

UNIFIED COMMUNICATIONS HOLDINGS LIMITED

(Company registration no.: 200211129W)

**First Quarter Financial Statements and Dividend Announcement
for the Period Ended 31 March 2005****PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS****1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

Set out below are the financial statements for the first quarter ended 31 March 2005.

Consolidated Income Statement

	Group	Proforma Group		Group	
	Q1 2005 ^(A)	Q1 2004 ^(B)	Inc/(dec)	Q1 2004 ^(C)	Inc/(dec)
	S\$'000	S\$'000	%	S\$'000	%
Revenue	6,414	5,096	26	4,955	29
Cost of sales	(3,384)	(2,888)	17	(2,713)	25
Gross profit	3,030	2,208	37	2,242	35
Other operating income	140	242	(42)	240	(42)
Technical support expenses	(1,532)	(779)	97	(628)	144
Distribution costs	(975)	(706)	38	(598)	63
Administrative expenses	(447)	(475)	(6)	(368)	21
Other operating expenses	(25)	(156)	(84)	(156)	(84)
Profit from operations	191	334	(43)	732	(74)
Finance costs	(56)	(35)	60	(29)	93
Share of results of an associated company	17	-	n.m.	-	n.m.
Profit before tax	152	299	(49)	703	(78)
Income tax	(32)	(51)	(37)	(58)	(45)
Net profit for the financial period	120	248	(52)	645	(81)
Attributable to:					
Shareholders of the Company	54	257	(79)	649	(92)
Minority interest	66	(9)	n.m.	(4)	n.m.
Net profit for the financial period	120	248	(52)	645	(81)

n.m.: not meaningful

^(A) Group income statement for the financial period from 1 January 2005 to 31 March 2005.^(B) Proforma Group income statement for the financial period from 1 January 2004 to 31 March 2004.^(C) Group income statement comprises the consolidated financial results of the Company for the three months ended 31 March 2004 and the financial results of its subsidiaries acquired on 15 January 2004 pursuant to the Group restructuring exercise, for the financial period from 15 January 2004 to 31 March 2004.

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (continued)

Explanatory Notes:

(a) For the purpose of this announcement:

- (i) The Group's proforma income statement for the three months ended 31 March 2004 is prepared for illustrative purposes only. The proforma income statement is prepared based on certain assumptions and after making certain adjustments to show how the income statement of the Group for the three months ended 31 March 2004 would have been if the Group restructuring exercise had been in place since 1 January 2004.
- (ii) The proforma income statement of the Group, because of its nature, may not give a true picture of the Group's financial results. The proforma income statement of the Group is not necessary indicative of results of the operations or related effects on the financial position that would have been attained had the Group actually existed earlier.

1(a)(ii) Notes to income statements

The following items have been included in arriving at profit from operations:

	Group	Proforma Group		Group	
	Q1 2005 ^(A)	Q1 2004 ^(B)	Inc/(dec)	Q1 2004 ^(C)	Inc/(dec)
	S\$'000	S\$'000	%	S\$'000	%
Amortisation of development costs and intellectual property	127	196	(35)	164	(23)
Negative goodwill recognised (included in "Other operating income")	-	(225)	(100)	(225)	(100)
Write-back of allowance for doubtful receivables	(105)	-	n.m.	-	n.m.
Foreign exchange (gain)/loss	(23)	37	n.m.	35	n.m.
Depreciation of plant and equipment	481	238	102	216	123
Gain on disposal of plant and equipment	(10)	(1)	900	(1)	900

n.m.: not meaningful

^(A) Notes to the Group income statement for the financial period from 1 January 2005 to 31 March 2005.

^(B) Notes to the Proforma Group income statement for the financial period from 1 January 2004 to 31 March 2004.

^(C) Notes to the Group income statement as disclosed in section 1(a)(i) of this announcement.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Balance Sheets

	Group	Group	Company	Company
	As at 31/3/2005	As at 31/12/2004	As at 31/3/2005	As at 31/12/2004
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	3,290	4,683	971	2,659
Trade and other receivables	19,612	19,382	8,660	7,046
Inventories	7,223	7,459	-	-
Other current assets	880	904	35	28
	31,005	32,428	9,666	9,733
Non- current assets				
Investment in an associated company	125	111	-	-
Investments in subsidiaries	-	-	22,526	22,526
Plant and equipment	9,029	7,011	38	40
Intangible assets	2,122	2,116	-	-
Deferred income tax assets	621	621	-	-
Negative goodwill	-	(4,360)	-	-
	11,897	5,499	22,564	22,566
Total assets	42,902	37,927	32,230	32,299
LIABILITIES				
Current liabilities				
Trade and other payables	5,505	6,330	298	303
Current income tax liabilities	123	98	-	-
Borrowings	4,375	3,332	-	-
	10,003	9,760	298	303
Non - current liabilities				
Borrowings	116	125	-	-
Deferred income tax liabilities	20	17	-	-
	136	142	-	-
Total liabilities	10,139	9,902	298	303
Net assets	32,763	28,025	31,932	31,996
EQUITY				
Share capital	25,566	25,566	25,566	25,566
Share premium	6,382	6,382	6,382	6,382
Foreign currency translation reserve	(529)	(786)	-	-
Retained earnings/(accumulated losses)	1,222	(3,192)	(16)	48
Shareholders' equity	32,641	27,970	31,932	31,996
Minority interest	122	55	-	-
	32,763	28,025	31,932	31,996

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

Group As at 31/3/2005		Group As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,375	-	3,332	-

Amount repayable after one year

Group As at 31/3/2005		Group As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
116	-	125	-

Details of any collateral

The Group's secured facilities comprise of trade lines, bank overdrafts and hire purchase.

The trade lines and bank overdrafts are secured by way of:

- (i) corporate guarantee from a subsidiary in Singapore;
- (ii) corporate guarantees from the Company to banks for facilities extended to its wholly-owned subsidiaries; and
- (iii) a charge on fixed deposit of RM500,000 (S\$217,000).

The hire purchase is secured by plant and equipment of a subsidiary with a net book value of RM453,000 (S\$197,000) (31.12.2004: S\$210,000).

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Cash Flow Statement

	Q1 2005	Q1 2004 ^(A)
	S\$'000	S\$'000
Cash flows from operating activities:		
Profit before tax and after share of results of an associated company	152	703
Adjustments for :		
Amortisation of development costs and intellectual property	127	164
Negative goodwill recognised	-	(225)
Depreciation of plant and equipment	481	216
Gain on disposals of plant and equipment	(10)	(1)
Interest expense	56	29
Interest income	(4)	(1)
Share of results of an associated company	(17)	-
Foreign currency translation adjustments	275	(169)
Operating cash flow before working capital changes	1,060	716
Changes in operating assets and liabilities, net of effects from purchase of subsidiaries		
Inventories	205	(857)
Trade and other receivables	(599)	131
Trade and other payables	(826)	666
Cash from operations	(160)	656
Income tax paid	(32)	(116)
Interest paid	(56)	(29)
Net cash flow from operating activities	(248)	511
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	-	491
Purchases of plant and equipment	(2,054)	(139)
Proceeds from disposals of plant and equipment	-	5
Development costs paid	(113)	-
Interest received	4	1
Net cash flow from investing activities	(2,163)	358

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (continued)

	Q1 2005	Q1 2004 ^(A)
	S\$'000	S\$'000
Cash flows from financing activities:		
Proceeds from issuances of ordinary shares	-	10,640
Payments of share issue costs and listing expenses	-	(707)
Proceeds from borrowings	3,296	960
Repayments of borrowings	(2,359)	(2,509)
Repayments of finance leases	(12)	(10)
Net cash flow from financing activities	925	8,374
Net change in cash and cash equivalents	(1,486)	9,243
Cash and cash equivalents at beginning of the financial period	4,178	*
Cash and cash equivalents at end of the financial period (Note 1)	2,692	9,243

Notes

* Denotes S\$2.00

^(A) Consolidated cash flow statement comprises the cash flows of the Company for the first quarter ended 31 March 2004 and the cash flows of its subsidiaries from 15 January 2004 to 31 March 2004.

Explanatory Notes:

Note 1

	Q1 2005	Q1 2004
	S\$'000	S\$'000
Cash and cash equivalents	3,290	10,149
Bank overdrafts	(381)	(115)
Restricted deposits	(217)	(791)
Cash and cash equivalents per consolidated cash flow statement	2,692	9,243

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Changes in Equity for the First Quarter ended 31 March 2005

	Issued and fully paid						
	Number of shares	Share capital	Share premium	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	Minority interest	Total
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Period ended 31/3/2005							
<u>Group</u>							
Balance at 1/1/2005	319,572,675	25,566	6,382	(786)	(3,192)	55	28,025
Negative goodwill recognised	-	-	-	-	4,360	-	4,360
Balance at 1/1/2005, restated	319,572,675	25,566	6,382	(786)	1,168	55	32,385
Foreign currency translation differences	-	-	-	257	-	1	258
Net gains recognised directly in equity	-	-	-	257	-	1	258
Net profit for the financial period	-	-	-	-	54	66	120
Total recognised gains for the financial period	-	-	-	257	54	67	378
Balance at 31/3/2005	319,572,675	25,566	6,382	(529)	1,222	122	32,763
<u>Company</u>							
Balance at 1/1/2005	319,572,675	25,566	6,382	-	48	-	31,996
Net loss for the financial period	-	-	-	-	(64)	-	(64)
Total recognised losses for the financial period	-	-	-	-	(64)	-	(64)
Balance at 31/3/2005	319,572,675	25,566	6,382	-	(16)	-	31,932

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (continued)

Statement of Changes in Equity for the First Quarter ended 31 March 2004

	Issued and fully paid						
	Number of shares	Share capital	Share premium	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	Minority interest	Total
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Period ended 31/3/2004							
<u>Group</u>							
Balance at 1/1/2004	2	*	-	-	(2)	-	(2)
Foreign currency translation differences	-	-	-	(230)	-	-	(230)
Net loss recognised directly in equity	-	-	-	(230)	-	-	(230)
Net profit for the financial period	-	-	-	-	649	-	649
Total recognised gains for the financial period	-	-	-	(230)	649	-	419
Issue of ordinary shares of S\$1 each ⁽¹⁾	22,525,812	22,526	-	-	-	-	22,526
Consolidation of ordinary shares of S\$1 each to ordinary shares of S\$2 each	(11,262,907)	-	-	-	-	-	-
Shares split of ordinary shares of S\$2 each to ordinary shares of S\$0.08 each	270,309,768	-	-	-	-	-	-
Issue of ordinary shares of S\$0.08 each pursuant to the initial public offering	38,000,000	3,040	7,600	-	-	-	10,640
Share issue costs	-	-	(1,218)	-	-	-	(1,218)
Balance at 31/3/2004	319,572,675	25,566	6,382	(230)	647	-	32,365

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (continued)

Statement of Changes in Equity for the First Quarter ended 31 March 2004 (continued)

	Issued and fully paid		Share premium	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	Minority interest	Total
	Number of shares	Share capital					
		S\$'000					
Period ended 31/3/2004							
Company							
Balance at 1/1/2004	2	*	-	-	(2)	-	(2)
Net loss for the financial period	-	-	-	-	(91)	-	(91)
Total recognised loss for the financial period	-	-	-	-	(91)	-	(91)
Issue of ordinary shares of S\$1 each ⁽¹⁾	22,525,812	22,526	-	-	-	-	22,526
Consolidation of ordinary shares of S\$1 each to ordinary shares of S\$2 each	(11,262,907)	-	-	-	-	-	-
Shares split of ordinary shares of S\$2 each to ordinary shares of S\$0.08 each	270,309,768	-	-	-	-	-	-
Issue of ordinary shares of S\$0.08 each pursuant to the initial public offering	38,000,000	3,040	7,600	-	-	-	10,640
Share issue costs	-	-	(1,218)	-	-	-	(1,218)
Balance at 31/3/2004	319,572,675	25,566	6,382	-	(93)	-	31,855

Notes

* Denotes S\$2.00

⁽¹⁾ On 15 January 2004, pursuant to the Group restructuring exercise, the Company issued 22,525,812 ordinary shares of S\$1.00 each to acquire 100% equity interest in Unified Communications Pte Ltd and Unified Communications Sdn Bhd.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

None

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

These figures have neither been audited nor reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation for the current financial period as compared to the most recent audited financial statements of the Group for the financial year ended 31 December 2004, except for the adoption of the new Financial Reporting Standards ("FRS") which become effective for the financial year beginning on or after 1 January 2005. The adoption of these new accounting policies did not give rise to any significant changes to the financial statements, except for the treatment of negative goodwill in accordance with FRS 103 – Business Combinations.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

FRS 103 states that the carrying amount of negative goodwill at the beginning of the first annual period beginning on or after 1 July 2004 that arose from a business combination for which the agreement date was before 1 July 2004 should be derecognised with a corresponding adjustment to the opening balance of retained earnings of that period.

Accordingly, with effect from 1 January 2005, the carrying amount of negative goodwill amounted to S\$4.4 million was adjusted against the opening balance of accumulated losses in accordance with the requirement of FRS 103. As a result, the Group's opening accumulated losses as at 1 January 2005 of S\$3.2 million has been restated to an opening retained earnings of S\$1.2 million. In addition, there was no negative goodwill recognised in the Consolidated Income Statement in Quarter 1 2005 as compared to S\$0.2 million recognised in Quarter 1 2004.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	Proforma	Group
	Q1 2005	Q1 2004	Q1 2004
	cents	cents	cents
Based on the weighted average number of ordinary shares on issue	0.02 ⁽¹⁾	0.09 ⁽¹⁾	0.25 ⁽¹⁾
On fully diluted basis (detailing any adjustments made to the earnings)	n.a. ⁽²⁾	n.a. ⁽²⁾	n.a. ⁽²⁾

n.a.: not applicable.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends (continued)

- (1) For comparative purposes, the earnings per ordinary share of the Group and Proforma Group have been computed based on the net profit after tax from the financial statements of the relevant financial period and the weighted average number of ordinary shares issued of 319,572,675 shares for Q1 2005, and 299,528,719 shares and 256,209,846 shares for the Proforma Group and Group respectively for Q1 2004.
- (2) Diluted earnings per share have not been calculated as no diluting events existed during these periods. No share options were granted to any employees during these periods.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	As at 31/3/2005		As at 31/12/2004	
	Group	Company	Group	Company
	cents	cents	cents	cents
Net asset value per ordinary share ⁽¹⁾	10.21	9.99	9.45	10.01

- (1) The net asset value per ordinary share of the Group and the Company have been computed based on the net asset value of the Group and the Company at the relevant financial period end and the existing issued share capital of 319,572,675 shares.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

For comparative purposes, the review of performance is based on the Group's results and Proforma Group's results for the first quarter ended 31 March 2005 and 31 March 2004 respectively

Review of results for the first quarter ended 31 March 2005 as compared to corresponding quarter ended 31 March 2004

Sales analysed by business segments for the quarter under review were as follows: -

	Q1 2005	Sales mix	Q1 2004	Sales mix
	S\$'000	%	S\$'000	%
Proprietary Solutions	4,577	71	3,883	76
Distribution	1,837	29	1,213	24
Total	6,414	100	5,096	100

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (continued)

The Group's sales for the first quarter ended 31 March 2005 recorded an increase of S\$1.3 million or 26% as compared to the corresponding quarter last year. The increase in sales was contributed by improved sales from both the Proprietary Solutions and Distribution segments.

The improvement in our Proprietary Solutions sales for Quarter 1 2005 of S\$0.7 million or 18% as compared to the corresponding quarter last year was mainly contributed by the increase in our Mobile solutions sales. The increase in our Distribution sales for Quarter 1 2005 of S\$0.6 million or 51% as compared to the corresponding quarter last year was mainly due to the continued expansion of our sales channels.

The Group recorded a higher earnings before interest, tax, depreciation and amortisation ("EBITDA") of S\$0.8 million although profit before tax was lower at S\$0.15 million for Quarter 1 2005 as compared to a profit before tax of S\$0.3 million for Quarter 1 2004 with EBITDA reported at S\$0.5 million. The higher profit before tax in Quarter 1 2004 was mainly due to the inclusion of negative goodwill recognised of S\$0.2 million. Meanwhile, gross profit was higher at S\$3.0 million for the current quarter as compared to S\$2.2 million in the corresponding quarter last year. The improved gross profit was mainly due to higher sales achieved especially from the Proprietary Solutions segment which enjoyed a higher margin.

The higher operating expenses of approximately S\$0.9 million or 41% were mainly attributable to:

- the Group's strategies of investing in regional expansion, revenue-sharing projects, and product development and technical support activities. These have resulted in higher staff costs and related expenses in both the technical and development departments as well as the sales and marketing department, and higher depreciation charges for plant and equipment relating to research and development activities and revenue-sharing programmes; and
- increase in rental expenses and other operating expenses as the Group expand regionally.

Review of the Group's financial position as at 31 March 2005 as compared to the Group's financial position as at 31 December 2004

Current assets decreased by S\$1.4 million or 4% from S\$32.4 million as at 31 December 2004 to S\$31.0 million as at 31 March 2005. This was mainly due to decrease in cash and cash equivalents utilised for operations and capital investments.

The increase in total non-current assets by S\$6.4 million was mainly contributed by the reduction in negative goodwill of S\$4.4 million and the increase in plant and equipment of S\$2.0 million. The reduction in negative goodwill was due to the adjustment of the carrying amount of negative goodwill as at 1 January 2005 against the opening balance of accumulated losses in accordance with FRS 103. The higher plant and equipment was mainly attributable to the acquisitions of equipment for the expansion of revenue sharing projects as well as research and development activities.

Total liabilities increased from S\$9.9 million as at 31 December 2004 to S\$10.1 million as at 31 March 2005, an increase of approximately S\$0.2 million or 2%. This was mainly due to the increase in short-term bank borrowings, and offset by reduction in trade payables and partial settlement of amounts owing for the acquisition of intellectual properties.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No profit forecast has been issued for the quarter under review.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Barring any unforeseen circumstances, the Directors remain cautiously optimistic about the Group's long-term prospect. Despite the short-term impact on the Group's performance arising from its long-term growth strategies, the telecommunications industry in Asia remains buoyant with the continued deregulation of the market and the increasing demand for innovative mobile solutions due to the rapid growth in mobile penetration.

The Group will continue its efforts of: -

- investing in new, innovative voice and mobile applications, which serve as value-added services for telecommunications operators;
- expanding its recurring revenue stream by focusing on revenue-sharing programmes with customers; and
- investing in emerging telecommunications markets.

Although the results of these long-term growth strategies may not be apparent immediately, the Directors maintain that the Group will benefit in the long run from our strategies.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared or recommended for the period ended 31 March 2005.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

15. A breakdown of sales

Not applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable.

BY ORDER OF THE BOARD

Wong Tze Leng
Chief Executive Officer
10 May 2005