The future is calling

ANNUAL REPORT 2005

mediaring

contents

corporate profile

Singapore-grown MediaRing Ltd is Asia's leading pure-play VoIP service provider with a significant share of the global Internet telephony market.

MediaRing delivers a broad range of high quality and low cost voice services to carriers, enterprises, service providers and consumers worldwide. It achieves this through its technological edge and extensive interconnected global distribution network which enables MediaRing to terminate calls in more than 240 countries, twenty-four hours a day, seven days a week.

Riding on VoIP's fast-paced growth, MediaRing generated over one billion call minutes in FY2005 over its global network, helping consumers and corporate customers save substantial amounts in long distance and international calls.

With its headquarters in Singapore, MediaRing is a global enterprise with business offices in Malaysia, Shanghai, Beijing, Hong Kong, Taiwan, Japan, USA and Cambodia. Since 1999, MediaRing has been listed on the Main Board of the Singapore Stock Exchange and trades under the stock symbol MRNG.SI.

The future of VoIP is calling…

- Almost 80 percent of all voice traffic will be based on VoIP technologies[a] within the next 10 years.
- VoIP is set to drive voice and data convergence activity in more than 95 percent of major companies by 2010[b]…Gartner Inc.
- Telecom spending in the Small Medium Enterprises sector will grow nearly 70 percent over the next five years as demand accelerates for high-speed Internet access and a range of other high-speed IP-based services[a] …IDC Corp.

chairman's message

Dear Shareholders,

Our future is calling! This is the message we want to share with MediaRing's stakeholders as the theme for our 2005 Annual Report. Why is the future calling, you may ask?

Well, in 2005 and indeed since 2001, MediaRing has grown significantly, in part because of our single-minded focus on the VoIP telephony business and our commitment to deliver high quality, cost effective VoIP telephony services to corporate and consumer customers.

Today, we have cemented our position as the Number One pure-play VoIP provider in Asia. Given the rapidly increasing adoption rate of VoIP around the world, we certainly believe our future is calling.

That said, please allow me to present a brief snapshot of the financial and corporate developments that the Group has accomplished in FY2005.

Achieving financial excellence yet again

MediaRing recorded an excellent set of full year results, which I am very pleased, and indeed proud, to share with you.

With effect from FY2005, the Company adopted FRS 21 (revised): "The Effects of Changes in Foreign Exchange Rates" and FRS 102: "Share Based Payments". The Group's FY2004 financial information has been re-stated to reflect the adoption of these standards.

In FY2005, the Group:

- registered an 83 percent increase in revenue to US$95.2 million from US$51.9 million in FY2004, sustaining our growth momentum;
- posted a net profit of US$5.2 million, a 1,072 percent increase over US$0.4 million in FY2004, probably making MediaRing the world's first and only profitable public-listed VoIP service provider;
- reported a healthy improvement on our balance sheet which included an increase in shareholders equity to US$46.9 million from US$27.4 million in FY2004; and
- achieved improved Earnings Per Share (EPS) of 0.64 US cents, based on the 802,149,303 weighted average ordinary shares in issue, compared to 0.06 US cents in FY2004, whilst Net Assets Value (NAV) rose to 5.19 US cents, based on 903,870,279 ordinary shares in issue, as compared to 3.65 US cents in FY2004.

Recognition of our achievements

Our growth story as detailed above did not go unnoticed. In December 2005, MediaRing was presented with the Deloitte Technology Fast Asia Pacific 500 award for the third consecutive year. The programme recognises the 500 fastest growing technology companies in Asia Pacific and includes all areas of technology, from Internet to biotechnology, from medical and scientific to computers/hardware. It covers public and private companies across the region, and is awarded based on companies' three-year average percentage revenue growth. From FY2003 to FY2005, MediaRing achieved a compounded annual growth rate (CAGR) of 78 percent in revenue. Significantly, we were one of only a handful of Singapore companies that was recognised.

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[a] Business Times article dated 7 November 2005 titled "Internet telephony and the telcos"

[b] Business Times article dated 20 June 2005 titled "3Com to push Internet telephony in Asia"

"MediaRing generated more than 1.0 billion minutes in call volume in FY2005, allowing us to maintain our position as one of Singapore's leading telecommunications operators in originating minutes. Of these 1.0 billion minutes, more than 970 million minutes were VoIP traffic."

Raising the bar and setting new milestones

Apart from the strong financial results, the Group also diligently worked to increase our competitive edge and strengthen our position in the VoIP arena. In FY2005, we achieved the following milestones:

- generated more than 1.0 billion minutes in call volume, up from 665 million minutes in FY2004, which allowed us to maintain our position as one of Singapore's leading telecommunications operators in originating minutes;
- routed more than 970 million minutes in VoIP call, up from approximately 600 million minutes in FY2004, attesting to our status as one of the world's more successful pure-play VoIP players;
- strengthened our distribution network by increasing our worldwide resellers and distributors to more than 1,400, a 27 percent increase compared to FY2004; and
- launched VoIP booths and services at Singapore Changi Airport in November 2005, making it one of the first international airports in the world to offer high quality, budget VoIP international calls to passengers, and at the same time raising the brand profile of MediaRing.

Augmenting our financial resources for mergers & acquisitions

In August 2005, we raised proceeds of US$14.3 million (or S$24.2 million) through a 150 million share placement to Venture One Finance Limited, representing approximately 17 percent of MediaRing's issued share capital. We see this investment as a strong vote of confidence in the Group. The additional cash together with the resources we already have now allow the Group to look for significant business expansion through acquisitions and investments in the Asia-Pacific region.

Strategically expanding into new markets

Having brought the Group to sustainable growth and profitability, the Board decided to complement organic growth with acquisitions, mergers and alliances.

To this end, we:

- acquired a 40 percent interest in (Cambodia) Data Communication Co. Ltd ("CDC"), an ISP and a VSAT service provider in Cambodia, a market which has a high growth potential due to its low rate of telecommunication penetration;
- acquired PT Atlasat Solusindo in Indonesia, allowing us to enhance our communications network in the region to better serve businesses and corporations; and
- joined the Google federation.

Once developed, we believe that the new markets of Cambodia and Indonesia will not only provide ample opportunities for growth in our retail business, they will also enhance the offering of our Enterprise Solutions to corporations and businesses in the region. In addition, we believe that the alliance with Google will open up opportunities to reach a different target audience for our services and to network with other VoIP service providers.

The future is clearly calling

As our Annual Report theme suggests, MediaRing's future beckons, and our path undoubtedly lies in VoIP, now widely recognised and accepted as a technology with immense growth potential.

Indeed, we have come across reports where it is anticipated that, within the next 10 years, almost 80 percent of all voice traffic will be based on VoIP technologies[a]. According to established researcher Gartner Inc., VoIP is set to drive voice and data convergence activity in more than 95 percent of major companies by 2010[b] whilst another well-known research group, IDC Corp., estimates that telecom spending in the Small Medium Enterprises ("SME") sector will grow nearly 70 percent over the next five years as demand accelerates for high-speed Internet access and a range of other high-speed IP-based services[a].

With these exciting projections of VoIP in mind, we will definitely continue to build on our strengths to capture these growth opportunities. To this end, we have implemented an expansion strategy to:

- identify and enter new markets while at the same time defend and grow our existing markets;
- improve and enhance our VoIP service and product offerings, focusing particularly on our PC-Phone, IP Phone and Enterprise Solutions segments as well as Wi-Fi applications;
- continue to expand our distribution network with the goal of appointing more partners in each market that we are in as well as a wider geographical spread; and
- remain open to strategic alliances and investment opportunities in synergistic businesses for accelerated growth.

Voluntary General Offer for PacNet

In line with our growth strategy, we have, on 27 February 2006, announced our intention to make a pre-conditional cash voluntary general offer ("Offer") to acquire all the issued shares in US Nasdaq-listed Pacific Internet Limited ("PacNet").

We believe that there are significant strategic and business synergies to be tapped from merging MediaRing's and PacNet's businesses. Given the complementary nature of the two businesses and the combined geographical presence, we anticipate that there will be ample opportunities for cross-marketing and bundling of services, brand leveraging and cost rationalisation through economies of scale. Indeed, such synergies, if realised, are expected to enable the enlarged group to improve its efficiency, compete more effectively and become a one-stop premier provider of voice and data services in the Asia-Pacific region.

However, we have yet to make an offer as we must first satisfy certain pre-conditions, which include amongst others, approval from our shareholders and the Infocomm Development Authority of Singapore ("IDA") by 31 May 2006.

Appreciation

Lastly, on behalf of the Board, I would like to take this opportunity to express my appreciation to the management and staff, our business partners and our shareholders. I look forward to your continued support as we herald MediaRing into the future.

WALTER SOUSA
Executive Chairman
MediaRing Ltd

MediaRing Global Talk Lounge at Changi Airport

Operations Review by CEO

By all measures, 2005 was a good year for MediaRing, one that was marked by remarkable progress on each and every front. Our dedicated and talented staff turned in exceptional revenue and earnings growth for the year.

I would like to extend my heartfelt thanks for the hard work and effort of a truly outstanding MediaRing team and to our valued business partners and customers who have lent their support to MediaRing through the year.

Ringing in unprecedented profitability

Before I go further, I would like to highlight that with effect from 1st January 2005, MediaRing adopted the new and revised Singapore Financial Reporting Standards (FRS), namely FRS 21 (revised) and FRS 102. With the former, the US Dollar has become both our functional and presentation currency, while with the FRS 102, our share options costs are expensed off the Group's profit and loss statements. Accordingly, our FY2004 financial information has been re-stated to reflect the adoption of these new standards.

For the year ended 31 December 2005, Group revenue reached US$95.2 million, up 83 percent from US$51.9 million in FY2004. Significantly, FY2005 marked our second consecutive full year of profitability in US dollar term.

The Group registered an impressive net profit of US$5.2 million as compared to US$0.4 million in FY2004. To the best of our knowledge, we are the first public-listed company in the pure-play VoIP arena that is profitable.

In line with our revenue growth, in FY2005, we maintained our position as one of Singapore's leading telecommunications operators in originating minutes and routed traffic with volume of over a billion minutes, representing a 51 percent increase over the previous year's volume of 665 million minutes. Of the total call volume we generated, 97 percent was VoIP-based which clearly reflects MediaRing's position as one of the world's most successful VoIP players.

As in previous years, MediaRing's staple business, Retail VoIP Operations, performed well above expectations and provided the main thrust to our growth. In FY2005, this was achieved through robust sales from existing markets as well as expansion into new geographical markets.

Retail Operations

Our Retail Operations comprise VoIP services of PC-Phone; Enterprise Solutions; Global Calling Card ("GCC"); IP Phone and IDD services.

In FY2005, Retail Operations, which accounted for 91.3 percent of our revenue, continued its trend of strong growth. Revenue contribution from this segment grew 111 percent to US$86.9 million from US$41.3 million in FY2004, driven mainly by continued robust expansion of the Group's PC-Phone services.

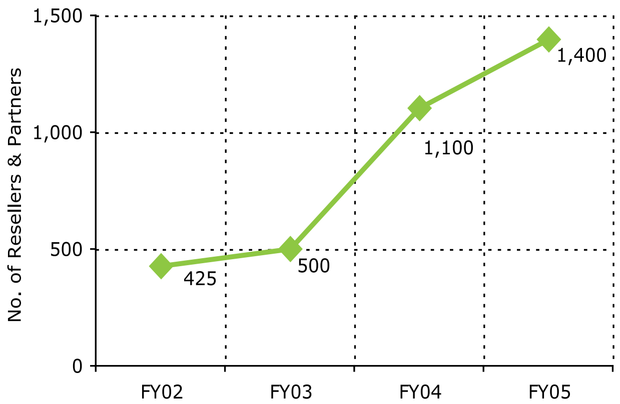
This was achieved by our ability to expand our distribution and marketing network to more than 1,400 resellers and partners from 1,100 in FY2004. We believe this rapid expansion was aided by MediaRing's brand equity and reputation for quality that we have built up over the years in the VoIP business.

One of our competitive strengths is our extensive distribution and marketing network strategically spread across 100 countries. It is through these resellers and partners, which include Internet cafes and call shops, that we are able to reach out to consumers and sustain the growth momentum of our PC-Phone business.

"While we have proven our capability to grow organically, we continue to be on the lookout for opportunities to further grow our operations through strategic acquisitions and/or investments in companies with complementary and synergistic businesses."

Hence, MediaRing continually devotes considerable resources to strategically expand this network. (See Distribution Network chart)

Distribution Network



Revenue generation from other VoIP products within the Group's Retail Operations also exhibited marked improvement. For both the Enterprise Solutions and GCC product segments, we have achieved a good start and we will be focusing to scale up the business volume this year.

Carrier Operations

The Group's Carrier Operations, which include VoIP Wholesale Exchange and Technology Licensing, contributed 8.7 percent to FY2005 revenue. In FY2005, revenue from this segment fell 23 percent to US$8.2 million. This was primarily due to reduced contributions from the Technology Licensing division as the Group made a decision to exit this area and focus its resources on growing its VoIP service business. Our VoIP Wholesale Exchange remained relatively stable during the year.

Ringing in further growth through strategic alliances and acquisitions

As our Chairman highlighted in his message, having successfully achieved organic growth, MediaRing is now focused on dynamically expanding our business in the Asia-Pacific region through strategic acquisitions and investments. The funds we raised from the share placement with Venture One Finance Limited in August 2005, together with our existing resources, have significantly boosted our financial war chest. To this end, the Group had made several investments in growing our market presence in the region.

Venturing into Cambodia

In September 2005, the Group staked a claim in Cambodia through a 40 percent interest in CDC. This investment marked MediaRing's first foray into both Cambodia and as an Internet Service Provider (ISP). Starting in Phnom Penh, we are deploying wireless broadband using WiMax technology to better service our customers there.

The joint venture is a strategic move on our part to capture the immense opportunities in the market and to establish a nationwide broadband infrastructure to meet the growing demand for broadband connectivity and innovative applications throughout Cambodia.

Extending our regional network with Indonesia

In December 2005, we signed a sales and purchase agreement to acquire a direct stake of 95 percent in PT Atlasat Solusindo, a licenced Indonesian VoIP service provider. Together with MediaRing's presence in countries across Asia Pacific and USA, Indonesia provides yet another link from which the Group can further grow our Enterprise Solutions business.

Atlasat is primarily involved in providing telephony services using VoIP technology. It holds a Principal Licence of VoIP and a Business Licence of VoIP awarded by the Department of Transportation Directorate General Post and Telecommunications in Indonesia.

Offering added convenience to consumers everywhere

In September 2005, MediaRing, through our wholly-owned subsidiary, i2u Pte Ltd, successfully won the bid for the batch of 10,000 VoIP telephone numbers starting with the digits '3100' from the IDA. As these numbers are portable, they greatly enhance convenience to users, especially frequent travellers, and also allowing them to make low cost VoIP international calls.

Reaching new heights at Singapore Changi Airport

We achieved a major corporate milestone in November 2005 with the launch of our MediaRing Global Talk VoIP services at Singapore Changi Airport. With 23 comfortable VoIP booths located at the Departure/ Transit lounges of Terminals 1 and 2, MediaRing made Singapore's international airport one of the first in the world to offer high quality, budget VoIP international calls to passengers. Our presence at Singapore Changi Airport is also a strong strategic platform for us to further grow our brand equity locally and globally.

Singapore Changi Airport is ranked the 6th busiest airport in the world with 83 airlines operating from its Terminals 1 and 2, serving more than 30 million passengers in 2004. With this impressive pool of passengers, we believe MediaRing Global Talk presents an important value proposition to travellers world-wide…and that is to be in-touch at a reasonable cost at all times. The response from travellers has been encouraging to date.

Looking ahead to 2006

Aided by the acceptance of VoIP technology, MediaRing has done well in 2005. Our success in 2005 will propel us to reach for greater heights in 2006. To this end, we have identified a number of growth initiatives in relation to our markets, products and services, all of which revolve around VoIP.

First and foremost, we intend to defend and grow our existing markets by further expanding our distribution network and intensifying our marketing and sales efforts.

We will continue to develop South America, India and Africa. These new markets have the potential to contribute well for us in the years to come.

In addition, we believe that we are strongly positioned for future growth in our new markets of Cambodia and Indonesia with the strategic acquisitions of stakes in CDC and PT Atlasat in FY2005.

Within our stable of offerings, the Group will continue to focus on our PC-Phone, IP Phone, Global Calling Card and Enterprise Solutions products, which have all proven to be good revenue generating segments. Enterprise Solutions in particular has done well in Singapore and we intend to pursue further growth in this segment by targeting corporate customers in the region.

Finally, while we have proven our capability to grow organically, we continue to be on the lookout for opportunities to further grow our operations through strategic acquisitions and/or investments in companies with businesses that are complementary to and synergistic with ours.

With these strategic initiatives in mind, we would like to assure you that our team will remain focused on the goal of profitable growth. We will continue to work diligently to push forth our vision of being a top-tier telecommunications service provider in Asia and remaining a leader in the pure-play VoIP arena.

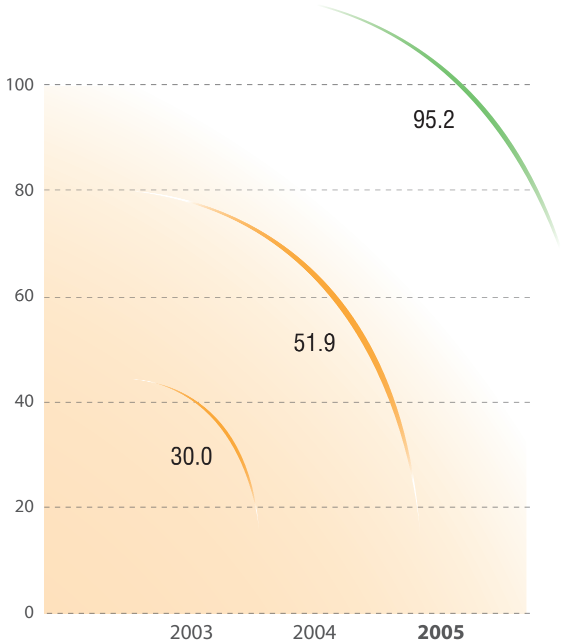
We look forward to your continued support as MediaRing progresses forward into the next exciting phase of growth. And remember that our future is calling…VoIP of course.

KHAW KHENG JOO
Chief Executive Officer
MediaRing Ltd

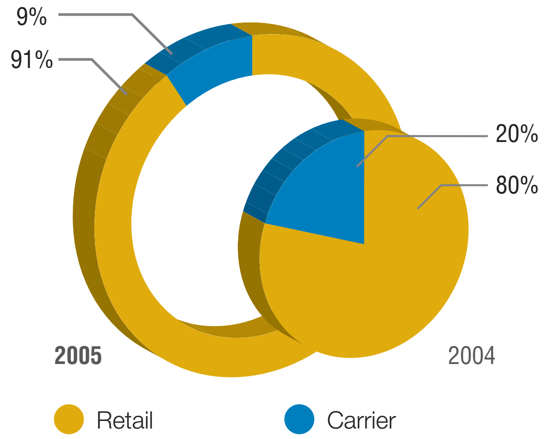
key financial highlights

With effect from 1 January 2005, the Company adopted FRS 21 (revised): "The Effect of Changes in Foreign Exchange Rates". With this revision, the Company changed its functional and presentation currency from Singapore Dollars to US Dollars.

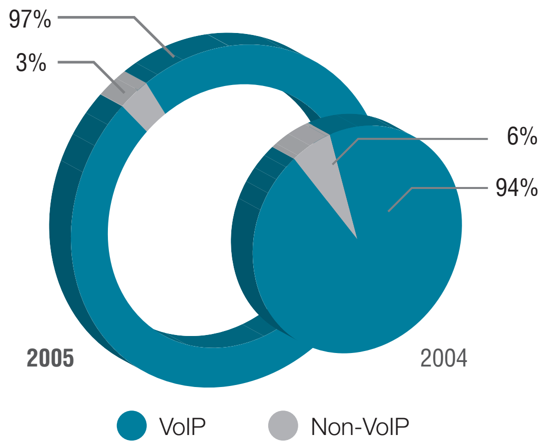
REVENUE (US$ Million)
CAGR: 78%



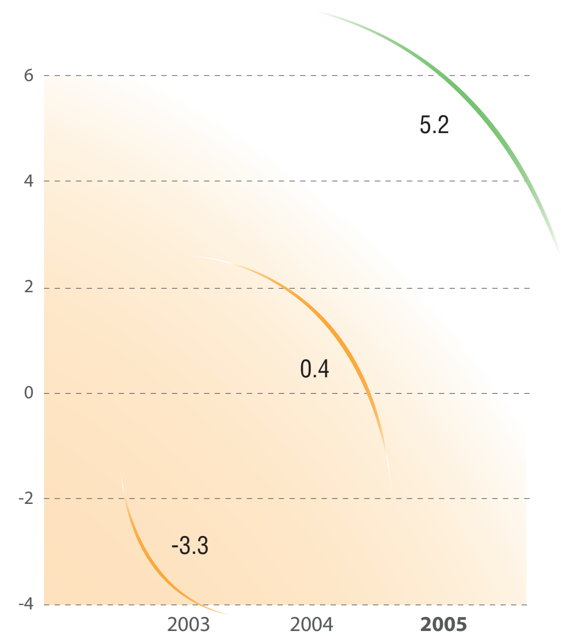
REVENUE BY BUSINESS SEGMENTS (%)



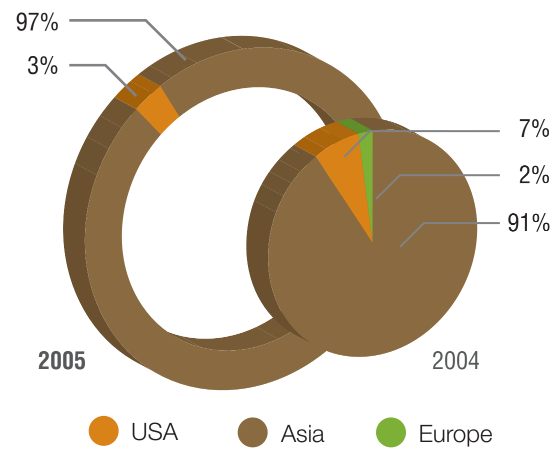
REVENUE BY PRODUCT SEGMENTS (%)



NET PROFIT/(LOSS) (US$ Million)



REVENUE BY GEOGRAPHICAL MARKETS (%)



corporate information

BOARD OF DIRECTORS

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

Non-Executive
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 *(Chairperson)*
Sin Hang Boon
Thomas Henrik Zilliacus

REMUNERATION COMMITTEE
Sin Hang Boon *(Chairman)*
Eileen Tay-Tan Bee Kiew
Thomas Henrik Zilliacus

NOMINATING COMMITTEE
Thomas Henrik Zilliacus *(Chairman)*
Koh Boon Hwee
Sin Hang Boon

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UOB Plaza
Singapore 048624

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3 Temasek Avenue
#17-00 Centennial Tower
Singapore 039190

The Hongkong and Shanghai Banking Corp Ltd
21 Collyer Quay
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AUDITORS
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Singapore 049315

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

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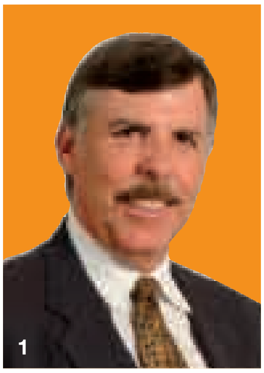
Singapore 049908

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

1 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.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2 KOH BOON HWEE

Appointed to MediaRing's Board in April 1998, Mr. Koh was elected as an Executive Director in February 2002 and was last re-elected as Director on 26 April 2004. Among other Board appointments, Mr. Koh serves as the Chairman of DBS Group Holdings Limited and Nanyang Technological University Council; and the Executive Chairman and CEO of Sunningdale Tech Ltd. He was also previously the Chairman of Singapore Airlines Ltd (2001 to 2005); SIA Engineering Co. Ltd (2003 to 2005); the Singapore Telecommunications Group and its predecessor organisation (1986 to 2001); Omni Industries Ltd (1996 to 2001); the Executive Chairman of the Wuthelam Group (1991 to 2000) and the Managing Director of Hewlett-Packard Singapore (1985 to 1990). Mr Koh holds a degree in Mechanical Engineering (First Class Honours) from the Imperial College of Science and Technology, University of London, and an MBA (Distinction) from the Harvard Business School.

3 KHAW KHENG JOO

Mr. Khaw joined the Board in February 2002 and was appointed as Chief Executive Officer on 1 November 2002. Mr. Khaw was last re-elected to his position on 27 April 2005. Mr. Khaw was previously the President of Omni Electronics (2000-2001), a wholly owned subsidiary of SGX Main Board-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, Senoko Power and Singapore Airport Terminal Services Limited. 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.

4 THOMAS HENRIK ZILLIACUS

Mr. Zilliacus was appointed as non-executive Director in February 2002 and was re-elected to his position on 27 April 2005. Mr. Zilliacus is the founder and Executive Chairman of Mobile FutureWorks Inc, a company which develops and invests in mobile space. Mr. Zilliacus 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. Zilliacus holds a Master of Science in Economics and Business Administration from the Swedish School of Economics and Business Administration, Helsinki.

5 EILEEN TAY-TAN BEE KIEW

Ms. Tay was appointed to the 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 Singapore University.

6 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 with Singapore Telecommunications Ltd ("SingTel"), Singapore's leading telecommunications service provider. 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.

senior management

YVONNE LAU YEE WAN
Chief Financial Officer

As Chief Financial Officer of MediaRing, Ms. Lau heads the Company's Corporate Finance and Human Resource functions. Prior to her appointment at MediaRing in 2002, 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 SingTel, 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
Senior Vice President of Sales and Marketing

Mr. Tan joined MediaRing in 1997 and is currently the Senior Vice President of Sales and Marketing. Prior to his appointment, Mr. Tan served as the Managing Director of PK Electronics (Asia Pacific) Pte Ltd, a manufacturer of uninterrupted power supply units, overseeing its Asia Pacific sales and operations. Mr. Tan was the General Manager of Ingram Micro, Inc., one of the world's largest wholesalers and distributors of information technology products from 1992 to 1997. Under his leadership, the company's business grew from S$5 million to S$110 million. From 1989 to 1992, Mr. Tan was employed as the 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
Senior Vice President of Operations

Mr. Nah joined MediaRing in 2002 and 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 spent more than 20 years with SingTel where his last held position was Senior Director. He was responsible for the planning and development of SingTel's global network using both traditional as well as the next generation IP-based switching technology for global voice services. Mr. Nah has extensive experience in voice services including a secondment as Deputy Managing Director to Norway for the start up of SingTel's wireless GSM joint venture company. Mr. Nah graduated from the Singapore University 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 six directors, of whom three 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 telecommunications 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 committee is governed by a set of written terms of reference. Members of the Board and each committee are set out below:

		Executive Committee	Nominating Committee	Remuneration Committee	Audit Committee
Board Member					
Walter Sousa (Chairman)	E	Member			
Koh Boon Hwee	E	Chairman	Member		
Khaw Kheng Joo	E	Member			
Thomas Henrik Zilliacus	I N		Chairman	Member	Member
Eileen Tay-Tan Bee Kiew	I N			Member	Chairperson
Sin Hang Boon	I N		Member	Chairman	Member
Non Board Member					
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 6 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:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meeting		No. of Meeting		No. of Meeting		No. of Meeting	
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Walter Sousa	6	6	-	-	-	-	-	-
Koh Boon Hwee	6	6	-	-	2	2 (1 via tele-conference)	-	-
Khaw Kheng Joo	6	6	-	-	-	-	-	-
*Thomas Kalon Ng	6	5	3	2	-	-	-	-
**Thomas Henrik Zilliacus	6	5 (1 via tele-conference)	3	1	2	2 (1 via tele-conference)	-	-
Eileen Tay -Tan Bee Kiew	6	5	3	3	-	-	2 (1 via tele-conference)	2
*** Sin Hang Boon	6	5 (1 via tele-conference)	3	1	2	2 (1 via tele-conference)	2 (1 via tele-conference)	2

The Executive Committee consult with each other on a daily basis mainly via emails and telephone discussions.

* Resigned with effect from 18 August 2005

** Appointed as Remuneration Committee member on 10 December 2005

*** Appointed as Audit Committee member on 2 September 2005. Appointed as Chairman of Remuneration Committee on 5 December 2005.

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.

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. Sin Hang Boon, Mr. Thomas Henrik Zilliacus and Ms. Eileen Tay-Tan Bee Kiew, all of whom are Non-executive and are Independent Directors. The RC is chaired by Mr. Sin Hang Boon who was appointed on 5 December 2005.

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.

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.

DISCLOSURE OF REMUNERATION
(Principles 8 & 9 of the Code)

The annual remuneration of Directors for 2005 is as follows:

	Fees %	Salary %	Bonus %	Share-based Payment %	Total %
Executive Directors					
S$500,000 and above					
Khaw Kheng Joo	-	34.7	55.2	10.1	100.0
S$250,000 to S$499,999					
Walter Sousa	-	53.9	46.1	-	100.0
Below S$250,000					
Koh Boon Hwee	-	55.0	44.9	0.1	100.0
Non Executive Directors					
Below S$250,000					
Thomas Kalon Ng (resigned on 18 August 2005)	64.1	-	-	35.9	100.0
Thomas Henrik Zilliacus	74.1	-	-	25.4	100.0
Eileen Tay-Tan Bee Kiew	77.1	-	-	22.9	100.0
Sin Hang Boon	80.7	-	-	19.3	100.0

1. The Directors' fee amount is based on an accrual basis
2. The salary and bonus amounts are inclusive of employer's CPF

The annual remuneration of key management who are not Directors for FY 2005 is as follows:

	No. of Employees
S$500,000 and above	2
S$250,000 to S$499,999	1
Below S$250,000	2

The amount shown is inclusive of salary, bonuses, allowances, share-based payment and employer's CPF.

Information on the Group's ESOS is set out in the Directors' Report on pages 19 to 25.

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. Sin Hang Boon and Mr. Thomas Henrik Zilliacus; all of whom are Non-executive Directors and are independent. The Chairperson 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 the findings and recommendations for improvement of any internal control weakness to the AC. 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 Ex-co 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 Ex-co and Management. Any material difference will be highlighted and explained at Board Meetings.

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 Ex-co 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 AC 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 AC, on the processes and controls that help to mitigate major risks.

Amounts in United States 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 2005.

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 Henrik Zilliacus	
Eileen Tay-Tan Bee Kiew	
Sin Hang Boon	

Arrangements to enable directors to acquire shares or debentures

During the year, placement of 150,330,214 shares were allotted and issued by the Company at S$0.1608 per share to Venture One Finance Limited pursuant to a placement agreement dated 26 August 2005. This placement represents 16.63% of total issued share capital of the Company on 31 December 2005. Venture One Finance Limited granted an option to key management personnel of the Company, who may include Executive Directors, the right to subscribe for less than 10% of the enlarged share capital of Venture One Finance Limited. These options have been exercised as at 31 December 2005.

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 2005	31 December 2005	1 January 2005	31 December 2005
Ordinary shares of S$0.10 each				
Walter Sousa	650,000	650,000	-	-
Koh Boon Hwee	1,300,000	1,300,000	2,915,190	2,915,190
Eileen Tay-Tan Bee Kiew	-	-	370,000	370,000
Options to subscribe for ordinary shares of S$0.10 each at S$0.10 per share				
Koh Boon Hwee	16,986	16,986	-	-
Thomas Henrik Zilliacus	168,219	168,219	-	-
Eileen Tay-Tan Bee Kiew	49,863	49,863	-	-
Khaw Kheng Joo	134,795	134,795	-	-

Amounts in United States dollars unless otherwise stated

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

	Direct interest as at		Deemed interest as at	
	1 January 2005	31 December 2005	1 January 2005	31 December 2005
Options to subscribe for ordinary shares of S$0.10 each at S$0.103 per share				
Khaw Kheng Joo	10,000,000	10,000,000	-	-
Options to subscribe for ordinary shares of S$0.10 each at S$0.135 per share				
Khaw Kheng Joo	5,000,000	5,000,000	-	-
Options to subscribe for ordinary shares of S$0.10 each at S$0.137 per share				
Walter Sousa	3,000,000	3,000,000	-	-
Options to subscribe for ordinary shares of S$0.10 each at S$0.151 per share				
Thomas Henrik Zilliacus	-	200,000	-	-
Eileen Tay-Tan Bee Kiew	-	200,000	-	-
Sin Hang Boon	-	200,000	-	-
Options to subscribe for ordinary shares of S$0.10 each at S$0.154 per share				
Walter Sousa	10,000,000	10,000,000	-	-
Koh Boon Hwee	10,000,000	10,000,000	-	-
Options to subscribe for ordinary shares of S$0.10 each at S$0.155 per share				
Walter Sousa	138,333	138,333	-	-
Koh Boon Hwee	200,000	200,000	-	-
Options to subscribe for ordinary shares of S$0.10 each at S$0.159 per share				
Khaw Kheng Joo	-	1,500,000	-	-
Options to subscribe for ordinary shares of S$0.10 each at S$0.181 per share				
Khaw Kheng Joo	750,000	750,000	-	-

Amounts in United States dollars unless otherwise stated

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

	Direct interest as at		Deemed interest as at	
	1 January 2005	31 December 2005	1 January 2005	31 December 2005
Options to subscribe for ordinary shares of S$0.10 each at S$0.196 per share				
Thomas Henrik Zilliacus	200,000	200,000	-	-
Eileen Tay-Tan Bee Kiew	200,000	200,000	-	-
Sin Hang Boon	112,877	112,877	-	-
Options to subscribe for ordinary shares of S$0.10 each at S$0.25 per share				
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 2006.

Directors' contractual benefits

During the year, placement of 150,330,214 shares were allotted and issued by the Company at S$0.1608 per share to Venture One Finance Limited pursuant to a placement agreement dated 26 August 2005. This placement represents 16.63% of total issued share capital of the Company on 31 December 2005. Venture One Finance Limited granted an option to key management personnel of the Company, who may include Executive Directors, the right to subscribe for less than 10% of the enlarged share capital of Venture One Finance Limited. These options have been exercised as at 31 December 2005.

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 S$0.10 each to employees and directors of the Group.

The Scheme is administered by the Remuneration Committee ("RC"). The members of the RC are:

Sin Hang Boon	(Appointed as Chairman of the RC on 5 December 2005)
Thomas Henrik Zilliacus	(Appointed as a member of the RC on 10 December 2005)
Eileen Tay-Tan Bee Kiew	

Amounts in United States dollars unless otherwise stated

Options (cont'd)

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

Details of all the options to subscribe for ordinary shares of S$0.10 each of the Company pursuant to the 1999 MediaRing Employees' Share Option Scheme outstanding as at 31 December 2005 are as follows:

Expiry date	Exercise price (S$)	Number of options
30 October 2009	0.10	9,457,000

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

	No. of shares under option		
	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
Name of Director			
Walter Sousa	650,000	650,000	-
Koh Boon Hwee	1,300,000	1,300,000	-

Aggregate options of 71,799,930 were granted under this Scheme since the commencement of the Scheme to the end of the financial year.

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

Aggregate options of 36,524,930 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.

(b) 1999 MediaRing Employees' Share Option Scheme II

Pursuant to this Scheme, the RC 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 RC, which shall not exceed 20% of the then prevailing market price.

The Scheme will be administered by the RC 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.

Amounts in United States dollars unless otherwise stated

Options (cont'd)

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

Details of all the options to subscribe for ordinary shares of S$0.10 each of the Company pursuant to the 1999 MediaRing Employees' Share Option Scheme II outstanding as at 31 December 2005 are as follows:

Expiry date	Exercise price (S$)	Number of options
11 January 2010	1.4656	375,000
13 June 2010	0.4490	1,880,000
21 May 2011	0.1540	614,220
6 September 2011	0.1370	3,000,000
5 November 2011	0.1020	4,154,000
31 January 2012	0.2500	6,000,000
31 January 2012	0.1540	23,500,000
1 April 2012	0.1790	2,400,000
27 June 2012	0.1200	4,914,800
15 July 2012	0.1550	538,333
23 September 2012	0.1000	50,000
1 November 2012	0.1030	10,000,000
27 January 2013	0.1010	30,000
4 February 2013	0.1000	30,000
18 February 2013	0.1000	1,000,000
16 April 2013	0.1000	222,000
28 May 2013	0.1000	469,863
11 September 2013	0.1350	12,283,334
16 January 2014	0.1810	6,078,937
26 April 2014	0.1960	712,877
28 February 2015	0.1590	8,100,000
27 April 2015	0.1510	800,000
	Total	**87,153,364**

Amounts in United States dollars unless otherwise stated

Options (cont'd)

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

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

	No. of shares under option			
	Options granted during financial year	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
Name of Director				
Walter Sousa	-	13,138,333	-	13,138,333
Koh Boon Hwee	-	16,216,986	-	16,216,986
Khaw Kheng Joo	1,500,000[(1)]	17,384,795	-	17,384,795
Thomas Henrik Zilliacus	200,000[(2)]	568,219	-	568,219
Eileen Tay-Tan Bee Kiew	200,000[(2)]	449,863	-	449,863
Sin Hang Boon	200,000[(2)]	312,877	-	312,877
Employee granted 5% or more of total options under the Scheme				
Yvonne Lau Yee Wan	1,000,000[(1)]	11,600,000	-	11,600,000

(1) These options are exercisable between the period from 1 April 2006 to 28 February 2015 at the exercise price of S$0.159 if the vesting conditions are met.

(2) These options are exercisable between the period from 1 July 2006 to 27 April 2015 at the exercise price of S$0.151 if the vesting conditions are met.

Aggregate options of 113,321,752 were granted under this Scheme since the commencement of the Scheme to the end of the financial year. The options granted during the financial year under this Scheme were 8,900,000. Aggregate options of 22,983,188 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.

During the financial year under review, no options have been granted at a discount.

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.

Audit Committee

The Audit Committee ("AC") comprises the following three independent Non-executive directors:

Eileen Tay-Tan Bee Kiew	(Chairperson)
Thomas Henrik Zilliacus	
Sin Hang Boon	(Appointed as a member of the AC on 2 September 2005)

The AC 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 AC 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 AC met with the auditors to discuss the results of their audit and their evaluation of the systems of internal controls. The AC also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2005, as well as the external auditors' report thereon.

The AC held 3 meetings during the financial year ended 31 December 2005.

The AC 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 AC 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
27 February 2006

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 75 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 2005 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 27 February 2006.

On behalf of the Board of Directors,

Koh Boon Hwee
Director

Khaw Kheng Joo
Director

Singapore
27 February 2006

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 75 for the year ended 31 December 2005. 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 2005 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

ERNST & YOUNG
Certified Public Accountants

Singapore
27 February 2006

Balance Sheets as at 31 December 2005

Amounts in United States dollars unless otherwise stated

	Note	Group 2005 $'000	Group 2004 $'000 (Restated)	Company 2005 $'000	Company 2004 $'000 (Restated)
Share Capital and Reserves					
Share capital	3	**54,113**	45,044	**54,113**	45,044
Share premium	4	**75,887**	70,418	**75,887**	70,418
Accumulated losses		**(83,163)**	(88,270)	**(83,703)**	(88,457)
Other reserves	5	**215**	336	**215**	336
Translation reserve	6	**(146)**	(136)	**5**	16
		46,906	27,392	**46,517**	27,357
Fixed assets	7	**2,542**	2,218	**1,190**	843
Intangible assets	8	**186**	169	**129**	164
Investments in subsidiaries	9	**-**	-	**433**	2,289
Investment in an associate	10	**154**	-	**200**	-
Investments in long-term bonds and deposits	11	**5,661**	11,245	**5,661**	11,245
Other investments	12	**3,716**	263	**3,716**	263
Long-term loans and advances to subsidiaries	13	**-**	-	**3,849**	3,587
Current Assets					
Stocks	14	**276**	275	**215**	239
Trade debtors	15	**2,172**	2,356	**1,618**	1,424
Other debtors and deposits	16	**1,210**	750	**1,087**	489
Prepayments	17	**3,178**	2,241	**2,847**	1,820
Due from subsidiaries	19	**-**	-	**1,904**	3,236
Due from an associate	19	**333**	-	**333**	-
Investments in short-term bonds	11	**2,420**	1,995	**2,420**	1,995
Fixed deposits	18	**37,437**	14,649	**33,168**	9,410
Cash and bank balances	18	**1,461**	1,994	**408**	339
		48,487	24,260	**44,000**	18,952
Current Liabilities					
Trade creditors		**2,834**	1,982	**1,814**	1,179
Other creditors and accruals	20	**4,614**	3,484	**3,775**	2,584
Deferred revenue		**6,392**	5,297	**5,763**	4,401
Due to subsidiaries	19	**-**	-	**1,309**	1,822
		13,840	10,763	**12,661**	9,986
Net Current Assets		**34,647**	13,497	**31,339**	8,966
		46,906	27,392	**46,517**	27,357

The accounting policies and explanatory notes on pages 33 to 75 form an integral part of the financial statements.

Consolidated Profit and Loss Account for the year ended 31 December 2005

Amounts in United States dollars unless otherwise stated

	Note	Group 2005 $'000	Group 2004 $'000 (Restated)
Turnover	21	**95,153**	51,882
Other income		**1**	55
Costs and expenses			
Direct service fees incurred		**(41,907)**	(25,113)
Commissions and other selling expenses		**(31,489)**	(13,693)
Personnel costs	22	**(10,240)**	(8,318)
Infrastructure costs		**(2,195)**	(1,859)
Depreciation of fixed assets	7	**(1,310)**	(1,101)
Amortisation of intangible assets	8	**(113)**	(92)
Marketing expenses		**(317)**	(280)
Foreign exchange (loss)/gain		**(237)**	538
Other operating expenses	23	**(3,652)**	(2,630)
Share of results of an associate		**(46)**	-
Profit/(loss) from operating activities		**3,648**	(611)
Interest income	24	**1,066**	789
Non-operating income	25	**453**	263
Profit from ordinary activities before taxation		**5,167**	441
Taxation	26	**-**	-
Net profit for the year		**5,167**	441
Earnings per share (cents)			
- basic	27	**0.64**	0.06
- diluted	27	**0.63**	0.06

The accounting policies and explanatory notes on pages 33 to 75 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity as at 31 December 2005

Amounts in United States dollars unless otherwise stated

	Share capital (Note 3) $'000	Share premium (Note 4) $'000	Accumulated losses $'000	Other reserves (Note 5) $'000	Translation reserve $'000	Total $'000
Group - 2005						
Balance at 1 January 2005 as previously reported	45,044	70,418	(84,169)	-	(3,844)	27,449
Cumulative effects of adopting FRS 21	-	-	(3,765)	-	3,708	(57)
Cumulative effects of adopting FRS 102	-	-	(336)	336	-	-
At 31 December 2004 as restated	45,044	70,418	(88,270)	336	(136)	27,392
Effects of adopting FRS 39	-	-	(60)	221	-	161
At 1 January 2005 as restated	45,044	70,418	(88,330)	557	(136)	27,553
Net change in fair value adjustment reserve	-	-	-	(698)	-	(698)
Net effect of exchange differences	-	-	-	-	(10)	(10)
Net income recognised directly in equity	-	-	-	(698)	(10)	(708)
Net profit for the year	-	-	5,167	-	-	5,167
Total recognised income and expenses for the year	-	-	5,167	(698)	(10)	4,459
Issuance of ordinary shares	9,069	5,469	-	-	-	14,538
Value of employee services received	-	-	-	381	-	381
Exercise of employee share options	-	-	-	(25)	-	(25)
Balance at 31 December 2005	**54,113**	**75,887**	**(83,163)**	**215**	**(146)**	**46,906**

The accounting policies and explanatory notes on pages 33 to 75 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity as at 31 December 2005

Amounts in United States dollars unless otherwise stated

	Share capital (Note 3) $'000	Share premium (Note 4) $'000	Accumulated losses $'000	Other reserves (Note 5) $'000	Translation reserve $'000	Total $'000
Group - 2004						
Balance at 1 January 2004 as previously reported	44,745	70,409	(83,746)	-	(5,027)	26,381
Cumulative effects of adopting FRS 21	-	-	(4,923)	-	4,903	(20)
Cumulative effects of adopting FRS 102	-	-	(42)	42	-	-
At 1 January 2004 as restated	44,745	70,409	(88,711)	42	(124)	26,361
Net effect of exchange differences	-	-	-	-	(12)	(12)
Net income recognised directly in equity	-	-	-	-	(12)	(12)
Net profit for the year	-	-	441	-	-	441
Total recognised income and expenses for the year	-	-	441	-	(12)	429
Issuance of ordinary shares	299	9	-	-	-	308
Value of employee services received	-	-	-	294	-	294
Balance at 31 December 2004	**45,044**	**70,418**	**(88,270)**	**336**	**(136)**	**27,392**

The accounting policies and explanatory notes on pages 33 to 75 form an integral part of the financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2005

Amounts in United States dollars unless otherwise stated

	2005 $'000	2004 $'000 (Restated)
Cash flows from operating activities		
Profit from ordinary activities before taxation	**5,167**	441
Adjustments for:		
Allowance for doubtful trade debts	**316**	113
Allowance for doubtful non-trade debts	**86**	-
Fixed assets written off	**171**	1
Amortisation of intangible assets	**113**	92
Depreciation of fixed assets	**1,310**	1,101
Gain on disposal of investment	**(453)**	(3)
(Gain)/loss on disposal of fixed assets	**(27)**	4
Interest income from bonds and deposits	**(1,066)**	(789)
Write-back of impairment in value of investment	**-**	(255)
Allowance for stock obsolescence	**4**	17
Share-based payments	**381**	294
Share of results of an associate	**46**	-
Translation differences	**141**	(415)
Operating profit before working capital changes	**6,189**	601
Increase in stocks	**(9)**	(137)
(Increase)/decrease in trade debtors	**(127)**	707
Increase in other debtors and deposits	**(599)**	(18)
Increase in prepayments	**(937)**	(799)
Increase in amount due from an associate	**(333)**	-
Increase/(decrease) in trade creditors	**852**	(380)
Increase in other creditors and accruals	**1,130**	481
Increase in deferred revenue	**1,095**	1,987
Net cash generated from operating activities	**7,261**	2,442
Cash flows from investing activities		
Investment in long-term bonds and deposits	**-**	(3,356)
Proceeds from redemption of short-term bonds	**1,983**	4,217
Purchase of fixed assets	**(1,843)**	(1,311)
Proceeds from disposal of fixed assets	**67**	35
Purchase of intangible assets	**(130)**	(183)
Interest income received from bonds and deposits	**1,158**	843
Proceeds from disposal of long-term bonds and other investments	**3,478**	4,069
Investment in an associate	**(200)**	-
Purchase of other investments	**(4,032)**	-
Net cash generated from investing activities	**481**	4,314
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	**14,513**	308
Net cash generated from financing activities	**14,513**	308
Net increase in cash and cash equivalents	**22,255**	7,064
Cash and cash equivalents at beginning of year (Note 18)	**16,643**	9,579
Cash and cash equivalents at end of year (Note 18)	**38,898**	16,643

The accounting policies and explanatory notes on pages 33 to 75 form an integral part of the financial statements.

1. Corporate information

The financial statements of MediaRing Ltd ("the Company") for the year ended 31 December 2005 were authorised for issuance in accordance with a directors' resolution dated 27 February 2006.

The Company is a limited liability company, which is domiciled and 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.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except for available-for-sale financial assets that have been measured at their fair values.

The financial statements are presented in United States Dollars ("USD" or "$") which is the Company's functional currency and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

(a) Adoption of new FRS

On 1 January 2005, the Group and the Company adopted the following standards mandatory for annual financial periods beginning on or after 1 January 2005.

- FRS 39, Financial Instruments: Recognition and Measurement
- FRS 102, Share-based Payment
- FRS 103, Business Combinations, including amendments to FRS 36 *(revised)*, Impairment of Assets and FRS 38 *(revised)*, Intangible Assets
- FRS 105, Non-Current Assets Held for Sale and Discontinued Operations

(i) FRS 39, Financial Instruments: Recognition and Measurement

The Group and the Company adopted FRS 39 prospectively on 1 January 2005. At that date, financial assets within the scope of FRS 39 were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial assets that were classified as financial assets at fair value through profit or loss and available-for-sale financial assets were measured at fair value while loans and receivables and held-to-maturity investments were measured at amortised cost using the effective interest rate method. At 1 January 2005, differences between the carrying values and fair values of financial assets at fair value through profit or loss were recognised in accumulated losses while the differences between carrying values and fair values of available-for-sale financial assets were recognised in the fair value adjustment reserve. For investments carried at amortised cost, any differences between the carrying values and amortised costs as at 1 January 2005 were recognised in accumulated losses.

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

2.2 Changes in accounting policies (cont'd)

(a) Adoption of new FRS (cont'd)

(i) FRS 39, Financial Instruments: Recognition and Measurement (cont'd)

At 1 January 2005, financial liabilities (other than derivative financial instruments) within the scope of FRS 39 were measured at amortised costs using the effective interest rate method. Any difference between the carrying values and amortised costs as at 1 January 2005 were recognised in accumulated losses.

Under the transitional provisions of FRS 39, the change in accounting policy on 1 January 2005 resulted in the following net adjustments at that date:

- An increase of $60,000 to the Group's and the Company's accumulated losses.
- An increase of $221,000 to the Group's and the Company's fair value adjustment reserve.

In accordance with the transitional provisions of FRS 39, retrospective application is not permitted for the recognition, derecognition and measurement of financial instruments, for periods prior to 1 January 2005. Consequently, the comparative figures for 2004 have not been restated for the impact of adopting FRS 39.

(ii) FRS 102, Share-based Payment

The main impact of adopting FRS 102 on the Group and the Company is the recognition of an expense and a corresponding entry to equity for share options granted to senior executives and general employees.

The Group and the Company have applied FRS 102 retrospectively. In accordance with the transitional provisions of FRS 102 in respect of equity-settled awards, the Group and the Company have applied FRS 102 only to equity-settled awards granted after 22 November 2002 that had not vested on 1 January 2005.

Under the transitional provisions of FRS 102, the change in accounting policy has resulted in the following:

- At 1 January 2005, increases in the Group's and the Company's:
  - Employee share option reserve by $336,000 (2004: $42,000);
  - Accumulated losses by $336,000 (2004: $42,000);
- For the year ended 31 December 2005, decreases in the Group's:
  - Profit for the year by $381,000 (2004: $294,000) due to an increase in the employee benefits expense;
  - Basic earnings per share by $0.05 cents (2004: $0.04 cents); and
  - Diluted earnings per share by $0.04 cents (2004: $0.04 cents).

(iii) FRS 103, Business Combinations, FRS 36 *(revised)*, Impairment of Assets and FRS 38 *(revised)*, Intangible Assets

The adoption of FRS 103, FRS 36 *(revised)* and FRS 38 *(revised)* has resulted in a change in the accounting policy for goodwill.

Goodwill is stated less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired. Negative goodwill is recognised immediately in the profit and loss account, instead of being systematically amortised over its useful life.

The adoption of the above standards did not result in any impact on the Group's financial statements.

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

2.2 Changes in accounting policies (cont'd)

(a) Adoption of new FRS (cont'd)

(iv) FRS 105, Non-Current Assets Held for Sale and Discontinued Operations

FRS 105 applies prospectively in accordance with the transitional provisions of FRS 105. The adoption of FRS 105 did not result in any significant change in accounting policies.

(b) Adoption of revised FRS

The Group adopted the following revised standards mandatory for annual financial periods beginning on or after 1 January 2005. Comparative figures have been restated where required.

(i) FRS 1 *(revised)*, Presentation of Financial Statements

The adoption of FRS 1 *(revised)* did not result in any reclassification of comparative figures.

(ii) FRS 21 *(revised)*, The Effects of Changes in Foreign Exchange Rates

As a result of the adoption of FRS 21 *(revised)*, any goodwill arising on the acquisition of a foreign subsidiary and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are now treated as assets and liabilities of the foreign operation and translated at the closing rate accordingly. In accordance with the transition provisions of FRS 21 *(revised)*, this policy is adopted prospectively to all acquisitions occurring after 1 January 2005. Accordingly, comparative figures are not restated.

Goodwill acquired and any fair value adjustments to the carrying amounts of assets and liabilities which arose on acquisitions before 1 January 2005 were deemed to be assets and liabilities of the parent company. This change in accounting policy has no significant impact on the financial statements as at 31 December 2005 or 31 December 2004.

Change in functional and presentation currency

With effect from 1 January 2005, the Company adopted FRS 21 *(revised)* : The Effects of Changes in Foreign Exchange Rates. With this revision of FRS 21, the Board of Directors reviewed the choice of functional currency for the Company. As sales and purchases are denominated primarily in US Dollars and net receipts from operations are usually retained in US Dollar, the directors are of the opinion that choosing the US Dollars as the functional currency best reflects the primary economic environment in which the Company operates and are also in line with FRS 21 *(revised)*. Hence the Company changed its functional and presentation currency from Singapore Dollars ("SGD" or "S$") to US Dollars. The effect of adopting FRS 21 *(revised)* led to retrospective changes made to the financials for comparative purposes.

Exchange difference on quasi equity loans

The adoption of FRS 21 *(revised)* has also resulted in the exchange differences arising from a monetary item that forms part of the Company's net investment in a foreign operation being recognised in the Company's profit and loss account. Previously, these exchange differences are reclassified to equity only if the functional currency of the loan is denominated in either the functional currency of the Company or the borrowing foreign operation. In the Group financial statements, these exchange difference will continue to be reclassified to equity only if the functional currency of the loan is denominated in either the functional currency of the Company or the borrowing foreign operation. Upon the disposal of the net investment, the exchange differences will be recognised in the profit and loss account.

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

2.2 Changes in accounting policies (cont'd)

(b) Adoption of revised FRS (cont'd)

(ii) FRS 21 *(revised),* The Effects of Changes in Foreign Exchange Rates (cont'd)

Under the transitional provisions of FRS 21 *(revised)*, the change in accounting policy has resulted in the following as at 1 January 2005:

- Decrease in the Group's and Company's translation reserves by $3,708,000 (2004: $4,903,000) and $6,408,000 (2004: $6,289,000) respectively.
- Increase in the Group's and Company's accumulated losses by $3,765,000 (2004: $4,923,000) and $6,639,000 (2004: $6,144,000) respectively.

For the year ended 31 December 2004, increases (decreases) the Group's and Company's profit for the year by $1,158,000 and ($495,000) respectively.

Additionally, the financial statements of the Group and Company are presented in USD, with a corresponding restatement to comparatives.

(iii) Other revised FRSs adopted

In addition, the Group adopted the following revised standards which did not result in any significant change in accounting policies:

FRS 2 *(revised)*,	Inventories
FRS 8 *(revised)*,	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 *(revised)*,	Events after the Balance Sheet Date
FRS 16 *(revised)*,	Fixed assets
FRS 17 *(revised)*,	Leases
FRS 24 *(revised)*,	Related Party Disclosures
FRS 27 *(revised)*,	Consolidated and Separate Financial Statements
FRS 28 *(revised)*,	Investments in Associates
FRS 31 *(revised)*,	Interests in Joint Ventures
FRS 32 *(revised)*,	Financial Instruments: Disclosure and Presentation
FRS 33 *(revised)*,	Earnings Per Share

(c) FRS and INT FRS not yet effective

The Group has not applied the following FRS and INT FRS that have been issued but are only effective for annual financial periods beginning on or after 1 January 2006:

(i) FRS 19 *(revised)*, Employee Benefits

This revised standard requires additional disclosures to be made regarding information about the trends in the assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefits cost. The adoption of the amendments to FRS 19 will result in additional disclosures being included but has no recognition or measurement impact.

(ii) FRS 40, Investment Property

This standard does not apply to the activities of the Group.

(iii) FRS 106, Exploration for and Evaluation of Mineral Resources

This standard does not apply to the activities of the Group.

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

2.2 Changes in accounting policies (cont'd)

(c) FRS and INT FRS not yet effective (cont'd)

(iv) FRS 107, Financial Instruments: Disclosure

This standard, effective for annual financial period beginning on or after 1 January 2007, requires quantitative disclosures of nature and extent of risks arising from financial instruments in addition to the disclosures currently required under FRS 32. Adoption of this standard will result additional disclosures in the financial statements.

(v) INT FRS 104, Determining Whether an Arrangement Contains a Lease

This interpretation requires the determination of whether an arrangement is, or contains a lease to be based on the substance of the arrangement and requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(vi) INT FRS 105, Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

This interpretation is not expected to be relevant to the activities of the Group.

(vii) INT FRS 106, Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment

This interpretation, effective for annual financial periods beginning on or after 1 December 2005, does not apply to the activities of the Group.

(viii) INT FRS 107, Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economics

This interpretation, effective for annual financial periods beginning on or after 1 March 2006, does not apply to the activities of the Group.

The Group expects that the adoption of the pronouncements listed above will have no impact on the financial statements in the period of initial application.

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

2.3 Significant accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty (cont'd)

- **Depreciation of fixed assets**

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 2 to 5 years. The carrying amounts of the Group's and Company's fixed assets at 31 December 2005 are approximately $2,542,000 and $1,190,000 respectively (2004: $2,218,000 and $843,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

- **Share-based payments**

The Group complies with FRS 102, Share-based Payment, where equity-settled share-based payments are measured at fair value at the date of grant and expensed over the expected vesting period. The carrying amount of the Group's and Company's employee share option reserve as at 31 December 2005 is approximately $692,000 (2004: $336,000). At each balance sheet date, the Group revises estimates of the number of share options that are expected to vest based on non-market vesting conditions. The assumptions of the valuation model used to determine the fair values are set out in Note 28 to the financial statements.

(b) Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

- **Impairment of investments in subsidiaries**

The Company follows the guidance of FRS 36 in determining the recoverability of its investments in subsidiaries. This requires assessment as to whether the carrying value of its investments in subsidiaries can be supported by the net present value of future cash flows derived from such investments using cash flow projections which have been discounted at an appropriate rate. This determination requires significant judgement, the Company determines forecasts of future cash flows based on its estimates of future revenues and operating expenses using historical and industry trends, general market conditions, forecasts and other available information.

2.4 Investments in subsidiaries

(a) 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.

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

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

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

2.4 Investments in subsidiaries (cont'd)

(b) Principles of consolidation (cont'd)

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.8 below.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

2.5 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the board of directors.

The Group's investment in an associate is accounted for using the equity method. Under the equity method, the investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit or loss of the associate is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associate are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and un-audited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances. In the Company's separate financial statements, investment in an associate is accounted for at cost less impairment losses.

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

2.6 Functional and foreign currency

(a) Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be USD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in USD.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

(c) Foreign currency translation

The results and financial position of foreign operations are translated into USD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

Goodwill and fair value adjustments which arose on acquisitions of foreign subsidiaries before 1 January 2005 are deemed to be assets and liabilities of the parent company and are recorded in USD at the rates prevailing at the date of acquisition.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

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

2.7 Fixed assets

All items of fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses. The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of fixed assets.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

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 the shorter)

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

2.8 Intangible assets

(a) Patents, trademarks and licences

The initial costs of acquiring patents, trademarks and licences are capitalised and charged to the profit and loss account over the licence period but not more than 10 years. The costs of applying for and renewing patents and licences are charged to the profit and loss account.

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.

(b) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

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

2.8 Intangible assets (cont'd)

(b) Goodwill (cont'd)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.9 Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(a) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the profit and loss account.

The Group does not designate any financial assets not held for trading as financial assets at fair value through profit and loss.

(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the

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

2.9 Financial assets (cont'd)

(b) Held-to-maturity investments (cont'd)

effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

(c) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

For investments where there is no active market and where fair value cannot be reliably measured, they are measured at cost.

2.10 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

2.10 Impairment of financial assets (cont'd)

(b) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

2.11 Quoted bonds and long-term deposits

Quoted bonds intended to be held to maturity are classified as held-to-maturity investments under FRS 39, while other quoted bonds which are not identified as held-to-maturity investments are classified as available-for-sale financial assets under FRS 39. Long-term deposits are classified as loans and receivables under FRS 39.

The accounting policies for these financial assets are stated in Note 2.9.

2.12 Other investments

Quoted equity investments are classified as available-for-sale financial assets under FRS 39. The accounting policy for this category of financial asset is stated in Note 2.9.

2.13 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.

2.14 Trade and other debtors

Trade and other debtors, including amounts due from subsidiaries and associates, and long-term loans and advances to subsidiaries are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.9.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.10.

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

2.15 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, and are classified as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.9.

2.16 Trade and other creditors

Liabilities for trade and other creditors, which are normally settled on 30-90 day terms, and payables to related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, 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.

2.18 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.

2.19 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

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

2.19 Impairment of non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

2.20 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.

(a) Rendering of telecommunication services

Revenue from rendering of telecommunication services comprises the gross value of services rendered. Commissions and other incentives given to resellers are separately classified under commissions and other selling expenses as these are part of the distribution costs. Revenue and the related distribution costs 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 "deferred revenue".

(b) 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.

(c) 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.

(d) Interest

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

2.21 Research and development costs

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

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

2.22 Employee benefits

(a) Pensions and other post employment benefits

The Group has complied with the mandatory contribution schemes including national pension schemes as defined by the laws of the countries in which it has operations. These contributions are recognised as an expense in the period in which the related service is performed.

(b) 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.

(c) Employee share option plans

Employees (including senior executives and directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share options ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

In accordance with the transitional provisions of FRS 102 in respect of equity-settled awards, the Group has applied FRS 102 only to equity-settled awards granted after 22 November 2002 that had not vested on or before 1 January 2005.

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

2.23 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.

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.

2.24 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.

(a) Business Segments

The main business segments of the Group comprise:

- Retail Operations comprising mainly:
  - (i) "PC-Phone" service that allows users to make calls from their PC to any phone in the world;
  - (ii) "Enterprise" service that allows corporate users to make calls via their existing corporate PABX and Internet access;
  - (iii) IDD and VoIP telephony service 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.

2. Summary of significantaccounting policies (cont'd)

2.24 Segment reporting (cont'd)

(b) Geographical Segments

The Group has operating offices in three main geographical areas of Asia, USA and Europe. Because of the nature of its business, the Group is unable to determine the exact location of its customers. Hence, the location of its operations is used as an indication of the location of its customers. Assets and capital expenditure are based on the location of the assets.

2.25 Derecognition of financial assets and liabilities

(a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

3. Share capital

	Group and Company 2005 $'000	2004 $'000 (Restated)
Authorised:		
-1,000,000,000 ordinary shares of S$0.10 each	**60,214**	60,214
Issued and fully paid up:		
Balance at 1 January		
-750,974,565 (2004: 745,873,865) ordinary shares of S$0.10 each	**45,044**	44,745
Issuance of shares during the year		
-152,895,714 (2004 : 5,100,700) ordinary shares of S$0.10 each	**9,069**	299
Balance at 31 December		
-903,870,279 (2004: 750,974,565) ordinary shares of S$0.10 each	**54,113**	45,044

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

	Group and Company 2005 $'000	2004 $'000 (Restated)
Balance at 1 January	**70,418**	70,409
Premium arising from the issuance of 581,500 (2004: 688,700) shares of S$0.10 each at S$0.12 per share	**7**	8
Premium arising from the issuance of 250,000 (2004: Nil) shares of S$0.10 each at S$0.135 per share	**5**	-
Premium arising from the issuance of 414,000 (2004: 18,000) shares of S$0.10 each at S$0.154 per share	**13**	1
Premium arising from the issuance of 100,000 (2004: Nil) shares of S$0.10 each at S$0.179 per share	**5**	-
Premium arising from the issuance of 202,000 (2004: Nil) shares of S$0.10 each at S$0.181 per share	**10**	-
Premium arising from the issuance of 150,330,214 shares of S$0.10 each at S$0.1608 per share	**5,421**	-
Transfer from employee share option reserve upon exercise of employee share options	**25**	-
Expenses on issuance of ordinary shares	**(17)**	-
	75,887	70,418

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

5. Other reserves

(a) Fair value adjustment reserve

Fair value adjustment reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired.

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Opening balance at 1 January as previously reported	**-**	-	**-**	-
Effects of adopting FRS 39	**221**	-	**221**	-
Opening balance at 1 January as restated	**221**	-	**221**	-
Net loss on fair value changes during the year	**(698)**	-	**(698)**	-
Closing balance at 31 December	**(477)**	-	**(477)**	-

(b) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the period in which the performance and/or service conditions are fulfilled.

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
		(Restated)		(Restated)
Opening balance at 1 January as previously reported	-	-	-	-
Cumulative effects of adopting FRS 102	**336**	42	**336**	42
Opening balance at 1 January as restated	**336**	42	**336**	42
Value of employee services received	**381**	294	**381**	294
Exercise of share options	**(25)**	-	**(25)**	-
Closing balance at 31 December	**692**	336	**692**	336
Total other reserves	**215**	336	**215**	336

6. Translation Reserve

Translation reserve is used to record exchange differences arising from the translation of the financial statement of foreign operations whose functional currencies are different from that of the Group's presentation currency. It also includes exchange differences arising from monetary items that form part of the Company's net investment in foreign subsidiaries.

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
		(Restated)		(Restated)
Opening balance at 1 January as previously reported	**(3,844)**	(5,027)	**(6,392)**	(6,284)
Cumulative effects of adopting FRS 21	**3,708**	4,903	**6,408**	6,289
Opening balance at 1 January as restated	**(136)**	(124)	**16**	5
Net effect of exchange differences	**(10)**	(12)	**(11)**	11
Closing balance at 31 December	**(146)**	(136)	**5**	16

7. Fixed assets

Group	Furniture, fixtures and fittings $'000	Computer equipment $'000	Office equipment $'000	Motor vehicles $'000	Leasehold improvement $'000	Total $'000
Cost						
At 1 January 2004	192	5,623	333	49	151	6,348
Additions	3	1,305	3	-	-	1,311
Disposals/write-offs	(3)	(702)	(2)	-	-	(707)
Net exchange differences	(2)	41	1	-	-	40
At 31 December 2004 and 1 January 2005	190	6,267	335	49	151	6,992
Additions	163	1,609	71	-	-	1,843
Disposals	-	(514)	-	-	-	(514)
Net exchange differences	1	(3)	(1)	1	-	(2)
At 31 December 2005	354	7,359	405	50	151	8,319
Accumulated depreciation						
At 1 January 2004	140	3,717	271	30	148	4,306
Depreciation charge for the year	33	1,030	29	8	1	1,101
Disposals/write-offs	(2)	(663)	(2)	-	-	(667)
Net exchange differences	-	34	-	-	-	34
At 31 December 2004 and 1 January 2005	171	4,118	298	38	149	4,774
Depreciation charge for the year	17	1,260	26	6	1	1,310
Disposals	-	(303)	-	-	-	(303)
Net exchange differences	1	(5)	(1)	1	-	(4)
At 31 December 2005	189	5,070	323	45	150	5,777
Net carrying amount:						
At 31 December 2004	19	2,149	37	11	2	2,218
At 31 December 2005	165	2,289	82	5	1	2,542

7. Fixed assets (cont'd)

Company	Furniture, fixtures and fittings $'000	Computer equipment $'000	Office equipment $'000	Total $'000
Cost				
At 1 January 2004	108	2,030	257	2,395
Additions	-	527	3	530
Disposals/write-offs	-	(8)	(2)	(10)
At 31 December 2004 and 1January 2005	108	2,549	258	2,915
Additions	163	742	70	975
Disposals	-	(66)	-	(66)
At 31 December 2005	271	3,225	328	3,824
Accumulated depreciation				
At 1 January 2004	90	1,259	227	1,576
Depreciation charge for the year	17	471	16	504
Disposals/write-offs	-	(6)	(2)	(8)
At 31 December 2004 and 1 January 2005	107	1,724	241	2,072
Depreciation charge for the year	9	575	17	601
Disposals	-	(39)	-	(39)
At 31 December 2005	116	2,260	258	2,634
Net carrying amount:				
At 31 December 2004	1	825	17	843
At 31 December 2005	155	965	70	1,190

8. Intangible assets

	Group		Company	
	2005 $'000	2004 $'000 (Restated)	**2005 $'000**	2004 $'000 (Restated)
Licensing, patents and trademarks				
Cost				
Balance at 1 January	**1,395**	1,211	**1,372**	1,189
Additions	**130**	183	**58**	183
Net exchange differences	**-**	1	**-**	-
Balance at 31 December	**1,525**	1,395	**1,430**	1,372
Less : accumulated amortisation	**(1,339)**	(1,226)	**(1,301)**	(1,208)
Net book value at 31 December	**186**	169	**129**	164
Analysis of accumulated amortisation:				
Balance at 1 January	**1,226**	1,133	**1,208**	1,123
Amortised during the year	**113**	92	**93**	85
Net exchange differences	**-**	1	**-**	-
Balance at 31 December	**1,339**	1,226	**1,301**	1,208

9. Investments in subsidiaries

Investments in subsidiaries comprise:

	Company 2005 $'000	2004 $'000 (Restated)
Unquoted equity shares, at cost	**18,356**	18,356
Less: impairment loss	**(17,923)**	(16,067)
Carrying amount after impairment loss	**433**	2,289

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

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group 2005 %	2004 %
Directly held by the Company				
MediaRing.com, Inc [(b)]	To market and sell telecommunication services	USA	**100**	100
MediaRing Technology Pte Ltd [(b)]	Dormant	Singapore	**100**	100
MediaRing (Europe) Limited [(b)]	Dormant	United Kingdom	**100**	100
i2u Pte Ltd [(e)]	To market and sell telecommunication services	Singapore	**100**	100
MediaRing (Hong Kong) Limited [(a)]	To market and sell telecommunication services	Hong Kong	**100**	100
MediaRing TC, Inc[(b)]	To market and sell telecommunication services	Japan	**100**	100
i2u Sdn Bhd [(d)(f)]	Dormant	Malaysia	**100**	100
Held by a subsidiary				
MediaRing.com Shanghai Limited [(g)]	To market and sell telecommunication services	People's Republic of China	**100**	100

(a) Audited by Ernst & Young, Hong Kong.
(b) Not required to be audited by the laws of its country of incorporation.
(c) Cost of investment is S$2 (2004: S$2).
(d) Cost of investment is RM2 (2004: RM2).
(e) Audited by Ernst & Young, Singapore.
(f) Audited by William C. H. Tan & Associates, Malaysia.
(g) Audited by Ernst & Young, Shanghai.

10. Investment in an associate

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Shares, at cost	**200**	-	**200**	-
Share of post-acquisition losses	**(46)**	-	**-**	-
Carrying amount of investments	**154**	-	**200**	-

Name	**Country of incorporation**	**Principal activities**	**Percentage of equity interest held by theGroup** 2005 %	2004 %
(Cambodia) Data Communication Co. Ltd	Cambodia	To provide Internet access and Very Small Aperture Terminal ("VSAT") services	40	-

The summarised financial information of the associate are as follows:

	2005	2004
	$'000	$'000
Assets and liabilities:		
Current assets	**553**	-
Non-current assets	**775**	-
Total assets	**1,328**	-
Current liabilities	**(136)**	-
Non-current liabilities	**(833)**	-
Total liabilities	**(969)**	-
Results:		
Revenue	**302**	-
Loss for the year	**(141)**	-

11. Investments in bonds and long-term deposits

	Group and Company	
	2005	2004
	$'000	$'000
		(Restated) [1]
Current:		
Quoted bonds (available-for-sale financial assets)	**2,420**	1,995
Non-current:		
Quoted bonds (held-to-maturity financial assets)	**1,595**	1,619
Quoted bonds (available-for-sale financial assets)	**2,823**	8,326
	4,418	9,945
Long-term deposits (loans and receivables financial assets)	**1,243**	1,300
Investments in long-term bonds and deposits	**5,661**	11,245
Investments in bonds and long-term deposits	**8,081**	13,240
Quoted bonds and long-term deposits, at fair value	**7,829**	13,340

Investments in bonds and long-term deposits are denominated in the following currencies:

	Group and Company	
	2005	2004
	$'000	$'000
		(Restated)
United States Dollar	**2,838**	2,919
Singapore Dollar	**5,243**	10,321
	8,081	13,240

Quoted bonds mature on varying periods within 1 to 11 years (2004: within 1 to 12 years) from the financial year end. Interest is at rates ranging from 1.55% to 5.022% (2004: 1.55% 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 3 to 8 years (2004: from 4 to 9 years) from the financial year end. Interest is at rates ranging from 8.0% to 15.5% (2004: 8% to 15.5%) over the term of the deposits.

The interest rates of long-term deposits reprice at intervals of 6 months.

Quoted bonds of $2.4 million (2004: $2.4 million) and long-term deposits of $1.0 million (2004: $1.0 million) are pledged as security for bank guarantees, standby letters of credit and other bank services.

[1] Investments in long-term bonds and deposits in 2004 were restated to reflect the change in functional currency. These amounts are not required to be restated under FRS 39. Hence these investments in 2004 were carried at cost less any permanent diminution in value.

12. Other investments

	Group and Company	
	2005	2004
	$'000	$'000
		(Restated) [1]
Available-for-sale financial assets		
Quoted equity investments	**3,716**	254
Unquoted equity investment	**-**	9
	3,716	263

[1] Other investments in 2004 were restated to reflect the change in functional currency. These amounts are not required to be restated under FRS 39. Hence these investments in 2004 were carried at cost less permanent diminution in value.

13. Long-term loans and advances to subsidiaries

	Company	
	2005	2004
	$'000	$'000
		(Restated)
Long-term loans and advances treated as part of net investment in subsidiaries	**39,519**	37,515
Less: Allowance for doubtful loans and advances	**(35,670)**	(33,930)
	3,849	3,585
Other long-term loans and advances	**-**	3,052
Less: Allowance for doubtful loans and advances	**-**	(3,050)
	-	2
	3,849	3,587

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

14. Stocks

Stocks are stated at lower of cost and net realisable value, after deducting allowance for stock obsolescence of $123,000 (2004: $143,000) for the Group and $21,000 (2004: $11,000) for the Company.

15. Trade debtors

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
		(Restated)		(Restated)
Trade debtors	**3,232**	3,256	**2,185**	1,843
Less: Allowance for doubtful debts	**(1,060)**	(900)	**(567)**	(419)
	2,172	2,356	**1,618**	1,424

Trade debtors are denominated in the following currencies:

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
		(Restated)		(Restated)
Singapore Dollar	**267**	394	**112**	175
United States Dollar	**1,856**	1,807	**1,506**	1,249
Others	**49**	155	**-**	-
	2,172	2,356	**1,618**	1,424

16. Other debtors and deposits

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
		(Restated)		(Restated)
Other debtors	**553**	268	**523**	143
Deposits	**571**	343	**478**	207
Interest receivable	**86**	139	**86**	139
	1,210	750	**1,087**	489

17. Prepayments

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
		(Restated)		(Restated)
Prepaid selling expenses	**2,645**	2,090	**2,379**	1,752
Other prepaid expenses	**533**	151	**468**	68
	3,178	2,241	**2,847**	1,820

18. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Group	
	2005	2004
	$'000	$'000
		(Restated)
Fixed deposits	**37,437**	14,649
Cash on hand and at bank	**1,461**	1,994
	38,898	16,643

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
		(Restated)		(Restated)
Singapore Dollar	**6,472**	1,991	**6,368**	1,152
United States Dollar	**31,289**	13,288	**27,208**	8,597
Renminbi	**488**	676	**-**	-
Japanese Yen	**614**	433	**-**	-
Others	**35**	255	**-**	-
	38,898	16,643	**33,576**	9,749

Fixed deposits with financial institutions mature on varying periods within 1 month (2004: within 1 month) from the financial year end. Interest is at rates ranging from 0.85% to 4.31% (2004: 0.2% to 2%) per annum, which are also the effective interest rates.

Cash at bank earns interest at floating rates based on daily bank deposits ranging from 0% to 3.1% (2004: 0% to 1.08%) per annum.

Subsequent to the year end, the Company had accepted an offer of $82.0 million (2004: Nil) of undrawn committed borrowing facilities.

19. Due from/(to) subsidiaries and associate

Amounts due from subsidiaries are stated after deducting allowance for doubtful debts of $8,390,000 (2004: $5,996,000) for the Company.

Amounts due from/(to) subsidiaries and associate are non-trade in nature, repayable on demand, unsecured, interest-free and are to be settled in cash.

20. Other creditors and accruals

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
		(Restated)		(Restated)
Other creditors	**511**	567	**290**	213
Accrued operating expenses	**3,730**	2,589	**3,161**	2,073
Deposits received	**373**	328	**324**	298
	4,614	3,484	**3,775**	2,584

21. Turnover

Turnover comprises the following:

	Group	
	2005	2004
	$'000	$'000
		(Restated)
Retail Operations	**86,922**	41,254
Carrier Operations	**8,231**	10,628
	95,153	51,882

22. Personnel costs

	Group	
	2005	2004
	$'000	$'000
		(Restated)
Salary and allowances	**8,707**	7,003
Central Provident Fund contributions	**732**	671
Share-based payments	**381**	294
Staff accommodation	**10**	5
Staff recruitment	**48**	25
Staff welfare	**48**	48
Training	**44**	41
Provision for unpaid leave balance	**32**	38
Other personnel costs	**238**	193
	10,240	8,318

Personnel costs include the amount of directors' remuneration as shown in Note 29. Included in personnel cost is an amount of approximately $1,319,000 (2004: $1,191,000) that relates to research and development cost. Total research and development cost amounts to approximately $1,370,000 (2004: $1,236,000), which also includes depreciation charges of $51,000 (2004: $45,000).

23. Other operating expenses

Other operating expenses is stated after charging/(crediting) the following:

	Group	
	2005	2004
	$'000	$'000
		(Restated)
Non-audit fees paid to		
- auditors of the Company	**49**	70
- other auditors	**50**	-
Directors' fees		
- directors of the Company	**85**	77
Other professional fees	**659**	682
Travelling expenses	**908**	576
Fixed assets written off	**171**	1
(Gain)/loss on disposal of fixed assets	**(27)**	4

24. Interest income

	Group	
	2005	2004
	$'000	$'000
		(Restated)
Interest income		
- bonds and long-term deposits	**407**	690
- fixed deposits	**646**	94
- bank balances	**13**	5
	1,066	789

25. Non-operating income

	Group	
	2005	2004
	$'000	$'000
		(Restated)
Gain on disposal of other investments	**453**	3
Impairment in value of other investments written back	**-**	255
Dividend income from other investments	**-**	5
	453	263

26. Taxation

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

	Group	
	2005	2004
	$'000	$'000
		(Restated)
Profit before taxation	**5,167**	441
Tax at the domestic rates applicable to pre-tax profit or loss in the countries concerned*	**683**	(229)
Adjustments:		
Tax effect of expenses not deductible for tax purposes	**132**	(33)
Deferred tax assets not recognised	**1,153**	1,212
Utilisation of deferred tax assets previously not recognised	**(1,849)**	(831)
Income not subject to taxation	**(128)**	(119)
Share of result of associates	**9**	-
Current financial year's taxation charge	**-**	-

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

As at 31 December 2005, the Group has tax losses of approximately $62,336,000 (2004: $71,742,000) and unabsorbed capital allowances of approximately $213,000 (2004: $488,000) 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.

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2005	2004
	$'000	$'000
		(Restated)
Temporary differences	**5,911**	5,181
Unabsorbed capital allowances and tax losses	**62,549**	72,230
	68,460	77,411

27. Earnings per share

(a) *Basic earnings per share*

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the profit and share data used in the basic and diluted earnings per share computation for the years ended 31 December:

	Group	
	2005	2004
	$'000	$'000
		(Restated)
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	**5,167**	441

	Group	
	2005	2004
	'000	'000
Weighted average number of ordinary shares in issue applicable to basic earnings per share	**802,149**	749,613

(b) *Diluted earnings per share*

Diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group	
	2005	2004
	'000	'000
Weighted average number of ordinary shares in issue applicable to basic earnings per share	**802,149**	749,613
Effect of dilution:		
Share options	**23,325**	15,273
Weighted average number of ordinary shares adjusted for the effect of dilution	**825,474**	764,886

23,473,668 (2004: 18,616,350) of share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous financial periods presented.

Since the end of the year, employees (including senior executives and directors) have exercised options to acquire 3,915,500 (2004: 224,000) ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

Amounts in United States dollars unless otherwise stated

28. Employee Benefits

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

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 S$0.10 each. The options are exercisable at any time after the 1st quarter or upon 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 is as follows:

	Number of Options 2005	**Weighted Average Exercise Price (S$) 2005**	**Number of Options** 2004	**Weighted Average Exercise Price (S$)** 2004
Outstanding at beginning of year (1)	**10,393,000**	**0.1000**	14,196,000	0.1000
Granted	**-**	**-**	-	-
Lapsed	**(171,000)**	**0.1000**	(1,000)	0.1000
Exercised (2)	**(765,000)**	**0.1000**	(3,802,000)	0.1000
Outstanding at end of year (1) (3)	**9,457,000**	**0.1000**	10,393,000	0.1000
Exercisable at end of year	**9,457,000**	**0.1000**	10,393,000	0.1000

(1) Included within these balances are equity-settled options that have not been recognised in accordance with FRS 102 as these equity-settled options were granted on or before 22 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 102.

(2) The weighted average share price at the date of exercise was S$0.207 (2004: S$0.178).

(3) The exercise price for options outstanding at the end of the year was S$0.10 (2004: S$0.10). The weighted average remaining contractual life for these options is 3.8 years (2004: 4.8 years).

(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.

Amounts in United States dollars unless otherwise stated

28. Employee Benefits (cont'd)

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

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

	Number of Options 2005	**Weighted Average Exercise Price (S$) 2005**	**Number of Options** 2004	**Weighted Average Exercise Price (S$)** 2004
Outstanding at beginning of year [(1)]	**81,435,781**	**0.1614**	77,425,750	0.1576
Granted [(4)]	**8,900,000**	**0.1583**	8,181,002	0.1823
Lapsed	**(1,381,917)**	**0.1743**	(2,872,271)	0.4168
Exercised [(2)]	**(1,800,500)**	**0.1372**	(1,298,700)	0.1114
Outstanding at end of year [(1)(3)]	**87,153,364**	**0.1613**	81,435,781	0.1614
Exercisable at end of year	**58,501,343**	**0.1671**	44,621,000	0.1721

(1) Included within these balances are equity-settled options that have not been recognised in accordance with FRS 102 as these equity-settled options were granted on or before 22 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 102.

(2) The weighted average share price at the date of exercise for the options exercised was S$0.256 (2004: S$0.175).

(3) The range of exercise prices for options outstanding at the end of the year was S$0.1000 to S$1.4656 (2004: S$0.1000 to S$1.4656). The weighted average remaining contractual life for these options is 6.8 years (2004: 7.5 years).

(4) The weighted average fair value of options granted during the year was S$0.0625 (2004: S$0.0898).

28. Employee Benefits (cont'd)

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

The fair value of equity-settled share options as at the date of grant estimated by an external valuer using the Trinomial model, taking into account the terms and conditions under which the options were granted.

The inputs to the model used for the years ended 31 December 2005 and December 2004 are shown below:

	Group	
	2005	2004
Dividend yield (%)	**-**	-
Expected volatility (%)	**48**	48
Historical volatility (%)	**44.8**	51.5
Average risk-free interest rate (%)	**2.3**	2.2
Contractual life of option (years)	**10**	10
Expected early exercise multiple (times)	**1.4 to 2.0**	1.4 to 2.0
Weighted average share price (S$)	**0.150**	0.202

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility approximates historical volatility and reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of the option grant were incorporated into the measurement of fair value.

29. Related party information

(a) Sale and purchase of goods and services

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties:

	Group	
	2005	2004
	$'000	$'000
Services rendered from an associate	**301**	-

29. Related party information (cont'd)

b) Compensation of key management personnel

	Group	
	2005	2004
	$'000	$'000
		(Restated)
Short-term employee benefits	**2,186**	1,244
Pension benefits	**27**	35
Share-based payments	**220**	177
Total compensation paid to key management personnel	**2,433**	1,456
Comprise amounts paid to:		
• Directors of the Company	**1,341**	700
• Other key management personnel	**1,092**	756
	2,433	1,456

30. 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 2005.

(b) Capital commitment

On 13 December 2005, the Company entered into a Sale and Purchase Agreement to acquire, subject to the terms and conditions therein, a direct stake of 95% of the issued and paid-up capital of PT. Atlasat Solusindo ("PT. Atlasat"). The Company has paid an initial deposit of US$345,000. The additional acquisition consideration is approximately US$3,005,000. As at the balance sheet date, the proposed acquisition is still outstanding and subject to approvals from relevant authorities in Indonesia.

30. Contingent liabilities and commitments (cont'd)

(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	
	2005	2004	**2005**	2004
	$'000	$'000 (Restated)	**$'000**	$'000 (Restated)
Within 1 year	**433**	282	**309**	155
Within 2 to 5 years	**549**	52	**539**	-
	982	334	**848**	155

31. Segment information

(a) Business Segments

	Retail Operations $'000	Carrier Operations $'000	Others $'000	Group $'000
2005				
Turnover	86,922	8,231	-	95,153
Operating profit/(loss)	6,608	(2,728)	(232)	3,648
Unallocated corporate income				1,519
Profit for the year				5,167
Allocated assets	7,496	1,520	-	9,016
Unallocated corporate assets				51,730
Total assets				60,746
Allocated liabilities	(12,940)	(900)	-	(13,840)
Capital expenditure	1,745	227	-	1,972
Depreciation and amortisation	1,172	251	-	1,423

31. Segment information (cont'd)

(a) Business Segments (cont'd)

	Retail Operations $'000 (Restated)	Carrier Operations $'000 (Restated)	Group $'000 (Restated)
2004			
Turnover	41,254	10,628	51,882
Operating profit/(loss)	1,988	(2,599)	(611)
Unallocated corporate income			1,052
Profit for the year			441
Allocated assets	5,895	1,975	7,870
Unallocated corporate assets			30,285
Total assets			38,155
Allocated liabilities	(9,249)	(1,514)	(10,763)
Capital expenditure	1,222	272	1,494
Depreciation and amortisation	930	263	1,193

(b) Geographical Segments

	Turnover		Assets		Capital expenditure	
	2005 $'000	2004 $'000 (Restated)	**2005 $'000**	2004 $'000 (Restated)	**2005 $'000**	2004 $'000 (Restated)
Asia	**92,448**	47,285	**59,569**	36,864	**1,241**	1,055
USA	**2,705**	3,570	**1,176**	1,290	**731**	439
Europe	**-**	1,027	**1**	1	**-**	-
Total	**95,153**	51,882	**60,746**	38,155	**1,972**	1,494

Amounts in United States dollars unless otherwise stated

32. Directors' remuneration

	Number of directors in remuneration bands		
	Executive directors	Non-executive directors	Total
2005			
S$500,000 and above	1	-	1
S$250,000 to S$499,999	1	-	1
Below S$250,000	1	4	5
	3	**4**	**7**
2004			
S$500,000 and above	1	-	1
S$250,000 to S$499,999	-	-	-
Below S$250,000	2	4	6
	3	4	7

33. 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 debtors, fixed deposits, investments in bonds and long-term deposits, amount due from an associate 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 an allowance for doubtful trade debts based upon expected collectibility of all trade debts.

The Group has no significant concentration of credit risk.

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.

33. Financial instruments (cont'd)

Interest rate and liquidity risk (cont'd)

Interest rate risk

The following tables set out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk.

	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	More than 5 years $'000	Total $'000
2005							
Group							
Fixed rate							
Investments in long-term bonds and deposits	2,420	1,618	-	620	577	1,603	6,838
Floating rate							
Cash and fixed deposits	38,898	-	-	-	-	-	38,898
Investments in long-term bonds and deposits	-	-	-	969	-	274	1,243
Company							
Fixed rate							
Investments in long-term bonds and deposits	2,420	1,618	-	620	577	1,603	6,838
Floating rate							
Cash and fixed deposits	33,576	-	-	-	-	-	33,576
Investments in long-term bonds and deposits	-	-	-	969	-	274	1,243

33. Financial instruments (cont'd)

Interest rate and liquidity risk (cont'd)

Interest rate risk (cont'd)

	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	More than 5 years $'000	Total $'000
2004 (Restated)							
Group							
Fixed rate							
Investments in long-term bonds and deposits	1,995	2,473	1,643	612	3,061	2,156	11,940
Floating rate							
Cash and fixed deposits	16,643	-	-	-	-	-	16,643
Investments in long-term bonds and deposits	-	-	-	-	1,000	300	1,300
Company							
Fixed rate							
Investments in long-term bonds and deposits	1,995	2,473	1,643	612	3,061	2,156	11,940
Floating rate							
Cash and fixed deposits	9,749	-	-	-	-	-	9,749
Investments in long-term bonds and deposits	-	-	-	-	1,000	300	1,300

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 Singapore dollar. However, the Group reviews periodically that its net exposure is kept at an acceptable level. Approximately 98% of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, while almost 95% of costs are denominated in the unit's functional currency.

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, amounts due from/(to) subsidiaries and associate

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

33. Financial instruments (cont'd)

Fair values of financial instruments (cont'd)

Long-term unquoted equity investments

In 2004, long-term unquoted equity instruments were stated at cost because their fair values could not be obtained directly from quoted market prices or indirectly using valuation techniques supported by observable market data. In 2005, these investments with a carrying value of $9,000 were disposed at a gain of $453,000.

Long-term loans and advances to subsidiaries

Long-term loans and advances to subsidiaries are quasi-equity in nature. These have no repayment terms and are only repayable when the cash flows of the borrowers permit. Therefore the fair values of these loans and advances are not determinable as the timing of the future cash flows arising from these loans and advances cannot be estimated reliably.

Investment in bonds and long-term deposits

The fair value of investment in bonds and long-term deposits which is the market value, is disclosed in Note 11.

34. Subsequent Events

(a) Proposed acquisition of Pacific Internet Limited

On 27 February 2006, the Group announced that it intends, subject to the satisfaction of certain conditions, to make a pre-conditional cash voluntary general offer to acquire all the issued shares in the capital of Pacific Internet Limited ("PacNet"), which is listed on National Association of Securities Dealers Automated Quotation ("Nasdaq"). If the offer is made and is successful, the combined MediaRing-PacNet group is expected to become a one-stop premier provider of voice and data services in the Asia Pacific region.

The Group currently owns 651,572 shares, representing approximately 4.86% of PacNet, The offer, if made, is expected to be on the following basis:

- US$8.25 in cash for each PacNet share; and
- subject to certain conditions, including MediaRing obtaining Infocomm Development Authority of Singapore ("IDA") and shareholders approval, and securing minimum ownership of 50% plus one share (including the PacNet shares already owned by MediaRing). These conditions must be satisfied by 31 May 2006 prior to making the offer.

The Group has sufficient internal resources and intended bank facilities available to fund the proposed offer.

34. Subsequent Events (cont'd)

(b) Proposed Rights Issue

On 27 February 2006, the Company announced a proposed renounceable non-underwritten rights issue to its shareholders of up to 245,493,341 new MediaRing shares at an issue price of S$0.16 each. This is expected to raise net proceeds of approximately S$38.8 million if fully subscribed. For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, foreign shareholders will not be entitled to participate in the rights issue.

The net proceeds from the rights issue are expected to be used towards partial funding of the proposed offer for PacNet, if made, or the repayment of a portion of the financing to be obtained for the offer, if made, and/or any other acquisition and/or investment in assets or businesses, which are synergistic with the Group's businesses. The rights issue will, subject to the approval of the shareholders, proceed regardless of the outcome of the PacNet pre-conditional voluntary general offer.

Venture One Finance Limited, which holds approximately 150.3 million shares representing a 16.6% stake in MediaRing, has undertaken to subscribe for its full entitlement to the proposed rights issue.

35. Comparative figures

Comparatives in the financial statements are based on the 2004 audited financial statements, restated to conform with the changes to FRS applicable with effect from 1 January 2005 as described in Note 2, and to be consistent with the current year's presentation.

Supplementary Information

MATERIAL CONTRACTS

During the year, placement of 150,330,214 shares were allotted and issued by the Company at S$0.1608 per share to Venture One Finance Limited pursuant to a placement agreement dated 26 August 2005. This placement represents 16.63% of total issued share capital of the Company on 31 December 2005. Venture One Finance Limited granted an option to key management personnel of the Company, who may include Executive Directors, the right to subscribe for less than 10% of the enlarged share capital of Venture One Finance Limited. These options have been exercised as at 31 December 2005.

Save as disclosed in the above paragraph, 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.

Statistics Of Shareholdings as at 31 March 2006

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	26	0.16	9,778	0.00
1,000 - 10,000	11,573	69.93	50,771,920	5.59
10,001 - 1,000,000	4,895	29.58	277,623,724	30.56
1,000,001 and above	54	0.33	580,025,857	63.85
Total	**16,548**	**100.00**	**908,431,279**	**100.00**

LOCATION OF SHAREHOLDINGS

Location	No. of Shareholders	%	No. of Shares	%
Singapore	16,190	97.84	685,313,135	75.44
Malaysia	137	0.83	5,708,000	0.63
Hong Kong	31	0.18	1,745,000	0.19
Japan	5	0.03	178,000	0.02
USA	43	0.26	1,335,000	0.15
UK	13	0.08	338,000	0.04
Australia / New Zealand	30	0.18	679,000	0.07
Others	99	0.60	213,135,144	23.46
Total	**16,548**	**100.00**	**908,431,279**	**100.00**

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest No of Shares	Deemed Interest No. of Shares %	Total Interest No. of Shares %	
1. Venture One Finance Limited	150,330,214	-	150,330,214	16.55
2. L&H Investment Company	53,092,270	-	53,092,270	5.84

Statistics Of Shareholdings as at 31 March 2006

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1	Venture One Finance Limited	150,330,214	16.55
2	United Overseas Bank Nominees Pte Ltd	73,124,600	8.05
3	L & H Investment Company	53,092,270	5.84
4	Morgan Stanley Asia (S'pore) Securities Pte Ltd	37,955,000	4.18
5	DB Nominees (S) Pte Ltd	22,908,452	2.52
6	Raffles Nominees Pte Ltd	20,149,848	2.22
7	DBS Nominees Pte Ltd	18,183,420	2.00
8	OCBC Securities Private Ltd	15,319,000	1.69
9	Citibank Consumer Nominees Pte Ltd	15,187,000	1.67
10	UOB Kay Hian Pte Ltd	13,900,000	1.53
11	DBS Vickers Securities (S) Pte Ltd	13,296,293	1.46
12	Citibank Nominees Singapore Pte Ltd	9,999,510	1.10
13	OCBC Nominees Singapore Pte Ltd	8,489,000	0.93
14	Chong Yean Fong	8,010,000	0.88
15	HSBC (Singapore) Nominees Pte Ltd	7,666,000	0.84
16	Kim Eng Securities Pte. Ltd.	7,151,000	0.79
17	Phillip Securities Pte Ltd	6,289,000	0.69
18	BNP Paribas Nominees Singapore Pte Ltd	6,058,000	0.67
19	Tai Tak Securities Pte Ltd	6,000,000	0.66
20	CIMB-GK Securities Pte Ltd	5,503,000	0.61
	Total	**498,611,607**	**54.88**

SHAREHOLDINGS HELD BY THE PUBLIC

76.84% 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, 26 April 2006 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 2005 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. Walter J. Sousa **(Resolution 2)**
   Ms. Eileen Tay - Tan Bee Kiew **(Resolution 3)**

   Ms. Eileen Tay – Tan Bee Kiew will, upon re-election as Director of the Company, remain as the Chairperson 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. Ms. Eileen Tay – Tan Bee Kiew is also a member of the Remuneration Committee.

3. To approve the payment of Directors' fees for Non-executive Directors for the year ended 31 December 2005 comprising:

   (a) S$236,232 and

   (b) 300,000 share options each 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) to be priced at S$0.316 per share being the average of the closing prices of the five trading days following the announcement of the full year results for the year ended 31 December 2005. (2004: S$130,000 and offer of 200,000 share options each 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 and are hereby authorised to issue and allot whether by way of bonus issue, rights issue or otherwise (including but not limited to the issue and allotment of shares in the capital of the Company at any time, whether during the continuance of such authority or thereafter, pursuant to offers, agreements or options made or granted by the Company while this authority remains in force) or otherwise dispose of shares in the Company (including making and granting offers, agreements and options which would or which might require shares to be issued, allotted or otherwise disposed of, whether during the continuance of such authority or thereafter) at any time to such persons (whether or not such persons are members of the Company), 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 issued pursuant to this Resolution shall not exceed 50% of the issued share capital of the Company for the time being, and PROVIDED FURTHER THAT where members of the Company with registered addresses in Singapore are not given the opportunity to participate in the same on a pro rata basis, then the shares to be issued under such circumstances shall not exceed 20% of the issued share capital of the Company for the time being;

(b) for the purpose of determining the aggregate number of shares that may be issued under (a) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options that are outstanding when this Resolution is passed.

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 additional 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
Company Secretaries
Singapore, 10 April 2006

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 maximum number of shares that the Directors may allot and issue under this resolution shall not exceed the quantum as set out in the resolution.

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)

IMPORTANT:
1. For investors who have used their CPF monies to buy MediaRing Ltd shares, this Annual Report 2005 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

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, 26 April 2006 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 2005		
2.	Re-election of Mr. Walter J. Sousa as Director		
3.	Re-election of Ms. Eileen Tay – Tan Bee Kiew as Director		
4.	Approval of Directors' fees for Non-executive Directors amounting to S$236,232 and offer of 300,000 share options each under the ESOS II		
5.	Re-appointment of Ernst & Young as Auditors		
6.	Authority to allot and issue 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 ______________ 2006

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

____
Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

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) 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.

Fold along this line (1)

Affix
Stamp
Here

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

Fold along this line (2)

Designed & Produced by Xpress Media Pte Ltd • tel: (65) 6880 2838

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Reg. No.: 199304568R