Captii Limited Annual Report 2014

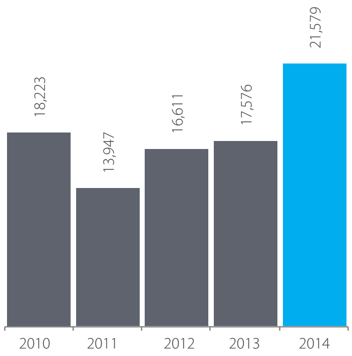
We Invest in Technology and Innovation

Captii Limited

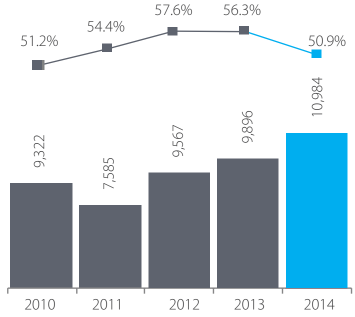
Annual Report 2014

Annual Report 2014
Financial Highlights

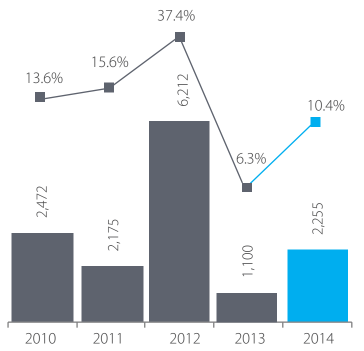
Revenue (S$000)



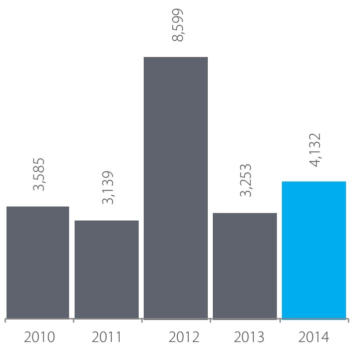
Gross Profit (S$000) &
Gross Profit Margin (%)



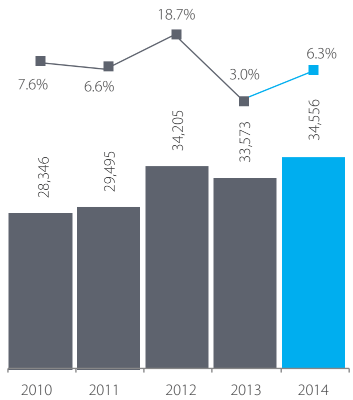
Net Profit (S$000) &
Net Profit Margin (%)



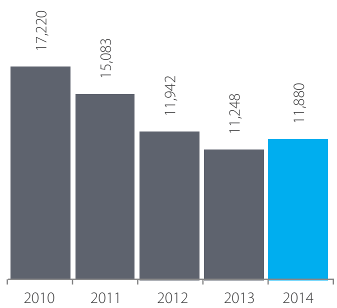
EBITDA (S$000)



Shareholders' Equity (S$000) &
Return on Equity (%)



Cash &
Cash Equivalents (S$000)



Consolidated Income Statement Data
(In S$'000 except per-share amounts)
Years ended 31 Dec

	2010	2011	2012	2013	**2014**
Revenue	18,223	13,947	16,611	17,576	**21,579**
Gross profit	9,322	7,585	9,567	9,896	**10,984**
Total operating expenses	8,462	7,590	9,325	9,524	**9,003**
EBITDA	3,585	3,139	8,599	3,253	**4,132**
Profit before income tax	2,801	2,435	6,934	1,701	**2,888**
Net profit	2,472	2,175	6,212	1,100	**2,255**
Basic earnings per share (cents)	0.65	0.60	1.86	0.32	**0.68**

Consolidated Balance Sheet Data
(In S$'000 except per-share amounts)
Years ended 31 Dec

	2010	2011	2012	2013	**2014**
Total assets	36,767	34,809	43,760	40,243	**41,773**
Working capital	18,151	17,659	14,258	14,424	**16,209**
Cash and cash equivalents	17,220	15,083	11,942	11,248	**11,880**
Borrowings	-	-	-	-	**-**
Shareholders' equity	28,346	29,495	34,205	33,573	**34,556**
Net asset value per ordinary share (cents)	8.87	9.23	10.70	10.51	**10.81**

Annual Report 2014
Investing in Technology and Innovation

On 6 May 2014 Unified Communications Holdings Limited was renamed Captii Limited.

This change of name was intended to reflect the renewed spirit and purpose of our group as a business that invests in promising new technology and innovation.

The renaming of our parent company (and by extension, our group) as "Captii" provides a fresh, standalone identity for our technology investing activities. What we do to support the development of new technologies and innovations, especially those that extend out from our long-standing mobile telecoms technology focus, is now distinct from our group's existing Unifiedcomms and GlobeOSS business units.

Investing in new technologies and innovation has always been at the heart of our business. We will continue to develop and bring to market compelling new products and services to drive the organic growth of our Unifiedcomms and GlobeOSS businesses. Our plan for growth however, is to augment this organic progress with growth from acquisitions and strategic investment.

By strategically investing in early to late stage technology ventures, particularly in internet-delivered applications and new media, our group looks forward to capitalising on the growth in internet usage - especially the mobile variety – across all our regions of focus.

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Executive Chairman's Letter

Dear Captii Shareholder:

On behalf of the Board of Directors, I am pleased to present the Annual Report of Captii Limited for the financial year ended 31 December 2014.

A broadly positive year

Our Group entered the 2014 financial year on the back of six profitable years. Unlike the mixed outcome we had in 2013, this year ultimately proved to be a broadly positive one in terms of financial performance. Although our ROE outcome for 2014 remains below what we have been targeting, our underlying business delivered significant improvement in both top line and bottom line performance compared to the year before.

Our mobile value-added-services business (VAS BU) and operation support systems business (OSS BU), both recorded higher revenue while our mobile technology business (TECH BU) had a lower revenue year in 2014. TECH BU's revenue this year was S$5.9 million, a decline of 7.0% against the S$6.4 million achieved the year before. Of the two BUs that posted improvements in revenue performance, it was OSS BU that recorded the higher increase in revenue of 70.9%, with its 2014 revenue being S$7.2 million compared to S$4.2 million last year. VAS BU's revenue meanwhile rose by 21.8% to S$8.2 million in 2014 compared to S$6.7 million it achieved in 2013. The higher revenue delivered by OSS and VAS BUs - which more than offset the decline in TECH BU revenue performance - contributed to the S$4.0 million increase in 2014 Group revenue to S$21.6 million.

Gross profit achieved by our Group was higher again this year and in line with the higher revenue recorded for 2014. Similar to 2013, the magnitude of the increase was lesser than that of revenue – gross profit rose by 11.0%, as compared to the 22.8% increase in revenue. This reflected the considerably lower average gross profit margin for the year of 50.9%, which resulted from the less favourable sales mix for 2014, where the lower margin system sale contract revenues of OSS BU comprised a much greater proportion of Group revenue .

Group profit before tax for 2014 came in at S$2.9 million, 69.5% higher compared to the S$1.7 million recorded the year before. Our profit after tax for the year meanwhile was S$2.3 million, 105.0% higher than the S$1.1 million achieved last year.

Our seventh consecutive year of profits, going into our 17th year of business

2014 represented our seventh consecutive year of profitability. Our profitability as a Group has improved compared to 2013 – our Group's return on equity (ROE) increased to 6.3% this year from 3.0% the year before. Although the 2014 financial results show a significant improvement in relative profit performance, this improvement remains inadequate in helping us achieve the double-digit ROE performance we have been targeting.

The improvement in our bottom line and ROE performance for the year is largely attributable to the rebound in the sales performance of OSS BU and the greater than expected growth in system sale contract revenues of VAS BU.

Higher sales but higher system sale contract direct costs impacting profitability

At the bottom of the slower pace of profit growth in 2014 as compared to revenue was the considerably higher contribution of lower-margin OSS BU system sale contracts to overall Group revenue. Because of this sales mix that featured OSS BU revenues more prominently, our Group's average gross profit margin was substantially lower. This of course flowed down into our Group bottom line.

To management of our Group, 2014 was a year of persisting our efforts to grow the managed service business. For the Unifiedcomms business, represented by TECH BU and VAS BU, at the core of the growth plan was the design and development of high-utility application and platform software products and driving performance improvements across our portfolio of managed service contracts. Although we were able to deliver 12.2% growth in managed service revenue growth at VAS BU, this gain was almost entirely offset by the decline this year in managed service revenues at OSS BU and TECH BU. This culminated in only 2.5% improvement in total managed service contract revenue for the year. More had been expected from VAS BU to grow managed service contract revenues at a rapid clip, however a number of contracts were rather disappointing performers in 2014. The significant improvement in system sale contract revenues in 2014, at both OSS BU and VAS BU had underpinned the improvement in financial performance of our Group this year.

Continuing to look for growth by acquisition and strategic investment

At the start of 2014, we continued to have adequate cash balances to continue with the strategy of augmenting organic growth with growth-by-acquisition and strategic investment. Management of our Group identified and screened many candidates for acquisition and strategic investment throughout 2014 but unfortunately none could be progressed further to consummation. The work to identify, screen and engage on new acquisition and strategic investment opportunities will persist in the new year.

Balance sheet strength and dividends

Although we had no acquisitions or strategic investments in 2014, during the year we continued to reinvest in our existing businesses for product development as well as in assets to support the fulfilment and expansion of new and existing managed service contracts. The fresh capital required to fund the growth of our existing business is not significant and as a result, we continued to have a strong balance sheet at year-end

2014: zero borrowings and ample cash and cash equivalents of S$11.9 million. This was also after declaring and paying to shareholders a dividend for the fifth year running. We had on 15 September 2014, paid a tax-exempt interim dividend of 0.2 Singapore Cents per share, unchanged against the dividend per share paid in 2013. In light of the anticipated capital requirements of our Group's growth and development strategy, no further and final dividend payment has been recommended by our Directors for the financial year ended 31 December 2014.

In gratitude

2014 proved to be a better year for our Group. We ended the year with improved net profit results but management recognises that we did not manage to deliver the level of performance we had expected from our underlying business. In the new year ahead we will be working hard to address this better.

To the talented and dedicated individuals across all the BUs that make up the Captii Group who did their utmost to tackle the challenges we faced in 2014, I extend my deepest gratitude for your commitment and dedication. I ask the same from you again in the new financial year ahead, to move our business onward and upward. To you, our shareholder, I thank you for your continued belief and patience in our people and our business. Last but certainly not least, my thanks go to the government agencies and regulatory bodies for their guidance and support.

Wong Tze Leng
Group Executive Chairman

18 March 2015

2014 Year in Review
Chief Executive's Message

Dear Captii Shareholder:

It gives me a great pleasure to present to you my review of operations and the financial results of our Group for the 2014 financial year.

An overview of our business

Going into our 17th year of operation, the most visible change our Group has undergone in 2014 is in our name. On 6 May 2014, Unified Communications Holdings Limited was renamed Captii Limited. This name change was a considered one, intended to separate the brand identity of our listed investment holding company from that of its operating subsidiaries and investee businesses.

With the growth and development plan of our Group involving a growth-by-acquisition and strategic investment strategy, we expect to invest and participate in technology business areas, markets, products and services that may be adjacent or outside of those immediately being addressed by our existing businesses. In order to disassociate the established brand identities of our existing businesses in their respective market segments and niches, the name Captii Limited was conceived and adopted. It is a name that is clearly distinct from that of any of our business units and is a derivation of the long-form description of our focus and purpose: '**Cap**ital for **T**echnology **I**nvestment and **I**nnovation'.

Other than this change, and the establishment of a subsidiary called Captii Ventures Pte Ltd in Singapore to undertake multi-stage venture and strategic investments in technology, I can report that there has been no significant change in the business of our Group since I last wrote to you.

Throughout 2014, our business units continued to address mobile network operators and integrated telecoms service providers with solutions that optimise performance in specific areas of their operations, or that provide their customers, the end-user mobile subscriber, with utility applications to address human problems. At the core of these performance optimisation solutions and utility application services are our Group's proprietary application and platform software products.

We operate primarily in the telecommunications markets of three regions: South East Asia (SEA), South Asia (SA) and the Middle East and Africa (MEA). With the exception of Malaysia, Singapore and Pakistan, where engagement with the customer is conducted directly by our own personnel, the majority of our engagements with customers are carried out through various sales channel partners. This two-tier sales and distribution approach enables us to cost-effectively reach customers within each region of focus and to tap into the local knowledge and insights of our partners to build and deliver compelling solutions.

We continue to offer various solutions that address the business problems of our customers (mobile network operators and integrated telecoms service providers) or the more human problems of their customers, the end-user service subscriber. Each solution comprises first a technical component made up of one or several of our application or platform software products and professional services for their adaptation and implementation, and secondly a commercial component that allows election of the most suitable business model for customers' needs, ranging from an outright purchase model to a managed service, revenue-sharing and pay-per-use/pay-as-you-go model.

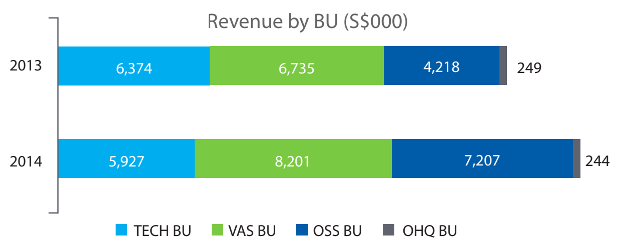
As at end 2014, there are a total of 180 people that are employed by our Group's business units and subsidiary companies. The majority of these personnel are located in Malaysia, where our operational headquarters is situated, while the rest work out of Singapore, Pakistan, Thailand and Vietnam.

Throughout 2014, our business remains organised as 3 market-facing business units: a Mobile Technology Business Unit (TECH BU); a Mobile Value-Added-Services Business Unit (VAS BU); and lastly an Operation Support Systems Business Unit (OSS BU). In addition, we have an Operational Headquarters Business Unit (OHQ BU) which is not market-facing but serves primarily as a shared resource hub that provides a variety of front and back-office support services to our three market-facing business units. OHQ BU however continues to show some external revenue being generated. This external revenue is the rental income yielded by the investment property our Group acquired back in 2011.

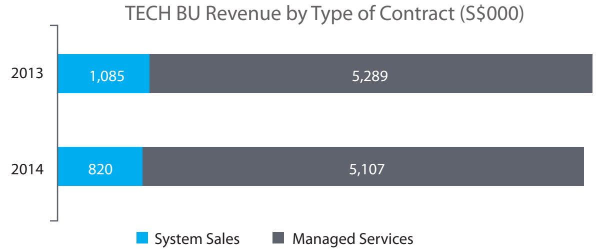
A broadly positive year for Group revenue growth

The 2014 financial year was a positive one in terms of revenue growth. Group revenue rose by S$4.0 million or 22.8% against last year.

Two of our BUs delivered improvements against their 2012 revenue results while one experienced a relatively slower year. TECH BU was the business that had a 7% decline in sales, turning in total revenue of S$5.9 million in 2014 versus S$6.4 million the year before. VAS BU recorded an improvement in revenue against the year before, posting a S$1.5 million or 21.8% increase in revenue, to end 2014 with total revenue of S$8.2 million. OSS BU meanwhile had a significantly improved year in 2014, recording a S$3.0 million or 70.9% increase in revenue to S$7.2 million. At S$0.2 million, the rental income that is earned by OHQ BU from our sole investment property in Malaysia remains largely unchanged from the year before.

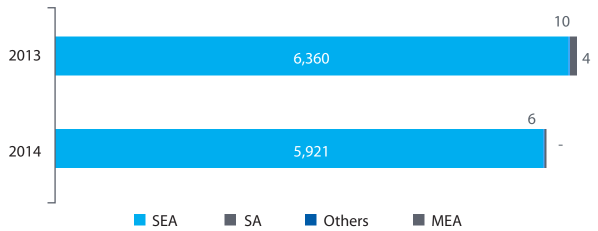


TECH BU's lower revenue was not accompanied by any change in the sales mix of the business. TECH BU revenue from system sale contracts declined to S$0.8 million in 2014, while managed service revenues fell in tandem with system sale revenues, also declining by S$0.2m to S$5.1 million.



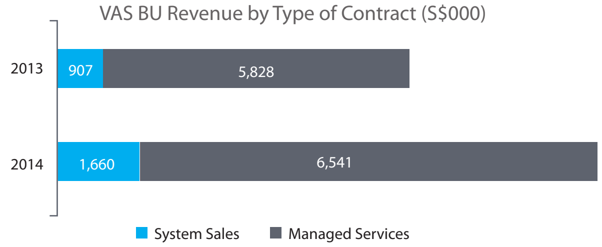
TECH BU Revenue by Type of Contract (S$000)

TECH BU's customer base has traditionally been concentrated in the SEA region. This has not changed in 2014, with TECH BU SEA region revenues continuing to account for almost 100% of the total revenue achieved for the year.



TECH BU Revenue by Geographical Regions (S$000)

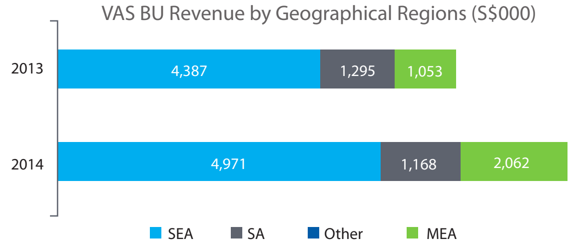
The BU with the second largest increase in year-on-year total revenue, VAS BU, saw its system sale contract revenues further strengthen in 2014, following the significant rebound last year from the all-time low of 2012. The marked improvement in VAS BU system sale contract revenues - from S$0.9 million in 2013 to S$1.7 million in 2014 - was complemented by a 12.1% increase in managed service revenues, rising from S$5.8 million in 2013 to S$6.5 million in 2014.



VAS BU Revenue by Type of Contract (S$000)

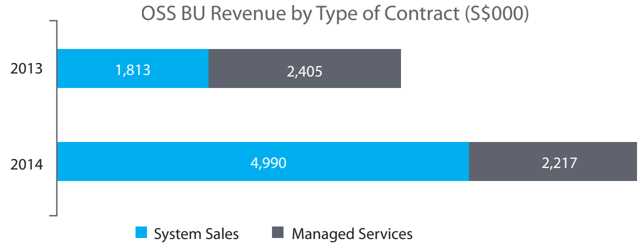
The improvement in VAS BU system sale contract revenues in 2014 reflects the more positive system sale environment in the MEA region. The MEA region showed the most significant percentage improvement in 2014. VAS BU revenue from this region increased 95.8%, almost double the previous year's result.

The SEA region delivered the second largest increase in revenue for VAS BU in 2014 courtesy of the improvement in managed service contract revenues. Revenue from the SEA region grew 13% to S$5.0 million in 2014. VAS BU sales results from the SA region meanwhile continued to be disappointing this year, being marginally lower yet again at S$1.2 million against 2013, due to underperformance of certain managed service contracts.



VAS BU Revenue by Geographical Regions (S$000)

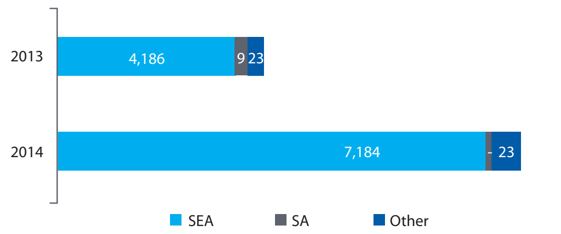
Between 2011 and 2013, our OSS BU experienced a persistent decline in system sale contract revenues. This trend was however reversed in 2014. System sale has been restored as the predominant contract type for OSS BU this year, with the rise in OSS BU revenue being accounted for by the 175.2% increase in system sale contract revenue to S$5.0 million from S$1.8 million the year before.



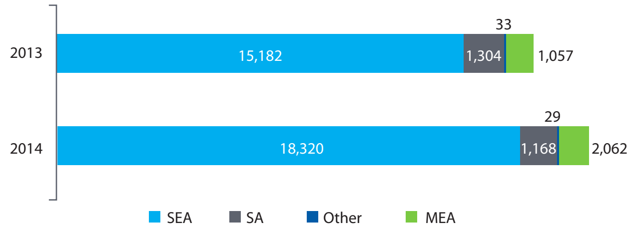
OSS BU Revenue by Type of Contract (S$000)

OSS BU continues to have both its system sale and managed service business concentrated in the SEA region. The increase in OSS BU revenue from the SEA region reflects the S$3.2 million increase in system sale contract revenues between 2013 and 2014 that more than offset the marginal decline in managed service contract revenues.

OSS BU Revenue by Geographical Regions (S$000)



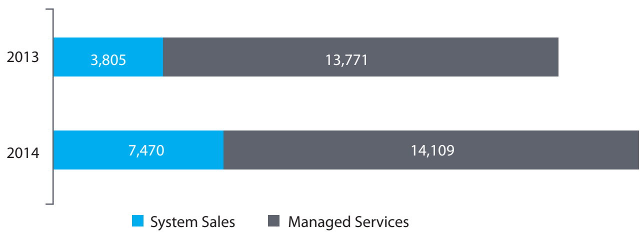
Revenue by Geographical Regions (S$000)



Rebound in system sale revenues

The focus on efforts to grow managed service contract revenues persisted across all our BUs in 2014 and the growth achieved in revenue from this contract type reflects these efforts. However the most significant contributor to the improvement in Group revenue performance for the year was the system sale business. This large improvement of S$3.7 million or 96.3% in our Group's system sale contract revenues was the driver for the rise in Group revenue to S$21.6 million this year, from the S$17.6 million recorded for 2013. The significantly higher system sale contract revenues at OSS BU and VAS BU this year had more than offset by the decline in TECH BU system sale contract revenues. The double-digit improvement in VAS BU managed service contract revenues meanwhile continues to underpin the increase in Group managed service contract revenues. This improvement at VAS BU was however partly offset in 2014 by the decline in managed service contract revenues at both TECH BU and OSS BU.

Revenue by Type of Contract (S$000)



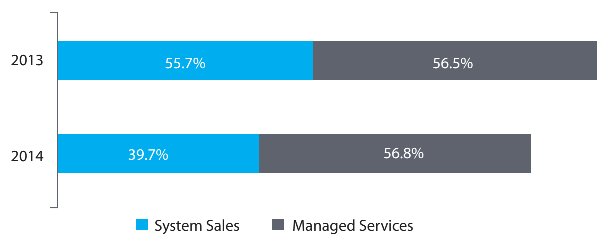
We expected 2014 to continue to be a challenging year for all our BUs on the system sale front. However contrary to earlier expectations, market conditions improved along with our success rate and growth in system sale contract revenues was achieved in both MEA and SEA regions. At S$2.1 million, the MEA region's contribution to total Group revenue was double in absolute terms compared to 2013. The SEA region once again served as the most significant driver for the improvement in Group revenue for the year, growing by 21.0% or S$3.1 million. The SA region remained disappointing, due yet again to the underperformance of certain managed service contracts.

In 2014, SEA, our Group's home region, continues to be the largest geographic source of revenue, accounting for 84.9% of Group revenue.

Higher gross profit achieved, in line with higher revenue

In line with the higher consolidated revenue of S$21.6 million for the 2014 financial year, a 22.8% gain on 2013 revenue, absolute gross profit achieved for the years was higher compared to 2013. Group gross profit for 2014 was S$11.0 million, up by S$1.1 million or 11.0% against what was achieved in 2013. Gross profit grew slower than revenue due to the sales mix achieved in 2013 – where the typically lower gross profit margin OSS BU system sale contract revenues accounted for the majority of the improvement in Group revenue. This, by extension, acted to reduce the overall gross profit margin earned on Group revenue to 50.9% as compared to 56.3% achieved the year before. System sale contract average gross profit margin declined markedly to 39.7% in 2014, primarily due to the higher proportionate contribution of OSS BU to system sale contract revenues of the Group as compared to 2013. Gross profit margin earned on managed service contract revenues was relatively flat, showing only a marginal increase from 56.5% in 2013 to 56.8% this year.

Gross Profit Margin by Type of Contract (%)



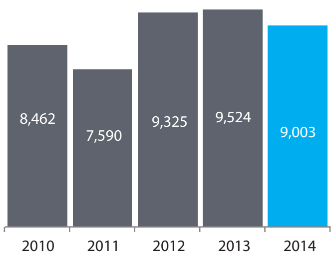
Although system sale contract revenues grew significantly between last year and this year, the sales mix of our Group continues to exceed our target of having greater than fifty percent of Group revenue being derived from managed service contracts. This year managed service contract revenues accounted for 65.4% of Group revenue, down from 78.4% in 2013.

Lower total opex this year, before and after exceptional items

Our Group's operating expenditure for the year decreased to S$9.0 million as compared to S$9.5 million in 2013. In 2013 we had higher foreign exchange losses as a result of unfavourable exchange rate movements of our billing currencies against the Singapore Dollar; write-downs of certain obsolete inventory and a provision made for the impairment of plant and equipment relating to a managed service contract that has become subject to legal proceedings and where there is a possibility that these assets may not be recovered.

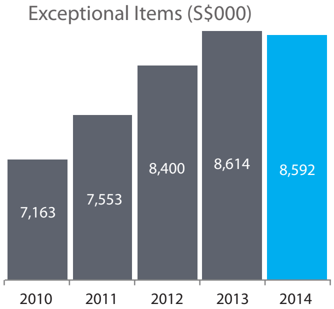
This year, we had a foreign exchange gain due to the strengthening of the Pakistan Rupee and US Dollar against the Singapore Dollar and an impairment loss on intangible assets to take into our income statements. The impairment this year relates to some intellectual property assets of our Group that have been assessed as being no longer able to generate previously expected future cash flows.

Operating Expenditure (S$000)



Excluding the effect of exceptional items such as the impairment loss this year, our opex for 2014, at S$8.6 million, is unchanged compared to what was recorded for 2013.

Operating Expenditure before Exceptional Items (S$000)

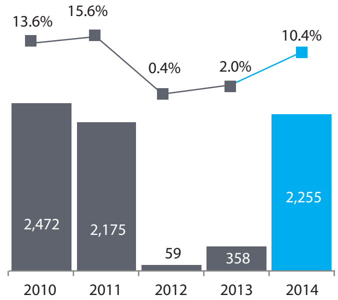


Significantly improved bottom line – a further year of improvement in our underlying business

2014 marks our seventh consecutive year of being in the black. Group net profit for the year, at S$2.3 million, is 105.0% higher than the S$1.1 million achieved in 2013. The more than doubling of our Group's bottom line reflected the significant improvement in the performance of our underlying business.

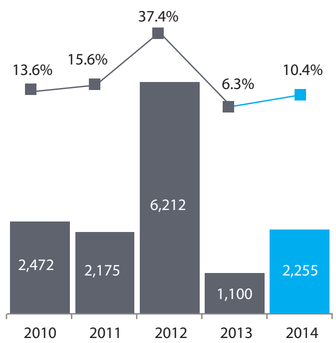
When the bottom line numbers are examined more closely, to exclude exceptional gains such as the fair value gains enjoyed on the acquisition of Ahead Mobile Sdn Bhd (AMSB) across 2012 and 2013, the improvement in profit performance of our underlying business is more pronounced. The 'adjusted' net profit generated by our business grew almost six-fold, from S$0.4 million in 2013 to S$ 2.3 million this year.

Net Profit before Fair Value Gain (S$000)
& Net Profit Margin before Fair Value Gain (%)



In terms of bottom line margins, our Group achieved a much improved audited net profit margin of 10.4% for 2014, versus 6.3% for 2013. If the effect of the fair value gain on AMSB is removed, our Group net profit margin for 2013 would instead decline to 2.0% while our 2014 results, a year devoid of any fair value gain, would remain unchanged at 10.4%, more than five times higher the adjusted net profit margin of 2013.

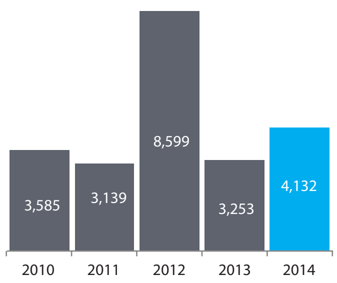
Profit for the Year (S$000)
& Net Profit Margin (%)



The flow-down effect of the improvement in Group net profit before and after exceptional items is very clearly reflected in our EBITDA results for the year.

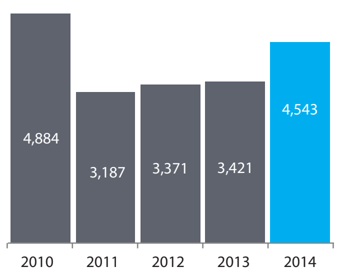
2014 Year in Review
Chief Executive's Message

EBITDA (S$000)



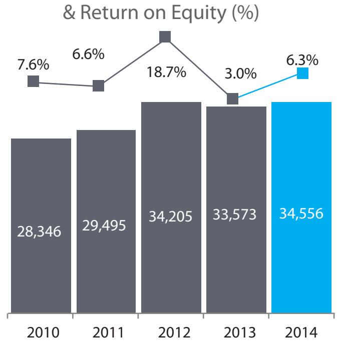
EBITDA rose to S$4.1 million in 2014, an increase of 27.0%, in tandem with the 105.0% rise in net profit. The disproportionately slower rise of EBITDA is accounted for by the significant impact of non-cash items on reducing Group net profit in 2013. The negative impact of provisions for impairment that were made in 2013 do not, of course, have any bearing on EBITDA. Removing the effect of one-off and non-cash items, and also excluding exceptional items for the year, EBITDA before exceptional items and fair value gain stood at S$4.5 million for 2014 – a 32.3% improvement against that achieved in 2013.

EBITDA before Exceptional Items & Fair Value Gain (S$000)



Because of the higher net profit delivered in 2014, our Group's return on equity (ROE) for the year doubled to 6.3% from the 3.0% achieved in 2013. Another year with a single-digit ROE outcome is certainly a disappointing result, even in the context of a doubling of ROE compared to the previous year. The considerably higher ROE outcome in 2012 was aided by the exceptional outsized income contribution from the AMSB fair value gain. Excluding the effect of this exceptional item on the 2012 bottom line results, 2014 actually represents an extension of the improvement in the ROE performance of the Group from 2012 and 2013.

Shareholders Equity (S$000) & Return on Equity (%)



Although the performance of our underlying business in 2014 was not as strong as I would have liked to see, we did manage to secure some progress in growing our profits. This year the contribution of system sale contracts was considerably higher, arising from a rebound in the sales performance of the MEA region for VAS BU and for OSS BU after a relatively poor showing in 2013. The managed service contract portfolio of our business continued to grow in the SEA region steadily. Application services delivered on a managed service, revenue-sharing model, especially several of those launched in late 2012 through 2013 moved positively towards achieving their expected revenue potential in 2014 and underpinned the improvement in managed service contract revenues. With the continued improvement expected in the performance of our underlying business in 2015, I am optimistic of our being able to further extend our dividend payout track record – to at minimum, maintain the dividend per share that was paid to all shareholders last year.

Growth by acquisition

As at end-2014, we continued to have more than sufficient capital to augment our organic growth plans with growth-by-acquisition and strategic investment. This remains an essential element of our current business plan that targets sustained, double-digit Group profit growth and a significant uplift of our ROE performance. So far, we completed the acquisition of our investment property in MSC-status Plaza Sentral, Kuala Lumpur in 2011, and in 2012, the acquisition of the remaining equity interest of AMSB which we did not already own, to turn AMSB into a subsidiary of our Group. Both these acquisitions continue to positively contribute to the revenue and profits of our Group in 2014.

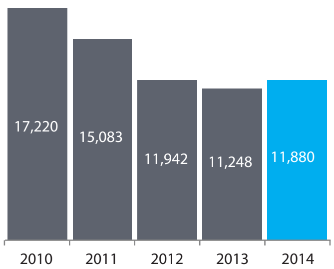
Throughout 2014, Group management persisted in identifying and evaluating many acquisition and strategic investment opportunities for our Group.

Although there were a handful of opportunities that were progressed to an advanced stage, none of our engagements in the year culminated in a transaction in spite of the diligence of our efforts. I am however optimistic that the several advanced opportunities for strategic investment being considered as at the time of writing, will be consummated in the 2015 financial year.

Reviewing our 2014 balance sheet positions

Now to turn to our Group's balance sheet as at the end of the 2014 financial year: we ended 2014 with slightly higher current assets of S$22.1 million, as compared to S$19.7 million as at end-2013. This can be attributed to the increase in cash and cash equivalents from S$11.3 million to S$11.9 million and the rise in trade receivables from S$7.7 million to S$9.7 million, coincident with the improved revenue performance of the Group in the current year.

Cash and Cash Equivalents (S$000)



Our total non-current assets decreased from S$20.6 million as at 31 December 2013 to S$19.7 million as at 31 December 2014. This decrease was mainly due to the impairment loss provision made in relation to certain intangible assets during the year. This movement in non-current assets was however partly offset by the increase in plant and equipment, arising from investments made in the managed service contracts of the Group.

Total liabilities of our Group as at 31 December 2014 increased from S$5.3 million to S$5.8 million. This increase was mainly due to the increase in trade payables concomitant with the increase in revenue and hence cost of sales of the Group in 2014. In terms of debt, we continued to be debt free at the close of the 2014 financial year.

Reviewing movements in Group cash

Our Group's net cash flows from operations for 2014 was S$4.4 million, an increase of 29.5% as compared to the S$3.4 million in the previous year. This significant increase was mainly contributed by the improvement in operating cash flow before changes in working capital, from S$3.3 million for 2013 to S$4.1 million for 2014.

Our Group's net cash from investing activities for 2014 amounted to S$0.3 million as compared to the net cash used in investing activities of S$0.7 million for 2013. The positive cash flow generated from investment activities this year is attributable to the increase in cash received from the release of cash restricted in use. This movement relates to the release of excess cash held in escrow following the payment of the final tranche of contingent consideration in connection with the acquisition of AMSB. The Group's net cash used in financing activities for 2014 meanwhile, amounted to S$0.6 million as compared to S$0.8 million for 2013. This decrease was mainly due to nil dividend payment being made this year by a subsidiary of the Group to the non-controlling interest. In 2013, S$0.2 million was paid out in dividends in this regard.

2014: an improvement on 2013 but still disappointing

I expected system sale market conditions to continue to be somewhat challenging for our Group in 2014 and for our managed service contract portfolio to deliver significant growth. This proved not to be the case this year, as both VAS BU and OSS BU managed to secure an increase in system sale contract revenues in spite of the tough environment while TECH BU had a down year against 2013. The improved revenue performance of VAS BU especially in the MEA region coincided with certain protracted or delayed procurement processes on the part of the end-customer being finally expedited and brought to completion.

OSS BU had entered the 2014 financial year with a better outlook compared to the previous year. Several hard-fought and won system sale contract opportunities during the year resulted in the substantial revenue growth achieved by this BU this year. However, this improvement in revenue performance came at the expense of thinning margins.

Although the rebound in the system sale business of OSS BU and VAS BU in 2014 had effectively augmented the slower than desired growth of our Group's managed service contract portfolio, I do not expect this to be a trend that can readily be extended in the years ahead. Significant uncertainty and hence lumpiness is still to be expected in the contribution of system sale contracts to all our business units. The need for our Group to continue to strengthen our managed service contract portfolio as the platform for delivering steady, if not rapid yet sustainable future growth remains.

Challenges and opportunities in 2015 and beyond

Apart from the contribution of existing long-standing managed service contracts, the bulk of the revenues that are expected to be realized by TECH BU in 2015 is expected to continue to be system sale contracts driven by new solution implementation for new and existing customers, as well as solution enhancement, system upgrade and system capacity expansion activities of existing customers, all within the SEA region. VAS BU meanwhile, will continue to have MEA as a source of system sale contract revenues, and the SEA and SA regions for managed service contract revenue growth. OSS BU is expected to continue to face a competitive and challenging system sale market in 2015.

Our Group's managed service contract portfolio is expected to drive growth for the 2015 financial year. Group and BU

2014 Year in Review
Chief Executive's Message

management will need to continue to find means to better manage execution risk in respect of our strategies and tactics to grow. This includes maintaining if not growing the more mature managed service contracts in our portfolio and to more quickly translate secured contracts into substantial sources of recurrent revenue for our Group.

We have made progress in enhancing the capacity and capability to address these matters within our Group in 2014, and will take the further step of re-combining TECH BU and VAS BU in 2015, to deliver improved resource utilisation, a better matching of talent and aptitude of our people with specific rolesets and functions, and finally to foster better collaboration between the various teams and functions that make up our Unifiedcomms business. This initiative to reorganize our TECH and VAS BUs into one consolidated business under the brand of Unifiedcomms has recently been implemented, and a management reshuffle to coincide with the reorganization been put into effect. I am confident that under this new structure of operations at our Unifiedcomms business, we will see improved productivity and innovation and ultimately, better financial performance.

OSS BU will not be affected by this reorganisation, other than reference to this business unit in announcements and financial statements in the coming financial year being "GlobeOSS" and the combined TECH BU and VAS BU will instead, be reported and referred to as "Unifiedcomms".

The growing interest and opportunity in internet-driven application services, new (digital and mobile) media services and applications delivered on an advertisement-supported or advertisement-funded model continues to be recognised by Group management. It remains our intention to be part of the growth opportunities offered by these developments. Although this continues to be an overriding objective for our Group, this year I will yet again temper my remarks with an acknowledgement of the continued relevance and significance of application services that can be accessed and utilised by the most basic mobile service subscriber, whom may continue to have irregular or limited access to a fast mobile internet connection. Our application-service product development direction at Unifiedcomms recognises this and I remain excited of the future organic growth that our utility-driven application services can provide to our Group, to well-complement more advanced, IP-driven or mobile broadband-dependent application services.

Growth by acquisition and strategic investment

Pursuing the opportunities relating to internet-delivered application services and new (digital and mobile) media services and applications delivered on an advertisement-supported or advertisement-funded model, will continue to involve a combination of organic and growth-by-acquisition or strategic investment initiatives

With the renaming of the Company and the Group to Captii this year, we are now more clearly positioned itself as a technology investment company that not only invests in growing our own established businesses but also in promising technology and innovation originating outside the confines of our Group.

Through Captii Ventures - a subsidiary established to spearhead our technology investment and venture activities – we will be capitalising on the growth in internet usage, especially the mobile broadband variety. This will be achieved by strategically investing in early to late stage technology and innovation in internet-delivered applications and new media. The Group's strategic investment plan in the year ahead will focus primarily on these growth businesses in our regions of focus, and will be complemented by both the organic and growth–by–acquisition strategy already in place for our existing business units.

In gratitude

In closing my report to you on the 2014 financial year, I would like to express my gratitude to all the dedicated, determined and talented people that make up our Group. I believe that we can improve further in 2015 by continuing to work with passion and creativity.

To you, our shareholder, I thank you for your belief and patience in our management, our people and our business. I hope to deliver the returns that you deserve from the investment you have made in our Group.

Last but not least, to the government agencies and regulatory bodies that we have sought counsel and advice from throughout 2014, my thanks for their guidance and support.

Anton Syazi Ahmad Sebi
Group Chief Executive Officer

18 March 2015

CORPORATE INFORMATION

Board of Directors	:	Wong Tze Leng	(Group Executive Chairman)
		Anton Syazi Ahmad Sebi	(Group Chief Executive Officer)
		Phuah Peng Hock	(Lead Independent Director)
		Chuah Seong Phaik	(Independent Director)
		Lee Su Nie	(Non-Independent Non-Executive Director)
Company secretaries	:	Tan Siew Hua, ACIS Toon Choi Fan, ACIS	
Registered office	:	140 Paya Lebar Road #10-14 AZ @ Paya Lebar Singapore 409015	
Share registrar	:	Boardroom Corporate & Advisory Services Pte Ltd 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623	
Auditors	:	RSM Chio Lim LLP 8 Wilkie Road #03-08, Wilkie Edge Singapore 228095 Partner-in-charge: Chan Weng Keen Appointed from the financial year ended 31 December 2013	
Bankers	:	DBS Bank Ltd HSBC Bank Malaysia Berhad	

BOARD OF DIRECTORS

Wong Tze Leng
Group Executive Chairman

Mr Wong Tze Leng was appointed Executive Chairman of the Company and the Group on 10 August 2010. Tze Leng previously served as Group Chief Executive Officer, a position he held since 22 December 2002 and was last re-elected to the Board on 28 April 2014. He also currently serves as Head of the Mobile Technology Business Unit of the Group. Tze Leng has over 20 years' experience in the information technology industry, with specific expertise in the telecommunications sector. He started his career in 1988 as an Engineer in the Singapore Institute of Standards & Industrial Research's design and development centre. He gained specialised expertise in computer telephony technology when he joined Federal Computer Services Pte Ltd in 1990 as a Software Engineer and later progressed to the position of Software Manager.

In 1993, he joined Dialogic as an Applications Engineer and was later promoted to the position of Business Development Director for the Asia Pacific region. During his career with Dialogic, he established a close rapport and working relationship with numerous IT companies and telcos in the Asia Pacific region. In 1998, he left Dialogic and founded the Group. Tze Leng graduated from Monash University, Victoria, Australia, with a Bachelors degree in Computer Science in 1985 and subsequently obtained a Bachelors degree in Electrical and Electronic Engineering in 1987 from the same university.

Anton Syazi Ahmad Sebi
Group Chief Executive Officer

Mr Anton Syazi Ahmad Sebi was appointed Chief Executive Officer of the Company and the Group on 10 August 2010. Anton previously served as Group Deputy Chief Executive Officer, a role he held since December 2005, and was first appointed to the Board on 22 June 2006. Anton was last re-elected on 29 April 2013. He is also currently serving as Head of the Mobile Value-Added-Services (VAS) Business Unit of the Group and as General Manager – Corporate Development of Advance Synergy Berhad, the Group's ultimate holding company, a main board listed company on Bursa Malaysia Securities Berhad.

Prior to joining Advance Synergy Berhad in June 2001, Anton was with the South East Asia Investment Banking Division of Credit Suisse First Boston.

Anton graduated from the London School of Economics, University of London, with a Bachelor of Science in Economics. He has a Master of Arts in Finance and holds an Investment Management Certificate awarded by the UK Society of Investment Professionals.

Phuah Peng Hock
Lead Independent Director

Mr Phuah Peng Hock was appointed to the Board on 18 December 2003 and was last re-elected on 27 April 2012. He was subsequently appointed by the Board as the Lead Independent Director on 26 February 2014. Peng Hock is the founder and Managing Director of Aviha Consulting Pte Ltd, a boutique management consultancy company focusing in business planning and process upgrading with Information Technology.

Peng Hock started out as a Design Engineer before switching to the business development field. In 1990, he joined Dynacast (S) Pte Ltd, a British-based die-casting company involved in regional marketing work. He then moved on to Ugimagnetic (S) Pte Ltd, a European-based manufacturer of magnet assembly for disk drives, as Marketing Manager in 1992. In 1994, he joined a company set up by the Economic Development Board of Singapore as a Senior Consultant, where he was involved in various areas of management consultancy.

Peng Hock holds a Bachelor of Engineering (Hon) degree from the University of Strathclyde, UK, Graduate Diplomas in Marketing Management (Marketing Institute of Singapore) and Marketing (Chartered Institute of Marketing, UK), as well as a Masters degree in Entrepreneurship & Innovation from Swinburne University of Technology, Australia in 1994.

Chuah Seong Phaik
Independent Director

Mr (Paul) Chuah Seong Phaik was appointed to the Board on 18 December 2003 and was last re-elected on 29 April 2013. Paul has extensive experience in audit, finance and management including eight years as the Finance Director of a main board listed company on Bursa Malaysia Securities Berhad. He is the founder and Chairman of Messrs PCCO PLT (formerly known as Paul Chuah & Co.).

Paul is a fellow of the Institute of Chartered Accountants in England and Wales, a Chartered Accountant of the Malaysian Institute of Accountants, a Certified Public Accountant with the Malaysian Institute of Certified Accountants and an Associate Member of the Institute of Internal Auditors of Malaysia.

Lee Su Nie
Non-Independent Non-Executive Director

Ms Lee Su Nie has been a Non-Independent Non-Executive Director of the Company since 18 December 2003 and was last re-elected on 28 April 2014. Su Nie was a Non-Executive Chairman of the Company from 22 June 2006 to 10 August 2010. She is also the Non-Independent Director and Group Managing Director of Advance Synergy Berhad, the Group's ultimate holding company (listed on Bursa Malaysia Securities Berhad), and sits on the Board of various subsidiaries and associated companies of Advance Synergy Berhad.

Su Nie graduated from the University of Birmingham, United Kingdom, with a Bachelor of Commerce (Accounting) degree in 1983 and went on to pursue her Master of Science (Business Administration) at the University of Bath, United Kingdom, in 1984. She is also a Fellow Member of The Association of Chartered Certified Accountants, United Kingdom.

In 1985, Su Nie joined Kassim Chan Management Consultants Sdn. Bhd. where she provided management consultancy services. Su Nie joined the Corporate Finance Department of Rakyat Merchant Bankers Berhad in 1989. In 1991, she left Rakyat Merchant Bankers Berhad to join Perdana Merchant Bankers Berhad. Su Nie subsequently left her position as First Vice President, Corporate Finance of the Bank to join Advance Synergy Berhad in 1995.

KEY EXECUTIVE TEAM

CAPTII

Chin Wei Li
Group Financial Controller
Head, Human Resources

Ms Chin Wei Li joined the Group in January 2001 as Group Financial Controller. Wei Li is also concurrently Head of Human Resources, effective 2015. In this additional role, she has overall responsibility for the Captii Group's human resources function.

Prior to joining the Group, Wei Li was a Senior Manager in the audit assurance services group of PriceWaterhouseCoopers Malaysia, where she gained 11 years' of extensive experience in the field of business assurance involving various public-listed companies in a wide range of industries including property, financial services, timber and publishing.

Wei Li is a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants and a Chartered Accountant of the Malaysian Institute of Accountants.

Ng Sai Kit
General Manager - Investments & Corporate
Executive Director, Captii Ventures

Mr Ng Sai Kit joined the Group in October 2007 and is currently General Manager – Corporate & Investments of the Group. Sai Kit works closely with the Group Executive Directors to identify opportunities for acquisitions and investments. In this role, he is responsible for the corporate finance, corporate affairs and strategic investment activities of the Group. In addition, Sai Kit is also Executive Director of Captii Ventures Pte Ltd, the venture investment business of the Captii Group.

Prior to joining the Group, Sai Kit was in audit and corporate finance roles in various industries including property development, audit assurance, financial advisory, investment banking, plywood manufacturing and district cooling.

Sai Kit is a Chartered Accountant of the Malaysia Institute of Accountants and Fellow Member of The Association of Chartered Certified Accountants, United Kingdom.

Phang Deng Sheng
General Manager - Finance

Mr (Danson) Phang Deng Sheng joined the Group in May 2008 as Senior Manager of Group Finance and was appointed to his present role of General Manager - Finance of the Captii Group in March 2011.

Prior to joining the Group, Danson was Group Financial Controller of a Malaysia Stock Exchange listed enterprise engaged in the mobile value-added-services industry. Between 1999 and 2006, he gained comprehensive experience in audit, accounting and finance with a leading audit assurance services group, a Malaysia listed corporation in the construction industry and one of the world's largest automotive interiors groups.

Danson graduated from the University of Strathclyde of Scotland with a Bachelor of Accounting and Finance degree. He is also a Chartered Management Accountant of the Chartered Institute of Management Accountants, United Kingdom.

UNIFIEDCOMMS

Ho Ting Sai
General Manager - Business Development
Head of Singapore Business

Mr Ho Ting Sai is currently the General Manager of Business Development. In this role Ting Sai has overall responsibility for leading and managing the business development and sales function at Unifiedcomms. He also concurrently serves as Head of Singapore Business, a role which involves overseeing the business operations of Unifiedcomms in Singapore.

Ting Sai joined the Group in March 1999 and has more than 20 years of experience in the information technology and communications industry with core competencies in telecommunications products and services.

Prior to joining the Group, Ting Sai was an R&D engineer with a supplier of very small aperture terminals (VSATs), microwave communications and RF equipment, now a division of a Singapore Government-linked enterprise, and a Product Manager in a multimedia and signalling technologies and platforms vendor.

Ting Sai graduated from the Nanyang Technological University with a Bachelor of Engineering (Hons) degree in Electrical and Electronic Engineering.

Yong Choon Vooi
General Manager - System and Service Delivery

Mr Yong Choon Vooi ("CV") joined the Group in February 2008 as Senior Manager - Group Programme Management Office before being appointed General Manager - Group Service Delivery in March 2011. Effective 2015, CV is General Manager of the System and Service Delivery (SSD) function of Unifiedcomms. In this role he has overall responsibility for managing and overseeing system development and implementation, as well as the associated project management and post-implementation support/customer care functions of the Unifiedcomms business.

CV has more than 15 years of experience in the field of software development and project management and started his career with a software development house of one of the largest Malaysian conglomerates as programmer. He then joined a Malaysia Stock Exchange listed enterprise specialising in human resource management and financial/distribution software before being engaged by a large Malaysian education services group as Project Director of their campus management solution development company. Prior to joining the Group, CV was the Senior Project Manager of a Malaysia based firm that develops various solutions for the financial services industry. CV graduated with a Bachelor of Computer Science from Campbell University, Texas, USA.

Yap Wai Shoong
General Manager - Solution Consulting and Service Management
Executive Director, Ahead Mobile

Mr (Patrick) Yap Wai Shoong is General Manager - Solution Consulting & Service Management of Unifiedcomms. Patrick assumed this role in 2015 and has overall responsibility for the solution consulting, service marketing and service management functions of Unifiedcomms, with primary focus being on the managed service business of the Value-Added-Services (VAS) business. He is also concurrently serving as Executive Director of Ahead Mobile Sdn Bhd.

Patrick has over 20 years of experience in Malaysia and overseas. He joined the Group in 2003 and was subsequently made the Director and General Manager of Ahead Mobile in 2006 to drive the company's location based services business initiatives in Malaysia. Prior to joining the Group, Patrick was with DiGi Telecommunications Sdn Bhd for 10 years where he held various roles and positions in the International Carrier Services division.

Patrick holds a Bachelor of Electrical and Electronics Engineering (First Class Honours) and Masters in Engineering from University of Auckland, New Zealand.

Cheah Foo Choong
General Manager - Pakistan Business
Deputy Head, Business Development

Mr (Darren) Cheah Foo Choong joined the Group in June 2010 as General Manager for Mobilization Sdn Bhd and was responsible for the overall management of Mobilization business operations.

Effective 2015, Darren has been appointed General Manager - Pakistan Business. In this role, Darren is responsible for leading and managing the Pakistan operations of Unifiedcomms. He is also concurrently the Deputy Head of Business Development, a role which involves supporting the General Manager - Business Development in overseeing and managing the business development and sales function of Unifiedcomms.

Darren started his career in 1996 in the advertising and promotions department of The Store and progressed to the position of Assistant Manager of their loyalty rewards programme. In 2004 he joined Unrealmind Interactive Berhad, a pioneer in the premium SMS business in Malaysia as Manager in the Advertising & Promotions department where he led and managed the advertising and promotion activities of the company's core products as well as the loyalty program. In 2006, Darren was with R&D Media Malaysia Sdn Bhd, a Dutch premium SMS business as their Regional Manager-Marketing and Content. He then progressed to the position of General Manager in 2008, reporting to the Group CEO based in Amsterdam before joining the Group two years later.

Darren holds a Masters in Business Administration (MBA) degree from Nottingham Trent University.

Wong Kok Choy
General Manager – Product Development 1
Head, Solution Consulting

Mr Wong Kok Choy ("KC") joined the Group in January 2003 and has more than 12 years of experience in the field of software development and integration in the telecommunications network operator environment, specialising in mobile value added-services (VAS). As General Manager of Product Development 1, KC is currently responsible for the design and development of new application and platform products. In addition to this primary role, KC is also actively involved in leading the technical pre-sales activities of the business as head of the solution consulting practice of Unifiedcomms.

KC started his career in 2001 with DiGi Telecommunications, one of the largest mobile telecommunication network operators in Malaysia focusing on operations, mediation and software development. He subsequently joined the Group in 2003 in a software development capacity, moving through various roles from solution architect through to team lead and senior manager before assuming his present position.

KC graduated with a first class honours Bachelors Degree in Computing from Staffordshire University in 2001 and received the Staffordshire University School of Computing Prize for the Best Project by a Student of B.Sc (Hons) in Computing (Internet Technology).

Loo Mun Chung
Senior Manager - System and Service Delivery
Head, Product Development 2

Mr Loo Mun Chung ("Loo") first joined the Group in 2001 as a telecommunications engineer and has progressed through the ranks to his current position. Loo is currently responsible for assisting the General Manager of System and Service Delivery to lead and ensure the smooth operation of the technical organisation within the System and Service Delivery function of Unifiedcomms. In his secondary role as Head, Product Development 2, Loo is also involved in new application and platform product development.

Loo graduated from Sheffield Hallam University in 2000 with a Bachelor of Electrical and Electronic Engineering (Hons) degree.

KEY EXECUTIVE TEAM

GLOBEOSS

Ann Wan Kuan
Chief Executive Officer

Mr Ann Wan Kuan ("Ann") is CEO of GlobeOSS Sdn Bhd, the principal operating subsidiary of the Group's Operation Support Systems Business Unit (OSS BU), which provides the OSS solutions, services and software that drive next generation communications networks.

Prior to setting up GlobeOSS, Ann worked with Agilent Technologies & Hewlett-Packard, undertaking various leadership positions such as SEA Consulting Manager for Hewlett Packard, Asia Pacific OSS Manager for Agilent Technologies and Managing Director for Agilent Technologies Sales Malaysia. Throughout his 18 years of experience in the OSS and telecommunications industry, Ann worked with more than 30 various mobile and fixed-line operators in the Asia Pacific region.

Ann graduated with a first class honours Bachelors Degree in Electronic Engineering from Universityof Manchester Institute of Science and Technology in 1993.

Lim Peng Kwong
Operations Director

Mr Lim Peng Kwong ("Lim") currently serves as Operations Director of GlobeOSS Sdn Bhd. He joined GlobeOSS in January 2006 and was appointed to his current position in November 2007. He is responsible for GlobeOSS overall strategic technology direction in its managed services business. In addition, he also leads and supports the overall service delivery operations of GlobeOSS.

Lim has more than 15 years of experience in the consumer durable, automobile and telecommunications industries. Prior to joining GlobeOSS, he was a co-founder of a Singapore-based company that provides unified messaging solutions to customers in Singapore, Korea, Taiwan, Malaysia, US, China and Hong Kong. His experience spans the areas of software development; systems integration and system deployment in the information technology and telecommunications industries, with comprehensive domain knowledge specifically in OSS.

Lim holds a Bachelor of Science degree in Information Technology from Campbell University USA, and a Diploma in Computer Science from Tunku Abdul Rahman College Malaysia.

The Board of Directors ("Board") and management of Captii Limited ("the Company") remain committed to observing and maintaining a high standard of corporate governance to protect the interests of shareholders and other stakeholders and to promote investors' confidence. This report describes the Company's corporate governance practices with reference to the principles and guidelines set out in the revised Code of Corporate Governance 2012 (the "Code") and the extent of compliance thereto. In areas where the Company deviates from the Code, the rationale is provided.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The direction and control of the Company and its subsidiaries ("the Group") rests firmly with the Board as it effectively assumes the overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investments and operations of the Group.

In addition to its statutory duties, the Board's principal functions are as follows:

1. Approving the Group's strategic plans, key operational initiatives, major investments and divestments and funding requirements;

2. Approving the annual budget, reviewing the performance of the business and approving the release of the quarterly and year end results announcement of the Company to shareholders;

3. Providing guidance in the overall management of the business and affairs of the Group;

4. Overseeing the processes for risk management, financial reporting and compliance; and

5. Approving the recommended framework of remuneration for the Board and key executives by the Remuneration Committee.

The Board delegates certain specific responsibilities to three (3) committees namely, Audit, Nominating and Remuneration Committees. The Board accepts that while these Committees have the authority to examine any particular issue and report back to the Board with their recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board.

The Board meets at least four (4) times a year, with additional meetings convened as warranted by particular circumstances as deemed appropriate by the Board.

The attendance of the directors at Board and Board Committees Meetings, as well as the frequency of such meetings during the financial year, are set out in Table A.

Matters which are specifically reserved to the Board for decision include those involving business plans and budgets, material acquisitions and disposals of assets, corporate or financial restructuring, corporate strategy, share issuances, dividends, and any major decisions that may have an impact on the Group. The Board reviews management's performance, directs the Company's values and standards, and objectively takes decisions in the best interest of the Group.

There was no new director appointment during the financial year ended 31 December 2014. Upon appointment of each new director, a formal letter, setting out the director's duties and obligations shall be provided by the Company. In addition, all newly appointed directors will be given briefings by management on the history, business operations and corporate governance practices of the Company. The directors are provided with regular briefings and updates on changes in the requirements of Singapore Exchange Securities Trading Limited ("SGX-ST"), the Companies Act and other regulations/ statutory requirements, as well as developments in financial reporting standards, from time to time for them to keep pace with changes in the regulatory environment and commercial risks. In addition, the directors are encouraged to attend seminars and training, or to seek independent professional advice, where relevant and appropriate, to enable them to discharge their duties.

Principle 2: Board Composition and Guidance

The Board currently comprises five (5) directors, all of whom, except for the Executive Chairman and Chief Executive Officer ("CEO"), are non-executive and two (2) of whom are independent. Guideline 2.2 of the Code is met as the Independent Directors make up 2/5 of the Board.

The directors in office at the date of this report is disclosed within Table B below.

The Board is supported by various committees, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") whose functions are also described below.

The criterion of independence is based on the guidelines stated in the Code. The Board considers an "Independent" director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company.

The independence of the Independent Director is subject to the NC's review annually, based on the guidelines stated in the Code, in particular the rigorous review on the continued independence of Independent Directors who have served for more than nine (9) years from the date of their first appointment.

CORPORATE GOVERNANCE REPORT

Table A: Directors Attendance at Board and Board Committee Meetings

Name	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Wong Tze Leng	5	5	n.a	n.a	n.a	n.a	n.a	n.a
Anton Syazi Ahmad Sebi	5	5	n.a	n.a	n.a	n.a	n.a	n.a
Phuah Peng Hock	5	5	4	4	1	1	1	1
Chuah Seong Phaik	5	5	4	4	1	1	1	1
Lee Su Nie	5	5	4	4	1	1	1	1

(n.a.-not applicable)

Table B: Members of the Board

Executive Directors	Independent Directors	Non-Independent Non-Executive Director
Wong Tze Leng Anton Syazi Ahmad Sebi	Phuah Peng Hock Chuah Seong Phaik	Lee Su Nie

In respect of each of the two (2) Independent Directors, namely Phuah Peng Hock and Chuah Seong Phaik having served more than nine (9) years, the Board has considered specifically their length of service and their continued independence. The Board determined that the Independent Directors remain independent in character and judgment, and that there are no relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment. The Board is of the opinion that their length of service has not, in anyway, affected their independence.

Referring to all other directors who have served beyond nine (9) years, the Board does not consider the requirement of their retirement (if any) to be in the best interests of the Company.

The Board is able to exercise objective judgment independently from management and no individual or small group of individuals dominate the decisions of the Board.

The Board is of the opinion that, given the scope and nature of the Group's operations, the present size of the Board is appropriate for effective decision making. The Board is made up of directors of both gender and who are qualified and experienced in various fields including sales, engineering, business administration, general management, accountancy and finance.

The Non-Executive and Independent Directors are involved in reviewing the corporate strategies, business operations and practices of the Group, and are also involved in reviewing and monitoring the performance of management in achieving agreed goals and objectives.

Where necessary, the Non-Executive and Independent Directors meet without the presence of Executive Directors or management.

Principle 3: Chairman and Chief Executive Officer

Wong Tze Leng, the Executive Chairman of the Board and Anton Syazi Ahmad Sebi , the CEO of the Company, are not related to each other. The Board having considered the number of Non-Executive and Independent Directors on the Board, as well as the size and scope of the affairs and operations of the Group, is of the view that its current structure has a strong independent element which enables the independent exercise of objective judgment on corporate affairs of the Group. This is reinforced by the establishment of the various Committees of which both Tze Leng and Anton are not members.

As the Chairman of the Board, Tze Leng is responsible for providing leadership to the Board and ensuring that the Board functions effectively, he is also responsible for, among others;

(a) scheduling meetings of the Board and setting the Board meeting agenda in consultation with the Company's senior management;

(b) exercising control over quality, quantity and timeliness of the flow of information between management and the board;

(c) ensuring compliance with the Company's guidelines on corporate governance; and

(d) facilitating the effectiveness contribution of Non-Executive Directors.

Prior to Board Meetings, all directors are provided with board papers so that the directors have complete and timely information to enable them to be adequately prepared for the meetings.

The roles of the Chairman and CEO are separate and their responsibilities are clearly formalised. The CEO leads management and manages the business of the Group and executes business policies, strategies, objective and plans as formalised and adopted by the Board.

The Board has on 26 February 2014 appointed Phuah Peng Hock as the Lead Independent Director. The Lead Independent Director will be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman or the CEO has failed to resolve their concerns or is inappropriate.

Led by the Lead Independent Director, the Independent Directors meet without the presence of other directors, where necessary.

Principle 4: Board Membership
Principle 5: Board Performance

Nominating Committee ("NC")

To facilitate a formal and transparent process for the appointment of new directors, the Board has formed the NC which comprises: -

Chuah Seong Phaik	(Chairman)
Phuah Peng Hock	(Member)
Lee Su Nie	(Member)

All three Committee members are Non-Executive Directors of the Company. Except for Su Nie, all other members of the NC are Independent Directors.

The key terms of reference of the NC :

1. To review and make recommendations to the Board on:

   (a) The Board succession plans for directors;

   (b) The process for performance evaluation of the Board;

   (c) The training and professional development programs for the Board; and

   (d) The appointment and re-appointment of directors.

2. To determine annually whether a director is independent;

3. To decide whether or not each director is able to and has adequately carried out his duties as a director of the Company in particular where the director concerned has multiple board representations;

4. To decide on how the Board's performance may be evaluated and propose objective performance criteria to the Board; and

5. To assess the effectiveness of the Board as a whole and the contributions by each individual director to the effectiveness of the Board.

The role of the NC is to oversee the selection, appointment, re-appointment and induction process for directors. Candidates are selected for their character, judgment and business acumen. New directors will be appointed based on NC's recommendations. Where a director has multiple board representations, the NC will evaluate whether or not a director is able to and has been adequately carrying out his or her duties as director of the Group. The maximum number of listed company representations which any director may hold is set to be not more than five (5).

The profile that comprises key information of each of the directors is provided in page 12 to 13 of this Annual Report.

The independence of each director is reviewed annually by the NC based on the Code's definition of what constitutes an Independent Director. Based on this review, the NC confirms the independence of the directors concerned.

The NC has reviewed the training needs for the directors in 2014 and encouraged directors to attend the relevant training courses that could enhance their knowledge to perform their duties as directors of the Company.

Pursuant to the Articles of Association of the Company ("Articles"):

(a) at least one third of the directors shall retire from office by rotation and be eligible for re-election at every AGM; and

(b) directors appointed during the course of the financial year shall submit themselves for re-election at the next AGM of the Company.

As such, The Board has accepted the NC's recommendation that Chuah Seong Phaik and Phuah Peng Hock, who are retiring pursuant to Article 103 of the Articles, be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC had considered the directors' overall contributions and performance.

Chuah Seong Phaik will, upon re-election as director, remain as an Independent Director, Chairman of Audit and Nominating Committees and a member of the Remuneration Committee.

Phuah Peng Hock will, upon re-election as director, remain as Lead Independent Director, Chairman of Remuneration Committee and a member of the Audit and Nominating Committees.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his or her performance or his or her re-nomination as a director.

The NC has adopted guidelines for annual assessment of the effectiveness of the Board as a whole and of the contribution of each individual director to the effectiveness of the Board and has performed the necessary assent for the financial year.

As part of the process, the directors will complete appraisal forms which are then collated by the Company Secretary who will submit to the Chairman of the NC in the form of a summary report. The summary report will be discussed during the NC meeting with a view to implementing recommendations to further enhance the effectiveness of the Board.

Individual evaluation aims to assess whether each director continues to contribute effectively and demonstrate commitment to the role. The Chairman should act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

The NC has reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year and is of the view that the performance of the Board as a whole has been satisfactory.

Principle 6: Access to Information

The Board is provided with complete, adequate and timely information prior to Board meetings on an on-going basis so as to enable it to make informed decisions to discharge its duties and responsibilities. The Company circulates copies of minutes of meeting of all Board Committees to the respective members of the Board to keep them informed of on-going development at the Group.

The directors have separate and independent access to the Company's management and the Company Secretary at all times. Directors are entitled to request from management and should be provided with such information as needed to make informed decisions in a timely manner. The CEO also keeps the Non-Executive Directors informed, in between Board meetings, on the status of on- going initiatives by the Group. Should the directors, whether as a group or individually, require independent professional advice; such professionals (who will be selected with the approval of the Executive Chairman or the Chairman of the Committee requiring such advice) will be appointed at the Company's expense.

Where a decision has to be made before the Company's Board meeting is convened, a Directors' Resolution is circulated in accordance with the Articles of Association of the Company and the directors are provided with the necessary information that will allow them to make informed decisions. The CEO will also ensure that management promptly answers any queries raised by the directors.

The Company Secretary attends the Company's meetings and is responsible for ensuring that Board procedures are followed. The Company Secretary assists senior management in ensuring that the Company complies with rules and regulations which are applicable to the Company. The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

The Remuneration Committee ("RC") comprises all Non-Executive Directors with the majority including the Chairman being independent:

Phuah Peng Hock	(Chairman)
Chuah Seong Phaik	(Member)
Lee Su Nie	(Member)

The RC's key terms of reference include:-

1. To review and recommend to the Board a general framework of remuneration and specific remuneration packages for the Board and key executives;

2. To review and ensure that the level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate and commercially competitive;

3. To structure a significant and appropriate proportion of Executive Directors' and key executives' remuneration so as to link rewards to corporate and individual performance;

4. To review and ensure the remuneration of Non-Executive Directors to be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors; and

5. To consider the various disclosure requirements for directors' remuneration, particularly those required by regulatory bodies such as SGX-ST

The RC seeks advice internally from the Head of Human Resources, who attends all RC meetings. If necessary, the RC may also seek professional advice externally on remuneration of directors, key executives or employees.

The RC reviews the Company's obligations arising in the event of termination of the executive directors, key executive personnel's contract of service, to ensure that such contract of service contain fair and reasonable termination clauses which are not overly generous.

The Executive Directors do not receive directors' fees. The remuneration of the Executive Directors and the key executives comprises of fixed and variable components. The fixed component is in the form of monthly base salary while variable component is linked to the performance of the Group and the individual. Staff appraisals are conducted and reviewed annually.

The Non-Executive Directors receive directors' fees, in accordance with their level of contribution and responsibilities.

The Executive Chairman is currently serving his service agreement which he has renewed for a further period of three (3) years with the Company on 19 December 2012 ("Service Agreement"). The Service Agreement covers the terms of employment, specifically salary and other benefits.

In setting remuneration packages, the RC took into account the performance of the Group as well as the directors and key executives by aligning their interests with those of the shareholders and linking rewards to corporate and individual performance as well as industry benchmarks. The review of remuneration packages takes into consideration the longer term interests of the Group. The RC's recommendation is made in consultation with the Executive Chairman and CEO and submitted for endorsement by the entire Board.

The payment of directors' fees is subject to the approval by shareholders.

In the interest of maintaining confidentiality, morale and team spirit within the Group, the Company has not disclosed the remuneration of each individual directors and key executives.

Remuneration of Directors

The Company is only disclosing the bands of remuneration of each director for the financial year under review in Table C.

In aggregate, the total remuneration paid and payable to the directors for the financial year ended 31 December 2014 is S$525,000.

Save as disclosed, there are no other existing service agreement entered into between the Company and any of the Company's directors.

There are no retirement benefit schemes or share based compensation schemes in place for directors.

Remuneration of Key Executives

Details of remuneration paid to the top eleven (11) key executives (who are not directors of the Company) of the Group for the financial year is set out below. For competitive reasons, the Company is only disclosing the bands of remuneration of each executive for the financial year under review in Table D.

In aggregate, the total remuneration paid and payable to the key executives for the financial year ended 31 December 2014 is S$1,510,000.

During the financial year, there is no employee or executive officer who is related to a director and the CEO, and whose remuneration exceeds S$50,000 per annum.

There are no employee share schemes in place for the employees or key executives.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

In presenting the quarterly, annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and the Group's performance, position and prospects. Management will provide the Board with appropriately detailed management accounts of the Company's performance, position and prospects on a quarterly basis.

The Board also ensures full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual of SGX-ST.

Pursuant to SGX-ST Listing Manual Rule 705 (5), the Board provided a negative assurance confirmation for the quarterly financial statements to shareholders.

Principle 11: Risk Management and Internal Controls

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard the interests of the shareholders and the Group's assets.

The Board and management assume the responsibility of the risk management function through the regular management review on the Group's business and operational activities. The Board determines the nature and extent of the significant risks which the Board is willing to take, as well as appropriate measures to mitigate these risks.

The Group's system of risk management and internal controls provides reasonable and adequate assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

The Board, with the assistance of the AC will ensure that a review of the effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management system, is conducted annually. In this respect, the AC will review the audit plans, and the findings of the external and internal auditors and will ensure that the Company follows up on recommendations raised by both the internal and external auditors, if any, during the audit process. The Company will continue to make efforts in improving its risk management practices and internal control system.

Based on the system of internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, the Audit Committee and the Board are of the opinion that the Group's system of internal controls, including financial, operational, compliance and information technology controls

Table C: Bands of Directors' Remuneration						
Name of Directors	Fee %	Salary %	Bonus %	Allowance & Benefits %	Long Term Incentives %	Total %
Below S$250,000						
Wong Tze Leng [1]	-	73	12	15	-	100
Anton Syazi Ahmad Sebi [2]	-	68	11	21	-	100
Phuah Peng Hock [3]	100	-	-	-	-	100
Chuah Seong Phaik [3]	100	-	-	-	-	100
Lee Su Nie [3][4]	100	-	-	-	-	100

Note:
(1) Pursuant to prevailing Service Agreement that renewed on 19 December 2012, Wong Tze Leng's remuneration consists of fixed salary, allowance and performance bonus.
(2) Anton Syazi Ahmad Sebi's remuneration consists of fixed salary, allowance and performance bonus.
(3) The remuneration in the form of directors' fees is subject to the approval by the shareholders at the forthcoming AGM.
(4) Fees are payable to Advance Synergy Berhad.

Table D: Remuneration Band of Key Executives						
Name	Fee %	Salary %	Bonus %	Allowance & Benefits %	Long Term Incentives %	Total %
Below S$250,000						
Chin Wei Li	-	63	10	27	-	100
Ng Sai Kit	-	69	12	19	-	100
Phang Deng Sheng (Danson)	-	66	13	21	-	100
Ho Ting Sai	-	83	10	7	-	100
Yong Choon Vooi	-	67	13	20	-	100
Yap Wai Shoong (Patrick)	-	76	6	18	-	100
Cheah Foo Choong (Darren)	-	76	11	13	-	100
Wong Kok Choy	-	68	12	20	-	100
Loo Mun Chung	-	73	9	18	-	100
Ann Wan Kuan	100	-	-	-	-	100
Lim Peng Kwong	-	74	6	20	-	100

and risks management system were adequate as at 31 December 2014. This is in turn supported by assurance from the CEO and the Group Financial Controller that:

(a) the financial records of the Group have been properly maintained and the consolidated financial statements for the financial year ended 31 December 2014 give a true and fair view of the Group's operations and finances;

(b) they have crafted a system of internal controls to ensure material information relating to every company in the Group is disclosed on a timely basis by relevant person-in-charge of reporting;

(c) they have evaluated the effectiveness of the Group's internal control system as at 31 December 2014;

(d) they have disclosed to the internal and external auditors and the Board, any significant deficiencies in the internal control system that could adversely affect the ability to record and report its financial data, fraud involving the management or other employees, and material weaknesses and significant deficiencies in the internal controls policy.

The Board notes that no cost effective internal control system and risk management can preclude all errors and irregularities, as a system is designed to provide only reasonable and not absolute assurance against poor judgment in decision making, human error, losses, fraud or other irregularities.

Principle 12: Audit Committee

The Audit Committee ("AC") comprises:

Chuah Seong Phaik	(Chairman)
Phuah Peng Hock	(Member)
Lee Su Nie	(Member)

Except for Su Nie, who is Non-Independent Non-Executive Director, the other two AC members are all Independent Non-Executive Directors. The members have had many years of experience in accounting, audit and business and financial management. The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC.

Specifically, the AC shall meet on a periodic basis to perform the following functions (under the key terms of reference for AC):

(a) To review with the independent external auditors their audit plan;

(b) To review with the independent external auditors their evaluation of the Company's internal accounting controls relevant to their statutory audit, their report on the financial statements and the assistance given by the Company's officers to them;

(c) To review with the internal auditors their audit plan, scope and results of the internal audit procedures;

(d) To review the financial statements of the Group and the Company prior to their submission to the Board for adoption;

(e) To review the interest person transactions (as defined in Chapter 9 of the Listing Manual of SGX-ST);

(f) To review the internal control and procedures and ensure co-ordination between the external auditors and the management;

(g) To review the significant financial reporting issues and judgments so as to ensure the integrity of the Group's financial statements and any related announcements;

(h) To approve the hiring, removal, evaluation and compensation of the internal auditors;

(i) To review and report to the Board, at least annually the adequacy and effectiveness of the Group's internal control, including financial, operational, compliance, information technology controls and risk management systems; and

(j) To review the independence of the external auditors annually and to make recommendation to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

Minutes of the AC meetings are regularly submitted to the Board for its information and review. The AC meets with the external and internal auditors, without the presence of management, at least once a year.

The AC is also authorised to investigate any matter within its terms of reference. It has full access to and the cooperation of management and the full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC has undertaken a review of all non-audit services provided by the external auditors and in the AC's opinion, the provision of these services does not affect the independence and objectivity of the external auditors and is pleased to recommend their re-appointment.

The fees paid to the external auditors for financial year ended 31 December 2014 amounted to S$131,000 and S$22,000 for audit and non-audit services respectively.

The Group has appointed different auditors for its overseas subsidiaries. The Board and the AC have reviewed the appointments of different auditors for its overseas subsidiaries and are satisfied that the appointments of different auditors would not compromise the standard and effectiveness of the audit of the Group. The Company is in compliance with Rules 712, 715 and 716.

The Group has implemented a whistle blowing policy adopted by the Board. The policy provides avenue for staff of the Group to raise concerns on any possible misconducts in the Group or improprieties in relation to financial reporting and other matters.

The whistle blowing policy is overseen by the AC and Whistle-Blowing Committee ("WBC") which comprises i) A manager of Group Human Resource; ii) General Manager of Group Investments & Corporate; and iii) General Manager of Group Risk Management (employed under the ultimate holding company). To ensure independent investigation of such matters and confidentiality protection of the whistleblower, reports can be sent to any of the members above for their relevant actions, such as investigation and follow-up action. As at to-date, no reports of misconduct or impropriety have been received by the AC or WBC.

During the financial year 2014, the AC carried out the following activities:

(a) reviewing quarterly and full year financial statements (audited and unaudited) and recommended to the Board for approval;

(b) reviewed and approved the interested/related party transactions;

(c) reviewed and approved the annual audit plan and report of the external auditors;

(d) reviewed and approved the annual internal audit plan, reports of internal auditors and appointment of internal auditors;

(e) reviewed the appointment of RSM Chio Lim LLP as the external auditors and determined their remuneration, and made a recommendation for Board approval;

(f) met with the external auditors and internal auditors each once without the presence of management;

(g) reviewed the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management system; and

(h) noted the assurance from the CEO and Group Financial Controller that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

The AC members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements, through advice sought, updates and briefing from management and internal auditors, and the external auditors when they attend the AC meetings half yearly.

Principle 13: Internal Audit

The function of internal audit is outsourced to a professional firm. The internal auditor ("IA") reports principally to the AC Chairman.

The AC approves the engagement, termination, evaluation and compensation of the IA.

The IA provides independent appraisal and assurance for the review of the operations within the Group in order to support the management and the Board in fulfilling their oversight responsibility. The purpose is to evaluate and contribute to the improvement of risk management, control and governance systems of the Group.

The IA adopts a risk-based approach in developing its audit plan based on the Group's risk profile. The internal audit plan and the scope of internal audit are presented and approved by the AC on a yearly basis. Audit findings, recommendations and management's corrective actions are reported regularly to the AC. The AC also reviews annually the adequacy and effectiveness of the IA to ensure that the IA has the capabilities to adequately perform its functions.

During the year, the IA has carried out operational and internal control reviews based on prioritised risk areas identified and appropriate steps have been taken by management to address the findings and recommendations.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

The Company treats all shareholders fairly and equitably, and does not practice selective disclosure. In line with the continuous obligations of the Company pursuant to SGX-ST's Rules, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

Information is disseminated to the shareholders on a timely basis through:

(i) SGXNET announcements and news releases;

(ii) Annual Reports prepared and issued to all Shareholders; and

(iii) Investor Relations website at captii.listedcompany.com where shareholders can access investor-related information on the Company.

Shareholders are given the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders are informed of the relevant rules and procedures that govern general meetings.

At general meetings, shareholders of the Company are given the opportunity to air their views and ask directors or management questions regarding the Company and the Group.

The Articles of Association of the Company allow a member of the Company to appoint not more than two (2) proxies to attend and vote on their behalf at general meetings. For the time being, the Board is of the view that this is adequate to enable shareholders to participate in general meetings of the Company and is not proposing to amend their Articles to allow votes in absentia.

The Company ensures that there are separate resolutions at general meetings on each distinct issue. Each item of special business included in the notice of meetings will be accompanied by the relevant explanatory notes. This is to enable the shareholders to understand the nature and effect of the proposed resolutions.

All directors, including Chairman of the Board and respective Chairmen of the AC, NC and RC are present at general meetings to answer questions from shareholders. The external auditors are also present to assist the directors in addressing shareholders' queries about the conduct of the audit and the preparation and content of their auditors' report.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and management, and makes these minutes available to shareholders upon their request.

The Company does not have a fixed dividend policy. In considering the amount, frequency and form of dividend payments, the Board takes into account the Group's financial results, cash position, capital requirements of the Group's growth and development plan, the Company's retained earnings and other factors. The Company paid interim dividend of 0.20 cents per share on 15 September 2014.

ADDITIONAL INFORMATION

DEALING IN SECURITIES
(SGX-ST Listing Manual Rule 1207(19))

In compliance with Rule 1207 19) of the Listing Manual issued by SGX-ST, the Company has adopted SGX-ST's Best Practices Guide and has in place a policy of prohibition in relation to dealings in the Company's securities by its officers. The Company has informed its officers not to deal in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's financial results for each of the first three (3) quarters of its financial year, or one (1) month before announcement of the Company's full year results, and ending on the date of announcement of the relevant results. Directors, officers, and employees are also reminded not to trade in listed securities of the Group at any time while in possession of unpublished price sensitive information and to refrain from dealing in the Group's securities on short-term considerations.

The directors and executives are also expected to observe insider trading laws at all time, even when dealing in securities within permitted trading period.

RISK MANAGEMENT
(SGX-ST Listing Manual Rule 1207(4)(b)(iv))

The practice of risk management is undertaken by the CEO, key executives and senior officers of each business division under the review of the Board. The Group regularly reviews and improves its business and operational activities to take into account the risk management perspective. The Company seeks to identify areas of significant business risks as well as to formulate appropriate measures to control and mitigate these risks.

The Group's financial risk management is discussed under Note 27 to the Financial Statements, on page 68 to 72 of this Annual Report.

The effectiveness of the Group's risk management practices and the risk exposure of the Group will continue to be reviewed by the Board in light of changes in the operational environment of the Group.

INTERESTED PERSON TRANSACTIONS ("IPTs") POLICY
(SGX-ST Listing Manual Rule 907)

The Company has adopted an internal policy in respect of any transaction with interested persons and has procedures established for the review and approval of the Company's interested person transactions. Particulars of the interested person transactions for the financial year ended 31 December 2014, disclosed in accordance with Rule 907 of SGX-ST's Listing Manual are set out in Table E.

MATERIAL CONTRACTS
(SGX-ST Listing Manual Rule 1207(8))

Save for the IPTS, no material contract involving the directors or controlling shareholders of the Company has been entered into by the Company or any of its subsidiaries since the end of previous financial year and no such contract subsisted at the end of the financial year.

Table E: Particulars of the Interested Person Transactions

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	
	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
AESBI Power Systems Sdn Bhd*	272	274	-	-

Note:
The Company does not require any shareholders' mandate pursuant to Rule 920 of the Listing Manual of SGX-ST.
**A wholly-owned subsidiary of Advance Synergy Capital Sdn Bhd (a subsidiary of Advance Synergy Berhad)*

DIRECTORS' REPORT

The directors of the company are pleased to present their report together with the audited consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company for the reporting year ended 31 December 2014.

Before 6 May 2014, the company was known as Unified Communications Holdings Limited, which had subsequently changed to its present name.

1. Directors at Date of Report

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

Wong Tze Leng
Anton Syazi Ahmad Sebi
Phuah Peng Hock
Chuah Seong Phaik
Lee Su Nie

2. Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

Neither at the end of the reporting year nor at any time during the reporting 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.

3. Directors' Interests in Shares and Debentures

The directors of the company holding office at the end of the reporting year had no interests in the share capital 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, Chapter 50 (the "Act") except as follows:

	Shareholdings registered in the name of Director or nominee		**Shareholdings in which Director is deemed to have an interest**	
Name of directors and companies in which interests are held	**At beginning of the reporting year**	**At end of the reporting year**	**At beginning of the reporting year**	**At end of the reporting year**
<u>The company</u>	**<u>Number of ordinary shares of no par value</u>**			
Wong Tze Leng	19,034,329	19,034,329	–	–
Anton Syazi Ahmad Sebi (a)	4,426,000	5,176,000	–	–
Chuah Seong Phaik	–	–	1,000,000	1,000,000
Lee Su Nie (b)	200,000	200,000	–	–
(a) Held through Raffles Nominees Pte Ltd				
(b) Held through Phillip Securities Pte Ltd				
<u>Advance Synergy Berhad – Ultimate Parent Company</u>	**<u>Number of ordinary shares of RM0.30 each</u>**			
Anton Syazi Ahmad Sebi	–	–	6,000,000	30,467,000
Lee Su Nie	–	–	365,000	365,000
<u>Advance Synergy Berhad – Ultimate Parent Company</u>	**<u>Number of 10-Year Irredeemable Convertible Unsecured Loan Stock of RM0.15 each</u>**			
Anton Syazi Ahmad Sebi	–	–	48,934,000	–
<u>Acrylic Synergy Sdn Bhd – Related Company</u>	**<u>Number of ordinary shares of RM1 each</u>**			
Anton Syazi Ahmad Sebi	1	1	–	–

The directors' interests as at 21 January 2015 were the same as those at the end of the reporting year.

DIRECTORS' REPORT

4. Contractual Benefits of Directors

Since the beginning of the reporting year, no director of the company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the 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 in the Note 3 to the financial statements. Certain directors of the company received remuneration from related corporations in their capacity as directors and or executives of those related corporations.

There were certain transactions (shown in the financial statements under related party transactions) with corporations in which certain directors have an interest.

5. Share Options

During the reporting year, no option to take up unissued shares of the company or any subsidiary was granted and there were no shares of the company or any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the company or any subsidiary under option.

6. Report of Audit Committee

The members of the Audit Committee during the reporting year and at the date of this report are as follows:

Chuah Seong Phaik	(Chairman)
Phuah Peng Hock	(Independent Director)
Lee Su Nie	(Non-Independent, Non-Executive Director)

The Audit Committee performs the functions specified by section 201B(5) of the Act and the Listing Manual of Singapore Securities Exchange Trading Limited ("SGX-ST").

Functions of the Audit Committee include the following:

(a) Review with the independent external auditors their audit plan;

(b) Review with the independent external auditors their evaluation of the company's internal accounting controls relevant to their statutory audit, their report on the financial statements and the assistance given by management to them;

(c) Review with the internal auditors the scope and results of the internal audit procedures including those relating to financial, operational and compliance controls and risk management and the assistance given by the management to the internal auditors;

(d) Review the financial statements of the group and the company prior to their submission to the Board of Directors of the company for adoption; and

(e) Review the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX-ST)

Other functions performed by the Audit Committee are described in the Report on Corporate Governance included in the Annual Report of the company. It also includes description of how auditors' objectivity and independence is safeguarded, where these are non-audit services provided by the independent external auditors. The Audit Committee, having reviewed all non-audit services provided by the independent external auditors, is satisfied at the nature and extent of such services would not affect their independence.

The Audit Committee has recommended to the Board of Directors that RSM Chio Lim LLP be nominated for re-appointment as independent external auditors at the next annual general meeting of the company.

DIRECTORS' REPORT

7. Directors' Opinion on the Adequacy of Internal Controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the Board and the Board, the Audit Committee and the Board are of the opinion that company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2014.

8. Independent Auditors

The independent auditors, RSM Chio Lim LLP, have expressed their willingness to accept re-appointment.

9. Subsequent Developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 16 February 2015, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On behalf of the board of directors

Wong Tze Leng
Director

Anton Syazi Ahmad Sebi
Director

18 March 2015

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, statements of changes in equity, consolidated statement of cash flows, and notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 December 2014 and of the results and cash flows of the group and changes in equity of the company and of the group for the reporting year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the board of directors

Wong Tze Leng	**Anton Syazi Ahmad Sebi**
Director	Director

18 March 2015

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CAPTII LIMITED (REGISTRATION NO: 200211129W)
(FORMERLY KNOWN AS UNIFIED COMMUNICATIONS HOLDINGS LIMITED)

Report on the Financial Statements

We have audited the accompanying financial statements of Captii Limited (the "company") and its subsidiaries (collectively, the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statement of profit or loss and other comprehensive income and statements of financial position and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at 31 December 2014 and of the results, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, 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 independent auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

18 March 2015

Partner-in-charge: Chan Weng Keen
Effective from reporting year ended 31 December 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

REPORTING YEAR ENDED 31 DECEMBER 2014

	Notes	2014	2013
		$'000	$'000
Revenue	5	21,579	17,576
Cost of Sales		(10,595)	(7,680)
Gross Profit		10,984	9,896
Other Items of Income			
Interest Income	6	270	415
Other Gains	7	648	920
Other Items of Expense			
Technical Support Expenses		(3,591)	(3,445)
Distribution Costs		(1,772)	(1,870)
Administrative Expenses		(3,214)	(3,146)
Other Losses	7	(426)	(1,063)
Finance Costs	9	(1)	(1)
Share of Loss From Equity-Accounted Joint Venture		(10)	(5)
Profit Before Income Tax		2,888	1,701
Income Tax Expense	11	(633)	(601)
Profit, Net of Tax		2,255	1,100
Other Comprehensive Income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange Differences on Translating Foreign Operations, Net of Tax		(655)	(1,001)
Total Comprehensive Income for the Year		1,600	99
Profit for the Year Attributable to:			
- Owners of the Company		2,159	1,021
- Non-Controlling Interests		96	79
		2,255	1,100
Total Comprehensive Income for the Year Attributable to:			
- Owners of the Company		1,622	7
- Non-Controlling Interests		(22)	92
		1,600	99
		(Cents)	**(Cents)**
Earnings Per Share			
- Basic and Diluted Earnings Per Shares	12	0.68	0.32

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	Group 2014	Group 2013	Company 2014	Company 2013
		$'000	$'000	$'000	$'000
ASSETS					
Non-Current Assets					
Plant and Equipment	14	1,804	1,330	–	–
Investment Property	15	3,370	3,438	–	–
Intangible Assets	16	14,541	15,753	–	–
Investments in Subsidiaries	17	–	–	32,734	32,734
Investment in a Joint Venture	18	7	17	–	–
Deferred Tax Assets	11	–	19	–	–
Total Non-Current Assets		19,722	20,557	32,734	32,734
Current Assets					
Inventories	19	19	3	–	–
Income Tax Recoverable		130	194	–	–
Trade and Other Receivables	21	9,680	7,705	4,080	4,529
Other Assets	22	342	536	4	3
Cash and Cash Equivalents	23	11,880	11,248	14	22
Total Current Assets		22,051	19,686	4,098	4,554
Total Assets		41,773	40,243	36,832	37,288
EQUITY AND LIABILITIES					
Equity					
Share Capital	24	31,948	31,948	31,948	31,948
Retained Earnings		6,754	5,234	4,334	4,630
Foreign Currency Translation Reserve		(4,146)	(3,609)	–	–
Equity, Attributable to Owners of the Parent		34,556	33,573	36,282	36,578
Non-Controlling Interests		1,370	1,392	–	–
Total Equity		35,926	34,965	36,282	36,578
Non-Current Liabilities					
Deferred Tax Liabilities	11	5	16	–	–
Total Non-Current Liabilities		5	16	–	–
Current Liabilities					
Income Tax Payable		75	108	–	–
Trade and Other Payables	25	5,240	4,735	550	710
Other Liabilities	26	527	419	–	–
Total Current Liabilities		5,842	5,262	550	710
Total Liabilities		5,847	5,278	550	710
Total Equity and Liabilities		41,773	40,243	36,832	37,288

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

STATEMENT OF CHANGES IN EQUITY

REPORTING YEAR ENDED 31 DECEMBER 2014

Group	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Non-Controlling Interests
	$'000	$'000	$'000	$'000	$'000	$'000
Current Year:						
Opening Balance at 1 January 2014	34,965	33,573	31,948	5,234	(3,609)	1,392
Total Comprehensive Income/ (Loss) for the year	1,600	1,622	–	2,159	(537)	(22)
Dividends Paid (Note 13)	(639)	(639)	–	(639)	–	–
Closing Balance at 31 December 2014	35,926	34,556	31,948	6,754	(4,146)	1,370
Previous Year:						
Opening Balance at 1 January 2013	35,699	34,205	31,948	4,852	(2,595)	1,494
Total Comprehensive Income/ (Loss) for the year	99	7	–	1,021	(1,014)	92
Dividends Paid (Note 13)	(833)	(639)	–	(639)	–	(194)
Closing Balance at 31 December 2013	34,965	33,573	31,948	5,234	(3,609)	1,392

Company	Total Equity	Share Capital	Retained Earnings
	$'000	$'000	$'000
Current Year:			
Opening Balance at 1 January 2014	36,578	31,948	4,630
Total Comprehensive Income for the year	343	–	343
Dividends Paid (Note 13)	(639)	–	(639)
Closing Balance at 31 December 2014	36,282	31,948	4,334
Previous Year:			
Opening Balance at 1 January 2013	37,303	31,948	5,355
Total Comprehensive Loss for the year	(86)	–	(86)
Dividends Paid (Note 13)	(639)	–	(639)
Closing Balance at 31 December 2013	36,578	31,948	4,630

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

CONSOLIDATED STATEMENT OF CASH FLOWS

REPORTING YEAR ENDED 31 DECEMBER 2014

	2014 $'000	2013 $'000
Cash Flows From Operating Activities:		
Profit Before Income Tax	2,888	1,701
Interest Income	(270)	(415)
Interest Expenses	1	1
Amortisation of Intangible Assets	1,047	1,079
Impairment Loss on Intangible Assets	361	–
Depreciation of Plant and Equipment	466	885
Impairment Loss on Plant and Equipment	–	820
(Gain)/Loss on Disposals of Plant and Equipment	(2)	2
Plant and Equipment Written-Off	8	5
Impairment Loss on Investment in Joint Venture	–	10
Impairment Loss on Receivables	31	1
Write-down of Inventories	11	74
Fair Value Gain on Contingent Consideration of Acquisition of Subsidiary	–	(742)
Reversal of Payables	(479)	(148)
Shared of Loss from an Equity-Accounted Joint Venture	10	5
Operating Cash Flows before Changes in Working Capital	4,072	3,278
Inventories	(28)	(22)
Trade and Other Receivables	(1,940)	(123)
Other Assets	194	(288)
Trade and Other Payables	2,001	288
Other Liabilities	108	269
Net Cash Flows From Operations	4,407	3,402
Income Tax Paid	(590)	(779)
Net Cash Flows From Operating Activities	3,817	2,623
Cash Flows From Investing Activities:		
Purchase of Plant and Equipment	(970)	(279)
Proceeds From Disposal of Plant and Equipment	5	2
Investment in Joint Venture	–	(20)
Payment of Contingent Consideration	(899)	(1,306)
Payment for Development Costs	(438)	(852)
Cash Restricted in Use	2,354	1,325
Interest Income Received	270	415
Net Cash Flows From / (Used in) Investing Activities	322	(715)
Cash Flows From Financing Activities:		
Dividends Paid to Equity Owners	(639)	(639)
Dividends Paid to Non-Controlling Interests	–	(194)
Interest Expenses Paid	(1)	(1)
Cash Restricted in Use	(8)	–
Proceeds from Interest Bearing Borrowings	159	234
Repayment of Interest Bearing Borrowings	(159)	(234)
Net Cash Flows Used in Financing Activities	(648)	(834)
Net Increase in Cash and Cash Equivalents	3,491	1,074
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Beginning Balance	8,447	7,756
Effect of Exchange Rate Changes On Cash and Cash Equivalents	(458)	(383)
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Ending Balance (Note 23A)	11,480	8,447

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

1. General

Captii Limited (the "company") is incorporated in Singapore with limited liability. It is listed on the Singapore Exchange Securities Trading Limited. The financial statements are presented in Singapore dollars and they cover the company and its subsidiaries (collectively, the "group").

Before 6 May 2014, the company was known as Unified Communications Holdings Limited, which had subsequently changed to its present name.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities of the company are those of investment holding and the provision of management services.

The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

The registered office and principal place of business of the company is located at 140 Paya Lebar Road, #10-14, AZ@Paya Lebar, Singapore 409015.

2. Summary of Significant Accounting Policies

Accounting Convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Singapore Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit or loss, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the current reporting year that were recognised in other comprehensive income in the current or previous reporting years.

Basis of Presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The company's financial statements have been prepared on the same basis, and as permitted by the Singapore Companies Act, Chapter 50, no statement of profit or loss and other comprehensive income is presented for the company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Summary of Significant Accounting Policies (Cont'd)

Basis of Preparation of the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this note to the financial statements, where applicable.

Segment Reporting

The group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Revenue Recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes, returns and rebates.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from service contracts is recognised in accordance with the accounting policy on service contracts (see below).

Interest income is recognised using the effective interest method.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

Dividend from equity instruments is recognised as income when the entity's right to receive payment is established.

Employee Benefits

Certain subsidiaries operate defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. Contributions are charged to profit or loss in the period to which they relate. This plan is contributions to government managed retirement benefit plans such as the Central Provident Fund in Singapore and Employees Provident Fund in Malaysia which specifies the employer's obligations which are dealt with as defined contribution retirement benefit plans. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Summary of Significant Accounting Policies (Cont'd)

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

Borrowing Costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. The interest expense is calculated using the effective interest method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Income Tax Expense

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws by the end of reporting year; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at the end of each reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Foreign Currency Transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At the end of each reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss.

The presentation is in the functional currency.

Translation of Financial Statements of Other Entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at the end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Summary of Significant Accounting Policies (Cont'd)

Plant and Equipment

Plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Computers, Telecommunications, Research and Development Equipment	–	3 to 5 years
Office Equipment, Furniture and Renovation	–	5 years

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least once at each reporting year-end and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Investment Property

Investment property is property owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs, the fair value model is used to measure the investment property at fair value on the existing use basis to reflect the actual market state and circumstances as of the end of the reporting year, not as of either a past or future date. A gain or loss arising from a change in the fair value of investment property is included in profit or loss for the period in which it arises. The revaluation is made periodically on a systematic basis annually by external independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of property being valued.

Intangible Assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives are as follows:

Development costs	–	5 years
Intellectual property	–	5 years

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Summary of Significant Accounting Policies (Cont'd)

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights or the ability to appoint or remove the majority of the members of the board of directors or to cast the majority of votes at meetings of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

In the company's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Joint Arrangement – Joint Venture

A joint arrangement (that is, either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the reporting entity is a party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities (that is, activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint venture, the parties with joint control have rights to the net assets of the arrangement. The reporting interests in joint ventures are recognised using the equity method in accordance with FRS 28 Investments in Associates and Joint Ventures.

In the consolidated financial statements, the accounting for investment in a joint venture is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the joint venture are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of a joint venture in excess of the reporting entity's interest in the relevant joint venture are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and a joint venture are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint venture are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be a joint venture and accounts for the investment in accordance with FRS 39 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former joint venture is measured at fair value at the date that it ceases to be a joint venture.

Business Combinations

Business combinations are accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Summary of Significant Accounting Policies (Cont'd)

Goodwill

Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with FRS 103 (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this FRS 103.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill (and also an intangible asset with an indefinite useful life or an intangible asset not yet available for use) are tested for impairment, at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

Impairment of Non-Financial Assets

The carrying amount of non-financial assets is reviewed at the end of each reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At the end of each reporting year, non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Service Contracts

When the outcome of a service contract can be estimated reliably, the revenue and costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting year, as measured by the portion that contract costs incurred for work performed to date bear to the estimated total contract costs method or the completion of a physical proportion of the contract work. The stage of completion method relies on estimates of total expected contract revenue and costs, as well as dependable measurement of the progress made towards completing a particular project.

Contract costs consist of costs that relate directly to the specific project, costs that are attributable to contract activity in general and can be allocated to the project and such other costs as are specifically chargeable to the customer under the terms of the contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Summary of Significant Accounting Policies (Cont'd)

Service Contracts (Cont'd)

Recognised revenues and profits are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimatable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Certain work in progress projects have operating cycles longer than one year. The management includes in current assets amounts relating to the contracts realisable over a period in excess of one year.

When the outcome of a service contract cannot be estimated reliably: (a) revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and (b) contract costs are recognised as an expense in the period in which they are incurred.

Financial Assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position only when the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following four categories under FRS 39 is as follows:

#1. Financial assets at fair value through profit or loss: As at end of the reporting year, there were no financial assets classified in this category.

#2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

#3. Held-to-maturity financial assets: As at end of the reporting year, there were no financial assets classified in this category.

#4. Available-for-sale financial assets: As at end of the reporting year, there were no financial assets classified in this category.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Summary of Significant Accounting Policies (Cont'd)

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances. For the consolidated statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction that form an integral part of cash management.

Financial Liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position only when the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

#1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount measured in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

#2. Other financial liabilities: All liabilities, which have not been classified in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Classification of Equity and Liabilities

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Summary of Significant Accounting Policies (Cont'd)

Fair Value Measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless state otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Critical Judgements, Assumptions and Estimation Uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Estimated impairment of goodwill:

An assessment is made annually whether goodwill has suffered any impairment loss, based on the recoverable amounts of the cash generating units ("CGU"). The recoverable amounts of the CGUs was determined based on value in use calculations and these calculations require the use of estimates in relation to future cash flows and suitable discount rates as disclosed in Note 16C. Actual outcomes could vary from these estimates. The carrying amount of the group's goodwill as at the end of the reporting year was $12,181,000 (2013: $12,428,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. **Summary of Significant Accounting Policies (Cont'd)**

Critical Judgements, Assumptions and Estimation Uncertainties (Cont'd)

Impairment of intangible assets other than goodwill

An assessment is made of the carrying value of identifiable intangible assets, annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors that trigger an impairment review include underperformance relative to historical or projected future results, significant changes in the manner of the use of the acquired assets or the strategy for the overall business and significant negative industry or economic trends. The most significant variables in determining cash flows are disclosed in Notes 16A and 16B. Actual outcomes could vary from these estimates. The carrying amount of intangible assets other than goodwill as at the end of the reporting year was $2,360,000 (2013: $3,325,000).

Development costs:

Development costs are capitalised in accordance with the accounting policy in Note 2. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of profits. The carrying amount has been disclosed in Note 16.

Useful lives of plant and equipment:

The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the class of assets at the end of the reporting year affected by the assumption was $1,804,000 (2013: $1,330,000).

Allowance for doubtful accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses trade receivables and historical bad debts, customer concentrations and customer creditworthiness when evaluating the adequacy of the allowance for doubtful trade receivables. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount of trade and other receivables at the end of the reporting year was $9,680,000 (2013: $7,705,000).

Contract work-in-progress:

On long-term contracts, revenues are recorded on the stage of completion basis. The stage of completion is determined by dividing the cumulative costs incurred as at the end of the reporting year by the sum of incurred costs and anticipated costs for completing a contract. The stage of completion is then applied to the contract value to determine the cumulative revenue earned. This method of revenue recognition requires management to prepare cost estimates to complete contracts in progress, and in making such estimates, judgments are required to evaluate contingencies such as potential variances in scheduling, cost of materials, labour costs and productivity, the impact of change orders or liability claims. All known or anticipated losses based on these estimates are provided for in their entirety without regard to the stage of completion. These estimates are based on management's business practices as well as its historical experience, and management regularly reviews underlying estimates of project profitability. The carrying amount of the group's contract work-in-progress as at the end of the reporting year was $1,943,000 (2013: $786,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Summary of Significant Accounting Policies (Cont'd)

Critical Judgements, Assumptions and Estimation Uncertainties (Cont'd)

Impairment of subsidiaries:

When a subsidiary is in net equity deficit and has suffered operating losses, the recoverable amount of the investee is estimated to assess whether the investment in the investee has suffered any impairment. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flows. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require adjustments to the carrying amounts of the investments in subsidiaries. The carrying amount of the company's specific assets at the end of the reporting year affected by the assumptions is $11,000,000 (2013: $11,000,000).

Income tax amounts:

The entity recognises tax liabilities and assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in the Note 11.

3. Related Party Relationships and Transactions

FRS 24 defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the reporting entity if any of the following conditions apply: (i) The entity and the reporting entity are members of the same group. (ii) One entity is an associate or joint venture of the other entity. (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). (viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3A. Related companies:

The company is a subsidiary of Worldwide Matrix Sdn Bhd, incorporated in Malaysia. Its ultimate parent company is Advance Synergy Berhad, incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad.

Related companies in these financial statements include the members of the ultimate parent company's group of companies.

There are transactions and arrangements between the reporting entity and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related company balances are unsecured without fixed repayment terms and interest unless stated otherwise.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

3. Related Party Relationships and Transactions (Cont'd)

3A. Related companies (Cont'd):

Intra-group transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related company transactions and balances below.

Significant related company transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Group	
	2014	**2013**
	$'000	**$'000**
Purchase of service	15	14
Rental and maintenance expense	272	274

3B. Key management compensation:

	Group	
	2014	**2013**
	$'000	**$'000**
Salaries and other short-term employee benefits	2,035	1,987

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Group	
	2014	**2013**
	$'000	**$'000**
Remuneration of directors of the company and subsidiaries	438	427
Fees to a director of ultimate parent company #	24	23
Fees to directors of the company	63	60

\# Paid and payable to the ultimate parent company

Further information about the remuneration of individual directors is provided in the Corporate Governance Report.

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The above amounts do not include compensation if any of certain key management personnel and directors of the company who received compensation from related corporations in their capacity as directors and or executives of those related corporations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

3. Related Party Relationships and Transactions (Cont'd)

3C. Other receivables from related companies:

The trade transactions and the trade receivables and payables balance arising from sales and purchase of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from related companies are as follows:

	Group	
	2014	2013
	$'000	$'000
Other receivables:		
Balance at beginning of the year	83	94
Amounts paid out and settlement of liabilities on behalf by another party	(3)	(7)
Foreign exchange adjustments	(1)	(4)
Balance at end of the year	79	83
Presented in the statement of financial position as follows:		
Other receivables (Note 21)	114	116
Other payables (Note 25)	(35)	(33)
	79	83

4. Financial Information By Segments

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, the geographical areas and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the group.

For management purposes the reporting entity is organised into the four major strategic operating segments that offer different products and services. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

* VAS – Business unit for content-driven mobile VAS systems, solutions and managed services.

* TECH – Business unit for mobile messaging and signaling systems, solutions and managed services.

* OSS – Business unit for mobile network operation support systems, solutions and managed services.

* OHQ – Business unit for operational headquarters of the Group and revenue from investment property.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

4. Financial Information By Segments (Cont'd)

4B. Profit or Loss and Assets and Liabilities and Reconciliations

	TECH $'000	VAS $'000	OSS $'000	OHQ $'000	Elimination $'000	Group $'000
2014						
Revenue by Segment						
- External	5,927	8,201	7,207	244	–	21,579
- Inter-segment	104	72	628	5,074	(5,878)	–
	6,031	8,273	7,835	5,318	(5,878)	21,579
Cost of Sales	(4,581)	(3,792)	(5,878)	(94)	3,750	(10,595)
Gross Profit	1,450	4,481	1,957	5,224	(2,128)	10,984
Other Items of Income:						
Interest Income	156	83	32	–	–	270
Other Gains	29	730	–	60	(171)	648
Other Items of Expenses:						
Technical Support Expenses	(834)	(623)	(791)	(1,519)	175	(3,591)
Distribution Costs	(218)	(830)	(368)	(491)	135	(1,772)
Administrative Expenses	(1,100)	(880)	(484)	(1,260)	510	(3,214)
Other Losses	(103)	(312)	(42)	(499)	529	(426)
Finance Costs	–	–	(1)	–	–	(1)
Share of Loss from an Equity-Accounted Joint Venture	–	(10)	–	–	–	(10)
(Loss)/Profit Before Income Tax	(620)	2,639	303	1,515	(950)	2,888
Income Tax Expenses	(74)	(183)	(12)	(214)	(150)	(633)
(Loss)/Profit, Net of Tax	(694)	2,456	291	1,301	(1,100)	2,255
(Loss)/Profit, Net of Tax, Attributable to:						
Owners of the Company	(694)	2,456	148	1,301	(1,053)	2,159
Non-Controlling Interest	–	–	143	–	(47)	96
(Loss)/Profit, Net of Tax	(694)	2,456	291	1,301	(1,100)	2,255
Other information:						
Impairment loss on						
Intangible Assets	(63)	(298)	–	–	–	(361)
Depreciation of Plant and Equipment	(119)	(294)	(39)	(34)	20	(466)
Amortisation of Intangible Assets	(723)	(409)	(7)	–	93	(1,047)
Segment Assets and Consolidated Total Assets	25,042	22,526	6,077	51,538	(63,410)	41,773
Segment Liabilities	10,576	12,303	3,010	11,390	(31,437)	5,842
Unallocated Liabilities	19	–	–	–	(14)	5
Consolidated Total Liabilities						5,847
Other Segment Items						
Capital Expenditure						
- Plant and Equipment	413	628	18	30	(119)	970
- Development Costs	329	115	–	–	(6)	438

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

4. Financial Information By Segments (Cont'd)

4B. Profit or Loss and Assets and Liabilities and Reconciliations (Cont'd)

	TECH $'000	VAS $'000	OSS $'000	OHQ $'000	Elimination $'000	Group $'000
2013						
Revenue by Segment						
- External	6,374	6,735	4,218	249	–	17,576
- Inter-segment	224	305	714	4,946	(6,189)	–
	6,598	7,040	4,932	5,195	(6,189)	17,576
Cost of Sales	(4,491)	(3,395)	(3,039)	(291)	3,536	(7,680)
Gross Profit	2,107	3,645	1,893	4,904	(2,653)	9,896
Other Items of Income:						
Interest Income	266	109	40	–	–	415
Other Gains	113	889	–	49	(131)	920
Other Items of Expenses:						
Technical Support Expenses	(908)	(578)	(712)	(1,456)	209	(3,445)
Distribution Costs	(158)	(1,158)	(465)	(240)	151	(1,870)
Administrative Expenses	(1,078)	(1,010)	(534)	(1,197)	673	(3,146)
Other Losses	(91)	(1,210)	(53)	(1,209)	1,500	(1,063)
Finance Costs	–	–	(1)	–	–	(1)
Shares of Loss from an Equity-Accounted Joint Venture	–	(5)	–	–	–	(5)
Profit Before Income Tax	251	682	168	851	(251)	1,701
Income Tax Expenses	(211)	(163)	(9)	(218)	–	(601)
Profit, Net of Tax	40	519	159	633	(251)	1,100
Profit, Net of Tax, Attributable to:						
Owners of the Company	40	519	80	633	(251)	1,021
Non-Controlling Interest	–	–	79	–	–	79
Profit, Net of Tax	40	519	159	633	(251)	1,100
Other information:						
Impairment loss on						
Plant and Equipment	–	(1,051)	–	–	231	(820)
Depreciation of Plant and Equipment	(73)	(718)	(61)	(52)	18	(885)
Amortisation of Intangible Assets	(743)	(346)	(75)	–	85	(1,079)
Fair Value Gain on Contingent Consideration of Acquisition of a Subsidiary	–	742	–	–	–	742
Segment Assets	22,153	26,721	4,464	49,688	(62,802)	40,224
Unallocated Assets	5	–	–	–	14	19
Consolidated Total Assets						40,243
Segment Liabilities	8,670	16,811	1,634	9,130	(30,983)	5,262
Unallocated Liabilities	–	–	–	16	–	16
Consolidated Total Liabilities						5,278
Other Segment Items						
Capital Expenditure						
- Plant and Equipment	14	285	23	9	(52)	279
- Development Costs	597	336	–	–	(81)	852

NOTES TO THE FINANCIAL STATEMENTS

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4. Financial Information By Segments (Cont'd)

4C. Geographical Segments

The group's geographical segments comprise South East Asia, South Asia, Middle East and Africa and Others:

- South East Asia – the group is headquartered in Singapore, and has operations in Singapore and other South East Asian countries. The operations in this area are principally the provision of telecommunications products and customised solutions for the telecommunications industry, the provision of global roaming quality and service management solutions, and the distribution of third party telecommunications products and components; and

- South Asia, Middle East and Africa and Others – the operations in these areas are principally the provision of telecommunications products and customised solutions for the telecommunications industry, the provision of global roaming quality and service management solutions and the distribution of third party telecommunications products and components.

Others represent China, North America and other countries outside of South East Asia, South Asia, Middle East and Africa.

Revenues are based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical area where the assets are located. Amount attributable to Singapore is not significant.

2014 – Group	**Revenue $'000**	**Total assets $'000**	**Non-current assets $'000**	**Capital expenditure $'000**
South East Asia	18,320	40,005	19,389	1,388
South Asia	1,168	1,119	333	20
Middle East and Africa	2,062	642	–	–
Others	29	7	–	–
	21,579	41,773	19,722	1,408

	TECH $'000	**VAS $'000**	**OSS $'000**	**OHQ $'000**	**Total $'000**
<u>External sales</u>					
South East Asia	5,921	4,971	7,184	244	18,320
South Asia	–	1,168	–	–	1,168
Middle East and Africa	–	2,062	–	–	2,062
Others	6	–	23	–	29
Total	5,927	8,201	7,207	244	21,579

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4. Financial Information By Segments (Cont'd)

4C. Geographical Segments (Cont'd)

2013 – Group	Revenue $'000	Total assets $'000	Non-current assets $'000	Capital expenditure $'000
South East Asia	15,182	38,052	20,117	1,100
South Asia	1,304	1,948	421	31
Middle East and Africa	1,057	202	–	–
Others	33	22	–	–
	17,576	40,224	20,538	1,131
Unallocated assets		19	19	
		40,243	20,557	

	TECH $'000	VAS $'000	OSS $'000	OHQ $'000	Total $'000
External sales					
South East Asia	6,360	4,387	4,186	249	15,182
South Asia	–	1,295	9	–	1,304
Middle East and Africa	4	1,053	–	–	1,057
Others	10	–	23	–	33
Total	6,374	6,735	4,218	249	17,576

4D. Contract type

	2014			2013		
Group	System sales $'000	Managed services $'000	Total $'000	System sales $'000	Managed services $'000	Total $'000
External revenue	7,470	14,109	21,579	3,805	13,771	17,576
Gross profit	2,964	8,020	10,984	2,120	7,776	9,896
Gross profit (%)	39.7%	56.8%	50.9%	55.7%	56.5%	56.3%

The Group's revenue can be divided into revenue generated from two types of contracts, as described below:

(a) System sales – this refers to contracts that involve the outright purchase by customers of systems comprising the group's products and technologies, and where these systems are in turn delivered as turnkey solutions. The scope of work for a system sale contract includes system design, implementation, testing and commissioning services.

(b) Managed services – this refers to contracts that involve the provision of both systems comprising the group's products and technologies as well as the group's professional services, on a recurring, revenue sharing, software-as-a-service, pay-per-use or monthly or quarterly fixed and variable fee basis. Also treated as a managed service contract are system maintenance and technical support contracts with existing customers of the group, and an operating lease with a lessee.

Revenue of $4,573,000 (2013: $4,146,000) and $4,355,000 (2013: $4,671,000) are derived from two (2013: two) external customers. The former is attributable to the TECH, VAS and OSS business segments while the latter is attributable to the TECH business segment.

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5. Revenue

	Group 2014 $'000	Group 2013 $'000
Managed services	13,865	13,522
System sales	7,470	3,805
Rental income	244	249
	21,579	17,576

6. Interest Income

	Group 2014 $'000	Group 2013 $'000
Interest income from bank	270	415

7. Other Gains and (Other Losses)

	Group 2014 $'000	Group 2013 $'000
Reversal of payables	479	148
Impairment loss on intangible assets	(361)	–
Impairment loss on plant and equipment	–	(820)
Impairment loss on investment in joint venture	–	(10)
Impairment loss on receivables	(31)	(1)
Plant and equipment written-off	(8)	(5)
Gain/(Loss) on disposal of plant and equipment	2	(2)
Fair value gain on contingent consideration of acquisition of subsidiary	–	742
Write-down of inventories	(11)	(74)
Foreign exchange gains/(losses), net	64	(105)
Others	88	(16)
	222	(143)
Presented in profit or loss as:		
Other Gains	648	920
Other Losses	(426)	(1,063)
	222	(143)

NOTES TO THE FINANCIAL STATEMENTS

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8. Employee Benefits Expense

	Group	
	2014	**2013**
	$'000	**$'000**
Salaries and bonuses	6,024	5,616
Contribution to defined contribution plan	755	726
Other benefits	317	306
Total employee benefits expense	7,096	6,648
Charged to profit or loss included in:		
Cost of Sales	1,354	1,332
Technical Support Expenses	3,088	2,654
Distribution Costs	1,273	1,415
Administrative Expenses	1,381	1,247
Total employee benefits expense	7,096	6,648

9. Finance Costs

	Group	
	2014	**2013**
	$'000	**$'000**
Interest expenses	1	1

10. Items in Profit or Loss

In addition to items of profit or loss disclosed elsewhere in the notes to the financial statements, items in the statement of profit or loss and other comprehensive income include the following:

	Group	
	2014	**2013**
	$'000	**$'000**
Audit fees to the independent auditors of the company	100	95
Audit fees to the other independent auditors	31	31
Other fees to the independent auditors of the company	12	12
Other fees to the other independent auditors	10	14

NOTES TO THE FINANCIAL STATEMENTS

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11. Income Tax Expense

11A. Components of tax expense/ (income) recognised in profit or loss include:

	Group	
	2014	**2013**
	$'000	**$'000**
Current tax expense:		
Current tax expense	451	366
(Over)/Under adjustments in respect of prior years	(12)	9
Withholding tax expense	186	245
Subtotal	625	620
Deferred tax expense/(income):		
Deferred tax expense/(income)	8	(19)
Total income tax expense	633	601

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate where the company is situated. The income tax in profit or loss varied from the income tax amount determined by applying the Singapore income tax rate of 17% (2013: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2014	**2013**
	$'000	**$'000**
Profit before income tax	2,888	1,701
Income tax expense at the above rate	491	289
Effect of different tax rates in different countries	305	298
Expenses not deductible for tax purposes	545	312
Pioneer status tax exemptions	(677)	(816)
Deferred tax assets not recognised	65	264
Previously unrecognised deferred tax assets recognised this year	(270)	–
(Over)/Under adjustments to current tax in respect of previous years	(12)	9
Withholding tax	186	245
Total income tax expense	633	601

There are no income tax consequences of dividends to owners of the company.

Two subsidiaries of the Group in Malaysia, Ahead Mobile Sdn Bhd and GlobeOSS Sdn Bhd, have been granted pioneer status as Multimedia Super Corridor ("MSC") companies under the Malaysia Promotion of Investment Act, 1986. The benefits to a company having MSC status include a five year pioneer status tax exemption on profits generated from the MSC qualifying activities during the same period. The MSC status of Ahead Mobile Sdn Bhd after being extended once will expire on 31 August 2015. The MSC status of GlobeOSS Sdn Bhd will expire on 14 January 2017.

In addition, the company's wholly owned subsidiary company, Unified Communications (OHQ) Sdn Bhd received the Malaysia Industry Development Authority's approval in October 2009 of its Operational Headquarters ("OHQ") status to provide certain approved OHQ services to the group entities. This OHQ status is granted for 10 years with certain tax incentives.

NOTES TO THE FINANCIAL STATEMENTS

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11. Income Tax Expense (Cont'd)

11B. Deferred tax expense/ (income) recognised in profit or loss include:

	Group	
	2014	**2013**
	$'000	**$'000**
Excess of net book value over tax values of plant and equipment	(8)	(17)
Others	16	(2)
Total deferred tax expense/(income) recognised in profit or loss	8	(19)

11C. Deferred tax balance in the statements of financial position:

	Group	
	2014	**2013**
	$'000	**$'000**
Excess of net book value over tax values of plant and equipment	(9)	(1)
Others	4	4
Net total of deferred tax (liabilities)/asset	(5)	3

Presented in the statements of financial position as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Deferred tax liabilities	(5)	(16)
Deferred tax assets	–	19
Net position	(5)	3

It is impracticable to estimate the amount expected to be settled or used within one year.

The realisation of the future income tax benefits from tax loss carried forwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by the law.

Temporary differences arising in connection with interest in subsidiaries are insignificant.

11D. Unrecognised deferred tax assets:

	2014		2013	
Group	**Gross Amount**	**Tax Effect**	**Gross Amount**	**Tax Effect**
	$'000	**$'000**	**$'000**	**$'000**
Unutilised tax losses	14,821	2,796	14,942	2,830
Unutilised capital allowances	1,471	299	731	200
	16,292	3,095	15,673	3,030

No deferred tax asset has been recognised in respect of the above balance as the future profit streams are not probable. The realisation of the future income tax benefits from tax loss carried forwards and temporary differences from capital allowance is available for an unlimited future period subject to the conditions imposed by laws of the countries in which the entities in the Group operates, including the retention of majority shareholders as defined.

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12. Earnings Per Share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group	
	2014	2013
	$'000	$'000
Profit, net of tax attributable to owners of the company	2,159	1,021

	Number of shares	
	2014	2013
	000	000
Weighted average number of equity shares	319,573	319,573

The weighted average number of equity shares refers to shares in circulation during the reporting year.

Basic earnings per share are calculated by dividing profit, net of tax attributable to owners of the company by the weighted average number of ordinary shares outstanding during each reporting year.

Diluted earnings per share for the reporting years are computed using the same basis as basic earnings per share as there are no potential dilutive ordinary shares.

13. Dividends on Equity Shares

	Group and Company	
	2014	2013
	$'000	$'000
Interim one-tier tax-exempt dividend paid of $0.002 (2013: $0.002) per share	639	639

14. Plant and Equipment

Group	Computers, telecommunications, research and development equipment	Office equipment, furniture and renovation	Total
	$'000	$'000	$'000
Cost:			
At 1 January 2013	11,853	1,482	13,335
Additions	259	20	279
Disposals	(4)	(7)	(11)
Transferred to inventories	(7)	–	(7)
Written-off	(1)	(8)	(9)
Foreign exchange adjustments	(182)	(47)	(229)
At 31 December 2013	11,918	1,440	13,358
Additions	717	253	970
Disposals	(369)	(88)	(457)
Written-off	(3,589)	(1,135)	(4,724)
Foreign exchange adjustments	(17)	(50)	(67)
At 31 December 2014	8,660	420	9,080

NOTES TO THE FINANCIAL STATEMENTS

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14. Plant and equipment (Cont'd)

Group	**Computers, telecommunications, research and development equipment**	**Office equipment, furniture and renovation**	**Total**
	$'000	**$'000**	**$'000**
Accumulated depreciation and impairment loss:			
At 1 January 2013	9,196	1,258	10,454
Depreciation for the year	833	129	962
Disposals	(3)	(4)	(7)
Transferred to inventories	(4)	–	(4)
Written-off	(1)	(4)	(5)
Impairment for the year	820	–	820
Foreign exchange adjustments	(152)	(40)	(192)
At 31 December 2013	10,689	1,339	12,028
Depreciation for the year	430	80	510
Disposals	(369)	(87)	(456)
Written-off	(3,588)	(1,128)	(4,716)
Foreign exchange adjustments	(40)	(50)	(90)
At 31 December 2014	7,122	154	7,276
Net book value:			
At 1 January 2013	2,657	224	2,881
At 31 December 2013	1,229	101	1,330
At 31 December 2014	1,538	266	1,804

Allocation of the depreciation expense:

	Group	
	2014	**2013**
	$'000	**$'000**
Cost of Sales	335	692
Technical Support Expenses	89	138
Distributions Costs	19	24
Administrative Expenses	23	31
Depreciation expenses recognised in profit or loss	466	885
Capitalised under Deferred Development Cost (Note 16)	44	77
Total	510	962

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15. Investment Property

	Group	
	2014	2013
	$'000	$'000
At fair value:		
At beginning of the year	3,438	3,540
Foreign exchange adjustment	(68)	(102)
Fair value at end of the year	3,370	3,438
Rental income from investment property (Note 5)	244	249
Direct operating expenses arising from investment property that generated rental income during the reporting year	(53)	(50)

As at 31 December 2014 the strata title of the investment property has not been issued by Department of Director General of Lands and Mines in Malaysia.

There are no restrictions on the realisability of investment property or the remittance of income and proceeds on disposal.

The investment property is leased out under operating leases. Note 29 below discloses the operating lease income commitments.

The fair value of the investment property was measured in December 2014 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on a valuation made by C H Williams Talhar & Wong, a firm of independent professional valuers, which hold a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued. There has been no change to the valuation technique during the year.

For fair value measurements categorised within Level 2 of the fair value hierarchy, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Asset:	Freehold property at Lot 3A-5-1, 5th Floor, Block 3A, Plaza Sentral, 50470, Kuala Lumpur, Malaysia
Fair value:	$3,370,000 (2013: $3,438,000)
Fair value hierarchy:	Level 2 (2013: Level 2)
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs:	Price per square foot. $419 (2013: $427)
Sensitivity on management's estimates – 10% variation from estimate:	Impact – lower by $337,000 (2013: $344,000); higher by $337,000 (2013: $344,000).

There were no transfers between Levels 1 and 2 during the year. The change in fair value is due to foreign exchange adjustment during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

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16. Intangible Assets

	Deferred development cost (under development) $'000	Deferred development cost (completed) $'000	Intellectual property $'000	Goodwill arising on consolidation $'000	Total $'000
Group					
Cost:					
At 1 January 2013	382	7,433	2,095	12,797	22,707
Additions during the year	852	–	–	–	852
Capitalisation of development equipment	77	–	–	–	77
Reclassification	(772)	772	–	–	–
Foreign currency translation differences	(7)	(138)	(60)	(369)	(574)
At 31 December 2013	532	8,067	2,035	12,428	23,062
Additions during the year	438	–	–	–	438
Capitalisation of development equipment	44	–	–	–	44
Reclassification	(540)	540	–	–	–
Foreign currency translation differences	(5)	(78)	(41)	(247)	(371)
At 31 December 2014	469	8,529	1,994	12,181	23,173
Accumulated amortisation and impairment loss:					
At 1 January 2013	–	4,255	2,095	–	6,350
Amortisation for the year	–	1,079	–	–	1,079
Foreign currency translation differences	–	(60)	(60)	–	(120)
At 31 December 2013	–	5,274	2,035	–	7,309
Amortisation for the year	–	1,047	–	–	1,047
Impairment for the year	–	361	–	–	361
Foreign currency translation differences	–	(44)	(41)	–	(85)
At 31 December 2014	–	6,638	1,994	–	8,632
Net book value:					
At 1 January 2013	382	3,178	–	12,797	16,357
At 31 December 2013	532	2,793	–	12,428	15,753
At 31 December 2014	469	1,891	–	12,181	14,541

The amortisation of intangible expenses is included in Cost of Sales.

16A. Deferred Development Costs

Deferred development cost mainly comprises staff costs, operating expenses and depreciation expenses for the development of the group's proprietary mobile software and has an average remaining amortisation period of 3 years (2013: 3 years).

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16. Intangible Assets (Cont'd)

16B. Intellectual Property

Intellectual property comprises rights and titles relating to mobile software.

16C. Goodwill

	Group	
	2014	**2013**
	$'000	**$'000**
Balance at beginning of the year	12,428	12,797
Foreign exchange adjustment	(247)	(369)
Balance at end of the year	12,181	12,428

Goodwill acquired through business combination has been allocated to VAS Business Segment, which is also a reportable operating segment, for impairment testing purpose. The carrying amount is disclosed above.

The goodwill was tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit ("CGU") exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less cost to sell or its value in use. The recoverable amounts of CGU have been measured based on the value is use method.

The VAS Business Segment consists of Unified Communications Pte Ltd and its subsidiaries (Note 17) and Ahead Mobile Sdn Bhd.

The value in use was determined by management using discounted cash flow valuation technique. The key assumptions used for value in use calculations, which are unobservable inputs, are as follows:

	2014	**2013**
Unobservable inputs:		
VAS Business Segment		
Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGU	11.47%	12.29%
Growth rates based on management estimate forecasts and not exceeding the average long-term growth rate for the relevant markets	2%	2%
Cash flow forecasts derived from the most recent financial budgets and plans approved by management	5 years	5 years

The value in use is a recurring fair value measurement (Level 3).

Management believes that any reasonably possible change in the key assumptions on which this division's recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

Actual outcomes could vary from these estimates. If the revised estimated pre-tax discount rate applied to the discounted cash flows had been increased to 13.47%, it would not cause carrying amount to exceed its recoverable amount. If the actual pre-tax had been more favourable than management's estimates, management would not be able to reverse any impairment losses that arose on goodwill because FRS 36 does not permit reversing an impairment loss for goodwill. No impairment charge was recognised in the current reporting year (2013: Nil) because the carrying amount of VAS Business Segment CGU was lower than their recoverable amount.

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17. Investments in Subsidiaries

	Company	
	2014 $'000	2013 $'000
Unquoted equity shares at cost	32,734	32,734
Analysis of above amount denominated in non-functional currency:		
Malaysian Ringgit	21,734	21,734

The subsidiaries held by the company and the group are listed below:

Name of subsidiaries, principal activities, country of incorporation/ place of operations	Cost in books of the company		Effective equity held by the group	
	2014 $'000	2013 $'000	2014 %	2013 %
Held by the company:				
Unified Communications Pte Ltd (a) Distribution of telecommunications products, the design and development of telecommunications solutions, project management, and maintenance and support services for the telecommunications industry. Singapore	11,000	11,000	100	100
Unified Communications Sdn Bhd (b) Research and development, software engineering, system integration, project management, and maintenance and support services for the telecommunications industry. Malaysia	21,526	21,526	100	100
Unified Communications (OHQ) Sdn Bhd (b) Provisions of management services. Malaysia	208	208	100	100
Unified Communications (OSS) Sdn Bhd (b) Investment holding. Malaysia	*	*	100	100
Mobilization Sdn Bhd (b) Dormant. Malaysia	*	*	100	100
Unified Assets Sdn Bhd (b) Investment holding. Malaysia	*	*	100	100
Captii Ventures Pte Ltd (e) Investment holding. Singapore	*	–	100	–
	32,734	32,734		

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17. Investments in Subsidiaries (Cont'd)

The subsidiaries held by the company and the group are listed below (Cont'd):

Name of subsidiaries, principal activities, country of incorporation/ place of operations	**Effective equity held by the group 2014 %**	**Effective equity held by the group 2013 %**
Held by Unified Communications Sdn Bhd		
Unified Communications (Tech) Pte Ltd (a) Distribution of information technology and telecommunications products. Singapore	100	100
Ahead Mobile Sdn Bhd (b) Software engineering, system integration, project management, and maintenance and support services for the telecommunication industry. Malaysia	100	100
Held by Unified Communications Pte Ltd		
Unified Communications (VAS) Sdn Bhd (b) Provision of telecommunications products, technology and customized solutions to telecommunications operators, service providers and enterprises. Malaysia	100	100
Unified (Thailand) Limited (c) Dormant. Thailand	–	100
Adzentrum Sdn Bhd (b) Dormant. Malaysia	100	100
Unified Communications (Private) Limited (d) Provision of telecommunications products, technology and customized solutions to telecommunications operators, service providers and enterprises. Pakistan	100	100

The subsidiaries that have non-controlling interests are listed below:

Name of subsidiaries, principal activities, country of incorporation/ place of operations	**Effective equity held by the group 2014 %**	**Effective equity held by the group 2013 %**
Held by Unified Communications (OSS) Sdn Bhd		
GlobeOSS Sdn Bhd (b) Provision of global roaming quality of service management solutions. Malaysia	51	51
GlobeOSS Pte Ltd (a) Provision of global roaming quality of services management solutions. Singapore	51	51

* Amounts less than $1,000.

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17. Investments in Subsidiaries (Cont'd)

The summarised financial information of GlobeOSS Sdn Bhd and GlobeOSS Pte Ltd, which have non-controlling interests that are material to the group, not adjusted for the percentage ownership held by the group, is as follows:

	Group	
	2014	2013
	$'000	$'000
Profit allocated to NCI of the subsidiary during the reporting year	96	79
Accumulated NCI of the subsidiary at the end of the reporting year	1,370	1,392
The summarised financial information of the subsidiary (not adjusted for the percentage ownership held by the group and amounts before inter-company eliminations):		
Dividends paid to NCI	–	194
Non-current assets	77	114
Current assets	5,727	3,765
Current liabilities	(3,009)	(1,327)
Revenue	7,835	4,932
Profit for the year and total comprehensive income for the year	196	159

(a) Audited by RSM Chio Lim LLP.

(b) Audited by RSM Robert Teo, Kuan & Co. in Malaysia, a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(c) Voluntarily wound up on 17 March 2014.

(d) Audited by BDO Ebrahim & Co., Pakistan, not a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(e) Not audited, as it is immaterial.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited, the Audit Committee and the Board of Directors of the company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the group.

18. Investment in a Joint Venture

	Group	
	2014	2013
	$'000	$'000
Movement in carrying value:		
Balance at beginning of the year	17	13
Addition	–	20
Share of Loss for the year	(10)	(5)
Foreign exchange adjustment	–	(1)
Allowance for impairment	–	(10)
Total at end of the year	7	17
Carrying value comprising:		
Unquoted shares at cost	583	583
Allowance for impairment	(232)	(232)
Share of post-acquisition losses, net of dividends received	(344)	(334)
	7	17

NOTES TO THE FINANCIAL STATEMENTS

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18. Investment in a Joint Venture (Cont'd)

Name of joint venture, principal activities, country of incorporation/ place of operations	Cost in books of the company		Effective equity held by the group	
	2014 $'000	2013 $'000	2014 %	2013 %
Held by Unified Communications Pte Ltd:				
Unified Telecom Private Limited (a)	582	582	50	50
Provision of telecommunications products, services and customized solutions.				
India				

(a) The statutory reporting year end of the joint venture is 31 March. The unaudited management financial statements for the period from 1 January 2014 to 31 December 2014 of the joint venture have been used for equity accounting since it is not significant to the group. Also see Note 30.

The financial statements of the joint venture are not material to the group.

19. Inventories

	Group	
	2014 $'000	2013 $'000
Finished goods for resale	19	3
Inventories are stated after allowance as follows:		
Balance at beginning of the year	937	881
Charge to profit or loss included in other losses	11	74
Used	(568)	(5)
Foreign exchange adjustments	1	(13)
Balance at end of the year	381	937

There are no inventories pledged as security for liabilities.

20. Contract Work-in-Progress

	Group	
	2014 $'000	2013 $'000
Aggregate amount of costs incurred and recognised profits to-date on uncompleted contracts	4,830	2,411
Less: Progress payments received and receivable to-date	(2,887)	(1,625)
Net amount due from contract customers at end of the year	1,943	786
Included in the statements of financial position as follows:		
Under Trade Receivables (Note 21)	2,287	851
Under Other Liabilities (Note 26)	(344)	(65)
	1,943	786

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

20. Contract Work-in-Progress (Cont'd)

The contract work-in-progress relates to proprietary solution contracts undertaken by the group for its customers. At the end of the reporting year, amounts included in trade and other receivables arising from service contracts are due for settlement within 12 months.

21. Trade and Other Receivables

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade receivables				
Outside parties	7,182	6,562	–	–
Due from customers on contracts (Note 20)	2,287	851	–	–
Less: Allowance for impairment	(58)	(37)	–	–
Subtotal	9,411	7,376	–	–
Other receivables				
Outside parties	120	120	72	73
Less: Allowance for impairment	(120)	(120)	(72)	(72)
Subsidiaries	–	–	6,820	6,770
Less: Allowance for impairment	–	–	(2,740)	(2,242)
Ultimate parent company (Note 3)	114	116	–	–
Refundable deposits	179	237	–	–
Less: Allowance for impairment	(24)	(24)	–	–
Subtotal	269	329	4,080	4,529
Total trade and other receivables	9,680	7,705	4,080	4,529
Movements in above allowance for outside parties:				
Balance at beginning of the year	181	209	72	72
Charge for receivables to profit or loss included in other charges	31	1	–	–
Used	(10)	(29)	–	–
Balance at end of the year	202	181	72	72
Movements in allowance – other receivables from subsidiaries:				
Balance at beginning of the year			2,242	1,038
Charge for receivables to profit or loss included in other charges			498	1,204
Balance at end of the year			2,740	2,242

22. Other Assets, Current

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Prepayments	342	536	4	3

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

23. Cash and Cash Equivalents

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Not restricted in use [(a)]	11,480	8,447	14	22
Restricted in use [(b)]	–	2,401	–	–
Cash pledged for bank facilities [(c)]	400	400	–	–
	11,880	11,248	14	22

The interest earning balances are not significant.

(a) The group has an amount of $227,000 (2013: $923,000) deposited with bank in Pakistan. In accordance with the requirement of Pakistan Foreign Exchange Regulations, the group requires the approval from the State Bank of Pakistan on any foreign remittance.

(b) The amount represents a deposit in an escrow account that serves as contingent consideration payable for the acquisition of a subsidiary.

(c) This is for amount held by the bankers as securities for the group's bank facilities.

23A. Cash and Cash Equivalents in the Consolidated Statement of Cash Flows

	Group	
	2014 $'000	2013 $'000
Amount as shown above	11,880	11,248
Cash restricted in use	–	(2,401)
Cash pledged for bank facilities	(400)	(400)
Cash and cash equivalents for consolidated statement of cash flows purposes at end of the year	11,480	8,447

24. Share Capital

	Number of shares issued '000	Share capital $'000
Ordinary shares of no par value:		
Balance at beginning and end of reporting years 31 December 2013 and 31 December 2014	319,572	31,948

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

24. Share Capital (Cont'd)

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

In order to maintain its listing on the Singapore Exchange, the company has to have share capital with at least a free float of 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the year. Management receives a report from the registrars frequently on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the year.

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

The group and the company did not have borrowings as at 31 December 2014 and 31 December 2013. Therefore, the debt-to-adjusted capital ration does not provide a meaningful indicator of the risk of borrowings.

25. Trade and Other Payables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables				
Outside parties and accrued liabilities	2,620	1,601	–	–
Other payables				
Accrued expenses	2,130	1,752	254	200
Ultimate parent company (Note 3)	16	14	–	–
Deposits to secure services	95	95	–	–
Subsidiaries	–	–	281	467
Related companies (Note 3)	19	19	–	–
Outside parties	360	1,254	15	43
Subtotal	2,620	3,134	550	710
Total trade and other payables	5,240	4,735	550	710

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

26. Other Liabilities

	Group	
	2014 $'000	2013 $'000
Advance billings to customers	183	354
Due to customers on contracts (Note 20)	344	65
	527	419

27. Financial Instruments: Information on Financial Risks

27A. Classification of Financial Assets and Liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting year by FRS 39 categories:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial assets:				
Cash and bank balances	11,880	11,248	14	22
Loans and receivables	9,680	7,705	4,080	4,529
	21,560	18,953	4,094	4,551
Financial liabilities:				
Trade and other payables measured at amortised cost	5,240	4,735	550	710

Further quantitative disclosures are included throughout these financial statements.

There are no significant fair value measurements recognised in the statement of financial position.

27B. Financial Risk Management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. The management has certain practices for the management of financial risks and action to be taken in order to manage the financial risks. The guidelines include the following:

(i) Minimise interest rate, currency, credit and market risks for all kinds of transactions.

(ii) Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.

(iii) All financial risk management activities are carried out and monitored by senior management staff.

(iv) All financial risk management activities are carried out following market practices.

The group and company are exposed to currency and interest rate risks. There are no arrangements to reduce such risk exposures through derivatives and other hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

27. Financial Instruments: Information on Financial Risks (Cont'd)

27C. Fair Value of Financial Instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

27D. Credit Risk on Financial Assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial instruments; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any loan payable commitment at the end of the reporting year. Credit risk on cash balances with banks is limited because the counter-parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management.

Note 23 discloses the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 90 days (2013: 30 to 90 days). But some customers take a longer period to settle the amounts.

(a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group	
	2014	**2013**
	$'000	**$'000**
Trade receivables:		
3 to 9 months	3,480	1,092
Over 9 months	181	1,286
	3,661	2,378

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group	
	2014	**2013**
	$'000	**$'000**
Trade receivables:		
Over 9 months	58	37

The allowance which is disclosed in Note 21 on trade receivables is based on individual accounts totalling $58,000 (2013: $37,000) that are determined to be impaired at the end of reporting year. These are not secured.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

27. Financial Instruments: Information on Financial Risks (Cont'd)

27D. Credit Risk on Financial Assets (Cont'd)

(c) At end of the reporting year, approximately 58% (2013: 56%) of trade receivables are due from three customers as follows:

	Group	
	2014	2013
	$'000	$'000
Top 1 customer	4,281	3,533
Top 2 customers	5,028	3,891
Top 3 customers	5,480	4,110

Other receivables are normally with no fixed terms and therefore there is no maturity.

27E. Liquidity Risk – Financial Liabilities Maturity Analysis

The following table analyses the financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) at the end of the reporting year:

	Less than 1 year			
	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade and other payables	5,240	4,735	550	410

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay. For financial guarantee contracts the maximum earliest period in which the guarantee amount can be claimed by the other party is used. At the end of the reporting year no claims on the financial guarantees are expected.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 60 days (2013: 30 to 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows.

27F. Interest Rate Risk

The group and the company are not subject to significant interest rate risk exposure.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

27. Financial Instruments: Information on Financial Risks (Cont'd)

27G. Foreign Currency Risk

Analysis of amounts denominated in non-functional currency at the end of the reporting year:

	Singapore dollars	US dollars	Euro	Indian Rupee	Total
	$'000	$'000	$'000	$'000	$'000
Group					
2014					
Financial assets:					
Cash and cash equivalents	21	1,147	206	–	1,374
Trade and other receivables	353	1,237	54	–	1,644
Total financial assets	374	2,384	260	–	3,018
Financial liabilities:					
Trade and other payables	(63)	(1,593)	(632)	176	(2,464)
Net financial assets/ (liabilities)	311	791	(372)	(176)	554
2013					
Financial assets:					
Cash and cash equivalents	–	475	369	–	844
Trade and other receivables	188	1,299	162	–	1,649
Total financial assets	188	1,774	531	–	2,493
Financial liabilities:					
Trade and other payables	–	(848)	(394)	(176)	(1,418)
Net financial assets/ (liabilities)	188	926	137	(176)	1,075
Company					
2014					
Financial assets:					
Cash and cash equivalents	–	2	–	–	2
2013					
Financial assets:					
Cash and cash equivalents	–	2	–	–	2

There is exposure to foreign currency risk as part of the group's normal business.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

27. Financial Instruments: Information on Financial Risks (Cont'd)

27G. Foreign Currency Risk (Cont'd)

Sensitivity analysis:

	Group	
	2014 $'000	2013 $'000
A hypothetical 10% strengthening in the exchange rate of the functional currency $ of certain foreign subsidiaries against Singapore dollars with all other variable held constant would have an adverse effect on profit before tax of	(31)	(19)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against US dollar with all other variable held constant would have an adverse effect on profit before tax of	(79)	(93)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against Euro with all other variable held constant would have favourable/ (adverse) effect on profit before tax of	37	(14)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against Indian Rupee with all other variable held constant would have a favourable effect on profit before tax of	18	18

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction on the profit or loss.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

28. Operating Lease Payment Commitments

At the end of the reporting year, total of future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2014 $'000	2013 $'000
Not later than one year	148	175
Later than one year and not later than five years	138	132
Total	286	307
Rental expenses for the year	336	371

Operating lease payments represent rentals payable for certain office premises. The lease rental terms are negotiated for an average term of three years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

29. Operating Lease Income Commitments

At the end of the reporting year, total of future minimum lease receivables committed under non-cancellable operating leases are as follows:

	Group	
	2014 **$'000**	**2013** **$'000**
Not later than one year	244	249
Later than one year and not later than five years	224	478
Total	468	727

Operating lease income commitments are for the investment property. The lease rental income terms are negotiated for a term of three years.

30. Contingent Liabilities

	Company	
	2014 **$'000**	**2013** **$'000**
Undertaking to support subsidiaries with deficits (a)	3,772	4,931
Litigation (b)	2,100	2,100

(a) Undertaking to support subsidiaries with deficits

The company has undertaken to provide continued financial support to certain of its subsidiaries which has total accumulated losses in excess of the issued and paid-up capital as at 31 December 2014 amounting in aggregate to $3,772,000 (2013: $4,931,000) to enable them to continue to operate as going concerns and to meet their obligations as and when they fall due for at least 12 months from the end of the reporting year.

The company has also issued a financial guarantee to a bank for banking facilities granted to a subsidiary. The banking facilities are secured by fixed deposits of the subsidiary amounting to approximately $317,000 and covered by a personal guarantee of a director of the subsidiary and corporate guarantee of the company of $581,000 (2013: $590,000). As at the end of the financial year, the outstanding facilities covered by the guarantee were Nil (2013: Nil).

(b) Litigation

On 19 November 2013, Unified Telecom Private Limited ("UTPL"), a joint venture of Unified Communications Pte Ltd ("UCPL"), filed a petition to the High Court of Delhi, New Delhi in India under Section 9 of India Arbitration and Conciliation Act, 1996 to obtain interim relief on the protection of assets currently under the custody of a former customer, a mobile telecoms network operator and service provider in India (the "Telco"), and to deny the penalty claims by the Telco against UTPL.

The Telco had via a letter issued in July 2013 alleged that UTPL is liable for a sum of INR 10.7 crore (approximately $2.1 million) for damages and expenditure incurred in connection with the contract during its currency.

Legal advice has been sought from reputable law firms in both India and Singapore with good credentials in handling contract litigation and dispute resolution, to review and advise on the merit of this claim by the Telco on UTPL. Based on the legal opinions obtained from the law firms concerned, management is of the view that UTPL has full rights and title to the assets and should be entitled to demand their return, and that the Telco's claim against UTPL has no legal merit. Accordingly, external legal counsels in Singapore and India have been appointed to advise and represent UCPL and UTPL to pursue legal recourse.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

30. Contingent Liabilities (Cont'd)

(b) (Cont'd)

As announced by the company on 16 January 2015, the hearing on the petition filed by UTPL which was originally scheduled to be heard on 23 April 2014, having been adjourned on several occasions was dismissed by the High Court, as the Telco had initiated the arbitration proceedings before a tribunal. The High Court was of the view that the matter should be resolved through arbitration proceedings since the tribunal had already been constituted.

In the opinion of management, no losses are expected to arise pertaining to the aforesaid contingent liability.

31. Events After the End of the Reporting Year

On 17 February 2015, the company proposed to undertake a share consolidation of every ten ordinary shares in the issued share capital of the company registered in the name of each shareholder of the company in order to comply with the listing requirement of The Singapore Exchange Securities Trading Limited.

The proposed share consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any shareholder of any paid-up capital of the company, and has no effect on the equity of the group and the company. The proposed share consolidation is subject to approval by shareholders at the Extraordinary General Meeting.

32. Changes and Adoption of Financial Reporting Standards

For the current reporting year the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 27	Consolidated and Separate Financial Statements (Amendments to)
FRS 27	Separate Financial Statements (Revised)
FRS 28	Investments in Associates and Joint Ventures (Revised)
FRS 36	Amendments to FRS 36: Recoverable Amount Disclosures for Non-Financial Assets (relating to goodwill)
FRS 39	Amendments to FRS 39: Novation of Derivatives and Continuation of Hedge Accounting (*)
FRS 110	Consolidated Financial Statements
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112
FRS 111	Joint Arrangements
FRS 112	Disclosure of Interests in Other Entities
INT FRS 121	Levies (*)

(*) Not relevant to the entity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

33. Future Changes in Financial Reporting Standards

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 9	Amendments to FRS 19: Defined Benefit Plans: Employee Contributions (*)	1 July 2014
	Improvements to FRSs (Issued in January 2014). Relating to: FRS 102 Share-based Payment (*) FRS 103 Business Combinations FRS 108 Operating Segments FRS 113 Fair Value Measurement FRS 16 Property, Plant and Equipment FRS 24 Related Party Disclosures FRS 38 Intangible Assets	1 July 2014
	Improvements to FRSs (Issued in February 2014). Relating to: FRS 103 Business Combinations FRS 113 Fair Value Measurement FRS 40 Investment Property	1 July 2014
FRS 114	Regulatory Deferral Accounts (*)	1 January 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Financial Statements	1 January 2016
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16, FRS 41	Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants (*)	1 January 2016
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (*)	1 January 2016
FRS 111	Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations (*)	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2017
Various	Improvements to FRSs (November 2014)	1 January 2016

(*) Not relevant to the entity.

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2015

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2	0.12	30	0.00
100 - 1,000	39	2.38	37,483	0.01
1,001 - 10,000	717	43.72	5,245,504	1.64
10,001 - 1,000,000	864	52.68	56,346,800	17.63
1,000,001 AND ABOVE	18	1.10	257,942,858	80.72
TOTAL	**1,640**	**100.00**	**319,572,675**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Worldwide Matrix Sdn Bhd	126,922,939	39.72
2	RHB Securities Singapore Pte Ltd	63,484,000	19.87
3	Wong Tze Leng	19,034,329	5.96
4	Raffles Nominees (Pte) Limited	10,444,200	3.27
5	Chang Shaw Hwa	7,097,000	2.22
6	UOB Kay Hian Private Limited	6,112,000	1.91
7	DBS Nominees (Private) Limited	3,716,000	1.16
8	OCBC Securities Private Limited	3,086,500	0.97
9	Citibank Nominees Singapore Pte Ltd	2,650,000	0.83
10	DBSN Services Pte Ltd	2,269,000	0.71
11	Liu Wenying	2,132,900	0.67
12	Goh Peng Hock	2,000,000	0.63
13	Tan Eng Chua Edwin	1,994,000	0.62
14	Ong Wooi Siang	1,595,000	0.50
15	Phillip Securities Pte Ltd	1,543,990	0.48
16	Maybank Kim Eng Securities Pte Ltd	1,427,000	0.45
17	United Overseas Bank Nominees (Private) Limited	1,319,000	0.41
18	OCBC Nominees Singapore Private Limited	1,115,000	0.35
19	Stelpa Sendirian Berhad	1,000,000	0.31
20	Chan Kok Hiang	985,000	0.31
	TOTAL	**259,927,858**	**81.35**

SUBSTANTIAL SHAREHOLDERS

No.	Name	No. of Shares	%
1	Worldwide Matrix Sdn Bhd	186,322,939[(a)]	58.30
2	Wong Tze Leng	19,034,329	5.96

[(a)] Advance Synergy Berhad is deemed to be interested in the shares held by Worldwide Matrix Sdn Bhd by virtue of its shareholdings in Worldwide Matrix Sdn Bhd.

Based on the information available to the Company as at 20 March 2015, approximately 33.74% of the issued ordinary shares of the Company is held by the public. Therefore Rule 723 of the Listing Manual issued by Singapore Exchange Securities Trading Limited has been complied with by the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Grand Mercure Singapore Roxy, 50 East Coast Road, Roxy Square, Singapore 428769, Meyer & Frankel Room, Level 3 on Wednesday, 29 April 2015 at 3.00 p.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2014 and the Reports of Directors and Auditors thereon. **Resolution 1**

2. To approve the directors' fees of S$87,200/- for the financial year ended 31 December 2014 [2013: S$83,000/-]. **Resolution 2**

3. To re-elect the following directors retiring pursuant to Article 103 of the Company's Articles of Association:-

   (a) Chuah Seong Phaik **Resolution 3**
   (b) Phuah Peng Hock **Resolution 4**

   (See Explanatory Note 1)

4. To re-appoint RSM Chio Lim LLP as auditors of the Company and to authorise the directors to fix their remuneration. **Resolution 5**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following with or without modifications:-

<u>Ordinary Resolutions</u>

5. **Authority to allot and issue shares** **Resolution 6**

   (a) "That, pursuant to Section 161 of the Companies Act, Cap. 50, and the Listing Manual of Singapore Exchange Securities Trading Limited (SGX-ST), approval be and is hereby given to the directors of the Company at any time to such persons and upon such terms and for such purposes as the directors may in their absolute discretion deem fit, to:-

   (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares; and

   (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues;

   (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while the authority was in force, provided always that:-

   (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company. Unless prior shareholders' approval is required under the Listing Rules, an issue of treasury shares will not require further shareholders' approval and will not be included in the aforementioned limits;

NOTICE OF ANNUAL GENERAL MEETING

For the purpose of this resolution, the total number of issued shares excluding treasury shares is based on the Company's total number of shares excluding treasury shares at the time this resolution is passed, after adjusting for:-

a) new shares arising from the conversion or exercise of convertible securities; or

b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of SGX-ST; and

c) any subsequent consolidation or subdivision of the Company's shares;

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." *(See Explanatory Note 2)*

6. To transact any other business which may properly be transacted at an Annual General Meeting.

Dated this 10th day of April 2015

By Order of the Board

Tan Siew Hua
Company Secretary

Explanatory Notes:-

1. The ordinary resolution in item 3 is to re-elect the retiring directors pursuant to Article 103 of the Company's Articles of Association:-

   (a) Chuah Seong Phaik will, upon re-election as an Independent Director of the Company, remain as the Chairman of Audit and Nominating Committees and a member of the Remuneration Committee.

   (b) Phuah Peng Hock will, upon re-election as a Lead Independent Director of the Company, remain as the Chairman of Remuneration Committee and a member of the Audit and Nominating Committees.

2. The ordinary resolution 6 in item 5 if passed will empower the directors of the Company from the date of this Meeting until the next Annual General Meeting to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the directors may allot and issue under this resolution would not exceed 50 percent of the issued share capital of the Company at the time of passing this resolution. For issue of shares and convertible securities other than on a pro-rata basis to all shareholders the aggregate number of shares to be issued shall not exceed 20 percent of the issued share capital of the Company, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Notes:-

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies in his/her stead.

2. A proxy needs not be a member of the Company.

3. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. The instrument appointing a proxy must be deposited at the registered office of the Company at 140 Paya Lebar Road #10-14 AZ @ Paya Lebar Singapore 409015 not later than 48 hours before the time appointed for the Meeting.

CAPTII LIMITED

(Company Registration No. 200211129W)
(Incorporated in the Republic of Singapore)

Important:

1. For investors who have used their CPF monies to buy Captii Limited's shares, this Annual Report 2014 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

PROXY FORM

I/We ______________________________ (Name) ____________________ NRIC No./Passport No./

Company Registration No. ____________________ of ______________________________

______________________________ (Address)

being a member/members of CAPTII LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

* and/or

as **my/our proxy/proxies* to vote for **me/us* on **my/our* behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Grand Mercure Singapore Roxy, 50 East Coast Road, Roxy Square, Singapore 428769, Meyer & Frankel Room, Level 3 on Wednesday, 29 April 2015 at 3.00 p.m. and at any adjournment thereof.

* *I/We* direct **my/our proxy/proxies* to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the * *proxy/proxies* will vote or abstain from voting at **his/their* discretion.

No.	Ordinary Resolutions	Resolution No.	For	Against
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2014 and the Reports of Directors and Auditors thereon.	**Resolution 1**		
2.	To approve the directors' fees of S$87,200/- for the financial year ended 31 December 2014 [2013: S$83,000/-].	**Resolution 2**		
3.	To re-elect the following directors retiring pursuant to Article 103 of the Company's Articles of Association:- (a) Chuah Seong Phaik (b) Phuah Peng Hock	 **Resolution 3** **Resolution 4**		
4.	To re-appoint RSM Chio Lim LLP as auditors of the Company and to authorise the directors to fix their remuneration.	**Resolution 5**		
5.	To authorise directors to allot shares pursuant to Section 161 of the Companies Act, Cap. 50.	**Resolution 6**		

Dated this __________ day of ______________ 2015

Total Number of Shares Held

____

Signature(s) of Member(s)/Common Seal

* *Please delete accordingly.*

Proxy Form

CAPTII LIMITED
(Company Registration No. 200211129W)
(Incorporated in the Republic of Singapore)

Notes :-

1. A member should insert the total number of shares held. If the member has shares entered against his/her name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he/she should insert that number of shares. If the member has shares entered in his/her name in the Register of Members of the Company, he/she should insert the number of shares. If the member has shares entered against his/her name in the Depository Register and shares registered in his/her name in the Register of Members of the Company, he/she should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

2. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. Such proxy need not be a member of the Company.

3. Where a member of the Company appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 140 Paya Lebar Road #10-14 AZ @ Paya Lebar Singapore 409015 not later than 48 hours before the time set for the Annual General Meeting. If a member submits a proxy form and subsequently attends the meeting in person, and votes, the appointment of the proxy should be revoked.

6. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Cap. 50 of Singapore.

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

Captii Limited (SGX: U18)

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