

ANNUAL REPORT 2009  
Unified Communications Holdings Limited





# FOREWORD\2009

Keyword for the Year: Optimisation

## In 2009, the Group took a leaf out of its playbook for addressing customer needs and focused on performance optimisation. This time it was applied to our own business operations.

Between 2006 and 2008, we spent a considerable amount of effort on reorganising, streamlining and rejuvenating our business. We saw the early fruits of our labour in 2007, when the Group returned to EBITDA and PAT positive before exceptional items. Last year, we reorganised operations into distinct business units and returned to full EBITDA and PAT positive results, after all expense items. This year, we extended our profitability track record by achieving EBITDA of S\$4.5 million and PAT of S\$3.2 million. This corresponded to sustaining the uptrend in profit improvement since 2007. Against 2008 in particular, the Group recorded a 19% increase in PAT.

We achieved PAT growth for the year in spite of lower consolidated revenue for the Group for two key reasons.

For one, we had further sharpened our focus on optimising overall profit performance of the Group. Applying the definition of optimisation in our case meant maximising profitability and cash flow generation of our existing business as primary objectives. This took shape in the type of business opportunities we focused our efforts on and hence the sales mix we achieved for the year, which comprised a higher proportion of revenue from proprietary software licence fees and a lower proportion from third-party hardware component resale. This translated to higher GP per dollar of revenue of the Group which went straight to our bottom line. Optimisation also meant further operating expense rationalisation and investment in our future. In 2009, we delivered a further 13% reduction in total operating expenditure against 2008 and made further investment in plant and equipment and product development – key ingredients for the Group to secure competitiveness and future profit growth.

Secondly, our profitability in 2009 was little impacted by exceptional expense items as compared to prior years. The Group was also no longer affected by the loss-making distribution business segment in 2009. The decision of the Group to exit from the distribution business in 2008 and to redirect our capital towards higher potential OSS and

VAS business segments was also guided by this objective of optimisation, in relation to investing our capital in businesses that yield satisfactory future returns in light of the risks involved.

This objective of optimisation that has guided the decisions and strategies the Group's management, is not a notion that is alien to us. Optimisation is at the heart of our business: the systems, software and services that we develop and provide to our customers around the world are ultimately focused on the objective of performance optimisation in one form or another. Strip away the technical and engineering language that is applied to our products and services, at the core of what we do is to provide high impact business solutions that help our mobile telecommunications network operator customers to *optimise performance* in short order – be it (1) maximising the revenue performance of their voice and basic data services, or (2) minimising cost of servicing their subscribers while maximising customer satisfaction, or (3) extracting the maximum revenue from their existing assets and subscriber base with minimal additional cost through compelling mobile value-added-services that boost average revenue per user (ARPU).

Given that our business is grounded in the 'technical' disciplines of telecoms and IT engineering, it may seem challenging to those outside of our industry to understand what exactly we do at the Group, other than being another anonymous 'technology systems and services' vendor to mobile telecommunications network operators. We believe that in order to fully appreciate the Group's business and our future prospects, it is important for us to describe clearly to you, our shareholder, what it is that we *really* do at the Group and the direction we take to maintain lasting relevance in this competitive industry. This means understanding how our business is ultimately about delivering solutions that create meaningful and compelling value for our customers, time and again.

For this reason, in this year's Annual Report, we will devote the first few pages to revisit what we do in our business and what our value proposition is to customers. We believe this will provide valuable context to inform a review of our financial results, operations and prospects.

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## In previous years we have described how there is a growing need for innovative mobile data and value-added-services (VAS) systems, solutions and managed services for Tier-1 mobile telecommunications network operators across our regions of focus and

how this presents business opportunities for the Group. In last year's annual report we also mentioned how we had secured new system and solution deployments as well as developed and brought to market 10 new product offerings between 2007 and 2008. During 2009, our three business units – TECH, VAS and OSS – selectively expanded their already substantial product portfolios. Focus was primarily on consolidating and deepening our existing solution and product families.

What we have yet to do however, is to revisit the business context for all the products and services we have developed and brought to the market, and what we continue to focus on developing and bringing to the market. Rather than delving deep into the mechanics of the systems and proprietary software that comprise our products, the insight into what our business is *really about* - what we actually do and how we ultimately create value for our customers - is best gleaned from understanding who our customers are and what business problems our products and services attempt to solve. Doing so will reveal more clearly what is at the heart of the Group's business, and also what drives our innovation process and business development strategies.

The Group has been and continues to be, through our three business units, engaged in a business-to-business market. We provide solutions that comprise a single product, a combination of products, or a combination of both products and services to a particular type of business customer – the mobile telecommunications network operator. Our products are the proprietary software applications that we develop and then run on third-party hardware (such as servers from HP, Sun or Dell) to form an operational system. These systems that we build, install and integrate for our customers are what are then commissioned and operated to deliver specific telecommunications services to our customers' customer, the mobile telecommunications service subscriber. Outside of our OSS business, such systems, powered by our proprietary software, are given many generic category names in our industry, the most commonly used of which being 'mobile VAS' systems. Within mobile VAS there are in turn, many sub-categories of systems – from those that deliver mobile messaging services, to roaming, voice, music and video services. Some applications such as our personalised ringback tone and background music product which we have mentioned in several past annual reports, involve the use of premium content such as recorded music to deliver the subscriber service, while others don't. Across all these different systems there is nonetheless a clear common thread. That thread is that each of these systems and the software that underpins them, have as their ultimate purpose, the solving of performance optimisation problems of the mobile telecommunications network operator. The systems that are powered by the Group's proprietary software each addresses different performance optimisation problems in different parts of our customers' revenue-generating business operations.

So what types of *performance optimisation* problems do we address? In basic terms, we design solutions and build products that address the need for either (1) maximising revenue generation of existing assets of the customer subject to the constraints of short deployment time and minimal additional capital expenditure or (2) minimising the cost of service subject to the constraint of not adversely affecting customer satisfaction levels. Our proposition becomes real and meaningful to our customers once they have made their significant investments in core assets for their business – the capital intensive mobile network infrastructure, supporting business systems and the acquisition of a meaningful active subscriber base - to deliver basic mobile telecommunications services such as voice call, basic data (SMS) and global roaming services. In the early stage of the lifecycle of any of our customers' business, focus is placed on acquiring a meaningful subscriber base and to deliver at competitive value, such basic mobile telecommunications services to generate steady core revenues for their business. However, once this steady stream of revenues from core services have been secured, like any business, attention is then placed on how to optimise the revenue or profit generated from their already substantial investment in assets, namely their infrastructure and subscriber base acquired at not insignificant cost. This is when the Group comes into the picture – our VAS and OSS systems and underlying proprietary software provide the mobile telecommunications network operator a relatively quick and cost-efficient means for tuning the *financial* performance of their existing revenue-generating services or assets.

A good analogy for our business is therefore the after-market performance tuning equipment and service providers in the automotive industry. In this analogy, the car owner buys a factory-standard vehicle model from a mass-market manufacturer. Given that the vehicle is a mass-market product, the car owner may have performance needs and expectations unfulfilled by the manufacturer's basic product. Some manufacturers may offer upgrade options or accessories that can be bought by the car owner to optimise the vehicle. However in most cases, the desired options or accessories are either not available from the manufacturer, or its cost is prohibitively high or it takes too long to install or fit. The car owner then turns to a reputable after-market equipment manufacturer or tuning service provider for advice and the best total solution. What we do at the Group is not dissimilar – we are the after-market *performance tuning solution provider* for mobile telecommunications network operators. We provide both the products and expert professional services that form quick, high-impact bolt-on solutions for financial performance optimisation of their core services and operating assets. Unlike manufacturers of core network infrastructure who may also have some 'after-market equipment' to offer, we have superior solutions owing to the breadth, depth, configurability and alternative pricing models in our 'after-market' products and services. It is after all, all that we do.



# PRODUCTS\2009

Solutions to Tune Performance and Create Value for Customers

## The Group's portfolio of products and services are the key ingredients in our solutions - solutions that are designed to deliver performance optimisation in seven areas of our customers' business.

The first area that our solutions address is the most basic of mobile telecommunications services – voice calls. This basic service still generates the lion's share of service revenues for many of our customers. As with any business that evolves beyond the initial growth stage of its lifecycle and approaches maturity, competition intensifies and revenues begin to plateau. At this stage, extracting maximum revenue and profit from each customer and the underlying call traffic becomes a high priority. We have a solution family that helps our customers optimise and assure their voice call revenues in several ways. These ways include maximising voice call completion success rates using our products that deliver *missed call notification*, *mobile availability alert*, *dynamic voicemail* and *collect call* value-added-services to subscribers. These products that form part of the Group's *voice call revenue optimisation solution family* allow our customers to minimise potential revenue loss associated with failed voice call attempts (due to no service coverage, the called party's phone being switched off, insufficient service credit and so on). For a customer with a relatively large subscriber base in a maturing or mature market, the opportunity to recapture potential revenue from millions of failed voice call attempts daily - where call completion could not be initially achieved - translates to meaningful transaction traffic and revenue performance improvement of their voice call business.

The second area that our solutions address is on what is also a significant contributor to profits for most mobile telecommunications network operators – international roaming voice call and SMS traffic. These services remain at premium rates – reflecting the convenience value of this service to high-value subscribers, especially subscribers engaged in international travel for business. Our *roaming revenue optimisation solution family* allows our customers to capture the highly profitable international roaming voice call and SMS transaction traffic as generated by both inbound and outbound roamers. Our solution family in this area include products that deliver *roaming greeting*, *roaming steering*, *roaming call-back* and *roaming local number* services, all aimed at maximising the inbound and outbound roaming service revenues earned by our customers.

The third area that is addressed by our solutions relates to introducing new revenue-generating services over and above voice calls and SMS (whether domestic or international roaming) to optimise average revenue per user (ARPU). In our industry, these types of services are the ones that are broadly labelled as premium 'mobile VAS'. The first driving force for almost all premium mobile VAS around the world including those we have delivered using our products has been the underlying demand from a proportion of subscribers to *personalise* or *individualise* their mobile service. The need for personalisation or individualisation is in turn, driven by either the desire of the subscriber for self-expression, or greater convenience and configurability in services used. In all cases such subscribers are willing to pay for the ability or privilege to personalise their mobile service. Our *subscriber service personalisation solution family* allows our customers to deliver new, add-on services for subsets of their subscriber base to personalise and make their own, the messaging, voice call and video call services available to them. Our solution family in this area include products that deliver *personalised ringback tone*, *background music*, *personalised ringback video*, *caller screening/filtering*, *voice SMS*, *enhanced SMS* and *colour SMS* value-added-services. The second driving force for premium mobile VAS meanwhile is the increasing use of the mobile device and mobile telecommunications networks to consume information, entertainment and social-media based content on-the-go. We have a *mobile information, entertainment and social media solution family* that includes products that deliver *text*, *voice and video content portal*, *location-finding* and *location-tracking* value-added-services that provide convenient and immediate access to information, entertainment and social media (location) content to mobile subscribers.

The fourth area addressed by our solutions is a little more prosaic but provides significant value, focusing on maximising profit performance of existing services by minimising the cost of providing customer service. In this area, revenue maximisation can also be indirectly achieved as a result of consistency of or improvement in quality of customer service. Our *subscriber self-service solution family* allows our customers to automate their basic customer service requirements with highly adaptable, scalable and cost-effective service automation systems. Products in this solution family create menu-based *voice*, *text (SMS and USSD)* and *web/WAP subscriber contact and access channels* to enable subscriber self-service for basic customer support functions addressing tens of millions of subscribers. They allow our customers to service rapid growth in their subscriber base while minimising the cost of maintaining the desired quality of customer care and capital expenditure required.

The fifth area targeted by our solutions has to do with taking the next step to further optimise revenues generated from pre-existing basic telecommunications services (voice and SMS) and premium VAS services already offered by our customers to their subscribers. This area addresses the revenue and profit optimisation problem of our customers from a different perspective. Rather than address the question of how to further maximise revenue generated from mobile telecommunications services that are paid for by the subscriber, our *mobile marketing* and *mobile advertising solution families* allow our customers to leverage two of their key intangible assets – their large base of subscribers and information they have on them – to offer marketing and advertising services to enterprises and corporations wishing to carry out marketing communications via mobile.



## The mobile marketing and mobile advertising services we enable through our solutions allow our customers the opportunity to further optimise the value generated by their existing soft assets – their large subscriber base and information on who and where these subscribers are.

The perspective from which our *mobile marketing* and *mobile advertising solution families* address the optimisation problem of our customers is very different from our other solution families. In this fifth area, attention is turned to using existing infrastructure and assets of our customers – such as their existing subscriber base and subscriber profile information – to earn revenues from marketers and advertisers, rather than the service subscriber. As our customers approach the maturity stage in their industry lifecycle, competition naturally intensifies and places downward pressure on service tariffs and revenues of both basic telecommunications services and premium VAS delivered to subscribers. Our products in this solution family that deliver *direct response/interactive mobile marketing* and *multi-channel interactive mobile advertising services* to enterprises allow our customers to make a natural progression to achieve even greater optimisation – by broadening their paying customers to include advertising and marketing enterprises to capture a share of sizeable annual marketing and advertising spend. In addition, our products in this area also offer our customers greater latitude to defend if not further grow their market share by allowing them the opportunity to innovate to offer compelling *ad-supported* or *ad-funded* services to subscribers.

The sixth area that we fix our attention on to deliver optimisation solutions shares some commonalities with the fifth. This area deals with the problem faced by our customers once they have already optimised the financial performance of their voice and SMS services *and* achieved high penetration or usage rates for ARPU-enhancing premium VAS. Once this degree of performance optimisation has been achieved by our customers, what next and where to, to extract even more performance improvement? The answer lies in placing under the microscope the operations of individual services to analyse and identify means and opportunities for further incremental enhancements in the revenue or profit performance of each service, whether by way of implementing more acutely targeted marketing campaigns or a wider range of service packages and product pricing options to attract more active users of the service, or to stimulate greater service usage by existing users. To do so requires warehousing the multitude of transactional and interaction data generated by each service (and their subscribers), the rapid processing and rigorous statistical analysis of such data to yield optimisation insights that can be acted on. Our *service marketing and service lifecycle management solution family* allow our customers to carry out fine-tooth-comb data mining and analysis to craft and implement new marketing plans and strategies to extract maximum performance from each individual service. Within this relatively new solution family we offer *data warehousing, analytics and business intelligence* business-support products that provide deep *insights into subscriber behaviour and usage patterns, content consumption patterns and detailed service performance metrics* of individual services operated by our customer.

The seventh and final area we address through our solutions relates to the problem of how to ensure that resource utilisation targets are achieved (and in turn, capital expenditure constraints observed) while balancing the need to meet customer satisfaction objectives. Apart from customer service quality, customer satisfaction hinges on consistently providing products or services to the paying customer at the expected standard of quality. Wait too long and spend too little to expand capacity and resources to deliver services, quality of service is likely to decline and the likelihood of customer dissatisfaction and defection to competition increases. Act too early and spend too much to expand capacity and resources, quality of service would likely be excellent but at the expense of sub-optimal profitability. Our *quality of service monitoring and management solution family* as offered by our OSS business unit provides the tools for our customers to obtain accurate, detailed and timely data and information on service quality and performance to allow our customers to make optimal decisions on infrastructure investment, fault or failure diagnostics and resource allocation. Within this solution family we offer *active and passive probe and associated reporting, analytics and business intelligence* products that ultimately serve to safeguard customer loyalty through effective quality of service monitoring and management.

Apart from products, our solutions in most instances also include the provision of professional services to design, implement and in many cases, to also operate and manage the services powered by our products. Where we differ from many of our competitors, including the large network equipment manufacturers that also offer some similar products to ours as add-ons to their core offering, is in the scope and extent of specialised knowledge and dedicated resources we have to design, adapt and deliver performance optimisation solutions. What is a peripheral business to some competitors is a core business for us. As such, our customers can expect the extra depth, insights and attention from us since the solutions we provide are the only things that we do and continuously invest in. In addition, unlike many competitors, we invest our efforts equally in both technical and commercial innovation. The performance optimisation solutions we design and bring to market ultimately address business problems, and with any business problem, commercial aspects – namely cost and business model to procure solutions – are a significant consideration. In this respect, our commercial innovation to offer alternative pricing and business models for our solutions to include revenue share, software-as-a-service/ managed service and pay-per-use models allow us to offer a compelling proposition to our customers. Our focus on performance optimisation solutions, underpinned by both technical and commercial innovation, has been at the core of the Group's business and will be further reinforced in the years ahead.



# 2009/PROFITABILITY

Another Year of Profitability and Profit Growth

## We extended our track record of profitability in 2009 and achieved 19% y-o-y PAT growth...

Now to finally turn to the financial performance of our business in 2009 – at the top line, revenue for the Group declined marginally to S\$18.9m this year from S\$19.6m recorded in 2008. However the Group achieved its second consecutive full year of profitability and recorded a higher profit after tax of S\$3.2m in 2009, up by 19% from S\$2.7m last year. EBITDA declined slightly to S\$4.5m, as compared to the EBITDA of S\$4.7m in 2008. The decline in EBITDA was mainly due to lower contribution from an associated company's share of results for 2009.



...driven by higher GP margin, further opex reduction.



The Group's gross profit margin in 2009 improved further to 49%, as compared to achieved 47% in 2008. This improvement was a key contributor to Group net profit growth in 2009. The year 2009 also saw an extension of the 4-year trend of declining total operating expenditure before exceptional items, where a further 6% reduction in expenses was secured in 2009 against 2008. Total operating expenditure after exceptional items was meanwhile also considerably reduced in 2009 – by 13% or S\$1.2m - against that recorded for 2008.

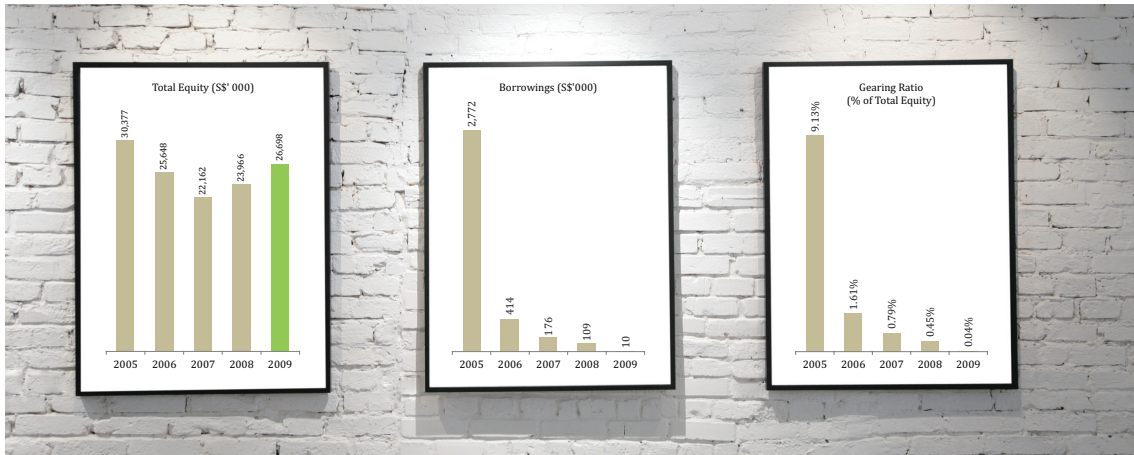
\* Exceptional items comprise those items disclosed in the Note 5 to the Financial Statements for the year ended 31 December 2009 excluding foreign exchange losses and others.

# POSITION OF STRENGTH\2009

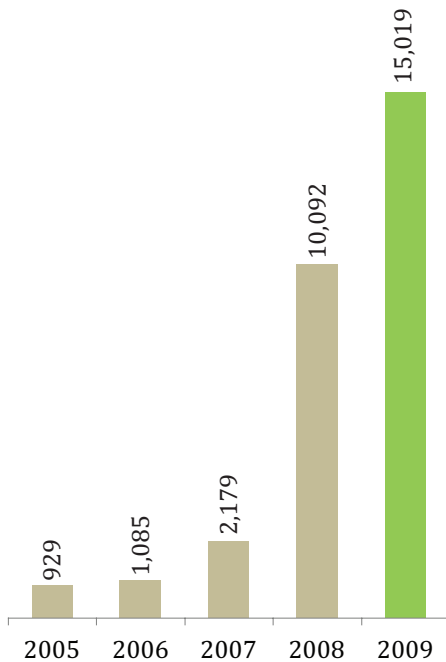
Further Strengthening of Our Financial Position Profile



The Group further strengthened its overall financial position in 2009. Total equity had increased to S\$26.7m in 2009, while total borrowings further declined to a negligible sum, resulting in 0.0% gearing.



## Cash & Cash Equivalents (S\$'000)



**49% improvement in cash position of the Group in 2009 — cash and cash equivalents on the Group's balance sheet stood at S\$15.0m as at 31 December 2009.**

The net tangible asset position of the Group showed an improvement of 9.7% in 2009. As at 31 December 2009, the Group's working capital amounted to S\$16.5m, of which 91% comprises cash. With this considerable further strengthening of its financial position by the end of 2009, the Group is well-placed to fund and support its growth and development plans for 2010 and beyond.

# CORPORATE INFORMATION

Board of Directors	:	Lee Su Nie Chuah Seong Phaik Phuah Peng Hock Wong Tze Leng Anton Syazi Ahmad Sebi	(Non-Executive Chairman) (Independent Director) (Independent Director) (Chief Executive Officer) (Deputy Chief Executive Officer)
Company secretaries	:	Toon Choi Fan, ACIS Lim Mee Fun, ACIS	
Registered office	:	168 Jalan Bukit Merah Connection 1 Tower 3 #04-08A, Singapore 150168	
Share registrar	:	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623	
Auditors	:	BDO LLP Public Accountants and Certified Public Accountants  Partner-in-charge: Chan Hock Leong Appointed from the financial year ended 31 December 2007	
Bankers	:	DBS Bank Ltd United Overseas Bank Limited HSBC Bank Malaysia Berhad OCBC 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.

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 Member of the Association of Chartered Certified Accountants, United Kingdom.

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. Ms Lee subsequently left her position as First Vice President, Corporate Finance of the Bank to join Advance Synergy Berhad in 1995.

## **Mr Chuah Seong Phaik**

*Independent Director*

Mr Chuah Seong Phaik was appointed to the 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 Chairman 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 the 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**

*Group Chief Executive Officer & Executive Director  
Head of Mobile Technology Business Unit*

Mr Wong Tze Leng, Group CEO and Executive Director, was appointed to the Board on 27 December 2002 and also currently serves as Head of the Mobile Technology Business Unit of the Group. 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**

*Group Deputy Chief Executive Officer & Executive Director  
Head of Mobile VAS Business Unit*

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)

Prior to joining ASB in June 2001, Mr Anton was with the South East Asia Investment Banking Division of Credit Suisse First Boston. Mr Anton is responsible for new business, corporate finance, risk management, legal, human resources and overall strategic planning at the Group, as well as the design and implementation of business systems and business process improvement initiatives that further the Group's immediate and long-term objectives. He also currently serves as the Head of the Mobile VAS Business Unit of the Group.

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 and holds an Investment Management Certificate awarded by the UK Society of Investment Professionals.

# KEY EXECUTIVE TEAM

**Mr Anthony Ching Ming Wai**  
*Group Technology Director*

Mr Anthony Ching Ming Wai joined the Group in 2002 as Group's Head of Product Planning and Management. His principal role as Group Technology Director is to initiate and coordinate the development of innovative telecommunications products and solutions within the Group.

With more than 19 years of experience in the development, sales and marketing of telecommunications products and services, Mr Ching, a qualified Chartered Engineer of Institute of Electronic and Electrical Engineering, has a sound base of industry know-how and keen insight into the evolving needs of telecommunications operators.

Prior to joining the Group, Mr Ching held many senior positions including Director of Telecom System Development in an ad-supported mobile telecoms services company and technical manager of a supplier of voice information processing systems. 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.

**Mr Ho Ting Sai**  
*Group Business Development Director*

Mr Ho Ting Sai is currently a Group Business Development Director and holds directorships in several subsidiary companies of the Group. His main areas of responsibility are business development of the Group as well as overseeing project implementation, service delivery and post sales support for several key clients.

Mr Ho joined the Group in March 1999. He has more than 15 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 with a supplier of very small aperture terminals (VSATs), microwave communications and RF equipment, now a division of a Singapore Government-linked enterprise, and a Product Manager in a multimedia and signalling technologies and platforms vendor.

Mr Ho graduated from the Nanyang Technology University with a Bachelor of Engineering (Hons) degree in Electrical and Electronic Engineering.

**Ms Chin Wei Li**  
*Group Financial Controller*

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 Pricewaterhouse-Coopers Malaysia, where she has gained 11 years' of extensive experience in the field of business assurance involving various public listed companies in a wide range of industries including property, financial services, timber and publishing.

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 Ng Sai Kit**  
*Senior Manager, Group Corporate Finance & Strategic Planning*

Mr Ng Sai Kit joined the Group in October 2007 and he is tasked with carrying out feasibility and market studies for new business and strategic planning, amongst other corporate finance, corporate affairs and investor-relations related matters for the Group.

He has extensive working experience in audit and corporate finance, beginning with one of the largest property development groups in Malaysia in its group internal audit department. Mr Ng then joined one of the top 4 audit assurance services groups in Malaysia. After gaining experience in audit and corporate advisory with the audit assurance services group, he worked for an investment bank and 3 Malaysia listed corporations, all within the corporate finance function.

Mr Ng is a Chartered Accountant of the Malaysia Institute of Accountants and Fellow Member of The Association of Chartered Certified Accountants, United Kingdom.

**Mr Danson Phang Deng Sheng**  
*Senior Manager, Group Finance*

Mr Danson Phang Deng Sheng joined the Group in May 2008 as Senior Manager of Group Finance.

Prior to joining the Group, he was Group Financial Controller of a Malaysia listed corporation in mobile value-added-services industry. From 1999 to 2006, he has gained comprehensive experience in auditing, accounting and finance with a leading audit assurance services group, a Malaysia listed corporation in construction industry and one of the world's largest automotive interior group.

Mr Phang graduated from the University of Strathclyde of Scotland with a Bachelor of Accounting and Finance degree. He is also a Chartered Management Accountant of the Chartered Institute of Management Accountants, United Kingdom.

# KEY EXECUTIVE TEAM

## **Mr Yong Choon Vooi**

*Senior Manager, Group Programme Management Office*

Mr Yong Choon Vooi joined the Group in February 2008. He has a total of 16 years' experience in the field of software development and project management. Mr Yong oversees the Group Programme Management Office that is tasked to effect best practices in project management to ensure the successful implementation of the Group's projects.

He started his career with a software development house (one of the largest Malaysian conglomerates) as programmer, before joining a Malaysian listed firm specialising in human resource management and financial/distribution software and thereafter, a large Malaysian educational group as Project Director of their campus management solutions development company. Prior to joining the Group, Mr Yong was the Senior Project Manager of a Malaysia-based firm that develops various solutions for the financial services industry. Mr Yong graduated with a Bachelor of Computer Science from Campbell University, Texas, USA.

## **Mr Bobby Tan Chai Aik**

*Senior Manager & Director of Operations  
Managed Services Business*

Mr Bobby Tan Chai Aik is currently Senior Manager and Director of Operations of the Managed Services Business of the Group. His main areas of responsibility are operations management of Mobile Number Portability Clearinghouse Services and business development of the Group's Managed Services Business.

Mr Tan joined the Group in August 2007. He has more than 19 years of experience in the information technology and telecommunications industry with core competencies in online business and services.

Prior to joining the Group, he was the Head of DealerNet and E-Business Consultant in Maxis Communications Berhad, responsible for E-Business transformation of Maxis' dealer network, suppliers, partners and customers. He started his career in Novell Inc. and Digital Equipment Corporation as a Systems Engineer, providing him with a strong foundation in networking and technical support.

Mr Tan holds a Diploma in Computer Science from Universiti Pertanian Malaysia, a Bachelor in Business Administration Degree from Ottawa University in Kansas, USA and a Masters in Business Administration from Irish International University, Ireland. He is also a Certified Project Manager and a Certified E-Business Consultant, a member of Information Systems Audit and Control Association, as well as a member of the British Computer Society.

## **Mr Ann Wan Kuan**

*Chief Executive Officer of GlobeOSS Sdn Bhd*

Mr Ann Wan Kuan, CEO of GlobeOSS Sdn Bhd, a subsidiary of the Group's Operation Support Systems (OSS) Business Unit, has been in the information technology and telecoms industry for more than 17 years specifically in the area OSS.

Prior to establishing 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. In the past, Mr Ann has worked with various corporations including Alcatel (System Engineer), Hewlett-Packard (Technical Consultant, Sales and SEA Professional Services Manager), and Agilent Technologies (Asia Pacific OSS Professional Services Manager and Malaysia Country GM) during 1993-2004.

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

## **Mr Lee Yang Dong**

*Chief Executive Officer of Ahead Mobile Sdn Bhd*

Mr Lee Yang Dong is the CEO and a substantial shareholder of Ahead Mobile Sdn Bhd, the company that was jointly established with Unified Communications Sdn Bhd.

Mr Lee has over 21 years of experience in the information technology and telecommunications business. He has held various positions in large corporations including Programmer in Merrin Financial Inc. (USA), General Manager of Global Network Division of Samsung Group (Korea) and Chief Executive Officer, LG Internet Inc., of LG Group (Korea). He has also served as professor in the Chosun University of Korea.

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

# CHAIRMAN'S STATEMENT

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 2009.

## Performance Review

The financial year ended 31 December 2009 marks the second full year of profitability for the Group with profit after tax of S\$3.2 million up from S\$2.7 million in 2008, an improvement of 19%.

Profit attributable to shareholders for the year was S\$2.9 million, as compared to S\$2.5 million for 2008, representing an improvement in profit performance by 17%.

Group revenue declined to S\$19.0m (2008: S\$19.6 million) as a result of the completion of the 'build phase' of our Mobile Number Portability (MNP) Clearinghouse project in Malaysia in 2008 – a project that featured significantly in our 2007 and 2008 revenue.

In spite of the lower Group revenue in 2009, a marginally higher gross profit margin of 49% was attained for the year (2008: 47%). This favourable result was driven by Group revenue in 2009 having a more favourable mix comprising higher software license fees and service revenue. This improvement in gross profit margin has enabled the Group to sustain the gross profit at S\$9.3 million (2008: S\$9.2 million).

As for operating expenses of the Group, a commendable further reduction of 13% was achieved in 2009 in relation to total operating expenditure. This reduction came from lower impairment and write off charges in 2009, coupled with lower depreciation and amortisation in 2009 due to some intellectual property assets and some plant and machinery having reached their end of estimated economic useful lives.

Lower contribution from an associated company's share of results for 2009 was the primary factor that caused the slight decline in EBITDA (earnings before interest tax depreciation and amortisation) to S\$4.5 million for year 2009 as compared to S\$4.7 million in 2008.

The financial position of the Group further strengthened in 2009, with cash and bank balances on the Group's balance sheet standing at S\$15.0 million, an increase from S\$10.1 million as at 31 December 2008.

## Watch List

As updated in the Group's announcement in February and March 2010, the Group is one of the two companies that qualified for an extension of time to meet the criteria for exit from the Watch List pursuant to Chapter 13 of the Listing Rules of the Singapore Exchange.

With a cumulative pre-tax profit of S\$6.0 million from the financial years ended 31 December 2008 and 2009, the Group is S\$1.5 million away from the minimum audited consolidated pre-tax profit of S\$7.5 million (for three years with a minimum pre-tax profit of S\$1.0 million for each of those three years), an alternative exit criteria pursuant to the Rule 1314 of the Listing Rules of the Singapore Exchange.

## Dividends

The Directors do not recommend payment of any dividend for the financial year ended 31 December 2009.

## 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, and continued belief and trust in our people, technologies and capabilities. Last, but definitely not least, to the team of talented and spirited individuals that are truly the driving force behind our Group's progress and achievements, I extend my gratitude for your undivided commitment, passion and fortitude in spurring our Group to achieve excellence and international success.

**Lee Su Nie**  
Chairman  
23 March 2010

# 2009 REVIEW OF GROUP OPS

(The 8Ps of 2009)

## PERFORMANCE & POSITION (FINANCIAL)

The Group recorded consolidated revenue of S\$19.0 million for the year, representing a marginal decrease of 3% compared to revenue recorded in 2008.

The lower revenue recorded for 2009 is mainly attributable to:

- (a) A reduction in revenue from the Mobile Technology Business Unit (TECH BU) and Mobile Value-Added-Services Business Unit (VAS BU) of the Group, previously grouped as the Proprietary Solutions business segment to S\$12.5 million (2008: S\$16.5 million). This was mainly due to the completion of the 'build phase' of Mobile Number Profitability (MNP) project in 2008 and hence the absence of such revenue in 2009.
- (b) However, the absence of 'build phase' MNP revenue in 2009 was countervailed by the full-year managed services revenue generated from the operation and maintenance phase of MNP in 2009 and improvement in non-MNP related revenue of the Group, namely a higher contribution from the Operation Support Systems Business Unit (OSS BU) in 2009, which delivered an improvement in revenue of S\$3.6 million against the previous year, to achieve S\$6.5 million revenue for 2009.

The Group recorded net profit after tax of S\$3.2 million in 2009, a 19% improvement from S\$2.7 million in 2008.

This improvement in the profit performance of the Group in the year ended 31 December 2009 is primarily due to the following factors:

- (a) A marginal improvement in Gross Profit to S\$9.3 million (2008: S\$9.2 million), despite the decrease in revenue. This result was delivered courtesy of a more favourable sales mix achieved for the year, comprising a greater proportion of software licence and services revenue that resulted in a Gross Profit Margin of 49% for 2009 (2008: 47%); and
- (b) The reduction in operating expenses of the Group in the year, amounting to a decrease of 13% (or S\$1.2 million) from the total operating expenditure incurred in 2008. This reduction in operating expenses of the Group was due to:
  - (i) The absence of operating expenses from the discontinued distribution business segment;
  - (ii) A reduction in allowance impairment and write off charges (2009: S\$0.3 million against 2008: S\$1.1 million); and
  - (iii) A reduction in amortisation and depreciation charges (2009: S\$1.4 million against 2008: S\$2.0 million) due to several intellectual property assets and plant and equipment of the Group reaching the end of their useful life by end-2008.

Current assets of the Group decreased by S\$2.7 million (or 9.8%), to S\$24.5 million as at 31 December 2009, from S\$27.2 million as at 31 December 2008. This decrease is mainly attributable to the decrease in current trade and other receivables amounting to S\$6.4 million as a result of receipt of payments from trade debtors and reclassification of certain trade and other receivables as non-current assets following the revision in commercial terms that the Group had agreed to extend to certain customers. Cash and bank balances held by the Group improved further to S\$15.0 million as at 31 December 2009, from S\$10.1 million as at 31 December 2008, primarily as a result of collection of trade receivables.

Total non-current assets of the Group increased by S\$4.5 million in 2009, compared to the balance of S\$5.8 million as at 31 December 2008. This increase is attributable to the reclassification of certain trade and other receivables from current to non-current as mentioned in the preceding paragraph, and higher plant and equipment as a result of investment in new revenue share assets by VAS BU.

Total liabilities of the Group decreased by S\$0.9 million (or 10%), as at 31 December 2009, from S\$9.0 million as at 31 December 2008. The decrease is mainly due to the reduction in trade and other payables by S\$0.8 million.

The Group's cash from operations for the year under review was S\$7.9 million, compared to S\$8.6 million for the preceding year. This decrease in cash from operations is mainly attributable to the decrease in sales and hence collections of receivables of the Group.

Operating cash flow before working capital changes for the year under review decreased to S\$3.8 million as compared to S\$4.2 million for the preceding year. This decrease in operating cash flow is mainly due to the lower net foreign exchange gain of the Group in the year under review.

## PROJECTS & PRODUCTS

In 2009, the businesses activities of the Group remained focused on executing the core strategies adopted thus far in delivering profitable growth within its three regions of focus – Middle East/North Africa (MENA), South Asia and South East Asia.

The Group's project accomplishments in 2009 comprised system expansion orders from existing clients, new orders from existing clients for both long-standing and newly-developed products, and support and maintenance contracts:

### *South East Asia and Greater China Regions*

The South East Asia region continued to be the most significant region for Group revenue contribution. In 2009 this region contributed 70% of Group revenue, down from 72% in 2008. Revenue contribution from the Greater China Region has further declined from 10% in 2008 to 6% in 2009.

# 2009 REVIEW OF GROUP OPS

(The 8Ps of 2009)

TECH BU and VAS BU activities in these two regions meanwhile summarily involved:

- (a) service management activities for existing mobile VAS systems deployed in South East Asia and Greater China on a revenue-share or managed services model;
- (b) system implementation of a new mobile VAS systems deployed on a revenue-share model in Vietnam, signifying our second deployment in the country;
- (c) enhancement and capacity expansion project implementation for various systems already deployed and in production at existing clients in Malaysia, Singapore, Indonesia, Hong Kong and Taiwan; and
- (d) new system deployment project activities on a system-sale model in Singapore, Indonesia and Taiwan involving various mobile messaging and signalling solutions and products.

OSS BU meanwhile had grown its business within South East Asia from S\$3.5 million in revenue for 2008 to S\$7.5 million in revenue for 2009. This substantial growth was driven by its success in delivering a new passive test probe solution in Malaysia in 2009. In addition to this new solution deployment, new clients were also secured from Indonesia and Brunei for its active test solutions.

## *Middle East/ North Africa (MENA) Region & South Asia Region*

Both regions collectively contributed 24% of Group revenue, up from 17% in 2008.

In 2009 the Group completed several projects that were secured in previous years in Saudi Arabia and Iraq. In addition, a new project involving a mobile messaging solution delivered on a system sale model was also secured in Iraq in 2009.

In 2009, the Group further strengthened its value-added-reseller sales channels in this region to further expand our reach to frontier countries in the African continent.

Our TECH BU and VAS BU project activities during the year in the South Asia region were primarily concentrated in Pakistan and India. The projects in this region remain that of a managed service or revenue share model, coupled with on-going maintenance and support contracts. 2009 had marked the service launch of a new mobile VAS and mobile advertising service in this region, both on a revenue share model.

## **PEOPLE & PROCESSES**

With the completion of the Group's reorganisation into business units in 2008, the Group initiated two strategic initiatives in 2009 to deliver improvements in key business processes as well as to further enhance support service delivery capability and quality.

The first initiative entailed a review of three key business processes of the Group – project management, research and development and post-sales service delivery. The objective of this initiative was to further strengthen the capability of the Group to conduct service delivery in a holistic and integrated manner, from the development to delivery of solutions, through to the delivery of post-sales services. Through this initiative, the Group had benchmarked its processes against best practices in the field of software development, programme and project management as well as information technology service management.

The second initiative for the year meanwhile involved the further investment in both human resources and support service management IT infrastructure of the Group to further elevate the quality the Group's service delivery.

## **PROSPECTS & PLANS**

In 2009, as part of our strategic review process, the Group arrived at a refreshed perspective on how its solutions, products and services are offered to target markets. As a result, in late 2009 the Group initiated a reorganisation and realignment of our solution and product families to better suit the evolving needs of our existing and prospective customers.

Based on our strategic review, we have gained some insights and noted several trends (prospects), which form the basis of our strategic themes for 2010 onwards:

**Insight #1** – Within our regions of focus, the South East Asia region is increasingly becoming a mature mobile telecommunications market and limited green field opportunities for TECH BU and VAS BU are anticipated. In view of a maturing market, project values and pricing of solutions are expected to face further downward pressure.

*Strategy* – *The strategic focus for TECH BU and VAS BU in South East Asia will be that of defending existing market share by ensuring that the service delivery of the Group is superior to competition while remaining commercially competitive.*

**Insight #2** – With a maturing market, business and operation support systems (BOSS) to address the needs of mobile network operators/mobile service providers (to enhance the quality of their service, extract performance improvements from existing services/systems and to manage their network resources more efficiently) will be in greater demand.

*Strategy* – *The Group will capture this growth opportunity by increasing investment in product research and development and service capabilities in this area.*

**Insight #3** – Growth from the Middle East and Africa Region will stem from the remaining emerging mobile telecommunications markets in this region, namely countries deeper into the interior of the African continent. The primary means of growing market share in this region is via value-added-reseller channel partners that already have a presence in countries within this region.

# 2009 REVIEW OF GROUP OPS

(The 8Ps of 2009)

*Strategy – Enhancement key of our business functions to ensure readiness and competitiveness to deliver and support the delivery of projects by value-added-reseller channel partners in this region.*

**Insight #4** – The South Asia region has become intensely more competitive where the predominant business model for new mobile VAS is that of revenue sharing.

*Strategy – The Group will focus its business development efforts in India and Pakistan, countries in which the Group already has an operational presence. Market penetration strategies will include both direct relationship with selected mobile network operators and establishing value-added-reseller and other channel partners in these countries. Further, the Group will build its revenue share project portfolio to more aggressively.*

**Insight #5** – Within both matured and maturing mobile telecommunications markets is an acceleration of movement towards Internet Protocol (IP)-based networks as well as exponential growth of mobile internet/data usage.

*Strategy – The Group will focus its product research and development to ensure existing solutions and products remain relevant and current in this current age of IP-based network and mobile internet/data.*

**Insight #6** – With the maturing businesses of TECH BU and VAS BU, the Group's investment portfolio is to be rebalanced with capital being reallocated to opportunities or businesses that offer potentially faster profit growth.

*Strategy – The Group will seek suitable investment opportunities to gain higher profit growth prospects, while maintaining a suitable balance between the risk profile of such investments and liquidity of the Group.*

**Trend #1** – Consistent with what has been stated in our annual report for 2008, 3G penetration is expected to extend beyond a point that would see accelerated growth from 2010 onwards. This will propel the convergence of web-based services and mobile services, with mobile becoming a more predominant channel to consume information and entertainment services.

**Trend #2** – In the wake of more 3G networks being introduced worldwide, some developed markets like Sweden, Singapore and Malaysia and others, are beginning their evolution towards 4th generation (4G) mobile telecommunications technology, which include Worldwide Interoperability for Microwave Access (WIMAX) and Long Term Evolution (LTE). This means that the cost of mobile data (cost per bit) is likely to decline exponentially in the coming years.

*Strategy – The time has come for the Group to accelerate its effort to develop new capabilities to garner opportunities arising from the trends noted above. A new business unit has been formed – Mobilization Sdn Bhd – to address the mobile media growth opportunities.*

**Wong Tze Leng**  
Group CEO & ED  
23 March 2010

**Anton Syazi Ahmad Sebi**  
Group Deputy CEO & ED

# 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 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 are set out in Table A.

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 the 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

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	4	4	4	4	1	1	1	1
Chuah Seong Phaik	4	4	4	4	1	1	1	1
Phuah Peng Hock	4	4	4	4	1	1	1	1
Wong Tze Leng	4	4	n.a	n.a	n.a	n.a	n.a	n.a
Anton Syazi Ahmad Sebi	4	4	n.a	n.a	n.a	n.a	n.a	n.a

(n.a.-not applicable)

# CORPORATE GOVERNANCE REPORT

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 profile of each of the Directors is provided in page 7 of this Annual Report.

The Non-Executive Directors are involved in reviewing the corporate strategies, business operations and practices of the Group, and are also involved in reviewing and monitoring the performance of management in achieving agreed goals and objectives.

### 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.

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 the Board as a whole and assess the contributions by each individual Director to the effectiveness of the 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.

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 assessment for the financial year.

# CORPORATE GOVERNANCE REPORT

## 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 Minutes of Meeting of all Board Committees to the respective members of the Board to keep them informed of on-going development at 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.

Where 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 includes 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/her 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 2009 ("Service Agreement"). The Service Agreement covers the terms of employment, specifically salary and other benefits.

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. The 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.

Table B: Bands of Directors' Remuneration		
Name of Directors	Remuneration Bands	
	Up to S\$250,000	S\$250,001 to S\$500,000
Lee Su Nie	X <sup>(1)</sup>	
Chuah Seong Phaik	X <sup>(1)</sup>	
Phuah Peng Hock	X <sup>(1)</sup>	
Wong Tze Leng	X <sup>(2)</sup>	
Anton Syazi Ahmad Sebi	X <sup>(3)</sup>	
<p><i>Note:</i></p> <p>(1) The remuneration in the form of Directors' fees is subject to the approval by the shareholders at the forthcoming AGM.</p> <p>(2) Pursuant to prevailing Service Agreement that expires on 18 December 2012, Mr Wong Tze Leng's remuneration consists of fixed salary, performance bonus and benefits in kind.</p> <p>(3) Mr Anton Syazi Ahmad Sebi's remuneration consists of fixed salary, allowance and performance bonus.</p>		

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

# CORPORATE GOVERNANCE REPORT

## Remuneration of Key Executives

Details of remuneration paid to the top nine (8) 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.

Name	Remuneration Bands	
	Up to S\$250,000	S\$250,001 to S\$500,000
Ching Ming Wai	X	
Ho Ting Sai	X	
Chin Wei Li	X	
Ng Sai Kit	X	
Phang Deng Sheng	X	
Yong Choon Vooi	X	
Tan Chai Aik	X	
Ann Wan Kuan	X	

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

### Principle 10: Accountability of the Board and Management

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and the 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 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 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.

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. The AC has undertaken a review of all non-audit services provided by the external auditors and in the AC's opinion, the provision of these services does not affect the independence and objectivity of the external auditors and is pleased to recommend their re-appointment.

The Group's whistle-blowing policy has already been tabled for adoption 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 introduction and training on whistle-blowing policy has been completed in the financial year ended 31 December 2009.

# CORPORATE GOVERNANCE REPORT

## 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 controls 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. The 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 function of internal audit is undertaken by 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 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, 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 Reports prepared and issued to all shareholders; and
- (iii) Group website at [www.uchlgroup.com](http://www.uchlgroup.com) where 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 and the Group.

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.

#### (c) Separate resolutions on each distinct issue are tabled at general meetings.

The Company's external auditors are also invited to attend the AGM 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 time, even when dealing in securities within permitted trading period.

### 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 57 to 61 of this 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.

# CORPORATE GOVERNANCE REPORT

## 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 2009, disclosed in accordance with Rule 907 of the SGX-ST’s Listing Manual were set out in Table D.

## 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 the previous financial year and no such contract subsisted at the end of the financial year.

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 S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	2009 S\$’000	2008 S\$’000	2009 S\$’000	2008 S\$’000
AESBI Power Systems Sdn Bhd*	202	193	-	-
Orient Escape Travel Sdn Bhd#	119	117	-	-

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

*\* A wholly-owned subsidiary of Advance Synergy Capital Berhad (a subsidiary of Advance Synergy Berhad)*

*# A wholly-owned subsidiary of Advance Synergy Berhad*

# REPORT OF THE DIRECTORS

The Directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2009 and the statement of financial position of the Company as at 31 December 2009 and the statement of changes in equity of the Company for the financial year ended 31 December 2009.

## 1. Directors

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

Lee Su Nie  
 Chuah Seong Phaik  
 Phuah Peng Hock  
 Wong Tze Leng  
 Anton Syazi Ahmad Sebi

## 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

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under section 164 of the Singapore Companies Act, Cap. 50 (the "Act") except as follows:

<u>Name of Directors and companies in which interests are held</u>	<b>Shareholdings registered in the name of Directors</b>		<b>Shareholdings in which Director is deemed to have an interest</b>	
	<b>At 1.1.2009</b>	<b>At 31.12.2009</b>	<b>At 1.1.2009</b>	<b>At 31.12.2009</b>
<b><u>The Company</u></b>				
<b>Unified Communications Holdings Limited</b>				
(Ordinary shares)				
Wong Tze Leng	19,034,329	19,034,329	-	-
Chuah Seong Phaik	-	-	-	750,000
Anton Syazi Ahmad Sebi	-	1,450,000	-	-
<b><u>Ultimate holding corporation</u></b>				
<b>Advance Synergy Berhad</b>				
(Ordinary shares of RM0.30 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 RM0.30 each)				
Anton Syazi Ahmad Sebi	-	-	7,738,000	-
(10-Year Irredeemable Convertible Unsecured Loan Stocks of RM0.15 each)				
Anton Syazi Ahmad Sebi	-	-	48,934,000	48,934,000

There were no changes in any of the above-mentioned interests between the end of the financial year and 21 January 2010.

# REPORT OF THE DIRECTORS

## 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 which is required to be disclosed under section 201(8) of the Act, by reason of a contract made by the Company or 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 for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations as disclosed in Note 31 of the accompanying financial statements.

## 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 Group's financial and operating results and accounting policies;
- (d) reviewed the statement of financial position of the Company and the consolidated financial statements of the Group for the year ended 31 December 2009 before their submission to the Board of Directors, as well as the auditors' report on the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group;
- (e) reviewed the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (f) reviewed the assistance given by the Company's management to the external auditors; and
- (g) the re-appointment of the external auditor of the Group.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the audit committee.

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

## 7. Independent Auditors

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

On behalf of the Board of Directors

\_\_\_\_\_  
**Wong Tze Leng**  
Director

Singapore  
23 March 2010

\_\_\_\_\_  
**Anton Syazi Ahmad Sebi**  
Director

## STATEMENT BY DIRECTORS

In the opinion of the Directors,

- (a) the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 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 2009 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; 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

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**Wong Tze Leng**  
Director

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**Anton Syazi Ahmad Sebi**  
Director

Singapore  
23 March 2010

# 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") as set out on pages 24 to 71 which comprise the statements of financial position of the Group and of the Company as at 31 December 2009, the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows 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*

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 profit and loss accounts and statements of financial position 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 auditors' 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 auditors consider 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 statement of financial position 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 2009 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 LLP**

Public Accountants and  
Certified Public Accountants

Singapore  
23 March 2010

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	2009 \$'000	2008 \$'000
Revenue	4	18,964	19,633
Cost of sales		<u>(9,693)</u>	<u>(10,407)</u>
Gross profit		9,271	9,226
Other operating income	4	1,000	1,218
Expenses:			
Technical support expenses		(3,482)	(3,934)
Distribution costs		(1,689)	(1,234)
Administrative expenses		(1,887)	(2,136)
Other operating expenses	5	(962)	(1,962)
Finance costs	6	(2)	(43)
Share of profit from an equity-accounted associate		<u>1,038</u>	<u>1,598</u>
Profit before income tax	7	3,287	2,733
Income tax expense	9	(54)	(11)
Profit for the year		<u>3,233</u>	<u>2,722</u>
Other comprehensive income:			
Exchange difference on translating foreign operations	10	<u>(501)</u>	<u>(918)</u>
Total comprehensive income for the year		<u>2,732</u>	<u>1,804</u>
Profit attributable to:			
Owners of the Company		2,900	2,488
Minority interest		<u>333</u>	<u>234</u>
		<u>3,233</u>	<u>2,722</u>
Total comprehensive income attributable to:			
Owners of the Company		2,393	1,573
Minority interest		<u>339</u>	<u>231</u>
		<u>2,732</u>	<u>1,804</u>
Earnings per share for profit attributable to the owners of the Company (cents)			
Basic and Diluted	11	<u>0.91</u>	<u>0.78</u>

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Note	Group		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Plant and equipment	12	3,905	2,169	-	6
Intangible assets	13	2,390	1,798	-	-
Investments in subsidiaries	14	-	-	32,734	32,526
Investment in an associate	15	808	1,233	-	-
Deferred income tax assets	16	311	298	-	-
Trade and other receivables	17	2,851	311	-	-
<b>Total non-current assets</b>		<u>10,265</u>	<u>5,809</u>	<u>32,734</u>	<u>32,532</u>
<b>Current assets</b>					
Inventories	19	212	1,407	-	-
Trade and other receivables	17	9,314	15,712	3,850	4,440
Cash and cash equivalents	20	15,019	10,092	19	19
<b>Total current assets</b>		<u>24,545</u>	<u>27,211</u>	<u>3,869</u>	<u>4,459</u>
<b>Total assets</b>		<u>34,810</u>	<u>33,020</u>	<u>36,603</u>	<u>36,991</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	21	31,948	31,948	31,948	31,948
Accumulated losses		(3,968)	(6,868)	(402)	(89)
Foreign currency translation reserve	22	(1,942)	(1,435)	-	-
<b>Equity attributable to owners of the Company</b>		<u>26,038</u>	<u>23,645</u>	<u>31,546</u>	<u>31,859</u>
<b>Minority interest</b>		<u>660</u>	<u>321</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>26,698</u>	<u>23,966</u>	<u>31,546</u>	<u>31,859</u>
<b>Non-current liabilities</b>					
Deferred income tax liabilities	16	54	67	-	-
Borrowings	23	3	10	-	-
<b>Total non-current liabilities</b>		<u>57</u>	<u>77</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>					
Current income tax liabilities		29	38	-	-
Trade and other payables	25	8,019	8,840	5,057	5,132
Borrowings	23	7	99	-	-
<b>Total current liabilities</b>		<u>8,055</u>	<u>8,977</u>	<u>5,057</u>	<u>5,132</u>
<b>Total liabilities</b>		<u>8,112</u>	<u>9,054</u>	<u>5,057</u>	<u>5,132</u>
<b>Total equity and liabilities</b>		<u>34,810</u>	<u>33,020</u>	<u>36,603</u>	<u>36,991</u>

## STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

Group	Total equity \$'000	Equity attributable to owners of the Company \$'000	Share capital \$'000	Accumulated losses \$'000	Foreign currency translation reserve \$'000	Minority interest \$'000
Balance at 1 January 2009	23,966	23,645	31,948	(6,868)	(1,435)	321
Total comprehensive income/(expenses) for the year	2,732	2,393	-	2,900	(507)	339
Balance at 31 December 2009	26,698	26,038	31,948	(3,968)	(1,942)	660
Balance at 1 January 2008	22,162	22,072	31,948	(9,356)	(520)	90
Total comprehensive income/(expenses) for the year	1,804	1,573	-	2,488	(915)	231
Balance at 31 December 2008	23,966	23,645	31,948	(6,868)	(1,435)	321

The accompanying notes form an integral part of these financial statements

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

<b>Company</b>	<b>Share capital \$'000</b>	<b>(Accumulated losses) / Retained profits \$'000</b>	<b>Total \$'000</b>
Balance at 1 January 2009	31,948	(89)	31,859
Total comprehensive expenses for the year	-	(313)	(313)
Balance at 31 December 2009	<u>31,948</u>	<u>(402)</u>	<u>31,546</u>
Balance at 1 January 2008	31,948	55	32,003
Total comprehensive expenses for the year	-	(144)	(144)
Balance at 31 December 2008	<u>31,948</u>	<u>(89)</u>	<u>31,859</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	2009 \$'000	2008 \$'000
<b>Operating activities</b>			
Profit before income tax		3,287	2,733
Adjustments for:-			
Amortisation of development costs and intellectual property	13	479	590
Depreciation of plant and equipment	12	951	1,389
Impairment loss on development cost	13	77	-
Impairment loss on plant and equipment	5 & 12	181	286
Plant and equipment written off	5	-	151
Allowance for impairment of trade and other receivables (net)	5 & 17	22	258
Allowance for inventory obsolescence	5 & 19	53	350
Inventories written off	5	-	23
Net gain on disposals of plant and equipment	4 & 5	(19)	(2)
Interest expense	6	2	43
Interest income	4	(183)	(33)
Share of profit from an equity-accounted associate	15	(1,038)	(1,598)
Operating cash flow before movements in working capital		3,812	4,190
Changes in operating assets and liabilities			
Inventories		1,051	(543)
Finance lease receivables		-	145
Trade and other receivables		3,945	10,214
Trade and other payables		(838)	(5,299)
Cash generated from operations		7,970	8,707
Income tax paid		(40)	(21)
Interest paid		(2)	(43)
<b>Net cash from operating activities</b>		<u>7,928</u>	<u>8,643</u>
<b>Investing activities</b>			
Purchases of plant and equipment	12	(2,910)	(735)
Proceeds from disposals of plant and equipment		47	125
Development costs paid	13	(1,057)	(1,101)
Withdrawal of fixed deposits pledged		61	998
Interest received		183	29
Dividend received from an equity-accounted associate		1,432	1,865
<b>Net cash (used in)/from investing activities</b>		<u>(2,244)</u>	<u>1,181</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (Continued)

	Note	2009 \$'000	2008 \$'000
<b>Financing activities</b>			
Finance lease interest income		-	4
Proceeds from borrowings		-	1,434
Repayments of borrowings		-	(1,477)
Repayment of finance leases		(7)	(17)
<b>Net cash used in financing activities</b>		<u>(7)</u>	<u>(56)</u>
<b>Net change in cash and cash equivalents</b>			
		5,677	9,768
Cash and cash equivalents at beginning of year		9,911	993
Effect of exchange rate changes on cash and cash equivalents		(597)	(850)
<b>Cash and cash equivalents at end of year</b>	20	<u><u>14,991</u></u>	<u><u>9,911</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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

## 1. General

The Company (Registration Number 200211129W) is incorporated and domiciled in Singapore with its registered office at 168 Jalan Bukit Merah, Connection 1 Tower 3, #04-08A, Singapore 150168. The Company is publicly listed on Singapore Exchange Securities Trading Limited.

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 33 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2009 were authorised for issue by the Board of Directors on 23 March 2010.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below.

#### FRS 1 (2008) Presentation of Financial Statements

The Group has adopted FRS 1 (2008) for annual periods beginning on or after 1 January 2009. FRS 1 (2008) requires the Group to present all changes in equity arising from transactions with non-owners in a statement of comprehensive income separately from those equity changes arising from transactions with owners in their capacity as owners to be presented in the statement of changes in equity. FRS 1 (2008) also requires the Group to disclose income tax relating to each component of other comprehensive income and to disclose reclassification adjustments relating to components of other comprehensive income. Where the Group restates or reclassifies comparative information, the Group will be required to present a restated balance as of the beginning of the earliest comparative period in addition to the current requirement to present the statements of financial position as at the end of the current period and comparative period. The Group has chosen to present both the profit or loss and the statement of comprehensive income in a consolidated statement of comprehensive income.

#### FRS 23 (2007) Borrowing Costs

The Group has adopted FRS 23 (2007) prospectively for annual periods beginning on or after 1 January 2009. FRS 23 (2007) requires the Group to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group has capitalised Nil of such borrowing costs during the financial year ended 31 December 2009.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 2. Summary of significant accounting policies (Continued)

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

#### FRS 108 Operating Segments

The Group has adopted FRS 108 for annual periods beginning on or after 1 January 2009. FRS 108 replaces FRS 14 Segment Reporting and requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision maker. Following the completion of the reorganization initiative, the Group from 2009 onwards changed its business segments into distinct business units comprising TECH BU, VAS BU, OSS BU and OHQ BU. As the necessary corresponding information is not available and the cost to develop it would be excessive, the segment information for the immediately preceding year is not restated to reflect change.

*FRS and INT FRS issued but not yet effective*

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

	<b>Effective date (annual periods beginning on or after)</b>
FRS 24 - Related Party Disclosures	1 January 2011
FRS 27 - Consolidated and Separate Financial Statements	1 July 2009
FRS 102 - Amendments to Share-based Payment - Group Cash-settled Share-based Payment Transactions	1 July 2009
FRS 103 - Business Combinations	1 January 2010
INT FRS 119 - Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

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

The management anticipates that the adoption of the above FRS and INT FRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption, except as disclosed below:

#### FRS 27 (2009) Consolidated and Separate Financial Statements

FRS 27 (2009) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. In the event when control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply FRS 27 (2009) prospectively to transactions with non-controlling interests from 1 January 2010.

#### FRS 103 (2009) Business Combinations

FRS 103 (2009) applies the acquisition method with certain significant changes from the purchase method referred to in FRS 103 (2006). For example, all considerations given to purchase a business are to be recorded at fair value at the acquisition date, with contingent considerations classified as debt subsequently re-measured through profit or loss if the fair value changes were to take place after the measurement period. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply FRS 103 (2009) prospectively to all business combinations taking place from 1 January 2010.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 2. Summary of significant accounting policies (Continued)

### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including special purposes entities) over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by other members of the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the fair value of those interests at the date of the original business combination (see Note 2(c) below) and the minority's share of changes in equity since the date of the combination, except where the minority's share of losses in a subsidiary exceeds its interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are attributed to the equity holders of the Company, unless the minority has a binding obligation to, and is able to, make good the losses. Subsequently, when the subsidiary reports profits, the profits applicable to the minority interest are attributed to the equity holders of the Company until the minority's share of losses previously absorbed by the equity holders of the Company are fully recovered.

Investments in subsidiaries, associates and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

### (c) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

When the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired exceeds the cost of the business combination, and if after reassessment, the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired remains higher than the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### (d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 2. Summary of significant accounting policies (Continued)

### (d) Revenue recognition (Continued)

#### (i) Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

#### (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 accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### (v) Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### (e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (f) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and Malaysia's Employee Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 2. Summary of significant accounting policies (Continued)

### (g) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

### (h) Income tax expenses

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

### (i) Dividend

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 2. Summary of significant accounting policies (Continued)

### (j) Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Exchange differences which relate to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities) are taken to the foreign currency translation reserve.

### (k) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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 plant and equipment.

Depreciation is charged so as to write off the cost of assets, other than capital work-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

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.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation method are reviewed, and adjusted as appropriate, at the end of each financial year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 2. Summary of significant accounting policies (Continued)

### (k) Plant and equipment (Continued)

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.

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.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

### (l) 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 amortisation and accumulated impairment losses (Note 2(p)).

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at the end of each financial year. The effects of any revision are recognised in profit or loss when the changes arise.

#### (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(p)).

### (m) Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity 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 or jointly controlled entity 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 2. Summary of significant accounting policies (Continued)

### (m) Goodwill (Continued)

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 or a jointly controlled entity, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

Goodwill on associates is included in 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 identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

### (n) Associates

Associates are entities over which the Group has significant influence, but that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a Group entity transacts with the associates of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associates. This applies to unrealised losses which are also eliminated but only to the extent that there is no impairment.

### (o) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 2. Summary of significant accounting policies (Continued)

### (o) Joint ventures (Continued)

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (Note 2(m)).

Where the Group transacts with its jointly controlled entities, unrealised profits are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

### (p) Impairment of tangible and intangible assets excluding goodwill

At the end of each financial year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (q) Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments.

#### Financial assets

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 2. Summary of significant accounting policies (Continued)

### (q) Financial instruments (Continued)

#### Financial assets (Continued)

Financial assets are classified as "loans and receivables". The classification depends on the nature and purpose of which the financial assets were acquired and is determined at the time of initial recognition.

#### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables where the recognition of interest would be immaterial.

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment losses directly with the exception of trade receivables where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

#### *Financial liabilities and equity instruments*

#### Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### Financial liabilities

Financial liabilities are classified as "other financial liabilities".

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 2. Summary of significant accounting policies (Continued)

### (q) Financial instruments (Continued)

#### Other financial liabilities

##### *Trade and other payables*

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest rate method, with interest expense recognised on an effective yield basis.

##### *Borrowings*

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2(e)).

#### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

### (r) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the financial year ("percentage-of-completion method"), except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

At the end of the financial year, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented on the face of the statement of financial position as "Amount due from contract customers". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as "Amounts due to contract customers".

Progress billings not yet paid by customers and retentions are included within "Amounts due from contract customers".

### (t) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits and overdrafts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flow, cash and cash equivalents are presented net of bank overdrafts.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 2. Summary of significant accounting policies (Continued)

### (u) Leases

*The Group is the lessee*

#### Finance leases

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

#### Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (v) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

### (w) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 2. Summary of significant accounting policies (Continued)

### (w) Government grants (Continued)

#### Jobs Credit Scheme

The Singapore government introduced a cash grant known as the Jobs Credit Scheme in its Budget for 2009 in a bid to help businesses preserve jobs in the economic downturn. The amounts received for jobs credit are to be paid to eligible employers in 2009 in four payments and the amount an employer can receive would depend on the fulfillment of the conditions as stated in the Scheme.

The Group recognises the amounts received for jobs credit at their fair value as other income in the month of receipt of these grants from the government.

### (x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **Critical judgements in applying the Group's accounting policies**

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the significant effect on the amounts recognised in the financial statements.

#### *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 estimates. 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 allow for repayment under installment scheme by these customers. At the end of the financial year, the balance owed by those customers, net of allowances for impairment, amounted to \$3,330,000 (2008: \$772,000). 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 profit or loss for the financial year was \$22,000 (2008: \$258,000). The carrying amount of the Group's trade and other receivables as at 31 December 2009 was \$12,165,000 (2008: \$16,023,000).

#### *Allowances for slow moving and obsolete inventories*

The Group carries out an inventory review on a product-by-product basis at the end of each financial year 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 profit or loss for the financial year was \$53,000 (2008: \$350,000). The carrying amount of the Group's inventories as at 31 December 2009 was \$212,000 (2008: \$1,407,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

### 3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

#### Critical judgements in applying the Group's accounting policies (Continued)

##### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year, that have a 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 the end of each financial year 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 2009 was \$311,000 (2008: \$298,000).

##### *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 profit or loss for the financial year ended 2009 was \$181,000 (2008: \$286,000). The carrying amount of the Group's plant and equipment as at 31 December 2009 was \$3,905,000 (2008: \$2,169,000).

##### *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. The carrying amounts of the Company's investment in subsidiaries and amounts due from subsidiaries as at 31 December 2009 were \$32,734,000 (2008: \$32,526,000) and \$3,831,000 (2008: \$4,422,000) respectively.

##### *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 2009 was \$2,390,000 (2008: \$1,798,000).

##### *Contract work-in-progress*

As described in Note 2(s) 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 end of the financial year. This 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 2009 disclosed in Note 18 to the financial statement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 4. Revenue and other operating income

	Group	
	2009	2008
	\$'000	\$'000
<b>Revenue:</b>		
Distribution of telecommunications products	-	227
Operation support systems	6,489	2,884
Proprietary solutions, software and services	12,475	16,522
Total revenue	<u>18,964</u>	<u>19,633</u>
<b>Other operating income:</b>		
- interest income from bank	183	29
- finance lease interest income	-	4
- foreign exchange gain	663	1,103
- gain on disposal of plant and equipment	22	3
- other income	132	79
Total other operating income	<u>1,000</u>	<u>1,218</u>
	<u>19,964</u>	<u>20,851</u>

## 5. Other operating expenses

	Group	
	2009	2008
	\$'000	\$'000
Allowance for impairment of trade receivables	-	28
Allowance for impairment of other receivables	22	230
Allowance for impairment of development cost	77	-
Allowance for impairment on plant and equipment	181	286
Allowance for inventory obsolescence	53	350
Foreign exchange losses	600	821
Inventories written off	-	23
Loss on disposals of plant and equipment	3	1
Plant and equipment written off	-	151
Others	26	72
	<u>962</u>	<u>1,962</u>

## 6. Finance costs

	Group	
	2009	2008
	\$'000	\$'000
<b>Interest expense:</b>		
- bank borrowings	-	40
- finance lease liabilities	2	3
	<u>2</u>	<u>43</u>

## 7. Profit before income tax

Profit before income tax is arrived at after charging:

	Group	
	2009	2008
	\$'000	\$'000
Amortisation of development costs and intellectual property (included in cost of sales) (Note 13)	479	590
Depreciation of plant and equipment (Note 12)	951	1,389
Cost of inventories recognised as an expense (included in cost of sales)	6,302	6,842
Rental expense - operating lease	328	570
	<u>7,060</u>	<u>9,381</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 8. Staff costs

	Group	
	2009	2008
	\$'000	\$'000
Wages and salaries	4,181	3,529
Employer's contribution to defined contribution plans including Central Provident Fund	545	423
Staff welfare benefits	148	144
	<u>4,874</u>	<u>4,096</u>

The above includes key management's remuneration as disclosed in Note 31 (b).

## 9. Income tax expense

	Group	
	2009	2008
	\$'000	\$'000
Tax expense attributable to results is made up of:		
Current income tax		
- group	54	21
- associate	8	-
Deferred income tax	<u>(26)</u>	<u>(5)</u>
	36	16
Under/(over) provision in preceding financial years		
- current income tax	18	(5)
	<u>54</u>	<u>11</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	
	2009	2008
	\$'000	\$'000
Profit before income tax	<u>3,287</u>	<u>2,733</u>
Tax calculated at a tax rate of 17% (2008: 18%)	559	492
Effect of different tax rates in other countries	316	348
Expenses not deductible for tax purposes	105	273
Temporary differences at zero tax rate due to pioneer status	338	(308)
Deferred tax asset not recognised in profit or loss	56	286
Tax exempt income	(1,161)	(1,066)
Utilisation of deferred tax asset previously not recognised	(177)	-
Under/(Over)provision in preceding financial years	18	(5)
Others	-	(9)
Tax expense	<u>54</u>	<u>11</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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 10. Income tax relating to components of other comprehensive income

	Group			
	2009		2008	
	Before-tax amount \$'000	Net-of-tax amount \$'000	Before-tax amount \$'000	Net-of-tax amount \$'000
Exchange differences on translating foreign operations	(501)	(501)	(918)	(918)

## 11. Earnings per share

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

	Group	
	2009	2008
Earnings attributable to equity holders of the Company (\$'000)	2,900	2,488
Number of ordinary shares in issue during the financial year ('000)	319,573	319,573
Basic earnings per share (cents)	0.91	0.78
Diluted earnings per share (cents)	0.91	0.78

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

## 12. Plant and equipment

Group	Office equipment, furniture and renovation \$'000	Computers, tele- communications, research and development equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Cost</b>				
At 1 January 2009	1,046	8,418	242	9,706
Additions	254	2,656	-	2,910
Transfer from inventories	-	133	-	133
Disposals	(7)	(578)	-	(585)
Foreign currency translation differences	(25)	(117)	(5)	(147)
At 31 December 2009	1,268	10,512	237	12,017
<b>Accumulated depreciation</b>				
At 1 January 2009	761	6,252	238	7,251
Depreciation charge for the financial year	116	831	4	951
Disposals	(7)	(484)	-	(491)
Foreign currency translation differences	(18)	(88)	(5)	(111)
Capitalisation to intangible assets (Note 13)	26	85	-	111
At 31 December 2009	878	6,596	237	7,711
<b>Accumulated impairment loss</b>				
At 1 January 2009	-	286	-	286
Impairment loss for the year	-	181	-	181
Write back for the year	-	(66)	-	(66)
At 31 December 2009	-	401	-	401
<b>Carrying amount</b>				
At 31 December 2009	390	3,515	-	3,905

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 12. Plant and equipment (Continued)

Group	Office equipment, furniture and renovation \$'000	Computers, tele- communications, research and development equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Cost</b>				
At 1 January 2008	958	8,710	255	9,923
Additions	181	554	-	735
Disposals	(12)	(181)	-	(193)
Write off	(40)	(421)	-	(461)
Foreign currency translation differences	(41)	(244)	(13)	(298)
At 31 December 2008	1,046	8,418	242	9,706
<b>Accumulated depreciation</b>				
At 1 January 2008	714	5,446	230	6,390
Depreciation charge for the financial year	104	1,265	20	1,389
Disposals	(10)	(60)	-	(70)
Write off	(28)	(282)	-	(310)
Foreign currency translation differences	(34)	(162)	(12)	(208)
Capitalisation to intangible assets (Note 13)	15	45	-	60
At 31 December 2008	761	6,252	238	7,251
<b>Accumulated impairment loss</b>				
At 1 January 2008	-	-	-	-
Impairment loss for the year	-	286	-	286
At 31 December 2008	-	286	-	286
<b>Carrying amount</b>				
At 31 December 2008	285	1,880	4	2,169

Company	Office equipment, furniture and renovation \$'000
<b>Cost</b>	
At 1 January 2009 and 31 December 2009	46
<b>Accumulated depreciation</b>	
At 1 January 2009	40
Depreciation charge for the financial year	6
At 31 December 2009	46
<b>Carrying amount</b>	
At 31 December 2009	-
<b>Cost</b>	
At 1 January 2008 and 31 December 2008	46
<b>Accumulated depreciation</b>	
At 1 January 2008	31
Depreciation charge for the financial year	9
At 31 December 2008	40
<b>Carrying amount</b>	
At 31 December 2008	6

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 12. Plant and equipment (Continued)

During the financial year, an impairment loss of \$181,000 (2008: \$286,000), being the excess of the carrying value of equipments over its recoverable amount, is recognised for the Group due to its expected realisable value being below its cost. During the financial year, there was a write back of impairment loss of \$66,000 (2008: Nil) as the assets were sold above net carrying value.

The carrying amount of motor vehicles held under finance leases at 31 December 2009 amounted to Nil (2008: \$5,000).

## 13. Intangible assets

Group	Development cost \$'000	Intellectual property \$'000	Total \$'000
<b>Cost</b>			
At 1 January 2008	1,608	2,138	3,746
Addition during the year	1,101	-	1,101
Depreciation of development equipment (Note 12)	60	-	60
Foreign currency translation differences	(84)	55	(29)
At 31 December 2008	2,685	2,193	4,878
Addition during the year	1,057	-	1,057
Depreciation of development equipment (Note 12)	111	-	111
Foreign currency translation differences	(56)	(45)	(101)
At 31 December 2009	3,797	2,148	5,945
<b>Accumulated amortisation</b>			
At 1 January 2008	588	1,860	2,448
Amortisation charge for the year	324	266	590
Foreign currency translation differences	(25)	67	42
At 31 December 2008	887	2,193	3,080
Amortisation charge for the year	479	-	479
Foreign currency translation differences	(36)	(45)	(81)
At 31 December 2009	1,330	2,148	3,478
<b>Accumulated impairment loss</b>			
At 1 January 2009	-	-	-
Impairment loss for the year 2009	77	-	77
At 31 December 2009	77	-	77
<b>Carrying amount</b>			
At 31 December 2008	1,798	-	1,798
At 31 December 2009	2,390	-	2,390

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

## 14. Investments in subsidiaries

	Company	
	2009 \$'000	2008 \$'000
Unquoted shares, at cost	32,734	32,526

Details of the subsidiaries are included in Note 33.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 15. Investment in an associate

	2009 \$'000	Group 2008 \$'000
Investment at cost	69	69
At beginning of the financial year	1,233	1,561
Exchange differences	(23)	(61)
Share of results (net of tax)	1,030	1,598
Dividend received (net of tax)	(1,432)	(1,865)
At end of the financial year	808	1,233

Summarised financial information in respect of the Group's associate is as follows:-

	2009 \$'000	Group 2008 \$'000
<b>Assets and liabilities:</b>		
Total assets	2,256	4,089
Total liabilities	237	1,007
Net assets	2,019	3,082
Group's share of associate's net assets	808	1,233
<b>Results :</b>		
Revenue	3,976	5,224
Profit before tax for the year	2,597	3,995
Tax for the year	(22)	-
Profit after tax for the year	2,575	3,995
Group's share of associate's profit after tax for the year	1,030	1,598

Details of the associate are included in Note 33.

## 16. 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 statement of financial position as follows:-

	2009 \$'000	Group 2008 \$'000
Deferred income tax assets		
- to be recovered after more than 12 months	(311)	(298)
Deferred income tax liabilities		
- to be settled after more than 12 months	54	67
	(257)	(231)

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

	2009 \$'000	Group 2008 \$'000
At beginning of the financial year	(231)	(226)
Tax charge to profit or loss	(26)	(5)
At end of the financial year	(257)	(231)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 16. Deferred income taxes (Continued)

As at 31 December 2009, the Group has unabsorbed tax losses of approximately \$11,159,000 (2008: \$10,716,000) and unutilised capital allowances of approximately \$1,620,000 (2008: \$823,000) 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 Nil (2008: \$35,000) 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 \$12,779,000 (2008: \$11,539,000) 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.

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:

<b>Group</b>	<b>Accelerated tax depreciation \$'000</b>		
<b>Deferred income tax liabilities</b>			
<b>2009</b>			
At 1 January 2009			67
Credited to profit or loss			(13)
At 31 December 2009			<u>54</u>
<b>2008</b>			
At 1 January 2008			75
Credited to profit or loss			(8)
At 31 December 2008			<u>67</u>
	<b>Tax losses and capital allowances \$'000</b>	<b>Others \$'000</b>	<b>Total \$'000</b>
<b>Deferred income tax assets</b>			
<b>2009</b>			
At 1 January 2009	(295)	(3)	(298)
Charged to profit or loss	-	(13)	(13)
At 31 December 2009	<u>(295)</u>	<u>(16)</u>	<u>(311)</u>
<b>2008</b>			
At 1 January 2008	(295)	(6)	(301)
Charged to profit or loss	-	3	3
At 31 December 2008	<u>(295)</u>	<u>(3)</u>	<u>(298)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 17. Trade and other receivables

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>				
Trade receivables:				
- related corporations	3	20	-	-
- associate	-	699	-	-
- third parties	8,291	15,575	-	-
	8,294	16,294	-	-
Less: Allowance for impairment of receivables - third parties	(2,882)	(2,936)	-	-
Trade receivables – net	5,412	13,358	-	-
Proprietary solutions contracts:				
- due from customers (Note 18)	2,476	70	-	-
Deposits	109	140	-	-
Less: Allowance for impairment of deposits	(24)	(24)	-	-
Prepayment	471	465	17	17
Other receivables:				
- amounts due from subsidiaries (non-trade)	-	-	3,831	4,422
- staff advances	2	30	-	-
- amount due from ultimate holding corporation (non-trade)	123	133	-	-
- income tax recoverable	22	30	-	-
- sundry	1,073	1,873	2	1
Less: Allowance for impairment of sundry receivables	(350)	(363)	-	-
	9,314	15,712	3,850	4,440
<b>Non-Current</b>				
Trade receivables	2,618	308	-	-
Less: Allowance for impairment of trade receivables	-	(62)	-	-
Trade receivables – net	2,618	246	-	-
Sundry receivables	1,377	1,165	-	-
Less: Allowance for impairment of sundry receivables	(1,144)	(1,100)	-	-
Sundry receivables – net	233	65	-	-
	2,851	311	-	-

Amounts due from related corporations, subsidiaries and ultimate holding corporations are unsecured, interest free and are repayable on demand.

The average credit period on sale of goods and services is 30 - 90 days (2008: 30 - 90 days).

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 17. Trade and other receivables (Continued)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Singapore Dollar	1,128	1,656	3,850	4,440
Ringgit Malaysia	7,964	6,475	-	-
United States Dollar	2,424	7,236	-	-
Others	649	656	-	-
	<u>12,165</u>	<u>16,023</u>	<u>3,850</u>	<u>4,440</u>

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

	Group	
	2009 \$'000	2008 \$'000
Past due 0 to 3 months	1,246	740
Past due 3 to 9 months	673	2,874
Past due over 9 months	492	4,196
	<u>2,411</u>	<u>7,810</u>

Included in the Group's trade receivables balance are debtors with a carrying value of \$2.4million (2008: \$7.8million), 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 outstanding receivables.

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

	Trade Group		Non Trade Group	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Gross amount	2,882	3,286	2,112	3,174
Less: Allowance for impairment	<u>(2,882)</u>	<u>(2,998)</u>	<u>(1,518)</u>	<u>(1,487)</u>
	<u>-</u>	<u>288</u>	<u>594</u>	<u>1,687</u>
Beginning of the financial year	2,998	3,079	1,487	1,275
Allowance charged to profit or loss	-	28	22	230
Written off against allowance	<u>(116)</u>	<u>(109)</u>	<u>9</u>	<u>(18)</u>
End of the financial year	<u>2,882</u>	<u>2,998</u>	<u>1,518</u>	<u>1,487</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 18. Contract work-in-progress

	Group	
	2009 \$'000	2008 \$'000
Aggregate contract costs recognised and recognised profits to date	5,903	18,502
Less: Progress billings	(3,468)	(19,290)
	<u>2,435</u>	<u>(788)</u>
Due from customers on Proprietary Solutions contracts (Note 17)	<u>2,476</u>	<u>70</u>
Due to customers on Proprietary Solutions contracts (Note 25)	<u>(41)</u>	<u>(858)</u>

## 19. Inventories

	Group	
	2009 \$'000	2008 \$'000
At cost	1,112	2,683
Less: Allowance for obsolete inventories	(900)	(1,276)
	<u>212</u>	<u>1,407</u>
Movement in allowance for obsolete inventories:		
At beginning of the financial year	1,276	1,087
Written off against allowance	(429)	(161)
Charge to profit or loss	53	350
At end of the financial year	<u>900</u>	<u>1,276</u>

## 20. Cash and cash equivalents

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash and bank balances	5,921	2,974	19	19
Short-term bank deposits	9,098	7,118	-	-
	<u>15,019</u>	<u>10,092</u>	<u>19</u>	<u>19</u>

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

Short-term bank deposits comprise \$28,000 (2008: \$89,000) restricted deposits placed with the bank to secure banking facilities for the Group.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Singapore Dollar	4,010	59	17	17
Ringgit Malaysia	10,245	9,377	-	-
United States Dollar	647	536	2	2
Thai Baht	1	4	-	-
Others	116	116	-	-
	<u>15,019</u>	<u>10,092</u>	<u>19</u>	<u>19</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 20. Cash and cash equivalents (Continued)

Short-term bank deposits have a weighted average maturity of 1 month (2008: 2 months) from the end of the financial year with the following weighted average effective interest rates:

	Group		Company	
	2009	2008	2009	2008
Ringgit Malaysia	2.1%	2.8%	-	-
United States Dollar	-	2.1%	-	-

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

	Group	
	2009 \$'000	2008 \$'000
Cash and bank balances	15,019	10,092
Less:		
- Bank overdrafts (Note 23)	-	(92)
- Restricted deposit	(28)	(89)
Cash and cash equivalents per consolidated cash flow statement	<u>14,991</u>	<u>9,911</u>

## 21. Share capital

	Group and Company			
	2009 Shares	2008 Shares	2009 \$'000	2008 \$'000
<b>Issued and paid up ordinary shares:</b>				
At beginning and end of the financial year	<u>319,572,675</u>	<u>319,572,675</u>	<u>31,948</u>	<u>31,948</u>

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 ordinary shares of the Company have no par value.

## 22. Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of certain entities within the Group whose functional currencies are different from that of the Group's presentation currency. The foreign currency translation reserve is non-distributable.

The movements of the reserve are presented in the statement of changes in equity.

## 23. Borrowings

	Group	
	2009 \$'000	2008 \$'000
<b>Current</b>		
Bank overdrafts (Note 20)	-	92
Finance lease liabilities (Note 24)	<u>7</u>	<u>7</u>
	<u>7</u>	<u>99</u>
<b>Non-current</b>		
Finance lease liabilities (Note 24)	<u>3</u>	<u>10</u>
Total borrowings	<u>10</u>	<u>109</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 23. Borrowings (Continued)

### (a) Security granted

The bank overdrafts are secured by corporate guarantees from the Company. Finance lease liabilities of the Group are secured by the rights to the leased motor vehicles (Note 12), which would revert to the lessors in the event of default by the Group.

### (b) Currency risk

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

	Group	
	2009 \$'000	2008 \$'000
Singapore Dollar	-	92
Ringgit Malaysia	10	17
	<u>10</u>	<u>109</u>

### (c) Interest rate risks

The weighted average effective interest rates of total borrowings at the end of the financial year:

	Group			
	2009		2008	
	SGD	MYR	SGD	MYR
Bank overdrafts	5.7%	-	6.5%	7.4%
Bank borrowings	-	-	-	4.5%
Finance lease liabilities	-	3.3%	-	3.3%

The exposure of current and non-current borrowings to interest rate risks is disclosed in Note 28(b)(iii).

### (d) Carrying amounts and fair values

The carrying amounts of borrowings approximate their fair values.

## 24. Finance lease liabilities

	Minimum lease payments Group		Present value of minimum lease payments Group	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Amount payable under finance lease:				
- within one year	8	8	7	7
- in the second to fifth year inclusive	4	13	3	10
	<u>12</u>	<u>21</u>	<u>10</u>	<u>17</u>
Less: future finance charges	(2)	(4)	-	-
Present value of minimum lease liabilities	<u>10</u>	<u>17</u>	<u>10</u>	<u>17</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 24. Finance lease liabilities (Continued)

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

	Group	
	2009 \$'000	2008 \$'000
Current finance lease liabilities (payable within 12 months) (Note 23)	7	7
Non-current finance lease liabilities (payable after 12 months) (Note 23)	3	10
	<u>10</u>	<u>17</u>

Finance lease liabilities are denominated in Ringgit Malaysia.

## 25. Trade and other payables

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade payables	5,839	5,698	-	-
Proprietary Solutions contracts				
- due to customers (Note 18)	41	858	-	-
Accrued operating expenses	1,600	1,376	176	246
Deposits received	84	39	-	-
Other payables:				
- amount due to ultimate holding corporation (non-trade)	1	12	-	-
- amount due to a subsidiary (non-trade)	-	-	4,868	4,884
- amount due to related corporations (non-trade)	18	448	-	-
- amount due to an associate (non-trade)	17	20	-	-
- deferred government grant	251	160	-	-
- sundry	168	229	13	2
	<u>8,019</u>	<u>8,840</u>	<u>5,057</u>	<u>5,132</u>

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

The average credit period on purchases is 30 - 90 days (2008: 30 - 90 days).

No interest charged on the trade and other payables.

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

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Singapore Dollar	656	821	5,057	248
Ringgit Malaysia	2,387	4,073	-	4,884
United States Dollar	1,601	3,538	-	-
Euro	3,045	332	-	-
Others	330	76	-	-
	<u>8,019</u>	<u>8,840</u>	<u>5,057</u>	<u>5,132</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 26. Contingent liabilities, unsecured

The Company has undertaken to provide corporate guarantees to its subsidiary on its borrowings amounting to Nil (2008: \$81,000). The fair values of the corporate guarantees are immaterial based on management's estimates.

The Company has also undertaken to provide continued financial support to its subsidiary which have accumulated losses of Nil (2008: \$167,972) in excess of the issued and paid-up capital as at 31 December 2009 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.

## 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 five 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Not later than one year	150	154	-	-
Later than one year but not later than five years	176	226	-	-
	<u>326</u>	<u>380</u>	<u>-</u>	<u>-</u>

### (b) Capital commitments

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Capital expenditure contracted but not provided for				
- Commitment for acquisition of plant and equipment	245	-	-	-
Investment in subsidiaries	-	9	-	-
	<u>245</u>	<u>9</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 end of the financial year:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Financial assets</b>				
Loans and receivables (including cash and cash equivalents)	<u>27,184</u>	<u>26,115</u>	<u>3,869</u>	<u>4,459</u>
<b>Financial liabilities</b>				
Payables	8,019	8,840	5,057	5,132
Borrowings	<u>10</u>	<u>109</u>	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 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 credit risks, market risks (including foreign currency risks and interest rate risks) and liquidity risks. 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 the Group's exposure to these financial risks or the manner in which it manages and measures the identified risks.

#### (i) Credit risk management

Credit risk refers to the risk that a 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 collateral.

The top 5 trade receivables comprise 81% (2008: 84%) of trade receivables (net of impairment allowances), which include a single major customer located in Malaysia making up 61% (2008: 41%) 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.

Bank deposits are mainly placed with banks with good credit ratings assigned by international credit-rating agencies.

#### *Financial assets that are neither past due nor impaired*

Trade receivables that are neither past due nor impaired are substantially relating to companies with good payment track records 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 and other receivables.

The ageing analysis of trade receivables that are past due but not impaired is provided in Note 17.

#### (ii) 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 the 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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

### (b) Financial risk factors (Continued)

#### (ii) Foreign exchange risk management (Continued)

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the end of the financial year are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
United States Dollar	1,601	3,538	3,071	7,772	-	-	2	2
Singapore Dollar	656	913	5,138	1,715	5,057	248	3,867	4,457
Ringgit Malaysia	2,397	4,090	18,209	15,852	-	4,884	-	-
Euro	3,045	332	11	32	-	-	-	-
Others	330	76	755	744	-	-	-	-

#### 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 profit or loss of the Group will increase/(decrease) by:

<b>Group</b>	United States Dollar Impact		Ringgit Malaysia Impact		Euro Impact	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
	Profit or loss	(147)	(423)	(1,582)	(1,176)	303

If the Singapore Dollar weakens by 10% against the relevant foreign currencies, the profit or loss of the Group will increase/(decrease) by:

<b>Group</b>	United States Dollar Impact		Ringgit Malaysia Impact		Euro Impact	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
	Profit or loss	147	423	1,582	1,176	(303)

The potential impact of foreign exchange rate fluctuations on profit or loss and equity of the Group as described in the sensitivity analysis above is attributable mainly to 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 profit or loss of the Company as the Company has insignificant foreign currency denominated receivables and payables at year end.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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

### (b) Financial risk factors (Continued)

#### (iii) Interest rate risk management

Summary quantitative data on the Group's interest-bearing financial instruments can be found in Note 23.

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.

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 profit or loss and equity of the Group and of the Company as the Group and the Company do not have significant interest-bearing financial instruments.

#### (iv) Liquidity risk management

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.

	<b>On demand or within 1 year \$'000</b>	<b>Within 2 to 5 years \$'000</b>	<b>Total \$'000</b>
<b>Group</b>			
<b>2009</b>			
Non- interest bearing	8,048	54	8,102
Finance lease liability (fixed rate)	7	3	10
Variable interest rate instruments	-	-	-
	<u>8,055</u>	<u>57</u>	<u>8,112</u>
<b>2008</b>			
Non-interest bearing	8,878	67	8,945
Finance lease liability (fixed rate)	7	10	17
Variable interest rate instruments	92	-	92
	<u>8,977</u>	<u>77</u>	<u>9,054</u>
<b>Company</b>			
<b>2009</b>			
Non – interest bearing	5,057	-	5,057
<b>2008</b>			
Non – interest bearing	5,132	-	5,132

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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

### (b) Financial risk factors (Continued)

#### (v) Capital risk management policies and objectives

The Group actively and regularly reviews and manages its capital structure with the objectives of ensuring that the Group will be able to continue as a going concern while maximising the return to stakeholders. These reviews take into consideration future capital requirements of the Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and strategic investment opportunities.

The capital structure of the Group consists of debt which includes borrowings (Note 23), cash and cash equivalents (Note 20), and equity attributable to equity holders of the Company.

The Group's overall capital management strategy remains unchanged from 2008 and this includes maintaining a healthy gearing ratio taking into consideration the objectives of the Group. As at balance sheet date, the gearing ratio calculated as total borrowings divided by total equity is as follows:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total borrowings	10	109	-	-
Total equity	26,698	23,966	31,546	31,859
Gearing ratio	0.03%	0.5%	-	-

The Group does not have any externally imposed capital requirements.

## 29. Fair value of financial assets and financial liabilities

The carrying amount of cash and cash equivalents, trade and other current receivables and payables, approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements. The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

## 30. 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.

## 31. 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	
	2009 \$'000	2008 \$'000
Sales of goods/services to:		
- other related corporations	18	19
Purchase of goods/services from:		
- other related corporations	119	117
Rental and maintenance fees charged by a commonly controlled entity	202	193



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 32. Segment information (Continued)

- \* VAS BU – Business unit for content-driven mobile VAS systems, solutions and managed services.
- \* TECH BU – Business unit for mobile messaging and signalling systems, solutions and managed services.
- \* OSS BU – Business unit for mobile network operation support systems, solutions and managed services.
- \* OHQ BU – Business unit for operational headquarters of the Group.

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. Segment liabilities comprise operating liabilities and exclude items such as deferred income tax liabilities and borrowings. Capital expenditure comprises additions to plant and equipment and intangible assets.

### Segment revenue and expenses

Segment revenue and expense are the operating revenue and expense reported in the Group's profit or loss that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

### Inter-segment transfer

Segment revenue and expense included transfer between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

	Mobile Technology \$'000	Mobile Value Added Services \$'000	Operation Support Systems \$'000	Operational Headquarters \$'000	Elimination \$'000	Group \$'000
<b>Financial year ended 31 December 2009</b>						
Sales:						
- external sales	5,314	7,161	6,489	-	-	18,964
- inter-segment sales	3,470	265	987	1,090	(5,812)	-
	8,784	7,426	7,476	1,090	(5,812)	18,964
Interest income	183	-	-	-	-	183
Amortisation of development cost and intellectual property	390	2	87	-	-	479
Depreciation of plant and equipment	523	374	32	22	-	951
Allowance for impairment of other receivables	-	22	-	-	-	22
Allowance for impairment of inventories	34	19	-	-	-	53
Impairment loss on development cost	68	9	-	-	-	77
Impairment loss on plant and equipment	33	148	-	-	-	181

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 32. Segment information (Continued)

	Mobile Technology \$'000	Mobile Value Added Services \$'000	Operation Support Systems \$'000	Operational Headquarters \$'000	Elimination \$'000	Group \$'000
<b>Financial year ended 31 December 2009</b>						
Profit/(Loss) from operations	2,109	571	861	(390)	(900)	2,251
Finance costs	(2)	-	-	-	-	(2)
Share of profit from an equity-accounted associate	-	1,038	-	-	-	1,038
Profit/(Loss) before tax	2,107	1,609	861	(390)	(900)	3,287
Income tax	(43)	(14)	(16)	3	16	(54)
Profit/(Loss) after tax	2,064	1,595	845	(387)	(884)	3,233
Minority interest	-	81	(414)	-	-	(333)
<b>Profit/(Loss) attributable to shareholders</b>	<b>2,064</b>	<b>1,676</b>	<b>431</b>	<b>(387)</b>	<b>(884)</b>	<b>2,900</b>
Segment assets	27,400	11,736	5,565	38,037	(49,047)	33,691
Associate	-	808	-	-	-	808
Unallocated assets	-	295	-	-	16	311
<b>Consolidated total assets</b>						<b>34,810</b>
Segment liabilities	2,397	10,051	4,552	6,361	(15,313)	8,048
Unallocated liabilities	64	-	-	-	-	64
<b>Consolidated total liabilities</b>						<b>8,112</b>
<b>Other segment items</b>						
Capital expenditure:						
- Plant and equipment	185	2,741	79	97	(192)	2,910
- Development costs of intellectual property	582	488	4	-	(17)	1,057

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 32. Segment information (Continued)

Following the completion of the reorganization initiative, the Group has from 2009 onwards changed its business segments into distinct business units comprising TECH BU, VAS BU, OSS BU and OHQ BU. As the necessary corresponding information is not available and the cost to develop it would be excessive, the segment information for the immediately preceding year is not restated to reflect change.

	Proprietary Solutions \$'000	Distribution \$'000	Operation Support Systems \$'000	Others \$'000	Elimination \$'000	Group \$'000
<b>Financial year ended 31 December 2008</b>						
Sales:						
- external sales	16,522	227	2,884	-	-	19,633
- inter-segment sales	-	-	662	-	(662)	-
	<u>16,522</u>	<u>227</u>	<u>3,546</u>	<u>-</u>	<u>(662)</u>	<u>19,633</u>
Interest income	29	-	-	-	-	29
Amortisation of development cost and intellectual property	573	-	17	-	-	590
Depreciation of plant and equipment	1,316	56	11	9	(3)	1,389
Allowance for impairment of trade receivables	12	16	-	-	-	28
Allowance for impairment of other receivables	230	-	-	-	-	230
Allowance for impairment of inventories	160	190	-	-	-	350
Impairment loss on plant and equipment	286	-	-	-	-	286
Inventories written off	15	8	-	-	-	23
Plant and equipment written off	151	-	-	-	-	151

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 32. Segment information (Continued)

	Proprietary Solutions \$'000	Distribution \$'000	Operation Support Systems \$'000	Others \$'000	Elimination \$'000	Group \$'000
<b>Financial year ended 31 December 2008</b>						
Profit/(Loss) from operations	2,087	(692)	445	-	(662)	1,178
Finance costs	(33)	(10)	-	-	-	(43)
Share of profit from an equity-accounted associate	1,598	-	-	-	-	1,598
Profit/(Loss) before tax	3,652	(702)	445	-	(662)	2,733
Income tax	(11)	-	-	-	-	(11)
Profit/(Loss) after tax	3,641	(702)	445	-	(662)	2,722
Minority interest	-	(35)	(199)	-	-	(234)
<b>Profit/(Loss) attributable to shareholders</b>	<b>3,641</b>	<b>(737)</b>	<b>246</b>	<b>-</b>	<b>(662)</b>	<b>2,488</b>
Segment assets	27,969	364	3,246	42	(132)	31,489
Associate	1,233	-	-	-	-	1,233
Unallocated assets	-	298	-	-	-	298
<b>Consolidated total assets</b>						<b>33,020</b>
Segment liabilities	6,574	1,081	2,724	248	(1,748)	8,879
Unallocated liabilities	94	81	-	-	-	175
<b>Consolidated total liabilities</b>						<b>9,054</b>
<b>Other segment items</b>						
Capital expenditure:						
- Plant and equipment	652	-	83	-	-	735
- Development cost of intellectual property	662	-	439	-	-	1,101

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 32. Segment information (Continued)

### Secondary reporting format - geographical segments

The Group's three business units 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, the provision of global roaming quality and service management solutions, and the 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, the provision of global roaming quality and service management solutions and the distribution of third party telecommunications products and components.

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

	Sales \$'000	Total assets \$'000	Capital expenditure \$'000
<b>2009</b>			
ASEAN	13,282	29,422	1,545
Greater China	1,065	664	1
North America and other countries	130	(1)	-
South Asia and Middle East	4,487	3,606	2,420
	<u>18,964</u>	<u>33,691</u>	<u>3,966</u>
Investment in an associate (Note 15)		808	
Unallocated assets		311	
		<u>34,810</u>	
<b>2008</b>			
ASEAN	14,202	28,057	1,836
Greater China	1,940	793	-
North America and other countries	128	117	-
South Asia and Middle East	3,363	2,522	-
	<u>19,633</u>	<u>31,489</u>	<u>1,836</u>
Investment in an associate (Note 15)		1,233	
Unallocated assets		298	
		<u>33,020</u>	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

### 33. Listing of companies in the Group

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group	
			2009 %	2008 %
<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
Unified Communications (OHQ) Sdn Bhd (b)(c)	Provisions of management services	Malaysia	100	-
Unified Communications (OSS) Sdn Bhd (b)(d)	Investment holding	Malaysia	100	-
Mobilization Sdn Bhd (e)	Creation and operation of next - generation mobile applications and mobile media-based services including mobile advertising services and such mobile media value-added-services that operate on an advertisement-supported or advertisement-funded revenue model	Malaysia	100	-
<u>Subsidiaries held by the Group</u>				
Unified Communications (VAS) Sdn Bhd (b)(f)	Provision of telecommunication products, technology and customised solutions to telecommunication operators, service providers and enterprises	Malaysia	100	-
Unified Communications Limited (g)	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 (h)	Distribution of telecommunications products, the design and development of telecommunications solutions, project management, and maintenance and support services for the telecommunications industry	Thailand	(i)	(i)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 33. Listing of companies in the Group (Continued)

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group	
			2009 %	2008 %
<u>Subsidiaries held by the Group (Continued)</u>				
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 (Private) Limited (j)	Provision of telecommunications products, technology and customised solutions to telecommunications operators, service providers and enterprises	Pakistan	100	100
Unified Communications (Shenzhen) Pte Ltd (k)	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)	Provision of global roaming quality of service management solutions	Singapore	51	51
<u>Associate 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
<u>Investment in jointly controlled entity held by a subsidiary</u>				
Unified Telecom Private Limited (UTPL) (l)	Provision of telecommunications products, services and customised solutions	India	50	50

(a) Audited by BDO LLP, Singapore

(b) Audited by RSM Robert Teo, Kuan &amp; Co., Malaysia

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 33. Listing of companies in the Group (Continued)

- (c) On 13 January 2009, the Company has received the Certificate of Incorporation of Private Company for the incorporation of a wholly-owned subsidiary, Unified Communications (OHQ) Sdn Bhd ("UC-OHQ") in Malaysia with an authorised share capital of RM100,000 and paid-up capital of RM100. The Company subscribed for a total of 100 new ordinary shares of RM1 each in UC-OHQ, representing 100% equity interest in UC-OHQ at par.

On 8 December 2009, the Company has subscribed for a total of 499,900 new ordinary shares of RM1 each for RM499,900 (approximately \$204,280). The subscription of new shares resulted in the issued and paid-up share capital of UC-OHQ being increased from RM100 to RM500,000.

- (d) On 13 January 2009, the Company has received the Certificate of Incorporation of Private Company for the incorporation of a wholly-owned subsidiary, Unified Communications (OSS) Sdn Bhd ("UC-OSS") in Malaysia with an authorised share capital of RM100,000 and paid-up capital of RM100. The Company subscribed for a total of 100 new ordinary shares of RM1 each in UC-OSS, representing 100% equity interest in UC-OSS at par.

- (e) On 28 August 2009, the Company incorporated a wholly owned subsidiary, Mobilization Sdn Bhd ("MSB") in Malaysia. The Company has subscribed for a total of 100 new ordinary shares of RM1 each in MSB, representing 100% equity interest in MSB at par. The entity has yet to appoint the auditor.

- (f) On 15 January 2009, Unified Communications Pte Ltd ("UCPL") has received the Certificate of Incorporation of Private Company dated 12 January 2009 for the incorporation of a wholly-owned subsidiary, Unified Communications (VAS) Sdn Bhd ("UC-VAS") in Malaysia with an authorised share capital of RM100,000 and paid-up capital of RM100. UCPL subscribed for a total of 100 new ordinary shares of RM1 each in UC-VAS, representing 100% equity interest in UC-VAS at par.

- (g) Audited by Tang, Lit & Co., Certified Public Accountant, Hong Kong

- (h) Audited by ThaiCon Auditing Limited, Thailand

- (i) The total share capital is Thai Baht ("THB") 2,000,000 comprising THB 1,100,000 of fully paid-up preference shares and THB900,000 of fully paid-up ordinary shares. UCPL 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.

- (j) Audited by BDO Ebrahim & Co., Pakistan.

On 31 July 2009, UCPL has further subscribed to 352,250 new ordinary shares in UC Pakistan of PKR10 each for PKR3,522,500 (approximately \$62,900). The enlarged issued and paid-up share capital of UC Pakistan is now PKR4,022,500 represented by 402,250 ordinary shares of PKR10 each.

- (k) Audited by Shenzhen JiHen Certified Public Accountants Co., Ltd, People's Republic of China.

- (l) Audited by Haribhakti & Co., an India member firm of BDO. Please refer Note 34 to the financial statements for further details.

- (m) In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and significant associate would not compromise the standard and effectiveness of the audit of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

## 34. Investment in joint venture

The following amounts represents the Group's 50% share of the assets and liabilities, and income and expenses of the joint venture which are included in the consolidated balance sheet and profit or loss of the Group using the line-by-line format of proportionate consolidation.

	2009 \$'000	2008 \$'000
Assets		
- Current assets	84	110
- Non-current assets	22	8
	<u>106</u>	<u>118</u>
Liabilities		
- Current liabilities	6	2
Net assets	<u>100</u>	<u>116</u>
Sales	38	30
Expenses	54	27
Profit before tax	(16)	3
Income tax	-	-
Profit for the year	<u>(16)</u>	<u>3</u>
Operating cash outflows	(4)	(20)
Investing cash outflows	(16)	(8)
Financing cash inflows	86	113
	<u>66</u>	<u>85</u>

## 35. Significant events subsequent to the financial year end

There were no significant events subsequent to the financial year end.

# STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2010

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	5	0.25	1,148	0.00
1,000 - 10,000	878	44.46	6,298,269	1.97
10,001 - 1,000,000	1,074	54.38	60,248,000	18.85
1,000,001 and above	18	0.91	253,025,258	79.18
<b>Total</b>	<b>1,975</b>	<b>100.00</b>	<b>319,572,675</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Worldwide Matrix Sdn Bhd	126,922,939	39.72
2	DMG & Partners Securities Pte Ltd	72,354,000	22.64
3	CIMB Nominees (S) Pte Ltd	19,034,329	5.96
4	HSBC (Singapore) Nominees Pte Ltd	7,840,000	2.45
5	Phillip Securities Pte Ltd	3,819,990	1.20
6	OCBC Securities Private Ltd	3,085,000	0.97
7	United Overseas Bank Nominees Pte Ltd	2,496,000	0.78
8	UOB Kay Hian Pte Ltd	2,486,000	0.78
9	Stephen Koh Lay Kian	2,066,000	0.65
10	DBS Nominees Pte Ltd	2,045,000	0.64
11	Ong Yeng Tian @ Ong Weng Tian or Teh Guat Bee	2,034,000	0.64
12	Raffles Nominees Pte Ltd	1,450,000	0.45
13	OCBC Nominees Singapore Pte Ltd	1,380,000	0.43
14	DBS Vickers Securities (S) Pte Ltd	1,333,000	0.42
15	Tan Eng Chua	1,280,000	0.40
16	Yan Kim Poh	1,200,000	0.38
17	Wong Ying Kit	1,198,000	0.37
18	Kim Eng Securities Pte. Ltd.	1,001,000	0.31
19	Koh Chin Hin	956,000	0.30
20	Ng Wang @ Ng Chiang Chin	955,000	0.30
<b>Total</b>		<b>254,936,258</b>	<b>79.79</b>

## SUBSTANTIAL SHAREHOLDERS

No.	Name	No. of Shares
1	Worldwide Matrix Sdn Bhd	186,322,939 <sup>(a)</sup>
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 18 March 2010, approximately 35% of the issued ordinary shares of the Company is held by the public. Therefore Rule 723 of the Listing Manual issued by Singapore Exchange Securities Trading Limited has been complied with by the Company.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at Holiday Inn Atrium, 317 Outram Road, Singapore 169075, Foyer Room, Level 4 on Wednesday, 28 April 2010 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 2009 and the Reports of Directors and Auditors thereon. **Resolution 1**
2. To approve the Directors' Fees of S\$86,000 for the financial year ended 31 December 2009. **Resolution 2**
3. To re-elect the following Directors retiring pursuant to Article 103 of the Company's Articles of Association:-
  - (a) Mr Anton Syazi Ahmad Sebi **Resolution 3**
  - (b) Mr Phuah Peng Hock **Resolution 4**

*(See Explanatory Note 1)*
4. To re-appoint BDO LLP 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** **Resolution 6**
  - (a) "That, pursuant to Section 161 of the Companies Act, Cap. 50, and the listing manual of 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 capital of the Company whether by way of rights, bonus or otherwise;
    - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares 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 total number of issued shares excluding treasury shares of the Company, 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 total number of issued shares excluding treasury shares of the Company. Unless prior shareholders' approval is required under the Listing Rules, an issue of treasury shares will not require further shareholders' approval and will not be included in the aforementioned limits.

# NOTICE OF ANNUAL GENERAL MEETING

5. **Authority to allot and issue shares** (Continued)

For the purpose of this resolution, the total number of issued shares excluding treasury shares is based on the Company's total number of shares excluding treasury shares at the time this resolution is passed, after adjusting for:-

- (a) new shares arising from the conversion or exercise of convertible securities; or
- (b) 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 SGX-ST; and
- (c) 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 13th day of April 2010.

By Order of the Board

**Toon Choi Fan**  
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 Anton Syazi Ahmad Sebi will, upon re-election as a Director of the Company, remain as the Deputy Chief Executive Officer of the Company.
  - (b) Mr Phuah Peng Hock will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.
2. The ordinary resolution in item 5 if passed will empower the Directors of the Company from the date of this Meeting until the next Annual General Meeting to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this resolution would not exceed 50 percent of the issued share capital of the Company at the time of passing this resolution. For issue of shares and convertible securities other than on a pro-rata basis to all shareholders the aggregate number of shares to be issued shall not exceed 20 percent of the issued share capital of the Company, 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 168 Jalan Bukit Merah, Connection 1 Tower 3, #04-08A, Singapore 150168 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 2009 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**

(Company Registration No. 200211129W)  
(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 Holiday Inn Atrium, 317 Outram Road, Singapore 169075, Foyer Room, Level 4 on Wednesday, 28 April 2010 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 2009 and the Reports of Directors and Auditors thereon.	<b>Resolution 1</b>		
2.	To approve the Directors' Fees of S\$86,000 for the financial year ended 31 December 2009.	<b>Resolution 2</b>		
3.	To re-elect the following Directors retiring pursuant to Article 103 of the Company's Articles of Association:-  (a) Mr Anton Syazi Ahmad Sebi (b) Mr Phuah Peng Hock	<b>Resolution 3</b> <b>Resolution 4</b>		
4.	To re-appoint BDO LLP as auditors of the Company and to authorise the Directors to fix their remuneration.	<b>Resolution 5</b>		
5.	To authorise Directors to allot shares pursuant to Section 161 of the Companies Act, Cap. 50.	<b>Resolution 6</b>		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Total Number of Shares Held

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

*\* Please delete accordingly.*

## **Proxy Form**

### **UNIFIED COMMUNICATIONS HOLDINGS LIMITED**

(Company Registration No. 200211129W)

(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/her stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he/she shall specify the proportion of his/her 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/her 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 168 Jalan Bukit Merah, Connection 1 Tower 3, #04-08A, Singapore 150168 not later than 48 hours before the time appointed for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his/her name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he/she should insert that number of shares. If the member has shares entered in his/her name in the Register of Members of the Company, he/she should insert the number of shares. If the member has shares entered against his/her name in the Depository Register and shares registered in his/her name in the Register of Members of the Company, he/she 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 appointed 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/her name appears on the Depository Register 48 hours before the time appointed for the Annual General Meeting.





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