Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: TeleChoice International Limited

Stock code: T41

Meeting details:
Date: 26 May 2020
Time: 2.30 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. For FY2019, the group reported a lower revenue of $313.6 million, a decline of 36.2% from $491.7 million. This was attributed to lower revenue from Personal Communications Services ("PCS") and Info-communications Technology Services ("ICT") divisions. While higher revenue was recognised from the Network Engineering Services ("Engineering") division, profit before tax for the division declined by 28.0%.

The group's mission is to be the leading provider of infocomm solutions through innovative products and services.

In the Letter to shareholders (pages 6 and 7 of the annual report), management stated that it re-examined its business strategies, restructured the divisions and expanded capabilities beyond the traditional core competencies.

On page 74, the company disclosed that its profitability measures, such as return on equity, return on capital employed and return on total assets, ranged from 3.4% to 7.5%.

(i) **Would the board/management help shareholders understand how it is leveraging its core competencies to capture value for shareholders given the level of competition in the market?**

(ii) **Can the company incorporate a Value-Added statement to the annual report to show how the group creates and shares value with its stakeholders?**

(iii) **As the group expands beyond its traditional core competencies, what is management's strategy to ensure that growth is achieved with returns that commensurate with the level of risks?**

(iv) **Has the group completed the major restructuring of the divisions?**

(v) The Philippines was added to the group's primary operations since 2018, which includes Indonesia, Malaysia and Singapore. Malaysia and the Philippines contribute just $8.7 million and $4.8 million in revenue in 2019 respectively. **Can management help shareholders understand the potential sizes of these two markets?**

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Q2. On 29 April 2020, the Infocomm Media Development Authority (IMDA) issued two provisional 5G licences. According to IMDA's schedule, the two winners will roll out 5G Standalone networks from January 2021 and are required to provide coverage for at least half of Singapore by end-2022, scaling up to nationwide coverage by end 2025.

(i) **How has the group positioned itself to seize the opportunities in the 5G roll out?**

(ii) **Does the group have the experience, technical expertise and sufficient financial resources to handle a large 5G implementation project?**

Q3. As noted in the Corporate Governance report, the group's dividend policy since FY04 has been to declare and pay annual dividends of at least 30% of our annual net profit after tax. This 30% benchmark is subject to the group's earnings, cash flow and capital requirements.

While the company has good track record of adhering to this benchmark, it has paid out $7.3 million between FY2015 and FY2017, before cutting it to $4.5 million in FY2018 and FY2019.



(Source: company annual report)

The $4.5 million dividend payout in FY2018 was 113.5% of the year's net profit. In FY2019, the payout ratio is 84.5%.

Based on the company's corporate action data on SGX, it was the usual practice for the company to pay out 1.6 cents per share (totally $7.3 million) since 2011, until the dividend was cut to 1 cent per share in FY2018. A decade ago, in 2010, the company's dividend was as high as 1.75 cents per share.

The company's net cash level has decreased from 1.7 cents per share as at 31 December 2018 to 0.2 cents per share as at 31 December 2019 (page 73).

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(i) **Would the $4.5 million dividend payout (or 1 cent per share) be sustainable given the group's profitability and growth trajectory?**

[The following question was sent to the company after a review of the 2018 annual report. As the company has not responded nor addressed the issues raised, the question is updated and reposted to the company.]

Q4. At the company's annual general meeting scheduled to be held on 26 May 2020, Mr Bertie Cheng, who is retiring in accordance with Regulation 99 of the Constitution of the company, will be seeking his re-election. Mr Bertie Cheng is the chairman of the board and has been appointed to the board since 2004.

Similarly, Mr Yap Boh Pin is also seeking his re-election and, likewise, Mr Yap was appointed to the board in 2004.

Both long tenured directors are deemed independent by the board after due and careful rigorous review. In fact, all four independent directors have served on the board for more than 9 years.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code") and the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

(i) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

(ii) **Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**

(iii) **What is the search and nomination process for directors, especially independent directors?**

(iv) **How effective has the board been in providing entrepreneurial leadership to management? Would appointing new directors with a strong track record in technology, infocomm technology, retail and even disruptive technologies improve the level of debate, quality of decision making and effectiveness of the board?**

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Additional comment: In the Letter to shareholders, the company mentioned that it has prepared its **second** [emphasis added] Sustainability Report in compliance with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide.

Last year, in the 2018 annual report, the company had the same comment that it has prepared its **second** [emphasis added] Sustainability Report in compliance with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide.

The board, which is assisted by the Sustainability Management Committee, has the ultimate responsibility for this report, including its compliance with the SGX-ST guidelines on sustainability reporting.

Can the board clarify if the Sustainability Report has been updated in FY2019?

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)