TELECHOICE INTERNATIONAL LIMITED
(REG. NO. 199802072R)

RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) RELATING TO THE ANNUAL GENERAL MEETING TO BE HELD ON 27 APRIL 2023

The Board of Directors ("**Board**") of TeleChoice International Limited ("**Company**") refers to the Company's Notice of Annual General Meeting ("**AGM**") dated 5 April 2023 which was released on SGXNet and the Company's corporate website on the same day.

The Company has received some questions from the Securities Investors Association (Singapore) ("**SIAS**") in relation to its Annual Report for the financial year ended 31 December 2022. Please refer to the Appendix below for the list of questions received from SIAS, and the Company's responses to these questions.

By Order of the Board

Lim Shuh Moh Vincent
President & CEO

25 April 2023

APPENDIX

RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON TELECHOICE INTERNATIONAL LIMITED ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Q1. Despite the increase in revenue to $232.6 million, the gross profit margin decreased from 8.4% to 8.0%. The operating loss before share of loss of associate and income tax increased from $(2.1) million to $(5.3) million. Loss for the year increased by 354% to $(12.3) million.

In fact, on 5 April 2023, the company announced on SGXNet that it has recorded pre-tax losses for the three most recently completed consecutive financial years and that its 6-month average daily market capitalisation as at 4 April 2023 is $43.6 million.

The theme of last year's annual report was "Transforming for resilience" and this year, it is "Keeping focus, staying resilient". As noted in the letter to shareholders by the chairman and President & CEO, the group "*demonstrated resilience and kept focused in the face of these challenges and was able to record improved revenue across all three business divisions in the second half of the year*".

(i) Can the company provide further details on its strategies for achieving profitability apart from solely trying to achieve revenue growth? How does management plan to balance these two objectives going forward?

While revenue growth is an important part of our strategy for achieving profitability, our approach is multifaceted. In addition to pursuing revenue growth, we are also focused on achieving profitability by reducing costs, improving margins, implementing productivity and operational efficiency and optimizing resources. We are also expanding into new products, services and markets to diversify our revenue streams and drive growth.

For instance, in 2023, our PCS Services Division secured an exclusive brand distributorship, supply chain fulfillment, and retail and marketing management for a leading mobile handset brand. We are also actively exploring tender participation to offer these services for a regional telco. In the previous year, we acquired Radiance Communications, a prominent info-communications system integrator and service provider in Singapore and Malaysia. This acquisition has complemented our ICT Services Division's business, resulting in operational synergies, increased competitiveness, consolidated market leadership, and higher recurring maintenance revenue.

Our focus is to invest in revenue-generating initiatives while also managing our margins, resources and costs effectively to meet our profitability targets. For example, we have implemented cost reductions by closing non-performing retail stores for our PCS Services Division. We have also restructured our ICT Services Division to prioritize service solutions that generate higher earnings than products. Additionally, we have streamlined our Singapore operations for the Engineering Services Division, which were previously loss-making. Our efforts to improve the balance sheet have included better inventory management, as well as renegotiating contracts with suppliers to reduce costs and improve margins. By adopting a balanced approach that focuses on both revenue growth and profitability, we are confident that we can position ourselves for sustainable long-term success.

(ii) **Could the board elaborate on the guidance it has given to management to ensure that the group's focus on revenue growth does not come at the expense of profitability, and how it monitors management's performance in this regard?**

Profitability is a top priority for our board and management. Our board provides oversight and guidance to management while holding them accountable for delivering sustainable results that align with the Group's overall vision and strategy. In order to effectively monitor management's performance, the board receives regular updates on financial and operational performance, as well as detailed reports on specific initiatives or projects that are expected to impact profitability. The board also conducts regular reviews of the Group's overall strategy and investment priorities to ensure that they align with the Group's long-term goals and objectives.

(iii) **The group achieved a gross profit margin of 8% in FY2022. Can the company provide an industry comparison of gross profit margins for its business divisions? How does the company's gross profit margin fare as compared to its peers, and what steps is management taking to improve it?**

Our Group operates three core businesses across various segments of the telecommunications and ICT sectors, making it challenging to draw direct competitive comparisons. Typically, we compete with different players in each of these segments, including both local and international communications products and services providers. We have not identified any similar competitors in the markets we operate in that offer the same comprehensive range of products and services as we do.

The PCS Services Division which has lower gross margin than the ICT Services and Network Engineering Services Divisions, generates a significant portion of our overall profits. As a result, the Group's overall margins are lower. During the COVID-19 pandemic years, there was also higher demand for ICT Services Division's product sales which were at a lower margin than service sales. In addition, due to the COVID-19 movement restrictions, the Engineering Services Division faced productivity, supply chain and logistic challenges which impacted the gross margins.

With the reopening of regional economies, coinciding with an increase in our service offerings, we anticipate improvement in margins going forward.

The operating segments had operating margin (before tax and excluding goodwill impairment) of 0.5% for Personal Communications Solutions Services (PCS), -5.0% for Info-Comm Technology Services (ICT) and -4.1% for Engineering. Can management elaborate further on the challenges faced in each segment in the last three years and how did the group respond to the challenges?

In FY2022, the PCS Services Division recorded significant profit improvement compared to FY2020 and FY2021, when the Singapore retail business was significantly impacted by the COVID-19 situation. The improvement is attributed to the Division's operations in Singapore and Malaysia, which recorded an increase in revenue and gross margin. To mitigate the challenges faced during the pandemic, the Division rationalized its retail presence in Singapore by closing non-performing retail stores. Additionally, the launch of various Smart and Green products and services in FY2021 helped generate profits for the Group.

The ICT Services Division incurred a higher loss in FY2022 despite higher revenue, mainly from lower-margin hardware sales. Over the last three financial years, customers have been cautious in capex spending, resulting in delayed project tendering and awards due to the COVID-19 pandemic. Consequently, the Division incurred losses primarily due to lower project revenue recognition, additional costs incurred to complete certain projects, and losses recognized from the newly acquired entity, Radiance Communications Pte Ltd. The Division also incurred expenses to enhance the platform features for its new Internet of Things (IoT) and Cloud initiatives, but adoption and sales conversion were slow, resulting in a delay in revenue recognition. To address this, the Division implemented cost-cutting measures, including wage freezes, and streamlined and rationalized its operations and resources to improve operational efficiency.

The Engineering Services Division's revenue has remained relatively stable in FY2021 and FY2022, but it recorded lower gross profit and gross margins in FY2022. During the pandemic years, the Division's Indonesian operations were significantly impacted by site access restrictions due to stringent COVID-19 lockdowns, but it has since recovered and recorded profit improvement in FY2022. The operations in Malaysia have also improved and contributed to the Division's profitability in FY2022. However, the Division's Singapore operations continued to face challenges with incurred losses due to lower gross margin projects, while its Philippines operations recorded higher losses compared to FY2021 due to higher operating expenses. To address these challenges, the Division restructured its Singapore operations in FY2022 to mitigate further losses and expanded its product portfolio to generate additional revenue streams.

(iv) Have the strategies been effective and are the acquisitions generating long-term sustainable value for shareholders, particularly minority shareholders? Considering the decline in earnings over the last three years (excluding impairment of goodwill), is there a possibility that the group's competitiveness, efficiency, or cost structure may be unsustainable?

The COVID-19 pandemic has had a significant impact on our business operations and financial performance over the past three years. Despite our profitability prior to the pandemic, impairment of goodwill on our investments made in 2010 and 2011 were necessary in 2020 and 2022 respectively due to the negative market outlook. However, we remain optimistic that our performance will improve as the world emerges from the pandemic.

We believe that the acquisitions made to-date will generate long-term sustainable value for the Group and shareholders. We have engaged an external consultant to undertake a comprehensive review and evaluation of our business strategy. This review culminated in a five-year plan designed to position the Group for growth, improve revenue performance, and ultimately return to profitability. We will also continue to streamline operational processes to identify areas for efficiency improvement, cost reduction, and opportunities for diversification by exploring new revenue streams, customers, and markets.

(v) The letter to shareholders disclosed that in 2022, management carried out a comprehensive review and evaluation of the group's business strategy with an external consultant, resulting in a five-year plan aimed at positioning the group for growth, improving revenue performance, and returning to profitability. Given this development, does the board believe it would be appropriate to refresh the senior management team to enable a new team to move forward without any ties or historical legacy?

The strategic business review was conducted to identify potential growth paths and business development opportunities. To optimize our human resource development, planning and succession, we conducted bench strength and domain expertise reviews. These reviews are an integral part of our efforts to ensure that we have the necessary skills and expertise within our organization to successfully execute our strategic plan.

The Board has confidence in the current management team to successfully execute the five-year plan, as they were actively involved in its development.

Q2. The remuneration of management is shown on page 40 and is reproduced below:

Remuneration of Management

Details of remuneration paid to our President & CEO and top four (4) Key Management Personnel for FY2022 are set out in Table 2 below.

Table 2: FY2022 – President & Chief Executive Officer and Top Four (4) Key Management Personnel's Remuneration

Name	Fixed Component %	Variable Cash Component %	Share-Based Component %	Benefits-In-Kind %	Remuneration Bands[1]
Lim Shuh Moh Vincent	75.4	8.2	15.3	1.1	C
Lee Yoong Kin	82.0	7.2	10.1	0.7	B
Pauline Wong Mae Sum	79.0	10.5	10.3	0.2	B
Wong Loke Mei	85.2	5.9	8.4	0.5	A
Goh Song Puay	85.4	6.0	8.1	0.5	A

Notes:
(1) Remuneration Bands:
"A" refers to remuneration between S$250,001 and S$500,000.
"B" refers to remuneration between S$500,001 and S$750,000.
"C" refers to remuneration between S$750,001 and S$1,000,000.

(Source: company annual report)

The corporate governance report notes that Mr Lim Shuh Moh Vincent, the President & CEO, has full executive responsibility for the group's businesses, including making operational decisions and implementing business directions, strategies, and policies.

In 2022, Mr Lim's remuneration was between $750,001 and $1,000,000, with 23.5% in variable cash and share-based components. This percentage was 28.4% in 2021 and 36.5% in 2020. Over the past three years, his total remuneration amounted to between $2.25 million and $3 million, with an average of nearly 30% in variable cash and share-based components.

During the same period, the company reported a loss attributable to owners of the company of $(5.6) million in 2020, $(2.7) million in 2021, and $(12.3) million in 2022.

The variable cash component, including performance and discretionary bonuses, is linked to annual performance targets agreed upon with the board at the start of each financial year. Performance objectives are aligned with the company's overall business metrics and strategic goals which are cascaded throughout the organisation using Performance Scorecards. These objectives may include both quantitative and qualitative measures aligned with the company's business strategy. This creates greater alignment between the company's performance, business units, and individual employees.

The RC determines the final payout for each key management personnel based on the company's overall performance, funding affordability, and individual performance.

(i) **What quantitative and qualitative key performance indicators does the RC use to measure the performance of the President & CEO?**
(ii) **What weightage does the board/RC place on the financial performance of the group when determining the bonus of the President & CEO?**
(iii) **During the past three years, the company reported a loss of $(20.6) million. When determining the bonus pool and individual bonus payouts, did the RC take into account prevailing market conditions and the financial performance of the group?**

The RC adopts a comprehensive approach using both quantitative and qualitative criteria to evaluate the performance of key management personnel, including the President & CEO. When deciding on the President & CEO's bonus, the RC considers both financial and non-financial factors. Profitability and shareholder return carry significant weight, but the RC also takes into account non-financial factors such as risk management, stakeholder communication, employee development, and retention. The President & CEO's remuneration package includes a share-based component consisting of performance shares that are contingent on achieving shareholder return and other financial measures. It is worth noting that these performance shares have not vested in the past three years due to the decline in share price, which reflects the challenging market conditions faced by the Group. Nonetheless, the RC adheres to a pay-for-performance philosophy, and compensation has declined in the past three years as a result of these difficult conditions.

When evaluating remuneration and performance, the RC ensures that the key performance indicators (KPIs) used are aligned with the Group's strategic goals and objectives. The RC periodically reviews and updates these KPIs to ensure their relevance and effectiveness, taking into account prevailing market conditions and the Group's financial performance Additionally, an independent consultant guides the evaluation process by conducting peer and comparable reviews to ensure that the remuneration packages are competitive and aligned with industry standards.

Q3. In the corporate governance report, under Principle 5: Board performance, the board stated its belief that board performance "*is ultimately reflected in [the] business performance*" [emphasis added].

Other than the financial metrics shown in Q1, the company has included a table of shareholders returns on page 102 of the annual report, as follows:

3. Shareholders Returns

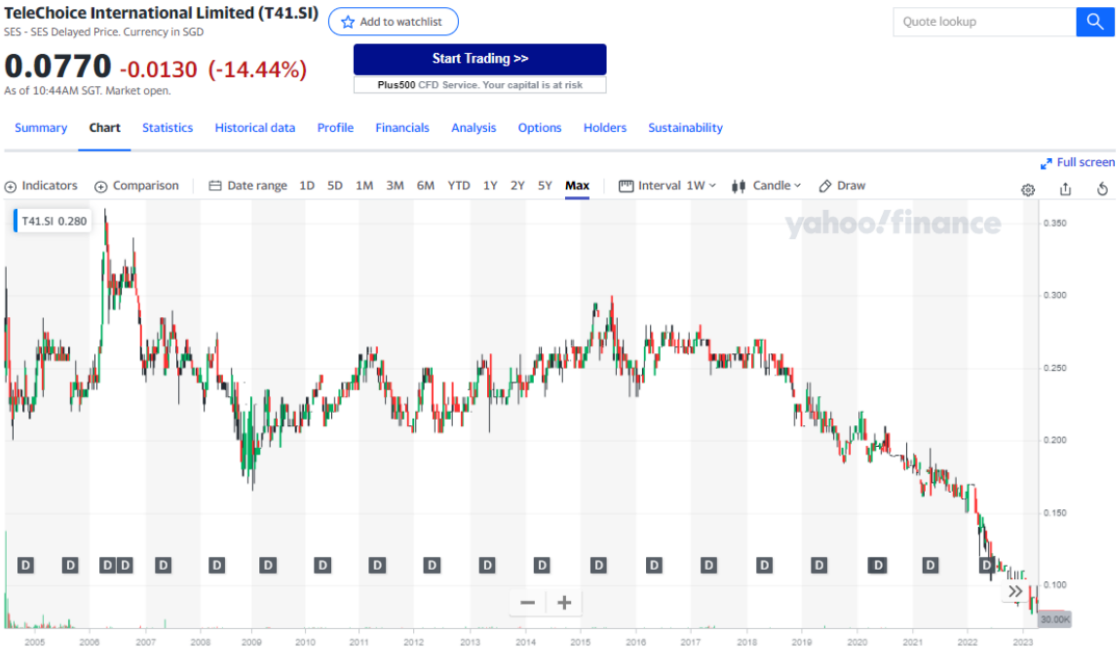
	FY2022	FY2021	Change
Net dividends per share (cents) – ordinary	–	0.125	nm
Dividends declared ($ million)	–	0.6	nm
Dividend payout ratio (%)	–	-22.2%	nm
Dividend yield (%)	–	0.8%	nm
Basic Earnings per share (cents)[1]	(2.70)	(0.59)	-357.6%
Return on equity (%)	-28.3%	-4.7%	-23.6 ppt
Return on capital employed (%)	-23.5%	-3.3%	-20.2 ppt
Return on total assets (%)	-11.0%	-2.3%	-8.7 ppt

ppt – percentage point

nm – not meaningful

(Source: company annual report)

In addition, a long term chart of the trading price of the company's share is shown below:



(Source: https://sg.finance.yahoo.com/quote/T41.SI/chart?p=T41.SI)

The board conducted its appraisal exercise for FY2022, and the NC is satisfied that the board and board committees discharged their respective duties and responsibilities effectively.

(i) Could the NC provide further details on the board evaluation process, and what were the key findings of the most recent board evaluation?

The board evaluation process is comprehensive and includes an assessment of the board's effectiveness and performance. It involves each director completing an evaluation questionnaire that has been designed to cover different areas of evaluation. The evaluation covers individual director self-assessment, board committee evaluation, overall board performance review and Chairman's evaluation. The areas evaluated include (among other things) board composition and diversity, board leadership, strategic planning and decision-making, monitoring of performance, risk management and oversight, and board processes and procedures. The results are then collated by the Company Secretary and presented to the NC for deliberation.

In respect of the Board evaluation conducted for FY2022, the overall results were positive. Whilst the Group has been negatively impacted by COVID-19 over the past three financial years, and also other concerns such as rising interest rates, inflationary pressures, supply chain disruptions and economic slowdown, the Group has nevertheless managed to achieve revenue improvement in FY2022. The Group has implemented measures to streamline operational processes to identify areas for efficiency improvement, cost reduction, and opportunities for diversification by exploring new revenue streams, customers, and markets. In addition, the Board has also commissioned an external consultant to undertake a comprehensive review and evaluation of the Group's business strategy, and developed a five-year plan with a view to returning the Group to profitability.

(ii) **Did the NC take a long-term view when assessing the effectiveness of the board and board committees?**

The NC takes a long-term view when assessing the effectiveness of the board and board committees.

(iii) **How satisfied is the board with the business performance in the past 5 years, or past 10 years?**

The Group's target is to achieve a return on capital employed of between 6% to 10%. For more information, please refer to our Annual Report, page 160.

In addition, Mr Ronald Seah Lim Siang and Mr Tang Yew Kay Jackson have both served on the board for over nine years. Mr Ronald Seah Lim Siang was appointed to the board on May 3, 2012.

As at 31 December 2013, shareholders' equity stood at $69.5 million. At the end of the reporting period as at 31 December 2022, shareholders' equity has decreased to $43.2 million, a decrease of 38% or $26.3 million.

At the annual general meeting scheduled to be held on 27 April 2023, Mr Ronald Seah Lim Siang will be retiring in accordance with Regulation 99 of the company's constitution and will be seeking shareholders' approval for his re-election.

(iv) **Can the retiring director help shareholders better understand his effectiveness as a director and as chairman of the board (since June 2020)? If re-elected, what are the chairman's priorities?**

As the retiring director and chairman of the board, Mr Seah's effectiveness has been evaluated based on his contributions to the board's decision-making processes and the overall strategic direction of the company during his tenure. As a director, he has consistently provided an independent and objective perspective to the board, challenging management on key issues and providing guidance and oversight on corporate governance matters. As chairman, he has played an integral role in ensuring effective communication between the board and management, as well as among board members, fostering a culture of openness, transparency, and accountability.

If re-elected, Mr Seah's priorities will continue to be focused on enhancing shareholder value and ensuring the long-term sustainability of the Company. This will involve closely monitoring the Company's financial and operational performance, identifying areas for improvement, and making strategic decisions that are in the best interests of all stakeholders. In addition, he will continue to strengthen the board's governance processes, ensuring that the Company complies with all relevant regulations and laws, and promoting a culture of ESG and responsible corporate citizenship. Mr Seah is committed to maintaining the highest standards of corporate governance and to working collaboratively with the board and management to achieve the company's strategic objectives.