

Responses to SGX Queries :: On Financial Statements :: RESPONSE TO QUERIES FROM SGX REGARDING FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

* Asterisks denote mandatory information


Name of Announcer *	UNIFIED COMMUNICATIONS HLDGLTD
Company Registration No.	200211129W
Announcement submitted on behalf of	UNIFIED COMMUNICATIONS HLDGLTD
Announcement is submitted with respect to *	UNIFIED COMMUNICATIONS HLDGLTD
Announcement is submitted by *	Anton Syazi Ahmad Sebi
Designation *	Deputy Chief Executive Officer
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>> Announcement Details

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Announcement Title *	RESPONSE TO QUERIES FROM SGX REGARDING FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
Subject of Query *	On Financial Statements
Description	PLEASE SEE ATTACHED

Attachments

 UCHLResponsetoSGXQueriesQ12010.PDF
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UNIFIED COMMUNICATIONS HOLDINGS LIMITED

Company Registration No. 200211129W

RESPONSE TO QUERIES FROM SGX REGARDING FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2010

The Board of Directors of Unified Communications Holdings Limited ("Uchl" or "the Group") wishes to announce the following in response to queries received from Singapore Exchange Securities Trading Limited on 15 May 2010 ("SGX Queries") regarding the first quarter financial statements and dividend announcement released on 13 May 2010:

SGX Queries

We note from page 8 of the results announcement that revenue from the mobile technology business has fallen from S\$2,134,000 in 1Q2009 to S\$1,441,000 in 1Q2010 and revenue from operation support systems has increased from S\$1,775,000 in 1Q2009 to S\$3,131,000 in 1Q2010.

- (i) Please provide detailed reasons on the fluctuations and steps taken by the Company to change the sales mix; and
- (ii) Explain the developments in the industry that resulted in the change in sales mix.

Company's Response

(i) Reasons on Fluctuation in Sales Mix and Steps Taken by the Company

All three business units of the Group continue to derive a good portion of their revenues from outright system sale-based projects, the delivery and completion of which may be dependent on factors outside of the direct control of the Group, such as the readiness of our customers to progress implementation activities, and also decisions that may be taken by our customers to alter the implementation timetable for such projects. Both the sales and implementation cycles for the Group's solutions - and their constituent software products and services - are also of long duration and typically span over more than one calendar quarter. Because of these reasons, quarter-against-quarter fluctuations in revenue of each business unit can be expected as an inherent part of the Group's business. The Group is however continuing with its efforts to expand its portfolio of revenue-sharing and managed-services contracts to better countervail such fluctuations in quarterly Group revenue that can be expected from outright system-sale-based project revenues.

The increase in relative contribution of the Operation Support Systems Business Unit (OSS BU) in the current quarter versus the corresponding quarter last year is within the expectations of the Group, given industry developments and the current stage of development of this business. The OSS BU was first established in 2006 as part of the Group's strategy to capture new growth opportunities in a market segment within the telecommunications industry that is complementary to that of its then-existing Proprietary Solutions business. The OSS BU has since captured several opportunities in its growing market segment, resulting in the delivery of strong revenue growth. This business of the Group is expected to be a significant contributor to future Group financial results. The Group's Mobile Technology Business Unit (TECH BU) and Mobile Value-Added-Service

Business Unit (VAS BU) are expected to face a relatively more challenging market environment in the short-to-medium term. The Group has however conceived and is implementing several strategies to attend to such challenges, and to capture new growth opportunities within the market segments addressed by these two remaining business units. The industry developments, new opportunity areas as well as the more specific strategies adopted by the Group have been described on pages 12 and 13 of our 2009 Annual Report, as summarised in part (ii) of our response below.

As for the specific factors underpinning the current quarter sales mix, the lower relative revenue contribution from Mobile Technology Business Unit (TECH BU) as compared to OSS BU is more particularly attributable to:

- (a) The absence of certain outright system sale-based projects for TECH BU from the Greater China region in the current quarter, while new project wins in other regions are expected to contribute to revenue towards the second half of the current financial year. The decrease in revenue contribution from Greater China region is in line with the Group's strategies highlighted in our 2009 Annual Report, to focus on delivering growth in three main regions namely the Middle East and Africa (MEA), South Asia and South East Asia (SEA);
- (b) Delays in completion of, and hence the billings, for certain outright sales projects in hand for MEA and SEA to the second half of the current financial year;
- (c) The spill-over effect of a passive test probe outright system sale-based project of OSS BU that commenced in the second half of 2009, but where implementation work was substantially completed and invoiced in the current quarter; and
- (d) New managed services contracts won by OSS BU in the current quarter.

(ii) Developments in the Industry and the Group's Strategies

- (a) The SEA region continued to be the most significant region for the Group in terms of revenue contribution and remains one of our regions of focus. The SEA region is however increasingly becoming a mature mobile telecommunications market, and limited green field opportunities for TECH BU and VAS BU are anticipated. In view of a maturing market, project values and pricing of solutions are expected to face further downward pressure. Hence our strategy focus for both TECH BU and VAS BU in the region will be that of defending our existing market share through superior service delivery.
- (b) With a maturing market, business and operation support systems (BOSS) to address the needs of mobile network operations/mobile service providers (to enhance the quality of their service, extract performance improvements from existing services/systems and to manage their network resources more efficiently) will be in greater demand. Hence, the Group's strategy is to capture this growth opportunity by increasing investment in product research, development and service capabilities in this BOSS business area.
- (c) Growth from the MEA region will stem from the remaining emerging mobile telecommunications markets in this region. The primary means of growing market share in this region is via value-added-reseller channel partners that already have a presence in countries within this region. Our strategy is to enhance our key business functions to ensure readiness and competitiveness to deliver and support the delivery of projects by value-added-reseller channel partners in this region.

- (d) The South Asia region has become intensely more competitive where the predominant business model for new mobile VAS is that of revenue sharing. The Group will focus its business development efforts primarily in India and Pakistan, countries in which the Group already has an operational presence. Further market penetration will be achieved through both direct relationships with select mobile network operator customers and via value-added-reseller and other channel partners in these countries. Further, the Group will build its revenue sharing contract portfolio more aggressively in this region.
- (e) Within both mature and maturing mobile telecommunications markets there is an acceleration of movement towards Internet Protocol-based networks as well as exponential growth in mobile internet/data usage. The Group will focus its product research and development to ensure existing solutions and products remain relevant and current in this age of IP-based networks.
- (f) With the maturing business of TECH BU and VAS BU, the Group's investment portfolio is to be rebalanced with capital being reallocated to opportunities or businesses that offer potentially faster profit growth.

In the light of industry trends observed and the regions of focus in which the Group operates, the maturing of mobile telecommunications markets is expected to drive a surge in the demand for BOSS solutions, typically in the form of turnkey or outright system sale-based projects. Hence, the Group is expected to continue to experience fluctuation in revenue on a quarter-to-quarter and quarter-against-quarter basis. To address this, the Group has been investing and will continue to invest in efforts to grow the recurrent revenue streams in the form of managed service and revenue sharing contract-based revenues. The Group will also continue to invest in development efforts to enrich and strengthen our solution and software product portfolio to address the various opportunities identified in our regions of focus as well as investing in enhancing sales and distribution channels.

Other notable industry trends and the Group's correspondent strategies include:

- (a) 3G penetration is expected to grow at an accelerated rate from 2010 onwards. This will propel the convergence of web-based services and mobile services, with mobile becoming a more predominant channel to consume information and entertainment services; and
- (b) In the wake of more 3G networks being introduced worldwide, some developed markets are beginning their evolution towards 4th generation (4G) mobile telecommunications technology, which include Worldwide Interoperability for Microwave Access (WIMAX) and Long Term Evolution (LTE). This means that the cost of mobile data is likely to decline exponentially in the coming years.

The Group will accelerate its effort to develop new capabilities to garner opportunities arising from the above trends. A new business unit - Mobilization Sdn Bhd has been established to address such mobile media and mobile internet growth opportunities.

By Order of the Board

Anton Syazi Ahmad Sebi
Deputy Chief Executive Officer
19 May 2010