiaries and joint venture are stated in the Company's balance sheet 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 balance sheet date. The functional currencies of the Group entities comprise Singapore Dollars, Indonesian Rupiah, United States Dollars, Ringgit Malaysia, Thai Baht 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 balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currencies (continued)

Foreign operations (continued)

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 or joint 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 a joint venture that includes a foreign operation while retaining joint control, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property, plant and equipment (continued)

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.

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 fulfill 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Intangible assets (continued)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Inventories (continued)

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

3.6 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 balance sheet 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. For the purpose of the consolidated statement of cash flows, pledged deposits are excluded.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Impairment of non-financial assets (continued)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Employee benefits (continued)

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.

Share-based payments

Share option plans

The share option schemes allow the Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) when the options are exercised.

The share option reserve is transferred to retained earnings upon cancellation or expiry of the vested option or awards. When the options are exercised or awards are released, the share option reserve is transferred to share capital if new shares are issued.

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 balance sheet 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 balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 balance sheet 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) Restructuring

A provision for restructuring is recognised if a detailed formal plan for the restructuring exists and the Group has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Future operating losses are not provided for.

(iii) Reinstatement

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

3.17 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Revenue recognition (continued)

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 balance sheet 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 balance sheet as deferred revenue. Upon the expiry of pre-paid phone cards, any unutilised value of the cards is taken to income statement.

The Company 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 balance sheet date, and any adjustment to tax payable in respect of previous years.

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 balance sheet date.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 segment concerned.

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

3.23 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations have been issued but not yet effective, and have not been applied in preparing these financial statements. Those which may be relevant to the Group that are expected to have a significant effect on the financial statements of the Group and Company in future financial period, and which the Group does not plan to early adopt, are set out below:

FRS 115 Revenue from Contracts with Customers

FRS 115 Revenue from Contracts with Customers will replace *FRS 18 Revenue, FRS 11 Construction Contracts* and related interpretations. The standard establishes the principles for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Group expects to be entitled to in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed (e.g. service revenue and contract modifications) and improved guidance for multi-element arrangements. The Group is currently assessing the impact upon adoption this standard in financial year ending 31 December 2017.

FRS 109 Financial Instruments

The standard replaces *FRS 39 Financial Instruments: Recognition and Measurement*. The standard sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group is currently assessing the impact on adoption of this standard in financial year ending 31 December 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 2013	1,754	4,337	724	1,908	103	8,826
Translation differences on consolidation	(21)	(291)	(13)	(151)	(2)	(478)
Additions	479	409	103	317	28	1,336
Disposals	(147)	(468)	(120)	(211)	(39)	(985)
At 31 December 2013	2,065	3,987	694	1,863	90	8,699
Translation differences on consolidation	5	31	(8)	16	(1)	43
Additions	1,277	770	436	256	2	2,741
Disposals/Write off	(1,091)	(458)	(167)	(222)	–	(1,938)
At 31 December 2014	**2,256**	**4,330**	**955**	**1,913**	**91**	**9,545**
Accumulated depreciation						
At 1 January 2013	1,249	2,821	467	1,409	29	5,975
Translation differences on consolidation	(18)	(197)	(9)	(135)	–	(359)
Depreciation for the year	363	676	137	384	20	1,580
Disposals	(142)	(427)	(120)	(206)	(39)	(934)
At 31 December 2013	1,452	2,873	475	1,452	10	6,262
Translation differences on consolidation	–	27	(6)	17	(1)	37
Depreciation for the year	431	719	186	291	25	1,652
Disposals/Write off	(1,065)	(314)	(153)	(210)	–	(1,742)
At 31 December 2014	**818**	**3,305**	**502**	**1,550**	**34**	**6,209**
Carrying amount						
At 1 January 2013	505	1,516	257	499	74	2,851
At 31 December 2013	613	1,114	219	411	80	2,437
At 31 December 2014	**1,438**	**1,025**	**453**	**363**	**57**	**3,336**

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Leasehold improvements $'000	Office furniture, fittings and equipment $'000	Computers $'000	Total $'000
Cost				
At 1 January 2013	363	191	452	1,006
Additions	4	4	89	97
Disposals	–	–	(35)	(35)
At 31 December 2013	367	195	506	1,068
Additions	628	286	90	1,004
Disposals	(360)	(126)	(44)	(530)
At 31 December 2014	**635**	**355**	**552**	**1,542**
Accumulated depreciation				
At 1 January 2013	335	142	336	813
Depreciation for the year	15	17	97	129
Disposals	–	–	(35)	(35)
At 31 December 2013	350	159	398	907
Depreciation for the year	82	59	107	248
Disposals	(351)	(117)	(44)	(512)
At 31 December 2014	**81**	**101**	**461**	**643**
Carrying amount				
At 1 January 2013	28	49	116	193
At 31 December 2013	17	36	108	161
At 31 December 2014	**554**	**254**	**91**	**899**

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 2013	2,319	1,304	6,688	727	11,853	22,891
Translation differences on consolidation	15	–	–	–	–	15
Additions	838	–	–	–	–	838
At 31 December 2013	3,172	1,304	6,688	727	11,853	23,744
Translation differences on consolidation	3	–	–	–	–	3
Additions	298	–	–	–	–	298
Disposals/Write off	(364)	–	–	–	–	(364)
At 31 December 2014	**3,109**	**1,304**	**6,688**	**727**	**11,853**	**23,681**
Accumulated amortisation and impairment losses						
At 1 January 2013	1,981	1,304	2,369	718	117	6,489
Translation differences on consolidation	(23)	–	–	–	–	(23)
Amortisation charge for the year	312	–	1,235	9	–	1,556
Impairment loss	–	–	136	–	–	136
At 31 December 2013	2,270	1,304	3,740	727	117	8,158
Translation differences on consolidation	2	–	–	–	–	2
Amortisation charge for the year	542	–	1,184	–	–	1,726
Disposals/Write off	(251)	–	–	–	–	(251)
At 31 December 2014	**2,563**	**1,304**	**4,924**	**727**	**117**	**9,635**
Carrying amount						
At 1 January 2013	338	–	4,319	9	11,736	16,402
At 31 December 2013	902	–	2,948	–	11,736	15,586
At 31 December 2014	**546**	**–**	**1,764**	**–**	**11,736**	**14,046**

NOTES TO THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS (continued)

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

	Group	
	2014	**2013**
	$'000	**$'000**
Cost of sales	**111**	43
Administrative expenses	**431**	269
Other expenses	**1,184**	1,244
	1,726	1,556

Company	**Computer software $'000**	**Total $'000**
Cost		
At 1 January 2013	651	651
Additions	240	240
At 31 December 2013	891	891
Additions	84	84
Disposals/Write off	(79)	(79)
At 31 December 2014	**896**	**896**
Accumulated amortisation and impairment losses		
At 1 January 2013	439	439
Amortisation charge for the year	176	176
At 31 December 2013	615	615
Amortisation charge for the year	239	239
Disposals/Write off	(68)	(68)
At 31 December 2014	**786**	**786**
Carrying amount		
At 1 January 2013	212	212
At 31 December 2013	276	276
At 31 December 2014	**110**	**110**

NOTES TO THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS (continued)

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 ("CGU") for impairment testing purposes. At balance sheet 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 (2013: $0.14 million) for customer relationships.

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 (2013: $6.41 million)

As at 31 December 2014, 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 budgeted EBITDA, discount rate and terminal value growth rate.

These assumptions are as follows:

Budgeted EBITDA

Management forecasts an increase in revenue from its operations in 2015 against actual results in 2014 (2013: operations in 2014 against actual results in 2013). Incremental year-on-year revenue growth is projected using the average historical rates recorded in 2011 to 2014 (2013: 2010 to 2013) subject to certain adjustments made to reflect current market conditions. Budgeted EBITDA is expected to improve slightly through more value added services provided to the customers.

Discount rate

A discount rate of 11.6% (2013: 11.4%) 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.

NOTES TO THE FINANCIAL STATEMENTS

5 **INTANGIBLE ASSETS** (continued)

NxGen goodwill impairment test
Carrying value – $6.41 million (2013: $6.41 million) (continued)

Terminal value growth rate

The CGU used five years (2013: five years) of cash flows in its discounted cash flow model using a perpetual model with zero (2013: zero) growth rate.

As at the balance sheet 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 that the EBITDA for 2015 to 2019 (2013: 2014 to 2018) will be at the same level as 2014's actual results (2013: 2013's actual results) 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).

S&I goodwill impairment test
Carrying value – $5.33 million (2013: $5.33 million)

As at 31 December 2014, 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 budgeted EBITDA, discount rate and terminal value growth rate.

These assumptions are as follows:

Budgeted EBITDA

Management forecasts an increase in revenue from its operations in 2015 against actual results in 2014 (2013: operations in 2014 against actual results in 2013). Incremental year-on-year revenue growth is projected using the average historical rates for 2011 to 2014 (2013: 2010 to 2013) subject to certain adjustments made to reflect current market conditions. Budgeted EBITDA is expected to improve slightly through more value added services provided to the customers.

NOTES TO THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS (continued)

S&I goodwill impairment test
Carrying value – $5.33 million (2013: $5.33 million) (continued)

Discount rate

A discount rate of 12.9% (2013: 13.1%) 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 (2013: five years) of cash flows in its discounted cash flow model using a perpetual model with zero (2013: zero) growth rate.

As at the balance sheet 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 that the EBITDA for 2015 to 2019 (2013: 2014 to 2018) will be at the same level as 2014's actual results (2013: 2013's actual results) 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).

6 SUBSIDIARIES

	Company	
	2014	**2013**
	$'000	**$'000**
Investments in subsidiaries	**39,766**	39,158
Impairment losses	**(2,642)**	(2,642)
	37,124	36,516

NOTES TO THE FINANCIAL STATEMENTS

6 SUBSIDIARIES (continued)

Details of significant subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group 2014 %	2013 %
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	**92.0**	92.0
[1] S & I Systems Pte Ltd	Integrated information technology solutions provider	Singapore	**100**	100
[2] NxGen Communications Pte Ltd	Provision of system integration services	Singapore	**100**	100
TeleChoice (Indonesia) Pte Ltd	Dormant	Singapore	**100**	100
[3] Planet Managed Services Pte. Ltd.	Sale of telecommunication equipment and provision of related services	Singapore	**100**	–

NOTES TO THE FINANCIAL STATEMENTS

6 **SUBSIDIARIES** (continued)

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group 2014 %	2013 %
Held by TeleChoice (Indonesia) Pte Ltd:				
PT TeleChoice Indonesia	Dormant	Indonesia	**100**	100
Held by NexWave Telecoms Pte. Ltd.:				
SunPage Communications Pte Ltd	Provision of telecommunication related services	Singapore	**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
Held by S & I Systems Pte Ltd:				
Sunway S&I Systems (Thailand) Ltd	Provision of IT consultancy and solutions services	Thailand	**49.6**	49.0
[4] U Computing Pte. Ltd.	Provision of information and communication technology solutions	Singapore	**94.0**	94.0
[5] Achilles Consulting Pte. Ltd.	Business and management consulting services	Singapore	**–**	50.0
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

NOTES TO THE FINANCIAL STATEMENTS

6 SUBSIDIARIES (continued)

[1] In 2013, the Group acquired the remaining equity interests in S & I Systems Pte Ltd ("S&I") from its non-controlling shareholders. This resulted in an increase in the effective equity held by the Group in S&I and its subsidiaries (Please refer to Note 30 of the financial statements).

[2] On October 2011, the Company entered into a Sale and Purchase Agreement with the shareholders of NxGen Communications Pte Ltd ("NxGen") to acquire 600,000 ordinary shares in the share capital of NxGen, representing 100% of NxGen's issued share capital, to be completed in two tranches. On 1 November 2011, the Company obtained control of NxGen following the completion of the first tranche which involved the acquisition of an aggregate of 330,000 NxGen shares, representing 55% of NxGen's issued share capital. The second tranche involving the acquisition of an aggregate of 270,000 NxGen shares, representing the remaining 45% of NxGen's issued share capital, is expected to be completed in 2015.

Notwithstanding that, the remaining 45% of the NxGen's shares are still held by the remaining shareholders, the Group has not recognised any non-controlling interest as the remaining shareholders have undertaken through the Sale and Purchase Agreement to sell the remaining shares solely to the Group. The remaining shareholders do not have control over NxGen's present or future economic benefits i.e. dividends and entitlements.

[3] Newly incorporated during the year at a cost of $500,000.

[4] Please refer to Note 35 of the financial statements.

[5] During the year, a subsidiary company, S&I, disposed its investment in Achilles Consulting Pte. Ltd. Proceeds from the disposal of subsidiary, net of cash disposed of, amounted to $13,000.

KPMG Singapore is the auditor of all significant Singapore-incorporated subsidiaries. Osman Bing Satrio & Rekan, 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

For the Company's balance sheet, value in use assessments (see Note 5) have been prepared to determine whether the recoverable amount of these investments exceed their carrying amount. No impairment is required for investments in S&I and its subsidiaries, nor for any other subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

7 JOINT VENTURE

	Group 2014 $'000	Group 2013 $'000
Interest in a joint venture	**246**	246
Impairment losses	**(246)**	(246)
	–	–

	Company 2014 $'000	Company 2013 $'000
Interest in a joint venture – at cost	955	955
Impairment losses	(955)	(955)
	–	–

Details of the joint venture are as follows:

Name of joint venture	Country of incorporation	Effective equity held by the Group 2014 %	Effective equity held by the Group 2013 %
PT Sakalaguna Semesta	Indonesia	**49**	49

The Company disposed the joint venture on 14 January 2015 (Note 35).

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 2013 $'000	(Credited)/ charged to income statement (Note 26) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	At 31 December 2013 $'000	Charged/ (credited) to income statement (Note 26) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	At 31 December 2014 $'000
Deferred tax assets									
Property, plant and equipment	(197)	(385)	–	15	(567)	220	–	(1)	(348)
Inventories	(92)	36	–	–	(56)	26	–	–	(30)
Accruals	(350)	(81)	(3)	57	(377)	(33)	13	(6)	(403)
	(639)	(430)	(3)	72	(1,000)	213	13	(7)	(781)
Deferred tax liabilities									
Property, plant and equipment	64	9	–	–	73	46	–	(1)	118
Intangible assets	749	(250)	–	–	499	(200)	–	–	299
	813	(241)	–	–	572	(154)	–	(1)	417

NOTES TO THE FINANCIAL STATEMENTS

8 DEFERRED TAX ASSETS AND LIABILITIES (continued)

Company	At 1 January 2013 $'000	Charged to income statement $'000	At 31 December 2013 $'000	Charged to income statement $'000	At 31 December 2014 $'000
Deferred tax assets					
Inventories	(51)	42	(9)	3	(6)
Accruals	(37)	7	(30)	17	(13)
Others	(95)	25	(70)	38	(32)
	(183)	74	(109)	58	(51)
Deferred tax liabilities					
Property, plant and equipment	64	9	73	–	73
	(119)	83	(36)	58	22

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 balance sheet as follows:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deferred tax assets	**730**	968	**–**	36
Deferred tax liabilities	**366**	540	**22**	–

The following deductible temporary differences have not been recognised:

	Group	
	2014 $'000	2013 $'000
Deductible temporary differences	**77**	7
Unutilised capital allowances	**15**	45
Unutilised tax losses	**657**	903
Unrecognised deferred tax assets	**187**	212

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 2014 and 2013, deferred tax assets had not been recognised because it was not probable that future taxable profits would be available against which the Group could utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS

9 INVENTORIES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Raw materials	**1,031**	1,183	**–**	–
Inventories held for resale	**12,088**	15,744	**5,483**	6,504
	13,119	16,927	**5,483**	6,504

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 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 judgment and may affect the carrying amount of inventories at the balance sheet date.

During the year, the write down of inventories to net realisable value amounted to $820,000 (2013: $1,304,000).

10 WORK-IN-PROGRESS

	Group	
	2014	2013
	$'000	$'000
Cost incurred and attributable profits less foreseeable losses	**67,258**	72,463
Less: Progress billings	**(47,932)**	(51,071)
Work-in-progress	**19,326**	21,392
Comprising of:		
Work-in-progress	**19,629**	22,220
Excess of progress billings over work-in-progress	**(303)**	(828)

NOTES TO THE FINANCIAL STATEMENTS

11 TRADE AND OTHER RECEIVABLES

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Trade receivables		**26,302**	21,853	**2,526**	1,580
Allowance for doubtful receivables		**(87)**	(113)	**(45)**	(75)
		26,215	21,740	**2,481**	1,505
Unbilled receivables		**12,462**	1,462	**–**	–
Other receivables and deposits	12	**6,818**	5,093	**5,189**	4,711
Amounts due from:					
– related parties	13	**50,573**	34,225	**32,006**	18,480
– subsidiaries	14	**–**	–	**5,291**	3,608
– immediate holding company		**3**	–	**3**	–
Loans and receivables		**96,071**	62,520	**44,970**	28,304
Prepayments		**1,824**	1,687	**139**	147
		97,895	64,207	**45,109**	28,451
Non-current		**6,237**	807	**–**	–
Current		**91,658**	63,400	**45,109**	28,451
		97,895	64,207	**45,109**	28,451

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 balance sheet date.

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

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Related parties	**50,573**	34,225	**32,006**	18,480
Subsidiaries	**–**	–	**5,291**	3,608
Immediate holding company	**3**	–	**3**	–
Non-related parties:				
– Multinational companies	**10,891**	9,061	**–**	–
– Other companies	**34,604**	19,234	**7,670**	6,216
	96,071	62,520	**44,970**	28,304

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 2014 $'000	Impairment losses 2014 $'000	Gross 2013 $'000	Impairment losses 2013 $'000
Group				
No credit terms	**19,280**	**–**	14,044	–
Not past due	**43,430**	**–**	38,645	–
Past due 0 – 30 days	**24,273**	**–**	6,259	–
Past due 31 – 120 days	**8,850**	**9**	2,495	7
Past due 121 – 360 days	**228**	**60**	1,172	88
More than one year	**97**	**18**	18	18
	96,158	**87**	62,633	113
Company				
No credit terms	**5,190**	**–**	4,914	–
Not past due	**23,374**	**–**	20,465	–
Past due 0 – 30 days	**15,679**	**–**	2,171	–
Past due 31 – 120 days	**727**	**–**	754	–
Past due 121 – 360 days	**45**	**45**	75	75
More than one year	**–**	**–**	–	–
	45,015	**45**	28,379	75

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

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
At 1 January	**113**	110	**75**	–
Impairment loss recognised/(reversed)	**26**	83	**(30)**	75
Amount written-off	**(52)**	(80)	**–**	–
At 31 December	**87**	113	**45**	75

NOTES TO THE FINANCIAL STATEMENTS

12 OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Deposits	**1,481**	1,276	**41**	21
Dividend receivable	**–**	–	**757**	2,195
Other receivables	**5,337**	3,817	**4,391**	2,495
	6,818	5,093	**5,189**	4,711
Non-current	**622**	512	**–**	–
Current	**6,196**	4,581	**5,189**	4,711
	6,818	5,093	**5,189**	4,711

Other receivables and deposits do not carry any credit terms.

13 AMOUNTS DUE FROM AND TO RELATED PARTIES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Amounts due from related parties:				
– subsidiaries of holding companies:				
Billed portion	**45,323**	26,453	**32,006**	18,277
Unbilled portion	**5,224**	7,772	**–**	203
– subsidiaries of holding companies (non-trade)	**26**	–	**–**	–
	50,573	34,225	**32,006**	18,480
Amounts due to related parties:				
– subsidiaries of holding companies (trade)	**2,172**	1,071	**–**	–
– subsidiary of immediate holding company (non-trade)	**558**	250	**552**	249
	2,730	1,321	**552**	249

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

NOTES TO THE FINANCIAL STATEMENTS

13 AMOUNTS DUE FROM AND TO RELATED PARTIES (continued)

Trade amounts due from related parties include the followings:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Retention sum relating to construction work-in-progress	**1,166**	1,400	**–**	–

14 AMOUNTS DUE FROM AND TO SUBSIDIARIES

	Company	
	2014	2013
	$'000	$'000
Amounts due from subsidiaries:		
– trade	**1,935**	2,471
– non-trade	**2,136**	917
– short-term loan	**1,220**	220
	5,291	3,608
Amounts due to subsidiaries:		
– non-trade	**77**	20
– short-term loan	**6,340**	6,340
	6,417	6,360

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

As at 31 December 2014, the short-term loans due from a subsidiary are unsecured, interest-bearing at 1.8% – 5.0% (2013: 4.6%) per annum and repayable on demand.

As at 31 December 2014, the short-term loan due to subsidiaries are unsecured, interest-free and repayable on demand.

15 AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Amounts due to immediate holding company (non-trade)	**208**	410	**205**	409

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

NOTES TO THE FINANCIAL STATEMENTS

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash at banks and in hand	**35,134**	42,557	**11,901**	24,303
Short-term bank deposits	**2,852**	6,349	**–**	–
Cash and cash equivalents	**37,986**	48,906	**11,901**	24,303
Bank deposits pledged	**–**	(22)		
Cash and cash equivalents in the statement of cash flow	**37,986**	48,884		

As at 31 December 2014, the Group has cash and cash equivalents totalling $4,945,000 (2013: $4,361,000) which are held in countries with foreign exchange controls.

17 SHARE CAPITAL

		Group and Company			
		2014		2013	
	Note	No. of shares ('000)	$'000	No. of shares ('000)	$'000
Fully paid ordinary shares with no par value:					
Ordinary shares					
At 1 January		**454,055**	**21,893**	453,842	21,840
Exercise of share options	23	**368**	**94**	213	53
At 31 December		**454,423**	**21,987**	454,055	21,893

The Group has issued share options under its Pre-IPO Share Option Scheme (see Note 23). The Group and the Company transferred $17,000 (2013: $9,000) fair value for options exercised as at 31 December 2014 from share options reserve to share capital.

During the year, the Company completed the buy-back of 1,132,000 (2013: 1,100,000) ordinary shares under the terms of Share Purchase Mandate approved by shareholders on 27 April 2007. The total consideration for these shares bought back from the market is $293,000 (2013: $265,000), being the market price, including incidental cost. This amount was classified as a deduction from equity under "reserve for own shares".

During the year, 1,192,037 (2013: 1,069,551) ordinary shares were awarded to eligible directors and employees under the Restricted Share plan and Performance Share Plan (see Note 23). Total cost of the shares awarded is $308,000 (2013: $257,000). At 31 December 2014, the Company held 1,002 (2013: 61,039) of its own uncancelled shares.

NOTES TO THE FINANCIAL STATEMENTS

17 SHARE CAPITAL (continued)

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 14% (2013: 7% and 11%). In 2014, the return was 11.1% (2013: 11.5%). In comparison, the interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 1.62% to 10.10% (2013: 1.55% to 10.28%) per annum.

From time to time, the Group purchases its own shares on the market; 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.

18 RESERVES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Capital reserves	**16,771**	16,773	**13,047**	13,049
General reserve	**27**	27	**–**	–
Reserve for own shares	**–**	(15)	**–**	(15)
Share option reserve	**529**	434	**465**	370
Goodwill written-off	**(1,538)**	(1,538)	**–**	–
Exchange translation reserve	**(6,443)**	(6,753)	**–**	–
	9,346	8,928	**13,512**	13,404

NOTES TO THE FINANCIAL STATEMENTS

18 RESERVES (continued)

In accordance with the merger relief provisions of Section 69 (B) of the Companies Act (Cap.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 (2013: $17.02 million) and losses on the reissuance of treasury shares of $0.25 million (2013: $0.25 million).

Merger reserve comprises the following:

	Group	
	2014	**2013**
	$'000	**$'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. At 31 December 2014 the Group held 1,002 of the Company's shares (2013: 61,039).

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 ACCRUED CONTINGENT CONSIDERATION

The accrued consideration relates to the acquisition of NxGen.

As at 31 December 2014, accrued contingent consideration comprised the Tranche 2 consideration amounting to $6.3 million (2013: $6.0 million) to the selling shareholders of NxGen. Management has agreed to pay the selling shareholders of NxGen a second tranche consideration of up to $6.3 million. The amount of $6.3 million will be adjusted to such proportion if the cumulative profit after tax of NxGen for the 3 years from the date of acquisition on 1 November 2011 falls below $5.2 million. The present value of the accrued contingent consideration amounting to $6.3 million (2013: $6.0 million) was computed based on a discount rate of 5.3% (2013: 5.3%), which was the post-tax cost of debt of the Company.

NxGen's cumulative profit after tax for the 3 years from 1 November 2011 is estimated to be above $5.2 million and therefore no adjustments were made to the amount payable.

Interest expense of $264,000 (2013: $304,000) was recognised in the income statement to unwind the effects of discounting.

20 TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade payables		**51,081**	37,004	**25,940**	18,086
Amounts owing to selling shareholders of a subsidiary		**–**	1,431	**–**	–
Accruals for payroll and staff related costs		**7,120**	7,139	**1,510**	1,664
Accrued contingent consideration	19	**6,300**	6,036	**6,300**	6,036
Accrued expenses		**20,796**	21,221	**1,014**	1,456
Amounts due to:					
– related parties	13	**2,730**	1,321	**552**	249
– subsidiaries	14	**–**	–	**6,417**	6,360
– holding companies	15	**208**	410	**205**	409
Financial liabilities at amortised costs		**88,235**	74,562	**41,938**	34,260
Prepayments		**97**	77	**–**	–
		88,332	74,639	**41,938**	34,260
Non-current		**2,734**	150	**–**	–
Current		**85,598**	74,489	**41,938**	34,260
		88,332	74,639	**41,938**	34,260

NOTES TO THE FINANCIAL STATEMENTS

21 LOANS AND BORROWINGS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Non-current liabilities				
Unsecured bank loans	–	10,000	–	10,000
Current liabilities				
Unsecured bank loans	**19,968**	9,860	**10,000**	–

Terms and debts repayment schedule

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

	Nominal interest rate	Year of maturity	2014 Face value $'000	2014 Carrying amount $'000	2013 Face value $'000	2013 Carrying amount $'000
Group						
Floating rate loans	1.62 – 10.28	2014	–	–	9,860	9,860
Floating rate loans	1.19 – 10.10	2015	**19,968**	**19,968**	10,000	10,000
Company						
Floating rate loans	1.19 – 1.62	2015	**10,000**	**10,000**	10,000	10,000

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, except for a breach relating to a short-term loan of $95,000 by a subsidiary. The subsidiary is in the process of obtaining a waiver for the breach and the Group does not expect to incur any significant financial penalties from the breach.

NOTES TO THE FINANCIAL STATEMENTS

21 LOANS AND BORROWINGS (continued)

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				
2014				
Variable interest rate loans	**19,968**	**(20,096)**	**(20,096)**	**–**
Accrued contingent consideration	**6,300**	**(6,300)**	**(6,300)**	**–**
Trade and other payables*	**81,935**	**(82,114)**	**(79,320)**	**(2,794)**
	108,203	**(108,510)**	**(105,716)**	**(2,794)**
2013				
Variable interest rate loans	19,860	(20,286)	(10,019)	(10,267)
Accrued contingent consideration	6,036	(6,300)	(6,300)	–
Trade and other payables*	68,526	(68,526)	(68,376)	(150)
	94,422	(95,112)	(84,695)	(10,417)
Company				
2014				
Variable interest rate loans	**10,000**	**(10,070)**	**(10,070)**	**–**
Accrued contingent consideration	**6,300**	**(6,300)**	**(6,300)**	**–**
Trade and other payables*	**35,638**	**(35,638)**	**(35,638)**	**–**
	51,938	**(52,008)**	**(52,008)**	**–**
2013				
Variable interest rate loans	10,000	(10,267)	–	(10,267)
Accrued contingent consideration	6,036	(6,300)	(6,300)	–
Trade and other payables*	28,224	(28,224)	(28,224)	–
	44,260	(44,791)	(34,524)	(10,267)

* Exclude accrued contingent consideration and prepayments

NOTES TO THE FINANCIAL STATEMENTS

22 PROVISION FOR WARRANTIES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
At 1 January	**203**	269	**25**	25
Provision made/(written back)	**22**	(28)	**–**	–
Translation difference	**4**	(38)	**–**	–
At 31 December	**229**	203	**25**	25

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.

23 EQUITY COMPENSATION BENEFITS

a) *Employee share options*

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") were approved and adopted by the members at an Extraordinary General Meeting of the Company held on 7 May 2004.

Pre-IPO Scheme

Information regarding the Pre-IPO Scheme is set out below:

(i) The Pre-IPO Scheme is administered by the Company's Remuneration Committee comprising three directors, namely Bertie Cheng, Yen Se-Hua Stewart and Sio Tat Hiang (the "Committee").

(ii) On 18 May 2004, the Company granted share options to management and employees of the Company, STT Communications Ltd ("STTC"), its immediate holding company, and the subsidiaries of STTC and certain non-executive directors of the Company (collectively referred to as the "Eligible Persons") to subscribe for an aggregate of 20,000,000 shares of the Company.

(iii) Eligible Persons are entitled to exercise the share options subject to the following vesting periods:

Vesting schedule	Percentage of shares over which an option is exercisable (%)
On the date falling twelve months from 18 May 2004	25
On the date falling twenty-four months from 18 May 2004	25
On the date falling thirty-six months from 18 May 2004	25
On the date falling forty-eight months from 18 May 2004	25

NOTES TO THE FINANCIAL STATEMENTS

23 EQUITY COMPENSATION BENEFITS (continued)

a) *Employee share options* (continued)

(iv) The exercise price for each option is $0.2079. Options granted to non-executive directors (including independent directors) have a life span of five years. Options granted to the Eligible Persons (other than the non-executive directors) have a life span of ten years.

(v) The Pre-IPO Scheme expired on 17 May 2014.

Post-IPO Scheme

Information regarding the Post-IPO Scheme is set out below:

(i) The Post-IPO Scheme is administered by the Committee.

(ii) The eligible participants of the Post-IPO Scheme are:

- executive and non-executive directors and employees of the Company and its subsidiaries and associated companies.
- executive and non-executive directors and employees of STTC and its subsidiaries.
- controlling shareholders of the Company and the associates of the controlling shareholders.

(iii) The nominal amount of the aggregate number of shares over which the Committee may grant options on any date, when aggregated with the nominal amount of the number of shares issued and issuable in respect of all options granted under the Post-IPO Scheme and other share option schemes of the Company, shall not exceed 15% of the issued and paid-up share capital of the Company on the day preceding the date of the relevant grant.

(iv) Under the Post-IPO Scheme, the exercise price for each ordinary share in respect of which an option is exercisable is determined by the Committee in its absolute discretion on the date of grant at a maximum discount of 20% to market price determined to be the average of the last dealt prices for the shares on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five consecutive market days immediately preceding the relevant date of grant of the relevant option.

(v) The vesting period of the options granted under the Post-IPO Scheme is between one and two years.

(vi) The exercise price of the options granted under the Post-IPO Scheme shall not be less than $0.02.

(vii) The Post-IPO Scheme expired on 6 May 2014.

NOTES TO THE FINANCIAL STATEMENTS

23 EQUITY COMPENSATION BENEFITS (continued)

a) *Employee share options* (continued)

Movements in the number of share options and its exercise price are as follows:

	Exercise price 2014 $	No. of options 2014	Exercise price 2013 $	No. of options 2013
At 1 January	**0.2079**	**368,000**	0.2079	580,500
Exercised		**(368,000)**		(212,500)
At 31 December		**–**	0.2079	368,000
Exercisable at 1 January		**368,000**		580,500
Exercisable at 31 December		**–**		368,000

During the year, options exercised resulted in 368,000 (2013: 212,500) shares being issued at an exercise price of $0.2079 (2013: $0.2079) each. The total amount received from the issue of these shares was $77,000 (2013: $44,000). Options were exercised on a regular basis throughout the year. The weighted average share price during the dates when the share options are exercised is $0.25 (2013: $0.25) per share.

Share options outstanding at the end of the year have the following expiry dates and exercise price:

Date of grant of options	Exercise period	Exercise price $	Options outstanding 2014	Options outstanding 2013
18 May 2004	18/5/2005 to 17/5/2014	0.2079	–	25,000
18 May 2004	18/5/2006 to 17/5/2014	0.2079	–	25,000
18 May 2004	18/5/2007 to 17/5/2014	0.2079	–	93,000
18 May 2004	18/5/2008 to 17/5/2014	0.2079	–	225,000
			–	368,000

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

NOTES TO THE FINANCIAL STATEMENTS

23 EQUITY COMPENSATION BENEFITS (continued)

a) *Employee share options* (continued)

Date of grant of options	**18/05/2004**	**18/05/2004**	**18/05/2004**	**18/05/2004**
Vesting date	**18/05/2005**	**18/05/2006**	**18/05/2007**	**18/05/2008**
Fair value of share options and assumptions:				
Fair value at measurement date	$0.059	$0.053	$0.048	$0.044
Share price	$0.29	$0.29	$0.29	$0.29
Exercise price	$0.2079	$0.2079	$0.2079	$0.2079
Expected volatility	20%	20%	20%	20%
Expected option life	2.0 years	3.0 years	4.0 years	5.0 years
Expected dividends	6.9%	6.9%	6.9%	6.9%
Risk-free interest rate	1.50%	1.75%	1.75%	2.07%

The expected volatility is based on the historic valuation of shares based on net assets values, adjusted for any expected changes to future volatility to those net assets values.

There are no market conditions associated with the share option grants.

b) *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.

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.

NOTES TO THE FINANCIAL STATEMENTS

23 EQUITY COMPENSATION BENEFITS (continued)

b) *TeleChoice Restricted Share Plan and Performance Share Plan* (continued)

(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. 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.

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

(vii) As at 31 December 2014, the initial awards of 7,355,570 (2013: 6,483,250) shares under the TeleChoice PSP and the initial awards of 14,277,760 (2013: 11,659,000) shares under the TeleChoice RSP were made to Eligible Persons. As at 31 December 2014, awards of 1,923,570 (2013: 1,950,250) shares under the TeleChoice PSP and 5,055,280 (2013: 4,469,837) shares under the TeleChoice RSP were outstanding.

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

Date of grant of shares	**2 June 2014**	**1 June 2013**	**1 June 2012**	**1 June 2011**	**1 June 2010**	**1 June 2009**
Fair value at grant date	**$0.173**	$0.147	$0.141	$0.187	$0.178	$0.144
Assumptions under Monte-Carlo Model Expected Volatility						
TeleChoice International Limited	**14.90%**	15.22%	14.57%	25.36%	28.90%	30.42%
Straits Times Index	**14.72%**	14.47%	17.78%	29.82%	24.55%	31.38%
Risk-free interest rates	**1.32%**	0.98%	0.57%	1.18%	1.03%	0.74%

NOTES TO THE FINANCIAL STATEMENTS

23 EQUITY COMPENSATION BENEFITS (continued)

b) *TeleChoice Restricted Share Plan and Performance Share Plan* (continued)

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

Date of grant of shares	2 June 2014	1 June 2013	1 June 2012	1 June 2011	1 June 2010	1 June 2009
Fair value at grant date:						
For RSP vested 24 months from grant date	**$0.215**	$0.198	$0.182	$0.206	$0.184	$0.166
For RSP vested 36 months from grant date	**$0.199**	$0.181	$0.165	$0.186	$0.167	$0.151
For RSP vested 48 months from grant date	**$0.185**	$0.166	$0.150	$0.167	$0.152	$0.137
Assumptions under Monte-Carlo Model Expected Volatility						
TeleChoice International Limited	**14.90%**	15.22%	14.57%	25.36%	28.90%	30.42%
Risk-free interest rates						
Singapore 2-year Government Bond yield	**0.39%**	0.36%	0.21%	0.51%	0.50%	0.50%
Singapore 3-year Government Bond yield	**0.56%**	0.51%	0.31%	0.58%	0.55%	0.74%
Singapore 4-year Government Bond yield	**0.88%**	0.73%	0.38%	0.88%	0.76%	0.99%

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 $348,000 (2013: $166,000) to the income statement based on the fair value of the PSP and RSP at the grant date.

24 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	
	2014	**2013**
	$'000	**$'000**
Equipment and cards sales	**394,232**	435,199
Voice services, mobile data and location tracking services	**8,191**	7,430
Cabling and installation projects	**51,275**	61,964
Logistic and consultancy services	**11,097**	10,847
Information technology projects	**52,009**	40,834
	516,804	556,274

NOTES TO THE FINANCIAL STATEMENTS

24 REVENUE (continued)

Revenue for cabling and installation projects and information technology projects mainly represents contract revenue.

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. During the year, the company renewed its contract with the related corporation and 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 equipments to the related corporation;
- The Group is required to bear inventory risk of loss and damage upon delivery of equipments 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 2014.

Deferred revenue in the balance sheet comprised:

	Group	
	2014	**2013**
	$'000	**$'000**
Information technology maintenance services	**4,870**	4,746

NOTES TO THE FINANCIAL STATEMENTS

25 PROFIT BEFORE TAX

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

	Note	Group 2014 $'000	Group 2013 $'000
Cost of inventories recognised in income statement		**365,698**	408,975
Directors' remuneration		**456**	470
Exchange loss		**85**	328
Loss on disposal of property, plant and equipment and intangible assets		**49**	36
Property, plant and equipment written off		**131**	–
Gains on disposal of subsidiaries		**(11)**	(24)
Audit fees paid to:			
– auditors for the Company		**281**	248
– other auditors		**60**	57
Non-audit fees paid to:			
– auditors for the Company		**18**	3
Operating lease expenses		**7,326**	7,673
Staff costs		**42,182**	41,922
Contributions to defined contribution plans, included in staff costs		**2,768**	3,004
Depreciation and amortisation expense		**3,378**	3,136
Share-based payments expenses, included in staff costs	23	**348**	166
Write-down of inventories to net realisable value		**820**	1,304
Other income			
Others (mainly rental and management service income)		**610**	560
Finance income			
Interest income			
– banks and financial institutions		**156**	68
– interest accretion		**125**	28
		281	96
Finance costs			
Interest paid and payable to banks		**683**	687
Interest accretion		**389**	420
		1,072	1,107

NOTES TO THE FINANCIAL STATEMENTS

26 TAX EXPENSE

	Group 2014 $'000	Group 2013 $'000
Current tax expense		
Current year	**2,182**	2,262
Overprovision in prior years	**(42)**	(122)
	2,140	2,140
Deferred tax expense		
Origination and reversal of temporary differences	**43**	(693)
Underprovision in prior years	**16**	22
	59	(671)
Tax expense	**2,199**	1,469
Reconciliation of effective tax rate		
Profit before taxation	**11,412**	11,065
Income tax using Singapore tax rate of 17% (2013: 17%)	**1,940**	1,881
Tax effect of:		
– Income taxed at concessionary tax rate	**(25)**	(15)
– Non-deductible expenses	**481**	274
– Non-taxable income	**(41)**	(45)
– Tax incentives	**(724)**	(978)
– Deferred tax asset not recognised	**32**	106
Effect of different tax rates in other countries	**562**	346
Overprovision in respect of prior years' tax	**(26)**	(100)
	2,199	1,469

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 2015. 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

27 EARNINGS PER SHARE

	Group 2014 $'000	Group 2013 $'000
Basic earnings per share is based on:		
Profit attributable to equity holders of the Company	**9,368**	9,662

	Group Number of shares 2014 ('000)	Group Number of shares 2013 ('000)
Issued ordinary shares at beginning of the year	**454,055**	453,842
Effect of share options exercised	**277**	148
Effect of own shares held	**(134)**	(66)
Weighted average number of ordinary shares during the year	**454,198**	453,924

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 2014 $'000	Group 2013 $'000
Diluted earnings per share is based on:		
Profit attributable to equity holders of the Company	**9,368**	9,662

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. The effect of the exercise of share options on the weighted average number of ordinary shares in issue is as follows:

	Group Number of shares 2014 ('000)	Group Number of shares 2013 ('000)
Weighted average number of shares issued, used in calculation of basic earnings per share	**454,198**	453,924
Potential ordinary shares issuable under share options	**33**	55
Weighted average number of ordinary shares issued and potential shares assuming full conversion	**454,231**	453,979

There are no anti-dilutive options for the year ended 31 December 2014 and 2013.

	Group 2014	Group 2013
Earnings per share		
Basic earnings per share (cents)	**2.06**	2.13
Diluted earnings per share (cents)	**2.06**	2.13

NOTES TO THE FINANCIAL STATEMENTS

28 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	
	2014	**2013**
	$'000	**$'000**
Ultimate Holding Company		
Revenue from sale of products and provision of services	**191**	77
Immediate Holding Company		
Revenue from sale of products and provision of services	**164**	2
Management fees	**75**	32
Subsidiaries of Holding Companies		
Revenue from sale of products and provision of services	**215,520**	254,583
Purchase of products and services	**57,845**	63,828
Rental and warehouse expenses	**1,484**	680
Telecommunication services received	**859**	889
Key Management Personnel		
Short-term employment benefits		
– Directors	**456**	470
– Other key management personnel	**2,484**	2,624
Post-employment benefits (including CPF)		
– Other key management personnel	**587**	361
Share-based payments		
– Other key management personnel	**191**	135
	3,718	3,590

29 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:

NOTES TO THE FINANCIAL STATEMENTS

29 OPERATING SEGMENTS (continued)

Personal Communications Solutions Services ("PCS"): This division provides fulfilment, distribution and supply chain management services relating to mobile communication devices and accessories. Its spectrum of services include forecasting, purchasing, financing, logistics, warehousing, inventory support, roadshow management, retail customer premises equipment ("CPE") stocks management, and after sales service. It owns a retail chain through its Planet Telecoms subsidiary which operates a network of strategically located stores islandwide. Planet Telecoms also manages concept stores for major mobile handset manufacturers and is the only StarHub Exclusive Partner to manage four StarHub Platinum shops. PCS is also a major distributor of StarHub prepaid cards. Through its Malaysian subsidiary, Planet Telecoms Managed Services Sdn. Bhd., it provides retail management, fulfilment and supply chain services to U Mobile Sdn Bhd, Malaysia, fourth largest 3G service provider.

Info-Communications Technology Services ("ICT"): This division is a leading regional integrated info-communications solutions provider. Its extensive offering includes enterprise IT infrastructure, business solutions and integration services, broadband network, fixed and wireless networking solutions, managed and hosted services, telephony and unified communications solutions and cloud computing applications and services. It also provides consultancy, managed operations and utility computing services. Under its SunPage brand, ICT also offers IDD, Global Conferencing, SMS broadcast and 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 telecommunication products. It designs, builds and manages telecommunication 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 telecommunication 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

29 OPERATING SEGMENTS (continued)

Information about Reportable Segments

	Personal communications solutions services		Info-communications technology services		Network engineering services		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue and expenses								
Total revenue from external customers	**364,632**	396,657	**100,897**	97,653	**51,275**	61,964	**516,804**	556,274
Inter-segment revenue	**53**	–	**317**	181	**–**	–	**370**	181
	364,685	396,657	**101,214**	97,834	**51,275**	61,964	**517,174**	556,455
Interest income	**65**	56	**145**	43	**121**	41	**331**	140
Interest expenses	**161**	161	**501**	561	**460**	429	**1,122**	1,151
Depreciation of property, plant and equipment	**628**	482	**517**	558	**507**	540	**1,652**	1,580
Amortisation of intangible assets	**320**	176	**1,374**	1,313	**32**	67	**1,726**	1,556
Reportable segment profit before income tax	**6,817**	6,010	**998**	1,329	**3,597**	3,726	**11,412**	11,065
Other material non-cash items:								
Impairment loss on intangible assets	**–**	–	**–**	(136)	**–**	–	**–**	(136)
Property, plant and equipment written off	**–**	–	**(131)**	–	**–**	–	**(131)**	–
Reportable segment assets	**73,142**	67,611	**72,880**	63,777	**40,719**	39,863	**186,741**	171,251
Capital expenditure								
– Property, plant and equipment	**1,200**	691	**570**	186	**971**	459	**2,741**	1,336
– Intangible assets	**85**	440	**169**	371	**44**	27	**298**	838
Reportable segment liabilities	**45,933**	32,940	**47,832**	44,805	**20,699**	23,792	**114,464**	101,537

NOTES TO THE FINANCIAL STATEMENTS

29 OPERATING SEGMENTS (continued)

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

	Group 2014 $'000	Group 2013 $'000
Revenue		
Total revenue for reportable segments	**517,174**	556,455
Elimination of inter-segment revenue	**(370)**	(181)
Consolidated revenue	**516,804**	556,274
Profit or loss		
Total profit or loss for reportable segments	**11,412**	11,065
Assets		
Total assets for reportable segments	**186,741**	171,251
Liabilities		
Total liabilities for reportable segments	**114,464**	101,537

	Reportable segment totals $'000	Adjustments $'000	Consolidated totals $'000
Other material items 2014			
Interest income	**(331)**	**50**	**(281)**
Interest expenses	**1,122**	**(50)**	**1,072**
Capital expenditure			
– property, plant and equipment	**2,741**	**–**	**2,741**
– intangible assets	**298**	**–**	**298**
Other material items 2013			
Interest income	(140)	44	(96)
Interest expenses	1,151	(44)	1,107
Capital expenditure			
– property, plant and equipment	1,336	–	1,336
– intangible assets	838	–	838

NOTES TO THE FINANCIAL STATEMENTS

29 OPERATING SEGMENTS (continued)

Geographical information

	Revenue $'000	Non-current Assets* $'000
31 December 2014		
Singapore	**439,918**	**22,665**
Indonesia	**28,540**	**830**
Malaysia	**25,255**	**106**
Hong Kong	**19,946**	**–**
Other countries	**3,145**	**18**
Consolidated total	**516,804**	**23,619**
31 December 2013		
Singapore	475,395	18,022
Indonesia	35,209	442
Malaysia	26,300	336
Hong Kong	17,111	–
Other countries	2,259	30
Consolidated total	556,274	18,830

* Non-current assets presented consist of property, plant and equipment, intangible assets and trade and other receivables.

Major Customer

Revenue from one customer of the Group's Personal Communications Solutions Services and one customer of Info-Communications Technology Services segments represents approximately 42% (2013: one customer of Group's Personal Communications Solutions Services and one customer of Network Engineering Services segments represents approximately 46%) of the Group's total revenues.

30 ACQUISITION OF NON-CONTROLLING INTERESTS

Acquisition of non-controlling interests – S&I

In 2013, the Group acquired 200,000 ordinary shares in the capital of S&I ("Relevant Shares") from two minority shareholders of S&I for a consideration of $2,244,000 (the "Transaction"). The Relevant Shares constitute 10% of the total number of issued shares in the capital of S&I ("Shares"), and have been cancelled. Following the completion of the Transaction and cancellation of the Relevant Shares, the Company is now the legal and beneficial owner of an aggregate of 1,800,000 Shares, constituting 100% of the total number of issued Shares.

NOTES TO THE FINANCIAL STATEMENTS

31 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) Contingent consideration

The fair value of contingent consideration is calculated based on the present value of future expected payment amounts. The contingent consideration is discounted to present value using the post-tax cost of debt of the Company.

(iv) Share based payments

The fair value measurement for share based payments is described in Note 23.

32 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. The 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.

NOTES TO THE FINANCIAL STATEMENTS

32 FINANCIAL RISK MANAGEMENT (continued)

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 2014, the Group has 63% (2013: 54%) of total receivables due from 2 (2013: 2) major customers, and approximately 42% (2013: 46%) of the Group's revenue is attributable to sales transactions with these 2 (2013: 2) customers.

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 balance sheet.

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 $115 million (2013: $112 million) for term loans and working capital line facilities, at a margin over cost of funds.

NOTES TO THE FINANCIAL STATEMENTS

32 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-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice:

	Effective interest %	Within 1 year $'000
Group		
31 December 2014		
Financial assets		
Cash at bank and in hand	**–**	**35,134**
Short-term bank deposits	**2.85 to 13.00**	**2,852**
Financial liabilities		
Unsecured bank loans	**1.62 to 10.10**	**19,968**
31 December 2013		
Financial assets		
Cash at bank and in hand	–	42,557
Short-term bank deposits	0.09 to 9.25	6,349
Financial liabilities		
Unsecured bank loans	1.55 to 10.28	19,860
Company		
31 December 2014		
Financial assets		
Cash at bank and in hand	**–**	**11,901**
Financial liabilities		
Unsecured bank loans	**1.62**	**10,000**
31 December 2013		
Financial assets		
Cash at bank and in hand	–	24,303
Financial liabilities		
Unsecured bank loans	1.55	10,000

NOTES TO THE FINANCIAL STATEMENTS

32 FINANCIAL RISK MANAGEMENT (continued)

Effective interest rate and repricing analysis (continued)

Sensitivity analysis

The Group's borrowings and cash and cash equivalents 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.

	Income statement	
	100 bp increase $'000	**100 bp decrease $'000**
Group		
31 December 2014		
Short-term bank deposits	**29**	**(29)**
Borrowings	**(200)**	**200**
	(171)	**171**
31 December 2013		
Short-term bank deposits	63	(63)
Borrowings	(199)	199
	(136)	136
Company		
31 December 2014		
Borrowings	**(100)**	**100**
31 December 2013		
Borrowings	(100)	100

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

32 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
31 December 2014		
Group		
Trade and other receivables	**200**	**7,917**
Cash and cash equivalents	**1,816**	**4,559**
Trade and other payables	**(266)**	**(8,551)**
Net exposure	**1,750**	**3,925**
Company		
Cash and cash equivalents	**–**	**656**
Net exposure	**–**	**656**
31 December 2013		
Group		
Trade and other receivables	181	1,928
Cash and cash equivalents	1,189	1,638
Trade and other payables	(119)	(3,846)
Net exposure	1,251	(280)
Company		
Cash and cash equivalents	–	445
Net exposure	–	445

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.

	Income statement Group $'000	Income statement Company $'000
31 December 2014		
RM	**175**	**–**
USD	**393**	**66**
	568	**66**

NOTES TO THE FINANCIAL STATEMENTS

32 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk (continued)

Sensitivity analysis (continued)

	Income statement Group $'000	Income statement Company $'000
31 December 2013		
RM	125	–
USD	(28)	45
	97	45

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 2014, the fair value of non-current other receivables and other payables amounted to $6,237,000 (2013: $807,000) and $2,734,000 (2013: $150,000) 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 financial liabilities) 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 2014				
Financial assets not measured at fair value				
Trade and other receivables	11	**96,071**	**–**	**96,071**
Cash and cash equivalents	16	**37,986**	**–**	**37,986**
		134,057	**–**	**134,057**

NOTES TO THE FINANCIAL STATEMENTS

32 FINANCIAL RISK MANAGEMENT (continued)

Accounting classifications (continued)

	Note	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000
Group				
31 December 2014				
Financial liabilities not measured at fair value				
Accrued contingent consideration	19	**–**	**6,300**	**6,300**
Trade and other payables		**–**	**81,935**	**81,935**
	20	**–**	**88,235**	**88,235**
Loans and borrowings	21	**–**	**19,968**	**19,968**
		–	**108,203**	**108,203**
31 December 2013				
Financial assets not measured at fair value				
Trade and other receivables	11	62,520	–	62,520
Cash and cash equivalents	16	48,906	–	48,906
		111,426	–	111,426
Financial liabilities not measured at fair value				
Accrued contingent consideration	19	–	6,036	6,036
Trade and other payables		–	68,526	68,526
	20	–	74,562	74,562
Loans and borrowings	21	–	19,860	19,860
		–	94,422	94,422
Company				
31 December 2014				
Financial assets not measured at fair value				
Trade and other receivables	11	**44,970**	**–**	**44,970**
Cash and cash equivalents	16	**11,901**	**–**	**11,901**
		56,871	**–**	**56,871**
Financial liabilities not measured at fair value				
Accrued contingent consideration	19	**–**	**6,300**	**6,300**
Trade and other payables		**–**	**35,638**	**35,638**
	20	**–**	**41,938**	**41,938**
Loans and borrowings	21	**–**	**10,000**	**10,000**
		–	**51,938**	**51,938**
31 December 2013				
Financial assets not measured at fair value				
Trade and other receivables	11	28,304	–	28,304
Cash and cash equivalents	16	24,303	–	24,303
		52,607	–	52,607

NOTES TO THE FINANCIAL STATEMENTS

32 FINANCIAL RISK MANAGEMENT (continued)

Accounting classifications (continued)

	Note	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000
31 December 2013				
Financial liabilities not measured at fair value				
Accrued contingent consideration	19	–	6,036	6,036
Trade and other payables		–	28,224	28,224
	20	–	34,260	34,260
Loans and borrowings	21	–	10,000	10,000
		–	44,260	44,260

33 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 2014, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Payable:				
Within 1 year	**3,645**	4,277	**1,162**	334
After 1 year but within 5 years	**6,592**	3,650	**4,137**	–
	10,237	7,927	**5,299**	334

34 CONTINGENT LIABILITIES

The Company issued corporate guarantees amounting to $17,257,000 (2013: $16,633,000) in favour of subsidiaries to cover purchases and bank facilities per the terms of the agreements.

NOTES TO THE FINANCIAL STATEMENTS

35 SUBSEQUENT EVENTS

- On 14 January 2015, the Company disposed its investment in a joint venture, PT Sakalaguna Semesta, for an aggregate consideration of US$1.

- On 27 February 2015, 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 2014. The proposed final dividend amounting to $7,271,000 has not been recognised as at year end and is subject to shareholders' approval at the forthcoming Annual General Meeting of the Company in 2015.

- On 2 March 2015, S & I Systems Pte Ltd ("S&I"), a subsidiary company of the Company, acquired the remaining 6% of the share capital of U Computing Pte Ltd ("U Computing") for an aggregate of $32,713. Consequently, U Computing became a wholly owned subsidiary of the Company and S&I.

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 2014 and 2013.

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	
	2014	**2013**
	$'000	**$'000**
Transactions for the sales of goods and services		
Temasek Holdings (Private) Limited and its Associates	215,875	254,662
Transactions for the purchase of goods and services		
Temasek Holdings (Private) Limited and its Associates	60,263	65,429
Total Interested Person Transactions	**276,138**	**320,091**

There were no interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual).

3 MATERIAL CONTRACTS

There was no material contract entered into or still subsisting at the end of the financial year, for the purpose of Rule 1207(8) of the SGX-ST Listing Manual.

SHAREHOLDINGS **STATISTICS**

As at 11 March 2015

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	0.05	50	0.00
100 – 1,000	81	3.69	79,190	0.02
1,001 – 10,000	1,005	45.85	5,394,594	1.19
10,001 – 1,000,000	1,088	49.63	83,637,095	18.40
1,000,001 and above	17	0.78	365,311,571	80.39
	2,192	100.00	454,422,500	100.00

TOP 21 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%*
1	STT Communications Ltd	228,937,500	50.38
2	Leap International Pte Ltd	89,498,000	19.69
3	United Overseas Bank Nominees Pte Ltd	8,280,000	1.82
4	Citibank Consumer Nominees Pte Ltd	6,840,000	1.51
5	DBS Nominees Pte Ltd	6,646,000	1.46
6	Choo Soon Kiah	5,560,000	1.22
7	Ng Hian Chow	3,828,000	0.84
8	Hong Leong Finance Nominees Pte Ltd	2,208,000	0.49
9	Loh Sur Jin Andrew	2,171,207	0.48
10	Tan Chwee Huat	1,880,000	0.41
11	Tan Kia Hong	1,793,000	0.39
12	Wong Mae Sum Pauline (Pauline Huang Meixin)	1,604,047	0.35
13	OCBC Nominees Singapore Pte Ltd	1,553,000	0.34
14	Helen Chee	1,248,000	0.27
15	Phillip Securities Pte Ltd	1,164,000	0.26
16	Jacqueline Tan Kim Hoie	1,068,000	0.24
17	Lee Yoong Kin	1,032,817	0.23
18	Chen Wei Ching	1,000,000	0.22
19	Lim Siow Sun Nee Lau Yuen Ling	1,000,000	0.22
20	Yee Lat Shing	1,000,000	0.22
21	Yeo Kock Tay	1,000,000	0.22
		369,311,571	81.26

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 11 March 2015 of 454,421,498 shares (which excludes 1,002 shares which are held as treasury shares representing approximately 0.0002% of the total number of issued shares excluding treasury shares).

SHAREHOLDINGS **STATISTICS**

As at 11 March 2015

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	% [3]	Deemed Interest	% [3]
Leap International Pte Ltd	89,498,000	19.69	–	–
Lim Shi [1]	–	–	89,498,000	19.69
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 (Cap. 50).

(3) The percentage of shareholdings was computed based on the issued share capital of the Company as at 11 March 2015 of 454,421,498 shares (which excludes 1,002 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 29.63% 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 SEVENTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of TeleChoice International Limited (the "**Company**") will be held at Violet Room @ The Chevrons 48 Boon Lay Way 3rd Storey Singapore 609961 on 27 April 2015 at 10.30 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2014 and the Directors' and 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 2014. **Resolution 2**

3. That pursuant to Section 153(6) of the Companies Act (Cap. 50) (the "**Companies Act**"), Mr Bertie Cheng be and is hereby re-appointed as a Director to hold such office until the next Annual General Meeting of the Company. **Resolution 3**

   See Explanatory Note (a)

4. That pursuant to Section 153(6) of the Companies Act, Mr Yap Boh Pin be and is hereby re-appointed as a Director to hold such office until the next Annual General Meeting of the Company. **Resolution 4**

   See Explanatory Note (b)

5. To re-elect Mr Sio Tat Hiang, who is retiring in accordance with Article 91 of the Articles of Association of the Company. **Resolution 5**

   See Explanatory Note (c)

6. To re-elect Mr Tang Yew Kay Jackson, who is retiring in accordance with Article 91 of the Articles of Association of the Company. **Resolution 6**

   See Explanatory Note (d)

7. To approve the sum of $456,000 as Directors' Remuneration for the financial year ended 31 December 2014 comprising: **Resolution 7**

   (a) $319,200 to be paid in cash (2013: $399,075) (2012: $390,500); and

   (b) $136,800 to be paid in the form of restricted share awards pursuant to the TeleChoice Restricted Share Plan (2013:$70,425) (2012: Nil).

   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 SEVENTEENTH 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) 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) 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) shall be based on the number of issued Shares (excluding treasury shares) 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 Articles of Association for the time being of the Company; and

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

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

See Explanatory Note (f)

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

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

(b) allot and issue from time to time such number of Shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of the awards granted under the Restricted Share Plan and/or the Performance Share Plan,

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 in the capital of the Company (excluding treasury shares) from time to time.

See Explanatory Note (g)

11. That: **Resolution 11**

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("**Chapter 9**") of SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Annexure to the Appendix to the Annual Report dated 10 April 2015 (the "**Appendix**") with any party who is of the class of interested persons described in the Annexure to the Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

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

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

See Explanatory Note (h)

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

12. That: **Resolution 12**

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

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

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

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

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

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

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

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

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

(c) in this Resolution:

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

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

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

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

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

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

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

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

See Explanatory Note (i)

NOTICE OF SEVENTEENTH **ANNUAL GENERAL MEETING**

OTHER BUSINESS

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

By Order of The Board

Chan Jen Keet
Company Secretary

Singapore, 10 April 2015

Notes:

1. The Chairman of the Annual General Meeting will be exercising his right under Article 61(a) of the Articles of Association 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 member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
3. A proxy need not be a member of the Company.
4. 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 48 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 Seventeenth Annual General Meeting to be convened on 27 April 2015, the Share Transfer Books and Register of Members of the Company will be closed on 6 May 2015.

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 5 May 2015 (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 20 May 2015.

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

(a) Ordinary Resolution No. 3 is to approve the re-appointment of Mr Bertie Cheng as a Director to hold such office until the next annual general meeting of the Company pursuant to Section 153(6) of the Companies Act (Cap. 50) (the "**Companies Act**"). Upon his re-appointment, Mr Cheng, who is considered independent, will remain as the Chairman of the Board of Directors of the Company and, as the Chairman of the Executive Committee and the Remuneration Committee of the Company.

(b) Ordinary Resolution No. 4 is to approve the re-appointment of Mr Yap Boh Pin as a Director to hold such office until the next annual general meeting of the Company pursuant to Section 153(6) of the Companies Act. Upon his re-appointment, 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 Sio Tat Hiang, who is retiring by rotation, in accordance with Article 91 of the Articles of Association of the Company. Upon his re-election, Mr Sio will remain as a member of the Remuneration Committee, the Nominating Committee and the Executive Committee of the Company.

(d) Ordinary Resolution No. 6 is to approve the re-election of Mr Tang Yew Kay Jackson, who is retiring by rotation, in accordance with Article 91 of the Articles of Association of the Company. Upon his re-election, Mr Tang, who is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST, will remain as a member of the Audit Committee of the Company.

(e) Ordinary Resolution No. 7 is to approve the payment of an aggregate sum of $456,000 as Directors' remuneration for the financial year ended 31 December 2014. If approved, each of the Directors will receive approximately 70% of his Directors' remuneration in cash and approximately 30% of his Directors' remuneration in the form of a restricted share award pursuant to the TeleChoice Restricted Share Plan ("**Restricted Share Plan**"). Please refer to the section on "Remuneration Matters" in the Corporate Governance Report on pages 31 to 36 of the Annual Report 2014 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 trading days commencing on (and including) the ex-dividend date that immediately follows the date of this Annual General Meeting ("**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 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 trading days from (and including) the 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 trading days commencing after the date of such last concluded AGM); or (ii) the total number of Shares awarded to that Director under the Restricted Share Plan for the financial year ended 31 December 2014 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.

(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) 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.

NOTICE OF SEVENTEENTH **ANNUAL GENERAL MEETING**

(g) Ordinary Resolution No. 10 is to authorise the Directors to offer and grant awards and to allot and issue Shares in the capital of the Company in accordance with the rules and terms of the Restricted Share Plan and/or the TeleChoice Performance Share Plan (the "**Performance Share Plan**") (the Restricted Share Plan and the Performance Share Plan 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 in the capital of the Company (excluding treasury shares) from time to time. The Restricted Share Plan and the Performance Share Plan were adopted by the shareholders of the Company at an Extraordinary General Meeting of the Company held on 27 April 2007. Details of the Restricted Share Plan and the Performance Share Plan are set out in the Company's circular to shareholders dated 11 April 2007. The grant of options and/or awards under the respective Share Plans will be made in accordance with their respective provisions.

(h) Ordinary Resolution No. 11 is to renew the mandate to allow the Company, its subsidiaries and its associated companies that are entities at risk or any of them to enter into certain interested person transactions with certain classes of interested persons as described in the Annexure to the Appendix to the Annual Report dated 10 April 2015 (the "**Appendix**"). The authority will, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting of the Company.

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

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

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Company and the Company and its subsidiaries for the financial year ended 31 December 2014, based on certain assumptions, are set out in paragraph 3.7.3 of the Letter to Shareholders in the Appendix.

TELECHOICE INTERNATIONAL LIMITED

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

PROXY FORM

Seventeenth Annual General Meeting

IMPORTANT

1. 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.
2. 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.

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 Seventeenth Annual General Meeting ("**AGM**") of the Company to be held on 27 April 2015 at Violet Room @ The Chevrons 48 Boon Lay Way 3rd Storey Singapore 609961 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 Article 61(a) of the Articles of Association 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 and Reports		
2.	Declaration of Final Tax Exempt (one-tier) Dividend		
3.	Re-appointment of Mr Bertie Cheng as Director		
4.	Re-appointment of Mr Yap Boh Pin as Director		
5.	Re-election of Mr Sio Tat Hiang as Director		
6.	Re-election of Mr Tang Yew Kay Jackson as Director		
7.	Approval of Directors' Remuneration		
8.	Re-appointment of KPMG LLP as Auditors		
	Special Business		
9.	Authority for Directors to issue shares		
10.	Authority for Directors to offer and grant awards, and allot and issue shares, pursuant to the TeleChoice Restricted Share Plan and the TeleChoice Performance Share Plan		
11.	Approval of Renewal of the Shareholders' Mandate for Interested Person Transactions		
12.	Approval of Renewal of the Share Purchase Mandate		

Dated this __________ day of ______________ 2015.

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 130A of the Companies Act (Cap. 50)), 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 member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
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 48 hours before the time appointed for the Annual General Meeting.
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 Annual General Meeting, in accordance with Section 179 of the Companies Act (Cap. 50).
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 48 hours before the time appointed for holding the Annual General Meeting, 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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