ACCORD CUSTOMER CARE SOLUTIONS LIMITED

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

C O N T E N T S

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the group and balance sheet and statement of changes in equity of the company for the financial year ended December 31, 2005.

1 DIRECTORS

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

Philip Eng Heng Nee	(Appointed on June 1, 2005)
Tong Choo Cherng	(Appointed on May 25, 2005)
Henry Tan Hor Thye	
David Ding Yew Mui	(Appointed on September 9, 2005)
Mah Kah On	(Appointed on September 9, 2005)

During the financial year and up to the date of this report, the following directors resigned as directors of the company:

Victor Tan Hor Peow	(Resigned on May 25, 2005)
Chia Leok Yeen	(Alternate director to Liow Voon Kheong and resigned on May 31, 2005)
Ed Ng Ee Peng	(Appointed on March 5, 2004 and resigned on July 14, 2005)
Gay Chee Cheong	(Resigned on September 9, 2005)
Leow Poh Tat Philip	(Resigned on August 31, 2005)
Liow Voon Kheong	(Resigned on August 31, 2005)

2 AUDIT COMMITTEE

The Board of Directors has adopted the principles of corporate governance under the Best Practices Guide with regards to audit committee formulated by SGX-ST.

The members of the Audit Committee at the date of this report are:

Mah Kah On	(Appointed as independent non-executive director on September 9, 2005 and appointed as Audit Committee Chairman on September 23, 2005)
David Ding Yew Mui	(Member and independent non-executive director and appointed on September 9, 2005)
Philip Eng Heng Nee	(Member and independent non-executive director. Appointed as Audit Committee Chairman on July 25, 2005 and stepped down as Audit Committee Chairman on September 23, 2005)

During the financial year and up to the date of this report, the following member resigned from the Audit Committee:

Leow Poh Tat Philip (Resigned on August 31, 2005)
Gay Chee Cheong (Resigned on September 9, 2005)

The Audit Committee performs the functions as set out in the Singapore Companies Act.

3 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate other than the options described below.

4 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year and their interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act are as follows:

	Shareholdings registered in the name of directors			Shareholdings in which directors are deemed to have interest		
Name of directors and companies in which interests are held	At January 1, 2005 or date of appointment, if later	At December 31, 2005	At January 21, 2006	At January 1, 2005 or date of appointment, if later	At December 31, 2005	At January 21, 2006
Accord Customer Care Solutions Limited - Ordinary shares of $0.025 each						
Henry Tan Hor Thye	137,592,337	137,592,337	137,592,337	2,257,380	2,257,380	2,257,380
Accord Customer Care Solutions Limited - Options granted						
Philip Eng Heng Nee	7,000,000	7,000,000	7,000,000	-	-	-
Tong Choo Cherng	1,335,000	1,335,000	1,335,000	-	-	-

5 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed below and in the financial statements.

6 SHARE OPTIONS

a) At the Extraordinary Meeting held on January 13, 2003, the shareholders approved the adoption of the ACCS Share Option Scheme 2003 (the "2003 Scheme"). The share option scheme is administered by the Remuneration Committee, comprising the following:

David Ding Yew Mui	(Appointed as member on September 9, 2005 and as Chairman on September 23, 2005)
Mah Kah On	(Appointed as member on September 9, 2005)
Philip Eng Heng Nee	(Appointed as member on September 23, 2005)

During the financial year and up to the date of this report, the following members resigned from the Remuneration Committee:

Leow Poh Tat Philip	(Resigned on August 31, 2005)
Gay Chee Cheong	(Resigned on September 9, 2005)

b) Each share option entitles the employees of the group and of its associated company(ies) to subscribe for one new ordinary share of $0.025 each in the company. The options are granted at a consideration of $1.00 paid by each option holder.

The 2003 Scheme will operate for a maximum period of 10 years commencing on January 13, 2003. Under the 2003 Scheme, share options may be granted to the employees of the group and its associated company(ies), if any, provided that the company has control over the associated company(ies). Control is defined as the capacity to dominate decision making in relation to the financial and operating policies of the company. Approval of the independent shareholders in separate resolutions is required for the participation by and the number and terms of options to be granted to participants who are controlling shareholders of the company or their associates.

Options that are granted may be at the market price ("Market Price Options") or may have exercise prices that are, at the Remuneration Committee's discretion, set at a discount to the market price of a share. The maximum discount cannot exceed 20%. In the event that options are issued at a discount, such options may be exercised only after the second anniversary from the date of the grant of the option.

If an option holder ceases to be in full time employment with the company or any of the companies within the group or its associated company(ies) for any reason whatsoever, the option holder may exercise any unexercised options within 1 month from the last date of employment with the relevant entity.

Market Price Options shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or any multiple thereof) at any time after (12) twelve months of the date of grant of that option.

Options granted with an exercise price set at discount to market price shall only be exercisable by a participant, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or any multiple thereof) at any time after twenty four (24) months from the date of grant of that option.

Provided always that options shall be exercised before the end of one hundred and twenty (120) months (or sixty (60) months where the participant is a non-Executive Director) of the date of grant of that option and subject to such other condition as may be introduced by the Remuneration Committee from time to time.

c) At the Extraordinary Meeting held on April 14, 2004, the shareholders approved the amendment of certain provisions of the 2003 Scheme to:

   i) allow non-executive directors of the company to participate in the 2003 Scheme; and

   ii) extend the size of the 2003 Scheme from 10% to 15% of the issued share capital of the company.

d) The share options granted and exercised during the financial year and share options outstanding as at December 31, 2005 under the 2003 Scheme were as follows:

	Number of share options					
Date of grant	Balance at January 1, 2005 or date of grant if later	Exercised	Lapsed/ Cancelled	Balance at December 31, 2005	Subscription price $	Expiry date
September 17, 2003	2,612,000	(318,000)	(630,000)	1,664,000	0.40	September 16, 2013
April 14, 2004	26,958,000	-	(13,125,000)	13,833,000	0.651	April 13, 2014
September 22, 2005	7,000,000	-	-	7,000,000	0.155	September 21, 2010
	36,570,000	(318,000)	(13,755,000)	22,497,000		

e) Options granted to directors of the company under the 2003 Scheme were as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to December 31, 2005	Aggregate options exercised since commencement of the Scheme to December 31, 2005	Aggregate options outstanding at December 31, 2005	Percentage of total number of options outstanding at December 31, 2005
Philip Eng Heng Nee	7,000,000	7,000,000	-	7,000,000	31.1%
Tong Choo Cherng	-	1,335,000	-	1,335,000	5.9%

f) During the financial year, except as disclosed in paragraph 6(e) above in respect of options granted to Philip Eng Heng Nee, no employees received 5% or more of the total number of options available under the 2003 scheme. No shares were issued at a discount to the market price.

g) At the end of the financial year, there were no unissued shares of the subsidiaries under option.

7 AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Philip Eng Heng Nee

Tong Choo Cherng

March 1, 2006

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company as set out on pages 9 to 76 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 December 31, 2005 and of the results, changes in equity and cash flows of the group and the changes in equity of the company for the financial year then ended and on 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.

ON BEHALF OF THE DIRECTORS

Philip Eng Heng Nee

Tong Choo Cherng

March 1, 2006

AUDITORS' REPORT TO THE MEMBERS OF

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

We have audited the financial statements of Accord Customer Care Solutions Limited set out on pages 9 to 76 for the year ended December 31, 2005. These financial statements are the responsibility of the company's directors.

Except as discussed in the following paragraphs, we conducted our audit in accordance with the 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.

The matters described below were highlighted in our auditors' report on the financial statements for the year ended December 31, 2004 whereby we issued a disclaimer of opinion:

a) Refurbishment service income and investigations

As described in Note 2(g) to the financial statements, the investigations by the independent investigator into the overstatement of revenue from one contract with a specific customer and refurbishment business have concluded and management has determined that the effects of the overstatement of revenue from the one contract with the specific customer is not material and from the refurbishment business is largely consistent with those reported in the financial statements for the financial year ended December 31, 2004.

b) Payments for certain investments

As described in Notes 2(c), 2(f) and 2(i) to the financial statements, the management has now determined the nature and extent of the relationship, transactions and/or dealings between the intermediary companies and/or individual and the group. The directors are satisfied that the investments in certain subsidiaries and associates and other investments that were previously determined as not valid nor bona fide have been appropriately written down to their recoverable amounts as at December 31, 2005.

c) Adjustments made by the company in relation to financial years 2004 and 2003

As described in Notes 2(d) and 2(e) to the financial statements, the group made provisions against certain assets, provided for additional liabilities and wrote off certain assets by reducing/offsetting the profits arising from the refurbishment business and commission income initially recorded, and by charging the balance to the profit and loss statement. If the originally recorded assets were not valid, these assets should have been reversed from the accompanying financial statements instead of making provisions or write-offs against those assets. We were unable to satisfy ourselves as to the correctness of the offsetting of certain provisions and write-offs for the group against the profits arising from the refurbishment business and commission income initially recorded, and the validity, correctness and adequacy of part or all of the related provisions and write-offs that were made against certain assets or liabilities as at December 31, 2004 arising from the refurbishment business and commission income.

d) Limitation on the scope of work of auditors of certain overseas subsidiaries

The 2004 financial statements of certain overseas subsidiaries were affected by adjustments which were not subject to audit by the respective subsidiaries' auditors due to inadequate supporting documentation. Had these auditors been able to perform an audit on the adjustments to the financial statements of the respective subsidiaries, further adjustments or disclosures may have to be made to the 2004 financial statements.

The opening balances affected by the adjustments mentioned above were brought forward into the financial statements for the year ended December 31, 2005 and hence these matters have effects on the 2005 financial statements.

The Commercial Affairs Department's ("CAD") proceedings against the former executives arising from investigations into the affairs of the company are still ongoing. The outcome of such proceedings may uncover other information which may require adjustments to be made to the financial statements.

As disclosed in Note 2(f) to the financial statements, the company has determined the source of the receipts, nature, relationship and the transactions/dealings between the Intermediaries and the company. However, we are unable to satisfy ourselves as to the completeness of the disclosure of related party transactions and any other effects on the financial statements as the former executives of the company who have been subsequently charged by the CAD were still presiding over the affairs of the company during the first half of financial year 2005.

As described in Notes 8, 10 and 14 to the financial statements, the auditors of certain subsidiaries expressed disclaimer of opinion due to limitation of scope on certain allowances for doubtful trade receivables and inventories and impairment of plant and equipment in the current year arising from lack of adequate supporting documentation.

As described in Note 12 to the financial statements, we have not received the audit clearance for certain subsidiaries for consolidation purposes as the respective auditors of those subsidiaries have not completed their audit as of the date of this report. Further adjustments or disclosures may have to be made to the accompanying financial statements upon completion of the audit of those subsidiaries.

Except for the effects of such adjustments or disclosures, if any, on the accompanying financial statements, of the matters referred to in the preceding paragraphs, we are of the opinion that:

(a) the accompanying financial statements and consolidated financial statements 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 December 31, 2005 and of the results, changes in equity and cash flows of the group and the changes in equity of the company 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.

Deloitte & Touche
Certified Public Accountants

Singapore
March 1, 2006

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

BALANCE SHEETS
December 31, 2005

	Note	Group 2005 $'000	Group 2004 $'000 (restated)	Company 2005 $'000	Company 2004 $'000 (restated)
ASSETS					
Current assets:					
Cash	7	16,685	33,338	1,838	19,426
Cash pledged	7	5,448	8,645	5,448	6,825
Trade receivables	8	22,518	25,940	7,950	6,745
Other receivables and prepayments	9	16,564	21,331	45,131	20,186
Inventories	10	11,667	15,189	-	-
Total current assets		72,882	104,443	60,367	53,182
Non-current assets:					
Investment in associates	11	14	203	-	-
Investment in subsidiaries	12	-	-	21,642	23,929
Advance payments for investments	13	2,487	-	2,487	-
Plant and equipment	14	13,963	23,041	2,027	2,650
Other investments	15	17,731	13,813	14,090	13,061
Goodwill on consolidation	16	10,116	10,284	-	-
Other goodwill	17	10,346	11,998	-	961
Due from subsidiaries	18	-	-	-	11,801
Total non-current assets		54,657	59,339	40,246	52,402
Total assets		127,539	163,782	100,613	105,584
LIABILITIES AND EQUITY					
Current liabilities:					
Bank loans and overdrafts	19	35,616	40,675	8,413	7,050
Trade payables	20	10,910	17,955	8,555	8,923
Other payables	21	42,484	47,497	51,935	25,241
Income tax payable		1,198	2,601	-	-
Finance leases	22	68	221	-	-
Current portion of long-term bank loans	24	508	490	-	-
Total current liabilities		90,784	109,439	68,903	41,214

	Note	Group		Company	
		2005	2004	2005	2004
		$'000	$'000	$'000	$'000
			(restated)		(restated)
Non-current liabilities:					
Finance leases	22	212	440	-	-
Deferred income tax	23	1,021	593	912	912
Long-term bank loan	24	324	792	-	-
Total non-current liabilities		1,557	1,825	912	912
Capital, reserves and minority interests:					
Share capital	26	24,024	24,017	24,024	24,017
Share premium reserve		38,394	38,274	38,394	38,274
Capital redemption reserve		22	22	22	22
Share options reserve	27	2,716	1,903	2,716	1,903
Foreign currency translation reserve		(633)	333	-	-
Accumulated losses		(34,723)	(24,777)	(34,358)	(758)
Equity attributable to equity holders of the company		29,800	39,772	30,798	63,458
Minority interests		5,398	12,746	-	-
Total equity		35,198	52,518	30,798	63,458
Total liabilities and equity		127,539	163,782	100,613	105,584

See accompanying notes to financial statements.

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

CONSOLIDATED PROFIT AND LOSS STATEMENT
Year ended December 31, 2005

	Notes	Group 2005 $'000	Group 2004 $'000 (restated)
Revenue	28	284,320	276,743
Cost of sales		(216,607)	(205,155)
Gross profit		67,713	71,588
Other operating income	29	7,068	17,331
Administrative expenses		(65,214)	(63,179)
Other operating expenses	30	(21,001)	(60,236)
Finance cost	31	(2,054)	(1,378)
Share of results of associates		-	(47)
Loss before income tax		(13,488)	(35,921)
Income tax expense	32	(500)	(2,777)
Loss for the year	33	(13,988)	(38,698)
Attributable to:			
Equity holders of the company		**(9,946)**	**(38,893)**
Minority interests		(4,042)	195
		(13,988)	(38,698)
Loss per share (cents):			
- Basic	34	(1.03)	(4.08)
- Diluted	34	(1.03)	(4.08)

See accompanying notes to financial statements.

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

STATEMENTS OF CHANGES IN EQUITY
Year ended December 31, 2005

	Share capital	Share premium reserve	Capital redemption reserve	Share options reserve	Foreign currency translation reserve	Accumulated losses	Attributable to equity holders of the company	Minority interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Balance at January 1, 2004	15,829	42,098	22	-	544	14,116	72,609	485	73,094
Issue of shares on:									
- bonus share issue	7,915	(7,915)	-	-	-	-	-	-	-
- exercise of share options	273	4,091	-	-	-	-	4,364	-	4,364
Net loss for the year	-	-	-	-	-	(38,893)	(38,893)	195	(38,698)
Recognition of share-based payments (Note 27)	-	-	-	1,903	-	-	1,903	-	1,903
Effects of dilution on disposal of interest to minority shareholders	-	-	-	-	-	-	-	12,066	12,066
Exchange differences arising on translation of foreign operations	-	-	-	-	(211)	-	(211)	-	(211)
Balance at December 31, 2004 - restated	24,017	38,274	22	1,903	333	(24,777)	39,772	12,746	52,518
Issue of shares on exercise of share options	7	120	-	-	-	-	127	-	127
Net loss for the year	-	-	-	-	-	(9,946)	(9,946)	(4,042)	(13,988)
Recognition of share-based payments (Note 27)	-	-	-	813	-	-	813	-	813
Effects of acquisition of interest in subsidiaries	-	-	-	-	-	-	-	(3,306)	(3,306)
Exchange differences arising on translation of foreign operations	-	-	-	-	(966)	-	(966)	-	(966)
Balance at December 31, 2005	24,024	38,394	22	2,716	(633)	(34,723)	29,800	5,398	35,198

Company	Share capital $'000	Share premium reserve $'000	Share options reserves $'000	Capital redemption reserve $'000	Accumulated losses $'000	Total $'000
Balance at January 1, 2004	15,829	42,098	-	22	8,507	66,456
Issue of shares on:						
- bonus share issue	7,915	(7,915)	-	-	-	-
- exercise of share options	273	4,091	-	-	-	4,364
Net loss for the year	-	-	-	-	(9,265)	(9,265)
Recognition of share-based payments (Note 27)	-	-	1,903	-	-	1,903
Balance at December 31, 2004 - restated	24,017	38,274	1,903	22	(758)	63,458
Issue of shares on exercise of share options	7	120	-	-	-	127
Recognition of share-based payments (Note 27)	-	-	813	-	-	813
Net loss for the year	-	-	-	-	(33,600)	(33,600)
Balance at December 31, 2005	24,024	38,394	2,716	22	(34,358)	30,798

See accompanying notes to financial statements.

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

CONSOLIDATED CASH FLOW STATEMENT
Year ended December 31, 2005

	2005 $'000	2004 $'000 (restated)
Operating activities:		
Loss before income tax	(13,488)	(35,921)
Adjustments for:		
Share of results of associates	-	47
Depreciation expense	5,242	4,792
Interest expense	2,054	1,378
Interest income	(2,184)	(648)
(Gain) Loss on disposal of plant and equipment	(399)	364
Plant and equipment written off	4,119	-
Reversal of impairment of plant and equipment	(2,467)	-
Impairment of plant and equipment	799	-
Share-based payments	813	1,903
Gain on partial disposal/dilution of subsidiaries	-	(16,253)
Amortisation of goodwill on consolidation and other goodwill	-	3,966
Other goodwill written off	1,613	-
Impairment of goodwill on consolidation	865	-
Impairment of other investments	857	-
Negative goodwill released to income	(4,371)	-
Provisions (Note D)	(18,102)	53,680
Operating cash flows before movements in working capital	(24,649)	13,308
Trade receivables	3,422	2,125
Other receivables and prepayments	6,056	(4,081)
Inventories	3,522	396
Trade payables	(7,045)	(1,318)
Other payables	15,369	(5,022)
Cash (used in) generated from operation	(3,325)	5,408
Income tax paid	(2,764)	(135)
Interest received	2,184	648
Net cash (used in) from operating activities	(3,905)	5,921

	2005 $'000	2004 $'000
Investing activities:		
Acquisition of subsidiaries (Note A)	-	(31,000)
Additional investment in subsidiaries	(3,878)	-
Proceeds from disposal of plant and equipment	4,325	2,212
Purchase of businesses (Note B)	-	(10,503)
Purchase of plant and equipment (Note C)	(2,445)	(12,991)
Increase in investments/bonds in associate - net	(8,347)	(19,712)
Advance payments for investments	(7,055)	(15,643)
Provisions (Note D)	10,284	43,308
Net cash used in investing activities	(7,116)	(44,329)
Financing activities:		
Interest paid	(2,054)	(1,378)
(Repayment of) Proceed from bank loans	(17,123)	16,437
Contribution by minority shareholders	-	26,762
Proceeds from issuing shares	127	4,364
Decrease in finance leases	(381)	(375)
Cash pledged (Note E)	3,197	(3,675)
Net cash (used in) from financing activities	(16,234)	42,135
Net (decrease) increase in cash and cash equivalents	(27,255)	3,727
Cash and cash equivalents at beginning of year	33,338	27,670
Effect of foreign exchange rate changes	(1,012)	1,941
Cash and cash equivalents at end of financial year (Note E)	5,071	33,338

Notes to the consolidated cash flow statements

A. Summary of the effects of acquisition of subsidiaries:

	2005 $'000	2004 $'000
Cash	-	3,302
Other current assets	-	33,793
Current liabilities	-	(30,716)
Net current assets	-	6,379
Plant and equipment	-	2,925
Goodwill on acquisition of subsidiaries	-	41,754
Goodwill on adjustment to cost	-	(272)
Investment in associates	-	42
Purchase consideration	-	50,828
Deferred consideration [Note 21]	-	(2,280)
Less: Cash of acquired subsidiaries	-	(3,302)
Less: Advance payments made in prior years	-	(14,246)
Net cash outflow on acquisition of subsidiaries	-	31,000

B. Summary of the effects of purchase of businesses:

	2005 $'000	2004 $'000
Cash	-	21
Other current assets	-	3,021
Current liabilities	-	(4,724)
Net current liabilities	-	(1,682)
Goodwill on purchase of businesses	-	12,206
Purchase consideration discharged by cash	-	10,524
Less: Cash of acquired businesses	-	(21)
Net cash outflow on purchase of businesses	-	10,503

C. Plant and equipment:

During the financial year, the group acquired plant and equipment with aggregate cost of $2,445,000 (2004 : $13,532,000) of which $Nil (2004 : $541,000) was acquired by means of finance lease. Cash payment of $2,445,000 (2004 : $12,991,000) were made to purchase plant and equipment.

D. Provisions:

	2005 $'000	2004 $'000
Total (reversal of) provision and write-offs [Note 2]	(7,818)	84,405
Amortisation of other goodwill included in amortisation expense	-	(757)
Minority interest's share of additional losses included in gain on partial disposal/dilution of subsidiaries	-	13,340
	(7,818)	96,988
Shown as adjustments to:		
Cash flow (from) used in operations	(18,102)	53,680
Cash flow used in investing activities *	10,284	43,308
	(7,818)	96,988

* In 2005, these represent provision for advance payments for investment [Note 2(G)], investment in associate [Note 2(F)], goodwill on consolidation [Note 2(H)] and other investment [Note 2(J)]. In 2004, these represented provision for advance payments for investment, investment in associate and goodwill on consolidation.

E. Cash and cash equivalents at end of financial year:

	2005 $'000	2004 $'000
Cash	22,133	41,983
Bank overdrafts	(11,614)	-
Less: Cash pledged (Note 7)	(5,448)	(8,645)
Net	5,071	33,338

See accompanying notes to financial statements.

1 GENERAL AND GOING CONCERN ASSUMPTION

a) The company (Registration No. 200009059G) is incorporated in the Republic of Singapore with its registered office and principal place of business at 20 Toh Guan Road #07-00 Accord Distri Centre, Singapore 608839. The company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Singapore dollars.

b) The principal activities of the company are the provision of after-market services for mobile communication devices and investment holding. Provision of after-market services comprise repair management, technical services management, customer relationship management, administrative management and other value added services which include sale of accessories, merchandise and e-distribution and mobile clinic management.

c) The principal activities of the subsidiaries are described in Note 12 to the financial statements respectively.

d) The group incurred losses of $13,988,000 for the financial year ended December 31, 2005. As at December 31, 2005, the group's current liabilities exceeded their current assets by $17,902,000. In addition, as disclosed in Note 19(c), a bank has frozen the bank balances of the company pending the restructuring of the loans owing by certain subsidiaries and an associate. The other banks have continued to provide the group with the existing credit facilities and did not modify, withdraw or suspend any credit facilities provided to the group, except for the conversion of an outstanding bank loan into bank overdraft of a subsidiary as the bank loan was not repaid upon maturity. At the date of this report, the company is also in negotiation with certain of its bankers to restructure the group's banking facilities.

e) The consolidated financial statements of the group and balance sheet and statement of changes in equity of the company for the year ended December 31, 2005 were authorised for issue by the Board of Directors on March 1, 2006.

2 INVESTIGATIONS AND ADJUSTMENTS TO FINANCIAL STATEMENTS

Matters raised in 2004 and updates in 2005

a) On February 22, 2005, the company announced that the Commercial Affairs Department ("CAD") has commenced its investigation into the company's affairs. Subsequently, the company announced that it had overstated revenue from one contract with a specific customer. This led to the appointment of an independent investigator by the company's Independent Committee on February 28, 2005. On May 26, 2005, the company announced that the independent investigator had concluded that the effect of such overstatement of revenue and profits in relation to this particular contract is not likely to be material to the group for 2004.

   The independent investigator was tasked by the Independent Committee on May 1, 2005 to investigate into the refurbishment income. The independent investigator reported the result of its investigations and the effect of such overstatement on revenue and profit on May 26, 2005 and the company announced such effect on the same day.

b) On May 6, 2005, the company's auditors informed the company in writing the auditors' concern over certain audit findings and inconsistencies relating to the refurbishment service income. The basis for the auditors' concerns included lack of documentation supporting transactions, uncertainty over the validity of confirmation replies from customers, settlement of refurbishment income by way of cashier orders, as well as inconsistencies in the description of manner of delivery of refurbishment services, the description of nature of the refurbishment income, representation as to the availability of the serial numbers of the refurbished hand phones and the check digit of these serial numbers.

c) In addition, on May 6, 2005, the company's auditors also informed the company in writing the auditors' concern over certain audit findings and inconsistencies relating to certain payments amounting to $31.9 million made by the company to purchase investments. Subsequently, it was also discovered that there were inconsistencies relating to certain payments made by a subsidiary to purchase investments. The basis of the auditors' concern included payments in excess of amounts stated in the original investment agreements, amendments made to the original agreements, inconsistency between the names of payee in the paid cheques and in the accounting records and inconsistency between the details in the investment agreements and in the accounting records. As a result, certain adjustments relating to advance payments for investments, investments, goodwill on consolidation and other goodwill and other provisions were made by the company as described in the 2004 financial statements.

d) On May 26, 2005, the company also announced that in the course of the investigations being conducted by the independent investigator, it was discovered that for financial year 2004, there had been an overstatement of group revenue of approximately $60 million (2003 : $22 million) and an overstatement of group profit before tax of approximately $54 million (2003 : $19 million) in relation to the refurbishment business. Further, in light of the new business model of the group, the group intended to make further provisions against certain assets and for contingent liabilities totalling $81 million in 2004.

e) As described in note 2(i) below, the group subsequently made further provisions against certain assets and liabilities, wrote off certain assets and made other adjustments totalling $84,405,000 (2003 : $18,830,000). Due to inadequate supporting documentation which are not conclusive, the above adjustments were provisionally made by offsetting $60,685,000 (2003 : $19,172,000) against the invalid profits from refurbishment business and invalid commission income, and by charging $23,720,000 (2003 : crediting $342,000) to profit and loss statement.

f) It was also discovered that the banked-in receipts in respect of certain 2004 refurbishment income amounting to $53,327,000 were not received from any customers but were received by the company from intermediary companies and/or individuals (the "Intermediaries"). The company has determined the actual sources of the banked-in receipt in respect of the 2004 commission income and the 2003 refurbishment income and determined the validity of the originally recorded assets in 2004 and 2003.

In addition, it was also discovered that the company and the group made payments to the Intermediaries in respect of the purchase of certain investments and businesses described above.

Based on the information available at year-end and up to the date of this report, the management has disclosed to the best of their knowledge all the related parties and transactions of the group as described in these financial statements. No further adjustments are required to the financial statements in 2005 and prior periods.

g) On December 12, 2005, the company announced that the independent investigator has issued the final written reports in relation to the investigations into the overstatement of revenue from one contract with a specific customer and refurbishment income has concluded and that the effects of the overstatement of revenue from one contract with a specific customer is not material and refurbishment business is largely consistent with those reported in the financial statements for the financial year ended December 31, 2004.

h) The Commercial Affairs Department ("CAD") proceedings against the former executives arising from their investigations into the affairs of the company are still ongoing. The outcome of such proceedings may uncover other information which may require adjustments to be made to the financial statements.

i) In 2005, the group has reassessed the provisions, write-offs and adjustments made in 2004 as described in the preceding paragraphs. Based on available information as at year-end and up to the date of this report, the group has made certain reversals of provisions and adjustments as follows:

		Adjustments and Provisions			
		Group		Company	
	Note	2005	2004	2005	2004
		$'000	$'000	$'000	$'000
REVENUE					
Revenue for the year/as previously announced		284,320	340,414	1,948	27,733
Adjustments to:					
Refurbishment income		-	(61,074)	-	(11,470)
Commission income		-	(2,597)	-	-
Revenue for the year as adjusted		284,320	276,743	1,948	16,263
NET LOSS					
Net loss for the year/as restated attributable to equity holders of the company		(9,946)	(38,893)	(23,600)	(9,265)
The net loss for the year was arrived at after the following adjustments:					
Refurbishment income		-	(61,074)	-	(11,470)
Cost of services		-	2,986	-	-
Net		-	(58,088)	-	(11,470)
Commission revenue		-	(2,597)	-	-
Net invalid income reversed		-	(60,685)	-	(11,470)
Writeback of provisions and adjustments (Additional provisions, write off and adjustments)		7,818	(23,720)	3,250	(11,291)
Total adjustments		7,818	(84,405)	3,250	(22,761)

	Note	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
		Adjustments and Provisions			
BALANCE SHEET ITEMS					
(Writeback of provisions and adjustments) Provisions on and write-off of assets made through reversal of invalid income and balance sheet items:					
- Trade receivables written-off	A	(6,916)	6,916	(644)	644
- Commission receivable written-off	B	(2,597)	2,597	-	-
- Other receivables	C	(769)	4,000	(769)	4,000
- Due from subsidiaries	D	-	-	(17,769)	(23,589)
- Investment in subsidiaries	E	-	-	3,886	4,813
- Investment in associates	F	3,347	-	3,347	-
- Advance payments for investments	G	4,568	18,193	4,568	13,333
- Goodwill on consolidation	H	1,915	18,475	-	-
- Due from subsidiaries (long-term)		-	-	-	10,243
- Provision for liabilities	I	(8,067)	8,478	-	-
- Other investment	J	454	2,026	3,884	2,026
		(8,065)	60,685	(3,497)	11,470
Provisions on assets, write-off of assets and other adjustments charged (credited) to profit and loss statement:					
- Trade receivables		-	1,010	-	-
- Other receivables		-	3,540	-	-
- IPO expenses written-off		-	438	-	-
- Inventories		-	3,734	-	-
- Investment in associate		-	2,556	-	-
- Plant and equipment		-	4,704	-	1,732
- Other investments		-	3,972	-	-
- Goodwill on consolidation		-	4,084	-	-
- Other goodwill		-	1,857	-	-
- Bank loan of an associate		-	3,380	-	-
- Trade payables		-	(1,529)	-	-
- Other payables		-	321	-	-
- Provision for other liabilities	K	247	10,400	247	10,400
- Income tax payable		-	(1,407)		(841)
- Minority interest – debit		-	(13,340)	-	-
		247	23,720	247	11,291

	Note	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
		Adjustments and Provisions			
Other adjustments:					
- Other receivables		-	(4,620)	-	-
- Other payables		-	4,620	-	-
		-	-	-	-
Total (reversal of provisions and other adjustments) provisions and write-off		(7,818)	84,405	(3,250)	22,761

The above adjustments and write-off are shown as adjustments to:

	Group 2005 $'000	Group 2004 $'000
Revenue	-	(61,074)
Cost of sales	-	2,986
Other operating income		
- Commission	-	(2,597)
- Interest	-	62
- Gain on dilution/disposal of subsidiary	-	13,086
- Gain on partial disposal of subsidiary	-	361
Other operating expenses		
- Staff costs	-	81
- Amortisation of goodwill	-	(757)
- Reversal of provisions and other adjustments (additional provisions, write-off and other adjustments)	7,818	(37,960)
Income tax expense	-	1,407
Total reversal of provisions and other adjustments (provisions and write-offs)	7,818	(84,405)

d) In preparing the 2004 consolidated financial statements, the company has consolidated the financial statements of Distribution Management Solutions Limited ("DMS") and Accord Customer Care Solutions (Aust) Pty Ltd ("ACCSA") into the group. As at December 31, 2004, the company owns 50% equity interest in DMS and ACCSA. Subsequent to the year-end, a minority shareholder of DMS signed a deed of undertaking to vote as directed by the company on any resolution proposed at any general meeting of DMS and the other corporate shareholder of ACCSA signed a letter of undertaking to sell its 50% equity interest in ACCSA to the company for a nominal purchase consideration. Accordingly, the company determined that its control over DMS and ACCSA has become permanent subsequent to the financial year ended December 31, 2004.

Notes to adjustments and provisions

A) Refurbishment income. In 2005, the group recorded cash receipts for trade receivables written-off due to reversal of overstatement of revenue from the refurbishment business in 2004 amounting to $6,916,000. These cash receipts were initially recorded as liabilities and subsequently utilised for the provision for advance payments for investments.

B) Commission income. During the financial year, the group recorded cash receipts for trade receivables written-off due to reversal of invalid commission income of $2,597,000. Management has assessed that the initially recorded liabilities arising from the cash receipts is not required, and has reversed the amount to the profit and loss statement at year-end.

C) Other receivables. This comprises the following:

i) Write back of provision for retention sum receivable made in 2004 from the buyer on partial disposal of a subsidiary amounting to $3,250,000 to the profit and loss statement. In 2004, management made a provision of $4,000,000 for the retention sum receivable; and

ii) Provision for accrued interest for investment in unquoted bonds of $2,481,000 via the transfer of liabilities arising from cash receipts for trade receivables written-off due to reversal of overstatement of revenue from the refurbishment business in 2004 (Note 2D).

D) Due from subsidiaries. This comprise the following:

i) Reversal of intercompany balances due to transfer of liabilities arising from cash receipts for trade receivables written-off due to reversal of overstatement of revenue from the refurbishment business in 2004 amounting to $6,272,000; and

ii) Transfer of provision for liabilities made in 2004 for the balance of invalid net income related to the refurbishment business to provide for invalid payments, invalid assets or unrecorded liabilities of $8,067,000 and provision for impairment in other unquoted investment no longer required of $3,430,000.

The total reversal of intercompany balances amounting to $17,769,000 were utilised for the following:

a) Provision for accrued interest for investment in unquoted bonds of $2,481,000 (Note 2C);

b) Provision for impairment against the company's investment in subsidiaries amounting to $3,886,000 (Note 2E);

c) Provision for investment in an associate, Tri-Max Pte Ltd, of $3,347,000 (Note 2F);

d) Provision for impairment in advance payments for investments amounting to $4,568,000 (Note 2G);

e) Provision for impairment in other investments relating to unquoted redeemable convertible bonds in Ventures Management Solutions Pte. Ltd. ("VMS") amounting to $3,240,000 (Note 2J); and

f) Provision for other liabilities of $247,000 for additional legal and professional fees relating to the investigations conducted by the company (Note 2L).

E) Investment in Subsidiaries. This relates to provision against the company's investment in Accord Customer Care Solutions Philippines Inc., Accord Customer Care Solutions (Korea) Co., Ltd, Accord Customer Care Solutions (Taiwan) Corp, P.T. Accord Customer Care Solutions and Accord Customer Care Solutions (Vietnam) Limited. The provision was made via transfer of the provision for liabilities from subsidiaries (Note 2D).

F) Investment in associates. This relates to additional provision for impairment in an associate, Tri-Max Pte Ltd, of $3,347,000 due to inconsistency between the names of payee in the paid cheques and in the accounting records and inconsistency between the details in the investment agreements and in the accounting records. The provision was made via transfer of the provision of liabilities from subsidiaries (Note 2D).

G) Advance payments for investments. This relates to the provision for advance payments paid to a vendor for equity stakes in an investee company during the year via transfer of liabilities from a subsidiary relating to cash receipts for trade receivables written-off due to reversal of overstatement of revenue from refurbishment business (Notes 2A and 2D).

H) Goodwill on consolidation. This relates to provision for impairment of goodwill in Accord Customer Care Solutions (Taiwan) Corp via the transfer of the provision for liabilities from subsidiaries (Note 2D).

I) Provision for liabilities. In 2004, the provision for liabilities relates to the balance of the invalid net income related to the refurbishment business which will be utilised to provide for invalid payments, invalid assets or unrecorded liabilities which may be discovered or which may occur after the date of the issue of these financial statements. In 2005, management had determined that the provision for liabilities was no longer required, and transferred the provision to the company which was utilised for the provision for impairment in other receivables, investment in an associate, investment in subsidiaries, advance payments for investments, other investments and provision for other liabilities (Note 2D).

J) Other investment. This comprises the following:
   i) Transfer of provision for impairment on other unquoted investments no longer required to provision for liabilities of $3,430,000 ; and
   ii) Provision for additional impairment on other investments relating to unquoted redeemable convertible bonds in VMS of $3,884,000 (Note 2D).

K) Provision for other liabilities. This relates to the provision for other liabilities for legal and professional fees relating to investigations conducted by the company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

In the current financial year, the group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after January 1, 2005. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements except as disclosed below and in the notes to financial statements.

(a) FRS 102 - Share-based Payment

FRS 102 Share-based Payment requires the recognition of equity-settled share-based payments at fair value at the date of grant. Prior to the adoption of FRS 102, the group did not recognise the financial effect of share-based payments until such payments were settled.

In accordance with the transitional provisions of FRS 102, the accounting standard has been applied retrospectively to all grants of equity instruments after November 22, 2002 that were unvested as of January 1, 2005. The accounting standard therefore applies to share options granted in 2004 and 2005.

For 2004, the change in accounting policy has resulted in a net decrease in profit for the year of $1,903,000. The balance sheet at December 31, 2004 has been restated to reflect the recognition of a share options reserve of $1,903,000.

For 2005, the impact of share-based payments is a net charge to income of $813,000. At December 31, 2005, the share options reserve amounted to $2,716,000.

The share-based payments expense has been included in administrative expenses as shown in the profit and loss statement.

(b) FRS 103 - Business Combinations

<u>Goodwill</u>

FRS 103 has been adopted for financial years beginning July 1, 2004. The option of limited retrospective application of the accounting standard has not been taken up, thus avoiding the need to restate past business combinations. The first transaction to which the new accounting standard has been applied is the acquisition of the remaining 50% equity interest in an existing subsidiary, Accord Customer Care Solutions (Aust) Pty Ltd on December 12, 2005 (Note 12).

After initial recognition, FRS 103 requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses. Under FRS 36 Impairment of Assets (as revised in 2004), impairment reviews are required annually, or more frequently if there are indications that goodwill might be impaired. FRS 103 prohibits the amortisation of goodwill. Previously, under FRS 22, the group carried goodwill in its balance sheet at cost less accumulated amortisation and accumulated impairment losses. Amortisation was charged over the estimated useful life of the goodwill, subject to the rebuttable presumption that the maximum useful life of goodwill was 20 years.

In accordance with the transitional provisions of FRS 103, the group has applied the revised accounting policy for goodwill prospectively from the beginning of its first annual period beginning on or after July 1, 2004, to goodwill acquired in business combinations. Therefore, from January 1, 2005, the group has discontinued amortising such goodwill and has tested the goodwill for impairment in accordance with FRS 36. At January 1, 2005, the accumulated amortisation as at December 31, 2004 of $4,094,000 has been eliminated, with a corresponding decrease in the gross carrying amount of goodwill leaving the net carrying amount of goodwill unchanged.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2004 or prior periods.

No amortisation has been charged in 2005. The charge in 2004 was $2,685,000.

An impairment loss of $2,780,000 has been recognised in the current year in accordance with FRS 36. Had the group’s previous accounting policy been applied in the current year, this amount would have been split between an amortisation charge of $2,665,000 and an impairment loss of $115,000, because the calculation of the recoverable amount of goodwill has not been affected by the 2004 amendments to FRS 36. Therefore, the change in accounting policy has had no impact on the profit/loss for the year – although it has resulted in a re-analysis between amortisation charges and impairment losses recognised.

<u>Excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)</u>

FRS 103 requires that, after reassessment, any excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in the profit and loss statement. FRS 103 prohibits the recognition of negative goodwill in the balance sheet.

Except for the negative goodwill arising from the acquisition of the remaining 50% equity interest of Accord Customer Care Solutions (Aust) Pty Ltd, the change has had no impact on the group’s financial statements as no negative goodwill had been recognised in 2004 or prior periods.

At the date of authorisation of these financial statements, the FRSs and INT FRSs that were issued but not effective include the following:

FRS 40	-	Investment Property
FRS 106	-	Exploration for and Evaluation of Mineral Resources
FRS 107	-	Financial Instruments: Disclosures
INT FRS 104	-	Determining whether an Arrangement contains a Lease
INT FRS 105	-	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
INT FRS 106	-	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
INT FRS 107	-	Financial Instruments: Disclosure

Amendments to FRS 1 Presentation of Financial Statements on Capital Disclosures

Amendments to FRS 39 Financial Instruments: Recognition and Measurement on hedge accounting provisions, fair value options and financial guarantee contracts.

Amendments to FRS 101 First-time Adoption of Financial Reporting Standards on comparative disclosures for FRS 106 Exploration for and Evaluation of Mineral Resources.

Amendments to FRS 104 Insurance Contracts on financial guarantee contracts.

Consequential amendments were also made to various standards as a result of these new/revised standards.

FRS 40, FRS 106, FRS 107, INT FRS 104, INT FRS 105 and Amendments to FRS 1, FRS 39, FRS 101 and FRS 104

The directors anticipate that the adoption of FRS 40, FRS 106, FRS 107, INT FRS 104, INT FRS 105, INT FRS 106, and the amendments to FRS 1, FRS 39, FRS 101 and FRS 104 that were issued but not yet effective until future periods will not have a material impact on the financial statements of the company. The directors anticipate that the adoption of these FRSs and INT FRSs in future periods will have no material impact on the financial statements of the company.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

In the company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

BUSINESS COMBINATIONS - The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and 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 recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated profit and loss statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Other investments and advance payments for investments

Investment in unquoted bonds, unquoted equity shares and advance payments for investments is stated at amortised cost, less any impairment in net recoverable value that has been recognised in the profit and loss statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Borrowing costs are recognised in the profit and loss statement in the period in which they are incurred.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

INVENTORIES – Inventories consist principally of handphone spare parts, accessories and handphone sets that are stated at the lower of cost (determined on a first-on, first-out basis) and net realisable value. Cost comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PLANT AND EQUIPMENT – Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Computers and computer system	-	20% to $33^{1}/_{3}\%$
Plant and equipment	-	10% to 20%
Motor vehicles	-	18% to $33^{1}/_{3}\%$
Furniture, fittings and renovations	-	10% to $33^{1}/_{3}\%$

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit and loss statement.

GOODWILL - Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

IMPAIRMENT OF ASSETS EXCLUDING GOODWILL - At each balance sheet date, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss statement.

ASSOCIATES - An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated profit and loss statement.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

PROVISIONS - Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

SHARE-BASED PAYMENTS - The group issues equity-settled payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferrability, exercise restrictions, behavioural considerations and the effects arising from the restatement and adjustments to the group's and company's financial statements in 2003 and 2004 respectively.

GOVERNMENT GRANTS - Government grants relating to the purchase of plant and equipment are included in the balance sheet as deferred income and are credited to the profit and loss statement on a straight-line basis over the expected lives of the related assets. Government grants relating to expenditures which are not capitalised are credited to the profit and loss statement as and when the underlying expenses are included and taken to the profit and loss statement to match such related expenditure.

REVENUE RECOGNITION - Revenue from rendering of after-market services, including retrofit services and repair management fee services is recognised when the services are completed.

Revenue from rendering of distribution management services is recognised when the services are completed.

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction can be measured reliably.

Retrofit income is recognised when the services are completed.

Other management fees are recognised when services are rendered.

Management and corporate advisory fees are recognised when services are rendered.

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the interest rate applicable, on an effective yield basis.

Rental income is recognised over the terms of the lease contracts.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the subsidiaries operate by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the group and the balance sheet of the company are presented in Singapore dollars, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the foreign currency translation reserve.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the entity’s accounting policies

In the process of applying the entity’s accounting policies, which are described in Note 3, management is of the opinion that any instances of application of judgements (other than those arising from estimates discussed below) are not expected to have a significant effect on the amounts recognised in the financial statements.

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.

<u>Impairment of goodwill on consolidation</u>

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was $10.12 million after an additional impairment loss of $2.78 million was recognised during 2005. Details of the impairment loss calculation are provided in Note 16 to the financial statements.

<u>Impairment of unquoted redeemable convertible bonds in related party</u>

During the year, the management reconsidered the recoverability of its investment in unquoted redeemable convertible bonds in a related party which has been included in its balance sheet as at December 31, 2005 at $14.09 million after an additional impairment loss of $3.88 million was recognised during 2005.

The management is confident that the carrying amount of the bonds will be substantially recovered based on assets that have been assessed as recoverable and the latest market value of the quoted investments held by VMS and its subsidiary (Note 15). Adjustment will be made in future periods in the event that there is objective evidence of impairment resulting from future loss events.

<u>Recoverability of advance payments for investments and other receivables</u>

During the year, the management reconsidered the recoverability of certain advance payments for investments and retention receivables on partial disposal of subsidiary in 2004 which has been included in its balance sheet as at December 31, 2005 at $2.49 million and $3.25 million respectively after accounting for an impairment loss of $4.57 million and reversal of provision for impairment of $3.25 million respectively in 2005 (Notes 9 and 13).

The management is confident that the carrying amount of the above will be substantially recovered from the realisation of investments and assets held by the respective parties. Adjustment will be made in future periods in the event that there is objective evidence of impairment resulting from future loss events.

The management also considered the recoverability of other receivables due from certain subsidiaries included in the balance sheet of the company as at December 31, 2005, and made a provision for doubtful other receivables of $30.35 million (Note 9).

5 FINANCIAL RISKS AND MANAGEMENT

a) Foreign exchange risk

The group transacts business in various foreign currencies, including Euro and US dollars, and therefore is exposed to foreign exchange risk. This risk is managed through natural hedges as revenue and sales denominated in foreign currency are partly matched with corresponding costs in the same foreign currency.

b) Interest rate risk

The group's policy is to maintain cash equivalents and borrowings in fixed rate instruments.

Interest-bearing financial assets are mainly bank balances and fixed deposits which are all short-term in nature. Interest-bearing financial liabilities are mainly bank overdrafts, finance leases and bank loans. The interest rates are disclosed in the notes to the financial statements.

c) Credit risk

The group performs ongoing credit evaluation of its customers' financial condition and generally does not require collateral. This evaluation includes assessing and valuation of customers' credit reliability and periodic review of their financial status to determine credit limits to be granted.

The maximum exposure to credit risk in the event that the counter parties fail to perform their obligations as at the end of the financial period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the balance sheet. The group does not have any significant concentration of credit risk.

Cash and fixed deposits are held with creditworthy financial institutions.

d) Liquidity risk

As described in Note 1(d) to the financial statements, the directors are of the view that the group will be able to pay its obligations as and when they fall due.

e) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities and amounts payable approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and financial liabilities are disclosed in the respective notes to the financial statements.

6 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand.

During the year, group entities entered into the following trading transactions with related parties:

	Group	
	2005	2004
	$'000	$'000
Nature of transactions		
Companies with common directors:		
Bond interest income	(1,985)	(496)
Rental expense on premises	824	890
Freight expense	35	39
Information technology service expenses	253	552
Purchase of plant and equipment on behalf of the company	3	-
Purchase of plant and equipment on behalf by the company	-	115
Payments on behalf of the company	1,668	-
Expenses paid on behalf of the company	181	-
Expenses paid on behalf by the company	(83)	(72)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2005	2004
	$'000	$'000
Short-term benefits	1,478	1,817
Post-employment benefits	144	36
Share-based payments	123	239

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

7 CASH

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Cash and bank balances	16,623	21,095	3,422	8,021
Fixed deposits	5,510	20,888	3,864	18,230
	22,133	41,983	7,286	26,251
Shown as:				
Cash not pledged	16,685	33,338	1,838	19,426
Cash pledged	5,448	8,645	5,448	6,825
	22,133	41,983	7,286	26,251

Bank balances and cash comprise cash held by the group and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximately their fair values.

The above fixed deposits bear average effective interest rate of 1.81% (2004 : 1.24%) per annum and for a tenure of approximately 7 to 182 days (2004 : 14 to 365 days). Cash and bank balances are pledged in connection with credit facilities granted by certain banks (Note 19).

The group and company's cash that are not denominated in the functional currencies of the respective entities are as follow:

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
United States dollars	757	520	292	7
EURO	44	369	44	206
Singapore dollars	7,663	6,943	-	-

8 TRADE RECEIVABLES

	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
Outside parties	24,595	33,813	1,862	2,360
Subsidiaries (Note 12)	-	-	5,952	5,115
Related parties (Note 6)	274	-	176	-
	24,869	33,813	7,990	7,475
Less allowances for doubtful trade receivables – outside parties	(2,351)	(957)	(40)	(86)
	22,518	32,856	7,950	7,389
Provision for impairment/write-off	-	(6,916)	-	(644)
	22,518	25,940	7,950	6,745

	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
Movement in allowances:				
At beginning of year	957	131	86	-
Charge to profit and loss (Note b)	1,440	86	-	86
Additional charge to profit and loss	-	1,010	-	-
Used during the year	-	(270)	-	-
Reversal to profit and loss	(46)	-	(46)	-
At end of year	2,351	957	40	86

	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
Movement in provision for impairment/write-off:				
At beginning of year	6,916	2,000	644	-
Reclassification to				
- Provision on goodwill on consolidation [Note 16]	-	(2,000)	-	-
- Provision for liabilities [Note 2(D)]	(6,916)	-	(644)	-
Current year provision	-	6,916	-	644
At end of year	-	6,916	-	644

a) This allowance has been determined by reference to past default experience.

b) The auditors of a subsidiary expressed a disclaimer of opinion due to limitation of scope on the allowance for doubtful trade receivables amounting to $158,000 charged to the profit and loss statement in the current year as they were not able to obtain reliable financial information.

The group and company's trade receivables that are not denominated in the functional currencies of the respective entities are as follow:

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
United States dollars	2,442	3,229	452	234
EURO	856	1,653	161	130
Singapore dollars	2,534	5,247	-	-

9 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Accrued interest receivable	2,481	552	2,481	525
Deposits	3,847	4,346	154	557
Retention receivable on partial disposal of subsidiary [Note 12(a)]	4,000	4,000	4,000	4,000
Prepayments	782	1,244	55	86
Recoverables	1,356	8,756	1,310	767
Other investee	-	420	-	-
Staff advances	177	224	-	103
Others	-	3,288	-	6
	12,643	22,830	8,000	6,044
Related party – deposit for purchase of investment	649	2,169	-	-
Associates (Note 11)	4,620	4,620	-	-
Related parties (Note 6)	8,564	2,393	6,444	437
Due from minority shareholders of a subsidiary	239	239	-	-
Subsidiaries (Note 12)	-	-	64,270	17,705
	26,715	32,251	78,714	24,186
Current year provision for doubtful other receivables – subsidiaries	-	-	(30,352)	-
	26,715	32,251	48,362	24,186
Provision for impairment	(10,151)	(10,920)	(3,231)	(4,000)
	16,564	21,331	45,131	20,186

Movement in provision for impairment:

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
At beginning of year	10,920	-	4,000	-
Current year provision	-	10,920	-	4,000
Reversal [Note 2(C)]	(3,250)	-	(3,250)	-
Transfer from provision for liabilities [Note 2(C)]	2,481	-	2,481	-
At end of year	10,151	10,920	3,231	4,000

The amounts due from associates are unsecured, interest free and repayable on demand.

The group and company's other receivables and prepayments that are not denominated in the functional currencies of the respective entities are as follow:

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
United States dollars	618	917	113	115
Singapore dollars	77	1,269	-	-

10 INVENTORIES

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Spare parts, accessories and consumables, carried at net realisable value after the following allowances and provision for impairment	11,667	15,189	-	-

Movement in allowances:

At beginning of year	41	320	-	-
Charge to profit and loss	3,333	-	-	-
of subsidiaries	-	(277)	-	-
Used during the year	(234)	-	-	-
Exchange adjustment	-	(2)	-	-
At end of year	3,140	41	-	-

Movement in provision for impairment:

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Balance at beginning of year	3,734	-	-	-
Current year provision	-	3,734	-	-
Used during the year	(2,757)	-	-	-
Balance at end of year	977	3,734	-	-

The auditors of certain subsidiaries have expressed disclaimer of opinion due to limitation of scope on the allowance for inventory, amounting to $558,180 and $142,000 respectively due to lack of supporting documentary evidence to determine that the allowances are appropriate.

11 INVESTMENT IN ASSOCIATES

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	9,278	4,098	6,680	1,500
Share of post-acquistion reserves	(28)	161	-	-
Provision for impairment	(9,236)	(4,056)	(6,680)	(1,500)
Net	14	203	-	-

Movement in provision for impairment:

At beginning of year	4,056	-	1,500	-
Transfer from				
- Provision for liabilites [Note 2(F)]	3,347	-	3,347	-
- Provision on advance payments for investments [Note 13]	3,333	1,500	3,333	1,500
Reclassification to other investments [Note 15]	(1,500)	-	(1,500)	-
Current year provision	-	2,556	-	-
At end of year	9,236	4,056	6,680	1,500

Details of the associates at December 31, 2005 are as follows:

Associates	Cost of investment 2005 $'000	Cost of investment 2004 $'000	Effective equity interest held by group 2005 %	Effective equity interest held by group 2004 %	Principal activities/ Country of incorporation and operations
Held by company:					
Allpro International Limited (Note a)	-	1,500	-	20	Repair and refurnishment services for mobile phones/ British Virgin Islands
Tri-max Pte Ltd (1)	6,680	-	50	-	Investment holding / Singapore
Sub-total - Company	6,680	1,500			
Held by subsidiaries:					
Bao Ding Jin Hong Jing Telecommunication & Technology Co. Ltd (2)	18	18	30	30	Repair and maintenance of mobile phone/ People's Republic of China
Ji Nan Jin Hong Jing Telecommunication & Technology Co., Ltd (2)	14	14	25	25	Repair and maintenance of mobile phone/ People's Republic of China
Qing Dao Jin Hong Jing Telecommunication & Technology Co., Ltd. (2)	10	10	14.28	14.28	Repair and maintenance of mobile phone/ People's Republic of China
Distribution Management Solutions (Hong Kong) Co. Limited (3)	2,556	2,556	50	50	Provision of logistic services/ Hong Kong
Sub-total – Subsidiaries	2,598	2,598			
Total - Group	9,278	4,098			

Notes on auditors of associates:

(1) S.S Gan & Co., Singapore

(2) Deloitte Touche Tohmatsu CPA Ltd, Beijing Branch.

(3) The associate is not audited.

Note on associates:

(a) Allpro International Limited ("AIL")

Under the sale and purchase agreement with Mobile Communication Service Pte Ltd (the "Vendor"), the company acquired 20% equity interest in AIL for $1,500,000. Under the agreement, the company was also granted an option to exchange its 20% equity interest in AIL for a 20% equity interest in the Vendor. The exercise price payable was based on 20% of certain number of times of earnings of the vendor subject to a certain cap. During the financial year, the company exercised the option to exchange its 20% equity interest in AIL into 20% equity interest in Mobile Communication Service Pte Ltd [Note 15(c)].

12 INVESTMENT IN SUBSIDIARIES

	Company	
	2005	2004
	$'000	$'000
Unquoted equity shares, at cost	33,095	31,496
Provision for impairment	(11,453)	(7,567)
	21,642	23,929

Movement in provision for impairment:

Balance at beginning of year	7,567	-
Transfer from		
- provision for advance payments for investments	-	2,754
- provision for liabilities [Note 2(E)]	3,886	-
Current year provision	-	4,813
Balance at end of year	11,453	7,567

During the year, the company carried out a review of the recoverable amounts of its investment in subsidiaries. The review led to the recognition of an impairment loss of $3,886,000 mainly determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the specific risks. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The company prepares cash flow forecast derived from the most recent financial budgets approved by management for the next 1 year and extrapolates cash flows for the following 4 years based on estimated growth rates of 5% to 10%. These rates do not exceed the average long-term growth rate of the relevant markets.

The rates used to discount the forecast cash flows range from 3% to 16.7%.

The principal activities of the subsidiaries are the provision of after-market services except for Distribution Management Solutions Limited, whose principal activities are the provision of distribution management solutions for mobile communication devices and high-tech consumer products, investment holding and retailing of consumer electronic products.

Details of the subsidiaries are as follows:

Subsidiaries	Cost of investment 2005 $'000	Cost of investment 2004 $'000	Effective equity interest 2005 %	Effective equity interest 2004 %	Country of incorporation and operations
Accord Customer Care Solutions (Asia) Limited [formerly known as Accord Customer Care Solution (H.K.) Ltd] (1a) (Note a)**	66	66	100	100	Hong Kong
Accord Customer Care Solutions (M) Sdn. Bhd. (1b)	340	340	100	100	Malaysia
Accord Customer Care Solutions (Taiwan) Corp (1c)	2,965	2,965	100	100	Taiwan
Accord Customer Care Solutions Philippines, Inc. (1d)	125	125	100	100	Philippines
Accord Customer Care Solutions (Korea) Co., Ltd (11)*	248	248	100	100	South Korea
Accord Customer Care Solutions International Limited (2)	(a)	(a)	100	100	British Virgin Islands
Accord Customer Care Solutions Japan KK (11)*	148	148	100	100	Japan
Accord Customer Care Solutions FZCO (3)	243	243	100	100	United Arab Emirates
Accord Customer Care Solutions (Vietnam) Limited (4)	177	177	100	100	Vietnam
Accord Customer Care Solutions India Pvt Ltd (5)	4	4	100	100	India
Accord Customer Care Solutions (Aust) Pty Ltd (6) (Note b)	6,390	6,390	100	50	Australia

Subsidiaries	Cost of investment 2005 $'000	Cost of investment 2004 $'000	Effective equity interest 2005 %	Effective equity interest 2004 %	Country of incorporation and operations
After Market Solutions (CE) Pte Ltd (8)	(a)	(a)	100	100	Singapore
Broadmax Services Limited (2)	6,778	5,179	70	70	British Virgin Islands
Distribution Management Solutions Limited (8)	8,416	8,416	50	50	Singapore
Information Management Solutions Pte Ltd (8)	1,000	1,000	100	100	Singapore
PT. AccordExpress Customer Care Solutions (9)	198	198	100	100	Indonesia
P.T. Accord Customer Care Solutions (9)	5,997	5,997	75	75	Indonesia
	33,095	31,496			
Subsidiary of Broadmax Services Limited					
Ucom Technologies Pvt Ltd (5)			100	100	India
Subsidiary of After Market Solutions (CE) Pte Ltd					
After Market Solutions (CE) Sdn. Bhd.(1b)			100	100	Malaysia
Subsidiaries of Accord Customer Care Solutions (Asia) Limited					
Accord Customer Care Solutions PRC Limited (formerly known as Porter Profits Limited) (1a)**			100	100	British Virgin Islands
Accord Customer Care Solutions (Suzhou) Co., Ltd (1e) +			100	100	People's Republic of China
Accord (Tianjin) Electronics Co., Ltd (1f) +			100	100	People's Republic of China
Shanghai ACCS Forte Science & Technology Co., Ltd (1e) +			51	51	People's Republic of China

Subsidiaries	Effective equity interest 2005 %	2004 %	Country of incorporation and operations
Subsidiaries of Accord Customer Care Solution PRC Limited			
Beijing Jin Hong Jing Telecommunication & Technology Co., Ltd (1g)**	100	100	People's Republic of China
Cheng De Jin Hong Jing Telecommunication & Technology Co., Ltd (1g)**	51	51	People's Republic of China
Guangzhou Jacson Telecom Co., Ltd (1h) +	100	100	People's Republic of China
Tang Shan Jin Jie Tong Telecommunication & Technology Co., Ltd (1g)**	51	51	People's Republic of China
Tian Jin Shi Jin Hong Jing Telecommunication & Technology Co., Ltd (1g)**	90	90	People's Republic of China
Zhang Jia Kou Jin Hong Jing Telecommunication & Technology Co., Ltd (1g)**	80	80	People's Republic of China
Subsidiaries of Distribution Management Solutions Limited			
A-Club Mobile Pte. Ltd (8)	50	50	Singapore
A-Mobile Pte. Ltd. (8)	50	50	Singapore
iDistribution Pte. Ltd. (8)	50	50	Singapore
Menel Pte. Ltd (8)	50	50	Singapore
Pacific Cellular International Limited (2)	45	45	British Virgin Islands
Pacific Cellular (Thailand) Limited *	45	45	Thailand
PC (Singapore) Pte. Ltd (8)	50	50	Singapore
Super Mobile Pte. Ltd (8)	50	50	Singapore

Subsidiaries	Effective equity interest 2005 %	2004 %	Country of incorporation and operations
Subsidiaries of Accord Customer Care Solutions (Aust) Pty Ltd			
Accord Customer Care Solutions (Network) Pty Ltd (6)	100	50	Australia
Accord Customer Care Solutions (NSW) Pty Ltd (6)	100	50	Australia
Accord Customer Care Solutions (SA) Pty Ltd (6)	100	50	Australia
Accord Customer Care Solutions (VIC) Pty Ltd (6)	100	50	Australia
Accord Customer Care Solutions (W.A.) Pty Ltd (6)	100	50	Australia
Accord Customer Care Solutions (QLD) Pty Ltd (6)	100	50	Australia
MSI Pty Ltd (6)	100	50	Australia
Accord Customer Care Solutions Pty Ltd (6)	100	50	Australia
First Mobile FZCO (Dubai)*	100	50	United Arab Emirates
Mobile phone repair.com NZ Limited (10)*	65	50	New Zealand
Accord Customer Care Solutions (NZ) Ltd (10)*	-	32.5	New Zealand
Accord CCS Thailand Co., Ltd (7)	100	75	Thailand

Notes on cost

(a) Less than $1,000.

Auditors of subsidiaries for 2005:

(1) Member firms of Deloitte Touche Tohmatsu, of which Deloitte & Touche, Singapore is a member:

a) Deloitte Touche Tohmatsu, Hong Kong**
b) Deloitte KassimChan, Malaysia
c) Deloitte & Touche, Taiwan
d) C. L. Manabat & Co., Philippines
e) Deloitte Touche Tohmatsu Certified Public Accountants Ltd., Shanghai, PRC
f) Deloitte Touche Tohmatsu CPA Ltd, Tianjin Branch
g) Deloitte Touche Tohmatsu CPA Ltd, Beijing Branch**
h) Deloitte Touche Tohmatsu CPA Ltd., Guangzhou Branch

(2) Deloitte & Touche, Singapore for consolidation purposes only and no audit reports issued. Not required to be audited in country of incorporation.

(3) Talal Abu-Ghazaleh & Co.

(4) ABB Viet Nam Ltd, Vietnam.

(5) Vikas Bhatnagar & Co.

(6) Ernst & Young.

(7) Amnuayporn Accounting Office Co., Ltd.

(8) Deloitte & Touche, Singapore.

(9) Drs Johan, Malonda & Partners (a member of Nexia International)

(10) MobilefoneRepair.com NZ Limited has amalgamated its operations with Accord Customer Care Solutions (NZ) Ltd with effect from January 1, 2005.

(11) These subsidiaries have commenced liquidation proceedings during the year.

* Management accounts used for consolidation purposes.

** As of the date of this report, the auditors of these subsidiaries have not provided the required audit clearance and relevant reporting documents to the company's auditors for the purpose of consolidation of the group's results. Further adjustments or disclosures may have to be made to the accompanying financial statements upon completion of the audit for the respective subsidiaries.

[+] The auditors of these subsidiaries have expressed disclaimer of opinion due to CAD investigations and limitation of scope which are described in notes 8, 10 and 14 of these financial statements.

Note on subsidiary

Accord Customer Care Solutions (Aust) Pty Ltd ("ACCSA")

i) In 2004, the company's interest in ACCSA was reduced from 100% to 50%. Under the sale and purchase agreement entered with the Buyer and the Buyer's Guarantor dated December 16, 2004, the company sold 50% equity interest in ACCSA to the Buyer. The consideration was payable as follows : (i) $4,240,000 in cash within 30 days, (ii) $5,000,000 in redeemable convertible bonds issued by the Buyer's Guarantor ("Guarantor's Bonds") and (iii) $4,000,000 less any loss on the inventories of ACCSA realised between January 1 and June 30, 2004, within 6 months of completion. The $4,000,000 retention is disclosed under other receivables (Note 9).

ii) On December 12, 2005, the company entered into a sale and purchase agreement with the Buyer and the Buyer's Guarantor as defined in the preceding paragraph to re-gacquire 50% equity interest in ACCSA for $2, which was determined in accordance with the letter of undertaking provided by the Buyer's Guarantor to sell its 50% equity interest in ACCSA to the company for a nominal consideration. For accounting purpose, the group adopted December 31, 2005 as the effective date of acquisition from 50% to 100%.

iii) The negative goodwill of $4,371,000 arising from the re-acquisition was recognised immediately to the profit and loss statement in accordance with FRS 103 (Note 29).

13 ADVANCE PAYMENTS FOR INVESTMENTS

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Deposits and advances for acquisition of:				
- Mobile Communication Service Pte Ltd	-	10,000	-	10,000
- Others	7,055	3,333	7,055	3,333
Other investments	4,860	4,860	-	-
	11,915	18,193	7,055	13,333
Provision for impairment	(9,428)	(18,193)	(4,568)	(13,333)
	2,487	-	2,487	-

Movement in provision for impairment:

	Group 2005	Group 2004	Company 2005	Company 2004
At beginning of year	18,193	17,172	13,333	17,172
Transfer from provision for liabilities [Note 2(G)]	4,568	-	4,568	-
Current year provision	-	18,193	-	13,333
Reclassification to provision for				
- Investment in associates (Note 11)	(3,333)	(1,500)	(3,333)	(1,500)
- Investment in subsidiaries	-	-	-	(2,754)
- Other investments (Note 15)	(10,000)	-	(10,000)	-
- Goodwill on consolidation	-	(15,672)	-	-
Transfer upon transfer of investment in subsidiaries	-	-	-	(12,918)
At end of year	9,428	18,193	4,568	13,333

These represent deposits and advances paid by the company to the vendors for equity stakes in investee companies for which the sales and purchase arrangements have not been completed as at the end of the financial year.

14 PLANT AND EQUIPMENT

	Computers and computer system $'000	Plant and equipment $'000	Motor vehicles $'000	Furniture, fittings and renovations $'000	Total $'000
Group					
Cost:					
At January 1, 2004	3,706	13,495	1,099	7,892	26,192
Exchange adjustment	(4)	(246)	(7)	(182)	(439)
Acquisition of subsidiaries	245	1,364	276	1,492	3,377
Additions	1,003	6,541	1,065	4,923	13,532
Reclassifications	(34)	34	-	-	-
Disposals	(529)	(1,163)	(566)	(1,373)	(3,631)
At January 1, 2005	4,387	20,025	1,867	12,752	39,031
Exchange differences	(741)	484	7	(33)	(283)
Additions	18	1,613	-	814	2,445
Reclassifications	(738)	802	-	(64)	-
Disposals	(105)	(3,542)	(589)	(1,596)	(5,832)
Written off	-	(2,564)	(45)	(2,489)	(5,098)
At December 31, 2005	2,821	16,818	1,240	9,384	30,263
Accumulated depreciation:					
At January 1, 2004	1,083	3,902	315	1,811	7,111
Exchange adjustment	4	20	2	(12)	14
Acquisition of subsidiaries	2	227	21	202	452
Depreciation	990	2,208	322	1,272	4,792
Disposals	(231)	(398)	(168)	(286)	(1,083)
At January 1, 2005	1,848	5,959	492	2,987	11,286
Exchange differences	(42)	(103)	1	(235)	(379)
Depreciation	678	3,062	330	1,172	5,242
Disposals	(104)	(1,087)	(197)	(518)	(1,906)
Written off	-	(214)	(29)	(222)	(465)
At December 31, 2005	2,380	7,617	597	3,184	13,778
Impairment:					
At January 1, 2004	-	-	-	-	-
Impairment loss recognised during the year	556	2,534	-	1,614	4,704
At January 1, 2005	556	2,534	-	1,614	4,704
Impairment loss recognised during the year	60	492	-	247	799
Written off	(52)	(283)	-	(179)	(514)
Disposals	(249)	(1,360)	-	(858)	(2,467)
At December 31, 2005	315	1,383	-	824	2,522
Carrying amount:					
At December 31, 2005	126	7,818	643	5,376	13,963
At December 31, 2004	1,983	11,532	1,375	8,151	23,041

	Computers and computer system	Plant and equipment	Motor vehicles	Furniture, fittings and renovations	Total
	$'000	$'000	$'000	$'000	$'000
Company					
Cost:					
At January 1, 2004	3,132	2,206	658	2,784	8,780
Additions	333	376	-	208	917
Disposals	(232)	(121)	(540)	(458)	(1,351)
Transfer to a subsidiary	(310)	(1,143)	-	(646)	(2,099)
At January 1, 2005	2,923	1,318	118	1,888	6,247
Additions	-	167	-	41	208
Disposals	(93)	(404)	-	(26)	(523)
Written off	-	-	-	(728)	(728)
At December 31, 2005	2,830	1,081	118	1,175	5,204
Accumulated depreciation:					
At January 1, 2004	654	440	127	514	1,735
Depreciation	661	160	74	225	1,120
Disposals	(76)	(29)	(158)	(99)	(362)
Transfer to a subsidiary	(156)	(290)	-	(182)	(628)
At January 1, 2005	1,083	281	43	458	1,865
Depreciation	549	143	24	145	861
Disposals	(65)	(118)	-	(7)	(190)
Written off	-	-	-	(211)	(211)
At December 31, 2005	1,567	306	67	385	2,325
Impairment:					
At January 1, 2004	-	-	-	-	-
Impairment loss recognised during the year	701	433	-	598	1,732
At January 1, 2005	701	433	-	598	1,732
Reclassification	(488)	244	-	244	-
Written off	-	-	-	(514)	(514)
Disposals	(148)	(92)	-	(126)	(366)
At December 31, 2005	65	585	-	202	852
Carrying amount:					
At December 31, 2005	1,198	190	51	588	2,027
At December 31, 2004	1,139	604	75	832	2,650

a) During the year, the group carried out a review of the recoverable amount of its plant and equipment. These assets are used in the group's after-market services segment. The review led to the recognition of an impairment loss of $799,000 due to expiration of a specific after-market services contract with a customer and commencement of liquidation proceedings for certain subsidiaries as there is no possibility of future usage of the related assets.

b) The auditors of certain subsidiaries expressed a disclaimer of opinion due to limitation of scope on the impairment loss of $606,000 charged to the profit and loss statement in the current year as they were unable to obtain sufficient audit evidence to determine that the impairment loss, which is based on directors' net selling prices is appropriate, and accordingly, the net carrying amount of plant and equipment amounting to $750,000 at year end.

c) The carrying amounts of the group's and company's plant and equipment include amounts of $349,900 and $Nil (2004 : $541,000 and $Nil) in respect of assets held under finance lease (Note 22).

15 OTHER INVESTMENTS

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
At cost:				
Unquoted redeemable convertible bonds in related party (Note a)	20,000	15,000	20,000	15,000
Unquoted bonds	491	491	-	-
Unquoted redeemable preference shares	-	3	-	-
Unquoted equity shares (Note c)	12,300	800	11,500	-
Unquoted others	3,662	3,430	-	-
Club memberships	87	87	87	87
	36,540	19,811	31,587	15,087
Provision for impairment	(18,809)	(5,998)	(17,497)	(2,026)
	17,731	13,813	14,090	13,061

Movement in provision for impairment:

At beginning of year	5,998	-	2,026	-
Current year provision	857	5,998	87	2,026
Reversal and reclassification to provision for liabilities [Note 2(J)]	(3,430)	-	-	-
Transfer from provision for				
- Investment in associate (Note 11)	1,500	-	1,500	-
- Liabilities [Note 2(J)]	3,884	-	3,884	-
- Advance payments for investments (Note 13)	10,000	-	10,000	-
At end of year	18,809	5,998	17,497	2,026

a) This represents investment in unquoted redeemable convertible bonds (the "Bonds") amounting to $20,000,000 in Ventures Management Solutions Pte. Ltd. ("VMS") which is a related party of the group as it has common directors with the company. In January 2005, the company paid $5,000,000 to VMS to subscribe for additional bonds in VMS. The Bonds are convertible into ordinary shares of VMS, or can be swapped for ordinary shares in the direct investee companies of VMS, subject to certain conditions being met. The Bonds bear simple interest at 10% per annum and are repayable on July 6, 2007 [Note 29].

The directors of the company have evaluated the recoverability of the Bonds and are of the view that the net carrying value of the bonds of $14,090,000 (2004 : $12,974,000) as at December 31, 2005 are substantially recoverable based on the latest market value of the quoted investments held by VMS and its subsidiary.

b) In 2004, a subsidiary had an investment in unquoted redeemable convertible bonds in other corporation with a face value of $5,000,000 and a carrying amount of $Nil at the company and group level. This arose from the disposal of 50% equity interest in Accord Customer Care Solutions (Aust) Pty Ltd [see Note 12] in 2004. The Bonds mature in November 2009 and bear interest at 1% above 6-month SIBOR determined on the due day of payment. In 2005, the unquoted redeemable convertible bonds were cancelled pursuant to the re-acquisition of the 50% equity interest in Accord Customer Care Solutions (Aust) Pty Ltd on December 12, 2005 (Note 12).

c) As described in note 11(a), this includes investment in Mobile Communication Service Pte Ltd amounting to $11,500,000 arising from the exercise of option during the year to exchange the company's 20% equity interest in Allpro International Limited into 20% equity interest in Mobile Communication Service Pte Ltd.

16 GOODWILL ON CONSOLIDATION

	Group	
	2005	2004
	$'000	$'000
Cost:		
At beginning of year	54,609	13,157
Arising on		
- Adjustment to cost (Note a)	1,598	-
- Acquisition of subsidiaries	-	41,754
- Acquisition of additional equity interest in subsidiary	976	-
Elimination of amortisation accumulated prior to the adoption of FRS 103 (Note 3)	(4,094)	-
Adjustment	-	(272)
Exchange adjustment	477	(30)
At end of year	53,566	54,609

	Group	
	2005	2004
	$’000	$’000
Accumulated amortisation:		
At beginning of year	4,094	1,269
Amortisation for the year included in other operating expenses	-	2,685
Elimination of amortisation accumulated prior to the adoption of FRS 103 (Note 3)	(4,094)	-
Exchange adjustment	-	140
At end of year	-	4,094
Provision for impairment:		
Balance at beginning of year	40,231	-
Transfer from provision for		
- Advance payments for investments	-	15,672
- Trade receivables	-	2,000
- Liabilities [Note 2(H)]	1,915	-
Provision offset against refurbishment business income	-	18,475
Provision charged to profit and loss statement	865	4,084
Exchange adjustment	439	-
Balance at end of year	43,450	40,231
Carrying amount:		
At end of year	10,116	10,284
At beginning of year	10,284	11,888

a) This represents payment of deferred purchase consideration on acquisition of subsidiaries (Note 21).

b) The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the specific risks. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 1 year and extrapolates cash flows for the following 4 years based on estimated growth rates of 5% to 10%.

The rates used to discount the forecast cash flows range from 3% to 16.7%.

17 OTHER GOODWILL

	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
Cost:				
Balance at beginning of year	14,378	2,310	1,052	1,052
Arising during the year	-	12,206	-	-
Elimination of amortisation accumulated prior to adoption of FRS 103 (Note 3)	(1,280)	-	(91)	-
Written off during the year	(1,613)	-	(961)	-
Exchange adjustment	(39)	(138)	-	-
Balance at end of year	11,446	14,378	-	1,052
Accumulated amortisation:				
Balance at beginning of year	1,280	91	91	39
Amortisation for the year included in other operating expenses	-	1,281	-	52
Elimination of amortisation accumulated prior to adoption of FRS 103 (Note 3)	(1,280)	-	(91)	-
Exchange adjustment	-	(5)	-	-
Others	-	(87)	-	-
Balance at end of year	-	1,280	-	91
Provision for impairment:				
Balance at beginning of year	1,100	-	-	-
Provision during the year	-	1,100	-	-
Balance at end of year	1,100	1,100	-	-
Carrying amount:				
At end of year	10,346	11,998	-	961
At beginning of year	11,998	2,219	961	1,013

The above relates to goodwill on purchase of after-market service businesses and related assets.

The group tests other goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the specific risks. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 1 year and extrapolates cash flows for the following 4 years based on growth rate of 5% to 10%.

The rate used to discount the forecast cash flows is 5%.

18 DUE FROM SUBSIDIARIES

	Company	
	2005	2004
	$'000	$'000
Long term receivables	-	22,044
Provision for impairment	-	(10,243)
	-	11,801

In 2004, the balance was repayable on or after December 31, 2006, unsecured and bore interest at the average prevailing prime lending rate of certain banks with effect from January 1, 2005. In 2005, the amounts due from subsidiaries became repayable on demand, unsecured and interest free.

19 BANK LOANS AND OVERDRAFTS

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Bank overdrafts (Note c)	11,614	-	2,413	-
Bank loans				
- Unsecured	18,850	32,935	6,000	7,050
- Secured	5,152	7,740	-	-
	35,616	40,675	8,413	7,050

a) The above secured bank loans of the group were secured by fixed deposits of $5,448,000 (2004 : $8,645,000) of the company (Note 7).

b) In 2005, unsecured bank loans of subsidiaries amounting to $12,850,000 (2004 : $25,885,000) are supported by corporate guarantees from the company.

c) In 2005, a bank has frozen the bank balances of the company pending the restructuring of the loans owing by certain subsidiaries and an associate.

   In addition, another bank has converted an outstanding loan amounting to $9,201,000 of a subsidiary into bank overdraft as a subsidiary did not repay the loan upon maturity. The bank has agreed to continue to grant the existing credit facility to the group pending the submission of a repayment plan to the bank by a certain date.

   The other banks continued to provide the group with the existing credit facilities and did not modify, withdraw or suspend any credit facilities provided to the group.

d) The average effective interest rates paid are from 2.83% to 11.08% (2004 : 1.5% to 2.35%) per annum.

20 TRADE PAYABLES

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Outside parties	10,663	17,944	570	2,444
Subsidiaries (Note 12)	-	-	7,985	6,478
Related parties (Note 6)	247	11	-	1
	10,910	17,955	8,555	8,923

The group and company's trade payables that are not denominated in the functional currencies of the respective entities are as follow:

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
United States dollars	1,046	1,114	70	430
EURO	337	-	56	-
Singapore dollars	3,548	7,400	-	-

21 OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Deferred purchase consideration on acquisition of subsidiaries	-	2,280	-	1,095
Refundable deposit for partial sale of subsidiary	4,668	4,668	4,668	4,668
Accrued expenses	27,491	16,363	3,458	3,239
Provision for bank loans of associate	4,620	4,620	-	-
Provision for liabilities	-	8,478	-	-
Provision for other liabilities (Note 2K)	13,080	10,400	8,044	10,400
	49,859	46,809	16,170	19,402
Transfer of provision for				
- Provision for liabilities via reversal of amounts due from subsidiaries [Note 2(D)]	(8,067)	-	8,067	-

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
- Provision for impairment on other investments [Note 2(J)]	3,430	-	3,430	-
- Provision for liabilities arising from cash receipts in 2005 relating to reversal of overstatement of refurbishment income from trade receivables written-off [Note 2(A)]	6,272	-	6,272	-
Reclassification from provision for impairment for trade receivables [Note 2(A)]	644	-	644	-
	52,138	46,809	34,583	19,402
Transfer to provision for				
- Accrued interest for investment in unquoted bonds [Note 2(C)]	(2,481)	-	(2,481)	-
- Impairment on investment in associate [Note 2(D)]	(3,347)	-	(3,347)	-
- Impairment on investment in subsidiaries [Note 2(E)]	-	-	(3,886)	-
- Impairment on goodwill on consolidation [Note 2(H)]	(1,915)	-	-	-
- Impairment on advance payments on investments [Note 2(G)]	(4,568)	-	(4,568)	-
- Impairment on other investments [Note 2(J)]	(3,884)	-	(3,884)	-
	35,943	46,809	16,417	19,402
Subsidiaries (Note 12)	-	-	30,515	5,157
Related parties (Note 6)	6,541	688	5,003	682
	42,484	47,497	51,935	25,241

22 FINANCE LEASES

	Minimum lease payment		Present value of minimum lease payments	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Group				
Amounts payable under finance leases:				
Within one year	77	242	68	221
In the second to fifth year inclusive	228	498	197	440
After five years	18	-	15	-
	323	740	280	661
Less: Future finance charges	(43)	(79)	NA	NA
Present value of lease obligations	280	661	280	440
Less: Amount due from settlement within 12 months (shown under current liabilities)			(68)	(221)
Amount due for settlement after 12 months			212	440

The average lease term is 6 years. The average effective borrowing rate was 3.7% (2004 : 3.0%) per annum. Interest rates are fixed at the contract date and thus expose the group to fair value interest risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The lease obligations are denominated in Singapore and New Zealand dollars.

The fair value of the group's lease obligations approximates their carrying amount.

The group's obligations under finance leases are secured by the lessors' title to the leased assets.

23 DEFERRED INCOME TAX

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
At beginning of year	593	842	912	912
Charge (Credit) to profit and loss for the year	422	(337)	-	-
Exchange adjustment	6	88	-	-
At end of year	1,021	593	912	912

The balance comprises mainly the tax effect of the excess of tax depreciation over book depreciation of plant and equipment.

24 LONG-TERM BANK LOAN (UNSECURED)

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Long-term bank loan	832	1,282	-	-
The borrowings are repayable as follows:				
On demand or within one year	508	490	-	-
In the second year	324	792	-	-
	832	1,282	-	-
Less: Amount due for settlement within 12 months (shown under current liabilities)	(508)	(490)	-	-
Amount due for settlement after 12 months	324	792	-	-

The loan is repayable over monthly instalments till March 2007. Average effective interest is charged at 5.86% (2004 : 5.86%) per annum.

The directors estimate that the fair value of the group's borrowings by discounting their future cash flows at the market rate to approximate their carrying amounts.

25 RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

a) The employees of the company and its subsidiaries that are located in Singapore, India, Australia, Malaysia and Thailand are members of the state managed retirement benefit plan as governed by the respective Governments of those countries, are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The subsidiaries operating in Philippines and UAE accrue for retirement benefits based on the local statutory requirements for its qualified employees.

   The total expense recognised in the profit and loss statement of $3,005,000 (2004 : $3,040,000) represents contributions payable to these plans by the group at rates specified in the rules of the plans. As at December 31, 2005, contributions of $131,000 (2004 : $91,000) due in respect of current financial year had not been paid over to the plans. The amounts were paid over subsequent to balance sheet date.

b) Pursuant to the relevant regulations of the PRC government, the Group has participated in central pension schemes ("the Schemes") operated by local principal municipal governments whereby the Group is required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes. Payments to the Schemes are charged as expenses as they fall due.

The total expense recognised in the profit and loss statement of $304,000 (2004 : $185,000) represents contributions payable to these plans by the group at rates specified in the rules of the plans. As at December 31, 2004 and 2005, there were no outstanding contributions that have not been paid over to the plans.

26 SHARE CAPITAL

	2005	2004	2005	2004
	Number of ordinary shares of $0.025 each		$'000	$'000
Authorised	20,000,000,000	20,000,000,000	500,000	500,000
Issued and fully paid:				
At beginning of year	960,652,480	633,162,320	24,017	15,829
Issuance of 316,581,160 ordinary shares of $0.025 each as a bonus issue on the basis of 1 bonus share for every 2 ordinary shares	-	316,581,160	-	7,915
Issuance of 10,909,000 ordinary shares of $0.025 each pursuant to the ACCS share Option Scheme 2003	-	10,909,000	-	273
Issuance of 318,000 ordinary shares of $0.025 each pursuant to the ACCS share Option Scheme 2003	318,000	-	7	-
At end of year	960,970,480	960,652,480	24,024	24,017

At the end of the financial year, pursuant to the company's ACCS Share Option Scheme 2003 as disclosed in paragraph 6 of the Report of the Directors, there were 22,497,000 (2004 : 29,570,000) unissued ordinary shares of the company under option.

27 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The company has a share option scheme for all employees of the company. The scheme is administered by the Remuneration Committee. Options are exercisable at a price based on the market price ("Market Price Options"). The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20%. The vesting period is 1 year for market price options and 2 years for options issued at a discount. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options holders may exercise any unexercised options within 1 month from the last date of employment after which, options are forfeited.

Details of the share options outstanding during the year are as follows:

	Group and company			
	2005		2004	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
	$		$	
Outstanding at the beginning of the year	29,570,000	0.629	14,055,000	0.400
Granted during the year	7,000,000	0.155	28,210,500	0.651
Exercised during the year	(318,000)	0.400	(10,909,000)	0.400
Lapsed / cancelled during the year	(13,755,000)	0.651	(1,786,500)	0.576
Outstanding at the end of the year	22,497,000	0.478	29,570,000	0.629
Exercisable at the end of the year	15,497,000	0.624	2,612,000	0.400

The weighted average share price at the date of exercise for share options exercised during the year was $0.133 (2004 : $0.749). The options outstanding at the end of the year have a weighted average remaining contractual life of 9 years (2004 : 10 years).

In 2005, options were granted on September 22. The estimated fair values of the options granted on that date ranges from $0.0276 to $0.0405. In 2004, options were granted on April 14. The estimated fair values of the options granted ranges from $0.119 to $0.195.

These fair values of the options granted during the year were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	Options granted in	
	2005	2004
Weighted average share price	0.154	0.651
Weighted average exercise price	0.155	0.651
Expected volatility	29%	29%
Risk free rate	2.22% to 2.46%	2.37%
Expected dividend yield	Nil%	Nil%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 84 days. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferrability, exercise restrictions and behavioural considerations and the effects arising from the restatement and adjustments to the group's and company's financial statements in 2003 and 2004 respectively.

The group recognised total expenses of $813,000 (2004 : $1,903,000) related to equity-settled share-based payment transactions during the year.

28 REVENUE

	Group	
	2005	2004
	$'000	$'000
In warranty	47,225	45,149
Out warranty	14,314	18,136
Others	12,221	12,468
After-market services income	73,760	75,753
Sales of goods	190,325	181,429
Service and incentive income	20,235	19,561
Distribution management solutions income	210,560	200,990
	284,320	276,743

Revenue from provision of after-market services comprises retrofit services and repair management services, and sales of parts and accessories. Out warranty service income includes retrofit income.

Distribution management solutions income comprises the sale of mobile communication products and the provision of distribution management solutions for mobile communication and high-tech consumer products.

Sales for the group are net of intercompany sales.

29 OTHER OPERATING INCOME

	Group	
	2005	2004
	$'000	$'000
Management and corporate advisory fee	-	114
Rental income	321	515
Interest income on:		
Bank balances	199	152
Bonds in related party (Note 15)	1,985	496
Gain on dilution of interest in Distribution Management Solutions Limited	-	10,103
Gain on partial disposal of Distribution Management Solutions Limited	-	5,789
Gain on partial disposal of Accord Customer Care Solutions (Aust) Pty Ltd	-	361
Release of negative goodwill to income on re-acquisition of Accord Customer Care Solutions (Aust) Pty Ltd (Note 12)	4,371	-
Government grant	148	42
Others	44	(241)
	7,068	17,331

30 OTHER OPERATING EXPENSES

	Group	
	2005	2004
	$'000	$'000
Minimum lease payments under operating leases	11,665	11,335
Reversal of provision for retention receivable [Note 2(C)]	(3,250)	-
Reversal of provision for other liabilities arising from cash receipts for trade receivables written off due to reversal of invalid commission income [Note 2(B)]	(2,597)	-
Reversal of impairment on plant and equipment - net	(2,182)	-
Plant and equipment written-off	4,119	-
(Gain) Loss on disposal of plant and equipment	(399)	364
Impairment of goodwill on consolidation	865	-
Other goodwill written-off	1,613	-
Impairment of other investments	87	-
Amortisation of goodwill on consolidation	-	2,685
Amortisation of other goodwill	-	1,281
Allowance for inventories	3,333	-
Allowance for doubtful trade receivables	1,440	1,096
Depreciation expenses	5,242	4,792
Foreign currency exchange adjustment loss	1,065	723
Additional provisions [Note 2]	-	37,960
	21,001	60,236

31 FINANCE COST

	Group	
	2005	2004
	$'000	$'000
Interest on bank loans	2,054	1,378

32 INCOME TAX

	Group	
	2005	2004
	$'000	$'000
Current tax	1,201	3,010
Deferred tax	422	(337)
	1,623	2,673
(Over) Under provision in prior years	(1,123)	104
Total/Net	500	2,777

The Economic Development Board of Singapore granted a 5 year Development and Expansion Incentive under the Business Headquarters Programme, to the company commencing from January 1, 2004.

Subject to certain conditions, income derived by the company for its qualifying activities, in excess of a base of $1,095,000, will be taxed at a concessionary rate of 13%. Income from non-qualifying activities and the base of $1,095,000 will be taxed at the standard Singapore income tax rate.

Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax credit for the group varied from the amount of income tax credit determined by applying the Singapore tax rate of 20% (2004 : 20%) to loss before income tax as a result of the following:

	Group	
	2005	2004
	$'000	$'000
Tax credit at the statutory rate	(2,698)	(6,804)
Non deductible items	4,590	9,094
Tax exempt income	-	(21)
Tax savings on qualifying income forfeited	-	453
Others	(269)	(49)
	1,623	2,673
(Over) Under provision in prior years	(1,123)	104
Net	500	2,777

33 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Group	
	2005	2004
	$'000	$'000
Directors' remuneration:		
Directors of the company	291	858
Directors of subsidiaries	30	182
Directors' fees	334	225
Employees benefits expenses (including directors' remuneration)	6,958	8,724
Auditors' fees:		
Paid to auditors of the company		
Current year	719	306
Underprovision in prior year	361	20
Paid to other auditors	215	500
Non-audit fees:		
Paid to auditors of the company	220	531
Paid to other auditors	2,375	31
Depreciation of plant and equipment	5,242	4,792

Number of directors of the company in remuneration bands is as follows:

	2005			2004		
	Executive directors	Non-executive directors	Total	Executive directors	Non-executive directors	Total
$500,000 and above	-	-	-	1	-	1
$250,000 to $499,999	1	-	1	-	-	-
Below $250,000	-	4	4	2	8	10
	1	4	5	3	8	11

34 LOSS PER SHARE

The calculation of basic earnings per ordinary share is calculated on the group loss attributable to equity holders of the company of $9,946,000 (2004 : $38,893,000) divided by the weighted average number of ordinary shares of 960,935,417 (2004 : 952,369,850) in issue during the year.

Fully diluted earnings per ordinary share is based on 960,935,417 (2004 : 952,369,850) ordinary shares assuming the full exercise of share options outstanding (where dilutive) and adjusting the weighted average number of ordinary shares to reflect the effect of all potentially dilutive ordinary shares.

	Group			
	2005		2004	
	Basic	Diluted	Basic (restated)	Diluted (restated)
Net loss attributable to equity holders of the company ($'000)	(9,946)	(9,946)	(38,893)	(38,893)
Ordinary shares of $0.025 each: Weighted average shares	960,935,417	960,935,417	952,369,850	952,369,850
Adjustment for potential dilutive ordinary shares	-	-	-	-
Weighted average number of ordinary shares used to compute earnings per share	960,935,417	960,935,417	952,369,850	952,369,850
Loss per share (cents)	(1.03)	(1.03)	(4.08)	(4.08)

Impact of changes in accounting policy

Changes in the group's accounting policies during the year are described in detail in Note 3 to the financial statements. To the extent that those changes have had an impact on results reported for 2005 and 2004, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2005	2004	2005	2004
	cents	cents	cents	cents
Recognition of share-based payments as expenses	(0.08)	(0.2)	(0.08)	(0.2)
Non-amortisation of goodwill (replaced by impairment loss)	-	-	-	-
Total impact of changes in accounting policy	(0.08)	(0.2)	(0.08)	(0.2)

35 OPERATING LEASE COMMITMENTS

The group as lessee

	Group	
	2005	2004
	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year	11,665	11,335

At the balance sheet date, the group and company have outstanding commitments in respect of non-cancellable operating leases for the rental of office premises and service centers, which fall due as follows:

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Within one year	6,105	9,414	88	1,122
In the second to fifth year inclusive	1,683	10,932	241	779
After five years	-	4	-	-
Total	7,788	20,350	329	1,901

Operating lease payments represent rentals payable by the group for certain of its office premises and service centres. Leases are negotiated for an average term of 2 years and rentals are fixed for 2 years.

36 CONTINGENT LIABILITIES (UNSECURED)

a) In 2005, the company has outstanding banker's guarantees amounting to $421,300 (2004 : $3,884,000) issued in favour of financial institutions undertaken for the granting of short term bank loans to a subsidiary of $Nil (2004 : $2,980,000) operating lease agreements of $421,300 (2004 : $439,000), deferral of custom duties of $Nil (2004 : $53,000) and supply of inventories of $Nil (2004 : $413,000) entered in the normal course of business.

b) The company has outstanding corporate guarantees amounting to $56,700,000 (2004 : $56,700,000) issued in favour of financial institutions for granting credit facilities to its subsidiaries and an associate. As at December 31, 2005, the outstanding amount of the credit facilities utilised amounted to $17,470,000 (2004 : $28,320,000), which includes $4,620,000 (2004 : $4,620,000) which this subsidiary is jointly liable for credit facilities utilised by the subsidiary's 50% owned associate. As at December 31, 2005, the group has made a provision for loss of $3,380,000 (2004 : $3,380,000) on the bank loan of the associate.

c) The company has outstanding corporate guarantees amounting to $5,152,500 (2004 : $3,000,000) issued in favour of a financial institution for the granting of short-term bank loans and standby documentary credit facilities to its subsidiary.

d) Certain subsidiaries have several outstanding banker's guarantees amounting to $9,493,800 (2004 : $10,592,000) issued in favour of equipment principals, entered in the normal course of business and under supply agreements.

37 SEGMENT INFORMATION

For management purposes, the Group is organised on a world-wide basis into three major operating divisions – South Asia, North Asia and South Pacific. The divisions are the basis on which the Group reports its primary segment information.

The dominant source and nature of the group's risk and returns are based on the geographical areas where its service centers are located. Therefore, the primary segment is geographical segments by location of our service centers.

South Asia comprises Indonesia, the Philippines, Thailand, Malaysia, India, Vietnam, United Arab Emirates and Singapore.

North Asia comprises People's Republic of China, Hong Kong SAR, Taiwan, Japan and South Korea.

South Pacific comprises Australia and New Zealand.

Primary segment information for the group based on geographical segments for the year ended December 31, 2005 are as follows:

<u>By Geographical Operations</u>

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the group's profit and loss statement that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used a segment and consist principally of operating receivables, inventories and plant and equipment, net of allowances and provisions. Capital expenditure includes the total cost incurred to acquire property, plant and equipment, and intangible assets directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued expenses.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at cost. These transfers are eliminated on consolidation.

Investment in associates: Income from associates are not allocated as they are not specifically attributable to any of the major business segments, and correspondingly the investments in associates are included as unallocated assets of the group.

	South Asia $'000	North Asia $'000	South Pacific $'000	Consolidated $'000
December 31, 2005				
REVENUE				
External sales	227,263	10,310	46,747	284,320
RESULTS				
Segment result	1,933	(6,465)	(6,902)	(11,434)
Finance costs				(2,054)
Profit before income tax				(13,488)
Income tax expense				(500)
Profit before minority interest				(13,988)
ASSETS				
Segment assets	82,978	3,596	20,503	107,077
Unallocated corporate assets				20,462
Consolidated total assets				127,539
LIABILITIES				
Segment liabilities	40,055	4,677	8,662	53,394
Bank loans and overdrafts				36,448
Income tax payable				1,198
Unallocated corporate liabilities				1,301
Consolidated total liabilities				92,341
OTHER INFORMATION				
Capital expenditure	1,277	400	768	2,445
Depreciation	2,879	679	1,684	5,242
Plant and equipment written off	119	1,676	2,324	4,119
Reversal of impairment of plant and equipment	(2,196)	(271)	-	(2,467)
Impairment of plant and equipment	684	115	-	799
Other goodwill written off	1,613	-	-	1,613
Impairment of goodwill on consolidation	-	-	865	865
Impairment of other assets	857	-	-	857

	South Asia $’000	North Asia $’000	South Pacific $’000	Consolidated $’000
December 31, 2004 (restated)				
REVENUE				
External sales	221,249	16,582	38,912	276,743
RESULTS				
Segment result	(33,912)	(3,131)	2,547	(34,496)
Share of results of associates				(47)
Finance costs				(1,378)
Profit before income tax				(35,921)
Income tax expense				(2,777)
Profit for the year				(38,698)
ASSETS				
Segment assets	103,118	9,980	28,402	141,500
Unallocated corporate assets				22,282
Consolidated total assets				163,782
LIABILITIES				
Segment liabilities	43,467	13,049	8,936	65,452
Bank loans				41,957
Income tax payable				2,601
Unallocated corporate liabilities				1,254
Consolidated total liabilities				111,264
OTHER INFORMATION				
Amortisation of goodwill	2,704	828	434	3,966
Capital expenditure	5,980	4,009	3,543	13,532
Depreciation	2,438	1,027	1,327	4,792
Impairment of plant and equipment	4,433	271	-	4,704
Impairment of other goodwill	1,100	-	-	1,100
Impairment of goodwill on consolidation	4,084	-	-	4,084

By Business Segment

The group operates in two business segments - after-market services ("AMS") and distribution management solutions ("DMS").

Segment revenue: Segment revenue is the operating revenue reported in the group's profit and loss statement that is directly attributable to a segment and the relevant portion of such revenue that can be allocated on a reasonable basis to a segment.

Segment assets and capital expenditure: Segment assets and capital expenditure are analysed based on those assets used by a segment. Capital expenditure includes the total cost incurred to plant and equipment, and any intangible assets.

	Revenue		Assets		Capital expenditure	
	2005	2004	2005	2004	2005	2004
	$'000	$'000	$'000	$'000	$'000	$'000
AMS	73,760	75,753	79,112	109,230	2,080	11,489
DMS	210,560	200,990	48,427	54,552	365	2,043
Total	284,320	276,743	127,539	163,782	2,445	13,532

38 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

a) Proposed Acquisition of the entire issued and paid-up share capital in Semitech Mobility Solutions Pte Ltd ("SMS"), Semitech Electronics (HK) Limited ("SHE") and SEM Technology Sdn Bhd ("SEM") (collectively, the "Sale Companies")

(i) On March 1, 2006, the company entered into a conditional sale and purchase agreement (the "Agreement") with Semitech Electronics Limited ("Semitech") to acquire from Semitech the entire issued and paid-up share capital of the Sale Companies (the "Sale Shares") for an aggregate purchase consideration of $7.5 million (the "Purchase Consideration").

(ii) The purchase consideration will be satisfied in full by the allotment and issue of 65,331,010 ordinary shares in the capital of the company (the "Consideration Shares") at an issue prise of $0.1148 for each Consideration Share (the "Issue Price") to Semitech. The Issue Price is based on the average volume weighted price of the company's shares over the ten full market days prior to the date of signing of the Agreement for which there was trading in the company's shares. Under the Agreement, fifty percent (50%) of the Consideration Shares are subject to a twelve-month moratorium from the date of completion of the acquisition.

(iii) The Agreement is conditional, inter-alia, upon:

- the results of a due diligence review of the business, affairs, operations, assets, financial condition, prospects, records and affairs of the Sale Companies, being satisfactory to the company;

- the approval of the shareholders of Semitech being given for the sale of the Sale Shares by Semitech to the company on the terms and conditions of the Agreement;

- approval in-principle for the listing and quotation of the Consideration Shares on the SGX-ST being obtained from SGX-ST.

(iv) The acquisition of the Sale Companies is expected to improve earnings per share and net tangible assets per share by 5.11% and 14.59% of the group respectively.

b) <u>Proposed Renounceable Non-Underwritten Rights Issue</u>

(i) On March 1, 2006, the company announced the proposal to undertake a renounceable non-underwritten rights issue (the “Rights Issue”) of up to 520,275,242 new ordinary shares (the “Rights Shares”) in the share capital of the company at an issue price of $0.04 for each Rights Shares on the basis of one Rights Share for every two existing ordinary shares (the “Shares”) in the share capital of the company held by shareholders of the company as at a time and date to be determined by the directors.

(ii) As at March 1, 2006, the company is expected to issue up to 520,275,242 Rights Shares pursuant to the Rights Issue based on the following assumptions:

- Full exercise of 14,249,000 outstanding exercisable options;

- The allotment and issue of 65,331,010 new shares in connection with the proposed acquisition of the Sale Companies described in paragraph 38(a) above; and

- Existing issued share capital of 960,970,475 ordinary shares.

(iii) Certain shareholders and/or directors of the company, Henry Tan Hor Thye (“Henry Tan”), Ronnie Poh Tian Peng (“Ronnie Poh”), Accord Holdings Pte. Ltd, 2G Capital Pte. Ltd., Gay Chee Cheong and Goh Thiam Poh (collectively the “Undertaking Shareholders”) holding aggregate of 305,774,676 ordinary shares in the company, representing 31.8% of the total issued share capital of the company has given an undertaking to the company, inter alia on the following:

- not to transfer, dispose or otherwise reduce any of their respective interests in the Shares during the period between March 1, 2006 and the books closure date;

- to subscribe and pay and/or procure subscribers and payment in full for all their respective entitlements of Rights Shares (except for Henry Tan and Ronnie Poh); and

- to vote all of their respective shareholdings in the company in favour of the Rights Issue at the extraordinary general meeting to be convened to seek approval of the shareholders for the Rights Issue.

(iv) Ronnie Poh has undertaken to subscribe and pay and/or procure subscribers and payment for 25,000,000 Rights Shares, representing approximately 44.3% of his entitlement of Rights Shares.

(v) Henry Tan has undertaken to subscribe and pay and/or procure subscribers and payment for:

- 35,750,000 Rights Shares, representing approximately 52.0% of this entitlement of Rights Shares, in the event that the allotment and issue of the Acquisition Shares is not completed by the books closure date; and

- 63,500,000 Rights Shares, representing approximately 92.5% of his entitlement of Rights Shares, in the event that the allotment and issue of the Acquisition Shares is completed by the books closure date.

(vi) The Rights Issue is expected to raise net proceeds of up to $20.6 million which will be used for working capital purposes and expansion of the after-market services and distribution management solutions businesses.

(vii) The Rights Issue is subject to the following conditions, inter alia:

- approval in-principle of the SGX-ST for the listing and quotation of the Rights Shares on SGX-ST;

- approval by shareholders at an extraordinary general meeting to be convened; and

- lodgement by the company of the offer information statement with the Monetary Authority of Singapore.

(vii) The Rights Shares when issued, will rank pari passu with the existing Shares in issue.

39 RECLASSIFICATION AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements and following the group. Comparative figures have been adjusted to conform with the current year's presentation. The items were reclassified as follows:

	Group	
	Previously reported	After reclassification
	2004	2004
	$'000	$'000
Staff costs, restated	47,722	-
Depreciation expenses	4,792	-
Administrative expenses	-	63,179
Other operating expenses	32,941	60,236
Additional provisions	37,960	-
	123,415	123,415