

UNIFIED COMMUNICATIONS HOLDINGS LIMITED

(Company registration no.: 200211129W)
(Incorporated in the Republic of Singapore)

Second Quarter Financial Statements and Dividend Announcement for the Period Ended 30 June 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 second quarter ended 30 June 2005.

Consolidated Income Statement

	Group			Group		Proforma Group	Group		
				6 months ended 30 June			6 months ended 30 June		
	Q2 2005	Q2 2004	Inc/(dec)	2005 ^(A)	2004 ^(B)	Inc/(dec)	2004 ^(C)	Inc/(dec) ^(D)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	S\$'000	%	
Revenue	5,741	6,217	(8)	12,155	11,313	7	11,171	9	
Cost of sales	(2,496)	(3,262)	(23)	(5,880)	(6,150)	(4)	(5,975)	(2)	
Gross profit	3,245	2,955	10	6,275	5,163	22	5,196	21	
Other operating income	25	368	(93)	164	573	(71)	570	(71)	
Technical support expenses	(1,549)	(878)	76	(3,081)	(1,657)	86	(1,506)	105	
Distribution costs	(939)	(987)	(5)	(1,915)	(1,693)	13	(1,585)	21	
Administrative expenses	(476)	(568)	(16)	(922)	(1,043)	(12)	(936)	(1)	
Other operating expenses	(18)	(14)	29	(43)	(132)	(67)	(131)	(67)	
Profit from operations	288	876	(67)	478	1,211	(61)	1,608	(70)	
Finance costs	(33)	(4)	725	(88)	(39)	126	(33)	167	
Share of results of an associated company	31	8	288	48	8	500	8	500	
Profit before tax	286	880	(68)	438	1,180	(63)	1,583	(72)	
Income tax	(49)	(54)	(9)	(81)	(104)	(22)	(112)	(28)	
Net profit for the financial period	237	826	(71)	357	1,076	(67)	1,471	(76)	
Attributable to:									
Shareholders of the Company	71	755	(91)	125	1,014	(88)	1,404	(91)	
Minority interest	166	71	134	232	62	274	67	246	
Net profit for the financial period	237	826	(71)	357	1,076	(67)	1,471	(76)	

^(A) Group income statement for the financial period from 1 January 2005 to 30 June 2005

^(B) Proforma Group income statement for the financial period from 1 January 2004 to 30 June 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)

(C) *Group income statement comprises the consolidated financial results of the Company for the six months ended 30 June 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 30 June 2004*

(D) *Group six months ended 30 June 2005 compared to Group six months ended 30 June 2004*

Explanatory Notes:

(a) For the purpose of this announcement:

- (i) The Group's proforma income statement for the six months ended 30 June 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 six months ended 30 June 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			Group		Proforma Group	Group		
				6 months ended 30 June			6 months ended 30 June		
	Q2 2005	Q2 2004	Inc/(dec)	2005 ^(A)	2004 ^(B)	Inc/(dec)	2004 ^(C)	Inc/(dec) ^(D)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	S\$'000	%	
Amortisation of development costs and intellectual property	129	198	(35)	256	394	(35)	362	(29)	
Negative goodwill recognised (included in "Other operating income")	-	(270)	(100)	-	(495)	(100)	(495)	(100)	
Write-back of allowance for doubtful receivables	-	-	-	(105)	-	n.m.	-	n.m.	
Foreign exchange gain	(15)	(53)	(72)	(37)	(16)	131	(18)	106	
Depreciation of plant and equipment	550	249	121	1,031	487	112	465	122	
(Gain)/loss on disposal of plant and equipment	-	1	(100)	(10)	-	n.m.	-	n.m.	

n.m.: not meaningful

(A) *Notes to the Group income statement for the financial period from 1 January 2005 to 30 June 2005*

(B) *Notes to the Proforma Group income statement for the financial period from 1 January 2004 to 30 June 2004*

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

(D) *Group six months ended 30 June 2005 compared to Group six months ended 30 June 2004*

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		Company	
	As at 30/6/2005	As at 31/12/2004	As at 30/6/2005	As at 31/12/2004
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	1,593	4,683	287	2,659
Trade and other receivables	20,153	19,382	9,124	7,046
Inventories	7,521	7,459	-	-
Other current assets	615	904	36	28
	29,882	32,428	9,447	9,733
Non-current assets				
Investment in an associated company	153	111	-	-
Investments in subsidiaries	-	-	22,526	22,526
Plant and equipment	9,206	7,011	38	40
Intangible assets	2,138	2,116	-	-
Deferred income tax assets	624	621	-	-
Negative goodwill	-	(4,360)	-	-
	12,121	5,499	22,564	22,566
Total assets	42,003	37,927	32,011	32,299
LIABILITIES				
Current liabilities				
Trade and other payables	5,084	6,330	154	303
Current income tax liabilities	165	98	-	-
Borrowings	3,303	3,332	-	-
	8,552	9,760	154	303
Non-current liabilities				
Borrowings	106	125	-	-
Deferred income tax liabilities	28	17	-	-
	134	142	-	-
Total liabilities	8,686	9,902	154	303
Net assets	33,317	28,025	31,857	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	(212)	(786)	-	-
Retained earnings/(accumulated losses)	1,293	(3,192)	(91)	48
Shareholders' equity	33,029	27,970	31,857	31,996
Minority interest	288	55	-	-
	33,317	28,025	31,857	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 30/6/2005		Group As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,303	-	3,332	-

Amount repayable after one year

Group As at 30/6/2005		Group As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
106	-	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\$221,000).

The hire purchase is secured by plant and equipment of a subsidiary with a net book value of RM418,000 (S\$185,000) (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

	6 months ended 30 June			
	Q2 2005	Q2 2004	2005	2004 ^(A)
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities:				
Profit before tax and after share of results of an associated company	286	880	438	1,583
Adjustments for :				
Amortisation of development costs and intellectual property	129	198	256	362
Negative goodwill recognised	-	(270)	-	(495)
Depreciation of plant and equipment	550	249	1,031	465
(Gain)/loss on disposals of plant and equipment	-	1	(10)	-
Interest expense	33	4	88	33
Interest income	(2)	(8)	(6)	(9)
Share of results of an associated company	(31)	(8)	(48)	(8)
Foreign currency translation adjustments	150	412	426	244
Operating cash flow before working capital changes	1,115	1,458	2,175	2,175
Changes in operating assets and liabilities, net of effects from purchase of subsidiaries				
Inventories	(230)	(1,010)	(25)	(1,868)
Trade and other receivables	184	(828)	(415)	(697)
Trade and other payables	(421)	(870)	(1,247)	(204)
Cash from operations	648	(1,250)	488	(594)
Income tax paid	(32)	(168)	(64)	(284)
Interest paid	(33)	(4)	(88)	(33)
Net cash flow from operating activities	583	(1,422)	336	(911)
Cash flows from investing activities:				
Acquisition of subsidiaries, net of cash acquired	-	(39)	-	452
Investment in an associated company	-	(69)	-	(69)
Purchases of plant and equipment	(1,160)	(1,280)	(3,214)	(1,419)
Proceeds from disposals of plant and equipment	81	1	81	6
Development costs paid	(102)	-	(215)	-
Interest received	2	8	6	9
Net cash flow from investing activities	(1,179)	(1,379)	(3,342)	(1,021)

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)

	6 months ended 30 June			
	Q2 2005	Q2 2004	2005	2004 ^(A)
	S\$'000	S\$'000	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	-	(511)	-	(1,218)
Deposits placed with financial institutions	-	231	-	231
Proceeds from borrowings	1,519	2,809	4,815	3,769
Repayments of borrowings	(2,625)	(578)	(4,985)	(3,087)
Repayments of finance leases	(12)	(10)	(24)	(20)
Payments of dividend to pre-listing shareholders	-	(64)	-	(64)
Net cash flow from financing activities	(1,118)	1,877	(194)	10,251
Net change in cash and cash equivalents	(1,714)	(924)	(3,200)	8,319
Cash and cash equivalents at beginning of the financial period	2,692	9,243	4,178	*
Cash and cash equivalents at end of the financial period (Note 1)	978	8,319	978	8,319

Notes

* Denotes S\$2.00

^(A) Consolidated cash flow statement comprises the cash flows of the Company for the six months ended 30 June 2004 and the cash flows of its subsidiaries from 15 January 2004 to 30 June 2004.

Explanatory Notes:

Note 1

	As at 30 June	
	2005	2004
	S\$'000	S\$'000
Cash and cash equivalents	1,593	8,884
Bank overdrafts	(394)	-
Restricted deposits	(221)	(565)
Cash and cash equivalents per consolidated cash flow statement	978	8,319

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 Second Quarter ended 30 June 2005

	Issued and fully paid		Share premium	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	Minority interest	Total
	Number of shares	Share capital					
		S\$'000					
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Period ended 30/6/2005							
<u>Group</u>							
Balance at 1/4/2005	319,572,675	25,566	6,382	(529)	1,222	122	32,763
Foreign currency translation differences	-	-	-	317	-	-	317
Net gains recognised directly in equity	-	-	-	317	-	-	317
Net profit for the financial period	-	-	-	-	71	166	237
Total recognised gains for the financial period	-	-	-	317	71	166	554
Balance at 30/6/2005	319,572,675	25,566	6,382	(212)	1,293	288	33,317
<u>Company</u>							
Balance at 1/4/2005	319,572,675	25,566	6,382	-	(16)	-	31,932
Net loss for the financial period	-	-	-	-	(75)	-	(75)
Total recognised losses for the financial period	-	-	-	-	(75)	-	(75)
Balance at 30/6/2005	319,572,675	25,566	6,382	-	(91)	-	31,857

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 Second Quarter ended 30 June 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 30/6/2004							
<u>Group</u>							
Balance at 1/4/2004	319,572,675	25,566	6,382	(230)	647	-	32,365
Foreign currency translation differences	-	-	-	505	-	-	505
Net gains recognised directly in equity	-	-	-	505	-	-	505
Net profit for the financial period	-	-	-	-	755	71	826
Total recognised gains for the financial period	-	-	-	505	755	71	1,331
Minority share of subsidiary acquired	-	-	-	-	-	47	47
Balance at 30/6/2004	319,572,675	25,566	6,382	275	1,402	118	33,743
<u>Company</u>							
Balance at 1/4/2004	319,572,675	25,566	6,382	-	(93)	-	31,855
Net loss for the financial period	-	-	-	-	(90)	-	(90)
Total recognised losses for the financial period	-	-	-	-	(90)	-	(90)
Balance at 30/6/2004	319,572,675	25,566	6,382	-	(183)	-	31,765

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 Six Months ended 30 June 2005

	Issued and fully paid		Share premium	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	Minority interest	Total
	Number of shares	Share capital					
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Period ended 30/6/2005							
Group							
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	-	-	-	574	-	1	575
Net gains recognised directly in equity	-	-	-	574	-	1	575
Net profit for the financial period	-	-	-	-	125	232	357
Total recognised gains for the financial period	-	-	-	574	125	233	932
Balance at 30/6/2005	319,572,675	25,566	6,382	(212)	1,293	288	33,317
Company							
Balance at 1/1/2005	319,572,675	25,566	6,382	-	48	-	31,996
Net loss for the financial period	-	-	-	-	(139)	-	(139)
Total recognised losses for the financial period	-	-	-	-	(139)	-	(139)
Balance at 30/6/2005	319,572,675	25,566	6,382	-	(91)	-	31,857

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 Six Months ended 30 June 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 30/6/2004							
<u>Group</u>							
Balance at 1/1/2004	2	*	-	-	(2)	-	(2)
Foreign currency translation differences	-	-	-	275	-	-	275
Net gains recognised directly in equity	-	-	-	275	-	-	275
Net profit for the financial period	-	-	-	-	1,404	67	1,471
Total recognised gains for the financial period	-	-	-	275	1,404	67	1,746
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)
Minority share of subsidiaries acquired	-	-	-	-	-	51	51
Balance at 30/6/2004	319,572,675	25,566	6,382	275	1,402	118	33,743

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 Six Months ended 30 June 2004 (continued)

	Issued and fully paid		Share premium	Foreign currency translation reserve	Accumulated losses	Minority interest	Total
	Number of shares	Share capital					
		S\$'000					
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Period ended 30/6/2004							
<u>Company</u>							
Balance at 1/1/2004	2	*	-	-	(2)	-	(2)
Net loss for the financial period	-	-	-	-	(181)	-	(181)
Total recognised losses for the financial period	-	-	-	-	(181)	-	(181)
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 30/6/2004	319,572,675	25,566	6,382	-	(183)	-	31,765

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 2 2005 and six months ended 30 June 2005, as compared to S\$0.3 million and S\$0.5 million recognised in Quarter 2 2004 and six months ended 30 June 2004 respectively.

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	Group	
	6 months ended 30 June				
	Q2 2005	Q2 2004	2005	2004	2004
	cents	cents	cents	cents	cents
Based on the weighted average number of ordinary shares on issue	0.02 ⁽¹⁾	0.24 ⁽¹⁾	0.04 ⁽¹⁾	0.35 ⁽¹⁾	0.49 ⁽¹⁾
On fully diluted basis (detailing any adjustments made to the earnings)	n.a. ⁽²⁾	n.a. ⁽²⁾	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 Q2 2005, Q2 2004 and six months ended 30 June 2005, and 287,716,225 shares for six months ended 30 June 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 30/6/2005		As at 31/12/2004	
	Group	Company	Group	Company
	cents	cents	cents	cents
Net asset value per ordinary share ⁽¹⁾	10.34	9.97	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 for the six months ended 30 June 2005 is based on the Group's results and Proforma Group's results for the six months ended 30 June 2005 and 30 June 2004 respectively

Review of results for the second quarter ended 30 June 2005 as compared to corresponding quarter ended 30 June 2004

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

	Q2 2005	Sales mix	Q2 2004	Sales mix
	S\$'000	%	S\$'000	%
Proprietary Solutions	3,908	68	4,868	78
Distribution	1,833	32	1,349	22
Total	5,741	100	6,217	100

The Group's sales for the second quarter ended 30 June 2005 recorded a drop of S\$0.5 million or 8% compared to the corresponding quarter last year. The decrease in sales was mainly attributable to lower sales from the Proprietary Solutions business. However, the decrease was offset by improved sales from the Distribution business which has since contributed 32% of the Group sales for the current quarter.

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)

Our Distribution business recorded an increase in sales for the second quarter ended 30 June 2005 of S\$0.5 million or 36% when compared to the corresponding quarter last year. The improvement was mainly due to the continued expansion of our sales channels and revenue contribution from our new IT Services team.

The decrease in Proprietary Solutions sales were mainly attributable to lower sales of our Carrier Network products. However, this was offset by improved sales from our Mobile solutions as we continued to focus on Tier-1 Telcos, and to invest in new mobile applications that serve as value-added services for telecommunications operators.

The Group recorded an earnings before interest, tax, depreciation and amortisation (“EBITDA”) of S\$1.0 million although profit before tax was lower at S\$0.3 million for Quarter 2 2005, as compared to an EBITDA of S\$1.0 million with a profit before tax of S\$0.9 million for Quarter 2 2004. The higher profit before tax in Quarter 2 2004 was mainly due to the inclusion of negative goodwill recognised of S\$0.3 million and lower operating expenses. Meanwhile, gross profit was higher at S\$3.2 million for the current quarter as compared to S\$3.0 million in the corresponding quarter last year. The increase in gross profit was mainly due to the improved gross profit margin from both our Proprietary Solutions and Distribution businesses.

The higher operating expenses of approximately S\$0.5 million or 22% were mainly attributable to full impact felt for the current period arising from:

- 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, and higher depreciation charges for plant and equipment relating to research and development activities and revenue-sharing programmes; and
- increase in rental expenses as the Group expand regionally.

However, the Group was able to maintain its operating expenses for Quarter 2 2005 at approximately the same level as that of Quarter 1 2005.

Review of results for the six months ended 30 June 2005 as compared to corresponding six months ended 30 June 2004

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

	6 months ended 30 June 2005	Sales mix	6 months ended 30 June 2004	Sales mix
	S\$’000	%	S\$’000	%
Proprietary Solutions	8,485	70	8,751	77
Distribution	3,670	30	2,562	23
Total	12,155	100	11,313	100

The Group’s sales for the six months ended 30 June 2005 recorded an improvement of S\$0.8 million or 7% compared to the corresponding period last year. The increase in sales was mainly attributable to improved sales from our Distribution business, offset by a slight drop in our Proprietary Solutions sales.

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)

EBITDA for the six months ended 30 June 2005 was S\$1.8 million with a profit before tax of S\$0.4 million, as compared to an EBITDA of S\$1.6 million with a profit before tax of S\$1.2 million for the corresponding period last year. The increase in EBITDA for the current period was mainly due to higher sales and improved gross profit margin, offset by higher operating expenses. Meanwhile, the higher profit before tax in the previous period was mainly due to the inclusion of negative goodwill recognised of S\$0.5 million.

Review of the Group's financial position as at 30 June 2005 as compared to the Group's financial position as at 31 December 2004

Current assets decreased by S\$2.5 million or 8% from S\$32.4 million as at 31 December 2004 to S\$29.9 million as at 30 June 2005. This was mainly due to decrease in cash and cash equivalents utilised for operations and capital expenditures, offset by increase in trade receivables due to sales in Quarter 2 2005.

The increase in total non-current assets by S\$6.6 million was mainly contributed by the reduction in negative goodwill of S\$4.4 million and the increase in plant and equipment of S\$2.2 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 reduced from S\$9.9 million as at 31 December 2004 to S\$8.7 million as at 30 June 2005, a decrease of approximately S\$1.2 million or 12%. This was mainly due to the settlement of trade payables, accrued operating expenses and 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 period 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 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.

The Group will continue to review its long term strategies and strive towards achieving its objectives.

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 30 June 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
12 August 2005