

ANNUAL REPORT 2004

# BEYOND

all boundaries



mediaring

(Reg. no. :199304568R)



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MediaRing is a leading global telecommunications company at the forefront of the Voice over Internet Protocol (VoIP) telephony industry.

Leveraging on its technological capabilities in Internet telephony and its extensive distribution network in over 100 countries, MediaRing brings high-quality voice services to carriers, enterprises, service providers and consumers worldwide. With its global interconnected infrastructure, MediaRing allows call terminations in more than 240 countries, twenty-four hours a day and seven days a week.

MediaRing, which is headquartered in Singapore, has offices in North America (Sunnyvale, California), PRC (Beijing, Shanghai and Hong Kong), Taiwan, Japan and Malaysia.



## Chairman's Message

Amounts in Singapore dollars unless otherwise stated

"...in FY2004, we have achieved several important milestones that, we believe, point to an imminent and healthy financial turnaround for the Group..."



### Dear Shareholders,

On behalf of the Board and Management, it gives me great pleasure to report an extraordinary year for MediaRing – a year where exceptional improvements to financial results were achieved, and where the cornerstone for our future growth was laid.

In FY2004, MediaRing achieved several important milestones – significant achievements that, we believe, point to an imminent and healthy financial turnaround for the Group. Most significantly, MediaRing was cash flow positive for the entire year and profitable in the second half.

### Record Profits Achieved

MediaRing achieved record profits of \$0.4 million on the back of a 53% revenue increase to \$48.3 million in the second half of FY2004, making us the first pure-play VoIP service provider in the world that is profitable.

Our crossing the threshold to profitability is a reverberating validation of the strength of our business model, the soundness of our growth strategies and the calibre of the Management and staff of MediaRing.

### Record Performance Attained

The pace of growth for the Group in FY2004 was truly remarkable. We ended the year strongly as revenue surged 68% to a record \$87.8 million from \$52.4 million in FY2003 and net loss was slashed by 89% to \$0.7 million from \$6.7 million in FY2003.

This explosive growth was primarily driven by our VoIP PC-Phone service, which doubled to \$62.9 million, and the continued growth in our Middle East market.

Results for FY2004 included foreign exchange loss of \$1.0 million, up 46% from \$0.7 million in FY2003 due to a weakened US dollar in the second half. Before foreign exchange loss, the Group achieved a net profit of \$0.3 million in FY2004 as compared to a net loss of \$6.0 million in FY2003.

Of particular significance is that during FY2004, the Group achieved a second half profit of \$1.6 million on sales of \$48.3 million as compared to a first half loss of \$1.3 million on sales of \$39.5 million when foreign exchange gain or loss was not considered.

## Record Call Traffic Volume Reached

Yet another key milestone – the Group achieved a record traffic volume of 665 million minutes in FY2004, up sharply from 423 million minutes in FY2003. Of this, VoIP call traffic accounted for more than 90%, attesting to its ever rising popularity and acceptance among consumers.

## Global Network Expanded

In FY2004, we more than doubled our distribution network of resellers and partners to over 1,100 in more than 100 countries.

Growth in this area was driven by our desire to broaden the reach in our markets, both existing and new, and to further improve our levels of service quality to our worldwide customer base.

## Looking Ahead

On a global basis, VoIP traffic continues to show a significant growth trend. Indeed, there has been, and continues to be, a rising acceptance of VoIP technology by leaders in the telecommunication industry.

Given this buoyant scenario, our challenge now is to build on our core competencies and strengthen our service offerings to capitalise on the tremendous growth opportunities we see in this industry.

To this end, we have developed initiatives to expand both the depth and breadth of the Group's VoIP business scope. We will continue to focus on our primary growth drivers namely, our retail VoIP products and services, and to defend and further grow our key markets in the Middle East and Indochina. In addition, we have identified new growth markets for penetration, including South America, India and Africa.

Another new and exciting area for the Group is our Enterprise Solutions segment where we have already secured a healthy cluster of major corporations as customers. We have conscientiously nurtured this segment in FY2004 and expect to reap the benefits of our investments in the near future.

## Corporate Governance

To all our stakeholders, we would like to reiterate the Group's commitment to the highest standards of corporate governance and compliance. Every level within our organisation is governed by a strict code of accountability, transparency and openness. This strict adherence to corporate governance has, and will continue to dictate our every action.

## Acknowledgments

I would like to thank my fellow Directors for their advice and counsel; our business partners for their unwavering support; and our loyal shareholders for their continued belief in us.

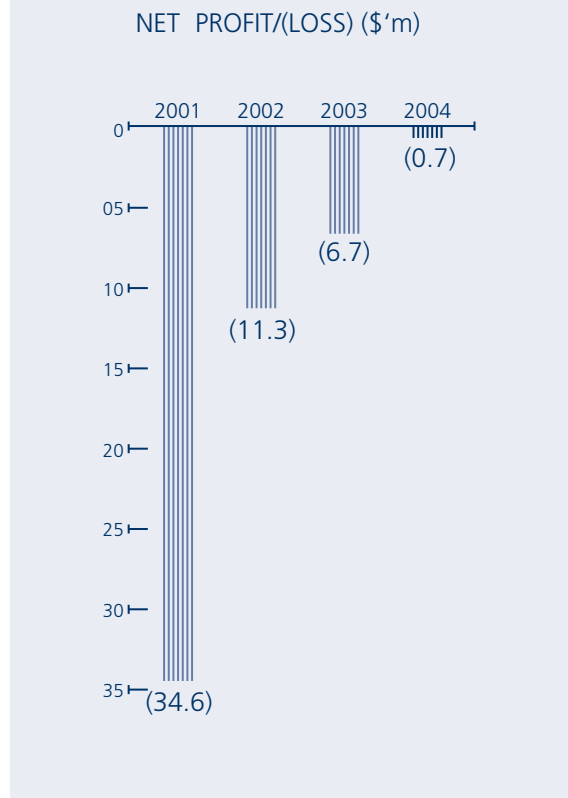
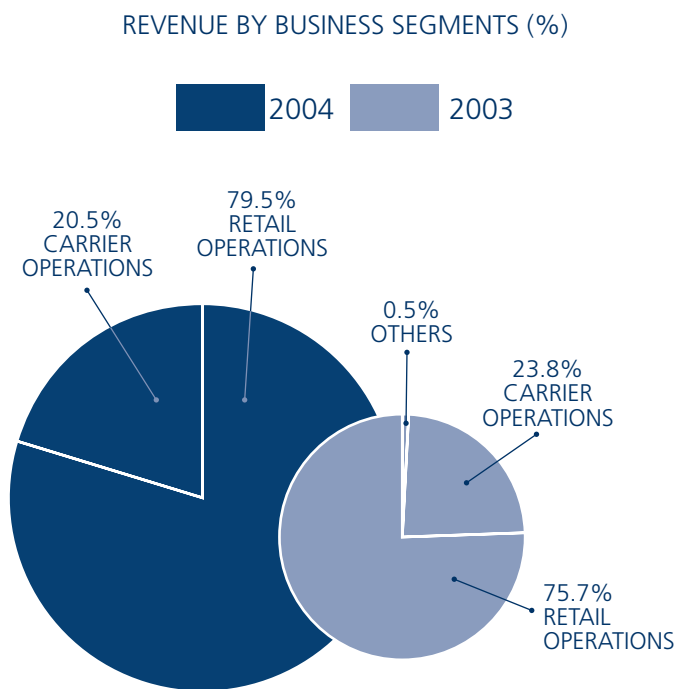
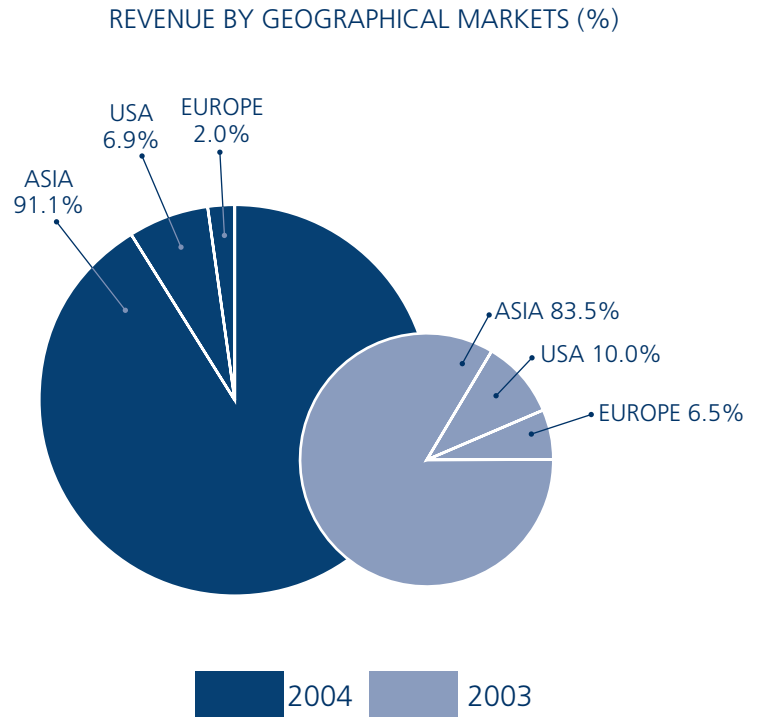
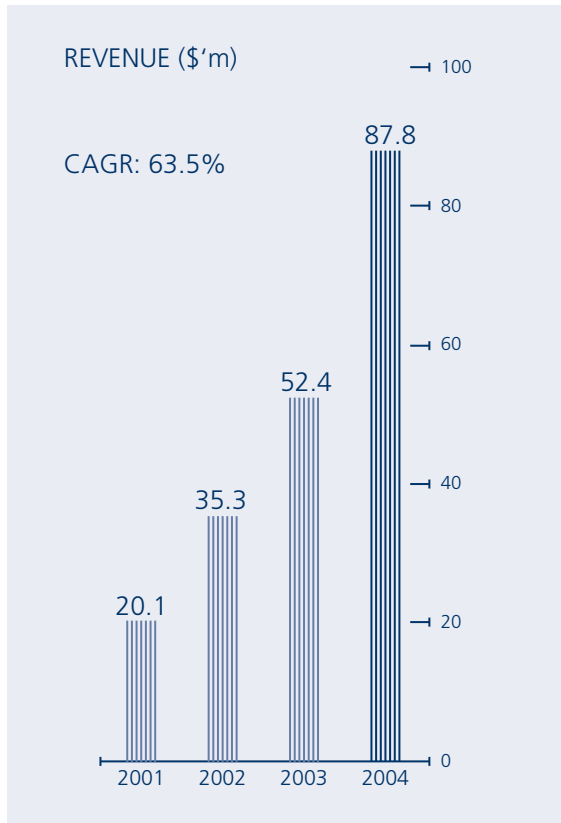
I would also like to express my sincere gratitude to the Management and staff for their hard work during the year. Their continued dedication and commitment will be the pivotal force that drives MediaRing to deliver superior growth and profitability in the coming years.



**Walter Sousa**  
Chairman

# Financial Highlights

Amounts in Singapore dollars unless otherwise stated



\* CAGR refers to Compound Annual Growth Rate

## BOARD OF DIRECTORS

### Executive

Walter Sousa *(Chairman)*  
Koh Boon Hwee *(Executive Director)*  
Khaw Kheng Joo *(Chief Executive Officer)*

### Non-Executive

Thomas Kalon Ng *(Independent Director)*  
Thomas Henrik Zilliacus *(Independent Director)*  
Eileen Tay-Tan Bee Kiew *(Independent Director)*  
Sin Hang Boon *(Independent Director)*

## COMPANY SECRETARIES

Yvonne Lau Yee Wan  
Dorothy Ho

## EXECUTIVE COMMITTEE

Koh Boon Hwee (Chairman)  
Walter Sousa  
Khaw Kheng Joo  
Yvonne Lau Yee Wan

## AUDIT COMMITTEE

Eileen Tay-Tan Bee Kiew (Chairman)  
Thomas Kalon Ng  
Thomas Henrik Zilliacus

## REMUNERATION COMMITTEE

Thomas Kalon Ng (Chairman)  
Eileen Tay-Tan Bee Kiew  
Sin Hang Boon

## NOMINATING COMMITTEE

Thomas Henrik Zilliacus (Chairman)  
Koh Boon Hwee  
Sin Hang Boon

## REGISTERED OFFICE

750A Chai Chee Road  
#05-01 Technopark @ ChaiChee  
Singapore 469001  
Tel: 65-6441 1213  
Fax: 65-6441 3013  
Website: [www.mediaring.com](http://www.mediaring.com)

## SHARE REGISTRAR

Lim Associates (Pte) Ltd  
10 Collyer Quay  
#19-08 Ocean Building  
Singapore 049315

## PRINCIPAL BANKERS

Citibank N.A., Singapore  
3 Temasek Avenue  
#17-00 Centennial Tower  
Singapore 039190

The Hongkong and Shanghai Banking Corp Ltd  
21 Collyer Quay  
#08-01 HSBC Building  
Singapore 049320

## AUDITORS

Ernst & Young  
10 Collyer Quay  
#21-01 Ocean Building  
Singapore 049315

Partner-in-charge:- Eleanor Lee  
(appointed with effect from the financial year ended  
31 December 2004)

## LEGAL ADVISORS

Rajah & Tann (Corporate commercial matters)  
4 Battery Road  
#26-01 Bank of China Building  
Singapore 049908

Fenwick & West LLP (Patents & Trademarks)  
Silicon Valley Center  
801 California Street  
Mountain View, CA 94041  
United States of America

# Operations Review By CEO

Amounts in Singapore dollars unless otherwise stated

## A Review of 2004

Once again, I am pleased to report a year of outstanding progress for MediaRing. My sincere thanks to my colleagues at MediaRing for their impressive efforts and to our valued customers and business partners all over the world for the opportunities to serve their needs. As our Chairman highlighted in his message to shareholders, we have successfully achieved a number of important milestones. The most important milestone of all is that we turned profitable in the second half of the year.

For the year ended 31 December 2004, the Group hit a record traffic volume of 665 million minutes, up 57% from 423 million minutes in FY2003. Putting this into perspective, we believe this makes MediaRing one of the leading telecommunication operators in Singapore in terms of originating minutes in FY2004.

Riding on this wave of surging traffic volume, we achieved record revenue of \$87.8 million, an increase of 68% from \$52.4 million in FY2003. The key engine of revenue growth was the Group's Retail VoIP Operations, which experienced robust sales in all geographical markets.

During the year, we continued to be vigilant on costs controls. All categories of expenses except infrastructure costs increased in tandem with the Group's strong revenue growth. We managed to hold infrastructure costs flat.

Direct service fees and operating expenses, both of which relate directly to revenue growth, increased 63% and 38% to \$42.5 million and \$47.9 million respectively in FY2004 from \$26.1 million and \$34.6 million in FY2003.

The Group's selling and marketing expenses, which formed the bulk of operating expenses, saw a 103% rise to \$23.6 million in FY2004 from \$11.6 million in FY2003. This was due to the change of sales mix. The PC-Phone services, which have higher selling costs, is growing faster than the other business segments.

Staff costs for the year rose by 8% to \$13.6 million in FY2004 from \$12.6 million in FY2003 as the Group strengthened our sales personnel to meet the accelerated pace of growth in FY2004. Depreciation, amortisation and other operating expenses increased marginally by 3% to \$6.5 million in FY2004 from \$6.3 million in FY2003 whilst infrastructure cost decreased by 8% to \$3.2 million in FY2004 from \$3.4 million in FY2003.

As a testament of our conscientious cost control measures implemented during the year, our total operating expenses before selling expenses increased marginally by 4% to \$24.7 million in FY2004 as compared with \$23.7 million in FY2003. This is definitely impressive, given the fact that we managed to grow revenue by 68% in FY2004.

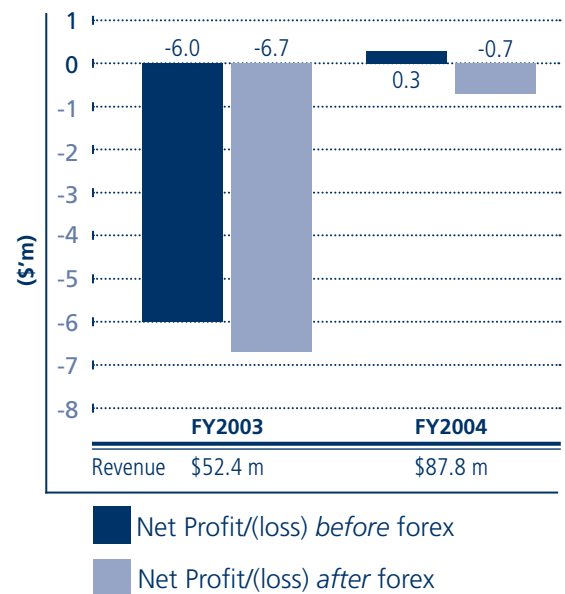
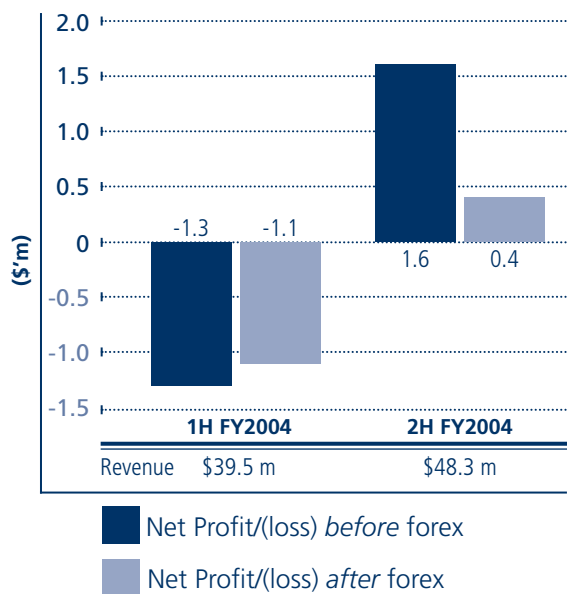
During the year, the Group incurred a foreign exchange loss of \$1.0 million compared to \$0.7 million in FY2003. This increase was primarily due to assets translational losses from a weakened US dollar in the second half of FY2004.

Putting aside the exchange loss mentioned above, the Group achieved a net profit of \$0.3 million versus a net loss of \$0.7 million in FY2004.

“We have successfully achieved a number of important milestones - the most important of which is that we turned profitable in the second half. We believe this establishes MediaRing as the first profitable pure-play VoIP service provider in the world.”



### Impact of Foreign Exchange on Net Profit



Again, we take great pride that the Group attained profitability for the first time in the second half of FY2004 with a net profit of \$0.4 million on the back of \$48.3 million in revenue. Indeed, excluding foreign exchange loss of \$1.2 million, the Group achieved an impressive net profit of \$1.6 million in the second half of FY2004.

This is undeniably a major milestone for the Group and we believe it establishes MediaRing as the first profitable pure-play VoIP service provider in the world.

# Operations Review By CEO

Amounts in Singapore dollars unless otherwise stated

## Review by Business Segments

### Retail Operations

Accounting for 79% of FY2004 revenue, Retail Operations, which comprise mainly VoIP services such as PC-Phone, Enterprise Solutions, Global Calling Card, IP Phone and IDD service, continued to be the key driver of the Group's robust growth in FY2004.

Revenue from Retail Operations increased impressively by 76% to \$69.8 million in FY2004 from \$39.7 million in FY2003.

Significantly, more than 90% of the 665 million minutes of call traffic volume generated by the Group in FY2004 were VoIP-based traffic.

In particular, PC-Phone service, which contributed 72% of revenue in FY2004, experienced explosive growth of 97% from \$32.0 million in FY2003 to \$62.9 million in FY2004.

Growth in this area was underpinned by continued robust sales in our key markets of Middle East and Indochina, where the population demographics and price differences between VoIP and IDD calls strongly supported the adoption of PC-Phone services.

PC-Phone sales in FY2004 also benefited from the rapid expansion of our marketing and distribution network, which doubled to more than 1,100 resellers and partners in over 100 countries. Indeed, the extent and reach of our distribution network, built up over three years, is one of the core competitive strengths of the Group and is in effect, a considerable entry barrier to new entrants.

### Carrier Operations

Carrier Operations, which comprise VoIP Wholesale Exchange and Technology Licensing, continued to be a significant business segment, contributing 21% of Group revenue in FY2004.

During the year, revenue from this segment increased 45% to \$18.0 million primarily due to the healthy growth in the Group's VoIP Wholesale Exchange division.

Wholesale Exchange refers to the trading of VoIP termination capacity with other telecommunication carriers, ISPs and VoIP providers. This segment complements our core VoIP telephony business as it increases the economies of scale and hence, allows us to effectively manage our direct service fees through achieving the most cost efficient termination rates.

Revenue contribution from the Group's Technology Licensing division, which licenses our proprietary software VoizBridge to telecommunication carriers and multinational companies, remained stable.

## Looking Ahead to 2005

With VoIP now an established mainstream technology, MediaRing, as a pioneer in this area, is poised for continued growth in FY2005.

Bolstered by the robust performance of VoIP operations, we will continue to expand our VoIP products and services. In particular, we have placed Enterprise Solutions under an 'Investment Mode' and will focus our energies on growing the clusters of corporate customers within this segment. We expect to reap the benefits of our investment in the near future.

We will also continue to grow and strengthen our presence in the markets by aggressively expanding our distribution network of partners and resellers in the Middle East, Indochina and North Asia regions.

In addition, we have identified new growth regions such as South America, India and Africa. Like the Middle East, these regions have the right environment and population demographics that auger good potential growth for the Group.

With these expansion initiatives, FY2005 is going to be a very busy and exciting year for us as we work towards turning these strategic plans into reality. We are definitely on the growth track and I wish to assure you of the Group's commitment to deliver strong returns and value to all our shareholders.

Indeed, I am confident, that the Management's unwavering pursuit for profitable growth will be able to drive the Group towards achieving its goal, that of establishing MediaRing as a top-tier telecommunication company in Asia and an undisputed leader in the pure-play VoIP services industry that will deliver continued growth and profitability.



**Khaw Kheng Joo**  
CEO



### **WALTER SOUSA**

Mr. Sousa, our Executive Chairman, joined the Board in October 1999 and was appointed to his current position in September 2001. Mr. Sousa was last re-elected as Director on 23 May 2003. Previously, Mr. Sousa was the Chairman and Chief Executive Officer of AT&T Asia/Pacific, and has also been involved in private equity investments. Prior to his appointment at AT&T Asia/Pacific, Mr. Sousa, was the Chief Operating Officer of London Stock Exchange-listed Astec (BSR) PLC where he was responsible for its worldwide operations. From 1985 to 1991, Mr. Sousa held the position of the President of Hewlett-Packard Far East in Hong Kong. He holds a Masters degree in Public Administration from America University.



### **KOH BOON HWEE**

Mr. Koh was appointed to the Board in April 1998 and was elected an Executive Director of MediaRing in February 2002. Mr. Koh was last re-elected as Director on 26 April 2004. Mr. Koh is also the Executive Director of Tech Group Asia Ltd. Currently, Mr. Koh holds the positions of the Chairman of Singapore Airlines Ltd, SIA Engineering Co. Ltd, as well as Nanyang Technological University Council. From 1986 to 2001, Mr. Koh was Chairman of the Singapore Telecommunications Group and its predecessor organization; Executive Chairman of the Wuthelam Group from 1991 to 2000; Chairman of Omni Industries Ltd from 1996 to 2001; and Managing Director of Hewlett-Packard Singapore from 1985 to 1990, where he started his career. Mr. Koh holds a Masters degree in Business Administration (with Distinction) from Harvard Business School.



### **KHAW KHENG JOO**

Mr. Khaw joined the Board in February 2002 and was appointed as Chief Executive Officer on 1 November 2002. Mr. Khaw will be due for re-election at this coming AGM under Article 104 of the Company's Articles of Association. Mr. Khaw was previously the President of Omni Electronics (2000-2001), a wholly owned subsidiary of SGX Mainboard - listed Omni Industries Ltd, one of the largest electronic contract manufacturers in Asia before being acquired by Celestica Inc in 2001. After the acquisition, Mr. Khaw served as Senior Vice President at Celestica Inc. Prior to Omni Industries, Mr. Khaw spent 26 years (1973-1999) at Hewlett-Packard. Mr. Khaw currently sits on the boards of Total Automation Ltd, Amtek Engineering Ltd and Senoko Power. Mr Khaw holds a Bachelor of Science degree in Electronic and Computer Engineering from Oregon State University, Oregon and a Master of Business Administration from Santa Clara University, California.

### THOMAS KALON NG

Mr. Ng was appointed to our Board in July 1998 and was last re-elected as Director on 26 April 2004. Mr. Ng was the founding Managing Director of Venture TDF, a Singapore-based VC firm, and served on a number of advisory boards to various research institutes and government agencies in Singapore, including the National Science and Technology Board for seven years. Mr. Ng is currently the Managing Director of Granite Global Ventures, and a Board member of SAVI Technologies and Sinohome.com. During his career, Mr. Ng held senior management positions at E.I. DuPont de Nemours & Co. and Genelabs Technologies. In 1992, Mr. Ng established Genelabs Diagnostics, a biotechnology company, and served as its Managing Director until 1995. Mr. Ng has authored and contributed to numerous publications and patents and holds three patents in practice. Mr. Ng holds a Bachelor of Science, Master of Science and Ph.D. in Bacteriology/Biochemistry from the University of Wisconsin at Madison.



### THOMAS HENRIK ZILLIACUS

Mr. Ziliacus was appointed as non-executive Director in February 2002 and will be due for re-election at this coming AGM under Article 104 of the Company's Articles of Association. Mr. Ziliacus is the founder and Executive Chairman of Mobile FutureWorks Inc, a company which develops and invests in mobile space. Mr. Ziliacus is also the Executive Chairman of OpenMobile Corporation, a leading global enabler of premium-priced mobile originated mobile value-added services and the former head of Nokia's Asian operations. Mr. Ziliacus holds a Master of Science in Economics and Business Administration from the Swedish School of Economics and Business Administration, Helsinki.



### EILEEN TAY-TAN BEE KIEW

Ms. Tay was appointed to our Board in October 2002 and was last re-elected as Director on 23 May 2003. Possessing more than 25 years of experience in the public accounting field, Ms. Tay was a partner with KPMG. Her experience includes auditing, taxation, public listing, due diligence, mergers and acquisitions and business advisory. Ms. Tay is an Associate of Chartered Institute of Management Accountants (UK), Fellow of CPA Australia, Fellow of the Institute of Certified Public Accountants of Singapore and Licentiate of Trinity College (London). Ms. Tay holds an Honours degree in Accountancy from the University of Singapore.



### SIN HANG BOON

Mr. Sin was appointed to the Board in June 2003 and was last re-elected as Director on 26 April 2004. Mr. Sin currently holds directorships at Ideas Services Pte Ltd and Sirius Consulting Pte Ltd. With extensive experience spanning 41 years in the telecommunication industry, Mr. Sin undertook a variety of responsibilities in a wide range of functions during his career. In 1999, he was appointed CEO of SingTel International, heading the strategic investment arm of the Singapore Telecommunications Group. After his retirement from SingTel International, Mr. Sin took on the role as advisor to SingTel and represented Singapore Telecommunications Group on several joint venture boards overseas, until March 2004. Mr. Sin holds a Bachelor of Science (Physics) degree from Nanyang University, Singapore.



### **YVONNE LAU YEE WAN**

As Chief Financial Officer of MediaRing, Ms. Lau heads the Company's Corporate Finance and Human Resource functions. Prior to her appointment at MediaRing, Ms. Lau was the Managing Director of Corporate Finance at Internet Technology Group Ltd, and also served as the Executive Director of Crimson Funds, a US\$450 million Asian Fund. At Singapore Telecommunications Ltd, Singapore's leading telecommunication provider, Ms. Lau held the position of Vice President (Corporate Finance) when it was listed on the Singapore Stock Exchange. Ms. Lau graduated from the Singapore University with a Bachelor of Accounting degree in 1975.

### **WILLIAM TAN**

Mr. Tan joined MediaRing in 1997 and is currently the Senior Vice President of Sales and Marketing (VoizNet Services). Prior to his appointment, Mr. Tan served as the Managing Director of PK Electronics Pte Ltd, a manufacturer of uninterruptable power supplies, overseeing its Asian sales and operations. From 1992 to 1997, Mr. Tan was the General Manager of Ingram Micro Inc, one of the world's largest wholesalers and distributors of information technology products. In this capacity, Mr. Tan was responsible for Singapore's operations and export sales to the Asian region. From 1989 to 1992, Mr. Tan was employed as Marketing Manager of Pacific Technology Pte Ltd, a local distributor of information technology products. Mr. Tan holds a Diploma in Marketing from the Chartered Institute of Marketing in Singapore.

### **NAH CHIN GEK**

Mr. Nah is the Senior Vice President of Operations and is responsible for the planning, development and operation of MediaRing's global VoIP network for the provision of basic and enhanced voice services. Prior to this, Mr. Nah was a Senior Director at Singapore Telecom handling the planning and development of the global network using both traditional as well as the next generation IP-based switching technology for global voice services. With extensive experience in voice services, including an overseas stint in Norway for the start up of Singapore Telecom's wireless GSM joint venture company, Mr. Nah has the relevant experience and expertise to lead MediaRing's growth in the VoIP industry. Mr. Nah graduated from the National University of Singapore in 1977 with a Bachelor of Engineering (Honours) degree.



## CORPORATE GOVERNANCE

MediaRing Group is committed to achieving and maintaining high standards of corporate governance. While there will always be business risks, we believe these standards are the cornerstones in building a sound corporation and in protecting the interests of the shareholders. We believe that given the Group's size and stage of development, the overall corporate governance we have in place is appropriate and is in compliance with most of the requirements of the Code of Corporate Governance ("the Code") issued by the Corporate Governance Committee. The Singapore Stock Exchange Securities Trading Limited ("SGX") requires that, with effect from 1 January 2003, an issuer describes its corporate governance practices with specific reference to the Code.

### BOARD OF DIRECTORS

(Principles 1,2,6,7,10 &11 of the Code)

The Board comprises seven directors, of whom four are non-executive and are independent. The Board consists of respected business leaders and professionals whose collective core competencies and experience are extensive, diverse and relevant to the telecommunication industry. Profiles of the Directors are set out on pages 10 to 11 of this Annual Report.

The Board oversees the management of the business of the Group, reviews and approves the overall strategy and direction and ensures effective management and leadership of the highest quality and integrity. As part of these functions, the Board approves the annual budgets, financial results for release to SGX, all investments and divestments and borrowings. The Board adopts a set of internal controls that includes approval limits for capital and operating expenditure at Board level. Approval sub-limits are also provided at management level to facilitate operational efficiency.

The Board has absolute discretion to meet without management's presence whenever required or necessary.

In order to ensure that the Board is able to fulfill its responsibilities, the management provides the Board with adequate information prior to each Board meeting, in a timely manner. Directors are also provided with monthly management financial statements setting out actual performance against budget and previous year's results. Directors also have direct access to all the executives of the Group.

The Company Secretary attends all Board meetings and is responsible for ensuring that Board procedures are followed. The Company Secretary, together with the other Management team members, ensures that the Group complies with applicable requirements, rules and regulations.

To execute its responsibilities more efficiently, the Board has delegated certain functions to various Board Committees, namely, the Executive Committee ("Ex-co"), Nominating Committee ("NC"), Remuneration Committee ("RC") and the Audit Committee ("AC"). Each of the committee is governed by a set of written terms of reference. Members of the Board and each committee are set out below:

|                         |     | <b>Executive<br/>Committee</b> | <b>Nominating<br/>Committee</b> | <b>Remuneration<br/>Committee</b> | <b>Audit<br/>Committee</b> |
|-------------------------|-----|--------------------------------|---------------------------------|-----------------------------------|----------------------------|
| <b>Board Member</b>     |     |                                |                                 |                                   |                            |
| Walter Sousa (Chairman) | E   | Member                         |                                 |                                   |                            |
| Koh Boon Hwee           | E   | Chairman                       | Member                          |                                   |                            |
| Khaw Kheng Joo          | E   | Member                         |                                 |                                   |                            |
| Thomas Kalon Ng         | I N |                                |                                 | Chairman                          | Member                     |
| Thomas Henrik Zilliacus | I N |                                | Chairman                        |                                   | Member                     |
| Eileen Tay-Tan Bee Kiew | I N |                                |                                 | Member                            | Chairman                   |
| Sin Hang Boon           | I N |                                | Member                          | Member                            |                            |
| <b>Non Board Member</b> |     |                                |                                 |                                   |                            |
| Yvonne Lau Yee Wan      |     | Member                         |                                 |                                   |                            |

**E** - denotes Executive

**I** - denotes Independent

**N** - denotes Non-Executive

## CORPORATE GOVERNANCE

Membership on the various Board Committees is carefully managed to ensure equitable distribution of responsibilities and appropriate combination of skills and experience among Board members, as well as balance of power and independence.

NC is tasked to review the composition of the Board to ensure that the Board has the appropriate size, mix of expertise and experience while maintaining its independence balance at the same time.

The Group conducts orientation programmes for newly appointed directors and provides briefings and regular updates on regulatory changes as well as new applicable laws. The Board and Board Committees have authority to take independent professional advice, at the Company's expense, as and when necessary to enable the Directors to discharge their responsibilities effectively.

During the year, the Board held 5 meetings. The agenda for meetings were prepared in consultation with the Chairman and Chief Executive Officer. The Company's Articles of Association provide for participation in a meeting of the Board by means of conference telephone or similar communications equipment. Attendance of each Director at those meetings of the Board and Board Committees, as well as the frequency of such meetings, are provided below.

| Name                    | Board          |                              | Executive Committee |          | Audit Committee |                              | Nominating Committee |          | Remuneration Committee |          |
|-------------------------|----------------|------------------------------|---------------------|----------|-----------------|------------------------------|----------------------|----------|------------------------|----------|
|                         | No. of Meeting |                              | No. of Meeting      |          | No. of Meeting  |                              | No. of Meeting       |          | No. of Meeting         |          |
|                         | Held           | Attended                     | Held                | Attended | Held            | Attended                     | Held                 | Attended | Held                   | Attended |
| Walter Sousa            | 5              | 5                            | 1                   | 1        | -               | -                            | -                    | -        | -                      | -        |
| Koh Boon Hwee           | 5              | 5                            | 1                   | 1        | -               | -                            | 3                    | 3        | -                      | -        |
| Khaw Kheng Joo          | 5              | 5                            | 1                   | 1        | -               | -                            | -                    | -        | -                      | -        |
| Thomas Kalon Ng         | 5              | 3                            | -                   | -        | 4               | 4                            | -                    | -        | 4                      | 4        |
| Thomas Henrik Zilliacus | 5              | 4                            | -                   | -        | 4               | 3<br>(1 via tele-conference) | 3                    | 3        | -                      | -        |
| Eileen Tay-Tan Bee Kiew | 5              | 5                            | -                   | -        | 4               | 4                            | -                    | -        | 4                      | 4        |
| Sin Hang Boon           | 5              | 5<br>(1 via tele-conference) | -                   | -        | -               | -                            | 3                    | 3        | 4                      | 4        |

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

(Principle 3 of the Code)

Mr. Walter Sousa is the Chairman of the Company and Mr. Khaw Kheng Joo is the Chief Executive Officer ("CEO"). Both are Executive Directors of the Company. Mr. Sousa's involvement in the Company is on a part-time basis.

They each perform separate functions to ensure that there is an appropriate balance of power and authority and that accountability and independent decision-making are not compromised. The CEO is fully responsible for the day-to-day running of the Group whereas the Chairman oversees the functioning of the Board.

## CORPORATE GOVERNANCE

### **EXECUTIVE COMMITTEE ("Ex-co")**

The Ex-co was re-constituted on 31 January 2002 to act for the Board in supervising the Group's business and affairs. It comprises Mr. Koh Boon Hwee, the Chairman, Mr. Walter Sousa, Mr. Khaw Kheng Joo, all of whom are Executive Directors, and Ms. Yvonne Lau Yee Wan, the Chief Financial Officer, who was co-opted to be a member of the Ex-co.

The key functions of the Ex-co are:

1. to supervise senior management in the carrying out of the day-to-day executive functions of the Group; and
2. to evaluate and jointly make key decisions of an executive nature.

### **NOMINATING COMMITTEE ("NC")**

(Principles 4 & 5 of the Code)

The NC was constituted on 8 November 2002 comprising Mr. Thomas Henrik Zilliacus, Mr. Koh Boon Hwee and Mr. Sin Hang Boon. The Chairman, Mr. Zilliacus and Mr. Sin are independent directors. Mr. Koh is not an independent director by virtue of his executive position on a part-time basis. However, the Board believes that Mr. Koh is well-respected in the industry and is better able to seek and convince a new candidate to join the Board. Nevertheless, it is the Board's goal to eventually have the NC comprising all independent directors.

The NC, which is guided by written terms of reference, performs the following functions:

1. Make recommendations to the Board on the appointment of new executive and non-executive directors.
2. Regularly review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary.
3. Determine whether or not a director is independent.
4. Recommend directors who are retiring by rotation to be put forward for re-election .
5. Determine whether or not a director is able to and has been adequately carrying out his/her duties as a director of the Company, particularly when he/she has multiple board representations.
6. Assess the effectiveness of the Board as a whole and the contribution of each individual director to the effectiveness of the Board.

Our Articles of Association currently require one-third of our directors to retire by rotation at each Annual General Meeting.

NC had recommended to the Board the processes and the set of criteria for assessing the effectiveness of the Board.

### **REMUNERATION COMMITTEE ("RC")**

(Principles 7 & 8 of the Code)

The RC comprises Mr. Thomas Kalon Ng, Mr. Sin Hang Boon and Ms. Eileen Tay-Tan Bee Kiew, all of whom are Non-executive and are independent Directors. The RC is chaired by Mr. Ng.

The RC, which is guided by written terms of reference, performs the following functions:

1. Review and recommend to the Board in consultation with the Chairman of the Board a framework of remuneration, and to determine the specific remuneration packages and terms of employment for each of the executive directors and senior executives.
2. Recommend to the Board in consultation with the Chairman of the Board the Employees' Share Option Schemes or any long-term incentive schemes.
3. Function as the committee referred to in the MediaRing Employees' Share Option Schemes.

In setting an appropriate remuneration structure and level, the Committee takes into consideration industry practices and norms in compensation, as well as the Group's relative performance.

## CORPORATE GOVERNANCE

Amounts in Singapore dollars unless otherwise stated

Non-executive Directors have no service contracts. Their remuneration packages consist of a Director's fee component pursuant to Directors' fee policy and a share option component pursuant to the company's employees' share option schemes. The Directors' fee policy is based on separate fixed sums for holding a chairman position and being a member, as well as serving on Board Committees. The policy takes into account the effort and time spent and the responsibilities assumed by each Director. Fees for Non-executive Directors are subject to the approval of shareholders at the Company's AGM.

The Group adopts an employees share option scheme ("ESOS") that rewards Directors and employees who contribute to the Group and are valuable to retain, using vesting schedules.

Executive Directors do not receive any Directors' fees. They are employed under the standard terms and conditions as provided in the Employees' Handbook and their compensation packages consist of salary, variable bonuses and share options under the ESOS.

For key executives, the Group adopts a remuneration policy that comprises a fixed and a variable component. The variable component is in the form of a variable bonus that is linked to the Group's key performance indicators approved by the RC in consultation with the Board. Mr. Sousa and Mr. Koh had opted to waive their participation in the variable bonus scheme for 2005.

### DISCLOSURE OF REMUNERATION

(Principles 8 & 9 of the Code)

The annual remuneration of Directors for 2004 is as follows:

| Directors               | Fees<br>\$ | Salary<br>\$ | AWS<br>\$ | Total<br>\$ |
|-------------------------|------------|--------------|-----------|-------------|
| Walter Sousa (Chairman) | -          | 216,000      | 18,000    | 234,000     |
| Koh Boon Hwee           | -          | 128,580      | 11,300    | 139,880     |
| Khaw Kheng Joo          | -          | 378,300      | 157,625   | 535,925     |
| Sim Wong Hoo            | 11,753     | -            | -         | 11,753      |
| Thomas Kalon Ng         | 32,500     | -            | -         | 32,500      |
| Thomas Henrik Zilliacus | 32,500     | -            | -         | 32,500      |
| Eileen Tay-Tan Bee Kiew | 35,000     | -            | -         | 35,000      |
| Sin Hang Boon           | 16,932     | -            | -         | 16,932      |

1. The directors' fee amount shown is on a paid basis and not on an accrual basis
2. The salary amount shown is inclusive of allowances, benefits and employer's CPF
3. The AWS amount shown is inclusive of employer's CPF
4. Sim Wong Hoo resigned 23/05/03
5. Sin Hang Boon joined 09/06/03

The annual remuneration of key management who are not Directors for 2004 is as follows:

|                       | No. of Employees | Total Amount |
|-----------------------|------------------|--------------|
| Below \$150,000       | 1                | 134,775      |
| \$150,000 - \$250,000 | 2                | 402,766      |
| \$250,000 - \$500,000 | 2                | 875,600      |

## CORPORATE GOVERNANCE

Amounts in Singapore dollars unless otherwise stated

The amount shown is inclusive of salary, bonuses, allowances, benefits and employer's CPF.

Information on the Group's ESOS is set out in the Directors' Report on pages 22 to 24.

There were no employees of the Company and its subsidiaries who were immediate family members of a Director or the CEO and whose remuneration exceeded \$150,000 during the financial year ended 31 December 2004.

### **AUDIT COMMITTEE ("AC")**

(Principles 11,12 &13 of the Code)

The AC, which has a set of written terms of reference, is chaired by Ms. Eileen Tay-Tan Bee Kiew and the other members are Mr. Thomas Kalon Ng and Mr. Thomas Henrik Zilliacus; all of whom are Non-executive Directors and are independent. The Chair-person is a qualified accountant with long and extensive experience in the field of accounting.

The roles of the AC are to assist the Board with discharging its responsibilities to:

1. safeguard the Group's assets;
2. maintain adequate accounting records; and
3. develop and maintain an effective system of internal control.

The AC has explicit authority to conduct or authorise investigation into any matter within its terms of reference. It has full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings and reasonable resources to discharge its functions properly.

The AC, on behalf of the Board, reviews the effectiveness of the Group's system of internal controls in the light of key business and financial risks affecting its business, through meetings with the internal and external auditors. This is carried out at least annually.

The AC reviewed the nature and extent of non-audit services provided by the external auditors during the year which included tax services. It was satisfied that the quantum of non-audit services was not significant enough to call into question the external auditor's independence.

The Company's internal audit function is outsourced to PriceWaterhouseCoopers. The internal auditors report to the AC, the findings and recommendations for improvement of any internal control weakness. The AC monitors the implementation of the recommendations for improvement. It reviews the internal audit plan drawn up on an annual basis and ensures that the function is adequately performed.

The AC recommends to the Board the internal and external auditors to be appointed or re-appointed, approves their compensation and reviews the audit plan, scope and results of their audit. Such review of appointment or re-appointment takes into account the independence and objectivity of the auditors.

The AC has adopted the practice to meet with the external auditors without the presence of Management at least once a year. The same practice will be applied for the internal auditors.

### **INTERNAL CONTROLS**

(Principle 12 of the Code)

The Group's internal control system ensures that assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable.

The Executive Committee reviews the detailed budgets prepared for each business unit and presents the consolidated budget for approval by the Board. Monthly performance indicators and operating results are prepared and monitored against budgets by the Executive Committee and Management. Any material difference will be highlighted and explained at Board Meetings.

## CORPORATE GOVERNANCE

The Board, through the AC, the CEO and the Chief Financial Officer, considers that the Group's framework of internal controls and procedures is adequate to provide reasonable assurance of integrity, confidentiality and availability of critical information and the effectiveness and efficiency of operations, safeguarding of assets and compliance with rules and regulations. It is also satisfied that problems are identified on a timely basis and there is in place a process for follow up actions to be taken promptly to minimise unnecessary lapses.

### COMMUNICATION WITH SHAREHOLDERS

(Principles 10, 14 & 15 of the Code)

The Group announces its performance, financial position and prospects on a half-yearly basis.

The Company adopts the practice of regularly communicating major developments in its business and operations to the SGX, shareholders, analysts, the media and its employees. The Company issues announcements and news releases on an immediate basis when required under the SGX Listing Manual. Where immediate disclosure is not possible, the relevant announcement is made as soon as possible to ensure that all shareholders and the public have equal access to the information.

The Group manages enquiries from shareholders and the public, and addresses shareholders' concerns through its investors' relations and corporate communications.

All shareholders of the Company receive the annual report and Notice of the Annual General Meeting ("AGM"). The Notice is also advertised in the press and published via SGXNET.

Separate resolutions are set out for each distinct issue at the AGM.

The Articles of Association allow a member of the Company to appoint a proxy to attend and vote on his or her behalf at the AGM. The Executive Committee and the respective Committee Chairpersons will be present at these meetings, to answer questions raised by the shareholders. The external auditors are also present to assist the Board in answering shareholders' queries.

### DEALINGS IN SECURITIES

The Company Directors and key executives are prohibited from dealing in the Company's shares at least one month before the announcement of the Company's full-year, half-year or quarterly results or 3 days before the announcement of price-sensitive information.

Directors and key executives are expected not to deal in the Company's shares on short-term considerations. Besides Directors, key executives are required to notify the Company of their dealings within 2 days after transaction.

### RISK ASSESSMENT

The Group's strategy is formulated by the Management, supported by the Audit Committee and approved by the Board. Management has the ultimate responsibility for implementing plans, identifying risks and ensuring appropriate control measures are in place. This is achieved through an organizational structure that clearly defines responsibilities, level of authority and reporting procedures.

In line with good corporate governance, the Group has also engaged additional professional services to provide an independent resource and perspective to the Board and the Audit Committee, on the processes and controls that help to mitigate major risks.

## DIRECTORS' REPORT for the year ended 31 December 2004

Amounts in Singapore dollars unless otherwise stated

The directors present their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 2004.

### Directors

The directors of the Company in office at the date of this report are :

Walter Sousa (Chairman)  
 Koh Boon Hwee  
 Khaw Kheng Joo (CEO)  
 Thomas Kalon Ng  
 Thomas Henrik Zilliacus  
 Eileen Tay-Tan Bee Kiew  
 Sin Hang Boon

### Arrangements to enable directors to acquire shares or debentures

Except as described in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

### Directors' interest in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of shareholdings required to be kept under Section 164 of the Companies Act, an interest in the shares or debentures of the Company, as stated below :

|   | Direct interest as at |                     | Deemed interest as at |                     |
|---|-----------------------|---------------------|-----------------------|---------------------|
|   | 1 January<br>2004     | 31 December<br>2004 | 1 January<br>2004     | 31 December<br>2004 |
| <u>Ordinary shares of \$0.10 each</u>   |                       |                     |                       |                     |
| Walter Sousa  | -                     | 650,000             | -                     | -                   |
| Koh Boon Hwee   | -                     | 1,300,000           | 2,915,190             | 2,915,190           |
| Eileen Tay-Tan Bee Kiew   | -                     | -                   | 370,000               | 370,000             |
| <u>Options to subscribe for ordinary shares<br/>of \$0.10 each at \$0.10 per share</u>  |                       |                     |                       |                     |
| Walter Sousa  | 650,000               | -                   | -                     | -                   |
| Koh Boon Hwee   | 1,316,986             | 16,986              | -                     | -                   |
| Thomas Henrik Zilliacus   | 168,219               | 168,219             | -                     | -                   |
| Thomas Kalon Ng   | 200,000               | 200,000             | -                     | -                   |
| Eileen Tay-Tan Bee Kiew   | 49,863                | 49,863              | -                     | -                   |
| Khaw Kheng Joo  | 134,795               | 134,795             | -                     | -                   |
| <u>Options to subscribe for ordinary shares<br/>of \$0.10 each at \$0.103 per share</u> |                       |                     |                       |                     |
| Khaw Kheng Joo  | 10,000,000            | 10,000,000          | -                     | -                   |

## DIRECTORS' REPORT for the year ended 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### Directors' interest in shares and debentures (cont'd)

|   | Direct interest as at |                     | Deemed interest as at |                     |
|---|-----------------------|---------------------|-----------------------|---------------------|
|   | 1 January<br>2004     | 31 December<br>2004 | 1 January<br>2004     | 31 December<br>2004 |
| <u>Options to subscribe for ordinary shares of \$0.10 each at \$0.135 per share</u> |                       |                     |                       |                     |
| Khaw Kheng Joo  | 5,000,000             | 5,000,000           | -                     | -                   |
| <u>Options to subscribe for ordinary shares of \$0.10 each at \$0.137 per share</u> |                       |                     |                       |                     |
| Walter Sousa  | 3,000,000             | 3,000,000           | -                     | -                   |
| <u>Options to subscribe for ordinary shares of \$0.10 each at \$0.154 per share</u> |                       |                     |                       |                     |
| Walter Sousa  | 10,000,000            | 10,000,000          | -                     | -                   |
| Koh Boon Hwee   | 10,000,000            | 10,000,000          | -                     | -                   |
| <u>Options to subscribe for ordinary shares of \$0.10 each at \$0.155 per share</u> |                       |                     |                       |                     |
| Walter Sousa  | 138,333               | 138,333             | -                     | -                   |
| Koh Boon Hwee   | 200,000               | 200,000             | -                     | -                   |
| Thomas Kalon Ng   | 200,000               | 200,000             | -                     | -                   |
| <u>Options to subscribe for ordinary shares of \$0.10 each at \$0.181 per share</u> |                       |                     |                       |                     |
| Khaw Kheng Joo  | -                     | 750,000             | -                     | -                   |
| <u>Options to subscribe for ordinary shares of \$0.10 each at \$0.196 per share</u> |                       |                     |                       |                     |
| Thomas Kalon Ng   | -                     | 200,000             | -                     | -                   |
| Thomas Henrik Zilliacus   | -                     | 200,000             | -                     | -                   |
| Eileen Tay-Tan Bee Kiew   | -                     | 200,000             | -                     | -                   |
| Sin Hang Boon   | -                     | 112,877             | -                     | -                   |
| <u>Options to subscribe for ordinary shares of \$0.10 each at \$0.25 per share</u>  |                       |                     |                       |                     |
| Koh Boon Hwee   | 6,000,000             | 6,000,000           | -                     | -                   |

There was no change in any of the abovementioned interests between the end of the financial year and 21 January 2005.

## DIRECTORS' REPORT for the year ended 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

### Options

The particulars of share options of the Company are as follows :

#### (a) 1999 MediaRing Employees' Share Option Scheme

In September 1999, the Company adopted an employee share option scheme ("1999 MediaRing Employees' Share Option Scheme") to grant options to subscribe for ordinary shares of \$0.10 each to employees and directors of the Group.

The Scheme is administered by the Remuneration Committee. The members of the committee are :

Thomas Kalon Ng (Chairman)  
Sin Hang Boon  
Eileen Tay-Tan Bee Kiew

Details of the options to subscribe for ordinary shares of \$0.10 each in the Company granted to employees and directors of the Group pursuant to the Scheme are as follows :

|                                 | Date of grant | No. of shares under option  |   |   | Exercise price (\$) | Expiry date |
|---------------------------------|---------------|---|---|---|---------------------|-------------|
|                                 |               | Aggregate options granted since commencement of Scheme to end of financial year | Aggregate options exercised since commencement of Scheme to end of financial year | Aggregate options outstanding as at end of financial year |                     |             |
| <u>Directors of the Company</u> |               |   |   |   |                     |             |
| Walter Sousa                    | 30 Oct 1999   | 650,000   | 650,000   | -   | 0.1000              | 30 Oct 2004 |
| Koh Boon Hwee                   | 30 Oct 1999   | 1,300,000   | 1,300,000   | -   | 0.1000              | 30 Oct 2004 |
| <u>Others</u>                   |               |   |   |   |                     |             |
| Other employees                 | 30 Oct 1999   | 69,849,930  | 23,103,000  | 10,393,000  | 0.1000              | 30 Oct 2009 |
| Total                           |               | 71,799,930  | 25,053,000  | 10,393,000  |                     |             |

No new options under this Scheme were granted during the year.

The aggregate options of 36,353,930 have lapsed since the commencement of this Scheme.

Except as disclosed above, no other directors were granted options under this Scheme and no participant received 5% or more of the total options available under the Scheme.

## DIRECTORS' REPORT for the year ended 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### (b) 1999 MediaRing Employees' Share Option Scheme II

Pursuant to this Scheme, the Remuneration Committee has the ability to grant options to present and future employees of the Group as well as to other persons who are eligible under the Scheme at the average of the closing prices for the 5 trading days prior to the issuance of the grant, less a discount, if any, to be determined by the Remuneration Committee, which shall not exceed 20% of the then prevailing market price.

The Scheme will be administered by the Remuneration Committee who will then determine the terms and conditions of the grant of the options, including the exercise price, the vesting periods which may be over and above the minimum vesting periods prescribed by the Listing Manual of the Singapore Exchange Securities Trading Limited "SGX" and the imposition of retention periods following the exercise of these options by the employees, if any.

Details of the options to subscribe for ordinary shares of \$0.10 each in the Company granted to employees and directors of the Group pursuant to the Scheme are as follows :

|                                 | Date of grant | Options granted during financial year | No. of shares under option  |   | Aggregate options outstanding as at end of financial year | Exercise price (\$) | Expiry date |
|---------------------------------|---------------|---------------------------------------|---|---|---|---------------------|-------------|
|                                 |               |                                       | Aggregate options granted since commencement of Scheme to end of financial year | Aggregate options exercised since commencement of Scheme to end of financial year |   |                     |             |
| <u>Directors of the Company</u> |               |                                       |   |   |   |                     |             |
| Walter Sousa                    | 6 Sep 2001    | -                                     | 3,000,000   | -   | 3,000,000   | 0.1370              | 6 Sep 2011  |
| Walter Sousa                    | 31 Jan 2002   | -                                     | 10,000,000  | -   | 10,000,000  | 0.1540              | 31 Jan 2012 |
| Walter Sousa                    | 15 Jul 2002   | -                                     | 138,333   | -   | 138,333   | 0.1550              | 15 Jul 2012 |
| Koh Boon Hwee                   | 31 Jan 2002   | -                                     | 10,000,000  | -   | 10,000,000  | 0.1540              | 31 Jan 2012 |
| Koh Boon Hwee                   | 31 Jan 2002   | -                                     | 6,000,000   | -   | 6,000,000   | 0.2500              | 31 Jan 2012 |
| Koh Boon Hwee                   | 15 Jul 2002   | -                                     | 200,000   | -   | 200,000   | 0.1550              | 15 Jul 2012 |
| Koh Boon Hwee                   | 28 May 2003   | -                                     | 16,986  | -   | 16,986  | 0.1000              | 28 May 2013 |
| Khaw Kheng Joo                  | 1 Nov 2002    | -                                     | 10,000,000  | -   | 10,000,000  | 0.1030              | 1 Nov 2012  |
| Khaw Kheng Joo                  | 28 May 2003   | -                                     | 134,795   | -   | 134,795   | 0.1000              | 28 May 2013 |
| Khaw Kheng Joo                  | 11 Sep 2003   | -                                     | 5,000,000   | -   | 5,000,000   | 0.1350              | 11 Sep 2013 |
| Khaw Kheng Joo                  | 16 Jan 2004   | 750,000                               | 750,000   | -   | 750,000   | 0.1810              | 16 Jan 2014 |
| Thomas Kalon Ng                 | 15 Jul 2002   | -                                     | 200,000   | -   | 200,000   | 0.1550              | 15 Jul 2012 |
| Thomas Kalon Ng                 | 28 May 2003   | -                                     | 200,000   | -   | 200,000   | 0.1000              | 28 May 2013 |
| Thomas Kalon Ng                 | 26 Apr 2004   | 200,000                               | 200,000   | -   | 200,000   | 0.1960              | 26 Apr 2014 |
| Thomas Henrik Zilliacus         | 28 May 2003   | -                                     | 168,219   | -   | 168,219   | 0.1000              | 28 May 2013 |
| Thomas Henrik Zilliacus         | 26 Apr 2004   | 200,000                               | 200,000   | -   | 200,000   | 0.1960              | 26 Apr 2014 |
| Eileen Tay-Tan Bee Kiew         | 28 May 2003   | -                                     | 49,863  | -   | 49,863  | 0.1000              | 28 May 2013 |
| Eileen Tay-Tan Bee Kiew         | 26 Apr 2004   | 200,000                               | 200,000   | -   | 200,000   | 0.1960              | 26 Apr 2014 |
| Sin Hang Boon                   | 26 Apr 2004   | 112,877                               | 112,877   | -   | 112,877   | 0.1960              | 26 Apr 2014 |

**DIRECTORS' REPORT** for the year ended 31 December 2004

Amounts in Singapore dollars unless otherwise stated

**(b) 1999 MediaRing Employees' Share Option Scheme II (cont'd)**

|   | Date of grant | Options granted during financial year | No. of shares under option  |   | Aggregate options outstanding as at end of financial year | Exercise price (\$) | Expiry date |
|---|---------------|---------------------------------------|---|---|---|---------------------|-------------|
|   |               |                                       | Aggregate options granted since commencement of Scheme to end of financial year | Aggregate options exercised since commencement of Scheme to end of financial year |   |                     |             |
| <u>Employees granted 5% or more of total options under the Scheme</u> |               |                                       |   |   |   |                     |             |
| Yvonne Lau Yee Wan  | 5 Nov 2001    | -                                     | 4,000,000   | -   | 4,000,000   | 0.1020              | 5 Nov 2011  |
| Yvonne Lau Yee Wan  | 31 Jan 2002   | -                                     | 2,000,000   | -   | 2,000,000   | 0.1540              | 31 Jan 2012 |
| Yvonne Lau Yee Wan  | 11 Sep 2003   | -                                     | 4,000,000   | -   | 4,000,000   | 0.1350              | 11 Sep 2013 |
| Yvonne Lau Yee Wan  | 16 Jan 2004   | 600,000                               | 600,000   | -   | 600,000   | 0.1810              | 16 Jan 2014 |
| <u>Others</u>   |               |                                       |   |   |   |                     |             |
| Other employees   | 11 Jan 2000   | -                                     | 3,808,000   | -   | 390,000   | 1.4656              | 11 Jan 2010 |
| Other employees   | 2 May 2000    | -                                     | 300,000   | -   | -   | 0.6816              | 2 May 2010  |
| Other employees   | 13 Jun 2000   | -                                     | 6,340,000   | -   | 1,930,000   | 0.4490              | 13 Jun 2010 |
| Other employees   | 21 May 2001   | -                                     | 7,396,220   | 18,000  | 1,188,220   | 0.1540              | 21 May 2011 |
| Other employees   | 5 Nov 2001    | -                                     | 1,060,000   | 34,000  | 216,000   | 0.1020              | 5 Nov 2011  |
| Other employees   | 31 Jan 2002   | -                                     | 1,500,000   | -   | 1,500,000   | 0.1540              | 31 Jan 2012 |
| Other employees   | 1 Apr 2002    | -                                     | 2,500,000   | -   | 2,500,000   | 0.1790              | 1 Apr 2012  |
| Other employees   | 18 Jun 2002   | -                                     | 750,000   | -   | -   | 0.1230              | 18 Jun 2012 |
| Other employees   | 27 Jun 2002   | -                                     | 10,690,000  | 774,700   | 5,973,300   | 0.1200              | 27 Jun 2012 |
| Other employees   | 23 Sep 2002   | -                                     | 225,000   | 28,000  | 100,000   | 0.1000              | 23 Sep 2012 |
| Other employees   | 8 Oct 2002    | -                                     | 300,000   | 93,000  | -   | 0.1000              | 8 Oct 2012  |
| Other employees   | 22 Oct 2002   | -                                     | 1,000,000   | 437,000   | -   | 0.1000              | 22 Oct 2012 |
| Other employees   | 27 Jan 2003   | -                                     | 50,000  | -   | 50,000  | 0.1010              | 27 Jan 2013 |
| Other employees   | 4 Feb 2003    | -                                     | 30,000  | -   | 30,000  | 0.1000              | 4 Feb 2013  |
| Other employees   | 18 Feb 2003   | -                                     | 1,000,000   | -   | 1,000,000   | 0.1000              | 18 Feb 2013 |
| Other employees   | 16 Apr 2003   | -                                     | 450,000   | -   | 350,000   | 0.1000              | 16 Apr 2013 |
| Other employees   | 11 Sep 2003   | -                                     | 3,733,334   | -   | 3,533,334   | 0.1350              | 11 Sep 2013 |
| Other employees   | 16 Jan 2004   | 6,118,125                             | 6,118,125   | -   | 5,503,854   | 0.1810              | 16 Jan 2014 |
| Total   |               | 8,181,002                             | 104,421,752   | 1,384,700   | 81,435,781  |                     |             |

The aggregate options of 21,601,271 ordinary shares have lapsed since the commencement of this Scheme.

Except as disclosed above, no other directors were granted options under this Scheme and no participant received 5% or more of the total options available under the Scheme. No un-issued shares other than those referred to above, are under option as at the date of this report.

The total number of shares to be issued under the MediaRing Employees' Share Option Scheme II shall not exceed 15% of the total issued share capital of the Company from time to time.

## DIRECTORS' REPORT for the year ended 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### Audit Committee

The Audit Committee comprises the following three independent Non-Executive directors :

Eileen Tay-Tan Bee Kiew (Chairman)  
 Thomas Henrik Zilliacus  
 Thomas Kalon Ng

The Committee performs the functions set out in the Companies Act, the Listing Manual and Best Practices Guide of the Singapore Exchange. In performing those functions, the Committee reviewed the overall scope of the internal audit functions, external audit functions and the assistance given by the Company's officers to the auditors. The Committee met with the auditors to discuss the results of their audit and their evaluation of the systems of internal controls. The Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2004, as well as the external auditors' report thereon.

The Audit Committee held 4 meetings during the financial year ended 31 December 2004.

The Audit Committee has reviewed the non-audit services provided by the auditors and is of the view that such services would not affect the independence of the auditors.

The Committee has recommended to the Board of Directors that Ernst & Young be nominated for re-appointment as auditors at the forthcoming annual general meeting of the Company.

### Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,



Koh Boon Hwee  
 Director



Khaw Kheng Joo  
 Director

Singapore  
 28 February 2005

## STATEMENT BY DIRECTORS Pursuant to Section 201 (15)

We, Koh Boon Hwee and Khaw Kheng Joo, being two of the directors of MediaRing Ltd, do hereby state that, in the opinion of the directors :

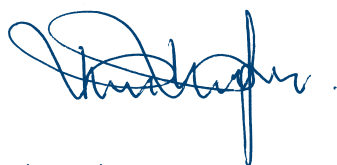
- (a) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with the notes thereto, set out on pages 28 to 54 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the results of the business, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors authorised these financial statements for issue on 28 February 2005.

On behalf of the Board of Directors,



Koh Boon Hwee  
Director



Khaw Kheng Joo  
Director

Singapore  
28 February 2005


## AUDITORS' REPORT to the members of MediaRing Ltd

We have audited the accompanying financial statements of MediaRing Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 28 to 54 for the year ended 31 December 2004. These financial statements are the responsibility of the Company's 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 the audit to obtain reasonable assurance about 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2004 and the results, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



ERNST & YOUNG  
Certified Public Accountants

Singapore  
28 February 2005

**BALANCE SHEETS** as at 31 December 2004

Amounts in Singapore dollars unless otherwise stated

|   | Note | Group            |                | Company          |                |
|---|------|------------------|----------------|------------------|----------------|
|   |      | 2004<br>\$'000   | 2003<br>\$'000 | 2004<br>\$'000   | 2003<br>\$'000 |
| <b>Share Capital and Reserves</b>                   |      |                  |                |                  |                |
| Share capital                                       | 3    | <b>75,097</b>    | 74,587         | <b>75,097</b>    | 74,587         |
| Share premium                                       | 4    | <b>117,555</b>   | 117,540        | <b>117,555</b>   | 117,540        |
| Accumulated losses                                  |      | <b>(145,204)</b> | (144,488)      | <b>(140,721)</b> | (91,755)       |
| Translation reserve                                 |      | <b>(2,596)</b>   | (2,766)        | <b>(6,854)</b>   | (4,611)        |
|   |      | <b>44,852</b>    | 44,873         | <b>45,077</b>    | 95,761         |
| <b>Fixed assets</b>                                 |      |                  |                |                  |                |
| Fixed assets  | 5    | <b>3,700</b>     | 3,518          | <b>1,453</b>     | 1,437          |
| <b>Intangible assets</b>                            | 6    | <b>289</b>       | 136            | <b>282</b>       | 117            |
| <b>Investments in subsidiaries</b>                  | 7    | -                | -              | <b>4,021</b>     | 29,805         |
| <b>Investments in long-term bonds and deposits</b>  | 8    | <b>18,374</b>    | 21,859         | <b>18,374</b>    | 21,859         |
| <b>Other investments</b>                            | 9    | <b>430</b>       | 425            | <b>430</b>       | 425            |
| <b>Long-term loans and advances to subsidiaries</b> | 10   | -                | -              | <b>5,865</b>     | 24,873         |
| <b>Current Assets</b>                               |      |                  |                |                  |                |
| Stocks  | 11   | <b>449</b>       | 259            | <b>390</b>       | 186            |
| Trade debtors                                       | 12   | <b>3,851</b>     | 5,460          | <b>2,327</b>     | 2,066          |
| Other debtors, deposits and prepayments             | 13   | <b>1,474</b>     | 1,675          | <b>911</b>       | 1,052          |
| Due from subsidiaries                               | 15   | -                | -              | <b>5,287</b>     | 9,096          |
| Investments in short-term bonds                     | 8    | <b>3,260</b>     | 7,988          | <b>3,260</b>     | 7,988          |
| Fixed deposits                                      | 14   | <b>23,938</b>    | 13,088         | <b>15,375</b>    | 6,212          |
| Cash and bank balances                              | 14   | <b>3,260</b>     | 3,185          | <b>554</b>       | 737            |
|   |      | <b>36,232</b>    | 31,655         | <b>28,104</b>    | 27,337         |
| <b>Current Liabilities</b>                          |      |                  |                |                  |                |
| Trade creditors                                     |      | <b>3,239</b>     | 4,017          | <b>1,926</b>     | 1,647          |
| Other creditors and accruals                        | 16   | <b>10,934</b>    | 8,703          | <b>8,550</b>     | 5,863          |
| Due to subsidiaries                                 | 15   | -                | -              | <b>2,976</b>     | 2,582          |
|   |      | <b>14,173</b>    | 12,720         | <b>13,452</b>    | 10,092         |
| <b>Net Current Assets</b>                           |      |                  |                |                  |                |
|   |      | <b>22,059</b>    | 18,935         | <b>14,652</b>    | 17,245         |
|   |      | <b>44,852</b>    | 44,873         | <b>45,077</b>    | 95,761         |

The accompanying notes form an integral part of the financial statement.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 December 2004

Amounts in Singapore dollars unless otherwise stated

|  |             | <b>Group</b>           |                |
|--|-------------|------------------------|----------------|
|  | <b>Note</b> | <b>2004<br/>\$'000</b> | 2003<br>\$'000 |
| <b>Turnover</b>                                      | 17          | <b>87,765</b>          | 52,353         |
| Other income   |             | <b>94</b>              | 270            |
| <b>Costs and expenses</b>                            |             |                        |                |
| Direct service fees incurred                         |             | <b>(42,516)</b>        | (26,122)       |
| Personnel costs                                      | 18          | <b>(13,581)</b>        | (12,621)       |
| Infrastructure costs                                 |             | <b>(3,150)</b>         | (3,428)        |
| Foreign exchange loss                                |             | <b>(1,010)</b>         | (692)          |
| Depreciation of fixed assets                         | 19          | <b>(1,873)</b>         | (1,833)        |
| Amortisation of intangible assets                    | 6           | <b>(159)</b>           | (118)          |
| Selling and marketing expenses                       |             | <b>(23,627)</b>        | (11,625)       |
| Other operating expenses                             |             | <b>(4,453)</b>         | (4,320)        |
| <b>Loss from operating activities</b>                | 19          | <b>(2,510)</b>         | (8,136)        |
| Interest income                                      | 20          | <b>1,337</b>           | 1,326          |
| Non-operating income                                 | 21          | <b>457</b>             | 83             |
| <b>Loss from ordinary activities before taxation</b> |             | <b>(716)</b>           | (6,727)        |
| <b>Taxation</b>                                      | 22          | -                      | -              |
| <b>Net loss for the year</b>                         |             | <b>(716)</b>           | (6,727)        |
| <b>Loss per share (cents)</b>                        |             |                        |                |
| - basic  | 23          | <b>(0.10)</b>          | (0.90)         |
| - diluted  | 23          | <b>(0.10)</b>          | (0.90)         |

The accompanying notes form an integral part of the financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** as at 31 December 2004

Amounts in Singapore dollars unless otherwise stated

|  | Share<br>capital<br>\$'000 | Share<br>premium<br>\$'000 | Accumulated<br>losses<br>\$'000 | Translation<br>reserve<br>\$'000 | Total<br>\$'000 |
|--|----------------------------|----------------------------|---------------------------------|----------------------------------|-----------------|
| Balance at 1 January 2003                | 74,511                     | 117,538                    | (137,761)                       | (2,820)                          | 51,468          |
| Net loss for the year                    | -                          | -                          | (6,727)                         | -                                | (6,727)         |
| Issuance of shares                       | 76                         | 2                          | -                               | -                                | 78              |
| Foreign currency translation differences | -                          | -                          | -                               | 54                               | 54              |
| Balance at 1 January 2004                | 74,587                     | 117,540                    | (144,488)                       | (2,766)                          | 44,873          |
| Net loss for the year                    | -                          | -                          | (716)                           | -                                | (716)           |
| Issuance of shares                       | 510                        | 15                         | -                               | -                                | 525             |
| Foreign currency translation differences | -                          | -                          | -                               | 170                              | 170             |
| Balance at 31 December 2004              | 75,097                     | 117,555                    | (145,204)                       | (2,596)                          | 44,852          |

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2004

Amounts in Singapore dollars unless otherwise stated

|   | 2004<br>\$'000 | 2003<br>\$'000 |
|---|----------------|----------------|
| <b>Cash flows from operating activities</b>                     |                |                |
| Loss from ordinary activities before taxation                   | (716)          | (6,727)        |
| Adjustments for :   |                |                |
| Provision for doubtful trade debts                              | 193            | 3              |
| Fixed assets written off  | 2              | 89             |
| Amortisation of intangible assets                               | 159            | 118            |
| Depreciation of fixed assets                                    | 1,891          | 1,833          |
| Gain on disposal of investment                                  | (5)            | (32)           |
| Loss on disposal of fixed assets                                | 7              | 26             |
| Interest income from deposits/bonds                             | (1,337)        | (1,326)        |
| Provision for diminution in value of investment written back    | (444)          | (51)           |
| Provision for stock obsolescence                                | 21             | 288            |
| Translation differences   | 419            | 455            |
| <b>Operating profit/(loss) before working capital changes</b>   | <b>190</b>     | <b>(5,324)</b> |
| Increase in stocks  | (203)          | (192)          |
| Decrease/(increase) in trade debtors                            | 1,434          | (3,160)        |
| Decrease in other debtors, deposits and prepayments             | 170            | 975            |
| (Decrease)/increase in trade creditors                          | (779)          | 2,830          |
| Increase in other creditors and accruals                        | 2,252          | 716            |
| <b>Net cash generated from/(used in) operating activities</b>   | <b>3,064</b>   | <b>(4,155)</b> |
| <b>Cash flows from investing activities</b>                     |                |                |
| Investment in long-term bonds and deposits                      | (5,700)        | (9,370)        |
| Proceeds from redemption of short-term bonds                    | 7,245          | 9,487          |
| Purchase of fixed assets  | (2,220)        | (2,483)        |
| Proceeds from disposal of fixed assets                          | 57             | 63             |
| Purchase of intangible assets                                   | (312)          | (117)          |
| Interest income received from deposits/bonds                    | 1,442          | 1,387          |
| Proceeds from disposal of long-term bonds and other investments | 6,824          | 2,133          |
| <b>Net cash generated from investing activities</b>             | <b>7,336</b>   | <b>1,100</b>   |
| <b>Cash flows from financing activities</b>                     |                |                |
| Proceeds from issuance of shares                                | 525            | 78             |
| <b>Net cash generated from financing activities</b>             | <b>525</b>     | <b>78</b>      |
| Net increase/(decrease) in cash and cash equivalents            | 10,925         | (2,977)        |
| Cash and cash equivalents at beginning of year (Note 14)        | 16,273         | 19,250         |
| <b>Cash and cash equivalents at end of year (Note 14)</b>       | <b>27,198</b>  | <b>16,273</b>  |

The accompanying notes form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### 1. Corporate information

The financial statements of MediaRing Ltd ("the Company") for the year ended 31 December 2004 were authorised for issuance in accordance with a directors' resolution dated 28 February 2005.

The Company is a limited liability company, which is incorporated in Singapore. The address of the Company's registered office is 750A, Chai Chee Road #05-01 Technopark @ Chai Chee Singapore 469001.

The principal activities of the Company and its subsidiaries are marketing and sale of telecommunication services. The Company is also engaged in research and development, design and marketing of telecommunication software. There have been no significant changes in the nature of these activities during the year.

The Group operates in eight countries and the Group and Company employed 184 and 115 (2003 : 168 and 109) employees as of 31 December 2004 respectively.

### 2. Summary of significant accounting policies

#### (a) Basis of preparation

The financial statements, which are expressed in Singapore dollars, have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act.

The financial statements have been prepared on a historical cost basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

#### (b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, after elimination of all material intragroup transactions and resulting unrealised profits. Unrealised losses resulting from intragroup transactions are also eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which the group ceased to have control of the subsidiaries.

Acquisition of subsidiaries are accounted for using the purchase method of accounting.

Goodwill represents the excess of the cost of acquisition over the fair value of net assets acquired of another business. Goodwill is amortised and charged to the profit and loss account on a straight line basis from the date of initial recognition over its estimated useful life of not more than 20 years.

Assets, liabilities and results of overseas subsidiaries are translated into Singapore dollars on the basis outlined in paragraph (d).

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

#### (c) Investments in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors.

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### 2. Summary of significant accounting policies (cont'd)

#### (c) Investments in subsidiaries (cont'd)

In the companies' separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

#### (d) Foreign currency translation

Transactions in foreign currencies are measured in SGD and recorded at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are measured using the exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities are measured using the exchange rates ruling at transaction dates, or in the case of items carried at fair value, the exchange rates that existed when the values were determined. All resultant exchange differences are recognised in the profit and loss account. Exchange differences arising from long-term loans to subsidiaries, which are effectively part of net investments, are taken to foreign currency translation reserve.

Assets and liabilities of foreign entities are translated into SGD equivalents at exchange rates ruling at balance sheet date. Revenues and expenses are translated at exchange rates approximating those ruling at the transaction dates. All resultant exchange differences are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the profit and loss account as a component of the gain or loss on disposal.

#### (e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

Fixed assets are depreciated using the straight-line method to write-off the cost less estimated residual value over their estimated useful lives, which are as follows:

|                                  |   |
|----------------------------------|---|
| Furniture, fixtures and fittings | 3 - 5 years   |
| Computer equipment               | 2 - 5 years   |
| Office equipment                 | 3 - 5 years   |
| Motor vehicles                   | 3 - 5 years   |
| Leasehold improvements           | 3 - 5 years (or period of lease whichever is shorter) |

Computer equipment include office computers, telecommunication equipment and network equipment.

#### (f) Intangible assets

*Patents, trademarks and licences*

The initial costs of acquiring patents, trademarks and licences are capitalised and charged to the profit and loss account over 3 years in equal instalments. The costs of applying for and renewing patents and licences are charged to the profit and loss account.

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### 2. Summary of significant accounting policies (cont'd)

#### (f) Intangible assets (cont'd)

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in value is provided in full.

#### (g) Quoted bonds and long-term deposits

Quoted bonds held on a long-term basis are stated at cost, adjusted for amortisation of premiums and accretion of discounts.

Long-term deposits held to maturity are carried at cost.

#### (h) Other investments

Quoted equity investments are stated at the lower of cost and market value determined on an aggregate portfolio basis. Provision for impairment loss is made when, in the opinion of the directors, there has been a decline, other than a temporary decline in the value of the investment.

Unquoted equity investments held on a long-term basis are stated at cost, less any impairment loss.

#### (i) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. Net realisable value is the estimated selling price less anticipated cost of disposal and after making allowances for damaged, obsolete and slow-moving items.

#### (j) Trade and other debtors

Trade debtors, which generally have 30 - 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at cost less an allowance for any uncollectible amounts.

#### (k) Cash and cash equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and bank balances and short term fixed deposits.

#### (l) Trade and other creditors

Liabilities for trade and other amounts payable which are normally settled on 30 - 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are carried at cost.

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### 2. Summary of significant accounting policies (cont'd)

#### (m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where applicable, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

#### (n) Operating lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

#### (o) Impairment of assets

The Company's and Group's financial assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

#### (p) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### (i) *Rendering of telecommunication services*

Revenue from rendering of telecommunication services comprises the gross invoiced value of services rendered. Commissions and other incentives given to resellers are separately classified under selling and marketing expenses as these are part of the distribution costs. Revenue from such services are recognised as services are provided. Collections from prepaid telecommunication services are deferred and recognised as revenue as and when the services are provided. Unused prepaid telecommunication services are included in the balance sheet as "unearned revenue".

##### (ii) *Sale of hardware*

Revenue from sale of hardware is recognised upon passage of title to the customer that generally coincides with their delivery and acceptance.

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### 2. Summary of significant accounting policies (cont'd)

#### (p) Revenue recognition (cont'd)

##### *(iii) Software license fees and software development*

Revenue from software license, software customisation and system integration services is recognised upon completion and delivery of the services to the customer, based on the percentage of completion method. When the outcome of the services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue from post-contract customer support services is recognised proportionately on a time basis over the contract period.

##### *(iv) Interest*

Revenue is recognised as the interest accrues unless collectibility is in doubt.

#### (q) Research and development costs

Research and development costs are written off in the year in which they are incurred.

#### (r) Employee benefits

##### *(i) Pensions and other post employment benefits*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

##### *(ii) Employee leave entitlements*

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

##### *(iii) Employee equity compensation benefits*

The Company has employee share option schemes whereby employees are granted non-transferable options to purchase the Company's shares. No compensation cost is recognised upon granting or the exercise of the options. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital and share premium accordingly.

#### (s) Income tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### 2. Summary of significant accounting policies (cont'd)

#### (s) Income tax (cont'd)

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences, unabsorbed capital allowances and tax losses can be utilised.

#### (t) Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, by business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing, if any, is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

##### (i) Business Segments

The main business segments of the Group comprise :

- Retail Operations comprising mainly :
  - (i) "PC-Phone" service that allows users to make overseas calls from their PC to any phone in the world;
  - (ii) "Enterprise" service that allows corporate users to make international calls via their existing corporate PABX and internet access;
  - (iii) IDD and VoIP overseas calling services to corporate users and consumers; and
  - (iv) Global Calling Card ("GCC") that offers users the ability to provide low cost calling card services via IP infrastructure.
- Carrier Operations comprising mainly :
  - (i) wholesale traffic terminating services to carriers and service providers; and
  - (ii) "Technology Licensing" that offers connectivity and interoperability solutions to telecommunication carriers and wholesale clearing houses.

- Others

This segment is miscellaneous income and expenses that are not considered part of the main business segments.

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### 2. Summary of significant accounting policies (cont'd)

#### (t) Segment reporting (cont'd)

##### (ii) Geographical Segments

The Group has operating offices in three main geographical areas of Asia, USA and Europe. Turnover is based on the location of its operation. Assets and capital expenditure are based on the location of the assets.

### 3. Share capital

|  | <b>Group and Company</b> |         |
|--|--------------------------|---------|
|  | <b>2004</b>              | 2003    |
|  | <b>\$'000</b>            | \$'000  |
| Authorised:  |                          |         |
| - 1,000,000,000 ordinary shares of \$0.10 each                   | <b>100,000</b>           | 100,000 |
| Issued and fully paid up:  |                          |         |
| Balance at 1 January   |                          |         |
| - 745,873,865 (2003: 745,110,865) ordinary shares of \$0.10 each | <b>74,587</b>            | 74,511  |
| Issuance of shares during the year                               |                          |         |
| - 5,100,700 (2003 : 763,000) ordinary shares of \$0.10 each      | <b>510</b>               | 76      |
| Balance at 31 December   |                          |         |
| - 750,974,565 (2003: 745,873,865) ordinary shares of \$0.10 each | <b>75,097</b>            | 74,587  |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

### 4. Share premium

|  | <b>Group and Company</b> |         |
|--|--------------------------|---------|
|  | <b>2004</b>              | 2003    |
|  | <b>\$'000</b>            | \$'000  |
| Balance at 1 January   | <b>117,540</b>           | 117,538 |
| Premium arising from the issuance of 688,700 (2003 : 86,000) shares of \$0.10 each at \$0.12 per share | <b>14</b>                | 2       |
| Premium arising from the issuance of 18,000 (2003 : Nil) shares of \$0.10 each at \$0.154 per share    | <b>1</b>                 | -       |
| Balance at 31 December   | <b>117,555</b>           | 117,540 |

The application of the share premium account is governed by Section 69 of the Companies Act, Cap. 50.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

Amounts in Singapore dollars unless otherwise stated

## 5. Fixed assets

| Group                           | Furniture,<br>fixtures and<br>fittings<br>\$'000 | Computer<br>equipment<br>\$'000 | Office<br>equipment<br>\$'000 | Motor<br>vehicles<br>\$'000 | Leasehold<br>improvements<br>\$'000 | Total<br>\$'000 |
|---------------------------------|--|---------------------------------|-------------------------------|-----------------------------|-------------------------------------|-----------------|
| <b>Cost</b>                     |  |                                 |                               |                             |                                     |                 |
| Balance at 1 January 2004       | 334  | 9,215                           | 980                           | 82                          | 246                                 | 10,857          |
| Reclassifications               | -  | 417                             | (417)                         | -                           | -                                   | -               |
| Additions                       | 3  | 2,212                           | 5                             | -                           | -                                   | 2,220           |
| Disposals/write-offs            | (5)  | (1,190)                         | (3)                           | -                           | -                                   | (1,198)         |
| Translation differences         | (7)  | (178)                           | (4)                           | (3)                         | (10)                                | (202)           |
| Balance at 31 December 2004     | 325  | 10,476                          | 561                           | 79                          | 236                                 | 11,677          |
| <b>Accumulated depreciation</b> |  |                                 |                               |                             |                                     |                 |
| Balance at 1 January 2004       | 240  | 5,963                           | 840                           | 50                          | 246                                 | 7,339           |
| Reclassifications               | -  | 385                             | (385)                         | -                           | -                                   | -               |
| Charge for the year             | 57   | 1,770                           | 50                            | 14                          | -                                   | 1,891           |
| Disposals/write-offs            | (4)  | (1,124)                         | (3)                           | -                           | -                                   | (1,131)         |
| Translation differences         | (4)  | (103)                           | (3)                           | (2)                         | (10)                                | (122)           |
| Balance at 31 December 2004     | 289  | 6,891                           | 499                           | 62                          | 236                                 | 7,977           |
| Charge for 2003                 | 88   | 1,597                           | 105                           | 27                          | 16                                  | 1,833           |
| <b>Net book value</b>           |  |                                 |                               |                             |                                     |                 |
| Balance at 31 December 2004     | 36   | 3,585                           | 62                            | 17                          | -                                   | 3,700           |
| Balance at 1 January 2004       | 94   | 3,252                           | 140                           | 32                          | -                                   | 3,518           |

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### 5. Fixed assets (cont'd)

| Company                         | Furniture,<br>fixtures and<br>fittings<br>\$'000 | Computer<br>equipment<br>\$'000 | Office<br>equipment<br>\$'000 | Total<br>\$'000 |
|---------------------------------|--|---------------------------------|-------------------------------|-----------------|
| <b>Cost</b>                     |  |                                 |                               |                 |
| Balance at 1 January 2004       | 179  | 3,521                           | 435                           | 4,135           |
| Additions                       | -  | 895                             | 5                             | 900             |
| Disposals/write-offs            | -  | (15)                            | (3)                           | (18)            |
| Balance at 31 December 2004     | 179  | 4,401                           | 437                           | 5,017           |
| <b>Accumulated depreciation</b> |  |                                 |                               |                 |
| Balance at 1 January 2004       | 150  | 2,167                           | 381                           | 2,698           |
| Charge for the year             | 28   | 823                             | 29                            | 880             |
| Disposals/write-offs            | -  | (11)                            | (3)                           | (14)            |
| Balance at 31 December 2004     | 178  | 2,979                           | 407                           | 3,564           |
| Charge for 2003                 | 36   | 649                             | 27                            | 712             |
| <b>Net book value</b>           |  |                                 |                               |                 |
| Balance at 31 December 2004     | 1  | 1,422                           | 30                            | 1,453           |
| Balance at 1 January 2004       | 29   | 1,354                           | 54                            | 1,437           |

### 6. Intangible assets

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2004<br>\$'000 | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| <b>Cost</b>                                  |                |                |                |                |
| Balance at 1 January                         | 2,033          | 1,946          | 1,995          | 1,882          |
| Additions                                    | 312            | 117            | 312            | 113            |
| Write-offs                                   | -              | (30)           | -              | -              |
| Balance at 31 December                       | 2,345          | 2,033          | 2,307          | 1,995          |
| Less : accumulated amortisation              | (2,056)        | (1,897)        | (2,025)        | (1,878)        |
| Net book value at 31 December                | 289            | 136            | 282            | 117            |
| <b>Analysis of accumulated amortisation:</b> |                |                |                |                |
| Balance at 1 January                         | 1,897          | 1,809          | 1,878          | 1,776          |
| Amortised during the year                    | 159            | 118            | 147            | 102            |
| Write-offs                                   | -              | (30)           | -              | -              |
| Balance at 31 December                       | 2,056          | 1,897          | 2,025          | 1,878          |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

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## 7. Investments in subsidiaries

Investments in subsidiaries comprise :

|                                       | Company         |                |
|---------------------------------------|-----------------|----------------|
|                                       | 2004<br>\$'000  | 2003<br>\$'000 |
| Unquoted equity shares, at cost       | <b>30,888</b>   | 30,888         |
| Less : impairment loss                | <b>(26,867)</b> | (1,083)        |
| Carrying amount after impairment loss | <b>4,021</b>    | 29,805         |
| <b>Analysis of impairment loss :</b>  |                 |                |
| Balance at 1 January                  | <b>1,083</b>    | 1,083          |
| Charge for the year                   | <b>25,784</b>   | -              |
| Balance at 31 December                | <b>26,867</b>   | 1,083          |

As at 31 December, the Group had the following subsidiaries:

| Name   | Principal activities                          | Country of incorporation and place of business | Cost of investments by the Company |                | Percentage of equity interest held by the Group |           |
|--|---|--|------------------------------------|----------------|---|-----------|
|  |   |  | 2004<br>\$'000                     | 2003<br>\$'000 | 2004<br>%                                       | 2003<br>% |
| <b>Directly held by the Company</b>            |   |  |                                    |                |   |           |
| MediaRing <sup>(b)</sup> .com, Inc             | To market and sell telecommunication services | USA  | <b>20,044</b>                      | 20,044         | <b>100</b>                                      | 100       |
| MediaRing <sup>(c)(e)</sup> Technology Pte Ltd | Dormant                                       | Singapore                                      | -                                  | -              | <b>100</b>                                      | 100       |
| MediaRing <sup>(a)</sup> (Europe) Limited      | To market and sell telecommunication services | United Kingdom                                 | <b>1,083</b>                       | 1,083          | <b>100</b>                                      | 100       |
| i2u Pte Ltd <sup>(e)</sup>                     | To market and sell telecommunication services | Singapore                                      | <b>6,152</b>                       | 6,152          | <b>100</b>                                      | 100       |
| MediaRing <sup>(a)</sup> (Hong Kong) Limited   | To market and sell telecommunication services | Hong Kong                                      | <b>2,857</b>                       | 2,857          | <b>100</b>                                      | 100       |
| MediaRing <sup>(b)</sup> TC, Inc               | To market and sell telecommunication services | Japan  | <b>752</b>                         | 752            | <b>100</b>                                      | 100       |
| i2u Sdn <sup>(d)(f)</sup> Bhd                  | To market and sell telecommunication services | Malaysia                                       | -                                  | -              | <b>100</b>                                      | 100       |

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### 7. Investments in subsidiaries (cont'd)

| Name  | Principal activities                             | Country of incorporation and place of business | Cost of investments by the Company |                | Percentage of equity interest held by the Group |           |
|---|--|--|------------------------------------|----------------|---|-----------|
|   |  |  | 2004<br>\$'000                     | 2003<br>\$'000 | 2004<br>%                                       | 2003<br>% |
| <b>Held by a subsidiary</b>                         |  |  |                                    |                |   |           |
| MediaRing.com <sup>(a)</sup><br>Shanghai<br>Limited | To market and sell<br>telecommunication services | People's<br>Republic<br>of China               | -                                  | -              | <b>100</b>                                      | 100       |
|   |  |  | <b>30,888</b>                      | 30,888         |   |           |

(a) Audited by associated firm of Ernst & Young, Singapore.

(b) Not required to be audited by the laws of its country of incorporation.

(c) Cost of investment is \$2 (2003 : \$2).

(d) Cost of investment is RM2 (2003 : RM2).

(e) Audited by Ernst & Young, Singapore.

(f) Audited by William C. H. Tan & Associates, Malaysia.

### 8. Investments in bonds and long-term deposits

|   | Group and Company |                |
|---|-------------------|----------------|
|   | 2004<br>\$'000    | 2003<br>\$'000 |
| Quoted bonds, at cost                       | <b>19,510</b>     | 29,337         |
| Quoted bonds maturing within 1 year         | <b>(3,260)</b>    | (7,988)        |
| Quoted bonds maturing after 1 year or more  | <b>16,250</b>     | 21,349         |
| Long-term deposits                          | <b>2,124</b>      | 510            |
| Investments in long-term bonds and deposits | <b>18,374</b>     | 21,859         |
| Quoted bonds, at market value               | <b>19,887</b>     | 29,532         |

Quoted bonds mature on varying periods within 1 to 12 years (2003 : within 1 to 13 years) from the financial year end. Interest is at rates ranging from 1.55% to 5.022% (2003 : 1.3486% to 5.022%) per annum, which are also the effective interest rates.

Long-term deposits are placed with banks and these deposits have maturing periods ranging from 4 to 9 years (2003 : within 10 years) from the financial year end. Interest is at rates ranging from 8.0% to 15.5% (2003 : 15.5%) over the term of the deposits.

Quoted bonds of S\$4 million (2003 : \$Nil) and long-term deposits of US\$1.0 million (2003 : \$Nil) are pledged as security for bank guarantees, standby letters of credit and other bank services.

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### 9. Other investments

|   | <b>Group and Company</b> |        |
|---|--------------------------|--------|
|   | <b>2004</b>              | 2003   |
|   | <b>\$'000</b>            | \$'000 |
| Quoted equity investment  | <b>414</b>               | 409    |
| Unquoted equity investment, at cost   | <b>16</b>                | 16     |
|   | <b>430</b>               | 425    |
| Quoted equity investment is stated after deducting provision for diminution in value of | <b>2,071</b>             | 3,885  |
| Market value of quoted equity investment  | <b>414</b>               | 767    |

### 10. Long-term loans and advances to subsidiaries

|  | <b>Company</b>  |               |
|--|-----------------|---------------|
|  | <b>2004</b>     | 2003          |
|  | <b>\$'000</b>   | \$'000        |
| Long-term loans and advances treated as part of net investment in subsidiaries | <b>61,304</b>   | 63,547        |
| Less: Provision for doubtful loans and advances                                | <b>(55,442)</b> | (43,249)      |
|  | <b>5,862</b>    | 20,298        |
| Other long-term loans and advances   | <b>4,987</b>    | 4,987         |
| Less : Provision for doubtful loans and advances                               | <b>(4,984)</b>  | (412)         |
|  | <b>3</b>        | 4,575         |
|  | <b>5,865</b>    | <b>24,873</b> |

Long-term loans and advances are unsecured, interest-free and have no fixed terms of repayment.

### 11. Stocks

|   | <b>Group</b>  |        | <b>Company</b> |        |
|---|---------------|--------|----------------|--------|
|   | <b>2004</b>   | 2003   | <b>2004</b>    | 2003   |
|   | <b>\$'000</b> | \$'000 | <b>\$'000</b>  | \$'000 |
| Trading stocks, at cost                 | <b>432</b>    | 232    | <b>373</b>     | 186    |
| Trading stocks, at net realisable value | <b>17</b>     | 27     | <b>17</b>      | -      |
|   | <b>449</b>    | 259    | <b>390</b>     | 186    |

Stocks are stated after deducting provision for stock obsolescence of \$227,000 (2003 : \$288,000) for the Group and \$18,000 (2003 : \$36,000) for the Company.

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### 12. Trade debtors

|                                     | Group          |                | Company        |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2004<br>\$'000 | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| Trade debtors                       | 5,321          | 10,031         | 3,011          | 2,542          |
| Less : Provision for doubtful debts | (1,470)        | (4,571)        | (684)          | (476)          |
|                                     | <b>3,851</b>   | 5,460          | <b>2,327</b>   | 2,066          |

### 13. Other debtors, deposits and prepayments

|                     | Group          |                | Company        |                |
|---------------------|----------------|----------------|----------------|----------------|
|                     | 2004<br>\$'000 | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| Other debtors       | 437            | 494            | 234            | 386            |
| Deposits            | 561            | 540            | 339            | 275            |
| Prepayments         | 249            | 401            | 111            | 155            |
| Interest receivable | 227            | 240            | 227            | 236            |
|                     | <b>1,474</b>   | 1,675          | <b>911</b>     | 1,052          |

### 14. Cash and cash equivalents

Cash and cash equivalents comprise the following :

|                          | Group          |                |
|--------------------------|----------------|----------------|
|                          | 2004<br>\$'000 | 2003<br>\$'000 |
| Fixed deposits           | 23,938         | 13,088         |
| Cash on hand and at bank | 3,260          | 3,185          |
|                          | <b>27,198</b>  | 16,273         |

In 2003, fixed deposits of S\$2.3 million and US\$1.0 million were pledged as security for bank guarantees, standby letters of credit and other bank services.

Fixed deposits with financial institutions mature on varying periods within 1 month (2003 : within 1 month) from the financial year end. Interest is at rates ranging from 0.2% to 2% (2003 : 0.2% to 1.65%) per annum, which are also the effective interest rates.

### 15. Due from/(to) subsidiaries

Amounts due from subsidiaries are stated after deducting provision for doubtful debts of \$9,797,000 (2003 : \$Nil) for the Company.

Amounts due from/(to) subsidiaries are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

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### 16. Other creditors and accruals

|                            | Group          |                | Company        |                |
|----------------------------|----------------|----------------|----------------|----------------|
|                            | 2004<br>\$'000 | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| Other creditors            | 926            | 376            | 347            | 158            |
| Accrued operating expenses | 4,230          | 3,981          | 3,388          | 2,832          |
| Unearned revenue           | 5,242          | 3,575          | 4,329          | 2,481          |
| Deposits received          | 536            | 771            | 486            | 392            |
|                            | <b>10,934</b>  | <b>8,703</b>   | <b>8,550</b>   | <b>5,863</b>   |

### 17. Turnover

Turnover comprises the following:

|                    | Group          |                |
|--------------------|----------------|----------------|
|                    | 2004<br>\$'000 | 2003<br>\$'000 |
| Retail Operations  | 69,756         | 39,651         |
| Carrier Operations | 18,009         | 12,450         |
| Others             | -              | 252            |
|                    | <b>87,765</b>  | <b>52,353</b>  |

### 18. Personnel costs

|                                      | Group          |                |
|--------------------------------------|----------------|----------------|
|                                      | 2004<br>\$'000 | 2003<br>\$'000 |
| Salary and allowances                | 11,850         | 10,801         |
| Central Provident Fund contributions | 1,138          | 1,071          |
| Staff accommodation                  | 9              | 5              |
| Staff recruitment                    | 42             | 137            |
| Staff welfare                        | 81             | 42             |
| Training                             | 70             | 39             |
| Provision for unpaid leave balance   | 65             | 129            |
| Other personnel costs                | 326            | 397            |
|                                      | <b>13,581</b>  | <b>12,621</b>  |

Personnel costs include the amount of directors' remuneration as shown in Note 19.

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

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### 19. Loss from operating activities

Loss from operating activities is stated after charging/(crediting) the following :

|  | Group  |        |
|--|--------|--------|
|  | 2004   | 2003   |
|  | \$'000 | \$'000 |
| Auditors' remuneration                                       |        |        |
| - auditors of the Company                                    | 86     | 76     |
| - other auditors   | 31     | 29     |
| Non-audit fees paid to auditors of the Company               | 118    | 12     |
| Directors' fees  |        |        |
| - directors of the Company                                   | 130    | 129    |
| Directors' remuneration                                      |        |        |
| - directors of the Company                                   | 910    | 783    |
| - directors of subsidiaries                                  | 1,520  | 1,199  |
| Fixed assets written off                                     | 2      | 89     |
| Depreciation of fixed assets                                 | 1,891  | 1,833  |
| Amortisation of intangible assets                            | 159    | 118    |
| Operating lease expenses                                     | 606    | 1,229  |
| Provision for doubtful trade debts                           | 193    | 3      |
| Provision for stock obsolescence                             | 21     | 288    |
| Provision for diminution in value of investment written back | (444)  | (51)   |
| Research and development costs*                              | 2,094  | 2,094  |
| Loss on disposal of fixed assets                             | 7      | 26     |
| Gain on disposal of investment                               | (5)    | (32)   |

\* Included in research and development costs are depreciation charges relating to the Group amounting to approximately \$77,000 (2003 : \$63,000) as well as personnel expenses relating to the Group amounting to approximately \$2,017,000 (2003 : \$2,031,000).

### Depreciation of fixed assets

Depreciation of fixed assets is recognised in the following categories of expenses in the profit and loss account :

|                              | Group        |              |
|------------------------------|--------------|--------------|
|                              | 2004         | 2003         |
|                              | \$'000       | \$'000       |
| Direct service fees incurred | 18           | -            |
| Depreciation of fixed assets | 1,873        | 1,833        |
|                              | <b>1,891</b> | <b>1,833</b> |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

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## 20. Interest income

|                                | Group        |              |
|--------------------------------|--------------|--------------|
|                                | 2004         | 2003         |
|                                | \$'000       | \$'000       |
| Interest income                |              |              |
| - bonds and long-term deposits | 1,170        | 1,193        |
| - fixed deposits               | 160          | 127          |
| - bank balances                | 7            | 6            |
|                                | <b>1,337</b> | <b>1,326</b> |

## 21. Non-operating income

|   | Group      |           |
|---|------------|-----------|
|   | 2004       | 2003      |
|   | \$'000     | \$'000    |
| Gain on disposal of other investments                               | 5          | 32        |
| Provision for diminution in value of other investments written back | 444        | 51        |
| Dividend income from other investments                              | 8          | -         |
|   | <b>457</b> | <b>83</b> |

## 22. Taxation

A reconciliation between the statutory tax rate to the Group's effective tax rate applicable to pre-tax loss was as follows :

|  | Group          |                |
|--|----------------|----------------|
|  | 2004           | 2003           |
|  | \$'000         | \$'000         |
| <b>Loss before taxation</b>  | <b>(716)</b>   | <b>(6,727)</b> |
| Tax at the domestic rates applicable to pre-tax profit or loss in the countries concerned* | <b>(672)</b>   | <b>(1,962)</b> |
| Adjustments :  |                |                |
| Tax effect of expenses not deductible for tax purposes                                     | 119            | 101            |
| Deferred tax assets not recognised   | 1,996          | 2,450          |
| Utilisation of deferred tax assets previously not recognised                               | <b>(1,443)</b> | <b>(588)</b>   |
| Difference in corporate tax rate   | -              | (1)            |
| Tax expense  | -              | -              |

\* The reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

As at 31 December 2004, the Group has tax losses of approximately \$117,084,000 (2003 : \$119,236,000) and unabsorbed capital allowances of approximately \$605,000 (2003 : \$509,000) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and unabsorbed capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

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### 23. Loss per share

#### (a) Basic loss per share

Basic loss per share is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

The following reflects the loss and share data used in the basic and diluted loss per share computation for the year ended 31 December :

|  | <b>Group</b>   |         |
|--|----------------|---------|
|  | <b>2004</b>    | 2003    |
|  | <b>\$'000</b>  | \$'000  |
| Net loss attributable to ordinary shareholders for basic and diluted loss per share    | <b>716</b>     | 6,727   |
| Weighted average number of ordinary shares in issue applicable to basic loss per share | <b>749,613</b> | 745,325 |

#### (b) Diluted loss per share

In calculating diluted loss per share, the effects of the potential ordinary shares are ignored as their conversion to ordinary shares would decrease the loss per share.

### 24. Employee Benefits

The Company has an employee share incentive plan for the granting of non-transferable options to employees.

Following the Group's accounting policy in Note 2(r), no compensation is recognised upon granting or exercising of options. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The particulars of share options of the Company are as follows :

#### (a) 1999 MediaRing Employees' Share Option Scheme

Options are granted for terms of 5 to 10 years to purchase the Company's ordinary shares at \$0.10 each. The options are exercisable at any time after the 1st quarter or upon the first anniversary of the date of grant.

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

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### 24. Employee Benefits (cont'd)

#### (a) 1999 MediaRing Employees' Share Option Scheme (cont'd)

Information with respect to the number of options granted under the Company's Employees' Share Option Scheme is as follows :

|                                  | Number of<br>Options<br>2004 | Weighted<br>Average<br>Exercise<br>Price (\$)<br>2004 | Number of<br>Options<br>2003 | Weighted<br>Average<br>Exercise<br>Price (\$)<br>2003 |
|----------------------------------|------------------------------|---|------------------------------|---|
| Outstanding at beginning of year | 14,196,000                   | 0.1000  | 15,198,770                   | 0.1000  |
| Granted                          | -                            | -   | -                            | -   |
| Lapsed                           | (1,000)                      | 0.1000  | (325,770)                    | 0.1000  |
| Exercised <sup>(1)</sup>         | (3,802,000)                  | 0.1000  | (677,000)                    | 0.1000  |
| Outstanding at end of year       | <b>10,393,000</b>            | <b>0.1000</b>   | 14,196,000                   | 0.1000  |
| Exercisable at end of year       | <b>10,393,000</b>            | <b>0.1000</b>   | 14,196,000                   | 0.1000  |

<sup>(1)</sup> The options were exercised at \$0.10 (2003 : \$0.10) per share. Consideration received from options exercised during the year was \$380,200 (2003 : \$67,700).

| Exercise Price (\$) | Outstanding          |                            | Weighted<br>Average<br>Exercise<br>Price (\$) | Exercisable          |   |
|---------------------|----------------------|----------------------------|---|----------------------|---|
|                     | Number of<br>Options | Average<br>Life<br>(years) |   | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price (\$) |
| 0.1000              | 10,393,000           | 4.8                        | 0.1000  | 10,393,000           | 0.1000  |

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### 24. Employee Benefits (cont'd)

#### (b) 1999 MediaRing Employees' Share Option Scheme II

Options are granted for terms of 10 years to purchase the Company's ordinary shares at the average of the closing prices for the 5 trading days prior to the issuance of the grant. The options are exercisable at any time after the end of the quarter following the first anniversary of the date of grant.

Information with respect to the number of options granted under the Company's Employees' Share Option Scheme II is as follows :

|                                  | Number of<br>Options<br>2004 | Weighted<br>Average<br>Exercise<br>Price (\$)<br>2004 | Number of<br>Options<br>2003 | Weighted<br>Average<br>Exercise<br>Price (\$)<br>2003 |
|----------------------------------|------------------------------|---|------------------------------|---|
| Outstanding at beginning of year | 77,425,750                   | 0.1576  | 66,191,553                   | 0.1716  |
| Granted                          | 8,181,002                    | 0.1823  | 14,833,197                   | 0.1300  |
| Lapsed                           | (2,872,271)                  | 0.4168  | (3,513,000)                  | 0.3050  |
| Exercised <sup>(2)</sup>         | (1,298,700)                  | 0.1114  | (86,000)                     | 0.1200  |
| Outstanding at end of year       | <b>81,435,781</b>            | <b>0.1614</b>   | 77,425,750                   | 0.1576  |
| Exercisable at end of year       | <b>44,621,000</b>            | <b>0.1721</b>   | 26,573,138                   | 0.1890  |

<sup>(2)</sup> The options were exercised at a weighted average exercise price of \$0.1114 (2003 : \$0.12) per share. Consideration received from options exercised during the year was \$144,684 (2003 : \$10,320).

| Exercise Price (\$) | Outstanding          |                            | Exercisable                                   |                      |   |
|---------------------|----------------------|----------------------------|---|----------------------|---|
|                     | Number of<br>Options | Average<br>Life<br>(years) | Weighted<br>Average<br>Exercise<br>Price (\$) | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price (\$) |
| 0.1000              | 2,049,863            | 8.2                        | 0.1000  | 849,000              | 0.1000  |
| 0.1010              | 50,000               | 8.1                        | 0.1010  | 21,000               | 0.1010  |
| 0.1020              | 4,216,000            | 6.9                        | 0.1020  | 3,162,000            | 0.1020  |
| 0.1030              | 10,000,000           | 7.8                        | 0.1030  | 5,000,000            | 0.1030  |
| 0.1200              | 5,973,300            | 7.5                        | 0.1200  | 3,733,000            | 0.1200  |
| 0.1350              | 12,533,334           | 8.8                        | 0.1350  | 3,916,000            | 0.1350  |
| 0.1370              | 3,000,000            | 7.0                        | 0.1370  | 2,437,000            | 0.1370  |
| 0.1540              | 24,688,220           | 7.1                        | 0.1540  | 17,195,000           | 0.1540  |
| 0.1550              | 538,333              | 7.6                        | 0.1550  | 301,000              | 0.1550  |
| 0.1790              | 2,500,000            | 7.3                        | 0.1790  | 1,562,000            | 0.1790  |
| 0.1810              | 6,853,854            | 9.1                        | 0.1810  | -                    | -   |
| 0.1960              | 712,877              | 9.3                        | 0.1960  | -                    | -   |
| 0.2500              | 6,000,000            | 7.1                        | 0.2500  | 4,125,000            | 0.2500  |
| 0.4490              | 1,930,000            | 5.5                        | 0.4490  | 1,930,000            | 0.4490  |
| 1.4656              | 390,000              | 5.1                        | 1.4656  | 390,000              | 1.4656  |
| Total               | <b>81,435,781</b>    | <b>7.5</b>                 | <b>0.1614</b>                                 | <b>44,621,000</b>    | <b>0.1721</b>                                 |

# NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

Amounts in Singapore dollars unless otherwise stated

## 25. Related party information

During the year, apart from remuneration paid to directors and key management, the Group did not enter into any significant transaction with related parties, who are not members of the Group.

### Directors' and key management's remuneration

In addition to their salaries, directors and key management also participate in the 1999 MediaRing Employees' Share Option Schemes. 1,462,877 and 1,430,000 (2003 : 5,569,863 and 6,000,000) share options were granted to the directors and key management of the Company during 2004. The share options were granted on the same terms and conditions as those offered to other employees of the Company as described in Note 24. 46,571,073 and 22,005,300 (2003 : 47,058,196 and 22,000,000) share options granted to the directors and key management of the Company were outstanding at the end of the year.

Key management's remuneration totalled \$1,413,141 (2003 : \$1,160,041) and details of directors' remuneration are disclosed separately in Note 19.

## 26. Contingent liabilities and commitments

### (a) Contingent liabilities

The Company has undertaken to provide continuing financial support to its subsidiaries by not demanding payment for loans and receivables owing by them and when required, to provide sufficient working capital to enable them to operate as going concerns for a period of at least twelve months from the respective dates of the directors' reports of the subsidiaries relating to the audited financial statements for the financial year ended 31 December 2004.

### (b) Capital commitment

The Company has entered into a Sale and Purchase Agreement dated 3 December 2002 to acquire, subject to the terms and conditions therein, the entire issued and paid-up capital of Interindo (Malaysia) Sdn Bhd for a total consideration of RM875,000 (approximately S\$376,000). Potential capital commitment as at year end amounts to RM612,500 (approximately S\$263,000) as RM262,500 (approximately S\$113,000) of the consideration has been paid.

### (c) Operating lease commitments

The Group leases certain properties under lease agreements that are non-cancellable within a year. It has various operating lease agreements for offices. Future minimum lease payments for all leases with initial terms of one year or more are as follows :

|                     | Group          |                | Company        |                |
|---------------------|----------------|----------------|----------------|----------------|
|                     | 2004<br>\$'000 | 2003<br>\$'000 | 2004<br>\$'000 | 2003<br>\$'000 |
| Within 1 year       | 461            | 571            | 253            | 252            |
| Within 2 to 5 years | 84             | 489            | -              | 231            |
|                     | <b>545</b>     | 1,060          | <b>253</b>     | 483            |

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### 27. Segment information

#### (a) Business Segments

|                                | Retail<br>Operations<br>\$'000 | Carrier<br>Operations<br>\$'000 | Others<br>\$'000 | Group<br>\$'000 |
|--------------------------------|--------------------------------|---------------------------------|------------------|-----------------|
| <b>2004</b>                    |                                |                                 |                  |                 |
| Turnover                       | 69,756                         | 18,009                          | -                | 87,765          |
| Operating profit/(loss)        | 2,091                          | (4,601)                         | -                | (2,510)         |
| Unallocated corporate income   |                                |                                 |                  | 1,794           |
| Loss for the year              |                                |                                 |                  | <u>(716)</u>    |
| Allocated assets               | 6,336                          | 3,200                           | -                | 9,536           |
| Unallocated corporate assets   |                                |                                 | -                | 49,489          |
| Total assets                   |                                |                                 |                  | <u>59,025</u>   |
| Allocated liabilities          | 11,695                         | 2,478                           | -                | 14,173          |
| Capital expenditure            | 2,072                          | 460                             | -                | 2,532           |
| Depreciation and amortisation  | 1,596                          | 454                             | -                | 2,050           |
| <b>2003</b>                    |                                |                                 |                  |                 |
| Turnover                       | 39,651                         | 12,450                          | 252              | 52,353          |
| Operating profit/(loss)        | (4,240)                        | (3,532)                         | 241              | (7,531)         |
| Unallocated corporate income   |                                |                                 |                  | 1,679           |
| Unallocated corporate expenses |                                |                                 |                  | (875)           |
| Loss for the year              |                                |                                 |                  | <u>(6,727)</u>  |
| Allocated assets               | 5,728                          | 4,929                           | 149              | 10,806          |
| Unallocated corporate assets   |                                |                                 |                  | 46,787          |
| Total assets                   |                                |                                 |                  | <u>57,593</u>   |
| Allocated liabilities          | 9,352                          | 3,368                           | -                | 12,720          |
| Capital expenditure            | 1,857                          | 626                             | -                | 2,483           |
| Depreciation and amortisation  | 1,573                          | 378                             | -                | 1,951           |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

Amounts in Singapore dollars unless otherwise stated

## 27. Segment information (cont'd)

### (b) Geographical Segments

|        | Turnover |        | Assets |        | Capital expenditure |        |
|--------|----------|--------|--------|--------|---------------------|--------|
|        | 2004     | 2003   | 2004   | 2003   | 2004                | 2003   |
|        | \$'000   | \$'000 | \$'000 | \$'000 | \$'000              | \$'000 |
| Asia   | 79,975   | 43,714 | 56,920 | 53,998 | 1,789               | 1,883  |
| USA    | 6,047    | 5,269  | 2,103  | 3,299  | 743                 | 600    |
| Europe | 1,743    | 3,370  | 2      | 296    | -                   | -      |
| Total  | 87,765   | 52,353 | 59,025 | 57,593 | 2,532               | 2,483  |

## 28. Directors' remuneration

|                        | Number of directors in remuneration bands |                         | Total |
|------------------------|---|-------------------------|-------|
|                        | Executive directors                       | Non-executive directors |       |
| <b>2004</b>            |   |                         |       |
| \$500,000 and above    | 1   | -                       | 1     |
| \$250,000 to \$499,999 | -   | -                       | -     |
| Below \$250,000        | 2   | 4                       | 6     |
|                        | 3   | 4                       | 7     |
| <b>2003</b>            |   |                         |       |
| \$500,000 and above    | -   | -                       | -     |
| \$250,000 to \$499,999 | 1   | -                       | 1     |
| Below \$250,000        | 2   | 5                       | 7     |
|                        | 3   | 5                       | 8     |

## 29. Financial instruments

### *Financial risk management objectives and policies*

The Group is exposed to market risk including primarily changes in interest rates and currency exchange rates. The Board reviews and agrees policies for managing these risks and they are summarised below.

### *Credit risk*

The carrying amounts of trade and other receivables, fixed deposits, long-term deposits, amounts due from related companies and related parties and cash and bank balances represent the Group's maximum exposure to credit risk. Cash and bank balances are placed with banks of good standing. The Group performs ongoing credit evaluation of its customers' financial conditions and maintains a provision for doubtful trade debts based upon expected collectibility of all trade debts.

The Group has no significant concentration of credit risk.

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

Amounts in Singapore dollars unless otherwise stated

### 29. Financial instruments (cont'd)

#### *Interest rate and liquidity risk*

The Group's exposure to interest rate and liquidity risks are minimal as it does not have significant external borrowings. Surplus funds are placed with reputable banks and invested in bonds.

#### *Foreign exchange risk*

Currently, the Group does not enter into foreign exchange contracts to hedge its foreign exchange risk resulting from cash flows from transactions denominated in foreign currencies, primarily the US dollar. However, the Group reviews periodically that its net exposure is kept at an acceptable level.

#### *Fair values of financial instruments*

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

#### *Cash and cash equivalents, trade and other receivables, trade and other payables*

The carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments.

#### *Non-current unquoted investments*

It is not practical to estimate the fair value of the Group's long-term unquoted equity investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded to be significantly in excess of their fair values at the balance sheet date.

#### *Long-term deposits*

The carrying amounts of long-term deposits approximate their fair values as they bear interest at variable market rates.

#### *Non-current loans due from subsidiaries*

It is not practical to estimate the fair value of non-current loan accounts due principally to the lack of fixed repayment terms. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

#### *Investment in bonds*

The fair value of investment in bonds, which is the market value is disclosed in Note 8.

### 30. Comparative figures

Certain income items amounting to \$83,000 have been reclassified from "Other income" to "Non-operating income" to better reflect the nature of the items and to conform to the current year's classification. Details of these amounts are disclosed in Note 21.

## SUPPLEMENTARY INFORMATION

### **MATERIAL CONTRACTS**

Since the end of the previous financial year, the Company and its subsidiaries did not enter into any material contracts involving interests of the Chief Executive Officer, Directors or controlling shareholders and no such material contract still subsist at the end of the financial year.

### **INTERESTED PARTY TRANSACTIONS (“IPT”)**

The Company has established procedures for recording and reporting interested person transactions. It will subject all IPT to review by the Audit Committee to ensure IPT are conducted at arm’s length, on normal commercial terms and comply with the provisions of Chapter 9 of the SGX listing Manual.

## SHAREHOLDING STATISTICS as at 10 March 2005

### DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | %      | No. of Shares | %      |
|-----------------------|---------------------|--------|---------------|--------|
| 1 - 999               | 23                  | 0.12   | 8,681         | 0.00   |
| 1,000 - 10,000        | 12,731              | 68.08  | 56,048,110    | 7.46   |
| 10,001 - 1,000,000    | 5,884               | 31.46  | 322,625,484   | 42.95  |
| 1,000,001 and above   | 63                  | 0.34   | 372,516,290   | 49.59  |
| Total                 | 18,701              | 100.00 | 751,198,565   | 100.00 |

### LOCATION OF SHAREHOLDINGS

| Location              | No. of Shareholders | %      | No. of Shares | %      |
|-----------------------|---------------------|--------|---------------|--------|
| Singapore             | 18,326              | 97.99  | 657,355,005   | 87.51  |
| Malaysia              | 155                 | 0.83   | 4,169,000     | 0.56   |
| Hong Kong             | 29                  | 0.16   | 1,112,000     | 0.15   |
| Japan                 | 4                   | 0.02   | 23,000        | -      |
| USA                   | 44                  | 0.24   | 1,065,000     | 0.14   |
| UK                    | 10                  | 0.05   | 51,000        | 0.01   |
| Australia/New Zealand | 28                  | 0.15   | 3,102,130     | 0.41   |
| Others                | 105                 | 0.56   | 84,321,430    | 11.22  |
| Total                 | 18,701              | 100.00 | 751,198,565   | 100.00 |

### SUBSTANTIAL SHAREHOLDERS

| Name                         | Direct Interest |      | Deemed Interest |      | Total Interest |      |
|------------------------------|-----------------|------|-----------------|------|----------------|------|
|                              | No. of Shares   | %    | No. of Shares   | %    | No. of Shares  | %    |
| 1. L&H Investment Company    | 53,092,270      | 7.07 | -               | -    | 53,092,270     | 7.07 |
| 2. Pol Lucien Comeel Houspie | -               | -    | 53,092,270      | 7.07 | 53,092,270     | 7.07 |

## SHAREHOLDING STATISTICS as at 10 March 2005

### TWENTY LARGEST SHAREHOLDERS

| Name  | No. of Shares      | %            |
|---|--------------------|--------------|
| 1. L&H Investment Company                     | 53,092,270         | 7.07         |
| 2. DBS Nominees Pte Ltd                       | 25,852,430         | 3.44         |
| 3. CTI Limited                                | 23,850,240         | 3.17         |
| 4. BNP Paribas Nominees Singapore Pte Ltd     | 21,038,000         | 2.80         |
| 5. United Overseas Bank Nominees Pte Ltd      | 18,720,600         | 2.49         |
| 6. Vertex Technology Fund Ltd                 | 17,380,910         | 2.31         |
| 7. T.H.eVenture Pte Ltd                       | 14,632,520         | 1.95         |
| 8. UOB Kay Hian Pte Ltd                       | 11,862,000         | 1.58         |
| 9. DBS Vickers Securities (Singapore) Pte Ltd | 9,640,000          | 1.28         |
| 10. OCBC Securities Private Ltd               | 9,611,000          | 1.28         |
| 11. Citibank Consumer Nominees Pte Ltd        | 9,211,000          | 1.23         |
| 12. OCBC Nominees Singapore Pte Ltd           | 9,116,000          | 1.21         |
| 13. Citibank Nominees Singapore Pte Ltd       | 8,706,300          | 1.16         |
| 14. Kim Eng Securities Pte Ltd                | 7,578,000          | 1.01         |
| 15. Chong Yean Fong                           | 7,010,000          | 0.93         |
| 16. HSBC (Singapore) Nominees Pte Ltd         | 6,987,600          | 0.93         |
| 17. Vertex Technology Fund (II) Ltd           | 6,619,270          | 0.88         |
| 18. G K Goh Stockbrokers Pte Ltd              | 5,879,000          | 0.78         |
| 19. Goh Seh Leong                             | 5,853,000          | 0.78         |
| 20. Tai Tak Securities Pte Ltd                | 5,500,000          | 0.73         |
| <b>Total</b>                                  | <b>278,140,140</b> | <b>37.01</b> |

### SHAREHOLDINGS HELD BY THE PUBLIC

99.3% of MediaRing Ltd's issued ordinary shares is held by the public. Rule 723 of the SGX Listing Manual has been complied with.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MediaRing Ltd ("the Company") will be held at Singapore Post Centre, 10 Eunos Road 8 #05-30 The Pavilion (Theatrette), Singapore 408600 on Wednesday, 27 April 2005 at 2.30 p.m. for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts for the year ended 31 December 2004 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Article 104 of the Company's Articles of Association:-  
Mr. Khaw Kheng Joo **(Resolution 2)**  
Mr. Thomas Henrik Zilliacus **(Resolution 3)**  
  
Mr. Thomas Henrik Zilliacus will, upon re-election as Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.
3. To approve the payment of Directors' fees for Non-Executive Directors for the year ended 31 December 2004 comprising:
  - (a) S\$130,000/- and
  - (b) 800,000 share options to subscribe for new shares in the Company on terms and conditions as set out in the 1999 MediaRing Employees' Share Option Scheme II ("ESOS II") at an exercise price of S\$ 0.151 per share being the average of the closing prices of the five (5) trading days following the announcement of the full year results for the year ended 31 December 2004. (2003: S\$128,685/- and offer of 791,233 share options under the ESOS II). **(Resolution 4)**
4. To re-appoint Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

#### 6. Authority to allot and issue shares up to 50 per centum (50%) of issued share capital

That pursuant to Section 161 of the Companies Act, Cap.50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that:

- (a) the aggregate number of shares to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this Resolution; and

## NOTICE OF ANNUAL GENERAL MEETING

- (b) the aggregate number of shares to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company at the time of passing this Resolution.

Such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (i)]

**(Resolution 6)**

### 7. **Authority to allot and issue shares under the 1999 MediaRing Employees' Share Option Scheme ("ESOS")**

That pursuant to Section 161 of the Companies Act, Cap.50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the ESOS upon the exercise of such options and in accordance with the terms and conditions of the ESOS, provided always that the aggregate number of ordinary shares to be allotted and issued pursuant to the ESOS shall not exceed 65,921,470 ordinary shares and such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting or the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier. [See Explanatory Note (ii)]

**(Resolution 7)**

### 8. **Authority to allot and issue shares under the 1999 MediaRing Employees' Share Option Scheme II ("ESOS II")**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the ESOS II upon the exercise of such options and in accordance with the terms and conditions of the ESOS II, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the ESOS II shall not exceed fifteen per centum (15%) of the issued share capital of the Company from time to time and such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting or the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier. [See Explanatory Note (iii)]

**(Resolution 8)**

By Order of the Board

Yvonne Lau Yee Wan  
Dorothy Ho  
Secretaries  
Singapore, 4 April 2005

## NOTICE OF ANNUAL GENERAL MEETING

### Explanatory Notes:

- (i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares in the Company. The number of shares that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the issued capital of the Company at the time of the passing of this resolution. For issue of shares other than on a pro-rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per centum (20%) of the issued capital of the Company.

For the purpose of this resolution, the percentage of issued capital is based on the Company's issued capital at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of employee share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

- (ii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to allot and issue shares in the Company of up to a number not exceeding 65,921,470 ordinary shares from time to time pursuant to the exercise of the options under the ESOS.
- (iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company from time to time pursuant to the exercise of the options under ESOS II.

### Notes

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 750A Chai Chee Road #05-01, Technopark @ Chai Chee, Singapore 469001 not less than 48 hours before the time appointed for holding the Meeting.

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# MEDIARING LTD

(Incorporated In the Republic of Singapore)  
(Regn.No.: 199304568R)

## PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of MediaRing Ltd (the "Company"), hereby appoint :-

| Name    | NRIC/Passport No. | Proportion of Shareholdings |   |
|---------|-------------------|-----------------------------|---|
|         |                   | No. of Shares               | % |
| Address |                   |                             |   |

and/or (delete as appropriate)

| Name    | NRIC/Passport No. | Proportion of Shareholdings |   |
|---------|-------------------|-----------------------------|---|
|         |                   | No. of Shares               | % |
| Address |                   |                             |   |

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Wednesday, 27 April 2005 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

**(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)**

| No. | Resolutions relating to:   | For | Against |
|-----|--|-----|---------|
| 1.  | Directors' Report and Audited Accounts for the year ended 31 December 2004   |     |         |
| 2.  | Re-election of Mr. Khaw Kheng Joo as Director  |     |         |
| 3.  | Re-election of Mr. Thomas Henrik Zilliacus as Director   |     |         |
| 4.  | Approval of Directors' fees for Non-Executive Directors amounting to S\$130,000/- and offer of 800,000 share options under the ESOS II |     |         |
| 5.  | Re-appointment of Ernst & Young as Auditors  |     |         |
| 6.  | Authority to allot and issue new shares  |     |         |
| 7.  | Authority to allot and issue shares under the ESOS   |     |         |
| 8.  | Authority to allot and issue shares under the ESOS II  |     |         |

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

| Total number of Shares in: | No. of Shares |
|----------------------------|---------------|
| (a) CDP Register           |               |
| (b) Register of Members    |               |

IMPORTANT: Please read notes overleaf



**Notes :**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore) you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 750A Chai Chee Road #05-01, Technopark @ Chai Chee, Singapore 469001 not less than 48 hours before the time appointed for the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Affix  
Stamp  
Here

**The Company Secretary**  
**MediaRing Ltd**  
750A, Chai Chee Road  
#05-01 Technopark @ Chai Chee  
Singapore 469001

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## HEAD OFFICE

### MediaRing Ltd

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Tel: +65 6441 1213  
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## SUBSIDIARIES, BRANCH AND REPRESENTATIVE OFFICE

### SINGAPORE

#### i2u Pte Ltd

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Email: sales-beijing@mediaring.com

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#### MediaRing Ltd

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