

## UNIFIED COMMUNICATIONS HOLDINGS LIMITED

### Second Quarter Financial Statements and Dividend Announcement for the Period Ended 30 June 2004

#### 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 and half year ended 30 June 2004. On 15 January 2004, the Company completed its group restructuring exercise, and subsequently on 19 February 2004, the Company obtained the admission to the Official List in the Singapore Exchange Securities Trading Limited.

#### Consolidated Income Statements

	Group	Proforma Group		Proforma Group			Group	
	Q2 2004 (A)	Q2 2003 (B)	Inc/(dec)	1H 2004 (C)	1H 2003 (C)	Inc/(dec)	1H 2004 (D)	Inc/(dec) (E)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	S\$'000	%
Sales	6,217	9,046	(31)	11,313	12,785	(12)	11,171	(13)
Cost of sales	(3,262)	(3,576)	(9)	(6,150)	(5,415)	14	(5,975)	10
Gross profit	2,955	5,470	(46)	5,163	7,370	(30)	5,196	(29)
Other operating income	360	-	n.m.	562	53	960	561	958
Technical support expenses	(878)	(692)	27	(1,657)	(1,356)	22	(1,506)	11
Distribution costs	(987)	(696)	42	(1,693)	(1,369)	24	(1,585)	16
Administrative expenses	(568)	(376)	51	(1,043)	(866)	20	(936)	8
Other operating expenses	(14)	(105)	(87)	(132)	(116)	14	(131)	13
Operating profit	868	3,601	(76)	1,200	3,716	(68)	1,599	(57)
Finance income	8	-	n.m.	11	3	267	9	200
Finance costs	(4)	(21)	(81)	(39)	(39)	-	(33)	(15)
Share of profit in an associated company	8	-	n.m.	8	-	n.m.	8	n.m.
Profit before tax	880	3,580	(75)	1,180	3,680	(68)	1,583	(57)
Tax	(54)	(187)	(71)	(104)	(255)	(59)	(112)	(56)
Profit after tax	826	3,393	(76)	1,076	3,425	(69)	1,471	(57)
Minority interest	(84)	36	n.m.	(75)	10	n.m.	(80)	n.m.
Net profit attributable to shareholders	<b>742</b>	<b>3,429</b>	<b>(78)</b>	<b>1,001</b>	<b>3,435</b>	<b>(71)</b>	<b>1,391</b>	<b>(60)</b>

n.m.: not meaningful

(A) Group income statement for the financial period from 1 April 2004 to 30 June 2004.

(B) Proforma Group income statement for the financial period from 1 April 2003 to 30 June 2003.

**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) Proforma Group income statement for the financial period from 1 January 2004 to 30 June 2004 and the corresponding financial period.*
- (D) Group income statement comprises the consolidated financial results of the Company for the half year ended 30 June 2004 and the financial results of its subsidiaries acquired on 15 January 2004, pursuant to a Share Transfer Agreement for the financial period from 15 January 2004 to 30 June 2004.*
- (E) Group 1H 2004 compared to Proforma Group 1H 2003*

**Explanatory Notes:**

- (a)** The Company was incorporated on 27 December 2002 under the Singapore Companies Act Cap. 50 as a private limited company under the name of Unified Communications Holdings Pte Ltd. On 14 January 2004, the Company was converted into a public limited company and changed its name to Unified Communications Holdings Limited (“Uchl”). The principal activities of the Company are that of an investment holding company and providing management services.
- (b)** Uchl Group (the “Group”) was formed as a result of a Restructuring Exercise undertaken pursuant to the Share Transfer Agreement dated 15 January 2004 as described in the Company's Prospectus dated 10 February 2004 (the "Prospectus").
- (c)** For the purpose of this announcement:
  - (i)** The Group's proforma financial statements (which include the proforma income statement for the half year ended 30 June 2004, proforma income statements and proforma cash flow statements for the second quarter and half year ended 30 June 2003, and the proforma balance sheet as at 31 December 2003) are prepared for illustrative purposes only. The proforma financial statements are prepared based on certain assumptions and after making certain adjustments to show the financial position of the Group as at 30 June 2004, 30 June 2003 and 31 December 2003 would have been if the Restructuring Exercise as described above had been in place since 1 January of the relevant financial periods.
  - (ii)** The proforma financial statements of the Group, because of their nature, may not give a true picture of the Group's financial position and results. The proforma financial statements of the Group are 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 operating profit:

	Group	Proforma Group		Proforma Group			Group	
	Q2 2004 (A)	Q2 2003 (B)	Inc/(dec)	1H 2004 (C)	1H 2003 (C)	Inc/(dec)	1H 2004 (D)	Inc/(dec) (E)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	S\$'000	%
Amortisation of development costs and intellectual property	198	-	n.m.	394	-	n.m.	362	n.m.
Amortisation of negative goodwill (included in "Other operating income")	(270)	-	n.m.	(495)	-	n.m.	(495)	n.m.
Foreign exchange (gain)/loss	(53)	126	n.m.	(16)	99	n.m.	(18)	n.m.
Depreciation of plant and equipment	249	184	35	487	442	10	465	5
Loss/(gain) on disposal of plant and equipment	1	(40)	n.m.	-	(41)	(100)	-	(100)

n.m.: not meaningful

- (A) Notes to the Group income statement for the financial period from 1 April 2004 to 30 June 2004.
- (B) Notes to the Proforma Group income statement for the financial period from 1 April 2003 to 30 June 2003.
- (C) Notes to the Proforma Group income statement for the financial period from 1 January 2004 to 30 June 2004 and the corresponding financial period.
- (D) Notes to the Group income statement as disclosed in section 1(a) of this announcement.
- (E) Group 1H 2004 compared to Proforma Group 1H 2003.

**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**

	<b>Group</b>	<b>Proforma Group</b>	<b>Company</b>	<b>Company</b>
	<b>As at 30/6/2004</b>	<b>As at 31/12/2003</b>	<b>As at 30/6/2004</b>	<b>As at 31/12/2003</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Current assets</b>				
Bank and cash balances	2,316	1,021	19	-
Deposits placed with financial institutions	6,568	798	6,004	-
Trade receivables	23,721	22,090	-	-
Contract work-in-progress	1,497	1,610	-	-
Inventories	6,973	5,829	-	-
Amount due from a subsidiary (non-trade)	-	-	3,562	-
Other current assets	1,545	1,950	183	-
	<b>42,620</b>	<b>33,298</b>	<b>9,768</b>	-
<b>Non - current assets</b>				
Negative Goodwill	(4,899)	-	-	-
Intangible assets	3,381	3,760	-	-
Plant and equipment	4,746	2,680	-	-
Investment in subsidiaries	-	-	22,526	-
Investment in an associate d company	77	-	-	-
	<b>3,305</b>	<b>6,440</b>	<b>22,526</b>	-
<b>Total assets</b>	<b>45,925</b>	<b>39,738</b>	<b>32,294</b>	-
<b>Current liabilities</b>				
Trade and other payables	8,761	8,159	529	2
Current tax	392	555	-	-
Hire purchase and finance lease liabilities	55	46	-	-
Borrowings	2,621	1,856	-	-
	<b>11,829</b>	<b>10,616</b>	<b>529</b>	<b>2</b>
<b>Non - current liabilities</b>				
Hire purchase and finance lease liabilities	149	121	-	-
Deferred tax	212	202	-	-
	<b>361</b>	<b>323</b>	-	-
<b>Total liabilities</b>	<b>12,190</b>	<b>10,939</b>	<b>529</b>	<b>2</b>
<b>Net assets/(liabilities)</b>	<b>33,735</b>	<b>28,799</b>	<b>31,765</b>	<b>(2)</b>
<b>Financed by:</b>				
Shareholders' equity	33,612	28,790	31,765	(2)
Minority interest	123	9	-	-
	<b>33,735</b>	<b>28,799</b>	<b>31,765</b>	<b>(2)</b>

## 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 30/6/2004		Proforma Group As at 31/12/2003	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
2,676	-	1,902	-

### Amount repayable after one year

Group As at 30/6/2004		Proforma Group As at 31/12/2003	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
149	-	121	-

### 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) a charge on fixed deposits of S\$337,500 in aggregate or its equivalent in other acceptable currencies and renewals placed with a bank in Singapore by a subsidiary;
- (ii) personal guarantee of one of the directors of a subsidiary for S\$1,300,000;
- (iii) corporate guarantee from a subsidiary in Singapore;
- (iv) corporate guarantee from the Company to a bank in Singapore for facilities extended to its wholly-owned subsidiary;
- (v) a charge on fixed deposit of RM500,000 (S\$225,846)
- (vi) debenture charge for RM3,300,000 (S\$1,490,582) on the present and future fixed and floating assets of a subsidiary;
- (vii) joint and several guarantees by the directors of a subsidiary for RM3,000,000 (S\$1,355,075); and
- (viii) proportionate guarantee by a former shareholder of a subsidiary up to RM825,000 (S\$372,745).

The hire purchase is secured by plant and equipment of a subsidiary with a net book value of RM560,981 (S\$253,391) (31.12.2003: S\$215,423).

The Group is in the process of replacing the existing personal guarantee of one of the directors of a subsidiary with a corporate guarantee from the Company. On 9 July 2004, the Company has executed a guarantee and indemnity with a bank in Malaysia where the collaterals and guarantees outlined on items vi to viii above are replaced with a corporate guarantee from the Company.

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 Statements

	Year to date			
	Group	Proforma Group	Group	Proforma Group
	Q2 2004 <sup>(A)</sup>	Q2 2003	1H 2004 <sup>(B)</sup>	1H 2003
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities:</b>				
Operating profit before taxation	880	3,580	1,583	3,680
Adjustments for :				
Depreciation of plant and equipment	249	184	465	442
Plant and equipment written off	-	4	-	4
Loss/(gain) on disposal of plant and equipment	1	(40)	-	(41)
Amortisation of development costs and intellectual property	198	-	362	-
Amortisation of negative goodwill	(270)	-	(495)	-
Interest expense	4	21	33	39
Interest income	(8)	-	(9)	(3)
Share of profit in an associated company	(8)	-	(8)	-
Adjustment for foreign exchange differences	412	128	244	168
<b>Operating profit before working capital changes</b>	<b>1,458</b>	<b>3,877</b>	<b>2,175</b>	<b>4,289</b>
Changes in operating assets and liabilities				
Receivables	(1,922)	(3,790)	(1,700)	(2,993)
Other current assets	(51)	80	920	(262)
Inventories and work-in-progress	135	(628)	(1,785)	(1,286)
Payables	(870)	602	(204)	(900)
Cash generated from operations	(1,250)	141	(594)	(1,152)
Income tax paid	(168)	(258)	(284)	(470)
Interest paid	(4)	(21)	(33)	(39)
<b>Net cash flow from operating activities</b>	<b>(1,422)</b>	<b>(138)</b>	<b>(911)</b>	<b>(1,661)</b>
<b>Cash flows from investing activities:</b>				
Purchase of plant and equipment	(1,280)	(267)	(1,419)	(655)
Proceeds from disposal of plant and equipment	1	54	6	57
Interest received	8	-	9	3
Acquisition of subsidiaries (Note 1)	(39)	-	452	-
Investment in an associated company	(69)	-	(69)	-
<b>Net cash flow from investing activities</b>	<b>(1,379)</b>	<b>(213)</b>	<b>(1,021)</b>	<b>(595)</b>

**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)**

	Year to date			
	Group	Proforma Group	Group	Proforma Group
	Q2 2004 <sup>(A)</sup>	Q2 2003	1H 2004 <sup>(B)</sup>	1H 2003
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from financing activities:</b>				
Payment of borrowings and hire purchase	(588)	(24)	(3,107)	(44)
Proceeds from borrowings	2,809	633	3,769	836
Deposits placed with financial institutions	231	222	231	222
Loan repayment to a director	-	(359)	-	(359)
Proceed from issuances of shares (Note 2)	-	-	10,640	-
Payments of share issue costs and listing expenses	(511)	-	(1,218)	-
Payments of dividend to pre-listing shareholders	(64)	-	(64)	-
<b>Net cash flow from financing activities</b>	<b>1,877</b>	<b>472</b>	<b>10,251</b>	<b>655</b>
<b>Net change in cash and cash equivalents</b>	<b>(924)</b>	<b>121</b>	<b>8,319</b>	<b>(1,601)</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>9,243</b>	<b>775</b>	<b>*</b>	<b>2,497</b>
<b>Cash and cash equivalents at end of financial period (Note 3)</b>	<b>8,319</b>	<b>896</b>	<b>8,319</b>	<b>896</b>

\* S\$2.00

<sup>(A)</sup> Consolidated cash flow statement comprises the cash flows of the Company for the second quarter ended 30 June 2004 and the cash flows of its subsidiaries from 1 April 2004 to 30 June 2004.

<sup>(B)</sup> Consolidated cash flow statement comprises the cash flows of the Company for the half year ended 30 June 2004 and the cash flows of its subsidiaries acquired for the financial period from 15 January 2004 to 30 June 2004.

**Explanatory Notes:**

Note 1

On 15 January 2004, the Company acquired the entire issued and paid-up share capital of Unified Communications Pte Ltd (“UCPL”) and Unified Communications Sdn Bhd (“UCSB”) for a total consideration of S\$22,525,812. The total consideration was satisfied entirely by the issuance and allotment of an aggregate of 22,525,812 fully paid and new ordinary shares of S\$1.00 each in the share capital of the Company. The cash and cash equivalents acquired from the subsidiaries were S\$491,168.

On 17 May 2004, the Company subscribed to the entire issued and paid-up ordinary share capital of Unified (Thailand) Limited for a cash consideration of S\$38,798.

Note 2

On 18 February 2004, the Company issued 38,000,000 new ordinary shares of S\$0.08 each at S\$0.28 per share pursuant to the Company’s Initial Public Offering (“IPO”).

Note 3

Cash and cash equivalent as at period end comprised bank and cash balances, and deposits.

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 2004**

	Issued and fully paid		Share Premium	Retained profits/(losses)	Foreign currency translation reserve	Total
	Number of shares	Nominal value				
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Period ended 30/6/2004</b>						
<b>Group</b>						
Balance at 1/4/2004	319,572,675	25,566	6,382	647	(230)	32,365
Net profit for the period	-	-	-	742	-	742
Foreign currency translation differences	-	-	-	-	505	505
<b>Balance at 30/6/2004</b>	<b>319,572,675</b>	<b>25,566</b>	<b>6,382</b>	<b>1,389</b>	<b>275</b>	<b>33,612</b>
<b>Company</b>						
Balance at 1/4/2004	319,572,675	25,566	6,382	(93)	-	31,855
Net loss for the period	-	-	-	(90)	-	(90)
<b>Balance at 30/6/2004</b>	<b>319,572,675</b>	<b>25,566</b>	<b>6,382</b>	<b>(183)</b>	<b>-</b>	<b>31,765</b>

**Statement of Changes in Equity for the Company and Proforma Group for the Second Quarter ended 30 June 2003**

	Proforma Group	Company
	S\$'000	S\$'000
<b>Period ended 30/6/2003</b>		
Balance at 1/4/2003	19,181	(1)
Foreign currency translation differences	138	-
Net profit	3,429	-
Dividends to existing shareholders	(223)	-
<b>Balance at 30/6/2003</b>	<b>22,525</b>	<b>(1)</b>



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 Half Year ended 30 June 2004**

	Issued and fully paid		Share Premium	Retained profits/ (losses)	Foreign currency translation reserve	Total
	Number of shares	Nominal value				
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Period ended 30/6/2004</b>						
<b>Group</b>						
Balance at 1/1/2004	2	*	-	(2)	-	(2)
Issue of ordinary shares of S\$1 each <sup>(1)</sup>	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 to ordinary shares of S\$0.08 each	270,309,768	-	-	-	-	-
Issue of ordinary shares of S\$1 each pursuant to the initial public offering	38,000,000	3,040	7,600	-	-	10,640
Net profit for the period	-	-	-	1,391	-	1,391
Share issue costs	-	-	(1,218)	-	-	(1,218)
Foreign currency translation differences	-	-	-	-	275	275
<b>Balance at 30/6/2004</b>	<b>319,572,675</b>	<b>25,566</b>	<b>6,382</b>	<b>1,389</b>	<b>275</b>	<b>33,612</b>
<b>Company</b>						
Balance at 1/1/2004	2	*	-	(2)	-	(2)
Issue of ordinary shares of S\$1 each <sup>(1)</sup>	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 to ordinary shares of S\$0.08 each	270,309,768	-	-	-	-	-
Issue of ordinary shares of S\$1 each pursuant to the initial public offering	38,000,000	3,040	7,600	-	-	10,640
Net loss for the period	-	-	-	(181)	-	(181)
Share issue costs	-	-	(1,218)	-	-	(1,218)
<b>Balance at 30/6/2004</b>	<b>319,572,675</b>	<b>25,566</b>	<b>6,382</b>	<b>(183)</b>	<b>-</b>	<b>31,765</b>

**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)**

*Notes*

\* Two ordinary shares with a par value of S\$1.00 per share.

<sup>(1)</sup> 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 UCPL and UCSB.

**Statement of Changes in Equity for the Company and Proforma Group for the Half Year ended 30 June 2003**

	<b>Proforma Group</b>	<b>Company</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Period ended 30/6/2003</b>		
Balance at 1/1/2003	19,133	(1)
Foreign currency translation differences	180	-
Net profit	3,435	-
Dividends to existing shareholders	(223)	-
<b>Balance at 30/6/2003</b>	<b>22,525</b>	<b>(1)</b>

**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 adopted for the current financial period as compared to the most recent audited financial statements of its subsidiaries for the financial year ended 31 December 2003.

**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**

There were no changes in the accounting policies and methods of computation.

**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**

	<b>Group</b>	<b>Proforma Group</b>			<b>Group</b>
	<b>Q2 2004</b>	<b>Q2 2003</b>	<b>1H 2004</b>	<b>1H 2003</b>	<b>1H 2004</b>
	<b>cents</b>	<b>cents</b>	<b>cents</b>	<b>cents</b>	<b>cents</b>
Based on the weighted average number of ordinary shares on issue	0.23 <sup>(1)</sup>	1.22 <sup>(1)</sup>	0.32 <sup>(1)</sup>	1.22 <sup>(1)</sup>	0.45 <sup>(1)</sup>
On fully diluted basis (detailing any adjustments made to the earnings)	n.a. <sup>(2)</sup>	n.a. <sup>(2)</sup>	n.a. <sup>(2)</sup>	n.a. <sup>(2)</sup>	n.a. <sup>(2)</sup>

n.a.: not applicable.

- <sup>(1)</sup> 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 2004, 309,495,327 shares for 1H 2004, and the pre-invitation issued share capital of 281,572,675 shares for both Q2 2003 and 1H 2003.
- <sup>(2)</sup> 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**

	<b>As at 30/6/2004</b>		<b>As at 31/12/2003</b>	
	<b>Group</b>	<b>Company</b>	<b>Proforma Group</b>	<b>Company</b>
	<b>cents</b>	<b>cents</b>	<b>cents</b>	<b>Cents</b>
Net asset value per ordinary share	11.0 <sup>(1)</sup>	9.9 <sup>(1)</sup>	8.9 <sup>(2)</sup>	n.m.

n.m.: not meaningful

- <sup>(1)</sup> The net assets value per ordinary share of the Group and the Company as at 30 June 2004 have been computed based on the net assets value of the Group and the Company at the relevant financial period end and the existing issued share capital of 319,572,675 shares.
- <sup>(2)</sup> The net asset value per ordinary share of the Proforma Group as at 31 December 2003 have been computed based on the net assets of the Proforma Group at the relevant financial year end and the pre-invitation issued share capital of 281,572,675 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 second quarter ended 30 June 2004 and 30 June 2003 respectively, and the Proforma Group's results for the half year ended 30 June 2004 and 30 June 2003 respectively*

**Review of results for the second quarter ended 30 June 2004 as compared to corresponding quarter ended 30 June 2003**

Historically, the Group's sales for the second quarter are generally better compared to the first quarter. This mainly arises from the Group's businesses that are generally exposed to the budgeting and expenditure cycles of its customers which normally take place at the beginning of the year, coupled with the many public holidays in the first quarter of the year. Hence the Group recorded higher sales and operating profit of S\$6.2 million and S\$0.9 million for the second quarter ended 30 June 2004, as compared to the Proforma Group's S\$5.0 million and S\$0.3 million for the first quarter ended 31 March 2004, represented an improvement of 22% and 162% respectively.

However, when compared to the second quarter ended 30 June 2003, the Group's sales recorded a decrease of S\$2.8 million or 31%. This can be largely attributed to the Group's intensified efforts to focus its long-term growth strategy on the Proprietary Solutions business segment that includes:

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

A recurring revenue model ensures that the success of any service implementation is shared between the Group and its customers hence creating long-term growth opportunities for recurring revenue stream. However, this strategic shift from a one-time project fee-based revenue structure to a revenue-sharing model has resulted in the Group undergoing a transition period where it faces some short-term impact on its earnings pattern. The profitability of these revenue-sharing programmes, which were launched in the second quarter of 2004, is not apparent as yet in this fiscal year 2004 as it would take some time for our customers' subscriber base to grow. As a result, sales for the Proprietary Solutions business segment, which are the Group's major revenue contributor, have declined by S\$2.7 million or 36% for the second quarter ended 30 June 2004 as compared to the corresponding period last year. Had these programmes been charged based on a one-time fee, the Group's performance would be better than the reported results of the current quarter.

The Group expects this short-term impact on its earnings pattern will be compensated by a steady growth in revenue stream in the long run, when the subscriber base of these revenue-sharing programmes grow to a sizeable base. As at the date of this announcement, the Group has entered into three revenue-sharing contracts comprise of one Location Based - Friend Finder Services and two Personal Ring Back Tone (PRBT) services, and is currently in an advance stage of negotiation for another PRBT revenue-sharing contract with a major telecommunication operator in the Greater China market.

**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)**

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

	Q2 2004	Sales mix	Q2 2003	Sales mix
	S\$'000	%	S\$'000	%
<b>Proprietary Solutions</b>	4,868	78	7,548	83
<b>Distribution</b>	1,349	22	1,498	17
<b>Total</b>	6,217	100	9,046	100

As a result of the reduction in sales from the Proprietary Solutions business segment, the sales mix has shifted slightly to the Distribution segment although the Distribution segment recorded a slight decrease in sales of S\$0.1 million.

Corresponding to the decrease in sales, the Group's operating profit has decreased by approximately S\$2.7 million or 76% for the second quarter ended 30 June 2004 as compared to the corresponding period last year. The higher decrease in percentage term as compared to sales was mainly due to lower gross profit margin of 48% for the second quarter ended 30 June 2004 as compared to 60% in the corresponding quarter last year, as well as an increase in operating expenses by approximately S\$0.6 million or 31% as compared to the corresponding quarter last year.

The lower gross profit margin recorded for the current quarter was mainly attributable to lower sales from the Proprietary Solutions business segment and the inclusion of fixed amortisation charges for development cost and intellectual properties of S\$0.2 million (Q2 2003: Nil).

The higher operating expenses were mainly attributable to higher staff costs and its related expenses for both the technical and distribution support divisions, which was in line with the expansion of staff force in both divisions. In addition, the Group has incurred approximately S\$0.1 million exhibition and promotion expenses mainly on the June 2004 Communic Asia Exhibition that was called off in the previous year. The higher administrative expenses were mainly attributable to expenses incurred by the Group for the annual report printing and the first annual general meeting (Q2 2003: Nil).

**Review of results for the half year ended 30 June 2004 as compared to corresponding half year ended 30 June 2003**

Sales for the half year ended 30 June 2004 has decreased by S\$1.5 million or 12% as compared to the corresponding period last year, with a major decline recorded in the Proprietary Solutions business segment of S\$1.3 million or 13%. This has resulted in a slight shift in sales mix as shown below.

	1H 2004	Sales Mix	1H 2003	Sales Mix
	S\$'000	%	S\$'000	%
<b>Proprietary Solutions</b>	8,751	77	10,007	78
<b>Distribution</b>	2,562	23	2,778	22
<b>Total</b>	11,313	100	12,785	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 overall reduction in sales for the half year ended 30 June 2004 was mainly contributed by the effect of the Group's long-term strategies implemented during the period under review. As a result of the decrease in sales, the Group's operating profit declined by S\$2.5 million or 68% to S\$1.2 million from S\$3.7 million in the corresponding period last year.

The higher decrease in operating profit in percentage term as compared to sales was mainly attributable to the decrease in gross profit of 30% as compared to the decrease in sales of 12% and the increase in operating expenses of 22%. The lower gross profit recorded was in line with lower sales recorded, particularly by the Proprietary Solutions business segment, and the lower gross profit margin recorded as a result of the inclusion of S\$0.4 million (1H 2003: Nil) fixed amortisation charges for development cost and intellectual properties.

The higher operating expenses recorded of S\$4.5 million as compared to S\$3.7 million in the corresponding period last year was mainly attributable to higher staff costs and its related overheads, the inclusion of a one-off promotional expenses incurred for the Company's IPO exercise of approximately S\$0.1 million, and S\$0.1 million of exhibition and promotion expenses incurred on Communic Asia Exhibition in June 2004. The higher administrative expenses were mainly attributable to expenses incurred by the Group for the annual report printing and the first annual general meeting (1H 2003: Nil).

***Review of the Group's financial position as at 30 June 2004 and the Proforma Group's position as at 31 December 2003***

Current assets increased by approximately S\$9.3 million or 28%, from S\$33.3 million as at 31 December 2003 to S\$42.6 million as at 30 June 2004. This was mainly contributed by the increase in deposits placed with financial institutions, bank and cash balances, arising from the inflow of net proceeds from the issuance of new ordinary shares pursuant to the Company's IPO exercise in February 2004, and higher inventories purchased for existing projects, support and maintenance contracts and anticipated sales for the second half year.

The decrease in total non-current assets by approximately S\$3.1 million was mainly contributed by a negative goodwill of S\$4.9 million offset by higher plant and equipment as at 30 June 2004. The higher plant and equipment was mainly attributable to the addition of equipments for expansion of research and development activities and new revenue-sharing programmes.

Total liabilities increased from S\$10.9 million as at 31 December 2003 to S\$12.2 million as at 30 June 2004, an increase of approximately S\$1.3 million or 11%. This was mainly due to increase in trade payables and higher utilisation of short-term borrowings for trade purposes.

**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 year under review. The results were consistent with the Corporate Update announcement dated 16 July 2004.

**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**

The Directors believe that, despite the short-term impact on the Group's performance arising from its long-term strategy, 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 in:

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

Although the results of this long-term strategy may not be apparent immediately, the Directors believe that it will benefit the Group in the long run to adopt a revenue-sharing model that will promote a steady, long-term revenue stream and lasting growth. Barring any unforeseen circumstances, the Directors remain optimistic about the Group's prospects and long-term growth.

**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 2004.

**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  
11 Aug 2004