

Information on UCPL

1. History and Business

UCPL was incorporated as a private limited company under the Companies Act, Cap 50 of Singapore in the Republic of Singapore on 28 May 1998. The authorised share capital of UCPL is SGD5,000,000 comprising 5,000,000 UCPL Shares of which SGD1,000,000 comprising 1,000,000 UCPL Shares were issued and fully paid-up as at 30 September 2003.

UCPL and its subsidiaries are principally involved in distribution of telecommunication products, design and development of telecommunication solutions, project management and maintenance and support services for telecommunication industry.

Its customer base comprises telecommunication companies, service providers and enterprises in the Association of South East Asian Nations countries, the Middle East, Greater China, the United States of America, West Asia and Indochina. The Distribution business comprises sales of third party telecommunication-related hardware and software. The third parties include Intel, Quintum and Advantech, all of which are the principal suppliers to the UCPL Group. The products supplied include industrial-grade computers, computer peripherals, computer telephony products and VoIP-related products. UCPL's distribution rights via its wholly-owned subsidiary, Attrix Technology Pte Ltd, generally cover the South East Asian countries and are non-exclusive in nature. The Distribution business is conducted mainly through offices located in Singapore, Malaysia, Hong Kong and other reseller networks.

The breakdown of revenues derived from its foreign and domestic markets for the financial year ended 31 December 2002 is as follows:

| | % of total revenue for the financial year ended 31 December 2002 |
|----------|---|
| Domestic | 44.3% |
| Foreign | 55.7% |
| Total | <u>100.0%</u> |

Major customers that contributed more than 5% of its total sales in the financial year ended 31 December 2002 were as follows:

| | Major Customers | % of total sales | Country of Origin |
|----|---|-----------------------------|--------------------------|
| 1. | Smart Communications Inc | 14.0 | Philippines |
| 2. | DiGi Telecommunications Sdn Bhd | 11.6 | Malaysia |
| 3. | Vocom International Telecommunications Inc | 7.6 | United States of America |
| 4. | Lucent Technologies World Services Inc | 7.0 | Brunei |
| 5. | Smart Eagle Asia Ltd | 7.0 | Hong Kong |

2. Share Capital

2.1 Authorised and Issued and Paid-up Share Capital

The authorised and issued and paid-up share capital of UCPL as at 30 September 2003 were as follows:

| | No. of shares | Total SGD |
|--------------------------|---------------|--------------|
| Authorised | 5,000,000 | 5,000,000 |
| Issued and fully paid-up | 1,000,000 | 1,000,000 |

2.2 Changes in the Issued and Paid-up Share Capital

The changes in the issued and paid-up share capital of UCPL since its incorporation are as follows:

| Date of allotment | No. of shares | Consideration | Total issued and paid-up capital SGD |
|-------------------|---------------|--|---|
| 28.05.1998 | 2 | Subscribers' shares | 2 |
| 01.08.2000 | 59,998 | Capitalisation of an amount owing to director | 60,000 |
| 26.07.2001 | 940,000 | Bonus issue of 47 new UCPL Shares for every 3 UCPL Shares held | 1,000,000 |

3. Substantial Shareholders

The substantial shareholders of UCPL and their respective shareholdings as at 30 September 2003 were as follows:

| Name | Direct | | Indirect | | Place of incorporation/ Nationality |
|--------------------------|---------------|----|----------------------|----|--|
| | No. of shares | % | No. of shares | % | |
| WMSB | 700,000 | 70 | - | - | Malaysia |
| Primeace | 250,000 | 25 | - | - | Malaysia |
| WTL | 50,000 | 5 | - | - | Malaysian |
| ASB | - | - | 700,000 ¹ | 70 | Malaysia |
| LCB | - | - | 250,000 ² | 25 | Malaysia |
| Cytech Strategic Sdn Bhd | - | - | 250,000 ³ | 25 | Malaysia |
| Lum Weng Loy | - | - | 250,000 ⁴ | 25 | Malaysian |
| Chin Kuet Lee | - | - | 250,000 ⁴ | 25 | Malaysian |

Notes:

1. Deemed interested by virtue of its 100% shareholding in WMSB pursuant to Section 6A of the Act
2. Deemed interested by virtue of its 100% shareholding in Primeace pursuant to Section 6A of the Act
3. Deemed interested by virtue of its substantial shareholding in LCB pursuant to Section 6A of the Act
4. Deemed interested by virtue of their substantial shareholdings in Cytech Strategic Sdn Bhd pursuant to Section 6A of the Act

4. Directors

The Board of Directors and their respective shareholdings in UCPL as at 30 September 2003 were as follows:

| Name | Direct | | Indirect | | Nationality |
|------------------------|---------------|---|----------------------|----|-------------|
| | No. of shares | % | No. of shares | % | |
| Dato' Ahmad Sebi Bakar | - | - | - | - | Malaysian |
| WTL | 50,000 | 5 | - | - | Malaysian |
| Lum Weng Loy | - | - | 250,000 ¹ | 25 | Malaysian |
| Lee Su Nie | - | - | - | - | Malaysian |

Note:

1. Deemed interested by virtue of his substantial shareholding in Cytech Strategic Sdn Bhd pursuant to Section 6A of the Act

5. Subsidiary and Associated Companies

The subsidiaries of UCPL as at 30 September 2003 were as follows:

| Subsidiary Companies | Date and Place of Incorporation | Issued and paid-up share capital | Effective Equity Interest % | Principal Activities |
|--------------------------------|---------------------------------|----------------------------------|-----------------------------|---|
| Attrix Technology Pte Ltd | 21.12.2001 Singapore | SGD2 | 100 | Distribution of telecommunication products |
| Unified Communications Limited | 05.07.1999 Hong Kong | HKD10,000 | 51 | Distribution of telecommunication products, design and development of telecommunication solutions, project management and maintenance and support services for telecommunication industry |

UCPL did not have any associated companies as at 30 September 2003.

6. Profit and Dividend Record

The profit and dividend record of the UCPL Group based on the audited financial statements for the past four (4) financial periods/years ended 31 December 2002 and the unaudited results for the six (6)-month period ended 30 June 2003 are as follows:

| | ←-----Audited-----→ | | | | Unaudited |
|---|---------------------------|----------------------------|-------------------------------------|------------------|--|
| | | | Financial Year Ended 31 December | | Six (6)-month period ended 30 June |
| | 28.5.1998 to 30.9.1999 | 1.10.1999 to 31.12.2000 | 2001 | 2002 | 2003 |
| | SGD'000 | SGD'000 | SGD'000 | SGD'000 | SGD'000 |
| Turnover | 4,236 | 11,964 ³ | 20,781 ⁴ | 19,950 | 8,584 |
| Profit before taxation | 34 | 1,657 | 2,486 | 2,039 | 495 |
| Exceptional item | - | - | - | 310 ² | - |
| Profit before taxation but after exceptional item | 34 | 1,657 | 2,486 | 2,349 | 495 |
| Taxation | - | (425) | (636) | (489) | (120) |
| PAT | 34 | 1,232 | 1,850 | 1,860 | 375 |
| Extraordinary item | - | - | - | - | - |
| Minority interest (MI) | - | - | - | (9) | (10) |
| Profit after taxation and MI | 34 ⁵ | 1,232 ⁶ | 1,850 ⁷ | 1,851 | 365 |
| Issued and paid-up capital (SGD) | 2 | 60,000 ⁸ | 1,000,000 ⁹ | 1,000,000 | 1,000,000 |
| Shareholders' funds | 34 | 1,326 | 3,176 | 5,037 | 5,256 |
| NTA per share (SGD) | 16,750 | 22.11 | 3.18 | 5.03 | 5.26 |
| Net EPS (SGD) | 12,750 ¹ | 16.43 ¹ | 1.85 | 1.86 | 0.40 |
| Gross dividend (%) | - | - | - | - ¹⁰ | - |

Notes:

1. Annualised
2. The exceptional item for the financial year ended 2002 was attributable to a gain on disposal of a subsidiary company.
3. The increase in turnover for the financial period ended 31 December 2000 was mainly due to a large order for the distribution of third party telecommunication-related products and components to a government ministry in Singapore
4. The increase in turnover in 2001 was due to higher sales achieved in UCPL's Proprietary Solutions business, in particular a large project undertaken for Smart Communications Inc in Philippines during the year.
5. The lower PAT for the 16-month financial period ended 30 September 1999 was attributable to initial start-up expenses as UCPL was only incorporated and began its operations on 28 May 1998.

6. The increase in PAT for the 15-month financial period ended 31 December 2000 was attributable to significant improvement in UCPL's sales and higher operating margin brought about by greater acceptance of UCPL's products and services.
7. The increase in PAT for the financial year ended 2001 was attributable to marked improvement in UCPL's Proprietary Solutions sales, contributed by a large project undertaken for Smart Communication Inc.
8. The higher issued and paid-up capital (PUC) for the financial period ended 31 December 2000 was due to the capitalisation of amount owing to director of SGD59,998 into 59,998 new UCPL Shares.
9. The higher PUC for the financial year ended 31 December 2001 was due to the bonus issue of 940,000 new UCPL Shares capitalised from retained earnings.
10. UCPL has proposed a gross dividend of SGD200,000 or 20% for the financial year ended 31 December 2002 which will be paid in the financial year ending 31 December 2003.

7. Audited Financial Statements

The audited consolidated financial statements of UCPL for the financial year ended 31 December 2002 and the auditors' report thereon are reproduced below:

AUDITORS' REPORT TO THE MEMBERS OF UNIFIED COMMUNICATIONS PTE LTD

We have audited the financial statements of Unified Communications Pte Ltd and the consolidated financial statements of the Group for the financial year ended 31 December 2002 set out on pages 9 to 30. These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying financial statements of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
 - (i) the state of affairs of the Company and of the Group at 31 December 2002, the results and changes in equity of the Company and of the Group, and the cash flows of the Group for the financial year ended on that date; and
 - (ii) the other matters required by section 201 of the Act to be dealt with in the financial statements of the Company and the consolidated financial statements of the Group; and
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and its subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subjected to any qualification and in respect of the subsidiary incorporated in Singapore did not include any comment made under Section 207 (3) of the Act.



PricewaterhouseCoopers
Certified Public Accountants

Singapore, 17 APR 2003

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

INCOME STATEMENTS

For the financial year ended 31 December 2002

| | Notes | The Group | | The Company | |
|--|-------|---------------------|--------------|---------------------|--------------|
| | | 2002 \$ | 2001 \$ | 2002 \$ | 2001 \$ |
| Sales | 3 | 19,949,853 | 20,780,610 | 17,324,064 | 20,780,610 |
| Cost of sales | | (14,426,215) | (15,168,875) | (12,624,049) | (15,168,875) |
| Gross profit | | 5,523,638 | 5,611,735 | 4,700,015 | 5,611,735 |
| Other operating income | | 475,127 | 3,632 | 416,836 | 3,632 |
| Technical support expenses | | (1,378,024) | (1,010,150) | (1,198,346) | (1,010,150) |
| Distribution costs | | (1,134,002) | (459,903) | (848,413) | (459,903) |
| Administrative expenses | | (1,377,690) | (1,512,629) | (1,177,253) | (1,512,629) |
| Gain on disposal of subsidiaries | 13 | 310,164 | - | - | - |
| Other operating expenses | | (62,215) | (151,294) | (59,138) | (151,294) |
| Operating profit | 4 | 2,356,998 | 2,481,391 | 1,833,701 | 2,481,391 |
| Finance income - interest from bank | | 1,507 | 4,530 | 1,438 | 4,530 |
| Finance costs – Interest to bank | | (9,471) | - | (9,290) | - |
| Profit before tax | | 2,349,034 | 2,485,921 | 1,825,849 | 2,485,921 |
| Tax | 6 | (488,792) | (636,321) | (370,792) | (636,321) |
| Net profit | | 1,860,242 | 1,849,600 | 1,455,057 | 1,849,600 |
| Minority interest | | (8,593) | - | - | - |
| Profit after tax and minority interest | | 1,851,649 | 1,849,600 | 1,455,057 | 1,849,600 |

*The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 8.*

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

BALANCE SHEETS

As at 31 December 2002

| | Notes | The Group | | The Company | |
|--|-------|-------------------|-------------------|-------------------|-------------------|
| | | 2002 \$ | 2001 \$ | 2002 \$ | 2001 \$ |
| Current assets | | | | | |
| Cash and cash equivalents | 7 | 1,656,324 | 1,113,988 | 1,372,941 | 1,113,986 |
| Trade debtors | 8 | 6,368,155 | 3,050,023 | 5,979,108 | 3,050,023 |
| Contract work-in-progress | 9 | 265,296 | 146,783 | 265,296 | 146,783 |
| Due from related companies (trade) | | 96,008 | - | - | - |
| Due from related companies (non-trade) | 10 | 63,632 | 132,493 | 62,875 | 132,493 |
| Due from a subsidiary (trade) | | - | - | 14,233 | - |
| Due from a subsidiary (non-trade) | | - | - | 436,133 | - |
| Inventories | 11 | 3,390,394 | 4,115,216 | 2,317,596 | 4,115,216 |
| Other current assets | 12 | 279,243 | 262,334 | 270,303 | 262,334 |
| | | 12,119,052 | 8,820,837 | 10,718,485 | 8,820,835 |
| Non-current assets | | | | | |
| Investment in subsidiaries | 13 | - | - | 1,155 | 2 |
| Fixed assets | 14 | 1,326,246 | 1,541,162 | 1,312,433 | 1,541,162 |
| | | 1,326,246 | 1,541,162 | 1,313,588 | 1,541,164 |
| Total assets | | 13,445,298 | 10,361,999 | 12,032,073 | 10,361,999 |
| Current liabilities | | | | | |
| Excess of progress billings over contract costs plus profits | 15 | - | 517,872 | - | 517,872 |
| Trade and other payables | 16 | 3,031,661 | 2,814,876 | 2,164,023 | 2,814,876 |
| Current tax | 6 | 529,487 | 393,675 | 414,637 | 393,675 |
| Due to a related company (trade) | | 4,465,686 | 2,356,042 | 4,465,686 | 2,356,042 |
| Due to related companies (non-trade) | 10 | 80,843 | 22,622 | 79,281 | 22,622 |
| Warranty provision | 17 | - | 151,905 | - | 151,905 |
| Due to a director | 10 | 54,185 | 629,037 | 34,419 | 629,037 |
| | | 8,161,862 | 6,886,029 | 7,158,046 | 6,886,029 |
| Non-current liability | | | | | |
| Deferred taxation | 6 | 246,150 | 300,000 | 243,000 | 300,000 |
| Total liabilities | | 8,408,012 | 7,186,029 | 7,401,046 | 7,186,029 |
| Net assets | | 5,037,286 | 3,175,970 | 4,631,027 | 3,175,970 |
| Shareholders' equity | | | | | |
| Share capital | 18 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Retained profits | | 4,027,619 | 2,175,970 | 3,631,027 | 2,175,970 |
| Foreign currency translation reserve | | (33) | - | - | - |
| Interests of shareholders of the company | | 5,027,586 | 3,175,970 | 4,631,027 | 3,175,970 |
| Minority interest | | 9,700 | - | - | - |
| | | 5,037,286 | 3,175,970 | 4,631,027 | 3,175,970 |

*The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 8.*

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2002

| | Note | Share capital \$ | Foreign currency translation reserves \$ | Retained profits \$ | Total \$ |
|--|------|------------------------|--|---------------------------|------------------|
| Balance at 1 January 2002 | | 1,000,000 | - | 2,175,970 | 3,175,970 |
| Net profit for the financial year | | - | - | 1,851,649 | 1,851,649 |
| Total recognised gains for the financial year | | - | - | 1,851,649 | 1,851,649 |
| Current year's translation adjustment | | - | (33) | - | (33) |
| Balance at 31 December 2002 | | <u>1,000,000</u> | <u>(33)</u> | <u>4,027,619</u> | <u>5,027,586</u> |
| Balance at 1 January 2001 | | 60,000 | - | 1,266,370 | 1,326,370 |
| Net profit for the financial year | | - | - | 1,849,600 | 1,849,600 |
| Total recognised gains for the financial year | | - | - | 1,849,600 | 1,849,600 |
| Issue of bonus shares | 18 | 940,000 | - | (940,000) | - |
| Balance at 31 December 2001 | | <u>1,000,000</u> | <u>-</u> | <u>2,175,970</u> | <u>3,175,970</u> |

*The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 8.*

UNIFIED COMMUNICATIONS PTE LTD

STATEMENT OF CHANGES IN EQUITY - COMPANY

For the financial year ended 31 December 2002

| | Note | Share capital \$ | Retained profits \$ | Total \$ |
|---|------|------------------------|---------------------------|------------------|
| Balance at 1 January 2002 | | 1,000,000 | 2,175,970 | 3,175,970 |
| Net profit for the financial year - total recognised gains for the financial year | | - | 1,455,057 | 1,455,057 |
| Balance at 31 December 2002 | | <u>1,000,000</u> | <u>3,631,027</u> | <u>4,631,027</u> |
| Balance at 1 January 2001 | | 60,000 | 1,266,370 | 1,326,370 |
| Net profit for the financial year | | - | 1,849,600 | 1,849,600 |
| Total recognised gains for the financial year | | - | 1,849,600 | 1,849,600 |
| Issue of bonus shares | 18 | 940,000 | (940,000) | - |
| Balance at 31 December 2001 | | <u>1,000,000</u> | <u>2,175,970</u> | <u>3,175,970</u> |

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 8.

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

CONSOLIDATED CASH FLOW STATEMENT
For the financial year ended 31 December 2002

| | Note | 2002 \$ | 2001 \$ |
|--|------|------------------|--------------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 2,349,034 | 2,485,921 |
| Adjustments for: | | | |
| Depreciation | | 418,055 | 333,803 |
| Write-off of fixed assets | | 2,015 | 98,872 |
| (Gain)/loss on disposal of fixed assets | | (150,170) | 3,791 |
| Interest income | | (1,507) | (4,530) |
| Interest expense | | 9,471 | - |
| Operating cash flow before working capital change | | 2,626,898 | 2,917,857 |
| Change in operating assets and liabilities | | | |
| Trade debtors | | (3,318,131) | (545,068) |
| Contract work-in-progress | | (118,513) | (146,783) |
| Inventories | | 738,414 | (2,045,455) |
| Other current assets | | (16,907) | (186,241) |
| Excess of progress billings over contract costs plus profits | | (517,873) | 125,597 |
| Trade and other payables | | 64,880 | (327,041) |
| Related companies | | 2,140,718 | 2,141,015 |
| Foreign currency translation adjustment | | (30) | - |
| | | 1,599,456 | 1,933,881 |
| Income tax rebate | | - | 31,429 |
| Income tax paid | | (406,830) | (399,075) |
| Interest paid | | (9,471) | - |
| Net cash from operating activities | | 1,183,155 | 1,566,235 |
| Cash flows from investing activities | | | |
| Inflow due to purchase of subsidiary, net of cash acquired | 13 | 1,107 | - |
| Payments for fixed assets | | (280,798) | (1,260,427) |
| Proceeds from sale of fixed assets | | 212,219 | 18,325 |
| Interest received | | 1,507 | 4,530 |
| Net cash outflow from investing activities | | (65,965) | (1,237,572) |
| Cash flow from financing activity | | | |
| (Repayment)/receipt of loan from a director | | (574,854) | 541,704 |
| Net cash inflow from financing activity | | (574,854) | 541,704 |
| Net increase in cash and bank balances held | | 542,336 | 870,367 |
| Cash and bank balances at the beginning of the financial year | | 1,113,988 | 243,621 |
| Cash and bank balances at the end of the financial year | | 1,656,324 | 1,113,988 |

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 8.

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

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

1. General

The Company is domiciled and incorporated in Singapore. The address of the Company's registered office is 390 Havelock Road, #04-06 King's Centre, Singapore 169662.

The principal activities of the Company consists of distribution of telecommunication products, design and development of telecommunication solutions, project management, maintenance and support services for telecommunication industry.

2. Significant accounting policies

(a) Basis of accounting

The financial statements are prepared in accordance with and comply with Singapore Statements of Accounting Standard.

The financial statements are prepared under the historical cost convention.

The financial statements are expressed in Singapore Dollars.

In 2002, the Group adopted SAS 12 (Revised 2001) Income Taxes.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the consolidated income statement from the date of their acquisition or disposal. Intercompany balances and transactions and resulting unrealised profits are eliminated in full on consolidation. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(c) Foreign currencies

Transactions in foreign currencies during the financial year are converted to Singapore dollars at the rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date. Exchange differences arising are taken to the income statements.

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

2. Significant accounting policies (continued)

(d) Revenue recognition

Revenue from sale of goods is recognised upon passage of title to the customers which generally coincides with their delivery and acceptance.

Revenue and profit from contracts are recognised on an individual contract basis using the percentage of completion method, when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and the total contract revenue to be received and costs to complete can be reliably estimated.

The percentage of completion is estimated by the Company's management with reference to the stage of completion of the work as accepted by the customer.

Where it is probable that a loss will arise from a contract, the excess of total estimated costs over revenue is recognised as an expense immediately.

Revenue from maintenance contracts is recognised on a straight line basis over the period of the respective contracts.

Revenue from the rendering of services is recognised on an accrual basis.

Interest income is accrued on a day-to-day basis.

(e) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on fixed assets and general provisions. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(f) Trade debtors

Trade debtors are carried at original invoice less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the financial year in which they are identified.

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

2. Significant accounting policies (continued)

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs in bringing the inventories to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Provision is made where necessary for obsolete, slow moving and defective inventories.

(h) Contract work-in-progress

Contract work-in-progress is stated at the aggregate of contract costs incurred to date plus profits recognised based on the value of work completed less progress billings and provision for foreseeable losses.

For contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under current liabilities.

Cost includes both variable and fixed costs directly related to specific contracts and those which can be attributed to contract activity in general and which can be allocated to specific contracts. Also included are any costs expected to be incurred under penalty clauses and rectification provisions.

(i) Investments in subsidiaries

Investments in subsidiaries intended to be held for the long term are stated in the financial statements at cost less provision. Provision is made, where there is a diminution in the value of investments other than temporary.

Profit and loss on disposal of investments is taken to the income statements.

(j) Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Increases in the carrying amount arising from the revaluation of individual property are credited to an asset revaluation reserve in shareholders' equity. To the extent that a decrease in carrying amount offsets a previous increase that has been credited to asset revaluation reserve and not subsequently reversed or utilised, it is charged against the asset revaluation reserve. In all other cases decreases in carrying amount are charged to the income statements.

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

2. Significant accounting policies (continued)

(j) Fixed assets (continued)

An increase on revaluation directly related to a previous decrease in carrying amount that was charged to the income statements is credited to income to the extent that it offsets the previously recorded decrease.

On disposal of a property carried at valuation, the revaluation surplus relating to the property is transferred directly to retained profits.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

(k) Depreciation of fixed assets

Depreciation is calculated on a straight line basis to write off the cost of fixed assets over their expected useful lives. The estimated useful lives are as follows:

| | |
|--|---------|
| Office equipment and furniture and fixtures | 5 years |
| Telecommunication and research and development equipment | 5 years |
| Computers | 3 years |
| Renovation | 5 years |

(l) Accounting for leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are charged to the income statements on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(m) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

2. Significant accounting policies (continued)

(m) Provisions (continued)

Warranty

The Company recognises the estimated liability on all projects still under warranty at the balance sheet date. This provision is calculated based on service histories.

(n) Employee benefits

Employee leave entitlement

Employee entitlements to annual leave is recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(o) Share capital

Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(p) Related parties

The related parties refer to companies with common shareholders and/or directors.

(q) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

3. Sales

| | <u>The Group</u> | | <u>The Company</u> | |
|--|--------------------------|-------------------|--------------------------|-------------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Distribution of telecommunication products | 6,256,138 | 6,842,077 | 3,630,349 | 6,842,077 |
| Solution provisions | 13,693,715 | 13,938,533 | 13,693,715 | 13,938,533 |
| | <u>19,949,853</u> | <u>20,780,610</u> | <u>17,324,064</u> | <u>20,780,610</u> |

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

4. Operating profit

| | <u>The Group</u> | | <u>The Company</u> | |
|--|------------------|---------|--------------------|---------|
| | 2002 | 2001 | 2002 | 2001 |
| <u>Operating profit is arrived at after:</u> | \$ | \$ | \$ | \$ |
| <i>Charging:</i> | | | | |
| Auditors' remuneration | | | | |
| - current financial year | 23,000 | 15,000 | 20,000 | 15,000 |
| - under provision in respect of preceding financial year | 5,000 | - | 5,000 | - |
| Directors' remuneration | 55,000 | 50,000 | 55,000 | 50,000 |
| Depreciation of fixed assets | | | | |
| - Office equipment and furniture | 26,814 | 21,573 | 25,518 | 21,573 |
| - Telecommunication and research and development equipment | 311,511 | 273,074 | 311,511 | 273,074 |
| - Computers | 60,862 | 23,098 | 60,556 | 23,098 |
| - Renovation | 18,868 | 16,058 | 18,776 | 16,058 |
| Provision for doubtful trade debts provided | - | 267,258 | - | 267,258 |
| Write-off of fixed assets | 2,015 | 98,872 | 2,015 | 98,872 |
| Inventories written off | 58,106 | 152,160 | 58,106 | 152,160 |
| Loss on disposal of fixed assets | - | 3,791 | - | 3,791 |
| Operating leases - rent expense | 498,646 | 252,672 | 498,646 | 252,672 |
| <i>Crediting:</i> | | | | |
| Net foreign exchange gain | 102,807 | 2,612 | 104,687 | 2,612 |
| Gain on disposal of fixed assets | 150,170 | - | 150,170 | - |
| Provision for doubtful trade debts written back | 177,588 | - | 177,588 | - |
| Provision for warranty written back | 151,905 | - | 151,905 | - |

5. Staff costs

| | <u>The Group</u> | | <u>The Company</u> | |
|---|------------------|-----------|--------------------|-----------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Wages and salaries | 1,737,592 | 1,212,876 | 1,582,835 | 1,212,876 |
| Employer's contribution to Central Provident Fund | 254,877 | 153,266 | 230,206 | 153,266 |
| | 1,992,469 | 1,366,142 | 1,813,041 | 1,366,142 |

Number of persons employed at the end of financial year:

| | <u>The Group</u> | | <u>The Company</u> | |
|-----------|------------------|------|--------------------|------|
| | 2002 | 2001 | 2002 | 2001 |
| Full time | 39 | 32 | 33 | 32 |

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

6. Tax

(a) Tax expense

| | <u>The Group</u> | | <u>The Company</u> | |
|--|------------------|----------------|--------------------|----------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Income tax expense attributable to profit is made up of: | | | | |
| Current income tax provision | | | | |
| - Singapore | 540,850 | 392,750 | 426,000 | 392,750 |
| Deferred income tax provision | (53,850) | 180,000 | (57,000) | 180,000 |
| | <u>487,000</u> | <u>572,750</u> | <u>369,000</u> | <u>572,750</u> |
| Under/(over) provision in preceding financial year | | | | |
| - Current income tax | 1,792 | (31,429) | 1,792 | (31,429) |
| - Deferred tax | - | 95,000 | - | 95,000 |
| | <u>488,792</u> | <u>636,321</u> | <u>370,792</u> | <u>636,321</u> |

The income tax expense on the results for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to profit before taxation due to the following factors:

| | <u>The Group</u> | | <u>The Company</u> | |
|---|------------------|------------------|--------------------|------------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Profit before tax | <u>2,349,034</u> | <u>2,485,921</u> | <u>1,825,849</u> | <u>2,485,921</u> |
| Tax calculated at a tax rate of 22% (2001: 24.5%) | 516,787 | 609,051 | 401,687 | 609,051 |
| Singapore statutory stepped income exemption | (23,100) | (11,550) | (11,550) | (11,550) |
| Income not subject to tax | (14,161) | (20,720) | (14,161) | (20,720) |
| Expenses not deductible for tax purposes | 6,771 | - | 6,771 | - |
| Other differences | 703 | (4,031) | (13,747) | (4,031) |
| | <u>487,000</u> | <u>572,750</u> | <u>369,000</u> | <u>572,750</u> |

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

6. Tax (continued)

(b) Movements for provision for income tax

| | <u>The Group</u> | | <u>The Company</u> | |
|--|------------------|----------------|--------------------|----------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Balance at the beginning of the financial year | 393,675 | 400,000 | 393,675 | 400,000 |
| Income tax paid | (406,830) | (399,075) | (406,830) | (399,075) |
| Current financial year's income income tax expense | 540,850 | 392,750 | 426,000 | 392,750 |
| Underprovision in preceding financial year | 1,792 | - | 1,792 | - |
| Balance at the end of the financial year | <u>529,487</u> | <u>393,675</u> | <u>414,637</u> | <u>393,675</u> |

(c) Composition of deferred taxation

The movement in the deferred tax assets and liabilities prior to offsetting of balances during the year is as follows:

Deferred tax liabilities/(assets)

| | Accelerated | Others | Total |
|--|------------------|--------------|----------------|
| | tax depreciation | | |
| | \$ | \$ | \$ |
| <u>The Group</u> | | | |
| At 1 January 2002 | 345,000 | (45,000) | 300,000 |
| Charged/(credited) to income statement | (105,850) | 52,000 | (53,850) |
| At 31 December 2002 | <u>239,150</u> | <u>7,000</u> | <u>246,150</u> |

| | Accelerated | Others | Total |
|--|------------------|--------------|----------------|
| | tax depreciation | | |
| | \$ | \$ | \$ |
| <u>The Company</u> | | | |
| At 1 January 2002 | 345,000 | (45,000) | 300,000 |
| Charged/(credited) to income statement | (107,000) | 50,000 | (57,000) |
| At 31 December 2002 | <u>238,000</u> | <u>5,000</u> | <u>243,000</u> |

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

7. Cash and cash equivalents

| | <u>The Group</u> | | <u>The Company</u> | |
|--------------------------|------------------|------------------|--------------------|------------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Cash at bank and on hand | 1,356,324 | 1,113,988 | 1,072,941 | 1,113,986 |
| Fixed deposits with bank | 300,000 | - | 300,000 | - |
| | <u>1,656,324</u> | <u>1,113,988</u> | <u>1,372,941</u> | <u>1,113,986</u> |

The fixed deposit with bank matures within 12 months from the financial year end and carries interest rate of 0.9375% per annum (2001: Nil).

Fixed deposit of \$300,000 (2001: Nil) is a restricted deposit placed with bank to secure the banking facilities for the Group and the Company.

The banking facilities are further secured by personal guarantee of one of the director amounting to \$500,000. The bank charged interest on the credit facilities availed during the financial year at rates ranging from bank's prime rate plus 1.25% per annum to bank's prime rate plus 1.75% per annum (2001: Nil).

8. Trade debtors

| | <u>The Group</u> | | <u>The Company</u> | |
|---|------------------|------------------|--------------------|------------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Trade debtors | 6,368,155 | 3,422,282 | 5,979,108 | 3,422,282 |
| Less: Provision for doubtful trade trade debts | - | (372,259) | - | (372,259) |
| | <u>6,368,155</u> | <u>3,050,023</u> | <u>5,979,108</u> | <u>3,050,023</u> |

Movements in provision for doubtful trade debts are as follows:

| | <u>The Group</u> | | <u>The Company</u> | |
|---|------------------|----------------|--------------------|----------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Balance at the beginning of the financial year | 372,259 | 105,001 | 372,259 | 105,001 |
| (Writeback)/provision made during the financial year | (177,588) | 267,258 | (177,588) | 267,258 |
| Bad debts written off against provision | (194,671) | - | (194,671) | - |
| Balance at the end of the financial year | <u>-</u> | <u>372,259</u> | <u>-</u> | <u>372,259</u> |

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

9. Contract work-in-progress

| | <u>The Group</u> | | <u>The Company</u> | |
|--|------------------|----------------|--------------------|----------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Contract costs incurred plus recognised profits | 1,295,586 | 2,743,064 | 1,295,586 | 2,743,064 |
| Progress billings | (1,030,290) | (2,596,281) | (1,030,290) | (2,596,281) |
| | <u>265,296</u> | <u>146,783</u> | <u>265,296</u> | <u>146,783</u> |

10. Due from/to related companies (non-trade) and a director

Amounts due from/to related companies are unsecured, interest free and are repayable on demand.

Amounts due to a director is unsecured, interest free and is repayable on demand.

11. Inventories

| | <u>The Group</u> | | <u>The Company</u> | |
|----------------------|------------------|------------------|--------------------|------------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Inventories, at cost | <u>3,390,394</u> | <u>4,115,216</u> | <u>2,317,596</u> | <u>4,115,216</u> |

12. Other current assets

| | <u>The Group</u> | | <u>The Company</u> | |
|-------------|------------------|----------------|--------------------|----------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Deposits | 149,284 | 225,293 | 148,384 | 225,293 |
| Prepayments | 76,387 | 35,687 | 69,438 | 35,687 |
| Others | 53,572 | 1,354 | 52,481 | 1,354 |
| | <u>279,243</u> | <u>262,334</u> | <u>270,303</u> | <u>262,334</u> |

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

13. Investment in subsidiaries

| <u>Name of subsidiary</u> | <u>Principal activities</u> | <u>Country of incorporation and place of business</u> | <u>Equity interest</u> | | <u>Cost of investment</u> | |
|--|--|---|------------------------|------------------|---------------------------|-------------------|
| | | | 2002 % | 2001 % | 2002 \$ | 2001 \$ |
| Attrix Technology Pte Ltd ⁽¹⁾ | Distribution of telecommunication products | Singapore | 100 | - | 2 | - |
| Unified Communications Limited (formerly known as Fancy Bright Enterprises Limited) ⁽²⁾ | Distribution of telecommunication products, design and development of telecommunication solutions, project management, maintenance and support services for telecommunication industry | Hong Kong | 51 | - | 1,153 | - |
| Unified Communications China Pte Ltd ⁽²⁾ | Investment holding company | Singapore | - | 100 | - | 2 |
| | | | | | 1,155 | 2 |

⁽¹⁾ Audited by PricewaterhouseCoopers, Singapore.

⁽²⁾ Audited by other firms.

Acquisition of Subsidiaries

On 21 February 2002, the Company acquired 100% of the shares of Attrix Technology Pte Ltd for \$2. The share of the net tangible assets of the subsidiary acquired was \$2 at the acquisition date.

On 22 November 2002, the Company acquired 51% of the shares of Unified Communications Ltd for HK\$5,100 (\$1,153). The share of the net tangible assets of the subsidiary acquired was HK\$5,100 (\$1,153) at the acquisition date.

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

13. Investment in subsidiaries (continued)

Disposal of subsidiaries

On 17 September 2002 and 2 December 2002, the Company disposed of its 49% and 51% interests respectively in Unified Communications China Pte Ltd and its subsidiary, You Kang Xin Da Tong Xun Ji Shu (Beijing) You Xian Gong Si, ("UC China"). The sales, results and net assets contributed by UC China up to the date of disposal were as follows:

| | <u>The Group</u> | |
|---|-----------------------|-------------------------|
| | 2002 | 2001 |
| | \$ | \$ |
| Sales | <u>6,540</u> | - |
| Net loss before tax | 210,164 | - |
| Tax | - | - |
| Net loss after tax | <u>210,164</u> | - |
| | | 2002 |
| | | \$ |
| Net identifiable assets disposed | | |
| Fixed assets | | 61,824 |
| Current assets | | 90,211 |
| Current liabilities | | <u>(362,199)</u> |
| | | (210,164) |
| Gain on disposal | | <u>310,164</u> |
| Gross proceeds | | 100,000 |
| Less: Cash and cash equivalent in subsidiary sold | | <u>(100,000)</u> |
| Net cash inflow on sale | | <u>-</u> |

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

14. Fixed assets

| <u>The Group</u> | <u>Office equipment and furniture</u> | <u>Telecom- munication and research and development equipment</u> | <u>Computers</u> | <u>Renovation</u> | <u>Total</u> |
|---------------------------------|---|---|-----------------------|----------------------|-------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | |
| At 1 January 2002 | 117,819 | 1,611,018 | 142,515 | 91,740 | 1,963,092 |
| Additions | 25,275 | 162,608 | 89,310 | 3,605 | 280,798 |
| Write-offs | (619) | - | (2,935) | - | (3,554) |
| Transfers to inventory | - | - | (20,390) | - | (20,390) |
| Disposals | - | (126,962) | (5,146) | - | (132,108) |
| At 31 December 2002 | <u>142,475</u> | <u>1,646,664</u> | <u>203,354</u> | <u>95,345</u> | <u>2,087,838</u> |
| Accumulated depreciation | | | | | |
| At 1 January 2002 | 25,774 | 348,100 | 31,689 | 16,367 | 421,930 |
| Charge in Period | 26,814 | 311,511 | 60,862 | 18,868 | 418,055 |
| Write-offs | (72) | - | (1,467) | - | (1,539) |
| Transfers to inventory | - | - | (6,797) | - | (6,797) |
| Disposals | - | (65,483) | (4,574) | - | (70,057) |
| At 31 December 2002 | <u>52,516</u> | <u>594,128</u> | <u>79,713</u> | <u>35,235</u> | <u>761,592</u> |
| Net book value | | | | | |
| At 31 December 2002 | <u>89,959</u> | <u>1,052,536</u> | <u>123,641</u> | <u>60,110</u> | <u>1,326,246</u> |
| Net book value | | | | | |
| At 31 December 2001 | <u>92,045</u> | <u>1,262,918</u> | <u>110,826</u> | <u>75,373</u> | <u>1,541,162</u> |
| The Company | | | | | |
| <u>The Company</u> | <u>Office equipment and furniture</u> | <u>Telecom- munication and research and development equipment</u> | <u>Computers</u> | <u>Renovation</u> | <u>Total</u> |
| | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | |
| At 1 January 2002 | 117,819 | 1,611,018 | 142,515 | 91,740 | 1,963,092 |
| Additions | 12,647 | 162,608 | 87,466 | 2,570 | 265,291 |
| Write-offs | (619) | - | (2,935) | - | (3,554) |
| Transfers to inventory | - | - | (20,390) | - | (20,390) |
| Disposals | - | (126,962) | (5,146) | - | (132,108) |
| At 31 December 2002 | <u>129,847</u> | <u>1,646,664</u> | <u>201,510</u> | <u>94,310</u> | <u>2,072,331</u> |
| Accumulated depreciation | | | | | |
| At 1 January 2002 | 25,774 | 348,100 | 31,689 | 16,367 | 421,930 |
| Charge in Period | 25,518 | 311,511 | 60,556 | 18,776 | 416,361 |
| Write-offs | (72) | - | (1,467) | - | (1,539) |
| Transfers to inventory | - | - | (6,797) | - | (6,797) |
| Disposals | - | (65,483) | (4,574) | - | (70,057) |
| At 31 December 2002 | <u>51,220</u> | <u>594,128</u> | <u>79,407</u> | <u>35,143</u> | <u>759,898</u> |
| Net book value | | | | | |
| At 31 December 2002 | <u>78,627</u> | <u>1,052,536</u> | <u>122,103</u> | <u>59,167</u> | <u>1,312,433</u> |
| Net book value | | | | | |
| At 1 December 2001 | <u>92,045</u> | <u>1,262,918</u> | <u>110,826</u> | <u>75,373</u> | <u>1,541,162</u> |

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

15. Excess of progress billings over contract plus profits

| | <u>The Group</u> | | <u>The Company</u> | |
|---|------------------|----------------|--------------------|----------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Contract costs incurred plus recognised profits | - | - | - | - |
| Progress billings | - | 517,872 | - | 517,872 |
| | <u>-</u> | <u>517,872</u> | <u>-</u> | <u>517,872</u> |

16. Trade and other payables

| | <u>The Group</u> | | <u>The Company</u> | |
|----------------------------|------------------|------------------|--------------------|------------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Trade creditors | 2,332,132 | 2,223,420 | 1,494,437 | 2,223,420 |
| Accrued operating expenses | 637,883 | 591,456 | 607,940 | 591,456 |
| Other payable | 61,646 | - | 61,646 | - |
| | <u>3,031,661</u> | <u>2,814,876</u> | <u>2,164,023</u> | <u>2,814,876</u> |

Trade creditors include trust receipts and letters of credits amounting to \$600,932 (2001: Nil).

17. Warranty provision

| | <u>The Group</u> | | <u>The Company</u> | |
|----------|------------------|----------------|--------------------|----------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Warranty | <u>-</u> | <u>151,905</u> | <u>-</u> | <u>151,905</u> |

The Company gives one year warranty on in-house developed software and undertakes to rectify the software that fail to perform satisfactorily. A provision is recognised at the financial year end for expected warranty claims based on past experience of the level of rectification work.

Movements in provision for warranty are as follows:

| | <u>The Group</u> | | <u>The Company</u> | |
|--|------------------|----------------|--------------------|----------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Balance at the beginning of the financial year | 151,905 | 215,420 | 151,905 | 215,420 |
| Provision written back during the financial year | (151,905) | - | (151,905) | - |
| Utilised during the year | - | (63,515) | - | (63,515) |
| Balance at the end of the financial year | <u>-</u> | <u>151,905</u> | <u>-</u> | <u>151,905</u> |

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

18. Share capital

(a) Authorised share capital

The authorised number of ordinary shares is 5,000,000 shares (2001: 5,000,000 shares) with a par value of \$1 per share (2001: \$1 per share).

(b) Issued and fully paid-up ordinary share capital

| | 2002 Shares | 2001 Shares | 2002 \$ | 2001 \$ |
|--|------------------|------------------|------------------|------------------|
| Balance at the beginning of the financial year | 1,000,000 | 60,000 | 1,000,000 | 60,000 |
| Issued during the financial year | - | 940,000 | - | 940,000 |
| Balance at the end of the financial year | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> |

19. Proposed dividends

| | <u>The Group and the Company</u> | |
|--|--------------------------------------|------------|
| | 2002 \$ | 2001 \$ |
| Final dividend of 15.6 cents per ordinary share, proposed net of tax at 22% | <u>156,000</u> | - |

The directors have proposed a final dividend for 2002 of 15.6 cents per share amounting to a total of \$156,000, less income tax at 22%. These financial statements do not reflect this dividend payable, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2003.

20. Holding corporations

On 25 September 2002, one of the directors of the Company, sold his controlling interest in the company to Worldwide Matrix Sdn Bhd.

At 31 December 2002, the immediate holding corporation is Worldwide Matrix Sdn Bhd, incorporated in Malaysia. The ultimate holding corporation is Advance Synergy Berhad, a corporation also incorporated in Malaysia.

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

21. Commitments

(a) Capital commitments

Commitments not provided for in the financial statements:

| | The Group | | The Company | |
|---|-----------|---------|-------------|---------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Expenditure approved and contracted for | - | 458,000 | - | 458,000 |

(b) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are payable as follows:

| | The Group | | The Company | |
|---|-----------|---------|-------------|---------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Not later than one financial year | 524,653 | 474,480 | 524,653 | 474,480 |
| Later than one financial year but not later than five financial years | 135,211 | 575,982 | 135,211 | 575,982 |

22. Related party transactions

In addition to the related party information shown elsewhere in the financial statements, the following significant transactions took place between the Group and related parties during the financial year on terms agreed between the parties concerned:

| | The Group | |
|--------------------------------|-----------|-----------|
| | 2002 | 2001 |
| | \$ | \$ |
| Sales with related company | 2,916,828 | 3,151,183 |
| Purchases with related company | 3,314,593 | 5,089,107 |

The Group has also incurred expenses on behalf of related parties during the financial year which are fully reimbursed.

**UNIFIED COMMUNICATIONS PTE LTD
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2002

23. Financial risk management

The Group's activities are exposed to variety of financial risks including the effects of change in foreign currency exchange rates.

The foreign currency exchange risk arises mainly from Group's transactions with foreign trade debtors and creditors. The Group monitors the movement in foreign currency exchange rates closely to ensure their exposures are minimised.

The Group's business is not exposed to any significant concentration of credit risk.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group maintains sufficient cash.

24. Net fair values

The carrying amounts of the following financial assets and liabilities approximate their fair value: cash, trade and other receivables, trade and other payables and investment in subsidiaries.

25. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors on **17 APR 2003**