ANNUAL REPORT 2005

**Unified Communications Holdings Limited**
390 Havelock Road, #04-06 King's Centre, Singapore 169662.
Tel: +65-6297 7100 Fax: +65-6297 7200

**www.unifiedcomms.com**

unified communications

www.unifiedcomms.com

ANNUAL REPORT 2005

# Contents



**List of awards**

- MSC status by the Multimedia Development Corporation of Malaysia in December 2000

- Ranked 9th in the Singapore Enterprise 50 Awards in 2002

- Named amongst the prestigious Singapore SME 500 Companies in 2002/2003

- Ranked 1st in the Malaysia's Golden Bull Awards in 2003 for being the most outstanding small and medium sized enterprise

- Ranked 45th in the Deloitte Touche Tohmatsu "Asia Pacific Technology Fast 500" programme for being one of the fastest growing and dynamic technology companies in Asia Pacific in December 2003

**Unified Communications Holdings Limited**

**Singapore**
390 Havelock Road
#04-06 King's Centre
Singapore 169662
Tel: +65-6297 7100
Fax: +65-6297 7200

**Malaysia**
Level 2, Wisma Ascap-qbc
72, Pesiaran Jubli Perak, Seksyen 22
40000 Shah Alam, Selangor D.E. Malaysia
Tel: +603-5163 2888
Fax: +603-5163 2988

**Philippines**
19th Floor, Tower 2, Enterprise Center
6766, Ayala Avenue Corner
Paseo De Roxes, 1226 Makati City, Philippines
Tel: +632-884 8966
Fax: +632-884 8979

**Hong Kong**
Unit 1902, 19/f, Asia Orient Tower
Town Place, No 33, Lockhart Road
Wanchai, Hong Kong
Tel: +852-3105 2990
Fax: +852-3105 2987

**Thailand**
5th Floor, 34 Baan Yossawadee Building
Phaholyothin Soi 7, Phaholyothin Road
Samsennai, Phayathai
Bangkok 10400, Thailand
Tel: +662-619 5290
Fax: +662-617 2338

**China, Shenzhen**
11/F, 11 B1 Tian Xiang Building
Tian-An Cyber Park, Fu Tian District
Shenzhen 518040, PRC China
Tel: +86-755-8357 2300
Fax: +86-755-8357 2343

# Corporate Vision

"To be a key developer and supplier of Information and Communications Techonology products & customised solutions in Asia, by assisting our customers and partners to create, maintain and increase their competitive advantage."

# Corporate Profile

In 1998, Unified Communications was established as a provider of telecommunications proprietary and customised solutions, as well as a distributor of telecommunications products for the industry.

From a single office in Malaysia, the Group today has a global network of six offices located in Singapore, Malaysia, Philippines, Thailand, Hong Kong and China, and various service support arrangements in Beijing and Shenzhen (China), Jakarta (Indonesia), Karachi and Islamabad (Pakistan) and Los Angeles (USA). Through these offices, the Group serves customers in the ASEAN region, Greater China, West Asia, Indochina, the Middle East and the USA.

Unified Communications Group was listed on the main board of the Singapore Exchange in 2004. Today, the Group has four principal business areas targeting telecom operators, service providers and enterprises.

Using our proprietary voice switching and mobile data platforms, Unified Communications develops a wide range of network infrastructure and solutions for innovative mobile value-added services (VAS). Our services include software and system development, solution and system implementation, operations support and turnkey provisioning for telecom operators and telecom service providers.

A partnership between Unified Communications and Ahead Mobile Inc., Korea, Ahead Mobile Sdn Bhd focuses on developing rich media and content-driven applications as well as VAS for mobile networks. These content and media-driven solutions are offered to mobile network operators as a means of promoting growth in Average Revenue per User (ARPU) of their subscriber base.

Incorporated in February 2006, GlobeOSS Sdn Bhd specialises in the global mobile roaming segment of the telecoms industry. This newly formed business unit provides global roaming quality of service (QoS) monitoring and management solutions to telecom operators. These services enable network operators to assure the stability and quality of their roaming services to subscribers.

Attrix Technology was established as a distributor of telecom products for Intel and Quintum Technologies. Attrix has since expanded beyond this initial scope and now distributes full suite of IT solutions, from network security devices to wireless applications and solutions.

The Unified Communications Group seeks to be a profit-enhancing partner for all our customers. The commitment of our people and our businesses is to help our customer deliver increased profits and profitability. We deliver this by continuously developing new services and solutions that create new revenue streams, or reduce the cost of service delivery.

# Chairman's Statement

**Dear Shareholders,**

On behalf of the Board of Directors, I am pleased to present the Annual Report of Unified Communications Holdings Limited for the financial year ended 31 December 2005.

It was by no means an easy year for us, given the positive and negative industry developments in both our home markets and other parts of the world.

The telecommunications industry, especially the mobile communications market in our home territories and also abroad – Indonesia, Indochina, Greater China and the Gulf States – grew positively in 2005. In particular, the launch and heavy promotion of 3G services in Malaysia saw increased interest from operators to deliver a greater range of mobile data and media-rich value-added services (VAS). This presented opportunities for players including us at Unified Communications, to provide such solutions sought by operators, to enhance the yield on their increased investments in network infrastructure and subscriber acquisition.

In contrast, the voice market comprising the traditional telecommunications incumbents and secondary VoIP service providers saw even more intense competition and its corollary; declining call tariffs and profit margins. This development in turn, diminished the levels of capital investment by these operators, resulting in reduced opportunities for solutions providers to these businesses. We at Unified Communications were certainly affected by this less than favourable environment in the voice market.

However, our shift in focus from voice communications solutions and towards mobile communications solutions that was initiated in 2004, and continued to be executed throughout 2005, had insulated us somewhat from the diminished opportunities within the voice market.

**PREPARING FOR GROWTH**

The future of personal communications seems to invariably lie with the ubiquitous mobile phone. SMS services in some territories, such as the Philippines, have become the defacto mode of communications and the principal driver for revenue growth for the mobile network operator. Mobile data services such as SMS in its most basic form have become as widely accepted and understood as basic voice services. The opportunities for us in the near to medium term are in capitalising on the popular adoption of SMS to develop enhanced SMS-based services that can deliver both growth in ARPU and profits for the operators.

Researching, developing and innovating are key processes and competencies for us to sustain and improve, to ensure that we are able to continuously deliver value and relevant solutions to network operators as they evolve to ever more advanced platforms and technologies. Through our dedicated software and system development team, and strategic technology partners, we have been able to deliver relevant solutions such as the Personalised Ring Back Tone (PRBT) and Location-Based Service (LBS).

As early as 2004, we believed that our business would benefit from having a greater proportion of recurring revenue or subscription based revenue in our sales mix. This would provide not only a smoothening of our periodic revenue and income but maximise the potential benefits of those solutions that become wildly popular. During 2005, we continued to have project-based revenue as the majority contributor to the Group revenue. However, we are also seeing revenue-sharing arrangement based revenue for VAS solutions continue to grow in contributing towards the Group revenue.

In terms of geographical focus for our developmental efforts, we remain firm believers in growing with the developing telecommunications markets of Indochina, South Asia and the Middle East. All these markets have yet to reach the full maturity of the Japanese, Korean or Western European markets and therefore offer immense potential for those able to provide infrastructure and services required to build these markets to maturity.

**PERFORMANCE REVIEW**

The Unified Communications Group achieved total revenue of $21.0 million for the year, an improvement of $3.2 million or an 18% increase over to the last financial year. We registered a net loss of $2.3 million for the year, representing an improvement of 27% from the net loss of $3.2 million in 2004.

The bulk of this improvement in revenue and bottom line performance for the Group stems from increased sales and the effects of operating expense rationalisation.

**PROSPECTS AND FUTURE DIRECTION**

The Board remains optimistic on both the telecoms industry and the Group's long-term prospects.

To further improve the Group's financial performance, we will first, aggressively realign our resources to optimise our resourcing levels and secondly, to develop more value-added services and services on a subscription or revenue-share based model to promote steady and sustainable growth.

**DIVIDENDS**

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2005.

**IN GRATITUDE**

Unified Communications looks forward to continuing to create value for our stakeholders. To the regulatory authorities, our appreciation for their continued support and guidance. I would also like to thank our shareholders, customers, business partners, and last but not least, our valued employees – for their commitment and belief in the business that we are building together.

**Dato' Ahmad Sebi Bakar**
**Chairman**
**29 March 2006**

# CEO's Review

"Steadfast focus on our long-term growth strategy"

The financial year ended 31 December 2005 proved to be another challenging year for us, given the rapidly evolving nature of the telecommunications industry. Certain segments of the telecommunications market witnessed intense competition, while others heralded the arrival of exciting new opportunities for profitable growth.

Against this mixed industry backdrop, I am pleased to write that our business and our people continued to make good progress during the year in implementing operational improvements and also in executing our long-term growth strategy.

Throughout the year, we remained steadfast in our commitment to telecoms operators to develop and deliver revenue-enhancing or efficiency-improving solutions and value-added services.

## FINANCIAL HIGHLIGHTS

Group revenue for the year reached $21.0 million, representing an 18% increase over the previous year. The largest contributor to this improvement in revenue was growth in sales of mobile data and value-added services (VAS) solutions.

Our net loss for the year was $2.3 million, representing a reduction of 27% from the loss of $3.2 million recorded in the prior year. Initiatives to improve the efficiency of our operations implemented during the year had successfully delivered a reduction in operating expenses for 2005. The results of these initiatives and increased in turnover are reflected in the Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of $0.5 million achieved in 2005 as opposed to the Loss before Interest, Tax, Depreciation and Amortisation of $3.3 million of 2004.

Our financial results for 2005 were delivered in a mixed industry environment that saw increasingly more aggressive price competition and excess supply in the traditional voice market. The mobile telecommunications segment however, showed strong interest from operators for increasingly more innovative mobile data and VAS solutions.

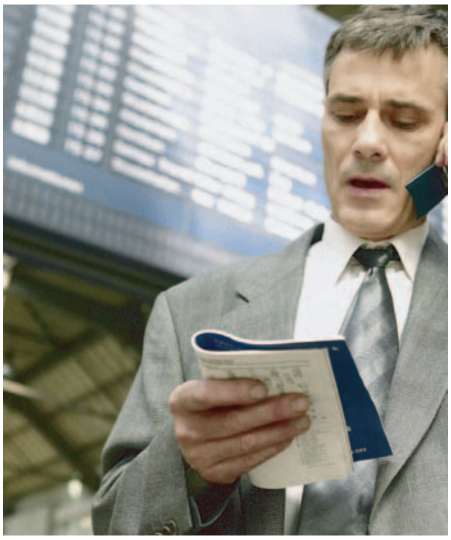
Our focus on these mobile data and VAS solutions over recent years had allowed us to successfully tap into the growth of this market segment and temper the effects of a weaker environment in the traditional voice market.

## FINANCIAL REVIEW

### Proprietary Solutions Business

Revenue from our Proprietary Solutions business rose from $11.5 million (2004) to $15.0 million in 2005, representing an increase of 30% and accounting for 71% of the Group revenue for the year.

Revenue growth enjoyed by this business was driven by increased demand for our mobile data and VAS solutions from mobile operators in Malaysia, Indonesia and Greater China. The specific solutions that were implemented in these territories include; Missed Call Notification for Maxis, Malaysia, USSD Gateway and USSD Menu Browser for PT Indosat, Indonesia and Personalised Ring Back Tone (PRBT) expansion for Far East Tone, Taiwan.



In addition, our revenue-sharing VAS projects which were initiated in 2004 continued to record positive growth, especially our Location-Based Service (LBS) and PRBT solutions in their various guises.

The location-based 'Friend Finder' service launched for both Maxis and DiGi Telecommunications in Malaysia, through our associate company Ahead Mobile Sdn Bhd, is one such LBS solution that is contributing to our growing stream of recurring revenue. Meanwhile in Hong Kong, our PRBT service for New World Mobility continues to deliver encouraging growth month on month.

We had also met with success in bringing our VAS solutions further a field during the year, when we commenced the implementation of the first PRBT service in the Gulf region for MTC-Vodafone, Bahrain in June 2005.

### Distribution Business

The Distribution business, conducted by our wholly-owned subsidiary Attrix Technology, recorded a marginal decrease in revenue of 4% during the year, from $6.3 million (2004) to $6.1 million in 2005.

Attrix Technology had primarily been a distributor of telecoms-related hardware. However, in mid-2005, in anticipation of lower growth prospects in the traditional voice market, two new divisions were established within this business to realise greater value from its distribution capabilities. These new divisions are engaged in the distribution of IT and Emerging Technologies solutions, encompassing network security, back-up and data protection, wireless data and IP related products.

## NEW SOLUTIONS AND INITIATIVES

We continued to innovate in 2005 and introduced several new solutions for mobile data and VAS. Towards the end of the year, we had entered into a complementary line of business in Operations Support Services, providing specialist, network operation related services to mobile network operators.

Among the new solutions and initiatives are:

### Premium SMS

The phenomenal success and popularity of SMS had given rise to our next-generation, enhanced SMS service known as Premium SMS. In November 2005, we launched this service for Maxis, Malaysia, under the brand name 'Colour SMS'. This was a revenue-sharing project implemented through our associate company, Ahead Mobile Sdn Bhd.

Our Premium SMS solution recognises keywords in the plain SMS text message and automatically transforms it into a picture message for SMS phones or full-colour animated graphics and music for MMS capable phones. With the ever-increasing popularity of SMS as a communications mode, we believed that this enhanced SMS solution will enjoy a positive reception from mobile users being targeted.

Background Music

In February 2006, we unveiled another revenue sharing project, a first-of-its-kind mobile VAS called Background Music, for Maxis, Malaysia.

Tapping into the booming interest in portable or 'mobile' music, our Background Music solution allows subscribers to activate a song from their preferred music channel during phone conversations. It can potentially liven up phone conversations by allowing subscribers not only to adjust the music volume but also to navigate freely between songs while they speak.

GlobeOSS

More recently, in March 2006, we established GlobeOSS Sdn Bhd ('GlobeOSS'), a subsidiary providing mobile roaming quality of service monitoring and management solutions. The service provided by GlobeOSS is to assist mobile network operators to assure the stability and quality of their roaming network. GlobeOSS will be leveraging on the Group's credentials and extensive customer base among the mobile network operator community.

As a starting point, this business has rolled-out its first Global Roamer quality of service monitoring system for DiGi Telecommunications in Malaysia. This particular project will help DiGi Telecommunications to test and improve on the quality of its inbound roaming network.

GlobeOSS offers its solutions as a managed service, involving a monthly subscription revenue model.

**MOVING FORWARD**

The future for us involves developing business areas that are capable of delivering sustainable growth and profits. We have three pillars to our development strategy. These are:

1. Grow mobile data and VAS business areas. Leveraging off our existing skills, knowledge and technical capabilities, we will continue to focus our efforts and investments in developing new solutions for mobile data and VAS. We aim to maximise the range of these VAS in one single platform to strengthen our suite of mobile data and VAS offerings to mobile operators.

2. Expand recurring revenue streams via managed services. We plan to redouble our efforts to increase the proportion of our Group revenue that is generated from revenue-share based or subscription based recurring income. We believe that we will be able to unlock maximum value for the Group through emphasis on this revenue model to deliver steady growth for our business.

3. Grow with the developing telecommunications markets. We continue to believe in securing growth by participating in the growth of developing, rather than developed telecommunications markets. We foresee significant opportunities in emerging telecommunications markets such as Indochina, South Asia and the Middle East.

We are looking forward to 2006 being a year of growth and opportunity for the telecommunications industry, especially within the mobile segment. With our continuous focus on mobile telecommunications solutions, I believe Unified Communications is primed to make the most of these opportunities. It should be an interesting and exciting year to come!

**Wong Tze Leng**
**Chief Executive Officer**
**29 March 2006**

"Building on achievement
Unified Communications is poised to deliver niche products"

Investing in mobile data and value-added services applications

Strengthening our recurring -revenue streams

Expanding into developing telecommunications markets

# Corporate Highlights

## February

Unified Communications broadened its Location-Based Service (LBS) in Malaysia through its associate company, Ahead Mobile Sdn Bhd. The location-based Friend Finder service was launched to subscribers of DiGi Telecommunications during this month, enabling them to locate their family members and friends easily via SMS. This is a revenue-sharing project following successful implementation of similar service for Maxis Communications last year.

## March

We extended our Personalised Ring Back Tone (PRBT) solution to the corporate subscribers of New World Mobility, one of the fastest growing mobile operators in Hong Kong. This is the first PRBT service specifically designed for corporate users, following the successful roll-out of their PRBT service that was branded as 'Connecting Tone'. This revenue-sharing project is a strong testimony of our ability to identify and respond to emerging market trends.

## April

Building on the success of the Friend Finder service, Ahead Mobile Sdn Bhd launched another innovative location-based application, the 'Travel Buddy' service, for DiGi Telecommunications in Malaysia. This is a revenue sharing project that provides enhanced location tracking service to constantly track the location of their loved ones or report the location to their loved ones via SMS within a defined duration. The service not only offers updated location information but also provides a peace of mind especially to the parents or care takers to locate their children regularly anytime, anywhere.

## June

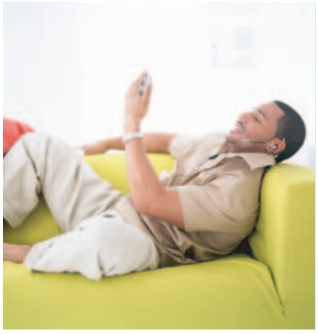
Ahead Mobile Sdn Bhd launched another revenue-sharing project, the location-based Family Finder for Maxis, Malaysia. This service is an extension to the existing Friend Finder solution that helps to constantly locate their loved ones or report the location to their loved ones via SMS at set intervals.

At the same time, Unified Communications also implemented our Missed Call Notification (MCN) solution for Maxis, Malaysia, following the successful deployment of similar services for Total Access Communications Plc, Thailand and Digital Network Access in Singapore. Specifically designed to help mobile operators turn missed calls into revenue, the MCN solution can seamlessly capture all missed calls in a mobile network, even when the subscriber handsets are switched off or out of the network's coverage. The system will immediately notify the subscribers of all missed calls via SMS when the mobile signal is finally detected.

On the other hand, Unified Communications expanded to the Middle East by deploying the Gulf's first PRBT service branded as 'Connecting Tunes' for MTC-Vodafone in Bahrain. We are excited to work with MTC-Vodafone as they are one of the leading mobile operators pioneering many new services in the kingdom as well as in the Middle East.

Tapping into the wave of interest in portable music, we unveiled a first-of-its-kind value-added service solution, Background Music, at CommunicAsia 2005 in Singapore. Our Background Music solution allows users to activate a song from their preferred music channel during phone conversations. This means that they can have their favourite tunes to suit the atmosphere while they are chatting and to help personalise their calls to make them extra special.

In the same month, we also launched our SS7 Signaling Gateway designed to offer Signalling System 7 ("SS7") to support VoIP networks which utilise Quintum® Technologies VoIP solutions. Our SS7 Signaling Gateway solution will be distributed through selected Quintum certified channel partners. Our product represents an easy and cost-effective way to deliver high-quality voice services over IP networks.



## November

During this month, Ahead Mobile Sdn Bhd launched another innovative mobile value-added service, Premium SMS, for Hotlink, the prepaid service from Maxis, Malaysia. Branded as 'Colour SMS', this solution involving revenue-sharing converts plain text messages into interesting picture messages for SMS phones, or full color animated graphics and music for MMS-enabled phones.

## Dato' Ahmad Sebi Bakar
## Non-Executive Chairman

Dato' Ahmad Sebi Bakar was appointed to our Board on 18 December 2003. He began his career in 1976 as a journalist with the Malay Mail, a daily newspaper published in Malaysia by the New Straits Times Press Berhad and subsequently rose to become its Editor. In 1983, he became the Group Editor of Berita Harian, a Malay language daily newspaper in Malaysia, and was subsequently appointed as Managing Director of Sistem Televisyen Malaysia Berhad, a national commercial television broadcasting station in Malaysia, from 1986 to 1989. Dato' Ahmad was also a Director of the New Straits Times Press Berhad from 1988 to 1989.

Presently, Dato' Ahmad sits on the boards of several companies listed on the Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange), namely, Advance Synergy Berhad, our ultimate holding company, in which he holds the position as Executive Chairman, Advance Synergy Capital Berhad, in which he holds the position as Chairman and Kumpulan Powernet Berhad, in which he holds both the positions as Executive Chairman and Managing Director. He is also a director of Alangka-Suka Hotels & Resorts Berhad, a non-listed public company which is a subsidiary of Advance Synergy Berhad. He is also actively involved in social and charitable work and is the chairman of several non-profit organisations, namely, the privately-funded Orphanage Foundation of Malaysia (YATIM) and the Malaysian National Writers Association. Dato' Ahmad holds a Bachelor of Arts (Hons) degree from the University of Malaya, a diploma in journalism from the Thomson Foundation, United Kingdom, as well as a Master of Arts from Michigan State University, United States of America.

# Board Of Directors

## Mr Wong Tze Leng
## Executive Director and CEO

Mr Wong Tze Leng is both our Executive Director and CEO and was appointed to our Board on 27 December 2002. Mr Wong has over 15 years' experience in the information technology industry, with specific expertise in the telecommunications sector. He started his career in 1988 as an Engineer in the Singapore Institute of Standards & Industrial Research's design and development centre. He gained specialised expertise in computer telephony technology when he joined Federal Computer Services Pte Ltd in 1990 as a Software Engineer and later progressed to the position of Software Manager. In 1993, he joined Dialogic as an Applications Engineer and was later promoted to the position of Business Development Director for the Asia Pacific region. During his career with Dialogic, he established a close rapport and working relationship with numerous IT companies and telcos in the Asia Pacific region. In 1998, he left Dialogic and founded our Group. Mr Wong graduated from Monash University, Victoria, Australia, with a Bachelors degree in Computer Science in 1985 and subsequently obtained a Bachelors degree in Electrical and Electronic Engineering in 1987 from the same university.

## Mr Phuah Peng Hock
## Independent Director

Mr Phuah Peng Hock was appointed to our Board on 18 December 2003. He is the founder and Managing Director of Aviha Consulting Pte Ltd, a management consultancy company focusing in business process upgrading with Information Technology.

He started out as a Design Engineer before switching to the business development field. In 1990, he joined Dynacast (S) Pte Ltd, a British-based die-casting company involved in regional marketing work. He then moved on to Ugimagnetic (S) Pte Ltd, a European-based manufacturer of magnet assembly for disk drives, as Marketing Manager in 1992. In 1994, he joined a company set up by the Economic Development Board of Singapore, as a Senior Consultant, where he was involved in various areas of management consultancy. He co-founded Advisor Associates (S) Pte Ltd, specialising in growth mentorship consultancy, in 2000.

He holds a Bachelor of Engineering (Hon) from the University of Strathclyde, UK, Graduate Diplomas in Marketing Management (Marketing Institute of Singapore) and Marketing (Chartered Institute of Marketing, UK), as well as a Masters degree in Entrepreneurship & Innovation from Swinburne University of Technology, Australia in 1994.

## Ms Lee Su Nie
## Non-Executive Director

Ms Lee Su Nie was appointed to our Board on 18 December 2003. She is also the Chief Executive Officer of Advance Synergy Berhad.

In 1985, she joined Kassim Chan Management Consultants Sdn. Bhd. where she provided management consultancy services. Ms Lee joined the Corporate Finance Department of Rakyat Merchant Bankers Berhad in 1989. In 1991, she left Rakyat Merchant Bankers Berhad to join Perdana Merchant Bankers Berhad (now known as Southern Investment Bank Berhad). Ms Lee subsequently left her position as First Vice President, Corporate Finance of the Bank to join Advance Synergy Berhad in 1995, and presently holds directorships in several private companies within the Advance Synergy Berhad group of companies.

Ms Lee graduated from the University of Birmingham, United Kingdom, with a Bachelor of Commerce (Accounting) degree in 1983 and went on to pursue her Masters of Science (Business Administration) at the University of Bath, United Kingdom, in 1984.

Ms Lee is also a Fellow of The Association of Chartered Certified Accountants.

## Mr Chuah Seong Phaik
## Independent Director

Mr Chuah Seong Phaik was appointed to our Board on 18 December 2003.

Mr Chuah has extensive experience in audit, finance and management including eight years as the Finance Director of a main board listed company on the Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange). He is the founder and Managing Partner of Messrs Paul Chuah & Co. He is currently an Independent Non-Executive Director of A.A. Anthony Securities Sdn Bhd, a subsidiary of Multi-Purpose Holdings Berhad Group.

Mr Chuah is a fellow of the Institute of Chartered Accountants in England and Wales, a Chartered Accountant of the Malaysian Institute of Accountants, a Certified Public Accountant with the Malaysian Institute of Certified Accountants and an Associate Member of the Institute of Internal Auditors of Malaysia.

# Key Management Team

## Mr Anton Syazi Ahmad Sebi
### Deputy Chief Executive Officer

Mr. Anton Syazi Ahmad Sebi was appointed the Deputy Chief Executive Officer in December 2005. He is also the General Manager - Corporate Development of Advance Synergy Berhad (ASB), Executive Director of Advansa Pty Ltd and Home Cinema Studio Pty Ltd. In addition, he holds directorships in several private companies within ASB Group of companies.

Prior to joining the ASB Group of companies as the Assistant General Manager - Business Development in June 2001, Mr. Anton was an Investment Banking Analyst with the South East Asia Investment Banking Division of Credit Suisse First Boston, a leading global investment bank.

Mr. Anton is tasked to identify and develop new business opportunities for the Unified Communications Group, specifically overseeing and carrying out feasibility and preliminary market studies for new business opportunities, conducting business model due diligence and strategic planning.

Mr. Anton graduated from the London School of Economics, University of London with a Bachelor of Science (Economics) in 1998. He has a Master of Arts (Finance) from Webster University. He also holds an Investment Management Certificate (full IMRO version for Institutional Fund Management) awarded by the UK Society of Investment Professionals.

## Mr Ching Ming Wai
### Director of Product and Technologies Group

Mr Ching joined the Group in 2002 as Head of the Product Planning and Management Group of Unified Communications and was later appointed as the Director of our Product and Technologies Group. The main function of this Group within Unified Communications is to initiate and manage the development of innovative telecommunications products and solutions.

With more than 14 years of experience in the development, sales and marketing of telecommunications products and services, Mr Ching has a sound base of industry know-how and keen insight into the evolving needs of telecommunications operators.

Prior to joining Unified Communications, Mr Ching was the Director of Telecom System Development in Spotcast Communications. From 1996 to 2000, he served as Technical Manager of Octel Communication Pacific Limited. In 1995, Mr Ching was Unit Head of an in-house development team in Hong Kong Telecom.

Mr Ching graduated with First Class Honours in Information Technology from the City University of Hong Kong. He qualified as a Chartered Engineer and gained membership of the Institute of Electrical Engineers in 1996.

## Mr Ho Ting Sai
### Director of Professional Services Group

Mr Ho Ting Sai is currently our Director of Professional Services (PS) Group and a Director of Attrix Technology Singapore. His main areas of responsibility are technical management of the group project and service delivery as well as post sales support.

Mr Ho joined Unified Singapore on 1 March 1999 as Vice President (Operations) and subsequently assumed the role of Sales Director of the Group and later the Director of PS Group. He has more than 10 years of experience in the info-communications technology industry with core competencies in telecommunications products and services.

Prior to joining Unified Singapore, Mr Ho was an R&D engineer in Agilis Communications Pte Ltd from 1994 to 1995 and a Product Manager in Dialogic from 1995 to 1998. Mr Ho graduated from the Nanyang Technology University with a Bachelor of Engineering (Hons) degree in Electrical and Electronic Engineering in 1994.

## Mr Chua Kee Huat
## Director of Business Development and Strategic Alliance

Mr Chua Kee Huat joined the Group in August 2004 as the Director of Business Development and Strategic Alliance responsible for the Group's marketing and strategic alliance in the region. He has over 16 years of general management and technology experience in Asia and United States of America (USA). His extensive experience spanned across the healthcare, networking, utilities, consulting, telecommunications/cellular, retail and manufacturing industries.

Mr Chua started his career as a Programmer Analyst in the USA and has since moved through the industries, managing projects, software development, technical support, operation and consulting in Asia Pacific and USA. Prior to joining the Group, Mr Chua was providing security consulting and lecturing for a private education institution in Singapore. From 2000 to 2001, he was the South Asia Pacific Regional Manager for the Support & Services Division, a new start up business division within Intel targeting at the Internet market. He was the Assistant Vice President, Commercial for a local telco, responsible for the company's sales, marketing, channel sales and business development between 2001 and 2003.

Mr Chua attained his MBA from California State University-Hayward in 2001 and is an active member of the California State University-Hayward Alumni (Singapore) where he was the founding member and President, since December 2001. He attained his Bachelor of Science in Management Computer Systems from the University of Wisconsin-Whitewater.

## Mr Lee Chee Leong
## General Manager, Distributions

Mr. Lee Chee Leong joined the Group in February 2005 as the General Manager of Attrix Technology Pte Ltd. He is responsible to grow the Group's distribution business, expanding beyond the distribution of telecom products to include distributing full suites of IT solutions.

Mr. Lee has 17 years of working experience spanning from functional roles of technical pre-sales, sales and strategic account management, product management and marketing, international business development, venture capital funding, to strategic roles of new business start-up and business management. He has diverse industry domain knowledge in computer aided design and manufacturing, product life-cycle management, high performance computing, data and financial clearing for GSM international roaming, wireless mobile stock trading, mobile hand-held computing platform, mobile payment, technology venture funding and ICT software and hardware distribution.

Prior to joining the Group, Mr. Lee has held various key regional executive positions at Electronic Data Systems, Unigraphics, Digital Equipment Corp Asia Pacific, Multinational Automated Clearing House Asia, as well as served local MNCs like Engineering Computer Services, S&I Technologies Asia and Tech Pacific.

Mr. Lee graduated with a mechanical and production engineering in Nanyang Technological University in 1990. In 2001, he completed his executive MBA studies at the California State University Hayward. He also attended the prestigious Manufacturing Enterprise Leadership Program at Electronic Data Systems Corporation, Troy, Michigan.

## Ms Chin Wei Li
## Group Financial Controller

Ms Chin Wei Li joined our Group in January 2001 as our Group Financial Controller.

Prior to joining the Group, she was a Senior Manager in the audit assurance services group of PricewaterhouseCoopers Malaysia. She has gained extensive experience in auditing public listed companies involved in various industries such as property, finance and banking, timber and publishing while working with the international accounting firm.

Ms Chin is a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants and a Chartered Accountant of the Malaysian Institute of Accountants.

# Corporate Information

| | |
|---|---|
| **BOARD OF DIRECTORS** | Dato' Ahmad Sebi Bakar (Non-Executive Chairman)<br>Wong Tze Leng (Chief Executive Officer)<br>Lee Su Nie (Non-Executive Director)<br>Chuah Seong Phaik (Independent Director)<br>Phuah Peng Hock (Independent Director) |
| **COMPANY SECRETARIES** | Lim Ka Bee, ACIS<br>Lathika Devi Amma d/o K R Pillay, ACIS |
| **REGISTERED OFFICE AND BUSINESS ADDRESS** | 390 Havelock Road<br>#04-06 King's Centre<br>Singapore 169662 |
| **SHARE REGISTRAR** | Lim Associates (Pte) Ltd<br>10 Collyer Quay<br>#19-08 Ocean Building<br>Singapore 049315 |
| **AUDITORS** | BDO Raffles<br>5 Shenton Way<br>#07-01 UIC Building<br>Singapore 068808<br>Partner-in-charge: Mdm Ng Geok Mui<br>Year of Appointment: 2005 |
| **NOMINATING COMMITTEE** | Chairman - Chuah Seong Phaik<br>Members - Phuah Peng Hock, Lee Su Nie |
| **REMUNERATION COMMITTEE** | Chairman - Phuah Peng Hock<br>Members - Lee Su Nie, Chuah Seong Phaik |
| **AUDIT COMMITTEE** | Chairman - Chuah Seong Phaik<br>Members - Phuah Peng Hock, Lee Su Nie |
| **PRINCIPAL BANKERS** | DBS Bank Ltd<br>6 Shenton Way<br>DBS Building Tower One<br>Singapore 068809<br><br>Bumiputra-Commerce Bank Berhad<br>6, Jalan Tun Perak<br>50050 Kuala Lumpur<br>Malaysia<br><br>HSBC Bank Malaysia Berhad<br>460, Jalan Ipoh<br>51200 Kuala Lumpur<br>Malaysia |

# Corporate Governance Report

The Board of Directors ("Board") and the Management of Unified Communications Holdings Limited ("the Company") is committed to observing and maintaining a high standard of corporate governance to protect the interests of shareholders and other stakeholders and to promote investors' confidence. This report describes the Company's corporate governance practices with reference to the principles of the Code of Corporate Governance ("Code") and the extent of compliance thereto.

*Principle 1: The Board's conduct of its Affairs*

The direction and control of the Group rests firmly with the Board as it effectively assumes the overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investments and operations of the Group.

In addition to its statutory duties, the Board has identified its principal functions as follows :-

1. Approving the Group's strategic plans, key operational initiatives, major investments and divestments and funding requirements;

2. Approving the annual budget, reviewing the performance of the business and approving the release of the financial results of the Group to shareholders;

3. Providing guidance in the overall management of the business and affairs of the Group;

4. Overseeing the processes for risk management, financial reporting and compliance; and

5. Approving the recommended framework of remuneration for the Board and key executives by the Remuneration Committee.

All newly appointed Directors will be given briefings by Management on the history, business operations and corporate governance practices of the Group. The Directors will also be briefed on new updates in the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), Companies Act or other regulations/statutory requirements from time to time for them to keep pace with changes in regulatory requirements and commercial risks.

The Board meets at least four (4) times a year, with additional meetings convened as warranted by particular circumstances as deemed appropriate by the Board. The Company has provided for telephonic and video conference meetings in its Articles of Association. During the financial year ended 31 December 2005, four (4) meetings were held.

The attendance of the Directors at Board and Board Committees, as well as the frequency of such meeting during the financial year is tabulated below: -

*Directors' Attendance at Board and Board Committee Meetings*

| | Board | | Audit Committee | | Remuneration Committee | | Nominating Committee | |
|---|---|---|---|---|---|---|---|---|
| Name | No. of Meetings Held | No. of Meetings Attended | No. of Meetings Held | No. of Meetings Attended | No. of Meetings Held | No. of Meetings Attended | No. of Meetings Held | No. of Meetings Attended |
| Dato' Ahmad Sebi Bakar | 4 | 3 | n.a | n.a | n.a | n.a | n.a | n.a |
| Wong Tze Leng | 4 | 4 | n.a | n.a | n.a | n.a | n.a | n.a |
| Lee Su Nie | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| Chuah Seong Phaik | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| Phuah Peng Hock | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |

n.a.: not applicable

*Principle 2: Board Composition and Balance*

The Board currently comprises five (5) Directors, all of whom, except for the Chief Executive Officer ("CEO"), are non-executive and two of whom are independent. The Board is supported by various sub-committees, namely, the Nominating Committee, the Audit Committee and the Remuneration Committee whose functions are described below. The Board is able to exercise objective judgment independently from Management and no individual or small group of individuals dominate the decisions of the Board.

The Board is of the opinion that, given the scope and nature of the Group's operations, the present size of the Board is appropriate for effective decision making. The Board is made up of Directors who are qualified and experienced in various fields including engineering, business administration and accountancy. The profiles of each of the Directors is provided in Pages 8 and 9 of this Annual Report.

*Principle 3 : Chairman and CEO*

Dato' Ahmad Sebi Bakar is the Non-Executive Chairman of the Board and Mr Wong Tze Leng is the CEO of the Company.

The Board having considered the number of Non-Executive and Independent Directors on the Board, as well as the size and scope of the affairs and operations of the Group, is of the view that its current structure has a strong element of independence which enables the independent exercise of objective judgment on corporate affairs of the Group. This is reinforced by the establishment of the various Committees of which both Dato' Ahmad Sebi Bakar and Mr Wong Tze Leng are not members.

As the Chairman, Dato' Ahmad Sebi Bakar is responsible for, among others,

(a) scheduling meetings of the Board and setting the Board meeting agenda in consultation with the Company's senior management;

(b) exercising control over quality, quantity and timeliness of the flow of information between Management and the Board; and

(c) ensuring compliance with the Company's guidelines on corporate governance.

*Principle 4 and Principle 5: Nominating Committee*

To facilitate a formal and transparent process for the appointment of new Directors, the Board has formed the Nominating Committee ("NC") which comprises: -

| | |
|---|---|
| Mr Chuah Seong Phaik | (Chairman) |
| Mr Phuah Peng Hock | (Member) |
| Ms Lee Su Nie | (Member) |

All three Committee members are Non-Executive Directors of the Company. Except for Ms Lee Su Nie, the other members of the Committee are Independent Directors.

The principal functions of the NC are:-

(a) To make recommendations to the Board on all board appointments having regard to the Director's contribution and performance;

(b) To determine annually whether a Director is independent;

(c) To decide whether or not each Director is able to and has adequately carried out his duties as a Director of the Company in particular where the Director concerned has multiple board representations;

(d) To decide on how the Board's performance may be evaluated and propose objective performance criteria to the Board; and

(e) To assess the effectiveness of our Board as a whole and assess the contributions by each individual Director to the effectiveness of our Board and to disclose the assessment annually.

The role of the NC is to oversee the appointment and induction process for Directors. Candidates are selected for their character, judgment and business acumen. Where a Director has multiple board representations, the NC will evaluate whether or not a Director is able to and has been adequately carrying out his or her duties as a Director of the Group.

The independence of each Director shall be reviewed annually by the NC based on the Code's definition of what constitutes an Independent Director.

New Directors will be appointed based on NC's recommendations. Such new Directors must submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company.

Pursuant to the Articles of Association of the Company:-

(a) one third of the Directors shall retire from office at every AGM; and

(b) Directors appointed during the course of the year must submit themselves for re-election at the next AGM of the Company.

*Principle 6 : Access to Information*

The Board is provided with complete and timely information prior to Board meetings on an on-going basis. The Directors have separate and independent access to the Company's senior management and the Company Secretary at all times. The CEO also keep the Non-Executive Directors informed, in between Board meetings, on the status of on-going initiatives by the Group. Should the Directors, whether as a group or individually, require independent professional advice, such professionals (who will be selected with the approval of the Non-Executive Chairman or the Chairman of the Committee requiring such advice) will be appointed at the Company's expense.

Where a decision has to be made before a Board meeting is convened, a Directors' Resolution is circulated in accordance with the Articles of Association of the Company and the Directors are provided with the necessary information that will allow them to make informed decisions. The CEO will also ensure that management promptly answers any queries raised by the Directors.

The Company Secretary attends Board Meetings and is responsible for ensuring that Board procedures are followed. The Company Secretary assists senior management in ensuring that the Company complies with rules and regulations which are applicable to the Company.

*Principle 7 : Remuneration Committee*
*Principle 8 : Level and Mix of Remuneration*

The Remuneration Committee ("RC") comprises all Non-Executive Directors with the majority being independent:-

| | |
|---|---|
| Mr Phuah Peng Hock | (Chairman) |
| Mr Chuah Seong Phaik | (Member) |
| Ms Lee Su Nie | (Member) |

The RC's role includes reviewing and recommending to the Board an appropriate and competitive framework of remuneration for the Board and key executives of the Group to ensure that it commensurate with their responsibilities and performance. The RC is also responsible to review the recommendation of fees for Non-Executive Directors before submitting to the Board for approval. No Director will be involved in deciding his own remuneration.

The Executive Director, who is also our CEO, Mr Wong Tze Leng has entered into a three (3) year service agreement with the Company on 19 December 2003. The Service Agreement covers the terms of employment, specifically salary and other benefits. The remuneration of Non-Executive Directors is determined by his/her contribution to the Company, taking into accounts factors such as effort and time spent as well as his/her responsibilities on the Board.

The Board has accepted the recommendations of the RC on fixed fees with meeting allowances for all Non-Executive Directors taking into account the effort, time spent and responsibilities of each of them. The fees for the Non-Executive Directors will be recommended for approval by the shareholders at the AGM.

*Principle 9 : Disclosure on Remuneration*

Our CEO's remuneration consists of fixed salary, performance bonus and benefits in kind. Save as disclosed above, there are no other existing service agreements entered into between the Company and any of the Company's Directors.

For competitive reasons, the Company is disclosing the band of remuneration for each Director as follows: -

| Name | Up to S$250,000 |
|---|---|
| Dato' Ahmad Sebi Bakar | X* |
| Wong Tze Leng | X |
| Lee Su Nie | X* |
| Chuah Seong Phaik | X* |
| Phuah Peng Hock | X* |

* The remuneration in the form of Directors' fees and meeting allowances, are subject to the approval by the shareholders at the forthcoming AGM.

*Remuneration of Key Executives*

Details of remuneration paid to the Top Six Key Executives (who are not Directors of the Company) of the Group for the financial year is set out below. For competitive reasons, the Company is only disclosing the band of remuneration of each key executive for the financial year under review as follows: -

| Name | Up to S$250,000 |
|---|---|
| Ho Ting Sai | X |
| Lee Chee Leong | X |
| Chua Kee Huat | X |
| Ching Ming Wai | X |
| Chin Wei Li | X |
| Anton Syazi Ahmad Sebi | X |

*Mr Anton Syazi Ahmad Sebi is the son of the Non-Executive Chairman.*

*During the year, there is no employee or executive officer who is related to a Director, and whose remuneration exceeds S$150,000 per annum.*

*Principle 10 : Accountability of the Board and Management*

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects. The management will provide the Board with appropriately detailed management accounts of the Company which present a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis.

*Principle 11 : Audit Committee*

The Audit Committee ("AC") comprises:-

| | |
|---|---|
| Mr Chuah Seong Phaik | (Chairman) |
| Mr Phuah Peng Hock | (Member) |
| Ms Lee Su Nie | (Member) |

Except for Ms Lee Su Nie, who is not an Independent Director, the Committee members are all Independent Non-Executive Directors. The members have had many years of experience in accounting, audit and business and financial management. The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC.

The AC has written terms of reference. Specifically, the AC shall meet on a periodic basis to perform the following functions:-

(a) To review with the external and internal auditors their respective audit plans, their evaluation of the system of internal controls, their audit report, their management letter and our management response;

(b) To review the Group's quarterly management reports and announcements before they are submitted to the Board for approval;

(c) To review internal control procedures and ensure co-ordination between the external auditors and our management, review the assistance given by the Management to the internal and external auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of the Management where appropriate);

(d) To review compliance with the Listing Manual and the Best Practices Guide of the SGX-STand the Code, effectiveness of financial and accounting control systems and management of exposure to financial and business risks;

(e) To review and discuss with the external auditors any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and our management's response;

(f) To consider the appointment and re-appointment of the external auditors and to review the level of audit fees;

(g) To review the adequacy of the internal audit function;

(h) To review and where appropriate, approve interested person transactions; and

(i) To undertake such other reviews and projects as may be requested by the Board and to report to the Board its findings from time to time on matters arising therefrom and requiring the attention of the AC.

Minutes of the AC meetings are regularly submitted to the Board for its information and review. The AC meet with the external and internal auditors, without the presence of Management, at least once a year.

The AC is also authorised to investigate any matter within its terms of reference. It has full access to and the co-operation of Management and the full discretion to invite any Director or Executive Officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. As there are no non-audit services rendered to the Company by the external auditors, the AC is satisfied that there is no prejudice to the independence and objectivity of the external auditors and is pleased to recommend their re-appointment.

*Principle 12 : Internal controls*
*Principle 13 : Internal Audit*

The Board believes the importance of maintaining a sound system of internal controls to safeguard the interests of the shareholders and the Group's assets. The Group seeks to continuously improve its internal controls. In the absence of any evidence to the contrary, the Board believes that the current system of internal controls maintained by the Company's management and that was in place throughout the year and up to and as of the date of this report, is adequate to meet the needs of the Company in its current business environment.

The system of internal control provides reasonable and adequate assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

The AC, has with the assistance of the external auditors, reviewed the effectiveness of the Group's material internal controls as set out in their report on significant controls to the AC. The Management, with the assistance of the Internal Audit Department ("IA"), follows up on the external auditors' recommendations as part of its role in the review of the Company's internal control system.

The functions of the Internal Auditors are undertaken by the Group Internal Audit Department of the ultimate holding Corporation, Advance Synergy Berhad, a public company listed on the main board of Bursa Malaysia Securities Berhad. The AC reviews IA's reports and its activities and also reviews and approves the annual IA plans and resources to ensure that IA has the capabilities to adequately perform its functions.

During the year, the Internal Auditors have carried out operational and risk management review based on prioritized risk areas identified and appropriate steps have been taken to address the findings and recommendations.

*Principle 14 and 15: Communications with the Shareholders*

(a) Communications with Shareholders

The Company does not practice selective disclosure. In line with the continuous obligations of the Company pursuant to the SGX-ST's Listing Rules, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

Information is disseminated to the shareholders on a timely basis through:
(i) SGXNET announcements and news release;
(ii) Annual Report prepared and issued to all shareholders; and
(iii) Company's websites at www.unifiedcomms.com at which shareholders can access information on the Group.

(b) Greater Shareholders Participation

At general meetings, shareholders of the Company are given the opportunity to air their views and ask Directors or Management questions regarding the Company.

The Articles allow a member of the Company to appoint not more than two (2) proxies to attend and vote at general meetings. For the time being, the Board is of the view that this is adequate to enable shareholders to participate in general meetings of the Company and is not proposing to amend their Articles to allow votes in absentia. Separate resolutions on each distinct issue are tabled at general meetings.

## Dealings in Securities

The Company has adopted the SGX-ST's Best Practices Guide in relation to dealings in the Company's securities by its officers. The Company has informed its officers not to deal in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, or one month before the financial year, as the case may be, and ending on the date of the announcement of the relevant results.

The Directors and executives are also expected to observe inside trading laws at all time even when dealing in securities within permitted trading time.

## Risk Management
(SGX-ST's Listing Manual Rule 1207(4)(d))

The practice of risk management is undertaken by the CEO and senior officers of each business division under the review of the Board. The Group regularly reviews and improves its business and operational activities to take into account the risk management perspective. The Company seeks to identify areas of significant business risks as well as to formulate appropriate measures to control and mitigate these risks.

The Group's financial risk management is discussed under Note 28 To the Financial Statements, on page 51 to the Annual Report.

The Board is satisfied with the Group risk management practices and that the risks facing the Group has been adequately addressed.

# Corporate Governance Report

## Interested Person Transactions Policy
(SGX-ST's Listing Manual Rule 907)

The Company has adopted an internal policy in respect of any transaction with interested persons and has procedures established for the review and approval of the Company's interested person transactions. Particulars of the interested person transactions ("IPTs") for the financial year ended 31 December 2005 , disclosed in accordance with Rule 907 of the SGX-ST's Listing Manual are as follows: -

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) | |
|---|---|---|---|---|
| | 2005<br>$'000 | 2004<br>$'000 | 2004<br>$'000 | 2003<br>$'000 |
| Advance Synergy Capital Berhad | 212 | 218 | - | - |
| Wong Tze Leng | - | 134 | - | - |

## Material Contracts
(SGX-ST's Listing Manual Rule 1207(8))

Save for the IPTs, no material contract involving the Directors or controlling shareholders of the Company has been entered into by the Company or any of its subsidiaries since the end of the previous financial year and that no such contract subsisted at the end of the financial year.

# Financial Statement

# Directors' Report

The Directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2005.

## 1. Directors

The Directors of the Company in office at the date of this report are:-

Dato' Ahmad Sebi Bakar
Wong Tze Leng
Lee Su Nie
Chuah Seong Phaik
Phuah Peng Hock

## 2. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object 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.

## 3. Directors' interests in shares or debentures

According to the register of directors' shareholdings, kept by the Company for the purpose of Section 164 of the Singapore Companies Act, Cap. 50 ("Act"), none of the Directors holding office at the end of the financial year had any interest in the share capital or debentures of the Company or related corporations, except as detailed below:

| | Shareholdings registered in the name of Directors or nominee(s) | | Shareholdings in which a Director is deemed to have an interest | |
|---|---|---|---|---|
| | At 1.1.2005 | At 31.12.2005 | At 1.1.2005 | At 31.12.2005 |
| <u>The Company</u> | | | | |
| Unified Communications Holdings Limited | | | | |
| (Ordinary shares of $0.08 each) | | | | |
| Wong Tze Leng | 19,034,329 | 19,034,329 | - | - |
| <u>Ultimate holding corporation</u> | | | | |
| Advance Synergy Berhad | | | | |
| (Stock unit of RM1.00 each) | | | | |
| Dato' Ahmad Sebi Bakar | 15,203,509 | 15,203,509 | 27,451,109 | 27,451,109 |
| (Warrants 2000/2008 to subscribe for stock unit of RM1.00 each) | | | | |
| Dato' Ahmad Sebi Bakar | 7,510,005 | 7,510,005 | 13,727,000 | 13,727,000 |

The directors' interests in the shares and convertible securities of the Company at 21 January 2006 were the same at 31 December 2005.

## 4. Directors' contractual benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or by 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, except as disclosed in the financial statements.

# Directors' Report

## 5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial year.

## 6. Audit committee

The Audit Committee comprises the following members:

Chuah Seong Phaik (Chairman)
Phuah Peng Hock
Lee Su Nie

The audit committee carried out the following functions in accordance with Section 201B(5) of the Companies Act:

(a) review the external auditors' reports;
(b) review the co-operation given by the Company's officers to the external auditors;
(c) review the financial statements of the Company and the Group before submission to the Board of Directors;
(d) nominate external auditors for re-appointment; and
(e) review interested person transactions, if any.

The Audit Committee has recommended to the Board of Directors that BDO Raffles be nominated for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

## 7. Auditors

The auditors, BDO Raffles, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

| | |
|---|---|
| **DATO' AHMAD SEBI BAKAR**<br>**Director** | **WONG TZE LENG**<br>**Director** |

29 March 2006
Singapore

# Statement by Directors

We state that, in the opinion of the Directors of Unified Communications Holdings Limited,

(a) the accompanying financial statements comprising the balance sheets of the Group and of the Company, the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement together with the notes thereon 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 2005 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date; 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.

On behalf of the Board of Directors

DATO' AHMAD SEBI BAKAR
Director

WONG TZE LENG
Director

29 March 2006
Singapore

# Auditors' Report
## To The Members of Unified Communications Holdings Limited

We have audited the accompanying financial statements of Unified Communications Holdings Limited set out on pages 25 to 59 for the year ended 31 December 2005. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements for the financial year ended 31 December 2004 were audited by another auditor whose report dated 29 March 2005 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the accompanying consolidated financial statements of the Group and balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("Act") and Singapore Financial Reporting Standards 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 2005 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

BDO Raffles
Certified Public Accountants

29 March 2006
Singapore

# Consolidated Income Statement

## For The Financial Year Ended 31 December 2005

| | Note | The Group 2005 $'000 | The Group 2004 $'000 |
|---|---|---|---|
| Revenue | 4 | 21,073 | 17,856 |
| Cost of sales | | (12,142) | (10,522) |
| Gross profit | | 8,931 | 7,334 |
| Other operating income | 4 | 441 | 1,078 |
| Technical support expenses | | (5,534) | (3,986) |
| Distribution expenses | | (3,544) | (3,927) |
| Administrative expenses | | (2,437) | (2,414) |
| Other operating expenses | | (107) | (2,123) |
| Loss from operations | 5 | (2,250) | (4,038) |
| Finance costs | 6 | (184) | (116) |
| Share of results of an associated company | 16 | 156 | 64 |
| Loss before income tax | | (2,278) | (4,090) |
| Income tax | 8 | (48) | 904 |
| Loss after income tax | | (2,326) | (3,186) |
| Attributable to: | | | |
| Equity holders of the Company | | (2,343) | (3,190) |
| Minority interest | | 17 | 4 |
| | | (2,326) | (3,186) |
| Loss per share (cents) | 9 | | |
| Basic and Diluted | | 0.73 | 1.05 |

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

# Balance Sheets
As At 31 December 2005

| | Note | Group 2005 $'000 | Group 2004 $'000 | Company 2005 $'000 | Company 2004 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 10 | 929 | 4,683 | 12 | 2,659 |
| Trade and other receivables | 11 | 18,730 | 19,382 | 9,592 | 7,046 |
| Finance lease receivables | 12 | 209 | - | - | - |
| Inventories | 13 | 6,402 | 7,459 | - | - |
| Other current assets | 15 | 979 | 904 | 29 | 28 |
| | | 27,249 | 32,428 | 9,633 | 9,733 |
| **Non-current assets** | | | | | |
| Investment in an associated Company | 16 | 255 | 111 | - | - |
| Investments in subsidiaries | 17 | - | - | 22,526 | 22,526 |
| Plant and equipment | 18 | 8,386 | 7,011 | 33 | 40 |
| Intangible assets | 19 | 2,150 | 2,116 | - | - |
| Deferred income tax assets | 24 | 611 | 621 | - | - |
| Finance lease receivables | 12 | 378 | - | - | - |
| Negative goodwill | 20 | - | (4,360) | - | - |
| | | 11,780 | 5,499 | 22,559 | 22,566 |
| **Total assets** | | 39,029 | 37,927 | 32,192 | 32,299 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 21 | 5,736 | 6,330 | 133 | 303 |
| Current income tax liabilities | | 86 | 98 | - | - |
| Borrowings | 22 | 2,691 | 3,332 | - | - |
| | | 8,513 | 9,760 | 133 | 303 |
| **Non-current liabilities** | | | | | |
| Borrowings | 22 | 81 | 125 | - | - |
| Deferred income tax liabilities | 24 | 58 | 17 | - | - |
| | | 139 | 142 | - | - |
| **Total liabilities** | | 8,652 | 9,902 | 133 | 303 |
| **Net assets** | | 30,377 | 28,025 | 32,059 | 31,996 |
| **EQUITY** | | | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | | | |
| Share capital | 25 | 25,566 | 25,566 | 25,566 | 25,566 |
| Share premium | | 6,382 | 6,382 | 6,382 | 6,382 |
| Foreign currency translation reserve | 26 | (469) | (786) | - | - |
| (Accumulated losses)/Retained profits | | (1,175) | (3,192) | 111 | 48 |
| **Shareholders' equity** | | 30,304 | 27,970 | 32,059 | 31,996 |
| **Minority interest** | | 73 | 55 | - | - |
| **Total equity** | | 30,377 | 28,025 | 32,059 | 31,996 |

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

# Consolidated Statement of Changes In Equity

## For The Financial Year Ended 31 December 2005

| | Note | Share capital $'000 | Share premium $'000 | Foreign currency translation reserve $'000 | Accumulated losses $'000 | Total $'000 | Minority interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|
| | | ← Attributable to equity holders of the Company → | | | | | | |
| Balance at 1 January 2005 as previously reported | | 25,566 | 6,382 | (786) | (3,192) | 27,970 | 55 | 28,025 |
| Effect of adopting FRS 103 | 20 | - | - | - | 4,360 | 4,360 | - | 4,360 |
| Balance at 1 January 2005, as restated | | 25,566 | 6,382 | (786) | 1,168 | 32,330 | 55 | 32,385 |
| Foreign currency translation differences recognised directly in equity | | - | - | 317 | - | 317 | 1 | 318 |
| Net loss for the financial year | | - | - | - | (2,343) | (2,343) | 17 | (2,326) |
| Total recognised losses for the financial year | | - | - | 317 | (2,343) | (2,026) | 18 | (2,008) |
| Balance at 31 December 2005 | | 25,566 | 6,382 | (469) | (1,175) | 30,304 | 73 | 30,377 |
| Balance at 1 January 2004 | | * | - | - | (2) | (2) | - | (2) |
| Foreign currency translation differences recognised directly in equity | | - | - | (786) | - | (786) | - | (786) |
| Net loss for the financial year | | - | - | - | (3,190) | (3,190) | 4 | (3,186) |
| Total recognised losses for the financial year | | - | - | (786) | (3,190) | (3,976) | 4 | (3,972) |
| Issue of ordinary shares pursuant to acquisition of subsidiaries | 25 | 22,526 | - | - | - | 22,526 | - | 22,526 |
| Issue of ordinary shares pursuant to the initial public offering | 25 | 3,040 | 7,600 | - | - | 10,640 | - | 10,640 |
| Share issue costs | | - | (1,218) | - | - | (1,218) | - | (1,218) |
| Minority share of subsidiaries acquired | | - | - | - | - | - | 51 | 51 |
| Balance at 31 December 2004 | | 25,566 | 6,382 | (786) | (3,192) | 27,970 | 55 | 28,025 |

* Denotes $2.00

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

# Consolidated Cash Flow Statement

For The Financial Year Ended 31 December 2005

| | Note | 2005 $'000 | 2004 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before income tax | | (2,278) | (4,090) |
| Adjustments for:- | | | |
| -Amortisation of development costs and intellectual property | 19 | 518 | 495 |
| -Negative goodwill recognised | 20 | - | (1,034) |
| -Depreciation of plant and equipment | 18 | 2,118 | 1,265 |
| -Plant and equipment written off | | - | 101 |
| -Net (gain)/loss on disposals of plant and equipment | 4 & 5 | (37) | 1 |
| -Interest expense | 6 | 184 | 116 |
| -Interest income | 4 | (82) | (43) |
| -Share of results of an associated company | 16 | (156) | (64) |
| -Foreign currency translation adjustments | | 216 | (677) |
| Operating cash flow before working capital changes | | 483 | (3,930) |
| | | | |
| Change in operating assets and liabilities, net of effects from purchase of subsidiaries | | | |
| -Restricted deposits placed with financial institutions | | - | 581 |
| -Inventories | | 1,637 | (1,893) |
| -Finance lease receivables | | (587) | - |
| -Trade and other receivables and other current assets | | 679 | 5,894 |
| -Trade and other payables | | (596) | (1,357) |
| Cash from / (used in) operations | | 1,616 | (705) |
| | | | |
| Income tax paid | | (89) | (474) |
| Interest paid | | (184) | (116) |
| Net cash flow from / (used in) operating activities | | 1,343 | (1,295) |
| | | | |
| Cash flows from investing activities | | | |
| Acquisitions of subsidiaries, net of cash acquired | 10 | - | 452 |
| Investment in an associated company | 16 | - | (69) |
| Purchases of plant and equipment | 18 | (4,141) | (5,059) |
| Proceeds from disposals of plant and equipment | | 165 | 8 |
| Development costs paid | 19 | (519) | (319) |
| Interest received | | 19 | 43 |
| Net cash flow used in investing activities | | (4,476) | (4,944) |
| | | | |
| Cash flows from financing activities | | | |
| Proceeds from issuance of ordinary shares | | - | 10,640 |
| Payments of share issue costs and listing expenses | | - | (1,218) |
| Finance lease interest income | | 63 | - |
| Proceeds from borrowings | | 8,639 | 8,784 |
| Repayments of borrowings | | (9,132) | (7,747) |
| Repayment of finance leases | | (48) | (42) |
| Net cash flow (used in) / from financing activities | | (478) | 10,417 |
| | | | |
| Net change in cash and cash equivalents | | (3,611) | 4,178 |
| Cash and cash equivalents at beginning of financial year | | 4,178 | * |
| Cash and cash equivalents at end of financial year | 10 | 567 | 4,178 |

* Denotes $2.00

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

# Notes to the Financial Statements
For The Financial Year Ended 31 December 2005

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. General corporate information

Unified Communications Holdings Limited (the "Company") is incorporated and domiciled in Singapore and is publicly traded on Singapore Exchange Securities Trading Limited. The address of its registered office is 390 Havelock Road, #04-06 King's Centre, Singapore 169662.

The principal activities of the Company are that of an investment holding company and the provision of management services. The principal activities of its subsidiaries are disclosed in note 32 to the financial statements.

## 2. Significant accounting policies

### (a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below:

The preparation of financial statements in conformity with FRS requires management to exercise judgement in the process of applying the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity are disclosed in Note 3.

In 2005, the Company adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2005:

FRS 1 (revised) Presentation of Financial Statements
FRS 2 (revised) Inventories
FRS 8 (revised) Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised) Events After the Balance Sheet Date
FRS 16 (revised) Property, Plant and Equipment
FRS 17 (revised) Leases
FRS 21 (revised) The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised) Related Party Disclosures
FRS 27 (revised) Consolidated and Separate Financial Statements
FRS 28 (revised) Investment in Associates
FRS 32 (revised) Financial Instruments: Disclosure and Presentation
FRS 33 (revised) Earnings Per Share
FRS 36 (revised) Impairment of Assets
FRS 38 (revised) Intangible Assets
FRS 39 Financial Instruments: Recognition and Measurement
FRS 103 Business Combinations

In accordance with the transitional provisions set out in the respective standards, the above standards have been applied prospectively from the effective date of 1 January 2005. The adoption of these new/revised FRSs and INT FRSs did not result in substantial changes to the Group's accounting policies except as disclosed below:

## 2. Significant accounting policies (Continued)

### (a) Basis of preparation (Continued)

FRS 103 - Business Combinations

FRS 103 requires that any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in the income statement.

Previously, under FRS 22, negative goodwill was reported as a deduction from assets in the balance sheet and released to income over 5 years.

In accordance with the transitional provisions of FRS 103, the Group has applied the revised accounting policy prospectively from 1 January 2005. Therefore, the change had no impact on amounts reported for the prior period.

The carrying amount of negative goodwill at 1 January 2005 has been derecognised at the transitional date and an adjustment of S$4,360,000 is made to opening balance of accumulated losses and negative goodwill at 1 January 2005.

Under the previous accounting policy, $1,078,000 of negative goodwill would have been released to the income statement during 2005, leaving a balance of negative goodwill of $3,282,000 at 31 December 2005. The impact of the change in accounting policy in 2005 is a reduction in other operating income of $1,078,000 and an increase in net assets at 31 December 2005 of $3,282,000.

**FRS and INT FRS issued but not yet effective**

The Group has not adopted the following FRS and INT FRS that are relevant to its operation which have been issued but not yet effective:-

| | Effective date, (Annual periods beginning on or after) |
|---|---|
| FRS 107 : Financial Instruments: Disclosures | 1 January 2007 |
| INT FRS 104: Determining whether an Arrangement Contains a Lease | 1 January 2006 |

The Group expects that the adoption of the above pronouncements will have no significant impact on the financial statements in the period of initial application.

### (b) Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts.

*(1) Sale of goods*

Revenue from sale of goods is recognised when the Group has delivered the products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

For sale of equipment made on behalf of third party suppliers or on an agency basis, revenue representing commission is recognised on delivery of the products to customers.

## 2. Significant accounting policies (Continued)

### (b) Revenue recognition(Continued)

*(2) Revenue from service contracts*

Revenue and profit from contracts are recognised on an individual contract basis using the percentage of completion method, when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and the total revenue to be received and costs to complete can be reliably estimated. The percentage of completion is estimated by management with reference to the stage of completion of the obligations under the contract with the customer. Where it is probable that a loss will arise from a contract, the excess of total estimated costs over revenue is recognised as an expense immediately.

*(3) Revenue from maintenance contracts*

Revenue from maintenance contracts is recognised on a straight line basis over the period of the respective contracts.

*(4) Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

*(5) Dividend income*

Dividend income is recognised when the right to receive payment is established.

### (c) Group Accounting

*(i) Subsidiaries*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Please refer to note 2(e)(i) for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interest is that part of net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the parent. It is measured at the minorities' share of post-acquisition fair values of the subsidiaries' identifiable assets and liabilities, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are taken to the consolidated income statement, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are taken to the consolidated income statement until the minority's share of losses previously taken to the consolidated income statement are fully recovered.

Please refer to note 2(g) for the Company's accounting policy on investments in subsidiaries.

## 2. Significant accounting policies (Continued)

### (c) Group Accounting (Continued)

*(ii) Associated companies*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies in the consolidated balance sheet includes goodwill (net of accumulated amortisation) identified on acquisition, where applicable. Please refer to note 2(e)(i) for the Group's accounting policy on goodwill.

Equity accounting involves recording investments in associated companies initially at cost, and recognising the Group's share of its associated companies' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its investment in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

In applying the equity method, unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

Please refer to note 2(g) for the Company's accounting policy on investments in associated companies.

(iii) *Transaction costs*

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

### (d) Plant and equipment

All plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (note 2(h)).

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

| | |
|---|---|
| Office equipment, furniture and renovation | 5 years |
| Computers, telecommunications, research and development equipment | 3 - 5 years |
| Motor vehicles | 5 years |

Capital work-in-progress comprising mainly telecommunications equipment are not depreciated until they are ready for their intended use.

The residual values and useful lives of plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date.

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the costs can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

## 2. Significant accounting policies (Continued)

### (d) Plant and equipment (Continued)

On disposal of plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

### (e) Intangible assets

*(i) Goodwill and negative goodwill*

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets of subsidiary companies or associated companies when acquired. Goodwill is stated at cost less impairment losses and is tested for impairment on an annual basis as disclosed in note 2(h).

On the acquisition of a foreign subsidiary company or associated company, the goodwill arising is translated at the exchange rate prevailing at the date of acquisition.

Negative goodwill represents the excess of fair value of the Group's share of the net identifiable assets acquired over the cost of acquisition. In 2005, with the adoption of FRS103, negative goodwill is derecognised as disclosed in note 2(a).

*(ii) Research and development costs*

Research expenditure is recognised as an expense when incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in the subsequent year.

Development costs that have been capitalised are amortised from the commencement of commercial production of the product to which they relate on a straight line method over the period of their expected benefit, not exceeding a period of 5 years.

Development costs are stated at cost less accumulated amortisation and accumulated impairment losses (note 2(h)).

*(iii) Intellectual property*

Expenditure on acquired intellectual property is capitalised and amortised using the straight line method over the period of their expected benefits, not exceeding a period of 5 years.

Acquired intellectual property is stated at cost less accumulated amortisation and accumulated impairment losses (note 2(h)).

### (f) Contract work-in-progress

Contract work-in-progress is stated at the aggregate of contract costs incurred to date plus profits recognised based on the value of work completed less progress billings and provision for foreseeable losses.

Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on contracts, under trade and other receivables. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on contracts, under trade and other payables.

## 2. Significant accounting policies (Continued)

### (g) Investments

Investments in subsidiaries and associated company are stated at cost less accumulated impairment losses in the Company's balance sheet. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is taken to the income statement.

### (h) Impairment of assets

The carrying amounts of non-current assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

Goodwill and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment are identified.

The recoverable amount of the assets is the greater of their net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimate 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.

### (i) Trade and other receivables

Trade and other receivables, classified and accounted as loans and receivables under FRS 39, are recognised initially at original invoiced amount, which represents fair value, and are subsequently carried at amortised cost using the effective interest rate method, less allowance for impairment.

An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of allowance is recognised in the income statement.

### (j) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group is the lessee*

Plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. The corresponding liability is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charge and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

2. Significant accounting policies (Continued)

(j) Leases (Continued)

*The Group is the lessor*

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on sum of digit method over the lease term.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all cost of purchase and other costs in bringing the inventories to their present locations and conditions. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(l) Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

(n) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(o) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new equity instruments, other than for the acquisition of businesses are taken to equity as deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issuance of new equity instruments for the acquisition of businesses are included in the cost of acquisition as part of the purchase consideration.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

(q) Income tax

Income tax for the financial year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case such income tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous financial years.

## 2. Significant accounting policies (Continued)

### (q) Income tax (Continued)

Deferred tax is provided using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date, unless the deferred tax liability arises from an initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction affects neither accounting profit or loss nor taxable profit or loss.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

### (r) Employee benefits

*Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

*Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the balance sheet date.

### (s) Foreign currency translation

*Functional currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The consolidated financial statements are presented in Singapore Dollars, which is the Company's functional and presentation currency.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into the functional currency at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to the income statement.

*Transactions of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:-

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at average exchange rates;
- all resulting exchange differences are taken to the foreign currency translation reserve.

## 2. Significant accounting policies (Continued)

### (t) Dividend

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

### (u) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

### (v) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

## 3. Critical accounting estimates and judgements

### Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

### Deferred tax assets

The Group recognises deferred tax assets for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that is probable that taxable profit will be available against which the deductible temporary differences, carried forward of unused tax assets and unused tax losses can be utilized. Unrecognised deferred income tax assets are reassessed at each balance sheet and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax assets to be recovered and that sufficient profit will be available to allow the benefit of part or all of the deferred tax asset to be utilized. The carrying amount of the Group's deferred tax assets as at 31 December 2005 was S$611,000 (2004: S$621,000).

### Impairment of plant and equipment

Plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flow. The carrying amount of the Group's plant and equipment as at 31 December 2005 was S$8,386,000 (2004: S$7,011,000).

### Impairment of investment in subsidiaries and other financial assets

The Group follows the guidance of FRS 39 (revised 2004) on determining when a financial asset is impaired. The determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near term business outlook for the investment or financial asset, including factor such as industry and sector performance, changes in technology and operational and financing cash flow.

### Impairment of intangible assets

The Group determines whether the intangible assets are impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible assets are being allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's intangible assets at 31 December 2005 was S$2,150,000 (2004: S$2,116,000).

## 3. Critical accounting estimates and judgements (Continued)

### Allowances for impairment of trade receivables

The policy for allowences for trade receivables is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional allowances may be required.

### Allowances for slow-moving and obsolete inventories

The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for and slow-moving obsolete items. Net realisable value is estimated based primarily on the latest invoice prices and current market conditions.

## 4. Operating income

| | The Group | |
|---|---|---|
| | 2005<br>$'000 | 2004<br>$'000 |
| Revenue: | | |
| Distribution of telecommunications products | 6,108 | 6,331 |
| Proprietary solutions, software and services | 14,965 | 11,525 |
| Total revenue | 21,073 | 17,856 |
| Other operating income: | | |
| - interest income from bank | 19 | 43 |
| - interest income from finance lease | 63 | - |
| - negative goodwill recognised (note 20) | - | 1,034 |
| - write back of allowance for impairment of receivables | 237 | - |
| - foreign exchange gain | 55 | - |
| - gain on disposal of plant and equipment | 41 | - |
| - other income | 26 | 1 |
| Total other operating income | 441 | 1,078 |
| | 21,514 | 18,934 |

## 5. Loss from operations

Loss from operations is arrived at after charging/(crediting):

| | The Group | |
|---|---|---|
| | 2005<br>$'000 | 2004<br>$'000 |
| Allowance for impairment of trade receivables | 3 | 1,791 |
| Allowance for impairment of other current assets | 24 | - |
| Amortisation of development costs and intellectual property (included in 'Cost of sales') (note 19) | 518 | 495 |
| Negative goodwill recognised (included in 'Other operating income') (note 20) | - | (1,034) |
| Other fees paid/payable to auditors of the Company | - | 25 |
| Depreciation of plant and equipment (note 18) | 2,118 | 1,265 |
| Foreign exchange losses – net | - | 168 |
| Inventories | | |
| - cost of inventories recognised as an expense (included in 'Cost of sales') | 9,722 | 8,497 |
| - inventories written off | 31 | 283 |
| Plant and equipment written off | - | 101 |
| Loss on disposals of plant and equipment | 4 | 1 |
| Rental expense - operating lease | 908 | 806 |

# Notes to the Financial Statements
For The Financial Year Ended 31 December 2005

## 6. Finance costs

| | The Group | |
|---|---|---|
| | 2005 | 2004 |
| | $'000 | $'000 |
| Interest expense: | | |
| - bank borrowings | 176 | 109 |
| - finance lease liabilities | 8 | 7 |
| | 184 | 116 |

## 7. Staff costs

| | The Group | |
|---|---|---|
| | 2005 | 2004 |
| | $'000 | $'000 |
| Wages and salaries | 5,126 | 4,847 |
| Employer's contribution to defined contribution plans including Central Provident Fund | 527 | 528 |
| | 5,653 | 5,375 |

The above includes key management's remuneration as disclosed in note 30(b).

The number of persons employed at the end of the financial year:

| | The Group | |
|---|---|---|
| | 2005 | 2004 |
| Full time | 181 | 195 |

## 8. Income tax

| | The Group | |
|---|---|---|
| | 2005 | 2004 |
| | $'000 | $'000 |
| Tax expense /(credit) attributable to results is made up of: | | |
| Income tax | (8) | - |
| Deferred income tax | 44 | (839) |
| Share of tax of an associated company (note 16) | 13 | 17 |
| | 49 | (822) |
| Overprovision in preceding financial years | | |
| - current income tax | (1) | (82) |
| | 48 | (904) |

The income tax expense/ (credit) on results differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

| | The Group | |
|---|---|---|
| | 2005 | 2004 |
| | $'000 | $'000 |
| Loss before income tax | (2,278) | (4,090) |
| Tax calculated at a tax rate of 20% | (455) | (818) |
| Effect of changes in tax rates (note 24) | - | (27) |
| Effect of different tax rates in other countries | 7 | (104) |
| Expenses not deductible for tax purposes | 24 | 50 |
| Temporary differences at zero tax rate due to pioneer status | (116) | 355 |
| Deferred tax benefits not recognised in profit and loss account (note 24) | 699 | - |
| Income not subject to tax | (110) | (278) |
| Overprovision in preceding financial years | (1) | (82) |
| Tax charge/(credit) | 48 | (904) |

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2005

## 8. Income tax (Continued)

A subsidiary of the Company in Malaysia has been granted pioneer status incentive as a Multimedia Super Corridor ("MSC") company under the Promotion of Investment Act, 1986 for a period of five years from 21 December 2000 to 20 December 2005. As a MSC status company, the subsidiary enjoys certain incentives, including five years pioneer status tax exemption on profits generated from the MSC qualifying activities for the same period.

The subsidiary's MSC status is in the midst of being renewed for a further five-year period commencing from 21 December 2005 to 20 December 2010, of which a formal application has been submitted on 27 November 2005 to the Multimedia Development Corporation ("MDC"), the Malaysian body that oversees the development of MSC.

## 9. Loss per share

The basic loss per share is calculated by dividing the net loss attributable to equity holders of Unified Communications Holdings Limited by the weighted average number of ordinary shares in issue during the financial year.

| | The Group | |
|---|---|---|
| | 2005 | 2004 |
| Net loss attributable to equity holders of Unified Communications Holdings Limited ($'000) | (2,343) | (3,190) |
| Weighted average number of ordinary shares in issue during the financial year ('000) | 319,573 | 303,775 |
| Basic loss per share | 0.73 cents | 1.05 cents |
| Diluted loss per share | 0.73 cents | 1.05 cents |

Diluted loss per share is the same as basic loss per share because the Company does not have potential dilutive shares.

## 10. Cash and cash equivalents

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash at bank and on hand | 703 | 1,850 | 12 | 41 |
| Short-term bank deposits | 226 | 2,833 | - | 2,618 |
| | 929 | 4,683 | 12 | 2,659 |

The carrying amounts of cash and cash equivalents approximate their fair value.

A short-term bank deposit amounting to $226,429 (2004: $214,980) was a restricted deposit placed with a bank to secure banking facilities for companies in the Group.

Cash and cash equivalents are denominated in the following currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | $'000 | $'000 | $'000 | $'000 |
| Singapore Dollar | 90 | 2,733 | 10 | 2,657 |
| Malaysia Ringgit | 427 | 607 | - | - |
| United States Dollar | 146 | 1,271 | 2 | 2 |
| Baht | 233 | - | - | - |
| Others | 33 | 72 | - | - |
| | 929 | 4,683 | 12 | 2,659 |

Short-term bank deposits have a weighted average maturity of 12 months (2004: 1.5 months) from the end of the financial year with the following weighted average effective interest rates:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Singapore Dollar | - | 1.1% | - | 1.1% |
| Malaysia Ringgit | 3.7% | 3.7% | - | - |

# Notes to the Financial Statements
For The Financial Year Ended 31 December 2005

## 10. Cash and cash equivalents (Continued)

The exposure of cash and cash equivalents to interest rate risks is disclosed in note 28 (ii).

For the purposes of the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

| | The Group | |
|---|---|---|
| | 2005<br>$'000 | 2004<br>$'000 |
| Cash and bank balances | 929 | 4,683 |
| Less: | | |
| - Bank overdrafts (Note 22) | (136) | (290) |
| - Restricted deposit | (226) | (215) |
| Cash and cash equivalents per consolidated cash flow statement | 567 | 4,178 |

### Acquisition of subsidiaries

Net cash inflow from acquisition of subsidiaries in 2004 is as follows:

| | 2004<br>$'000 |
|---|---|
| Cash and bank balances | 492 |
| Restricted short-term bank deposits | 796 |
| Trade and other receivables | 26,066 |
| Inventories | 6,123 |
| Plant and equipment (Note 18) | 2,724 |
| Intangible assets | 3,699 |
| Total assets | 39,900 |
| | |
| Trade and other payables | (9,027) |
| Current tax liabilities | (545) |
| Borrowings | (2,096) |
| Deferred income tax liabilities | (229) |
| Total liabilities | (11,897) |
| | |
| Net identifiable assets | 28,003 |
| Less: Minority interest of the acquired subsidiaries | (43) |
| Net identifiable assets purchased | 27,960 |
| Negative goodwill | (5,394) |
| Total consideration | 22,566 |
| Less: Acquisition via issuance of ordinary shares | (22,526) |
| Less: Cash and cash equivalents in subsidiaries acquired | (492) |
| Net cash inflow from acquisition of subsidiaries | (452) |

# Notes to the Financial Statements
For The Financial Year Ended 31 December 2005

## 11. Trade and other receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | | | | |
| - related corporations | 9 | 18 | - | - |
| - third parties | 17,691 | 17,701 | - | - |
| | 17,700 | 17,719 | - | - |
| Less: Allowance for impairment of receivables - third parties | (1,450) | (1,788) | - | - |
| Trade receivables – net | 16,250 | 15,931 | - | - |
| Proprietary solutions contracts: | | | | |
| - due from customers (note 14) | 1,605 | 2,874 | - | - |
| Other receivables: | | | | |
| - amounts due from subsidiaries (non-trade) | - | - | 9,549 | 6,999 |
| - staff advances | 14 | 36 | - | - |
| - amounts due from an associated company (non-trade) | 41 | 72 | - | - |
| - income tax recoverable | 213 | 115 | - | - |
| - sundry | 607 | 354 | 43 | 47 |
| | 18,730 | 19,382 | 9,592 | 7,046 |

Non-trade amounts due from related corporations are unsecured, interest free and are repayable on demand.

Management believes that no significant additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The carrying amounts of trade and other receivables approximate their fair value. The exposure to interest rate risks of trade and other receivables respectively are disclosed in note 28(ii).

Trade and other receivables are denominated in the following currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | $'000 | $'000 | $'000 | $'000 |
| Singapore Dollar | 793 | 2,076 | 9,592 | 7,046 |
| Malaysia Ringgit | 4,939 | 4,331 | - | - |
| United States Dollar | 12,664 | 12,714 | - | - |
| Others | 334 | 261 | - | - |
| | 18,730 | 19,382 | 9,592 | 7,046 |

## 12. Finance lease receivables

| | The Group | |
|---|---|---|
| | 2005 | 2004 |
| | $'000 | $'000 |
| Gross receivables due: | | |
| - not later than one year | 257 | - |
| - later than one year but not later than 5 years | 407 | - |
| | 664 | - |
| Less: Unearned finance income | (77) | - |
| Net investment in finance leases | 587 | - |
| The net investment in finance leases may be analysed as follows:- | | |
| - not later than one year | 209 | - |
| - later than one year but not later than 5 years | 378 | - |
| | 587 | - |

Finance lease receivables are denominated in Malaysia Ringgit.

# Notes to the Financial Statements
For The Financial Year Ended 31 December 2005

## 13. Inventories

| | The Group | |
|---|---|---|
| | 2005<br>$'000 | 2004<br>$'000 |
| At cost | 6,872 | 7,955 |
| Less: Allowance for obsolete inventories | (470) | (496) |
| | 6,402 | 7,459 |
| Represented by: | | |
| At cost | 6,357 | 7,414 |
| At net realisable value | 45 | 45 |
| | 6,402 | 7,459 |
| Movement in allowance for obsolete inventories: | | |
| At beginning of year | 496 | 263 |
| Transfer to profit and loss account (net) | (26) | 233 |
| At end of year | 470 | 496 |

## 14. Contract work-in-progress

| | The Group | |
|---|---|---|
| | 2005<br>$'000 | 2004<br>$'000 |
| Aggregate contract costs recognised and recognised profits to date | 2,021 | 2,976 |
| Less: Progress billings | (416) | (120) |
| | 1,605 | 2,856 |
| Due from customers on proprietary solutions contracts (note 11) | 1,605 | 2,874 |
| Due to customers on proprietary solutions contracts (note 21) | - | (18) |
| | 1,605 | 2,856 |

## 15. Other current assets

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2005<br>$'000 | 2004<br>$'000 | 2005<br>$'000 | 2004<br>$'000 |
| Deposits | 223 | 185 | 14 | 14 |
| Less: Allowance for impairment | (24) | - | - | - |
| | 199 | 185 | 14 | 14 |
| Prepayments | 780 | 719 | 15 | 14 |
| | 979 | 904 | 29 | 28 |

The carrying amount of deposits approximates their fair value.

## 16. Investment in an associated company

| | The Group | |
|---|---|---|
| | 2005<br>$'000 | 2004<br>$'000 |
| Investment at cost | 69 | 69 |
| At beginning of the financial year | 111 | - |
| Investment in associated company | - | 69 |
| Exchange differences | 1 | (5) |
| Share of results before tax | 156 | 64 |
| Share of tax (note 8) | (13) | (17) |
| Share of results after tax | 143 | 47 |
| At end of the financial year | 255 | 111 |

The summarised financial information of associated company is as follows:

| | 2005 | 2004 |
|---|---|---|
| - Assets | 756 | 428 |
| - Liabilities | 118 | 140 |
| - Revenues | 781 | 313 |
| - Net profit | 353 | 122 |

Details of the associated company are included in note 32.

## 17. Investments in subsidiaries

| | The Company 2005 $'000 | The Company 2004 $'000 |
|---|---|---|
| Investments, at cost | 22,526 | 22,526 |

Details of the subsidiaries are included in note 32.

## 18. Plant and equipment

| The Group | Office equipment, furniture and renovation $'000 | Computers, tele-communications, research and development equipment $'000 | Motor vehicles $'000 | Capital work-in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2005 | 750 | 5,946 | 314 | 1,082 | 8,092 |
| Additions | 186 | 1,416 | - | 2,539 | 4,141 |
| Disposals | (7) | (178) | - | - | (185) |
| Transfers to inventories | - | (126) | - | (542) | (668) |
| Exchange differences | 13 | 71 | 5 | - | 89 |
| At 31 December 2005 | 942 | 7,129 | 319 | 3,079 | 11,469 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2005 | 107 | 912 | 62 | - | 1,081 |
| Depreciation charge (note 5) | 233 | 1,810 | 75 | - | 2,118 |
| Disposals | (3) | (50) | - | - | (53) |
| Transfers to inventories | - | (88) | - | - | (88) |
| Exchange differences | 5 | 18 | 2 | - | 25 |
| At 31 December 2005 | 342 | 2,602 | 139 | - | 3,083 |
| **Net book value** | | | | | |
| At 31 December 2005 | 600 | 4,527 | 180 | 3,079 | 8,386 |

# Notes to the Financial Statements
For The Financial Year Ended 31 December 2005

## 18. Plant and equipment (Continued)

| The Group | Office equipment, furniture and renovation $'000 | Computers, tele-communications, research and development equipment $'000 | Motor vehicles $'000 | Capital work-in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2004 | - | - | - | - | - |
| Acquisition of subsidiaries (note 10) | 661 | 1,800 | 263 | - | 2,724 |
| Additions | 295 | 3,682 | 61 | 1,082 | 5,120 |
| Disposals | (2) | (27) | - | - | (29) |
| Write-off | (196) | - | - | - | (196) |
| Transfers from/(to) inventories | 21 | 546 | - | - | 567 |
| Exchange differences | (29) | (55) | (10) | - | (94) |
| At 31 December 2004 | 750 | 5,946 | 314 | 1,082 | 8,092 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2004 | - | - | - | - | - |
| Depreciation charge (note 5) | 218 | 981 | 66 | - | 1,265 |
| Disposals | (1) | (19) | - | - | (20) |
| Write-off | (95) | - | - | - | (95) |
| Transfers from/(to) inventories | - | (11) | - | - | (11) |
| Exchange differences | (15) | (39) | (4) | - | (58) |
| At 31 December 2004 | 107 | 912 | 62 | - | 1,081 |
| **Net book value** | | | | | |
| At 31 December 2004 | 643 | 5,034 | 252 | 1,082 | 7,011 |

| The Company | Office equipment, furniture and renovation $'000 |
|---|---|
| **Cost** | |
| At 1 January 2005 | 44 |
| Additions | 2 |
| At 31 December 2005 | 46 |
| **Accumulated depreciation** | |
| At 1 January 2005 | 4 |
| Depreciation charge | 9 |
| At 31 December 2005 | 13 |
| **Net book value** | |
| At 31 December 2005 | 33 |

| The Company | Office equipment, furniture and renovation $'000 |
|---|---|
| **Cost** | |
| At 1 January 2004 | - |
| Additions | 44 |
| At 31 December 2004 | 44 |
| **Accumulated depreciation** | |
| At 1 January 2004 | - |
| Depreciation charge | 4 |
| At 31 December 2004 | 4 |
| **Net book value** | |
| At 31 December 2004 | 40 |

## 18. Plant and equipment (Continued)

Additions in the consolidated financial statements included $Nil (2004: $61,000) of motor vehicles acquired under finance lease. The carrying amount of motor vehicles held under finance leases at 31 December 2005 amounted to $158,000 (2004: $210,000).

## 19. Intangible assets

| | The Group | |
|---|---|---|
| | 2005 $'000 | 2004 $'000 |
| Development costs (note (a)) | 954 | 488 |
| Intellectual property (note (b)) | 1,196 | 1,628 |
| | 2,150 | 2,116 |

(a) Development costs

| | The Group | |
|---|---|---|
| | 2005 $'000 | 2004 $'000 |
| At beginning of the financial year | 488 | - |
| Acquisition of subsidiary | - | 234 |
| Development cost recognised as an asset | 519 | 319 |
| Amortisation charge (note 5) | (57) | (48) |
| Exchange differences | 4 | (17) |
| At end of the financial year | 954 | 488 |
| | | |
| Cost | 1,069 | 553 |
| Accumulated amortisation | (105) | (48) |
| Exchange differences | (10) | (17) |
| | 954 | 488 |

Development costs principally comprise internally generated expenditure on development costs of major development projects where it is reasonably anticipated that the costs will be recovered through commercial activity.

b) Intellectual property

| | The Group | |
|---|---|---|
| | 2005 $'000 | 2004 $'000 |
| At beginning of the financial year | 1,628 | - |
| Acquisition of subsidiary | - | 3,465 |
| Returned to supplier of intellectual property | - | (1,333) |
| Amortisation charge (note 5) | (461) | (447) |
| Exchange differences | 29 | (57) |
| At end of the financial year | 1,196 | 1,628 |
| | | |
| Cost | 2,132 | 2,132 |
| Accumulated amortisation | (908) | (447) |
| Exchange differences | (28) | (57) |
| | 1,196 | 1,628 |

Intellectual property comprises acquisition of the rights and titles to certain intellectual property relating to mobile solutions. In 2004, a subsidiary of the Company had returned $1,333,000 worth of rights and titles of certain intellectual property that did not meet technical requirements, with a corresponding reduction in outstanding payables to the supplier of intellectual property.

# Notes to the Financial Statements
For The Financial Year Ended 31 December 2005

## 20. Negative goodwill

| | The Group | |
|---|---|---|
| | 2005 | 2004 |
| | $'000 | $'000 |
| **Cost** | | |
| Balance at beginning of financial year | | |
| - As previously reported | 5,394 | - |
| - Effect of adoption of FRS 103 (note 2(a)) | (5,394) | - |
| - As restated | - | - |
| Acquisition of subsidiaries | - | 5,394 |
| Balance at end of the financial year | - | 5,394 |
| **Accumulated amortisation and impairment** | | |
| Balance at beginning of financial year | | |
| - As previously reported | (1,034) | - |
| - Effect of adoption of FRS 103 (note 2(a)) | 1,034 | - |
| - As restated | - | - |
| Amortisation | - | (1,034) |
| Balance at end of financial year | - | (1,034) |
| Net book value | - | 4,360 |

The negative goodwill arose from the excess of fair value of the identifiable assets net of liabilities of subsidiaries acquired over the cost of acquisition.

In 2004, the negative goodwill, was being recognised in the profit and loss account over 5 years. With the adoption of FRS 103, the negative goodwill had been derecognised at the beginning of the year, with a corresponding adjustment to the opening balance of accumulated losses (note 2 (a)).

## 21. Trade and other payables

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade payables | 3,443 | 3,525 | - | - |
| Proprietary solutions contracts: | | | | |
| - due to customers (note 14) | - | 18 | - | - |
| Accrued operating expenses | 879 | 1,092 | 133 | 251 |
| Deposits received | 43 | 30 | - | - |
| Other payables: | | | | |
| - supplier of intellectual property | 227 | 785 | - | - |
| - amount due to ultimate holding corporation (non-trade) | 6 | 5 | - | - |
| - amount due to a subsidiary (non-trade) | - | - | - | 23 |
| - amount due to related corporations (non-trade) | 566 | 476 | - | - |
| - dividend payable | 156 | 156 | - | - |
| - sundry | 416 | 243 | - | 29 |
| | 5,736 | 6,330 | 133 | 303 |

Non-trade amounts due to the ultimate holding corporation, a subsidiary and related corporations are unsecured, interest free and are repayable on demand. Related corporations are the Company's fellow subsidiaries.

The carrying amounts of trade and other payables approximate their fair value.

Trade and other payables are denominated in the following currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | $'000 | $'000 | $'000 | $'000 |
| Singapore Dollar | 978 | 1,489 | 101 | 274 |
| Malaysia Ringgit | 1,602 | 1,361 | 8 | - |
| United States Dollar | 2,705 | 3,383 | 24 | 29 |
| Euro Dollar | 368 | - | - | - |
| Others | 83 | 97 | - | - |
| | 5,736 | 6,330 | 133 | 303 |

## 22. Borrowings

| | The Group 2005 $'000 | 2004 $'000 |
|---|---|---|
| Current | | |
| Bank overdrafts (note 10) | 136 | 290 |
| Bank borrowings | 2,510 | 2,995 |
| Finance lease liabilities (note 23) | 45 | 47 |
| | 2,691 | 3,332 |
| Non-current | | |
| Finance lease liabilities (note 23) | 81 | 125 |
| Total borrowings | 2,772 | 3,457 |

(a) Security granted

The borrowings are covered by corporate guarantees from the Company and a subsidiary, and a charge on a short-term bank deposit of $226,429 (2004: $214,980). Finance lease liabilities of the Group are secured by the rights to the leased motor vehicles (note 18), which would revert to the lessors in the event of default by the Group.

(b) Maturity of borrowings

The bank borrowings have a weighted average maturity of 1 month (2004: 2.5 months) from the end of the financial year.

(c) Currency risk

The carrying amounts of total borrowings are denominated in the following currencies:

| | The Group 2005 $'000 | 2004 $'000 |
|---|---|---|
| Singapore Dollar | 138 | 631 |
| Malaysia Ringgit | 1,586 | 990 |
| United States Dollar | 1,048 | 1,836 |
| | 2,772 | 3,457 |

(d) Interest rate risks

The weighted average effective interest rates of total borrowings at the balance sheet date are as follows:

| | 2005 SGD | 2005 MYR | 2005 US$ | 2004 SGD | 2004 MYR | 2004 US$ |
|---|---|---|---|---|---|---|
| Bank overdrafts | 5.8% | 7.7% | - | 5.8% | - | - |
| Bank borrowings | - | 3.2% | 6.9% | 5.3% | 5.4% | 5.2% |
| Finance lease liabilities | - | 3.3% | - | - | 3.3% | - |

The exposure of current and non-current borrowings to interest rate risks is disclosed in note 28 (ii).

(e) Carrying amounts and fair values

The carrying amounts of current borrowings approximate their fair value. The carrying amounts and fair values of non-current borrowings are as follows:-

| | Carrying amounts 2005 $'000 | Fair values 2005 $'000 | Carrying amounts 2004 $'000 | Fair values 2004 $'000 |
|---|---|---|---|---|
| Finance lease liabilities | 81 | 75 | 125 | 115 |

The fair values are determined from the discounted cash flows analysis, using a discount rate based upon the borrowing rate which the Directors expect would be available to the Group at the balance sheet date.

# Notes to the Financial Statements
For The Financial Year Ended 31 December 2005

## 23. Finance lease liabilities

| | The Group | |
|---|---|---|
| | 2005 | 2004 |
| | $'000 | $'000 |
| Minimum lease payments due: | | |
| - not later than one year | 54 | 54 |
| - later than one year but not later than five years | 95 | 135 |
| - later than five years | - | 13 |
| | 149 | 202 |
| Less: Future finance charges | (23) | (30) |
| Present value of finance lease liabilities | 126 | 172 |

The present value of finance lease liabilities may be analysed as follows:-

| | The Group | |
|---|---|---|
| | 2005 | 2004 |
| | $'000 | $'000 |
| Not later than one year (note 22) | 45 | 47 |
| Later than one year (note 22) | | |
| - later than one year but not later than five years | 81 | 115 |
| - later than five years | - | 10 |
| | 81 | 125 |
| | 126 | 172 |

## 24. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:-

| | The Group | |
|---|---|---|
| | 2005 | 2004 |
| | $'000 | $'000 |
| Deferred income tax assets | | |
| - to be recovered after more than 12 months | (611) | (621) |
| Deferred income tax liabilities | | |
| - to be settled after more than 12 months | 58 | 17 |
| | (553) | (604) |

The movements in the deferred income tax account are as follows:-

| | The Group | |
|---|---|---|
| | 2005 | 2004 |
| | $'000 | $'000 |
| At beginning of the financial year | (604) | - |
| Acquisition of subsidiaries | - | 229 |
| Effect of changes in tax rates (note 8) | - | (27) |
| Exchange differences | 7 | 6 |
| Tax charge/ (credit) to income statement | 44 | (812) |
| | (553) | (604) |

As at 31 December 2005, the Group has unabsorbed tax losses of approximately $5,520,000 (2004: $4,402,000) and unutilised capital allowances of approximately $2,913,000 (2004: $4,054,000) which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unabsorbed tax losses and unutilised capital allowances in their respective countries of incorporation. Included in these balances are unabsorbed tax losses of approximately $Nil (2004: $3,410,000) and unutilised capital allowances of approximately $1,657,000 (2004: $1,375,000) which have been used to reduce deferred tax liabilities of the Group as at 31 December 2005. The deferred tax benefits on the remaining carried forward unabsorbed tax losses and unutilised capital allowances amounting to $ 3,256,000 (2004: $Nil) have not been recognised in the financial statements mainly because it is not probable that future taxable profit will be available against which certain subsidiaries can utilise the benefits and due to the pioneer status of a subsidiary of the Company as disclosed in note 8 to the financial statements.

## 24. Deferred income taxes (Continued)

The movement in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follows:

| The Group<br>*Deferred income tax liabilities* | Accelerated tax depreciation $'000 | Others $'000 | Total $'000 |
|---|---|---|---|
| **2005** | | | |
| At 1 January 2005 | 409 | - | 409 |
| Charged to profit and loss account | 54 | - | 54 |
| Exchange differences | - | 7 | 7 |
| At 31 December 2005 | 463 | 7 | 470 |
| | | | |
| **2004** | | | |
| At 1 January 2004 | - | - | - |
| Acquisition of subsidiaries | 231 | 7 | 238 |
| Effect of changes in tax rates | (27) | - | (27) |
| Exchange differences | 6 | - | 6 |
| Charged/(credited) to profit and loss account | 199 | (7) | 192 |
| At 31 December 2004 | 409 | - | 409 |

| *Deferred income tax assets* | Provisions $'000 | Tax losses and capital allowances $'000 | Others $'000 | Total $'000 |
|---|---|---|---|---|
| **2005** | | | | |
| At 1 January 2005 | (7) | (957) | (49) | (1,013) |
| Charged to profit and loss account | - | (10) | - | (10) |
| At 31 December 2005 | (7) | (967) | (49) | (1,023) |
| | | | | |
| **2004** | | | | |
| At 1 January 2004 | - | - | - | - |
| Acquisition of subsidiaries | - | - | (9) | (9) |
| Charged to profit and loss account | (7) | (957) | (40) | (1,004) |
| At 31 December 2004 | (7) | (957) | (49) | (1,013) |

## 25. Share capital and share premium

(a) Authorised ordinary share capital

The total authorised number of ordinary shares is 625,000,000 shares (2004: 625,000,000 shares) with a par value of $0.08 per share.

(b) Issued ordinary share capital

| | 2005 Shares | 2004 Shares | 2005 $'000 | 2004 $'000 |
|---|---|---|---|---|
| At beginning of the financial year | 319,572,675 | 2 | 25,566 | * |
| Issue of ordinary shares of $1.00 each | - | 22,525,812 | - | 22,526 |
| Consolidation of ordinary shares of $1.00 each to ordinary shares of $2.00 each | - | (11,262,907) | - | - |
| Share split of ordinary shares of $2.00 each to ordinary shares of $0.08 each | - | 270,309,768 | - | - |
| Issue of ordinary shares of $0.08 each pursuant to the initial public offering | - | 38,000,000 | - | 3,040 |
| At end of financial year | 319,572,675 | 319,572,675 | 25,566 | 25,566 |

* Denotes $2.00

All issued shares are fully paid.

The movements in the share premium account are set out in the Consolidated Statement of Changes in Equity.

## 26. Foreign currency translation reserve

| | The Group | |
|---|---|---|
| | 2005 | 2004 |
| | $'000 | $'000 |
| At beginning of the financial year | (786) | - |
| Net exchange differences on translation of financial statements of foreign subsidiaries, net of minority interests | 318 | (786) |
| At the end of the financial year | (468) | (786) |

The foreign currency translation reserve is non-distributable.

## 27. Commitments

### (a) Operating lease commitments

The Group leases various premises and equipment under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | $'000 | $'000 | $'000 | $'000 |
| Not later than one year | 355 | 426 | 49 | 51 |
| Later than one year but not later than five years | 52 | 430 | - | 49 |
| | 407 | 856 | 49 | 100 |

### (b) Capital commitments

Remaining paid-up share capital of a subsidiary

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | $'000 | $'000 | $'000 | $'000 |
| Not later than one year | 485 | - | - | - |

## 28. Financial risk management

*Financial risk factors*

The Group's activities expose it to a variety of financial risks including foreign currency risk, cash flow and fair value interest rate risk, credit risk and liquidity risk. The Group seeks to identify areas of significant risks as well as appropriate measures to control and mitigate these risks.

(i) Price risks

Foreign exchange risk

The Group operates mainly in Asia and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Malaysia Ringgit and United States Dollar.

Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group monitors the movement in foreign currency exchange rates closely to ensure action can be taken as appropriate to minimise exposure where appropriate.

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure to the net assets of the Group's foreign operations in Malaysia is managed primarily through holding borrowings denominated in Malaysia Ringgit.

## 28. Financial risk management (Continued)

(ii) Cash flow and fair value interest rate risks

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 value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Regarding the Group's exposure to changes in interest rates, primarily due to the Group's borrowings, management's preferred approach is to fix interest rates for longer durations whenever possible.

The Group's interest risk mainly arises from current borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group monitors the movement in interest rates closely to ensure actions can be taken to minimise exposures as considered necessary.

The tables below set out the Group's and the Company's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

The Group

| | Variable rates | Fixed rates | | | | | |
|---|---|---|---|---|---|---|---|
| | Less than 6 months $'000 | Less than 6 months $'000 | 6 to12 months $'000 | 1 to 5 years $'000 | Over 5 years $'000 | Non-interest bearing $'000 | Total $'000 |
| **At 31 December 2005** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and cash equivalents | - | - | 226 | - | - | 703 | 929 |
| Trade and other receivables | - | - | - | - | - | 18,730 | 18,730 |
| Finance lease receivables | - | 105 | 104 | 378 | - | - | 587 |
| Investments | - | - | - | - | - | 255 | 255 |
| Other assets | - | - | - | - | - | 18,528 | 18,528 |
| **Total assets** | - | 105 | 330 | 378 | - | 38,216 | 39,029 |
| **Liabilities** | | | | | | | |
| Borrowings | 2,646 | 23 | 22 | 81 | - | - | 2,772 |
| Other liabilities | - | - | - | - | - | 5,880 | 5,880 |
| **Total liabilities** | 2,646 | 23 | 22 | 81 | - | 5,880 | 8,652 |

The Group

| | Variable rates | Fixed rates | | | | | |
|---|---|---|---|---|---|---|---|
| | Less than 6 months $'000 | Less than 6 months $'000 | 6 to12 months $'000 | 1 to 5 years $'000 | Over 5 years $'000 | Non-interest bearing $'000 | Total $'000 |
| **At 31 December 2004** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and cash equivalents | - | 2,618 | 215 | - | - | 1,850 | 4,683 |
| Trade and other receivables | - | - | - | - | - | 19,382 | 19,382 |
| Finance lease receivables | - | - | - | - | - | - | - |
| Investments | - | - | - | - | - | 111 | 111 |
| Other assets | - | - | - | - | - | 13,751 | 13,751 |
| **Total assets** | - | 2,618 | 215 | - | - | 35,094 | 37,927 |
| **Liabilities** | | | | | | | |
| Borrowings | 3,285 | 23 | 24 | 115 | 10 | - | 3,457 |
| Other liabilities | - | - | - | - | - | 6,445 | 6,445 |
| **Total liabilities** | 3,285 | 23 | 24 | 115 | 10 | 6,445 | 9,902 |

28. Financial risk management (Continued)

The Company

| | Variable rates | Fixed rates | | | | | |
|---|---|---|---|---|---|---|---|
| | Less than 6 months $'000 | Less than 6 months $'000 | 6 to12 months $'000 | 1 to 5 years $'000 | Over 5 years $'000 | Non-interest bearing $'000 | Total $'000 |
| **At 31 December 2005** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | 12 | 12 |
| Trade and other receivables | - | - | - | - | - | 9,592 | 9,592 |
| Investments | - | - | - | - | - | 22,526 | 22,526 |
| Other assets | - | - | - | - | - | 62 | 62 |
| **Total assets** | - | - | - | - | - | 32,192 | 32,192 |
| **Liabilities** | | | | | | | |
| Other liabilities | - | - | - | - | - | 133 | 133 |
| **Total liabilities** | - | - | - | - | - | 133 | 133 |

The Company

| | Variable rates | Fixed rates | | | | | |
|---|---|---|---|---|---|---|---|
| | Less than 6 months $'000 | Less than 6 months $'000 | 6 to12 months $'000 | 1 to 5 years $'000 | Over 5 years $'000 | Non-interest bearing $'000 | Total $'000 |
| **At 31 December 2004** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and cash equivalents | - | 2,618 | - | - | - | 41 | 2,659 |
| Trade and other receivables | - | - | - | - | - | 7,046 | 7,046 |
| Investments | - | - | - | - | - | 22,526 | 22,526 |
| Other assets | - | - | - | - | - | 68 | 68 |
| **Total assets** | - | 2,618 | - | - | - | 29,681 | 32,299 |
| **Liabilities** | | | | | | | |
| Other liabilities | - | - | - | - | - | 303 | 303 |
| **Total liabilities** | - | - | - | - | - | 303 | 303 |

iii) Credit risk

The top 5 debtors comprise 62% of trade receivables. The Group has policies in place to ensure that sales of products and services are made to customers with an acceptable credit history.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping multi-option credit facilities available.

## 29. Immediate and ultimate holding corporations

The Company's immediate holding corporation is Worldwide Matrix Sdn Bhd, and the ultimate holding corporation is Advance Synergy Berhad, both incorporated in Malaysia. Worldwide Maxtrix Sdn Bhd is a wholly-owned subsidiary of Advance Synergy Berhad.

## 30. Related party transactions

In addition to the related party transactions disclosed elsewhere in these financial statements, the following transactions took place between the Group and related parties during the financial year:

(a) Sales and purchases of goods and services

| | The Group | |
|---|---|---|
| | 2005 $'000 | 2004 $'000 |
| Sales of goods/services to: | | |
| - an associated company | - | 67 |
| - other related corporations | 102 | 27 |
| Purchase of goods/services from: | | |
| - other related corporations | 79 | - |
| Rental and maintenance fees paid/payable to a commonly controlled entity | 212 | 218 |
| Rental and maintenance fees received from related parties in which a Director has an interest | - | 134 |

Sales to the associated company and other related corporations were carried out on terms agreed between the parties.

| | The Company | |
|---|---|---|
| | 2005 $'000 | 2004 $'000 |
| Reimbursement of expenses charged to subsidiaries | 313 | 437 |
| Service fee charged to subsidiaries | 45 | 50 |
| Payment on behalf of subsidiaries | 540 | 745 |
| Payment on behalf by subsidiaries | 28 | 121 |

(b) Key management's remuneration

The key management's remuneration includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or Company did not incur any costs, the value of the benefit. The key management's remuneration is as follows:

| | The Group | |
|---|---|---|
| | 2005 $'000 | 2004 $'000 |
| Key management of the Group: | | |
| *Directors* | | |
| Salaries and other short-term employee benefits | 212 | 228 |
| Contribution to defined contribution pension plans | 8 | 7 |
| *Others* | | |
| Salaries and other short-term employee benefits | 630 | 646 |
| Contribution to defined contribution pension plans | 38 | 41 |

# Notes to the Financial Statements
For The Financial Year Ended 31 December 2005

## 31. Segment information

Primary reporting format - business segments

The Group is organised into two main business segments:

* Provision of telecommunications products and customised solutions for the telecommunications industry ("Proprietary Solutions"); and

* Distribution of third party telecommunications products and components ("Distribution")

Others comprise investment holdings and provision of management services by the company, which did not constitute a separate reportable segment.

Inter-segment transactions are determined on an arm's length basis. Segment assets consist primarily of plant and equipment, intangible assets, inventories, receivables and operating cash, and exclude deferred tax assets and short-term bank deposits. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and borrowings. Capital expenditure comprises additions to plant and equipment and intangible assets.

| | Proprietary Solutions $'000 | Distribution $'000 | Others $'000 | Elimination $'000 | Group $'000 |
|---|---|---|---|---|---|
| **Financial year ended 31 December 2005** | | | | | |
| Sales: | | | | | |
| - external sales | 14,965 | 6,108 | - | - | 21,073 |
| - inter-segment sales | - | 2,756 | 45 | (2,801) | - |
| | 14,965 | 8,864 | 45 | (2,801) | 21,073 |
| Segment results | (1,229) | (1,019) | (2) | - | (2,250) |
| Unallocated cost | | | | | - |
| Loss from operations | | | | | (2,250) |
| Finance costs | | | | | (184) |
| Share of results of an associated company | | | | | 156 |
| Loss before tax | | | | | (2,278) |
| Income tax | | | | | (48) |
| **Loss after tax** | | | | | (2,326) |
| Segment assets | 33,673 | 2,075 | 34 | (401) | 35,381 |
| Associated company | 255 | - | - | - | 255 |
| Unallocated assets | | | | | 3,393 |
| **Consolidated total assets** | | | | | 39,029 |
| Segment liabilities | (6,233) | (1,771) | - | 3,411 | (4,593) |
| Unallocated liabilities | | | | | (4,059) |
| **Consolidated total liabilities** | | | | | (8,652) |
| **Other segment items** | | | | | |
| Capital expenditure: | | | | | |
| - Plant and equipment | 3,980 | 159 | 2 | - | 4,141 |
| - Development cost of intellectual property | 519 | - | - | - | 519 |
| Amortisation of development cost and intellectual property | 518 | - | - | - | 518 |
| Depreciation of plant and equipment | 2,030 | 79 | 9 | - | 2,118 |
| Allowance for impairment of receivable written back | (237) | - | - | - | (237) |
| Inventories written off | - | 31 | - | - | 31 |

31. Segment information (Continued)

| Financial year ended 31 December 2004 | Proprietary Solutions $'000 | Distribution $'000 | Others $'000 | Elimination $'000 | Group $'000 |
|---|---|---|---|---|---|
| Sales: | | | | | |
| - external sales | 11,525 | 6,331 | - | - | 17,856 |
| - inter-segment sales | - | 4,546 | 50 | (4,596) | - |
| | 11,525 | 10,877 | 50 | (4,596) | 17,856 |
| Segment results | (4,215) | 177 | - | - | (4,038) |
| Unallocated cost | | | | | - |
| Loss from operations | | | | | (4,038) |
| Finance costs | | | | | (116) |
| Share of results of an associated company | | | | | 64 |
| Loss before tax | | | | | (4,090) |
| Income tax | | | | | 904 |
| **Loss after tax** | | | | | (3,186) |
| Segment assets | 30,453 | 2,774 | 40 | (2,235) | 31,032 |
| Associated company | 111 | - | - | - | 111 |
| Unallocated assets | | | | | 6,784 |
| **Consolidated total assets** | | | | | 37,927 |
| Segment liabilities | (4,871) | (867) | - | 846 | (4,892) |
| Unallocated liabilities | | | | | (5,010) |
| **Consolideted total liabilities** | | | | | (9,902) |
| **Other segment items** | | | | | |
| Capital expenditure: | | | | | |
| - Plant and equipment | 4,868 | 208 | 44 | - | 5,120 |
| - Development cost of intellectual property | 319 | - | - | - | 319 |
| Amortisation of development cost and intellectual property | 495 | - | - | - | 495 |
| Negative goodwill recognised | (987) | (47) | - | - | (1,034) |
| Depreciation of plant and equipment | 1,247 | 14 | 4 | - | 1,265 |
| Inventories written off | 283 | - | - | - | 283 |

Secondary reporting format - geographical segments

The Group's two business segments operate in four main geographical areas:

- ASEAN - the Company is headquartered in Singapore, and has operations in Singapore and other ASEAN countries. Operations in this area, principally involved the provision of telecommunications products and customised solutions for the telecommunications industry, the distribution of third party telecommunications products and components, the provision of management services and investment holding; and

- Greater China, North America and other countries - operations in these areas, principally involved the provision of telecommunications products and customised solutions for the telecommunications industry, and the distribution of third party telecommunications products and components.

Sales are based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical area where the assets are located.

31. Segment information (Continued)

| | Sales 2005 $'000 | Total assets 2005 $'000 | Capital expenditure 2005 $'000 |
|---|---|---|---|
| 2005 | | | |
| ASEAN | 15,521 | 32,214 | 4,660 |
| Greater China | 3,755 | 1,815 | - |
| North America | 85 | 921 | - |
| Other countries | 1,712 | 431 | - |
| | 21,073 | 35,381 | 4,660 |
| Associated company (note 16) | | 255 | |
| Unallocated assets | | 3,393 | |
| | | 39,029 | |

| | Sales 2004 $'000 | Total assets 2004 $'000 | Capital expenditure 2004 $'000 |
|---|---|---|---|
| 2004 | | | |
| ASEAN | 13,722 | 25,681 | 5,439 |
| Greater China | 1,842 | 1,833 | - |
| North America | 267 | 2,475 | - |
| Other countries | 2,025 | 1,043 | - |
| | 17,856 | 31,032 | 5,439 |
| Associated company (note 16) | | 111 | |
| Unallocated assets | | 6,784 | |
| | | 37,927 | |

# Notes to the Financial Statements
For The Financial Year Ended 31 December 2005

## 32. Listing of companies in the Group

| Name of companies | Principal activities | Country of incorporation | Equity holding 2005 % | Equity holding 2004 % |
|---|---|---|---|---|
| Subsidiaries held by the Company | | | | |
| Unified Communications Pte Ltd [a] | Distribution of telecommunications products, design and development of telecommunications solutions, project management, and maintenance and support services for the telecommunications industry | Singapore | 100 | 100 |
| Unified Communications Sdn Bhd [b] | Research and development, software engineering, system integration, project management, and maintenance and support services for the telecommunications industry | Malaysia | 100 | 100 |
| Subsidiaries held by the Group | | | | |
| Unified Communications Limited [c] | Distribution of telecommunications products, the design and development of telecommunications solutions, project management, and maintenance and support services for the telecommunications industry | Hong Kong | 51 | 51 |
| Unified (Thailand) Limited [d] | Distribution of telecommunications products, the design and development of telecommunications solutions, project management, and maintenance and support services for the telecommunications industry | Thailand | (e) | (e) |
| Attrix Technology Pte Ltd [a] | Distribution of telecommunications products | Singapore | 100 | 100 |
| AttrixTech Sdn Bhd [b] | Distribution of telecommunications products | Malaysia | 100 | 100 |
| Unified Communications (Shenzhen) Pte Ltd [f] | Distribution of telecommunications products, the development of localised telecommunications solutions, and supports and maintenance services for the telecommunications industry | People's Republic of China | 100 | - |
| Associated company held by the Group | | | | |
| Ahead Mobile Sdn Bhd [b] | Software engineering, system integration, project management, and maintenance and support services for the telecommunications industry | Malaysia | 40 | 40 |

(a) Audited by BDO Raffles, Singapore
(b) Audited by BDO Binder, Malaysia
(c) Audited by K. K. Lee & Hui, Hong Kong
(d) Audited by Thai Audited Consultant Limited, Thailand
(e) The total share capital is Thai Baht ("THB") 2,000,000 comprising THB 1,100,000 of fully paid-up preference shares and THB 900,000 of fully paid-up ordinary shares. United Communication Pte Ltd subscribed to100% of the issued and paid-up ordinary shares, and a third party investor subscribed to 100% of the issued and paid-up preference shares.
(f) Audited by Shenzhen Mingshen Public Accounting Firm
The company was incorporated during the financial year. The registered share capital of the company is US$500,000. The paid up capital at 31 December 2005 was US$209,000. The remaining of the registered capital is required to be paid up in year 2006 as disclosed in note 27 (b).

## 33. Significant event subsequent to balance sheet date

On 23 February 2006, the Company's wholly-owned subsidiary, Unified Communications Sdn Bhd received the Certificate of Incorporation of Private Company for the incorporation of a 51% owned subsidiary in Malaysia, GlobeOSS Sdn Bhd with an authorised share capital of RM500,000 and issued capital of RM10,000. The remaining 49% of the issued share capital of GlobeOSS Sdn Bhd is held by another non-related company, namely Incremental Mission Sdn Bhd, a private limited company incorporated in Malaysia.

## 34. Comparative figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements. As a result, the following comparative figures in the related notes have been adjusted to conform with current year's presentation:

| | As previously reported $'000 | Reclassification $'000 | As restated $'000 |
|---|---|---|---|
| The Group | | | |
| Cost of sales | 10,403 | 119 | 10,522 |
| Technical support expenses | 4,105 | (119) | 3,986 |

## 35. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Unified Communications Holdings Limited on 29 March 2006.

# Statistics of Shareholdings
## As At 15 March 2006

| | | |
|---|---|---|
| Issued and Paid-up Capital | : | $25,565,814 |
| No. of shares | : | 319,572,675 |
| Class of Shares | : | Ordinary Shares |
| Voting Rights | : | One vote per share |

### DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 999 | 3 | 0.12 | 1,118 | 0.00 |
| 1,000 - 10,000 | 1,114 | 44.94 | 8,190,289 | 2.56 |
| 10,001 - 1,000,000 | 1,344 | 54.21 | 65,875,000 | 20.62 |
| 1,000,001 and above | 18 | 0.73 | 245,506,268 | 76.82 |
| TOTAL | 2,479 | 100.00 | 319,572,675 | 100.00 |

### TWENTY LARGEST SHAREHOLDERS

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | RHB Bank Nominees Pte Ltd | 82,210,000 | 25.72 |
| 2 | Worldwide Matrix Sdn Bhd | 59,418,939 | 18.59 |
| 3 | Raffles Nominees Pte Ltd | 44,704,000 | 13.99 |
| 4 | Southern Nominees (S) Sdn Bhd | 19,034,329 | 5.96 |
| 5 | OCBC Securities Private Ltd | 6,011,000 | 1.88 |
| 6 | UOB Kay Hian Pte Ltd | 4,968,000 | 1.55 |
| 7 | Westcomb Securities Pte Ltd | 4,275,000 | 1.34 |
| 8 | Orlit Enterprises (S) Pte Lyd | 4,000,000 | 1.25 |
| 9 | United Overseas Bank Nominees Pte Ltd | 3,240,000 | 1.01 |
| 10 | Sim Puay Soong | 3,000,000 | 0.94 |
| 11 | Philip Securities Pte Ltd | 2,873,000 | 0.90 |
| 12 | DBS Nominees Pte Ltd | 2,407,000 | 0.75 |
| 13 | DBS Vickers Securities (S) Pte Ltd | 2,235,000 | 0.70 |
| 14 | Citibank Consumer Nominees Pte Ltd | 1,970,000 | 0.62 |
| 15 | Kim Eng Securities Pte Ltd | 1,376,000 | 0.43 |
| 16 | OCBC Nominees Singapore Pte Ltd | 1,373,000 | 0.43 |
| 17 | HL Bank Nominees (S) Pte Ltd | 1,301,000 | 0.41 |
| 18 | SBS Nominees Pte Ltd | 1,110,000 | 0.35 |
| 19 | Mayban Nominees (S) Pte Ltd | 995,000 | 0.31 |
| 20 | Tan Kah Soo | 922,000 | 0.29 |
| TOTAL | | 247,423,268 | 77.42 |

### SUBSTANTIAL SHAREHOLDERS

| No. | Name | No. of Shares Direct Interest | No. of Shares Deemed Interest |
|---|---|---|---|
| 1 | Worldwide Matrix Sdn Bhd | 186, 322,939 | - |
| 2 | Wong Tze Leng | 19,034,329 | - |
| 3 | Advance Synergy Berhad [(a)] | - | 186,322,939 |

(a) By virtue of its shareholdings in Worldwide Matrix Sdn Bhd

Based on the information available to the Company as at 15 March 2006, approximately 36% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

# Notice Of Annual General Meeting

**Unified Communications Holdings Limited**
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at River View Hotel Singapore, 382 Havelock Road, Singapore 169629, Camellia Room (Level 4) on Friday, 28 April 2006 at 3.00 p.m. to transact the following business:-

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2005 and the Reports of Directors and Auditors thereon. Resolution 1

2. To approve the Directors' Fees for the financial year ended 31 December 2005. Resolution 2

3. To re-elect the following Directors retiring pursuant to Article 103 of the Company's Articles of Association:-

   (a) Chuah Seong Phaik Resolution 3
   (b) Phuah Peng Hock Resolution 4

   *(See Explanatory Note 1)*

4. To re-appoint BDO Raffles as auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 5

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following with or without modifications.

**Ordinary Resolutions**

5. Authority to allot and issue shares

   (a) "That pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

      (i) issue shares in the share capital of the Company whether by way of rights, bonus or otherwise;

      (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

      (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

   (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that:

# Notice Of Annual General Meeting

**Unified Communications Holdings Limited**
(Incorporated in the Republic of Singapore)

(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 Company's issued share capital, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's issued share capital at the time this resolution is passed, after adjusting for:

- new shares arising from the conversion or exercise of convertible securities; or
- new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
- any subsequent consolidation or sub-division of the Company's shares; and

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **Resolution 6**

*(See Explanatory Note 2)*

6. To transact any other business which may properly be transacted at an Annual General Meeting.

Dated this 13th day of April 2006

By Order of the Board

Lathika Devi Amma d/o K R Pillay
Company Secretary

## Explanatory Notes:-

1. The ordinary resolution in item 3 is to re-elect the retiring Directors pursuant to Article 103 of the Company's Articles of Association:-

   (a) Mr Chuah Seong Phaik will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and Nominating Committee AND a member of the Remuneration Committee. He is considered as an Independent Director for the purposes of the Rule 704(8) of the Listing Manual of the SGX-ST.

   (b) Mr Phuah Peng Hock will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. He is considered as an Independent Director for the purposes of the Rule 704(8) of the Listing Manual of the SGX-ST.

2. The ordinary resolution in item 5 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 20 percent of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Notes:-

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies in his/her stead.
2. A proxy need not be a member of the Company.
3. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at 390 Havelock Road, #04-06 King's Centre, Singapore 169662 not later than 48 hours before the time appointed for the Meeting.

# Proxy Form

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED**
(Incorporated in the Republic of Singapore)

**IMPORTANT:**
1. For investors who have used their CPF monies to buy Unified Communications Holdings Limited's shares, this Annual Report 2005 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intends and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

I/We_______________________________________(Name)_______________________(NRIC No./Passport No./Company Registration No.) of ___________________________________________________________________________________

_____________________________________________________________________________________________(Address)

being a member/ members of UNIFIED COMMUNICATIONS HOLDINGS LIMITED ( the "Company"), hereby appoint

| Name | Address | NRIC/ Passport No. | Proportion of shareholdings to be represented by proxy (%) |
|---|---|---|---|
| | | | |

* and/ or

| | | | |
|---|---|---|---|
| | | | |

as *my/our proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at River View Hotel Singapore, 382 Havelock Road, Singapore 169629, Camellia Room (Level 4) on Friday, 28 April 2006 at 3.00 p.m. and at any adjournment thereof.

* I/We direct *my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the * proxy/proxies will vote or abstain from voting at *his/their discretion.

| No. | Ordinary Resolutions | Resolution No. | For | Against |
|---|---|---|---|---|
| 1. | To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2005 and the Reports of Directors and Auditors thereon. | **Resolution 1** | | |
| 2. | To approve the Directors' Fees for the financial year ended 31 December 2005. | **Resolution 2** | | |
| 3. | To re-elect the following Directors retiring pursuant to Article 103 of the Company's Articles of Association:-<br>(a) Chuah Seong Phaik<br>(b) Phuah Peng Hock | <br><br>**Resolution 3**<br>**Resolution 4** | | |
| 4. | To re-appoint BDO Raffles as auditors of the Company and to authorise the Directors to fix their remuneration. | **Resolution 5** | | |
| 5. | To authorise Directors to allot shares pursuant to Section 161 of the Companies Act, Cap. 50. | **Resolution 6** | | |

Dated this ______________day of __________________ 2006

| Total Number of Shares Held |
|---|
| |

_________________________________
Signature(s) of Member(s)/ Common Seal
* Delete accordingly.

**IMPORTANT : Please read notes overleaf**

# Proxy Form

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED**
(Incorporated in the Republic of Singapore)

**Notes :-**

1. 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. Such proxy need not be a member of the Company.

2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

3. 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 common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company 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 its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 390 Havelock Road, #04-06 King's Centre, Singapore 169662 not later than 48 hours before the time set for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares entered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

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 of the Company 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 48 hours before the time set for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.