

(we see glass half full)

Uchl

united communications holdings limited

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

A description of an object, event or outcome depends on **perspective.**

We believe this same notion applies to the Group's financial results. We think that what was achieved during 2007, as presented to you in this annual report, can be likened to the glass of water we selected for the cover this year.

Glass half-full or half-empty?

Like the glass of water, we believe our results can be viewed as either a 'more good' or a 'more not-so-good' outcome. Overall, as glass half-empty or half-full type of year.

We're definitely seeing glass half-full.

But, to understand how we have arrived at this perspective, you would need an insight into the progress made in executing our development strategies and in delivering improvements to our underlying business to prepare it for a better future.

We hope to provide this insight in the following pages, on why we think that although decidedly not a good year, 2007 was more good than bad in many respects.

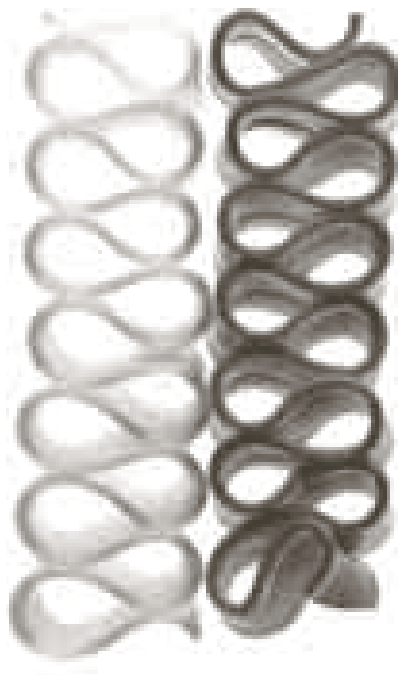
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Meeting 92 Proxy Form Enclosed**

The image shows two silver telephone handsets hanging from their cords. The handset on the left has a cord that is severely tangled and knotted, while the handset on the right has a perfectly straight and untangled cord. This visual metaphor represents the company's efforts to untangle its business operations in 2007.

**2007 involved more time being spent
on untangling any tangled cords in our
businesses.**

Looking at our poor bottom line result alone would hardly give you a complete picture of our performance in 2007. Granted, we certainly did not do great on this one measure. Far from it. However, we've worked pretty hard during the year to straighten out kinks or tangles in our businesses – the kinks and tangles in operations and strategy execution that hold us back from progressing faster. On the one hand, we are disappointed to have to report to you, our shareholder, another net loss this year for the Group (albeit a reduced loss compared to 2006). But, on the other hand, we are happy to report significant improvements in our underlying operating performance. >>

We believe perspective is significant in 2007 because the year was one with many stark **contrasts**

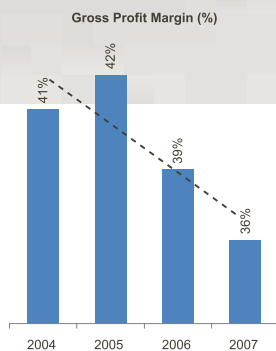
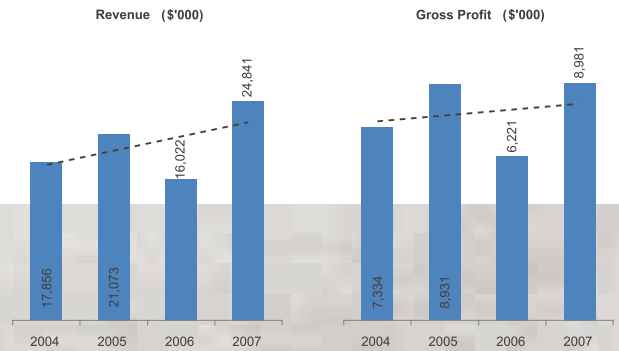


What gives rise to the ambiguity in the picture for the Group's performance for the year is the fact that it was **neither a year of entirely good developments, nor one of entirely bad** outcomes. It is this combination of stark pluses and minuses (with more pluses on balance, we believe) that results in a picture of performance that corresponds to neither glass full to the brim nor glass completely empty.

On the plus side, we recorded significant year-on-year growth in consolidated revenue of the Group. Our Proprietary Solutions business segment made advances in securing growth from mobile value-added-solutions (VAS) related revenues on both revenue-share and system sale business models in our regions of focus. Testament to our strength and capabilities in addressing the Tier-1 mobile telecoms market for customized solutions and system integration, we were engaged to build, and provide technical support services for, the central mobile number portability clearinghouse in Malaysia. Operating expenses of a recurring nature were substantially reduced once again, as part of our cost-rationalisation initiative commenced in 2006. **On the minus side however**, we suffered a decline in our overall gross profit margin, a further fall in distribution segment revenue and a substantial increase in other operating expenses, relating to provisions for inventory and restructured receivables as well as foreign exchange translation losses. We reduced our net loss in 2007 compared to the prior year but did not manage to return the Group to net profitability.

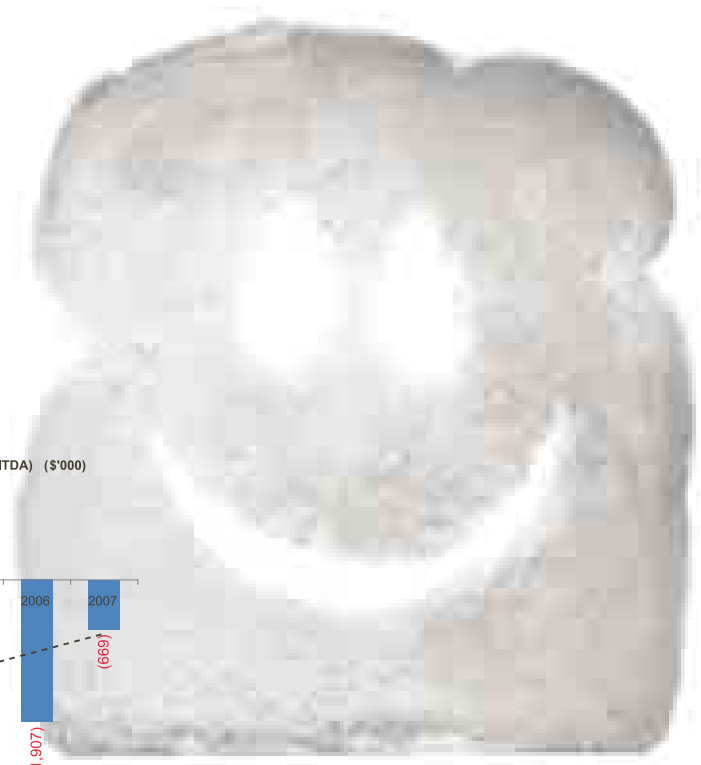
Revenue and Gross Profit Analysis.

On outcomes to celebrate: consolidated revenue in 2007 increased by \$8.8m or 55% over the previous year, and gross profit rose to almost \$9m, driven by strong growth in Proprietary Solutions and OSS business segments

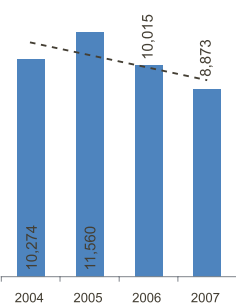


On an outcome to be less happy about: average gross profit margin in 2007 continued to decline on account of higher third-party cost components associated with both Proprietary Solutions and OSS segment revenue

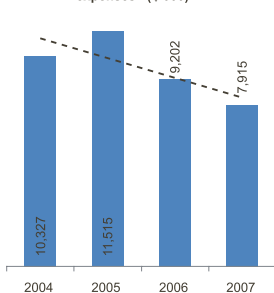
operating expenses excluding exceptional items* in 2007 decreased by \$1.1m or 11%, driven by further rationalization of technical support, distribution and admin expenses, while LBITDA was reduced by \$1.2m.



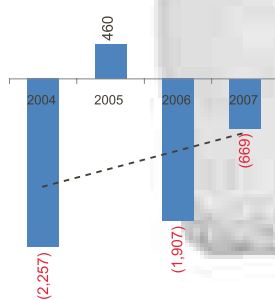
Operating Expenditure before exceptional items* (\$'000)



Technical support, distribution & administrative expenses (\$'000)



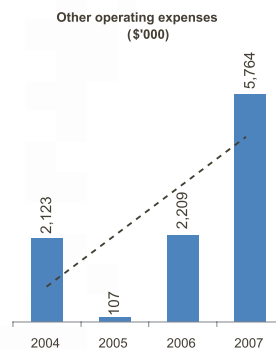
EBITDA/LBITDA (\$'000)



On positive achievements...

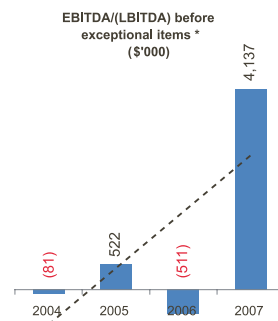
* Exceptional items comprise: impairment allowances for receivables, allowances for inventories obsolescence, inventories written off, discounts allowed, losses on disposal of plant and equipment and plant and equipment written off as disclosed in Note 5 to the Financial Statements for the year ended 31 December 2007.

...and a negative achievement



other operating expenses, comprising among others, impairment allowances for inventories and restructured receivables (exceptional items*), rose to almost \$5.8m in 2007.

One result to cheer about



Excluding the impact of exceptional items*, the Group's underlying business would have recorded **an EBITDA of \$4.1m** for the year, showing a significant improvement to financial performance of the Group at the operations level in 2007, compared to prior years.

* Exceptional items comprise: impairment allowances for receivables, allowances for inventories obsolescence, inventories written off, discounts allowed, losses on disposal of plant and equipment and plant and equipment written off as disclosed in Note 5 to the Financial Statements for the year ended 31 December 2007.

UNIFIED COMMUNICATIONS HOLDINGS LIMITED AND ITS SUBSIDIARIES

Board of Directors : Lee Su Nie (Non-Executive Chairman)
Wong Tze Leng (Chief Executive Officer)
Anton Syazi Ahmad Sebi (Deputy Chief Executive Officer)
Chuah Seong Phaik (Independent Director)
Phuah Peng Hock (Independent Director)

Company secretary : Eileen Koh, ACIS

Registered office : 390 Havelock Road
#04-06 King's Centre
Singapore 169662

Share registrar : Boardroom Corporate & Advisory Services Pte Ltd.
(formerly known as Lim Associates (Pte) Ltd)
3 Church Street
#08-01 Samsung Hub
Singapore 049483

Auditors : BDO Raffles
Certified Public Accountants

Partner-in-charge: Chan Hock Leong
Appointed from the financial year
ended 31 December 2007

Bankers : DBS Bank Ltd
CIMB Bank Berhad
HSBC Bank Malaysia Berhad

Board of Directors

Ms Lee Su Nie **Non-Executive Chairman**

Ms Lee Su Nie, has been a Non-Executive Director of the Company since 18 December 2003, and was appointed Non-Executive Chairman on 22 June 2006. She is also the Chief Executive Officer and Executive Director of Advance Synergy Berhad, the Group's ultimate holding company.

In 1985, Ms Lee 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 Bursa Malaysia Securities Berhad. 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.

Mr Phuah Peng Hock **Independent Director**

Mr Phuah Peng Hock was appointed to our Board on 18 December 2003.

Mr Phuah is the founder and Managing Director of Aviha Consulting Pte Ltd, a management consultancy company focusing in business process upgrading with Information Technology.

Mr Phuah 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.

Mr Phuah 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.

Mr Wong Tze Leng
Chief Executive Officer and
Executive Director

Mr Wong Tze Leng, Executive Director and CEO, was appointed to the 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 the 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 Anton Syazi Ahmad Sebi
Deputy Chief Executive Officer and
Executive Director

Mr Anton Syazi Ahmad Sebi, Deputy Chief Executive Officer since December 2005, was appointed to the Board on 22 June 2006. He is also currently General Manager – Corporate Development of Advance Synergy Berhad (ASB) and Executive Director of Advansa Pty Ltd and Home Cinema Studio Pty Ltd, both subsidiaries of ASB.

Prior to joining ASB as Assistant General Manager - Business Development in June 2001, Mr Anton was with the South East Asia Investment Banking Division of Credit Suisse First Boston.

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 and strategic planning. Mr Anton is also responsible for reviewing and overseeing the implementation of operations strategies, strategic business processes and operational improvement projects within the Group to achieve the Group's overall business objectives and goals.

Mr Anton graduated from the London School of Economics, University of London, with a Bachelor of Science in Economics. He has a Master of Arts in Finance from Webster University Graduate Studies Center, London. He also holds an Investment Management Certificate awarded by the UK Society of Investment Professionals.

Key Management Team

Mr Ching Ming Wai
Director of Product and
Technologies Group
(Proprietary Solutions)

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 the 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.

Ms Chin Wei Li
Group Financial Controller
(UCHL)

Ms Chin Wei Li joined the Group in January 2001 as 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 in various industries including 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.

Mr Ho Ting Sai
Director of Professional
Services Group
(Proprietary Solutions)

Mr Ho Ting Sai is currently our Director of Professional Services (PS) and a Director of Attrix Technology Singapore. His main areas of responsibility are technical management of the Group project and service delivery function 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. He has more than 10 years of experience in the information technology and communications industry with core competencies in telecommunications products and services.

Prior to joining the Group, 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 Ann Wan Kuan
Chief Executive Officer
(GlobeOSS Sdn Bhd)

Mr Ann Wan Kuan, CEO of GlobeOSS Sdn Bhd, has been in the information technology and telecommunications industry for more than 14 years specifically in the area of Operation Support Systems (OSS).

Prior to the setting up GlobeOSS with the Group, Mr Ann was the CEO and founder of Acian Technologies Sdn Bhd, a company he founded to focus on OSS outsourcing and mobile blogging services.

Mr Ann started his career as System Engineer with Alcatel in 1993 and later joined Hewlett-Packard in 1994 before progressing to the position of South East Asia Manager for OSS. During his tenure at Hewlett-Packard, Mr Ann had undertaken various strategic roles from System Engineer, Solution Architect, Technical Consultant, Account Sales Management, Consulting Manager to General Management. He left Hewlett-Packard and join Agilent Technologies as Asia Pacific OSS Manager in year 2000 and was progressed to the position of Malaysian General Manager & Director of the Asia Pacific Service Organization. During the same tenure he also took on the role of Managing Director for Agilent Technologies Sales Malaysia. He left Agilent in 2004 to found Acian Technologies Sdn Bhd.

Mr Ann Wan Kuan graduated with a first class Bachelors Degree in Electronic Engineering from University of Manchester Institute of Science and Technology in 1993.

Mr Lee Yang Dong
Chief Executive Officer
(Ahead Mobile Sdn Bhd)

Mr Lee Yang Dong is the CEO of Ahead Mobile Sdn Bhd. He became a substantial shareholder of Ahead Mobile Sdn Bhd in 2006 after his acquisition of shares in Ahead Mobile Sdn Bhd from Ahead Mobile Inc. (Korea), the company that jointly established Ahead Mobile Sdn Bhd with Unified Communications Sdn Bhd.

Mr Lee has over 20 years of experience in the information technology and telecommunications business. Mr. Lee is also the CEO and founder of AMI since its establishment in February 2000, and has been managing the company's business of providing Location-Based Services (LBS), developing the business with LG Telecom and Hyundai Autos. Prior to founding AMI, he was the CEO of LG Internet Inc., a member company of the LG Group in Korea, a position he held between 1997 to 2000. Mr Lee joined Samsung Group as a Manager in Samsung SDS and has since held several positions in Samsung from 1989 until 1997 with last position as General Manager of Samsung's Global Network Division. After graduating from Yale University, he worked as programmer in Merrin Financial Inc. in the US, before joining Samsung in 1989. He has held several directorships in several IT companies, and has also served as professor in the Chosun University of Korea.

Mr Lee graduated with a Bachelor of Engineering in Seoul National University in 1983, and subsequently obtained a Masters Degree in Computer Science from Yale University in 1985.

Chairman's Statement



Lee Su Nie

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 2007.

2007 was certainly a year of contrasts for our Group – a year with many good and positive developments as well as those that were of a decidedly less positive nature. It can perhaps, be difficult to be sanguine, especially when our Group reports yet another net loss for the year - a net loss for the third consecutive year, that has resulted in our Group being placed on the Singapore Stock Exchange's watchlist.

These less than positive outcomes of 2007, that may lead us to think that the year was one of entirely adverse developments for our Group, had overshadowed the substantial progress that was made during the year in executing development strategies to grow and return our Group's underlying businesses to profitability.

Our management team's steadfast execution of our development strategies had delivered an increase in Group revenue to \$24.8m for the year, an improvement of some 55% over our prior year result. Their continued efforts to rationalize the operating cost structure of our Group yielded a 11% reduction in operating expenses before exceptional items, in large part achieved through the further streamlining of technical support, distribution and administrative expenses in 2007 to \$7.9m. Yet against such substantial improvements in operating performance of our businesses, we recorded a net loss of \$3.5m for the year.

This outcome would certainly be discouraging, if taken at face value, without further analysis of the causes for the disappointing result. Our Group's management team has taken great pains to provide a summary analysis in the first section of this year's Annual Report, in an attempt to explain the factors behind the net loss. The single most significant factor, that had more than offset the gains made by our Group at the operating level, were the high 'other operating expenses' incurred for the year totaling \$5.8m. This comprised primarily further allowances for impairment of certain long-standing accounts receivables, as well as allowances and losses relating to slow-moving or obsolete inventories of the Group (or otherwise, 'exceptional items').

To effect such sizeable provisions was a difficult decision for our Group's management team to propose and an equally difficult one for the Directors to endorse. However, after careful deliberation and consideration of both the proposal and the positive results that had already materialised from our development strategies, the decision was made and accepted to make these allowances, to allow our Group's management to redouble efforts and energies on the abundant opportunities for future growth and profits, and to look less to the past.

By excluding the impact of exceptional items recorded within 'other operating expenses' of our Group's income statement for the year, the effect on our profitability is no less than remarkable. From a LBITDA and net loss, our Group would have turned in alternative result of a significantly improved EBITDA of \$4.1m and a net profit for the full year. This alternative result upon excluding 'other operating expenses', would certainly be representative of the significant improvements that were secured at the operations level of the Group's businesses.

What had driven the progress achieved in our underlying businesses were successes enjoyed by our Group in executing our development strategies, which notably included the further expansion of our VAS business area into the Middle East, and new parts of South Asia and South East Asia; the increased profitability of our associated company Ahead Mobile Sdn Bhd's VAS business in Malaysia; the securing of our participation in the significant Mobile Number Portability (MNP) Clearinghouse project in Malaysia; and the strong growth of our OSS business in South East Asia in its first full year of operations.

Against this backdrop of positive developments at the operations level in 2007, affirming the development strategies adopted by our businesses, and the strong investment and growth trends in the mobile telecommunications markets within our regions and areas of focus, I believe that our Group's return to net profitability is increasingly more imminent.

DIVIDENDS

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2007.

IN GRATITUDE

To the regulatory authorities, we wish to express our appreciation for their continued guidance. To our customers, shareholders and business partners, we thank you for your invaluable support, continued belief and trust in us - our people, technologies and capabilities. Last, but definitely not least, I would like to thank all of the people that make up our Group, for their commitment, passion and dedication in building businesses that continuously deliver innovative telecommunications solutions and services.

Lee Su Nie
Chairman

4 April 2008

Group Business Segments

The UCHL Group comprises **three business segments**: Proprietary Solutions, Distribution and OSS (Operations Support Systems). The Proprietary Solutions segment, the largest of the Group, is further divided into two business areas of the mobile telecoms space – core network and signaling solutions, and value-added services (VAS) solutions.



(Proprietary Solutions Segment)

Customisation, System Integration and Implementation Services

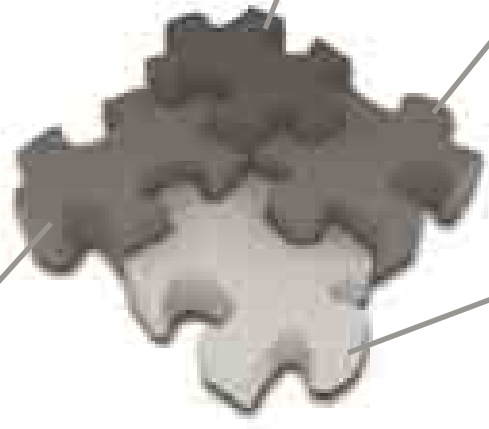
Mobile Core Network and Signalling Solutions:

Roaming Applications, USSD Gateway, USSD Menu Browser, CAMEL Gateway, Missed Call Notification, Mobile Availability Alert, IVR...

Mobile VAS Solutions:

Personalised Ringback Tone, Background Music, Location Based Services, Message Conversion, Voice SMS...

Associated Company:
Ahead Mobile Sdn Bhd



(Distribution Segment)

Telecoms

Products:
SS7 cards and components...

IT Products:

Network monitoring and optimization appliances, network security appliances, wireless broadband equipment...



(OSS Segment)

Roaming QoS Solutions:

Roamer Assure, Integrated Service Management...

2007 Review of Group Ops

("Six Major Themes")



Wong Tze Leng



Anton S A Sebi

The significant achievements of our Group in 2007, across the operations of the three business segments, can be reviewed under six major themes:

#1 - Significant further streamlining of Group operations -

Throughout 2007, both our Proprietary Solutions and Distribution business segments were engaged in the further rationalisation and streamlining of operations. Our Distribution segment's operating cost structure in particular, was revisited and substantially revised in the second half of the year, given the persistently adverse developments affecting the segment - of increasing margin pressure and eroding market share.

The Group-wide cost rationalisation initiative - that commenced in 2006 and continued to be executed well into 2007 - culminated in the further reduction of our Group's technical support, distribution and administrative expenses to \$7.9m in 2007 (2006: \$9.2m).

The reduction in our operating costs effectively cushioned the impact on overall Group profitability during the year while:

- (a) our Proprietary Solutions and OSS business segments were progressively building revenues from longer-sales-cycle opportunities with Tier-1 mobile telecommunications operators; and
- (b) our Distribution segment was being regrouped to address the increasingly more challenging market conditions for both its telecoms and IT product areas.

#2 - Expansion of VAS business footprint in the Middle-East, South Asia and SEA -

Our Group's development strategy - of (1) focusing on and growing mobile-data and VAS business areas; (2) expanding recurring revenue streams via managed services - type income; and (3) growing with the developing telecommunications markets of South East Asia, South Asia and the Middle East - delivered expansionary results in 2007, as reflected in the rise of Group consolidated revenue for the year to \$24.8m (2006: \$16.0m).

In particular, we made good headway in expanding and growing our Proprietary Solutions' VAS business into the Middle East and into new parts of South East Asia and South Asia, notably:

- (a) New implementations of our Background Music (BGM) solution in Saudi Arabia, the United Arab Emirates and Sri Lanka were secured, to add to the existing implementations of this VAS solution in Malaysia and Thailand;
- (b) New implementation of our Personalised Ringback Tone (PRBT) solution in Saudi Arabia and Cambodia were secured, to add to the existing implementations of this VAS solution in Hong Kong, Brunei, Bahrain and India;
- (c) A new implementation of our latest video-based VAS solution - Personalised Ringback Video (PRBV) - was secured in Saudi Arabia; and

2007 Review of Group Ops

- (d) A new implementation of our Location Based Services (LBS) solution being secured in Vietnam.

#3 - Growth in recurrent revenues from VAS implementations on revenue share model -

Substantial growth was also obtained in 2007, in recurrent revenue from the Group's VAS implementations that operate on a revenue-share model. In particular:

- (a) Our PRBT implementation in India on a revenue-share model was launched midway through 2007 and generated substantial income for us in the second half of the year;
- (b) Other VAS implementations on a revenue share model in Hong Kong, Thailand and Brunei continued to show good returns in 2007; and
- (c) Our associated company Ahead Mobile Sdn Bhd continued to advance and enjoyed sizeable improvements in income from its LBS solution in operation in Malaysia.

#4 - Growth in recurrent revenues from managed-services type income via OSS segment -

In its first full year of operations, our OSS business segment, which operates primarily on a managed - services / subscription based revenue model, delivered encouraging growth and recorded revenue of \$2.0m in 2007 (2006: \$0.8m). Our OSS segment's growth was driven by:

- (a) Expansion of the segment's existing Roamer Assure service subscriptions from Tier-1 telecommunications operators that were won as customers in 2006; and
- (b) Additional Roamer Assure service subscriptions in 2007, from new customers in Malaysia, Indonesia, Cambodia, Taiwan and Bangladesh.

Combining OSS segment revenue with the recurrent revenue generated from our Proprietary Solutions segment's VAS implementations on a revenue-share model, Group revenue derived from revenue of a recurrent nature showed a significant increase in 2007, and now contributes to a significantly greater proportion of Group revenue.

During the year, our OSS segment had also worked closely with our Proprietary Solutions segment to deliver solutions and services for the Mobile Number Portability (MNP) Clearinghouse project in Malaysia. This project, during its system operation and management phase, is expected to further bolster the growth of managed-services type income for the Group in the next five financial years, benefitting both our OSS and Proprietary Solutions business segments (see further notes on the MNP Clearinghouse project in review theme #5 to follow).

#5 - Growth in Core Network Solutions business and System Customisation / Integration services revenue in South East Asia -

While the VAS business of our Proprietary Solutions segment expanded its footprint into several new countries within our Group's regions of focus, our Core Network Solutions and System Customisation / Integration businesses within the same segment focused primarily on opportunities in South East Asia to deliver growth, notably through:

- (a) The securing of its appointment as the exclusive technical partner to the awardee for the MNP Clearinghouse project in Malaysia, comprising (1) system customization/build and implementation phase and (2) a five-year operate and manage phase; and

- (b) The implementation of new solutions or system expansions for , among others, Missed Called Notification, Mobile Availability Alert, IVR applications and USSD Menu Browser, being secured in Malaysia, Indonesia and Pakistan.

The most significant development in 2007 for this business area within our Proprietary Solutions segment was, without a doubt, its appointment under the MNP Clearinghouse project in Malaysia. The securing of this significant project is testimony to the capabilities of the Group in not only conceiving, developing and implementing customized solutions for the Tier-1 mobile telecommunications market, but also in integrating and supporting complex systems involving manifold third-party components and project participants, under a tight timetable. In 2007, much of the efforts and resources of this business area was devoted to the MNP Clearinghouse project's first phase of system customization/build and implementation, as well as technical preparation for the system operation and management phase that is due to commence in 2008.

#6 - Addressing long-standing accounts receivables and inventory issues of our Group -

In addition to pursuing and delivering these opportunities for growth across our three business segments, the management team of our Group had also devoted a considerable amount of time and effort in 2007 to carry out further reviews and assessments of issues that would potentially hold back the future progress of our Group in executing the development strategies adopted. To complement the operations streamlining activities, a review of our Group's restructured long-standing accounts receivables and slow-moving or obsolete inventories, relating to both our Proprietary Solutions and Distribution business segments, was accelerated during the year as part of a wider business rationalization initiative.

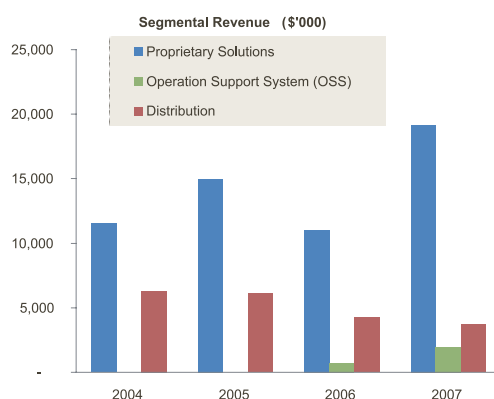
In 2007, the management team of our Group monitored and revisited long-standing accounts receivables and inventories that had respectively been subjected to restructured terms or clearance initiatives in the previous year. Several of these accounts receivables and inventory items were either respectively showing slower than expected progress in fulfilling restructured terms or in being sold, and were consuming a greater than expected amount of management time and resources to monitor and realize. In view of the significant new growth opportunities available to the Group under its development strategies and the underlying growth of the mobile telecommunications industry in our regions of focus, the high opportunity cost of devoting substantial management resources to these activities became more apparent as the year progressed.

After careful consideration and assessment, a difficult decision was made to place greater emphasis on looking to the future and of securing faster progress for our Group in realizing development strategies. The decision involved addressing long-standing accounts receivables and slow-moving inventories by: (1) revisiting and simplifying restructured terms and payment incentives (discounts) for long-standing accounts receivables, and (2) to reduce expectations on realizing the value of slow-moving or obsolete inventories. The management team of our Group will nonetheless continue to address and actively manage the realization of such restructured accounts receivables and affected inventory; however, this decision would allow for the management team to better prioritise the execution of our Group's development strategies that are already showing strongly positive results in 2007.

As a consequence of this decision, a significant amount of allowances and write-offs were made in 2007, relating to impairments of receivables – especially those subject to a further revision of restructured terms – and slow-moving or obsolete inventory. These provisions and write-offs accounted for the bulk in the 'other operating expenses' of our Group in 2007, which totaled \$5.8m for the year.

2007 Review of Group Ops

What made this decision a difficult one was the impact it had on the financial results of our Group for 2007. As a result of these impairment allowances and losses, which can be seen as exceptional items rather than the recurrent operating costs of our Group's businesses, our Group's bottom line remained a net loss for the year, which the management team believes belies the financial performance of our Group at the operations level. Excluding the impact of these other operating expenses (which also includes forex translation losses on US Dollar denominated accounts receivables) our Group would have recorded a markedly different result and a significant improvement from recent years at the operations level : an operating profit – proxied by EBITDA (before exceptional items) – of \$4.1m for 2007 (2006: LBITDA of \$0.7m).



Group ops, in summary -

Overall, in reviewing Group operations for the year, the management team of our Group believes that the fairer measure for assessing our underlying businesses' performance would be to examine our Group's EBITDA excluding 'other operating expenses'. From this perspective, 2007 was certainly a significantly better year than 2006, and a year that reaffirmed of our Group's development strategies. Although far from being a stellar year for our Group in terms of bottom line performance, it was definitely, in our view, a glass-half-full year, rather than glass-half-empty.

*2007 Group financials, quick overview

Group revenue achieved in 2007 of \$24.8m was \$8.8m higher than that recorded in 2006. This improvement in Group revenue was driven by significantly higher revenue achieved by both our Proprietary Solutions and OSS business segments, which combined, recorded revenue of \$21.1m in 2007 (2006: \$11.8m). Both these segments had benefited from results achieved from executing their development strategies, including revenue relating to the implementation of the MNP Clearinghouse project in Malaysia during the year. Our Distribution segment meanwhile, recorded revenue of \$3.7m in 2007, \$0.5m lower than what was achieved in 2006, mainly due to downsizing and streamlining of operations to focus only on key telecommunications and IT products.

Backed by the improved revenue for the year, Group gross profit increased to \$9.0m in 2007 (2006: \$6.2m). The gross profit margin achieved was however, lower compared to the prior year, primarily due to our Proprietary Solutions segment revenue in 2007 containing higher 3rd party component costs.

In tandem with the Group-wide cost rationalisation exercise initiated in 2006, Group technical support expenses, distribution costs and administrative expenses for the year amounted to \$7.9m, a reduction of \$1.3m compared to the prior year. This cost reduction was offset by other operating expenses of \$5.8m recorded in 2007, comprising (i) impairment allowances for trade and non-trade receivables of \$2.9m, set aside for certain long-standing accounts receivables of the Group that were either subjected to a restructuring of payment terms, or that have not complied with restructured terms entered in 2006; (ii) \$1.2m in allowances for impairment set aside and write-offs for inventory; (iii) discounts of \$0.5m set aside for early payment from certain key customers; and (iv) foreign exchange losses of \$0.9m as a result of the weakening of the US Dollar against Ringgit Malaysia and the Singapore Dollar.

Group current assets meanwhile, increased by \$9.2m (or 48%), from \$19.3m as at 31 December 2006 to \$28.5m as at 31 December 2007. This increase is attributable to the rise in cash and cash equivalents of \$1.1m, and the increase of trade and other receivables by \$10.5m. These increases were however offset by the decrease in inventories of \$2m. The increase in trade and other receivables was mainly due to higher billings raised in Q4 of 2007. The lower inventory balance as at 31 December 2007 is in line with our Group-wide inventory clearance initiatives and impairment allowances that have been set aside for slow moving or obsolete inventories.

Group non-current assets decreased by \$5.3m (or 40%), to \$8.0m, as at end of 2007. This movement was mainly due to disposal of capital work-in-progress (with net book value of \$3.6m) in line with business rationalization carried during the year, coupled with depreciation and amortization charges for the year (\$2.6m). The movement was set off partly by the increase in the Group share of net assets of its associated company at year end.

Total liabilities of our Group had increased by \$7.4m mainly because of the increase in trade payables by \$4.0m and the contract work-in-progress due to customer of \$3.5m relating to the MNP Clearinghouse project.

Some future gazing - prospects for our industry and our Group

There are several trends in the mobile telecommunications industry globally, and in our regions of focus, that have become increasingly more apparent to us in 2007. Some of these trends were certainly in a nascent state when they were first observed and identified to conceive our Group's prevailing development strategies. Our development strategies have been premised and shaped on a few key trends, that now seem even more pronounced:

Trend #1 - mobile telecoms markets in developing economies will show accelerated rather than linear growth. Not so shackled by legacy technologies and infrastructure, telecoms markets of highly-populated developing economies such as those of the Indian sub-continent, Indonesia and Vietnam, or commodity-rich states in rapid catch-up development mode such as the Gulf States / Middle East, are in relative terms, 'greenfield' countries capable of making swift leaps forward in building their mobile network infrastructure. The intensely competitive market for core network switch infrastructure as well as mobile handsets in recent years, has in turn, made it increasingly more feasible (or even lucrative) for low-ARPU / high subscriber base or high-ARPU / low subscriber base mobile networks to be built and services rapidly expanded. The rapid development of such developing mobile telecoms markets offers an abundance of opportunities for mobile VAS solution and application vendors that can offer a robust solution that can be rapidly localized and delivered, under a flexible business model. Our Group has the proven capabilities to be such a technology vendor to these markets. Within the regions of focus adopted by our Group, are the several key mobile telecoms markets that remain underserved (in terms of low subscriber penetration rates) and offer the greatest opportunities for scale and growth, namely India, Indonesia and Indochina.

Trend #2 - even in developing economies where subscriber affluence, literacy or technology sophistication is not high, there is genuine popular demand and feasibility for truly localized' mobile VAS. Initially seen as the preserve of sophisticated and affluent subscribers in developed economies, mobile VAS solutions or applications are also proving to have relevance and significance to the average subscriber in developing economies, and a plausible means for mobile network operators in such countries to increase their ARPU. The capability to innovate in the customization, localization and simplification of VAS service concepts (including their revenue or business models and delivery methods), in appreciation of the cultural, social and economic predilections of the country's subscribers have shown to deliver lucrative opportunities. Our Group has such capabilities, by virtue of our experience in conceiving, implementing and operating successful VAS solutions on flexible and innovative revenue models.

Trend #3 – *as mobile telecommunications markets become more mature, revenue assurance-related applications and solutions to preserve ARPU will become increasingly in demand.* Solutions or applications such as our Group's Roamer Assure (OSS segment) as well as our Roaming Solution suite and Missed Call Notification solution (Proprietary Solutions segment) all relate to providing the mobile network operator with the opportunity to preserve and maximize ARPU from basic mobile telecoms services.

Trend #4 – *as mobile telecommunications markets become more mature, profit margin pressures for mobile network operators will intensify and opportunities to reduce costs of service delivery will be aggressively pursued, driving demand for either outsourced managed services or solutions that promote subscriber 'self-service'.* Pioneered by a successful large mobile network operator in India, which outsources the bulk of its network operations functions to a managed services provider, in order to focus its resources on subscriber acquisition and retention, this trend is also intensifying in many other mobile telecoms markets. Beginning in business support or network operation support functions, the outsourcing by mobile network operators of non-core functions to more cost-effective managed service providers has been on the increase. Our OSS segment in particular, is in a strong position to capitalize on this development. Certain solutions of our Proprietary Solutions segment also addresses this trend, with our USSD Gateway, USSD Menu Browser and IVR solutions allowing mobile network operators to reduce the costs of servicing its subscriber base.

All in all, the opportunities presented by some of these trends as we have observed, is believed to be substantial in our regions of focus. Going forward, the management team of our Group intends to further strengthen our technology development and implementation capabilities and bolster our skills and know-how in growing and developing the VAS and OSS business areas that operate on a revenue-share or managed services model.

Given our Group's achievements in 2007 in growing our Proprietary Solutions and OSS business segments – in not only securing participation in the MNP project in Malaysia, but also making significant inroads with our development strategies and also in addressing operational issues that may hold back our progress – we believe the Group is in a stronger position in 2008 to look forward once again to a future of profitable growth.

Wong Tze Leng
CEO / ED

Anton Syazi Ahmad Sebi
Deputy CEO / ED

4 April 2008

Corporate Governance Report

The Board of Directors (Board) and management of Unified Communications Holdings Limited (“the Company”) remain 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 and guidelines set out in the Code of Corporate Governance 2005 (the “Code”) and the extent of compliance thereto. In areas where the Company deviates from the Code, the rationale is provided.

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’s principal functions are 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 quarterly and year end results announcement 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.

The Board has delegated certain specific responsibilities to three (3) committees namely, Audit, Nominating and Remuneration Committees. The Board accepts that while these Committees have the authority to examine any particular issue and report back to the Board with their recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board.

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 attendance of the Directors at Board and Board Committees, as well as the frequency of such meetings during the financial year is set out in Table A below.

Table A: Directors’ Attendance at Board and Board Committee Meetings

Name	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	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
Lee Su Nie	5	5	5	5	1	1	1	1
Wong Tze Leng	5	5	n.a	n.a	n.a	n.a	n.a	n.a
Anton Syazi Ahmad Sebi	5	5	n.a	n.a	n.a	n.a	n.a	n.a
Chuah Seong Phaik	5	5	5	5	1	1	1	1
Phuah Peng Hock	5	4	5	4	1	1	1	1

n.a - Not Applicable

Principle 1: The Board's conduct of its Affairs (con'td)

Matters which are specifically reserved to the Board for decision include those involving business plans and budgets, material acquisitions and disposals of assets, corporate or financial restructuring, corporate strategy, share issuances, dividends, and any major decisions that may have an impact on the Group. The Board reviews Management's performance, directs the Company's values and standards, and objectively takes decisions in the best interest of the Company and Group.

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 Singapore Exchange Securities Trading Limited ("SGX-ST"), the Companies Act or other regulations/statutory requirements from time to time for them to keep pace with changes in the regulatory requirements and commercial risks.

Principle 2: Board Composition and Balance

The Board currently comprises five (5) Directors, all of whom, except for the Chief Executive Officer ("CEO") and Deputy Chief Executive Officer ("Deputy CEO"), are non-executive and two (2) of whom are independent. The Board is supported by various committees, namely, the Audit Committee, the Nominating 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, accountancy and finance. The profiles of each of the Directors is provided in Pages 8 and 9 of this Annual Report.

The non-executive directors are involved in reviewing the corporate strategies, business operations and practices of the Group, and also involved in reviewing and monitoring the performance of management in achieving agreed goals and objectives. In addition, non-executive directors would meet to discuss and review the Group's affairs when necessary during the year without the presence of management.

Principle 3: Chairman and Chief Executive Officer

Ms Lee Su Nie is the Non-Executive Chairman of the Board and Mr Wong Tze Leng is the CEO of the Company. Mr Anton Syazi Ahmad Sebi is the Deputy 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 independent element 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 Mr Wong Tze Leng and Mr Anton Syazi Ahmad Sebi are not members.

As the Chairman of the Board, Ms Lee 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 3: Chairman and Chief Executive Officer (con'td)

Prior to Board Meetings, all Directors are provided with board papers so that the Directors have complete and timely information to enable them to be adequately prepared for the meetings.

The roles of the Chairman and CEO are separate and their responsibilities are clearly formalized. The CEO manages the business of the Group and implements the Board's decisions.

Principle 4: Board Membership

Principle 5: Board Performance

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, all other members of the NC are independent Directors.

The principal functions of the NC are:

1. To make recommendations to the Board on all board appointments having regard to the Director's contribution and performance;
2. To determine annually whether a Director is independent;
3. 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;
4. To decide on how the Board's performance may be evaluated and propose objective performance criteria to the Board; and
5. 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. New Directors will be appointed based on NC's recommendations. 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 Director of the Group.

The independence of each Director is reviewed annually by the NC based on the Code's definition of what constitutes an independent director. Based on this review, the NC confirms the independence of the Directors concerned.

Principle 4: Board Membership

Principle 5: Board Performance (con'td)

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 financial year must submit themselves for re-election at the next AGM of the Company.

The NC has adopted guidelines for annual assessment of the effectiveness of the Board as a whole and of the contribution of each individual director to the effectiveness of the Board and has performed the necessary assent for the financial year.

Principle 6: Access to Information

The Board is provided with complete and timely information prior to Board meetings on an on-going basis. The Company circulates copies of the Minutes of Meetings of all Board Committees to the respective members of the Board to keep them inform of on-going developments of the Group.

The Directors have separate and independent access to the Company's senior management and the Company Secretary at all times. The CEO and the Deputy 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.

When a decision has to be made before the Company's 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 and Deputy CEO will also ensure that management promptly answers any queries raised by the Directors.

The Company Secretary attends the Company's 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, including the Chairman, being independent:

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

The RC's role include reviewing and recommending to the Board an appropriate and competitive framework of the remuneration for the Board and key executives of the Group to ensure that it commensurates with their responsibilities and performance. No Director will be involved in deciding his own remuneration.

The Executive Director, who is also our CEO, Mr Wong Tze Leng, has renewed his service agreement for a further period of three (3) years with the Company on 19 December 2006 ("Service Agreement"). The Service Agreement covers the terms of employment, specifically salary and other benefits.

Principle 7: Remuneration Committee**Principle 8: Level and Mix of Remuneration** (con'td)

In setting remuneration packages, the RC took into account the performance of the Group as well as the Directors and key executives by aligning their interests with those of the shareholders and linking rewards to corporate and individual performance as well as industry benchmarks. The review of remuneration packages takes into consideration the longer term interests of the Group. RC's recommendation is made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. The payment of Directors' fees is subject to the approval by shareholders.

Principle 9: Disclosure on Remuneration

Remuneration of Directors

The annual remuneration of the Directors for the financial year is disclosed within Table B below.

Table B: Bands of Directors' Remuneration

Name of Directors	Remuneration Bands	
	Up to \$250,000	\$250,001 to \$500,000
Lee Su Nie	X ⁽²⁾	
Wong Tze Leng	X ⁽¹⁾	
Anton Syazi Ahmad Sebi	X ⁽³⁾	
Chuah Seong Phaik	X ⁽²⁾	
Phuah Peng Hock	X ⁽²⁾	

Note:

- (1) Pursuant to prevailing Service Agreement that expires on 18 December 2009, Mr Wong Tze Leng's remuneration consists of fixed salary, performance bonus and benefits in kind.
- (2) The remuneration in the form of Directors' fees is subject to the approval by the shareholders at the forthcoming AGM.
- (3) Mr. Anton Syazi Ahmad Sebi's remuneration consists of monthly allowance.

Save as disclosed above, there are no other existing service agreement entered into between the Company and any of the Company's Directors.

Remuneration of Key Executives

Details of remuneration of the top three (3) 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 bands of remuneration of each executive for the financial year under review in Table C below.

Table C: Remuneration Band of Key Executives

Name	Remuneration Bands	
	Up to \$250,000	\$250,001 to \$500,000
Ho Ting Sai	X	
Ching Wai Ming	X	
Chin Wei Li	X	

During the financial year, there is no employee or executive officer who is related to a Director, and whose remuneration exceeds \$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. Management will provide the Board with appropriately detailed management accounts of the Company's performance, position and prospects on a quarterly basis.

Principle 11: Audit Committee

Principle 12: Internal Controls

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 AC 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.

Specifically, the AC shall meet on a periodic basis to perform the following functions, among others:

- (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 coordination 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-ST and 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.

Principle 11: Audit Committee**Principle 12: Internal Controls** (cont'd)

Minutes of the AC meetings are regularly submitted to the Board for its information and review. The AC meets 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 cooperation 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.

The Group's whistle-blowing have been approved by the Board. The policy provides avenue for staff of the Group to raise concerns on any possible improprieties in relation to financial reporting and other matters. The whistle-blowing policy will be disseminated within the Group and will be implemented within the financial year ending 31 December 2008.

Principle 12: Internal Controls**Principle 13: Internal Audit**

The Board recognises 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 and in place throughout the year and up to 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 internal auditors, reviewed the effectiveness of the Group's material internal controls as set out in their report on significant controls to the AC. Management, with the assistance of the Internal Audit Department ("IAD"), 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 audit is undertaken by the Group IAD of the ultimate holding company, Advance Synergy Berhad, a main board listed company of Bursa Malaysia Securities Berhad. The IAD reports directly to the Chairman of the AC on audit matters and to the Executive Director of Advance Synergy Berhad, the Group's ultimate holding company, on administrative matters. The AC reviews IAD's reports and its activities and also reviews and approves the annual internal audit plans and resources to ensure that IAD has the capabilities to adequately perform its functions.

During the year, the IAD has carried out operational and internal control reviews based on prioritized risk areas identified and appropriate steps have been taken to address the findings and recommendations.

Principle 14: Communications with the Shareholders

Principle 15: Greater Shareholder Participation

(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 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 releases;
- (ii) Annual Report prepared and issued to all shareholders; and
- (iii) The Group's website (www.uchlgroup.com) at which shareholders can access information on the Group.

(b) Greater Shareholder 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.

The Company's external auditors are also invited to attend annual general meetings and are available to assist the directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

ADDITIONAL INFORMATION

DEALING IN SECURITIES

(SGX-ST Listing Manual Rule 1207(18))

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 (3) quarters of its financial year, or one (1) month before announcement of the Company's full year results, and ending on the date of announcement of the relevant results.

The Directors and executives are also expected to observe insider trading laws at all times, even when dealing in securities within the permitted trading period.

ADDITIONAL INFORMATION (cont'd)**RISK MANAGEMENT**

(SGX-ST Listing Manual Rule 1207 (4)(b)(iv))

The practice of risk management is undertaken by the CEO, Deputy CEO, key executives 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 78 to 83 to the Annual Report.

The effectiveness of the Group's risk management practices and the risk exposure of the Group will continue to be reviewed by the Board in light of changes in the operational environment of the Group.

INTERESTED PERSON TRANSACTIONS ("IPTs") POLICY

(SGX-ST 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 for the financial year ended 31 December 2007, disclosed in accordance with Rule 907 of the SGX-ST's Listing Manual were set out in Table D below.

Table D: Particulars of the interested person transactions

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholder's mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholder's mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Advance Synergy Capital Berhad	171	183	0	0

Notes: The Company does not require any shareholders' mandate pursuant to Rule 920 of the Listing Manual of SGX-ST.

MATERIAL CONTRACTS

(SGX-ST 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 previous financial year and no such contract subsisted at the end of the financial year.

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**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

REPORT OF THE DIRECTORS

The Directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2007 and the balance sheet of the Company as at 31 December 2007 and the statement of changes in equity of the Company for the financial year ended 31 December 2007.

1. Directors

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

Lee Su Nie
Wong Tze Leng
Anton Syazi Ahmad Sebi
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		Shareholdings in which a Director is deemed to have an interest	
	At 1.1.2007	At 31.12.2007	At 1.1.2007	At 31.12.2007
The Company				
Unified Communications Holdings Limited				
(Ordinary shares)				
Wong Tze Leng	19,034,329	19,034,329	-	-
Ultimate holding corporation				
Advance Synergy Berhad				
(Ordinary shares# of RM1.00 each)				
Anton Syazi Ahmad Sebi	-	-	6,000,000	6,000,000
Lee Su Nie	-	-	365,000	365,000
(Warrants 2000/2010 to subscribe for ordinary shares of RM1.00 each)*				
Anton Syazi Ahmad Sebi	-	-	7,738,000	7,738,000

There were no changes in any of the above-mentioned interests between the end of the financial year and 21 January 2008.

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

REPORT OF THE DIRECTORS

3. Directors' interests in shares or debentures (Continued)

On 29 June 2007, all stock units of Advance Synergy Berhad were converted into ordinary shares

* The duration and exercise period for the warrants have been extended for a further period of 2 years from 28 August 2008 up to and including 28 August 2010 pursuant to the announcement released by Advance Synergy Berhad on 31 December 2007.

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 and except for remuneration received in their capacity as executive of related corporations.

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) reviewed the scope and the results of the internal audit procedures with the internal auditors;
- (b) reviewed the audit plan of the Company's external auditors and their audit report on the weaknesses of internal accounting controls arising from their statutory audit;
- (c) reviewed the assistance given by the Company's management to the external auditors; and
- (d) reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the year ended 31 December 2007 before their submission to the Board of Directors, as well as the auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group.

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

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

REPORT OF THE DIRECTORS

7. Independent Auditors

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

On behalf of the Board of Directors

Lee Su Nie
Director

Wong Tze Leng
Director

Singapore
4 April 2008

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

STATEMENT BY DIRECTORS

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

- (a) the accompanying financial statements 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 2007 and the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date are in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Lee Su Nie
Director

Wong Tze Leng
Director

Singapore
4 April 2008

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNIFIED COMMUNICATIONS HOLDINGS LIMITED

We have audited the accompanying financial statements of Unified Communications Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 37 to 90 which comprise the balance sheet of the Group and of the Company as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group and statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statement and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the 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 2007 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company 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 those 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

Singapore
4 April 2008

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

	Note	Group 2007 \$'000	Group 2006 \$'000
Revenue	4	24,841	16,022
Cost of sales		(15,860)	(9,801)
Gross profit		8,981	6,221
Other operating income	4	191	262
Expenses:			
Technical support expenses		(3,967)	(4,301)
Distribution costs		(2,236)	(2,796)
Administrative expenses		(1,712)	(2,105)
Other operating expenses	5	(5,764)	(2,209)
Finance costs	6	(38)	(85)
Share of results of an associated company		1,318	515
Loss before income tax	7	(3,227)	(4,498)
Income tax	9	(281)	(103)
Net loss for the financial year		(3,508)	(4,601)
Attributable to:			
Equity holders of the Company		(3,535)	(4,646)
Minority interest		27	45
		(3,508)	(4,601)
Loss per share			
Basic and Diluted (cents)	10	(1.11)	(1.45)

The accompanying notes form an integral part of these financial statements

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

BALANCE SHEETS AS AT 31 DECEMBER 2007

	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	2,179	1,085	8	21
Trade and other receivables	12	24,959	14,423	9,654	9,712
Finance lease receivables	13	145	472	-	-
Inventories	14	1,217	3,275	-	-
		<u>28,500</u>	<u>19,255</u>	<u>9,662</u>	<u>9,733</u>
Non-current assets					
Investment in an associated company	16	1,561	702	-	-
Investments in subsidiaries	17	-	-	22,526	22,526
Plant and equipment	18	3,533	8,040	15	24
Intangible assets	19	1,298	2,069	-	-
Deferred income tax assets	23	301	590	-	-
Finance lease receivables	13	-	205	-	-
Trade and other receivables	12	1,321	1,723	-	-
		<u>8,014</u>	<u>13,329</u>	<u>22,541</u>	<u>22,550</u>
Total assets		<u>36,514</u>	<u>32,584</u>	<u>32,203</u>	<u>32,283</u>
LIABILITIES					
Current liabilities					
Trade and other payables	20	14,066	6,357	200	277
Current income tax liabilities		35	107	-	-
Borrowings	21	158	380	-	-
		<u>14,259</u>	<u>6,844</u>	<u>200</u>	<u>277</u>
Non-current liabilities					
Borrowings	21	18	34	-	-
Deferred income tax liabilities	23	75	58	-	-
		<u>93</u>	<u>92</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>14,352</u>	<u>6,936</u>	<u>200</u>	<u>277</u>
Net assets		<u>22,162</u>	<u>25,648</u>	<u>32,003</u>	<u>32,006</u>
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	24	31,948	31,948	31,948	31,948
Foreign currency translation reserve	25	(520)	(618)	-	-
Retained profits/(Accumulated losses)		(9,356)	(5,821)	55	58
Shareholders' equity		<u>22,072</u>	<u>25,509</u>	<u>32,003</u>	<u>32,006</u>
Minority interest		90	139	-	-
Total equity		<u>22,162</u>	<u>25,648</u>	<u>32,003</u>	<u>32,006</u>

The accompanying notes form an integral part of these financial statements

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

	Attributable to equity holders of the Company				Minority interest	Total equity
	Share capital \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000		
Balance at 1 January 2007	31,948	(618)	(5,821)	25,509	139	25,648
Foreign currency translation differences recognised directly in equity	-	98	-	98	(10)	88
Net profit/(loss) for the financial year	-	-	(3,535)	(3,535)	27	(3,508)
Total recognised income and expenses for the financial year	-	98	(3,535)	(3,437)	17	(3,420)
Dividend paid to minority interest	-	-	-	-	(66)	(66)
Balance at 31 December 2007	31,948	(520)	(9,356)	22,072	90	22,162

The accompanying notes form an integral part of these financial statements

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	Attributable to equity holders of the Company				Minority interest	Total equity
	Share capital \$'000	Share premium \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000		
Balance at 1 January 2006	25,566	6,382	(469)	(1,175)	73	30,377
Foreign currency translation differences recognised directly in equity	-	-	(149)	-	-	(149)
Net profit/(loss) for the financial year	-	-	-	(4,646)	45	(4,601)
Total recognised income and expenses for the financial year	-	-	(149)	(4,646)	45	(4,750)
Subscription of shares by minority interest	-	-	-	-	21	21
Transfer from share premium to share capital upon implementation of the Companies (Amendment) Act 2005	6,382	(6,382)	-	-	-	-
Balance at 31 December 2006	31,948	-	(618)	(5,821)	139	25,648

The accompanying notes form an integral part of these financial statements

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

Company	Note	Share capital \$'000	Share premium \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January 2007		31,948	-	58	32,006
Net loss for the financial year		-	-	(3)	(3)
Balance at 31 December 2007		31,948	-	55	32,003
Balance at 1 January 2006		25,566	6,382	111	32,059
Net loss for the financial year		-	-	(53)	(53)
Transfer from share premium to share capital upon implementation of the Companies (Amendment) Act 2005	24	6,382	(6,382)	-	-
Balance at 31 December 2006		31,948	-	58	32,006

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

	Note	2007 \$'000	2006 \$'000
Cash flows from operating activities			
Loss before income tax		(3,227)	(4,498)
Adjustments for:-			
Amortisation of development costs and intellectual property	19	780	605
Depreciation of plant and equipment	18	1,811	1,988
Impairment loss on plant and equipment	18	-	192
Plant and equipment written off	5	15	-
Allowance for impairment of trade and other receivables (net)	4 & 5	2,920	931
Allowance for inventory obsolescence	4 & 5	775	203
Inventories written off	5	452	36
Net loss / (gain) on disposals of plant and equipment	4 & 5	117	(62)
Interest expense	6	38	85
Interest income	4	(82)	(94)
Share of results of an associated company	16	(1,318)	(515)
Operating cash flow before working capital changes		2,281	(1,129)
Change in operating assets and liabilities			
Inventories		831	1,157
Finance lease receivables		532	118
Trade and other receivables		(10,519)	2,596
Trade and other payables		7,869	621
Cash from operations		994	3,363
Income tax refund/(paid)		112	(23)
Interest paid		(38)	(85)
Net cash flow from operating activities		1,068	3,255
Cash flows from investing activities			
Purchases of plant and equipment	18	(819)	(547)
Proceeds from disposals of plant and equipment		686	265
Development costs paid	19	-	(533)
Deposits placement with a licensed bank		(853)	(8)
Interest received		27	9
Dividend received from associated company		456	67
Subscription of shares by minority interest		-	21
Net cash flow used in investing activities		(503)	(726)
Cash flows from financing activities			
Finance lease interest income		55	85
Proceeds from borrowings		518	1,149
Repayment of borrowings		(524)	(3,598)
Repayment of finance leases		(45)	(47)
Payment of dividend to pre-listing shareholder		(164)	-
Payment of dividend to minority interest		(66)	-
Net cash flow used in financing activities		(226)	(2,411)

The accompanying notes form an integral part of these financial statements

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

	Note	2007	2006
		\$'000	\$'000
Net change in cash and cash equivalents		339	118
Cash and cash equivalents at beginning of financial year		565	567
Effect of foreign exchange rate changes		89	(120)
Cash and cash equivalents at end of financial year	11	<u>993</u>	<u>565</u>

The accompanying notes form an integral part of these financial statements

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

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

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been 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 and Interpretations to FRS (“INT 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 year. 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 2007, the Group adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for annual periods beginning on or after 1 January 2007:

FRS 1 (revised) : Presentation of Financial Statements - Capital Disclosures
FRS 107 : Financial Instruments: Disclosures

The adoption of the above new and revised FRS and INT FRS has no significant impact on the financial statements.

FRS 107 - Financial Instruments: Disclosures and amendments to FRS 1 Presentation of Financial Statements relating to capital disclosures

The Group has adopted FRS 107 with effect from annual periods beginning on or after 1 January 2007. The new Standard has resulted in an expansion of the disclosures in these financial statements regarding the Group’s financial instruments. The Group has also presented information regarding its objectives, policies and processes for managing capital as required by the amendments to FRS 1 which are effective from annual periods beginning on or after 1 January 2007.

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

FRS and INT FRS not yet effective

The Group and the Company has not adopted FRS and INT FRS that have been issued but not yet effective until future periods.

At the date of authorisation of these financial statements, the following FRS, INT FRS and amendments to FRS that are relevant to the Group and the Company were issued but not effective:-

		Effective date (Annual periods beginning on or after)
FRS 23 (revised)	: Borrowing Costs	1 January 2009
FRS 108	: Operating Segments	1 January 2009
INT FRS 111	: FRS 102 – Group and Treasury Share Transactions	1 March 2007
INT FRS 112	: Service Concession Arrangements	1 January 2008

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Directors do not expect the adoption of the above FRS and INT FRS that are relevant to the Group's and Company's operations to have a material impact on the financial statements of the Group and of the Company in the initial period of application except for FRS 108 as indicated below:

FRS 108 – Operating Segments

FRS 108 requires an entity to adopt a "management perspective approach" in reporting financial and descriptive information about its reportable segments. Financial information is required to be reported on the basis that it is used internally for evaluation of operating segment performance and deciding how to allocate resources to operating segments. FRS 108 introduces additional segment disclosures to be made to improve the information about operating segments. The Group will apply FRS 108 from financial period beginning 1 January 2008.

(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.

(i) 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.

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

2. Summary of significant accounting policies (Continued)

(b) Revenue recognition (Continued)

(ii) 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.

(iii) Revenue from maintenance contracts

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

(iv) Interest income

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

(v) 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.

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.

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

2. Summary of significant accounting policies (Continued)

(c) Group accounting (Continued)

(i) Subsidiaries (Continued)

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 Group. 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(k) for the Company's accounting policy on investments in subsidiaries.

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(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.

Equity accounting involves recording investments in associated companies initially at cost. In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition results is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted 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.

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

2. Summary of significant accounting policies (Continued)

(c) Group accounting (Continued)

(ii) Associated companies (Continued)

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(k) for the Company's accounting policy on investments in associated companies.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in income statement.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(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(f)).

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 that is not depreciated until they are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

2. Summary of significant accounting policies (Continued)

(d) Plant and equipment (Continued)

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.

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) 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 benefits, not exceeding a period of 5 years.

Subsequent to initial recognition, development costs are stated at cost less accumulated impairment losses (note 19).

(ii) Intellectual property

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

Subsequent to initial recognition, acquired intellectual property is stated at cost less accumulated amortisation and accumulated impairment losses (note 2(f)).

(f) Impairment of assets

The carrying amounts of the Group's tangible and intangible assets excluding goodwill, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

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2. Summary of significant accounting policies (Continued)

(f) Impairment of assets (Continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

(ii) Reversals of impairment

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Regular way purchases and sales of financial assets are accounted for at trade date. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method less impairment losses. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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2. Summary of significant accounting policies (Continued)

(g) Financial assets (Continued)

(i) Loans and receivables (Continued)

The Group classifies the following financial assets as loans and receivables:

- Cash and cash equivalents
- Trade and other receivables, including amounts due from related corporations.

(h) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Assets carried at cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(i) Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

(j) 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.

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2. Summary of significant accounting policies (Continued)

(j) Contract work-in-progress (Continued)

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.

(k) Investments

Investments in subsidiaries and associated companies 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.

(l) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

(m) 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 method, less allowance for impairment.

An allowance for impairment of trade and other 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 original effective interest rate. The amount of allowance is recognised in the income statement.

(n) 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.

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
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2. Summary of significant accounting policies (Continued)

(n) Leases (Continued)

The Group is the lessee (Continued)

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.

The Group is the lessor

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet. The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the income statement on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

(o) 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.

(p) Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30 to 90 day terms, other payables, amounts due to related companies and interest bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are initially recognised at fair value for consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

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**NOTES TO THE FINANCIAL STATEMENTS
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2. Summary of significant accounting policies (Continued)

(q) 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 management 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.

(r) 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.

(s) 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.

(t) Income tax

Income tax for the financial year comprises current and deferred tax. Income tax is recognised in the statement of 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.

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 the 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.

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2. Summary of significant accounting policies (Continued)

(u) 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.

(v) Foreign currency translation

Functional and presentation 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.

(w) 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.

(x) Borrowing costs

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

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2. Summary of significant accounting policies (Continued)

(y) 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

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Critical judgements in applying the Group's accounting policies

The management is of the view that any instances of application of judgements are not expected to have significant effect on the amounts recognised in the financial statements.

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 it 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 utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised 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 utilised. The carrying amount of the Group's deferred tax assets as at 31 December 2007 was \$301,000 (2006: \$590,000).

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 impairment loss on plant and equipment charged to the income statement for the financial year ended 2007 was \$nil (2006: \$192,000). The carrying amount of the Group's plant and equipment as at 31 December 2007 was \$3,533,000 (2006: \$8,040,000).

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3. Critical accounting estimates and judgements (Continued)

Impairment of investment in subsidiaries and amounts due from subsidiaries

The Group follows the guidance of FRS 36-Impairment of Assets and FRS 39-Financial Instruments: Recognition and Measurement in determining the possible impairment on investment in subsidiaries and the recoverability of amounts due from subsidiaries respectively. 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 factors 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 2007 was \$1,298,000 (2006:\$2,069,000).

Allowances for impairment of trade and other receivables

The policy for allowances for trade and other 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. In addition, the Group has entered into agreements with certain customers to re-schedule the repayment of the amount owed by those customers. At balance sheet date, the balance owed by those customers, net of allowances for impairment, amounted to \$1,149,000 (2006:\$2,957,000). If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The net allowance for impairment of trade and other receivables charged to income statement for the financial year was \$2,920,000 (2006:\$931,000). The carrying amount of the Group's trade and other receivables as at 31 December 2007 was \$26,280,000 (2006:\$16,146,000).

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 allowances for slow moving and obsolete items. Net realisable value is estimated based primarily on the latest invoice prices and current market conditions. The net allowance for impairment of inventories charged to the income statement for the financial year was \$775,000 (2006:\$203,000). The carrying amount of the Group's inventories as at 31 December 2007 was \$1,217,000 (2006:\$3,275,000).

Contract work-in-progress

As described in Note 2 (j) to the financial statements, revenue and costs associated with a project are recognised as revenue and expenses respectively by reference to the management's estimated stage of completion of a project at the balance sheet date. These estimation of revenue and costs are based on the presumption that the outcome of a project can be estimated reliably. Management has performed the cost review for contract work-in-progress taking into account the costs to date and costs to complete each project and has also reviewed the status of such projects in determining the value of contract work-in-progress as at 31 December 2007 disclosed in note 15 to the financial statement.

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4. Operating income

	Group	
	2007	2006
	\$'000	\$'000
Revenue:		
Distribution of telecommunications products	3,714	4,248
Operation support system	1,969	748
Proprietary solutions, software and services	19,158	11,026
Total revenue	<u>24,841</u>	<u>16,022</u>
Other operating income:		
- interest income from bank	27	9
- finance lease interest income	55	85
- write back of allowance for impairment of receivables	16	14
- foreign exchange gain	43	-
- gain on disposal of plant and equipment	7	63
- write back of inventories	-	19
- other income	43	72
Total other operating income	<u>191</u>	<u>262</u>
	<u>25,032</u>	<u>16,284</u>

5. Other operating expenses

	Group	
	2007	2006
	\$'000	\$'000
Allowance for impairment of trade receivables	1,685	945
Allowance for impairment of other receivables	1,251	-
Impairment loss on plant and equipment	-	192
Allowance for inventory obsolescence	775	222
Foreign exchange losses	912	778
Discounts allowed on trade receivables	504	-
Inventories written off	452	36
Loss on disposals of plant and equipment	124	1
Plant and equipment written off	15	-
Others	46	35
	<u>5,764</u>	<u>2,209</u>

6. Finance costs

	Group	
	2007	2006
	\$'000	\$'000
Interest expense:		
- bank borrowings	30	77
- finance lease liabilities	8	8
	<u>38</u>	<u>85</u>

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
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7. Loss before income tax

Loss before income tax is arrived at after charging:

	Group	
	2007	2006
	\$'000	\$'000
Amortisation of development costs and intellectual property (included in cost of sales) (note 19)	780	605
Depreciation of plant and equipment (note 18)	1,811	1,988
Cost of inventories recognised as an expense (included in cost of sales)	12,994	6,879
Rental expense - operating lease	590	767
	_____	_____

8. Staff costs

	Group	
	2007	2006
	\$'000	\$'000
Wages and salaries	3,902	4,030
Employer's contribution to defined contribution plans including Central Provident Fund	411	395
Staff welfare benefits	176	105
	_____	_____
	4,489	4,530

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

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**NOTES TO THE FINANCIAL STATEMENTS
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9. Income tax

	Group	
	2007	2006
	\$'000	\$'000
Tax expense attributable to results is made up of:		
Current income tax	27	47
Deferred income tax	11	-
	<u>38</u>	<u>47</u>
Under/(Over) provision in preceding financial years		
- current income tax	(52)	35
- deferred income tax	295	21
	<u>281</u>	<u>103</u>

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

	Group	
	2007	2006
	\$'000	\$'000
Loss before income tax	(3,227)	(4,498)
Tax calculated at a tax rate of 18% (2006 : 20%)	(581)	(899)
Effect of different tax rates in other countries	78	(185)
Expenses not deductible for tax purposes	510	161
Temporary differences at zero tax rate due to pioneer status	(35)	417
Deferred tax asset not recognised in income statement	577	701
Tax exempt income	(481)	(127)
Utilisation of deferred tax asset previously not recognised	(19)	(14)
Under/(Over) provision in preceding financial years	(52)	35
Reversal of deferred tax assets to income statement	295	21
Share of results of associated company	(11)	(7)
Tax expense	<u>281</u>	<u>103</u>

Two subsidiaries of the Company in Malaysia, Unified Communications Sdn Bhd and GlobeOSS Sdn Bhd, have been granted pioneer status as Multimedia Super Corridor ("MSC") companies under the Promotion of Investment Act, 1986. The benefits to a company having MSC status include a five year pioneer status tax exemption on profits generated from the MSC qualifying activities during the same period. The MSC status of Unified Communications Sdn Bhd, after being extended once, will expire on 20 December 2010. The MSC status of GlobeOSS Sdn Bhd, on the other hand, commenced from 15 January 2007 and will expire on 14 January 2012.

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10. Loss per share

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

	Group	
	2007	2006
Net loss attributable to equity holders of the Company (\$'000)	(3,535)	(4,646)
Number of ordinary shares in issue during the financial year ('000)	319,573	319,573
Basic loss per share (cents)	(1.11)	(1.45)
Diluted loss per share (cents)	(1.11)	(1.45)

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

11. Cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	1,092	851	8	21
Short-term bank deposits	1,087	234	-	-
	<u>2,179</u>	<u>1,085</u>	<u>8</u>	<u>21</u>

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

Short-term bank deposits of \$1,087,000 (2006: \$233,800) are mainly restricted deposits placed with financial institutions to secure banking facilities for the Group.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	121	196	6	19
Ringgit Malaysia	1,626	405	-	-
United States Dollar	311	290	2	2
Thai Baht	44	117	-	-
Others	77	77	-	-
	<u>2,179</u>	<u>1,085</u>	<u>8</u>	<u>21</u>

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11. Cash and cash equivalents (Continued)

Short-term bank deposits have a weighted average maturity of 5 months (2006: 12 months) from the end of the financial year with the following weighted average effective interest rates:

	Group		Company	
	2007	2006	2007	2006
Ringgit Malaysia	3.1%	3.7%	-	-
United States Dollar	4.4%	-	-	-

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

	Group	
	2007	2006
	\$'000	\$'000
Cash and bank balances	2,179	1,085
Less:		
- Bank overdrafts (note 21)	(99)	(286)
- Restricted deposits	(1,087)	(234)
Cash and cash equivalents per consolidated cash flow statement	<u>993</u>	<u>565</u>

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12. Trade and other receivables (Continued)

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 values.

Trade and other receivables are denominated in the following currencies: -

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	176	1,091	9,654	9,712
Ringgit Malaysia	16,906	2,343	-	-
United States Dollar	8,761	11,922	-	-
Others	437	790	-	-
	26,280	16,146	9,654	9,712

The ageing analysis of trade receivables past due but not impaired :-

	Group	
	2007	2006
	\$'000	\$'000
Past due 0 to 3 months	1,028	726
Past due 3 to 9 months	94	1,238
Past due over 9 months	3,197	3,575
	4,319	5,539

Included in the Group's trade receivables balance are debtors with a carrying value of \$4.3million (2006: \$5.5million), which are past due but not impaired at balance sheet date. The Group has not made any allowances for impairment for these debtors since there has not been a significant change in credit quality of these debtors and the amounts owing are still considered as being recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade debtor from the date the credit was initially granted up to the reporting date. The Group has policies in place to ensure that credit is extended only to customers with acceptable credit history and/or payment track records. Allowances for doubtful trade receivables are made on specific trade receivables when there is objective evidence that the Group will not be able to collect all amounts due. Included in current year provisions are mainly specific allowances for impairment of certain long standing receivables which have been subjected to a restructuring of payment terms or those that have not complied with the restructured terms entered into in 2006.

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12. Trade and other receivables (Continued)

The carrying amount of trade and non-trade receivables individually determined to be impaired are as follows :-

	Trade Group		Non Trade Group	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Gross amount	4,177	5,310	3,645	24
Less : allowance for impairment	(3,079)	(2,378)	(1,275)	(24)
	<u>1,098</u>	<u>2,932</u>	<u>2,370</u>	<u>-</u>
Beginning of the year	2,378	1,450	24	24
Allowance made	1,685	945	1,251	-
Allowance utilised	(984)	(17)	-	-
End of the financial year	<u>3,079</u>	<u>2,378</u>	<u>1,275</u>	<u>24</u>

13. Finance lease receivables

	Minimum lease payments Group		Present value of minimum lease payments Group	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Amount receivable under finance lease:				
- within one year	149	542	145	472
- In the second to fifth year inclusive	-	220	-	205
	<u>149</u>	<u>762</u>	<u>145</u>	<u>677</u>
Less: unearned finance income	(4)	(85)	N/A	N/A
Present value of minimum lease payments receivable	<u>145</u>	<u>677</u>	<u>145</u>	<u>677</u>

	Group	
	2007 \$'000	2006 \$'000
The net investment in finance leases may be analysed as follows:-		
Current finance lease receivables (recoverable within 12 months)	145	472
Non-current finance lease receivables (recoverable after 12 months)	-	205
	<u>145</u>	<u>677</u>

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13. Finance lease receivables (Continued)

Finance lease receivables are denominated in the following currencies:

	Group	
	2007	2006
	\$'000	\$'000
Singapore Dollar	-	302
United States Dollar	145	375
	<u>145</u>	<u>677</u>

The Group enters into finance leasing arrangements for sales of certain telecommunications equipment. The average term of finance leases entered into is 3 years.

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated to be negligible.

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted is approximately 12.4% (2006: 12.4%) per annum.

The fair value of the Group's finance lease receivables approximates their carrying amount.

14. Inventories

	Group	
	2007	2006
	\$'000	\$'000
At cost	2,304	3,948
Less: Allowance for obsolete inventories	(1,087)	(673)
	<u>1,217</u>	<u>3,275</u>
Represented by:		
At cost	804	3,230
At net realisable value	413	45
	<u>1,217</u>	<u>3,275</u>
Movement in allowance for obsolete inventories:		
At beginning of the financial year	673	470
Written off against allowance	(361)	-
Charge to income statement	775	203
At end of the financial year	<u>1,087</u>	<u>673</u>

For the financial year, there was an allowance for inventories obsolescence written back of \$nil (2006:\$19,000) as a result of an increase in net realisable value upon disposal of inventories.

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15. Contract work-in-progress

	Group	
	2007	2006
	\$'000	\$'000
Aggregate contract costs recognised and recognised profits to date	9,848	1,517
Less: Progress billings	(13,327)	(1,064)
	<u>(3,479)</u>	<u>453</u>
Due from customers on Proprietary Solutions contracts (note 12)	15	453
Due to customers on Proprietary Solutions contracts (note 20)	(3,494)	-

16. Investment in an associated company

	Group	
	2007	2006
	\$'000	\$'000
Investment at cost	69	69
At beginning of the financial year	702	255
Exchange differences	(3)	(1)
Share of results (net of tax)	1,318	515
Dividend received (net of tax)	(456)	(67)
At end of the financial year	<u>1,561</u>	<u>702</u>

	Group	
	2007	2006
	\$'000	\$'000
The summarised financial information of the associated company is as follows:		
- Assets	4,199	1,793
- Liabilities	295	37
- Revenues	4,370	1,863
- Net profit	<u>3,294</u>	<u>1,288</u>

Details of the associated company are included in note 32.

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17. Investments in subsidiaries

	Company	
	2007 \$'000	2006 \$'000
Unquoted shares, at cost	22,526	22,526

Details of the subsidiaries are included in note 32.

18. Plant and equipment

Group Cost	Office equipment, furniture and renovation \$'000	Computers, tele- communications, research and development equipment \$'000	Motor vehicles \$'000	Capital work-in- progress \$'000	Total \$'000
At 1 January 2007	906	8,139	278	3,613	12,936
Additions	80	739	-	-	819
Disposals	(18)	(118)	(24)	(3,613)	(3,773)
Write off	(14)	(50)	-	-	(64)
Exchange differences	4	-	1	-	5
At 31 December 2007	958	8,710	255	-	9,923
Accumulated depreciation					
At 1 January 2007	545	3,972	187	-	4,704
Depreciation charge for the financial year	189	1,557	65	-	1,811
Disposals	(11)	(47)	(24)	-	(82)
Write off	(12)	(37)	-	-	(49)
Exchange differences	3	1	2	-	6
At 31 December 2007	714	5,446	230	-	6,390
Impairment loss					
At 1 January 2007	-	-	-	192	192
Reversal on disposal during the year	-	-	-	(192)	(192)
At 31 December 2007	-	-	-	-	-
Carrying amount					
At 31 December 2007	244	3,264	25	-	3,533

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18. Plant and equipment (Continued)

Group Cost	Office equipment, furniture and renovation \$'000	Computers, tele- communications, research and development equipment \$'000	Motor vehicles \$'000	Capital work-in- progress \$'000	Total \$'000
At 1 January 2006	942	7,129	319	3,079	11,469
Additions	29	518	-	-	547
Disposals	(62)	(166)	(43)	-	(271)
Transfer from inventories	-	1,198	-	534	1,732
Transfer to finance lease receivables	-	(502)	-	-	(502)
Exchange differences	(3)	(38)	2	-	(39)
At 31 December 2006	906	8,139	278	3,613	12,936
Accumulated depreciation					
At 1 January 2006	342	2,602	139	-	3,083
Depreciation charge for the financial year	214	1,703	71	-	1,988
Disposals	(19)	(26)	(23)	-	(68)
Transfer out to finance lease receivables	-	(293)	-	-	(293)
Exchange differences	8	(14)	-	-	(6)
At 31 December 2006	545	3,972	187	-	4,704
Impairment loss recognised during the year and balance at 31 December 2006	-	-	-	192	192
Carrying amount					
At 31 December 2006	361	4,167	91	3,421	8,040

During the financial year, no impairment loss was recognised for plant and equipment. In 2006, an impairment loss of \$192,000, being the excess of the carrying value of the capital work-in-progress over its recoverable amount, was recognised due to its expected realisable value being below its cost. There was a write back of this impairment loss of \$192,000 (2006: Nil) during the year as the assets were sold at net carrying value in 2007.

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18. Plant and equipment (Continued)

	Office equipment, furniture and renovation \$'000
Company	
Cost	
At 1 January 2007	46
Additions	-
At 31 December 2007	<u>46</u>
Accumulated depreciation	
At 1 January 2007	22
Depreciation charge for the financial year	9
At 31 December 2007	<u>31</u>
Carrying amount	
At 31 December 2007	<u>15</u>

	Office equipment, furniture and renovation \$'000
Company	
Cost	
At 1 January 2006	46
Additions	-
At 31 December 2006	<u>46</u>
Accumulated depreciation	
At 1 January 2006	13
Depreciation charge for the financial year	9
At 31 December 2006	<u>22</u>
Carrying amount	
At 31 December 2006	<u>24</u>

The carrying amount of motor vehicles held under finance leases at 31 December 2007 amounted to \$25,000 (2006: \$91,000).

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19. Intangible assets

	Development cost \$'000	Intellectual property \$'000	Total \$'000
Group			
Cost			
At 1 January 2006	1,069	2,132	3,201
Development cost recognised as an asset	533	-	533
Exchange differences	2	-	2
At 31 December 2006	<u>1,604</u>	<u>2,132</u>	<u>3,736</u>
Exchange differences	4	6	10
At 31 December 2007	<u>1,608</u>	<u>2,138</u>	<u>3,746</u>
	Development cost \$'000	Intellectual property \$'000	Total \$'000
Accumulated amortisation			
At 1 January 2006	115	936	1,051
Amortisation charge for the year	150	455	605
Exchange difference	3	8	11
At 31 December 2006	<u>268</u>	<u>1,399</u>	<u>1,667</u>
Amortisation charge for the year	320	460	780
Exchange differences	-	1	1
At 31 December 2007	<u>588</u>	<u>1,860</u>	<u>2,448</u>
Carrying amount			
At 31 December 2006	<u>1,336</u>	<u>733</u>	<u>2,069</u>
At 31 December 2007	<u>1,020</u>	<u>278</u>	<u>1,298</u>

Intellectual property comprises rights and titles relating to mobile solutions software, the amortisation of which is recognised in cost of sales in the income statement.

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20. Trade and other payables

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Trade payables	8,135	4,110	-	-
Proprietary solutions contracts:				
- due to customers (note 15)	3,494	-	-	-
Accrued operating expenses	807	878	200	269
Deposits received	41	47	-	-
Other payables:				
- supplier of intellectual property	227	226	-	-
- amount due to ultimate holding corporation (non-trade)	19	60	-	-
- amount due to a subsidiary (non-trade)	-	-	-	1
- amount due to related corporations (non-trade)	918	715	-	-
- amount due to an associated company (non-trade)	18	-	-	-
- dividend payable	-	156	-	-
- sundry	407	165	-	7
	14,066	6,357	200	277

Non-trade amounts due to the ultimate holding corporation, a subsidiary, an associated company 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 values.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	173	1,154	200	277
Ringgit Malaysia	7,924	1,485	-	-
United States Dollar	4,979	3,317	-	-
Euro	740	280	-	-
Others	250	121	-	-
	14,066	6,357	200	277

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21. Borrowings

	Group	
	2007	2006
	\$'000	\$'000
Current		
Bank overdrafts (note 11)	99	286
Bank borrowings	43	49
Finance lease liabilities (note 22)	16	45
	<u>158</u>	<u>380</u>
Non-current		
Finance lease liabilities (note 22)	18	34
Total borrowings	<u>176</u>	<u>414</u>

(a) Security granted

The bank borrowings and trade lines are secured by corporate guarantees from the Company and a subsidiary, and a charge on short-term bank deposits of \$1,086,639 (2006: \$233,800). 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 1.5 month (2006: 1.5 month) from the end of the financial year.

(c) Currency risk

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

	Group	
	2007	2006
	\$'000	\$'000
Singapore Dollar (SGD)	99	231
Ringgit Malaysia (MYR)	77	183
	<u>176</u>	<u>414</u>

(d) Interest rate risks

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

	Group			
	2007		2006	
	SGD	MYR	SGD	MYR
Bank overdrafts	6.5%	8.3%	4.25%	8.3%
Bank borrowings	-	5.4%	-	5.2%
Finance lease liabilities	-	6.1%	-	6.1%

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**NOTES TO THE FINANCIAL STATEMENTS
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21. Borrowings (Continued)

(d) Interest Rate risks (Continued)

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 borrowings approximate their fair values.

22. Finance lease liabilities

	Minimum lease payments Group		Present value of minimum lease payments Group	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Amount payable under finance lease:				
- within one year	20	54	16	45
- In the second to fifth year inclusive	21	40	18	34
	41	94	34	79
Less: future finance charges	(7)	(15)	-	-
Present value of minimum lease liabilities	34	79	34	79

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

	Group	
	2007 \$'000	2006 \$'000
Current finance lease liabilities (payable within 12 months) (note 21)	16	45
Non-current finance lease liabilities (payable after 12 months) (note 21)	18	34
	34	79

Finance lease liabilities are denominated in Ringgit Malaysia.

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23. 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:-

	Group	
	2007	2006
	\$'000	\$'000
Deferred income tax asset		
- to be recovered after more than 12 months	(301)	(590)
Deferred income tax liabilities		
- to be settled after more than 12 months	75	58
	<u>(226)</u>	<u>(532)</u>

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

	Group	
	2007	2006
	\$'000	\$'000
At beginning of the financial year	(532)	(553)
Tax charge to income statement	306	21
At end of the financial year	<u>(226)</u>	<u>(532)</u>

As at 31 December 2007, the Group has unabsorbed tax losses of approximately \$10,159,000 (2006: \$7,700,000) and unutilised capital allowances of approximately \$2,750,000 (2006: \$3,676,000) 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 in which the companies operate. Included in these balances are unabsorbed tax losses and unutilised capital allowances of approximately \$70,000 (2006: \$80,000) which have been used to reduce deferred tax liabilities of the Group for the financial year. The deferred tax benefits on the remaining carried forward unabsorbed tax losses and unutilised capital allowances amounting to \$11,270,000 (2006: \$8,426,000) 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 subsidiaries of the Company as disclosed in note 9 to the financial statements.

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23. 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:

Group	Accelerated tax depreciation \$'000	Others \$'000	Total \$'000
Deferred income tax liabilities			
2007			
At 1 January 2007	463	7	470
Charged to income statement	(388)	(7)	(395)
At 31 December 2007	<u>75</u>	<u>-</u>	<u>75</u>
2006			
At 1 January 2006 and 31 December 2006	<u>463</u>	<u>7</u>	<u>470</u>

	Provisions \$'000	Tax losses and capital allowances \$'000	Others \$'000	Total \$'000
Deferred income tax assets				
2007				
At 1 January 2007	(7)	(946)	(49)	(1,002)
Charged to income statement	7	651	43	701
At 31 December 2007	<u>-</u>	<u>(295)</u>	<u>(6)</u>	<u>(301)</u>
2006				
At 1 January 2006	(7)	(967)	(49)	(1,023)
Charged to income statement	-	21	-	21
At 31 December 2006	<u>(7)</u>	<u>(946)</u>	<u>(49)</u>	<u>(1,002)</u>

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24. Share capital

	2007 Shares	Group and Company		2006 \$'000
		2006 Shares	2007 \$'000	
<u>Issued and fully paid ordinary share capital: -</u>				
At beginning of the financial year	319,572,675	319,572,675	31,948	25,566
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	-	-	-	6,382
At end of the financial year	319,572,675	319,572,675	31,948	31,948

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

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

25. Foreign currency translation reserve

The movements in the foreign currency translation reserve are set out in the Consolidated Statement of Changes in Equity.

The foreign currency translation reserve is non-distributable.

26. Contingent liabilities, unsecured

The Company has undertaken to provide corporate guarantees to its subsidiaries on its borrowings amounting to \$142,000 (2006: \$335,000). The fair values of the corporate guarantees are immaterial based on management estimates.

The Company has also undertaken to provide continued financial support to its subsidiaries which have accumulated losses of \$6,692,975 (2006: \$2,369,142) in excess of the issued and paid-up capital as at 31 December 2007 to enable them to continue to operate as a going concern and to meet their obligations when they fall due.

In the opinion of the management, no losses were expected to arise pertaining to the aforesaid contingent liabilities.

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27. Commitments

(a) Operating lease commitments

The Group leases various premises and equipment under non-cancellable operating lease agreements. The leases have been negotiated with varying terms and renewal rights ranging from one to three years.

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:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Not later than one year	298	321	-	-
Later than one year but not later than five years	6	238	-	-
	<u>304</u>	<u>559</u>	<u>-</u>	<u>-</u>

(b) Capital commitments

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Investment in joint venture	9	-	-	-
Remaining paid-up share capital of a subsidiary	-	169	-	-
	<u>-</u>	<u>169</u>	<u>-</u>	<u>-</u>

28. Financial instruments, financial risk and capital risk management

(a) Categories of financial instruments

The following table sets out the financial instruments as at the balance sheet date :

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	<u>28,604</u>	<u>17,908</u>	<u>9,662</u>	<u>9,733</u>
Financial liabilities				
Payables	14,066	6,357	200	277
Borrowings	<u>176</u>	<u>414</u>	<u>-</u>	<u>-</u>

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28. Financial instruments, financial risk and capital risk management (Continued)

(b) 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.

There has been no change to Group's exposure to these financial risks or the manner in which it manages and measures risk.

(i) Foreign exchange risk management

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Ringgit Malaysia, the Euro 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.

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

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
United States Dollar	4,979	3,317	9,217	12,587	-	-	2	2
Singapore Dollar	272	1,385	297	1,589	200	277	9,660	9,731
Ringgit Malaysia	8,001	1,668	18,532	2,748	-	-	-	-
Euro	740	280	-	-	-	-	-	-
Others	250	121	558	984	-	-	-	-

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28. Financial instruments, financial risk and capital risk management (Continued)

(i) Foreign exchange risk management (Continued)

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the Singapore Dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to management and represents management's assessment of the impact of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the reporting currency of the Group.

If the Singapore Dollar strengthens by 10% against the relevant foreign currencies, the income statement of the Group will increase (decrease) by:

	United States Dollar Impact		Ringgit Malaysia Impact		Euro Impact	
	2007	2006	2007	2006	2007	2006
Group	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Results	(610)	(1,423)	(459)	(47)	212	84

If Singapore Dollar weakens by 10% against the relevant foreign currencies, income statement of the Group will increase (decrease) by:

	United States Dollar Impact		Ringgit Malaysia Impact		Euro Impact	
	2007	2006	2007	2006	2007	2006
Group	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Results	610	1,423	459	47	(212)	(84)

The potential impact of foreign exchange rate fluctuations on the income statement of the Group as described in the sensitivity analysis above is attributable mainly to of foreign exchange rate fluctuations the Group's foreign exchange rate exposure on non-reporting currency receivables and payables at year end.

Foreign exchange risk has negligible impact on the income statement of the Company as the Company has insignificant foreign currency denominated receivables and payables at year end.

(ii) Interest rate risk management

Summary quantitative data on the Group's interest-bearing financial instruments can be found in note 13 and 21.

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to 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 financial instruments, 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.

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

28. Financial instruments, financial risk and capital risk management (Continued)

(ii) Interest rate risk management (Continued)

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.

Interest Rate Sensitivity

Interest rate risk has negligible impact on the income statement and equity of the Group and the Company as the Group and the Company does not have significant interest-bearing financial instruments.

(iii) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

The top 5 trade receivables comprise 72% of trade receivables (net of impairment allowances), which include a single major customer located in Malaysia making up 52% of the trade receivables (net of impairment allowances). The Group has policies in place to ensure that sales of products and services are made to customers with an acceptable credit history.

As the Group and the Company do not hold any collateral, the carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk.

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits placed with banks with good credit ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired substantially comprise companies with a good payment track record or credit history with the Group.

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables and other receivables.

The ageing analysis of trade receivables past due but not impaired is provided in note 12.

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

28. Financial instruments, financial risk and capital risk management (Continued)

(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.

Liquidity Risk Analysis

Non-derivative financial liabilities

The following details the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

<u>Group</u>	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 Years \$'000	Total \$'000
2007				
Non - interest bearing	14,101	75	-	14,176
Finance lease liability (fixed rate)	16	18	-	34
Variable interest rate instruments	142	-	-	142
	<u>14,259</u>	<u>93</u>	<u>-</u>	<u>14,352</u>

	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 Years \$'000	Total \$'000
2006				
Non - interest bearing	6,464	58	-	6,522
Finance lease liability (fixed rate)	45	34	-	79
Variable interest rate instruments	335	-	-	335
	<u>6,844</u>	<u>92</u>	<u>-</u>	<u>6,936</u>

Company

2007				
Non - interest bearing	<u>200</u>	<u>-</u>	<u>-</u>	<u>200</u>
2006				
Non - interest bearing	<u>277</u>	<u>-</u>	<u>-</u>	<u>277</u>

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

28. Financial instruments, financial risk and capital risk management (Continued)

(v) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the Company comprising issued capital, reserves and retained earnings.

The Group's overall strategy remains unchanged from 2006.

29. Immediate and ultimate holding corporations

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

30. Related party transactions

Related corporations in these financial statements refer to members of the immediate and ultimate holding corporations groups of companies.

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

	Group	
	2007	2006
	\$'000	\$'000
Sales of goods/services to:		
- other related corporations	19	58
Purchase of goods/services from:		
- other related corporations	13	11
Rental and maintenance fees charged by a commonly controlled entity	171	183

Sales to the related corporations were carried out on terms agreed between the parties.

	Company	
	2007	2006
	\$'000	\$'000
Reimbursement of expenses charged to subsidiaries	246	316
Service fee charged to subsidiaries	-	46
Payment on behalf of subsidiaries	-	5
Payment on behalf by subsidiaries	236	74

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

30. Related party transactions (Continued)

(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: -

	Group	
	2007	2006
	\$'000	\$'000
Key management of the Group:		
Directors		
Salaries and other short-term employee benefits	197	196
Contribution to defined contribution pension plans	7	7
Others		
Salaries and other short-term employee benefits	466	590
Contribution to defined contribution pension plans	35	34
	705	827
	Company	
	2007	2006
	\$'000	\$'000
Key management of the Company:		
Directors		
Short - term employee benefits	90	90

31. Segment information

Primary reporting format - business segments

The Group is organised into three main business segments:

- * Provision of telecommunications products and customised solutions for the telecommunications industry ("Proprietary Solutions");
- * Distribution of third party telecommunications products and components ("Distribution"); and
- * Provision of global roaming quality of service management solutions ("Operation Support Systems").

Others comprise investment holding 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.

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

31. Segment information (Continued)

	Proprietary Solutions \$'000	Distribution \$'000	Operation Support Systems \$'000	Others \$'000	Elimination \$'000	Group \$'000
Financial year ended 31 December 2007						
Sales:						
- external sales	19,158	3,714	1,969	-	-	24,841
- inter-segment sales	-	494	-	-	(494)	-
	<u>19,158</u>	<u>4,208</u>	<u>1,969</u>	<u>-</u>	<u>(494)</u>	<u>24,841</u>
Segment results	(3,270)	(1,516)	279	-	-	(4,507)
Finance costs						(38)
Share of results of an associated company						<u>1,318</u>
Loss before income tax						(3,227)
Income tax						(281)
Net loss for the financial year						<u>(3,508)</u>
Segment assets	30,129	1,569	1,181	22	(480)	32,421
Associated company						1,561
Unallocated assets						<u>2,532</u>
Consolidated total assets						<u>36,514</u>
Segment liabilities	12,367	4,680	1,406	200	(4,586)	14,067
Unallocated liabilities						285
Consolidated total liabilities						<u>14,352</u>
Other segment items						
Capital expenditure:						
- Plant and equipment	795	7	17	-	-	819
Amortisation of development cost and intellectual property	780	-	-	-	-	780
Depreciation of plant and equipment	1,722	76	4	9	-	1,811

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

31. Segment information (Continued)

	Proprietary Solutions \$'000	Distribution \$'000	Operation Support Systems \$'000	Others \$'000	Elimination \$'000	Group \$'000
Financial year ended 31 December 2006						
Sales:						
- external sales	11,026	4,248	748	-	-	16,022
- inter-segment sales	-	618	-	46	(664)	-
	<u>11,026</u>	<u>4,866</u>	<u>748</u>	<u>46</u>	<u>(664)</u>	<u>16,022</u>
Segment results	(3,098)	(1,641)	(189)	-	-	(4,928)
Finance costs						(85)
Share of results of an associated company						515
Loss before income tax						<u>(4,498)</u>
Income tax						(103)
Net loss for the financial year						<u>(4,601)</u>
Segment assets	27,696	2,530	126	98	(243)	30,207
Associated company						702
Unallocated assets						1,675
Consolidated total assets						<u>32,584</u>
Segment liabilities	4,793	4,055	513	278	(3,331)	6,308
Unallocated liabilities						628
Consolidated total liabilities						<u>6,936</u>
Other segment items						
Capital expenditure:						
- Plant and equipment	2,222	50	7	-	-	2,279
- Development cost of intellectual property	533	-	-	-	-	533
Amortisation of development cost and intellectual property	605	-	-	-	-	605
Depreciation of plant and equipment	1,901	86	1	-	-	1,988

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

31. Segment information (Continued)

Secondary reporting format - geographical segments

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

- ASEAN - the Company is headquartered in Singapore, and has operations in Singapore and other ASEAN countries. The operations in this area are principally the provision of telecommunications products and customised solutions for the telecommunications industry, provision of global roaming quality and service management solution, distribution of third party telecommunications products and components; and
- Greater China, North America and other countries, and South Asia and Middle East - the operations in these areas are principally the provision of telecommunications products and customised solutions for the telecommunications industry, provision of global roaming quality and service management solution and 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.

	Sales \$'000	Total assets \$'000	Capital expenditure \$'000
2007			
ASEAN	20,249	29,381	819
Greater China	2,689	1,022	-
North America and other countries	254	384	-
South Asia and Middle East	1,649	1,634	-
	<u>24,841</u>	<u>32,421</u>	<u>819</u>
Associated company (note 16)		1,561	
Unallocated assets		<u>2,532</u>	
		<u>36,514</u>	
	Sales \$'000	Total assets \$'000	Capital expenditure \$'000
2006			
ASEAN	11,875	26,701	2,812
Greater China	2,388	2,335	-
North America and other countries	233	851	-
South Asia and Middle East	1,526	320	-
	<u>16,022</u>	<u>30,207</u>	<u>2,812</u>
Associated company (note 16)		702	
Unallocated assets		<u>1,675</u>	
		<u>32,584</u>	

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

32. Listing of companies in the Group

		Country of incorporation and place of business	Equity holding	
			2007 %	2006 %
<u>Subsidiaries held by the Company</u>				
Unified Communications Pte Ltd (a)	Distribution of telecommunications products, the 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
<u>Subsidiaries held by the Group</u>				
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 information technology and telecommunications products	Singapore	100	100
AttrixTech Sdn Bhd (b)	Distribution of information technology and telecommunications products	Malaysia	100	100

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

32. Listing of companies in the Group (Continued)

Name of companies	Principal activities	Country of incorporation and place of business	Equity holding	
			2007 %	2006 %
<u>Subsidiaries held by the Group</u>				
Unified Communications (Shenzhen) Pte Ltd (f)	Distribution of telecommunications products, development of localised telecommunications solutions, and maintenance and support services for the telecommunications industry	People's Republic of China	100	100
GlobeOSS Sdn Bhd (b)	Provision of global roaming quality of service management solutions	Malaysia	51	51
GlobeOSS Pte Ltd (a) (g)	Provision of global roaming quality of service management solutions	Singapore	51	-
<u>Associated company held by the Group</u>				
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 LHT CPA Limited, 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. Unified Communications Pte Ltd subscribed to 100% 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 Ji Hen Public Accounting Firm.

(g) On 4 June 2007, GlobeOSS Sdn Bhd had incorporated a wholly owned subsidiary GlobeOSS Pte Ltd in the Republic of Singapore with a paid up share capital of \$2 comprising 2 ordinary shares. Disclosed above is the effective equity interest of the Group of 51%.

**UNIFIED COMMUNICATIONS HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

33. Significant events subsequent to balance sheet date

- (a) On 1 February 2008, the Company's wholly owned subsidiary company in Malaysia, Unified Communications Sdn Bhd had executed an agreement with Talian Gerak Alih Sdn Bhd as the latter's exclusive technology partner in the building, installation, implementation and technical operation and management of the mobile number portability clearinghouse in Malaysia.
- (b) On 1 February 2008, the Company's wholly owned subsidiary company Unified Communications Pte Ltd ("UCPL"), had subscribed for 50% ordinary shares in Unified Telecom Private Limited ("UTPL"), a company incorporated in New Delhi (India) for a cash consideration of Indian Rupees 250,000. UTPL is a joint venture company between UCPL and ADR Telecom Private Limited, a company incorporated in New Delhi (India), pursuant to an Equity Joint Venture Agreement signed on 17 December 2007.
- (c) On 22 February 2008, GlobeOSS Sdn Bhd ("GlobeOSS") a 51% owned subsidiary of the Company, had entered into an agreement with Multimedia Development Corporation Sdn Bhd for an approved grant of \$333,518 (RM767,764) for the development of the GlobeOSS Roaming Assurance platform under the MSC Malaysia Research & Development Grant Scheme. Disbursement of the grant will be based on the progress of development of the said platform for a tenure of up to twelve months.

34. 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 4 April 2008.

UNIFIED COMMUNICATIONS HOLDINGS LIMITED

STATISTICS OF SHAREHOLDINGS AS AT 17 MARCH 2008

DISTRIBUTION OF SHAREHOLDINGS

<u>Size of Shareholdings</u>	<u>No. of Shareholders</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
1 - 999	5	0.24	1,148	0.00
1,000 - 10,000	925	43.84	6,684,269	2.09
10,001 - 1,000,000	1,163	55.12	61,121,939	19.13
1,000,001 and above	17	0.80	251,765,319	78.78
TOTAL	2,110	100.00	319,572,675	100.00

TWENTY LARGEST SHAREHOLDERS

<u>No.</u>	<u>Name</u>	<u>No. of Shares</u>	<u>%</u>
1	RHB Bank Nominees Pte Ltd	82,200,000	25.72
2	Westcomb Securities Pte Ltd	63,400,000	19.84
3	Raffles Nominees Pte Ltd	44,704,000	13.99
4	CIMB Bank Nominees (S) Sdn Bhd	19,034,329	5.96
5	DMG & Partners Securities Pte Ltd	9,063,000	2.84
6	HSBC (Singapore) Nominees Pte Ltd	8,640,000	2.70
7	OCBC Securities Private Ltd	5,049,000	1.58
8	CIMB-GK Securities Pte. Ltd.	3,627,000	1.13
9	DBS Nominees Pte Ltd	2,553,000	0.80
10	DBS Vickers Securities (S) Pte Ltd	2,330,000	0.73
11	Phillip Securities Pte Ltd	2,275,990	0.71
12	UOB Kay Hian Pte Ltd	2,079,000	0.65
13	United Overseas Bank Nominees Pte Ltd	1,777,000	0.56
14	Ong Yeng Tian @ Ong Weng Tian or Teh Guat Bee	1,534,000	0.48
15	OCBC Nominees Singapore Pte Ltd	1,265,000	0.40
16	Merrill Lynch (S'pore) Pte Ltd	1,218,000	0.38
17	Citibank Consumer Nominees Pte Ltd	1,016,000	0.32
18	Ng Wang @ Ng Chiang Chin	955,000	0.30
19	HL Bank Nominees (S) Pte Ltd	871,000	0.27
20	Chong Chie Seng Peter	598,000	0.19
TOTAL		254,189,319	79.55

SUBSTANTIAL SHAREHOLDERS

<u>No.</u>	<u>Name</u>	<u>No. of Shares</u>
1	Worldwide Matrix Sdn Bhd	186,322,939 ^(a)
2	Wong Tze Leng	19,034,329

(a) Advance Synergy Berhad is deemed to be interested in the shares held by Worldwide Matrix Sdn Bhd by virtue of its shareholdings in Worldwide Matrix Sdn Bhd.

Based on the information available to the Company as at 17 March 2008, approximately 36% of the issued ordinary shares of the Company is held by the public. Therefore Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with by the Company.

UNIFIED COMMUNICATIONS HOLDINGS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Copthorne King's Hotel Singapore, 403 Havelock Road, Singapore 169632, Prince 2 Room on Tuesday, 29 April 2008 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 2007 and the Reports of Directors and Auditors thereon. **Resolution 1**
2. To approve the Directors' Fees of \$90,000 for the financial year ended 31 December 2007. **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:

- (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, excluding treasury shares, 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, excluding treasury shares, and for the purpose of this resolution, the issued share capital shall be the Company's issued share capital, excluding treasury shares, at the time this resolution is passed, after adjusting for:
- new shares arising from the conversion or exercise of convertible securities;
 - 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;
 - any subsequent consolidation or subdivision 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."

(See Explanatory Note 2)

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

Dated this 14th day of April 2008.

By Order of the Board

Eileen Koh

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 of the Company. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
 - (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 Committee and Nominating Committee of the Company. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
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, excluding treasury shares, 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, excluding treasury shares, 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.

Important:

1. For investors who have used their CPF monies to buy Unified Communications Holdings Limited's shares, this Annual Report 2007 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 intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

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

PROXY FORM

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 Copthorne King's Hotel Singapore, 403 Havelock Road, Singapore 169632, Prince 2 Room on Tuesday, 29 April 2008 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 2007 and the Reports of Directors and Auditors thereon.	Resolution 1		
2.	To approve the Directors' Fees of \$90,000 for the financial year ended 31 December 2007.	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 (b) Phuah Peng Hock	Resolution 3 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 _____ 2008

Total Number of Shares Held

Signature(s) of Member(s)/ Common Seal

* Delete accordingly.

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.