UNIFIED COMMUNICATIONS HOLDINGS LIMITED

Third Quarter Financial Statements and Dividend Announcement for the Period Ended 30 September 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 third quarter and nine months ended 30 September 2004.

Consolidated Income Statements

	Group	Proforma Group		Proforma Group			Group	
				9 months ended 30 Sep			9 months ended 30 Sep	
	Q3 2004 (A)	Q3 2003 (B)	Inc/(dec)	2004 (C)	2003 (C)	Inc/(dec)	2004 (D)	Inc/(dec) (E)
	S$'000	S$'000	%	S$'000	S$'000	%	S$'000	%
Sales	3,565	5,901	(40)	14,877	18,686	(20)	14,736	(21)
Cost of sales	(2,000)	(3,236)	(38)	(8,150)	(8,651)	(6)	(7,975)	(8)
Gross profit	1,565	2,665	(41)	6,727	10,035	(33)	6,761	(33)
Other operating income	279	75	272	827	66	1,153	826	1,152
Technical support expenses	(889)	(845)	5	(2,547)	(2,201)	16	(2,396)	9
Distribution costs	(1,089)	(778)	40	(2,781)	(2,147)	30	(2,674)	25
Administrative expenses	(664)	(335)	98	(1,706)	(1,201)	42	(1,599)	33
Other operating expenses	(38)	-	n.m.	(157)	(54)	191	(155)	187
Operating (loss)/profit	(836)	782	n.m.	363	4,498	(92)	763	(83)
Finance income	11	1	1,000	21	4	425	20	400
Finance costs	(40)	(21)	90	(79)	(60)	32	(73)	22
Share of profit in an associated company	55	-	n.m.	63	-	n.m.	63	n.m.
(Loss)/Profit before tax	(810)	762	n.m.	368	4,442	(92)	773	(83)
Tax	(23)	19	n.m.	(127)	(236)	(46)	(135)	(43)
(Loss)/Profit after tax	(833)	781	n.m.	241	4,206	(94)	638	(85)
Minority interest	62	(18)	n.m.	(13)	(8)	63	(18)	125
Net (loss)/profit attributable to shareholders	**(771)**	**763**	**n.m.**	**228**	**4,198**	**(95)**	**620**	**(85)**

n.m.: not meaningful

(A) *Group income statement for the financial period from 1 July 2004 to 30 September 2004.*

(B) *Proforma Group income statement for the financial period from 1 July 2003 to 30 September 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 September 2004 and the corresponding financial period.*

[(D)] *Group income statement comprises the consolidated financial results of the Company for the nine months ended 30 September 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 September 2004.*

[(E)] *Group nine months ended 30 September 2004 compared to Proforma Group nine months ended 30 September 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) 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.

(c) For the purpose of this announcement:

(i) The Group's proforma financial statements (which include the proforma income statement for the nine months ended 30 September 2004, proforma income statements and proforma cash flow statements for the third quarter and nine months ended 30 September 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 September 2004, 30 September 2003 and 31 December 2003 would have been if the group restructuring exercise 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	
				9 months ended 30 Sep			9 months ended 30 Sep	
	Q3 2004 (A)	Q3 2003 (B)	Inc/(dec)	2004 (C)	2003 (C)	Inc/(dec)	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.	592	-	n.m.	560	n.m.
Amortisation of negative goodwill (included in "Other operating income")	(270)	-	n.m.	(764)	-	n.m.	(764)	n.m.
Provision for stock obsolescence	155	-	n.m.	155	-	n.m.	155	n.m.
Foreign exchange loss/(gain)	14	(58)	n.m.	(2)	41	n.m.	(2)	n.m.
Depreciation of plant and equipment	353	239	48	840	682	23	818	20
Gain on disposal of plant and equipment	-	(1)	(100)	-	(42)	(100)	-	(100)

n.m.: not meaningful

(A) *Notes to the Group income statement for the financial period from 1 July 2004 to 30 September 2004.*

(B) *Notes to the Proforma Group income statement for the financial period from 1 July 2003 to 30 September 2003.*

(C) *Notes to the Proforma Group income statement for the financial period from 1 January 2004 to 30 September 2004 and the corresponding financial period.*

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

(E) *Group nine months ended 30 September 2004 compared to Proforma Group nine months ended 30 September 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

<u>Balance Sheets</u>

	Group	Proforma Group	Company	Company
	As at 30/9/2004	**As at 31/12/2003**	**As at 30/9/2004**	**As at 31/12/2003**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Current assets				
Bank and cash balances	1,282	1,021	67	-
Deposits placed with financial institutions	4,572	798	4,011	-
Trade receivables	24,335	22,090	-	-
Contract work-in-progress	745	1,610	-	-
Inventories	7,375	5,829	-	-
Amount due from subsidiaries (non-trade)	-	-	5,330	-
Other current assets	1,803	1,950	26	-
	40,112	**33,298**	**9,434**	**-**
Non- current assets				
Negative Goodwill	(4,630)	-	-	
Intangible assets	3,210	3,760	-	-
Plant and equipment	5,838	2,680	39	-
Investment in subsidiaries	**-**	**-**	22,526	**-**
Investment in an associated company	130	-	**-**	**-**
	4,548	**6,440**	**22,565**	**-**
Total assets	**44,660**	**39,738**	**31,999**	**-**
Current liabilities				
Trade and other payables	9,937	8,159	161	2
Current tax	262	555	-	-
Amount due to a subsidiary (non-trade)	-	-	120	-
Hire purchase and finance lease liabilities	46	46	-	-
Borrowings	1,556	1,856	-	-
	11,801	**10,616**	**281**	**2**
Non - current liabilities				
Hire purchase and finance lease liabilities	143	121	-	-
Deferred tax	201	202	-	-
	344	**323**	**-**	**-**
Total liabilities	**12,145**	**10,939**	**281**	**2**
Net assets/(liabilities)	**32,515**	**28,799**	**31,718**	**(2)**
Financed by:				
Shareholders' equity	32,445	28,790	31,718	(2)
Minority interest	70	9	-	-
	32,515	**28,799**	**31,718**	**(2)**

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 30/9/2004		**Proforma Group As at 31/12/2003**	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$'000	S$'000	S$'000	S$'000
1,602	-	1,902	-

Amount repayable after one year

Group As at 30/9/2004		**Proforma Group As at 31/12/2003**	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$'000	S$'000	S$'000	S$'000
143	-	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) corporate guarantee from a subsidiary in Singapore;
(ii) corporate guarantees from the Company to a bank in Singapore for facilities extended to its wholly-owned subsidiaries;
(iii) a charge on fixed deposit of RM500,000 (S$222,469); and
(iv) corporate guarantee from the Company to a bank in Malaysia for facilities extended to its wholly-owned subsidiary.

The hire purchase is secured by plant and equipment of a subsidiary with a net book value of RM525,145 (S$233,657) (31.12.2003: S$215,423).

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

<u>Consolidated Cash Flow Statements</u>

	Year to date			
	Group	**Proforma Group**	**Group**	**Proforma Group**
			9 months ended 30 Sep	
	Q3 2004 (A)	**Q3 2003**	**2004 (B)**	**2003**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Cash flows from operating activities:				
Operating (loss)/profit before taxation	(810)	762	773	4,442
Adjustments for :				
Amortisation of development costs and intellectual property	198	-	560	-
Amortisation of negative goodwill	(270)	-	(764)	-
Provision for stock obsolescence	155	-	155	-
Depreciation of plant and equipment	353	239	818	682
Plant and equipment written off	-	-	-	4
Gain on disposal of plant and equipment	-	(1)	-	(42)
Interest expense	40	21	73	60
Interest income	(11)	(1)	(20)	(4)
Share of profit in an associated company	(55)	-	(63)	-
Adjustment for foreign exchange differences	(411)	(237)	(170)	(71)
Operating (loss)/profit before working capital changes	**(811)**	**783**	**1,362**	**5,071**
Changes in operating assets and liabilities				
Receivables	(613)	953	(2,313)	(2,040)
Other current assets	(188)	(856)	732	(1,118)
Inventories and work-in-progress	634	(1,362)	(1,151)	(2,648)
Payables	1,114	341	910	(558)
Cash generated from operations	136	(141)	(460)	(1,293)
Income tax paid	(163)	(135)	(447)	(605)
Interest paid	(40)	(21)	(73)	(60)
Net cash flow from operating activities	**(67)**	**(297)**	**(980)**	**(1,958)**
Cash flows from investing activities:				
Purchase of plant and equipment	(1,909)	(84)	(3,327)	(739)
Proceeds from disposal of plant and equipment	1	11	7	68
Intellectual property and development costs	-	(221)	-	(221)
Interest received	11	1	20	4
Acquisition of subsidiaries (Note 1)	-	-	452	-
Investment in an associated company	-	-	(69)	-
Net cash flow from investing activities	**(1,897)**	**(293)**	**(2,917)**	**(888)**

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**
			9 months ended 30 Sep	
	Q3 2004 (A)	**Q3 2003**	**2004 (B)**	**2003**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Cash flows from financing activities:				
Payment of borrowings and hire purchase	(3,131)	(1,134)	(6,238)	(1,178)
Proceeds from borrowings	2,069	1,368	5,839	2,204
Deposits placed with financial institutions	-	128	231	350
Loan repayment to a director	-	(126)	-	(485)
Proceed from issuances of shares (Note 2)	-	-	10,640	-
Payments of share issue costs and listing expenses	-	-	(1,218)	-
Payments of dividend to pre-listing shareholders	-	-	(64)	-
Net cash flow from financing activities	**(1,062)**	**236**	**9,190**	**891**
Net change in cash and cash equivalents	**(3,026)**	**(354)**	**5,293**	**(1,955)**
Cash and cash equivalents at beginning of financial period	**8,319**	**896**	*****	**2,497**
Cash and cash equivalents at end of financial period (Note 3)	**5,293**	**542**	**5,293**	**542**

* S$2.00

(A) *Consolidated cash flow statement comprises the cash flows of the Company for the third quarter ended 30 September 2004 and the cash flows of its subsidiaries from 1 July 2004 to 30 September 2004.*

(B) *Consolidated cash flow statement comprises the cash flows of the Company for the nine months ended 30 September 2004 and the cash flows of its subsidiaries acquired for the financial period from 15 January 2004 to 30 September 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 equivalents 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 Third Quarter ended 30 September 2004

	Issued and fully paid					
	Number of shares	**Nominal value**	**Share premium**	**Retained profits/ (losses)**	**Foreign currency translation reserve**	**Total**
		S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Period ended 30/9/2004						
Group						
Balance at 1/7/2004	319,572,675	25,566	6,382	1,389	275	33,612
Net loss for the period	-	-	-	(771)	-	(771)
Foreign currency translation differences	-	-	-	-	(396)	(396)
Balance at 30/9/2004	**319,572,675**	**25,566**	**6,382**	**618**	**(121)**	**32,445**
Company						
Balance at 1/7/2004	319,572,675	25,566	6,382	(183)	-	31,765
Net loss for the period	-	-	-	(47)	-	(47)
Balance at 30/9/2004	**319,572,675**	**25,566**	**6,382**	**(230)**	**-**	**31,718**

Statement of Changes in Equity for the Company and Proforma Group for the Third Quarter ended 30 September 2003

	Proforma Group	**Company**
	S$'000	**S$'000**
Period ended 30/9/2003		
Balance at 1/7/2003	22,525	(1)
Foreign currency translation differences	(254)	-
Net profit	763	-
Balance at 30/9/2003	**23,034**	**(1)**

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 Nine Months ended 30 September 2004

	Issued and fully paid					
	Number of shares	**Nominal value**	**Share premium**	**Retained profits/ (losses)**	**Foreign currency translation reserve**	**Total**
		S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Period ended 30/9/2004						
Group						
Balance at 1/1/2004	2	*	-	(2)	-	(2)
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 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	-	-	-	620	-	620
Share issue costs	-	-	(1,218)	-	-	(1,218)
Foreign currency translation differences	-	-	-	-	(121)	(121)
Balance at 30/9/2004	**319,572,675**	**25,566**	**6,382**	**618**	**(121)**	**32,445**
Company						
Balance at 1/1/2004	2	*	-	(2)	-	(2)
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 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	-	-	-	(228)	-	(228)
Share issue costs	-	-	(1,218)	-	-	(1,218)
Balance at 30/9/2004	**319,572,675**	**25,566**	**6,382**	**(230)**	**-**	**31,718**

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.*

(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 UCPL and UCSB.*

<u>Statement of Changes in Equity for the Company and Proforma Group for the Nine Months ended 30 September 2003</u>

	Proforma Group	Company
	S$'000	**S$'000**
Period ended 30/9/2003		
Balance at 1/1/2003	19,133	(1)
Foreign currency translation differences	(74)	-
Net profit	4,198	-
Dividends to existing shareholders	(223)	-
Balance at 30/9/2003	**23,034**	**(1)**

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 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

	Group	**Proforma Group**			**Group**
			9 months ended 30 Sep		
	Q3 2004	**Q3 2003**	**2004**	**2003**	**2004**
	cents	**cents**	**cents**	**cents**	**cents**
Based on the weighted average number of ordinary shares on issue	(0.24) [1]	0.27[1]	0.07[1]	1.49[1]	0.20[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.

(1) For comparative purposes, the earnings/(loss) per ordinary share of the Group and Proforma Group have been computed based on the net profit/(loss) 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 Q3 2004, 312,891,356 shares for nine months ended 30 September 2004, and the pre-invitation issued share capital of 281,572,675 shares for both Q3 2003 and nine months ended 30 September 2003.

(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 30/9/2004		**As at 31/12/2003**	
	Group	**Company**	**Proforma Group**	**Company**
	cents	**cents**	**cents**	**cents**
Net asset value per ordinary share	10.60[1]	9.93[1]	8.89[2]	n.m.

n.m.: not meaningful

(1) The net assets value per ordinary share of the Group and the Company as at 30 September 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.

(2) 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 third quarter ended 30 September 2004 and 30 September 2003 respectively, and the Proforma Group's results for the nine months ended 30 September 2004 and 30 September 2003 respectively

Review of results for the third quarter ended 30 September 2004 as compared to corresponding quarter ended 30 September 2003

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

	Q3 2004	Sales mix	Q3 2003	Sales mix
	S$'000	%	S$'000	%
Proprietary Solutions	1,890	53	4,819	82
Distribution	1,675	47	1,082	18
Total	3,565	100	5,901	100

The Group's sales for the third quarter ended 30 September 2004 recorded a decrease of S$2.3 million or 40% when compared to the third quarter ended 30 September 2003. The decrease in sales was mainly attributable to the lower sales from the Proprietary Solutions business segment. However, the decrease was offset by better sales from the Distribution business segment, thus resulted in a shift in sales mix towards the Distribution business for the quarter under review. The improvement in our Distribution business for Quarter 3 2004 by S$0.6 million or 55% as compared to the corresponding quarter in 2003 was mainly attributable to the expansion of our sales channels and the increase in sales of IP Telephony products.

The decrease in Proprietary Solutions sales were mainly attributable to: -

- the delay in the awarding of a few projects by Tier One Telcos as a result of longer than expected administrative processes;
- the sales from emerging telecommunications markets such as Indo-China, Central and West Asia, as well as the Middle East take longer time to nurture and contribute significantly to the Group; and
- the slowing down in demand from Tier Two Telcos for example, Application Service Providers ("ASP") in Malaysia and Service-Based Operators ("SBO") in Singapore.

The decrease in Proprietary Solutions sales were also caused by the impact from the implementation of our long-term strategies of investing in: -

- revenue-sharing projects with major Telco customers. These projects are at the initial launch stages and hence revenue contributions are not apparent as yet; and
- new, innovative voice and mobile applications. These products required longer time to gain acceptance amongst telecommunications operators in order to contribute significantly to the Group.

We expect these long-term growth strategies to continue affecting the Group's short-term results in the next six to nine months, before the full impact of these strategies materialise.

Meanwhile, the Group's sales to Telco customers continue to grow albeit at a slower pace as the lead time for telecom sales is typically 6 to 9 months for each new product launch.

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)

In terms of revenue-sharing programmes, the Group has since signed up six revenue-sharing contracts which comprised: -

i. Location Based Services ("LBS")- Friend Finders with Maxis, Malaysia launched in April 2004;
ii. Personalised Ring Back Tone ("PRBT") services with Mobitel, Cambodia launched in April 2004;
iii. PRBT services with a major Telco in Brunei via a local reseller with full service launch target before end of 2004;
iv. New PRBT with New World Mobility, Hong Kong launched in mid-October 2004; and
v. Two new LBS - Friend Finders and Worker Finders services with Telcos in Malaysia with services launch expected before end of 2004.

The Group incurred a loss before tax of S$0.8 million as compared to a profit before tax of S$0.8 million in the corresponding quarter last year, due to lower sales and higher operating expenses. Corresponding to this decrease, the Group recorded a loss before interest, tax, depreciation and amortisation ("LBIDTA") of S$0.6 million or LBIDTA margin of 15.5%, as compared to earnings before interest, tax, depreciation and amortisation ("EBITDA") of S$1.0 million or EBITDA margin of 17.3% in the corresponding quarter in 2003.

The higher operating expenses of approximately S$0.7 million or 37% 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 its related expenses, and higher depreciation charges for plant and equipment relating to research and development activities and new revenue-sharing programmes. Higher operating expenses were also caused by the inclusion of provision for stock obsolescence.

<u>Review of results for the nine months ended 30 September 2004 as compared to corresponding nine months ended 30 September 2003</u>

Sales for the nine months ended 30 September 2004 has decreased by S$3.8 million or 20% as compared to the corresponding period last year, with a decline recorded in the Proprietary Solutions business segment of S$4.2 million or 28% offset by higher sales recorded in the Distribution business segment of S$0.4 million or 10%. This has resulted in a shift in sales mix as shown below.

	9 months ended 30 Sep 2004	Sales Mix	9 months ended 30 Sep 2003	Sales Mix
	S$'000	%	S$'000	%
Proprietary Solutions	10,641	72	14,826	79
Distribution	4,236	28	3,860	21
Total	14,877	100	18,686	100

The Group's profit before tax for the nine months ended 30 September 2004 recorded a decline of S$4.1 million or 92% to S$0.4 million from S$4.4 million in the corresponding period last year, as a result of the current quarter loss before tax of S$0.8million.

The dip in profit before tax of 92% for the nine months ended 30 September 2004 as compared to sales declined of 20% was mainly attributable to the higher decrease recorded in gross profit of 33% and higher increase in operating expenses of 28% for the period under review.

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 lower gross profit was mainly due to lower gross margin recorded as a result of lower sales achieved from the Proprietary Solutions business segment which enjoyed higher margin as compared to the Distribution business segment, and the inclusion of S$0.6 million (corresponding period: Nil) fixed amortisation charges for development cost and intellectual properties.

The higher operating expenses recorded of S$7.2 million as compared to S$5.6 million in the corresponding period last year were mainly attributable to: -

- higher exhibition and promotion expenses mainly comprised the June 2004 Communic Asia exhibition in Singapore (corresponding period: Nil);
- higher administrative expenses incurred in respect of the Company's first annual report and Annual General Meeting;
- one-off IPO expenses incurred on promotional and road shows activities;
- provision for stock obsolescence and obsolete stocks written off of S$0.2 million (corresponding period: Nil); and
- the Group's strategies of investing in regional expansion, revenue-sharing projects, and product development and technical support activities, hence the higher staff costs and related expenses of S$0.8 million and higher depreciation charges of S$0.2 million.

EBITDA for the nine months ended 30 September 2004 was S$1.0 million as compared to S$5.2 million in the corresponding period in 2003. This represented a decrease in EBITDA margin from 27.7% to 6.9%, which was mainly due to the decrease in sales and higher operating expenses incurred in the current period as compared to the corresponding period in 2003.

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

Current assets increased by approximately S$6.8 million or 20%, from S$33.3 million as at 31 December 2003 to S$40.1 million as at 30 September 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; higher inventories purchased for existing projects, support and maintenance contracts, and anticipated sales for the coming quarters; and increase in trade receivables due to billings in 2004.

The decrease in total non-current assets by approximately S$1.9 million was mainly contributed by a negative goodwill of S$4.6 million offset by higher plant and equipment as at 30 September 2004. The higher plant and equipment was mainly attributable to the acquisitions of equipments for the 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$12.1 million as at 30 September 2004, an increase of approximately S$1.2 million or 11%. This was mainly due to increase in trade payables and offset by repayment of short-term borrowings and income tax liabilities.

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 made in July 2004, in particular the Group's growth strategy moving forward.

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, which included a loss before tax in the current quarter, the Directors maintain that the Group will benefit in the long run from its strategy of adopting a revenue-sharing model that will promote a steady and long-term recurring revenue stream, and lasting 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/recommended, a statement to that effect

No dividend has been declared or recommended for the period ended 30 September 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
9 Nov 2004