TeleChoice

TELECHOICE INTERNATIONAL LIMITED
(REG. NO. 199802072R)

PROFIT GUIDANCE AND UPDATES ON THE GROUP'S BUSINESS PERFORMANCE FOR THE FIRST QUARTER ENDED 31 MARCH 2020 AND IMPACT OF COVID-19 ON THE GROUP'S OPERATIONS

The Board of Directors (the "Board") of TeleChoice International Limited (the "Company"), together with its subsidiaries, the "Group") wishes to provide the Group's business performance update for the first quarter ended 31 March 2020 ("1Q2020"), and the impact of COVID-19 on its operations.

FINANCIAL HIGHLIGHTS*

REVENUE (S$'M)	**1Q2020**	**1Q2019**	**+/- (%)**
PERSONAL COMMUNICATIONS SOLUTIONS SERVICES ("PCS")	29.3	46.5	-37
INFO-COMMUNICATIONS TECHNOLOGY SERVICES ("ICT")	10.5	15.3	-32
NETWORK ENGINEERING SERVICES ("ENGINEERING")	17.1	16.6	3
GROUP	**56.9**	**78.4**	**-27**
PROFIT/LOSS BEFORE TAX (S$'M)	**1Q2020**	**1Q2019**	**+/- (%)**
PCS	- 0.9	1.3	-167
ICT	- 0.6	-0.5	-15
ENGINEERING	- 0.3	0.3	-201
GROUP	**- 1.8**	**1.1**	**-257**

** The above figures have not been audited or reviewed by our auditors.*

The Group's revenue decreased by 27% mainly due to lower revenue from PCS and ICT Divisions which were impacted by the COVID-19 pandemic. This was partially mitigated by higher revenue from Engineering Division's operations in Singapore and Malaysia.

The Group reported a loss in 1Q2020 with all three business divisions recording losses. The negative variance against 1Q2019 was mainly attributed to PCS Division which was significantly impacted by the lower traffic at shopping malls and the temporary shop closures prior to, and during the implementation of the Circuit Breaker Measures ("CBM") in Singapore, as well as the Movement Control Order ("MCO") in Malaysia. ICT Division's lower revenue recognition was due to lower equipment sales as well as delays in project completion. Engineering Division's losses was mainly attributed to unforeseeable losses recognised as a result of cancellation of orders and logistic disruption in the Philippines.

In spite of the reduced revenue during the COVID-19 pandemic period, certain fixed costs such as salaries and overheads, still have to be paid. These fixed costs will only be partially offset by the temporary reliefs and supports in 2Q2020.

ASSESSMENT & IMPACT OF COVID-19

The Group has put in place measures to mitigate the challenges brought about by COVID-19 including the activation of our Business Continuity Plans, which encompass split site and work from home ("WFH") arrangements, since mid-February 2020. The Group adheres strictly to regulatory guidelines to safeguard the interest of its stakeholders and there has been no breaches of any restrictions set by the relevant authorities.

CONSUMER BUSINESS

In Singapore, the Group's Consumer Business under the PCS Division, manages 13 retail touchpoints which comprise its own branded Planet Telecoms retail chain, StarHub Platinum outlets, and Samsung and Huawei concept stores. Prior to the implementation of the CBM from 7 April 2020, the initial drop in footfall in shopping malls was exacerbated by the stricter crowd control and safe distancing measures implemented on 26 March 2020 when the COVID-19 outbreak worsened. After the CBM were introduced, our outlets were initially allowed to continue to operate under the list of essential service providers for a brief period before this was rescinded and as a result, all our retail outlets are now temporarily closed. Consequently, we registered lower retail sales despite new product and mobile handset launches. Similarly, the Division's prepaid and channel sales also decreased due to a substantial decline in tourists and foreign workers which formed the bulk of our market, on the back of travel restrictions imposed by many countries including Singapore, for outbound travelers as well as incoming arrivals. The decline in sales was compounded when we were excluded from the tightened list of essential service providers that were permitted to remain in operation. Notwithstanding, our supply chain remains functional and we continue to be able to fulfil orders made prior to, and during the CBM period.

In Malaysia, the 10 outlets that we operated for U Mobile were closed on 19 March 2020 with the commencement of the MCO from 18 March 2020. Subsequently, selected outlets have been allowed to operate on some weekdays. As a result, our variable commission and shop management fee from U Mobile were impacted by the initial absence of walk-in customers, as well as the reduced number of outlets that have been allowed to remain open. All our 10 outlets have since resumed operations from 8 May 2020.

ENTERPRISE BUSINESS

ICT Division

With the introduction of the CBM, many of the ICT Division's customers have implemented WFH arrangements. This has led to longer time needed to process requests for proposals and approvals of tenders which delayed the award of contracts. Our ongoing projects are also progressing very slowly. Consequently, many of our contract opportunities will not materialise within the forecasted timeline.

Given the prevailing economic conditions, there has also been very limited new business prospects since February 2020 when the COVID-19 situation escalated. While our wholly owned subsidiary, NxGen Communications Pte Ltd, has managed to secure projects related to mobile telecommunicating, these have not been able to compensate for the shortfall in major projects. Our project pipeline has not improved, and we anticipate our sales activities to be delayed to the second half of FY2020.

Engineering Division

Engineering Division was impacted by government measures implemented to prevent the spread of COVID-19 across its markets in Singapore, Indonesia, Malaysia, the Philippines and Vietnam to varying degrees of severity.

In Singapore, we received an exemption from the Ministry of Trade and Industry which allowed us to operate during the initial CBM period. However, with the enhanced CBM introduced on 4 May 2020, the number of employees permitted to visit customer sites was reduced. This, coupled with more stringent control measures implemented by building owners, resulted in project completion delays and consequent slower revenue recognition, which will extend to 2Q2020.

The Indonesian government introduced stringent large-scale social restrictions (PSBB) in Jakarta on 10 April 2020 which are expected to end on 22 May 2020. In line with these measures, we implemented WFH arrangements in our Jakarta operations in March 2020, working in split teams with only 50% of our Indonesian staff coming to the office at any given time. These WFH arrangements were subsequently extended to the majority of our staff except those who are required to be in the office due to the nature of their jobs. Our field work, for the most part, could proceed with permit letters issued by the Ministry of Communication and Information. However, we encountered roadblocks with inbuilding coverage ("IBC") projects due to building access restrictions. Nevertheless, the bulk of our Indonesian projects are in the areas of radio network planning and implementation which were not as affected.

Malaysia's MCO resulted in building access restrictions which stalled most of our sales activities and IBC projects. Discussions with telcos on projects have been deferred until the end of the MCO. Revenue recognition for the first-half of FY2020 will be impacted due to shorter work hours introduced, which will delay documentation and invoicing.

In the Philippines, the Enhanced Community Quarantine ("ECQ") has been put in place since 17 March 2020, covering areas such as Luzon and its associated islands (which includes Metro Manila) and Mindanao. Our projects are delayed due to logistical issues in securing materials and supplies, and only a fraction of workers are able to report for work due to the ECQ.

In Vietnam, the government has eased its "soft lockdown" measures on 22 April 2020 although the country continues to implement precautionary measures. In Ho Chi Minh City, businesses are encouraged to implement WFH arrangements and as such, our sales and prospecting activities had been curtailed as we were unable to conduct any on-site sales and demonstrations.

FINANCIAL ASSESSMENT & IMPACT

Given the above scenarios highlighted with respect to our operations, the Group's financial performance is negatively impacted with lower revenue in 1Q2020 as compared to 1Q2019.

Our balance sheet remains strong with a healthy order book including backlog orders, and we do not foresee significant threats to our ability to operate as a going concern. We do not expect any material impairment to our current assets which comprise mainly trade receivables, inventories and contract assets. We also do not foresee liquidity issues as we are in a net cash position as at 31 March 2020 and have adequate banking facilities for any short-term funding needs, including meeting the dividend payment in June 2020, if approved by the shareholders at our upcoming annual general meeting on 26 May 2020. Our cash balance as at 31 March 2020 was higher as compared to 31 December 2019 due to positive changes in working capital as a result of lower sales activities.

OUTLOOK

The Group anticipates a slow recovery in sales for our Consumer Business with tepid consumer spending given the anticipated economic contractions with resultant job losses and lower wages. The COVID-19 (Temporary Measures) Act 2020, which is targeted to offer temporary relief to businesses and individuals who are unable to fulfil their contractual obligations because of COVID-19, will largely not be beneficial to the Group. The business will be challenged to continuously exercise caution in granting credit limit to its channel customers and to manage its inventory judiciously so as to maintain its liquidity position.

Our Enterprise Business will likewise experience challenges. Order build-up for ICT Division is expected to take place in the second half of FY2020 with service deliveries only capable of being completed thereafter. Engineering Division, while having a strong pipeline of projects in Indonesia, will continue to face obstacles even after the gradual easing of lockdown measures that have been imposed in countries such as Singapore, Indonesia, Malaysia and the Philippines.

Overall, the Group will continue to focus intently on cost containment, operational excellence and financial prudence.

For FY2020, COVID-19 is expected to have a material impact on the Group's revenue and profitability with expectations of revenue declines for our three business divisions in varying degrees. The budgetary support measures from the Singapore government such as the Jobs Support Scheme, property tax rebates and rental rebates extended by some landlords are expected to partially mitigate the situation. In view of the uncertainty of the economic situation, the Group withdraws all previous guidance for FY2020 and will update shareholders once there is greater visibility on the aggregate impact of the COVID-19 pandemic.

The Group is heartened to have the continued support from shareholders, employees and partners, such as our customers, suppliers and bankers. The Board would like to assure shareholders that the Group continues to monitor its cashflows carefully and is of the opinion that, barring any unforeseen circumstances, the Group's current working capital position will be adequate to tide the Group through this unprecedented period.

We will continue to look for business opportunities despite the difficult operating environment. The longer-term prospects for the telecommunications industry remain robust. The roll-out of 5G network in Singapore and network upgrading in the region will necessitate continued infrastructure spending, which will mitigate to some extent these challenges in the coming years. This stands to benefit our Engineering Division and ICT Division. The ongoing smart phone evolution and the launch of new models of branded handsets, will provide retail, distribution and managed service opportunities for our PCS Division.

FURTHER UPDATES

The Group will closely monitor the evolving situation amidst the ongoing COVID-19 pandemic and will keep shareholders apprised of any material developments via relevant announcements as and when necessary.

By Order of the Board
Lim Shuh Moh Vincent
President
15 May 2020