mediaring.com

ANNUAL REPORT 2001

C O N T E N T S . . .

The deterioration in the global economic climate that started in the second half of 2000 continued throughout 2001 and the Internet and IT sectors bore the brunt of this devastating downturn. Recognizing these trends, MediaRing in 2001 accelerated the transformation that it started during the second half of 2000, from a free Internet usage model based on on-line advertising revenue to a provider of fee-based IP telephony services and technology solutions to carriers, enterprises and consumers. During the year MediaRing discontinued the web based integrated solutions business that was targeting on-line communities. Engineering resources were re-directed to address fundamental technology challenges that the industry faces in the delivery of IP telephony services, amongst them security, quality of service, and multi-vendor interoperability.

The repositioning resulted in more than 63.5% of the Group's turnover in 2001 coming from telephony services and only 1 % from advertising, compared to 2000, where 48.7 % of revenue was from advertising. The focus on technology enhanced our leadership in the VoIP arena, and the business transformation also earned MediaRing international recognition in the VoIP space as evidenced by the recently annaunced award by Frost and Sullivan.

CHAIRMAN'S MESSAGE...

"Going forward, MediaRing will focus on only two business areas, namely, IP telephony services and licensing of our technologies."

GROUP PERFORMANCE

Group revenue increased from $19.8 million in 2000 to $20.1 million for the year 2001. This was attributed to the following segments of business:

TELEPHONY SERVICES

Revenue from telephony services increased from $7.8 million in 2000 to $12.8 million for the year 2001, an increase of better than 60%. This was generated from the sale of pre-paid cards, post-paid services and termination services. During the year the Group introduced several new routes in the phone-to-phone service segment, leveraging on MediaRing's technology infrastructure.

CONSUMER SERVICES

Consumer revenue decreased from $11.3 million in 2000 to $6.5 million for the year 2001. Advertising revenue comprising standard banner advertisements, e-mail services and sponsorships decreased from $9.8 million in 2000 to $0.2 million for the year 2001. The lower advertising revenue was mainly due to the decline of the Internet sector and the demise of advertising based business models, together with the changes implemented in the Group's business focus.

The majority of the Group's free VoIP services were terminated in February 2001. More revenue generating business models were established, supporting both pre and post paid telephony services based on MediaRing's proprietary VoIP technology and infrastructure. Overall, consumer VoIP services contributed S$5.6 million of the total revenue.

INTEGRATED SOLUTIONS

The Group discontinued the Integrated Solutions services during the year. Resources were channeled into engineering development and to support our carrier and re-seller programs.

The Group continues to invest in R&D to develop new products and services focusing on the corporate and carrier markets.

STREAMLINED OPERATIONS

During the year 2001, the Group streamlined its organization and certain operations in foreign subsidiaries were made redundant and consolidated into the Singapore Head Office. Consequently, operating loss before taxation was reduced from S$56.9 million in 2000 to S$33.9 million for the year 2001. The decrease was mainly attributed to significant reductions in various operating costs such as marketing and personnel related costs as a result of the consolidation measures implemented.

Provision for diminution in value of investments also reduced from S$7.8 million in 2000 to approximately S$34,000 in the year 2001.

The foreign exchange gain of the Company and its subsidiaries of S$4.0 million for the year 2001 is mainly due to the unrealized exchange gain from the Group's holdings in US dollar denominated assets. The exchange rate moved favourably from US$1:S$1.7315 at the beginning of the 2001 to S$1.85 at end of the year.

The Group decided to make a provision for doubtful debts of S$3.65 million and write off fixed assets for its discontinued services amounting to S$2.9 million. In addition, the company also made a one-time write-off of goodwill on consolidation of S$2.6 million for acquiring the interests that it did not own in its subsidiaries and associated companies. The loss after accounting for share of associated companies' losses and minority interest was S$34.6 million for the year 2001, compared to S$56.0 million in the previous year, a decline of 38%.

GOING FORWARD

Though MediaRing has successfully transformed its business in 2001, the Board felt that the Group's cost structure could not be sustained. In Jan 2002, a major re-structuring was undertaken to further streamline operations and bring costs down to better match revenue opportunities. The Group's staff strength reduced by nearly 35%.

Services and engineering efforts were realigned to focus on businesses with revenue potential. In addition, VoizBridge, a new product line that facilitates secured commercial exchange of voice and fax traffic over multi-vendor IP networks targeting carriers and service providers was launched. A Technology Division was formed to spearhead this new opportunity.

Going forward, MediaRing will focus on two business areas, namely, IP telephony services and licensing of our technologies. Although MediaRing is now better positioned to meet the challenges ahead, the future is not without risk. Uncertainties in the recoveries in major economies and increasing competition challenge MediaRing everyday. The continued downward trend of bandwidth cost also erodes MediaRing's immediate competitiveness in the provision of telephony services over the Internet. On the other hand, IP telephony services has shown gathering momentum and MediaRing, being a leader in this technology, is poised to grow in tandem with the growth in VoIP telecommunications.

On behalf of the Board, I would like to thank our colleagues in MediaRing for their effort and contribution during the year and our shareholders for their support.

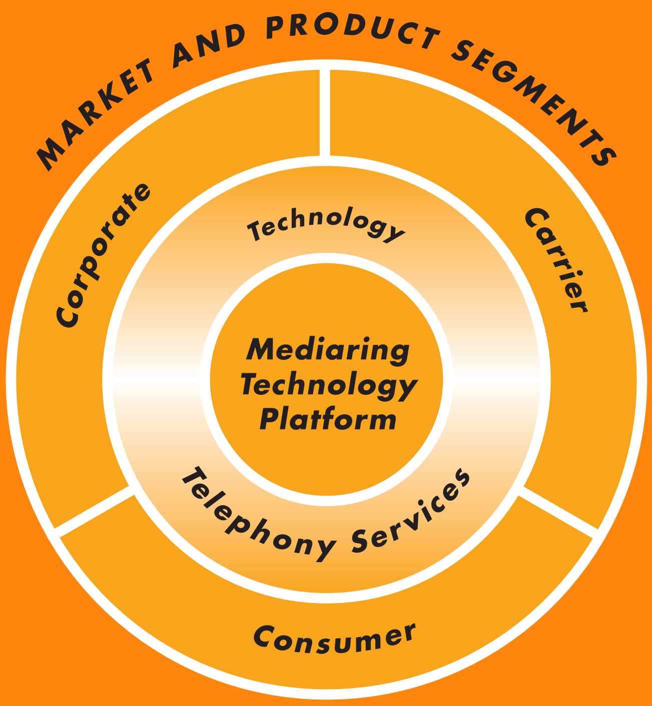
Walter Sousa
Chairman

PRODUCTS & SERVICES...

POSITIONED TO GROW AND SHAPE THE FUTURE OF VoIP

MediaRing has been developing Internet Protocol-based real-time communications technologies since 1993. MediaRing is an early adopter of Voice-over-IP (VoIP) technology in Asia, and has made its mark in making the delivery of high quality IP telephony services to consumers over the public Internet a reality.

In 2001 MediaRing extended its range of services and solutions to target the global telecommunications carrier and enterprise markets, while putting on hold the Integrated Solutions set of web-based offerings that targeted online communities. New inventions that facilitate the secured exchange of commercial voice and fax traffic over multi-domain interconnected IP networks have led to new patent filings and technology licensing opportunities. Enhancements made to the operations and business support systems have also enabled the launch of new business models, such as the delivery of Internet telephony services through private label partners and offline reseller distribution networks. As the adoption rate of VoIP technology accelerates amongst carriers, enterprises, and consumers, MediaRing is poised to grow with the industry.



“MediaRing’s management has demonstrated exemplary entrepreneurial skills, solid business judgement and excellent knowledge of the industry by repositioning the company to meet the demands of an evolving marketplace,” said Elka Popova, research analyst for Frost & Sullivan.” MediaRing’s provident business strategy, well-diversified services portfolio and innovative technologies are a guarantee of its future success in the market for telecommunications services.”

FROST & SULLIVAN
Market Engineering Award Recipient
Entrepreneurial Company 2002

RECOGNIZED AS ONE OF THE LEADERS IN VoIP TECHNOLOGY

In 2001, Frost & Sullivan - a leading global analyst and strategic market consultancy-qualified and presented the 2002 Entreapreneurial Company Market Engineering Award to MediaRing for its entrepreneurial spirit and successful business development strategy.

This award recognizes MediaRing’s achievements in positioning or repositioning the company for future success. Additionally, the award certifies that the company’s business strategy is sound and in line with the specific market place and the overall economic environment.

YEAR 2002 PRODUCTS AND SERVICES FOCUS

MediaRing in 2002 will continue to innovate and deliver technologies to grow its services and technology licensing business units.

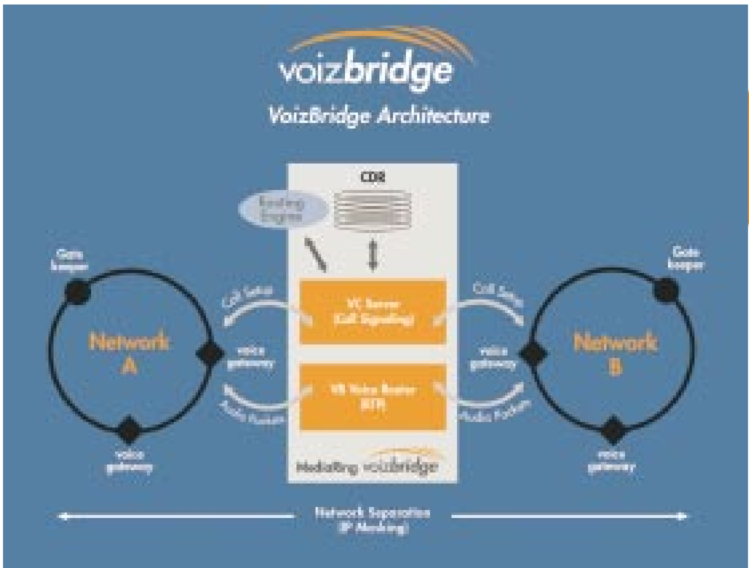
MediaRing VoizNet Services Division offers a range of Internet telephony services that encompass the carrier, enterprise and consumer markets. These services leverage VoizNet, a global interconnected voice network over the public Internet powered by MediaRing's proprietary technology.

VoizNet is designed to facilitate the transmission of voice data over IP networks of an unpredictable nature, such as the public Internet. Its architecture adopts VoizBridge technology to provide carrier-class performance and interoperability. With a global reach of over 200 countries, VoizNet enables the delivery of quality telephony services with very low delivery costs.

VoizNet for Carriers simplifies the connectivity and exchange of international wholesale voice traffic amongst carriers and service providers. VoizNet for Enterprise enables corporate customers to enjoy low cost VoIP services without having to replace their existing investments in telephony equipments. Finally VoizFone, MediaRing's PC to Phone service for consumers, leverages VoizNet's worldwide reach to provide low cost high quality Internet telephony service to online users worldwide.

MediaRing Technology Division is responsible for licensing MediaRing's innovative VoIP interconnect and value-added IP telephony solutions to telecommunication carriers and service providers (ISPs/xSPs) worldwide. In 2002, the Technology division will focus on promoting VoizBridge, MediaRing's solution to facilitate secured inter-domain exchange of commercial telephony and fax traffic. VoizBridge opens up the possibility for carriers to implement a new generation of VoIP clearinghouse and IP-based international wholesale interconnect zones.

"In 2002, the Technology division will focus on promoting VoizBridge, MediaRing's solution to facilities secured inter-domain exchange of commercial telephony and fax traffic."



TECHNOLOGY DIVISION

TELECOMMUNICATIONS CARRIERS, CLEARINGHOUSES AND SERVICE PROVIDERS

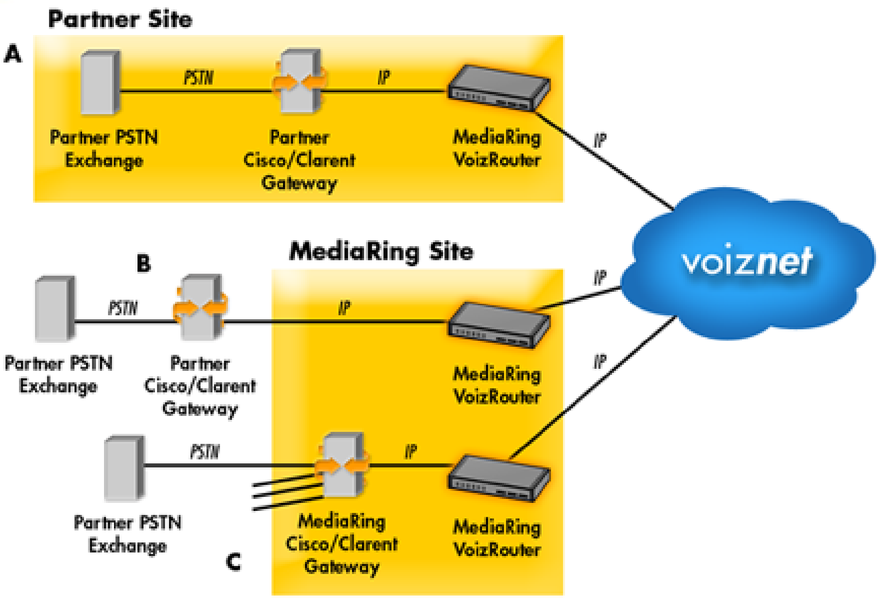
MEDIARING VOIZBRIDGE

MediaRing VoizBridge is an IP based inter-domain connectivity solution that allows different IP networks to exchange billable voice and fax traffic. The network domains that can be connected include carrier VoIP networks, enterprise IP networks, and even IP-based home networks with broadband Internet connectivity.

VoizBridge generates call detail records (CDRs) to facilitate inter-network billing and settlement. For added security, VoizBridge supports the ESTI Open Settlement Protocol (OSP) standards. VoizNet provides a unique implementation that allows network address translation (NAT) to be accomplished at both the signaling and voice paths.

Supporting industry standard protocols, VoizBridge's wide-scale interoperability between multiple gateways or gatekeepers manufactured by different vendors makes it an ideal interconnect solution for carriers, clearinghouses and service providers.

The first customer adoption of VoizBridge took place in November 2001. The product is generally available today.



VOIZNET SERVICES DIVISION

TELECOMMUNICATIONS CARRIERS, CLEARINGHOUSES AND SERVICE PROVIDERS

VOIZNET FOR CARRIERS

Through VoizNet, MediaRing offers international wholesale termination services to carriers via a robust and expansive telecommunications network.

In partnership with some of the world's largest telecommunication carriers, VoizNet terminates calls in more than 200 countries. Fast, fully-redundant connections feature advanced technologies that ensure high call quality and availability.

VOIZNET FOR ISP

VoizNet For ISP provides service providers with the ability to offer simple, cost effective, world wide phone-to-phone calling services to their customers using their existing networks and their customer existing PABX systems.

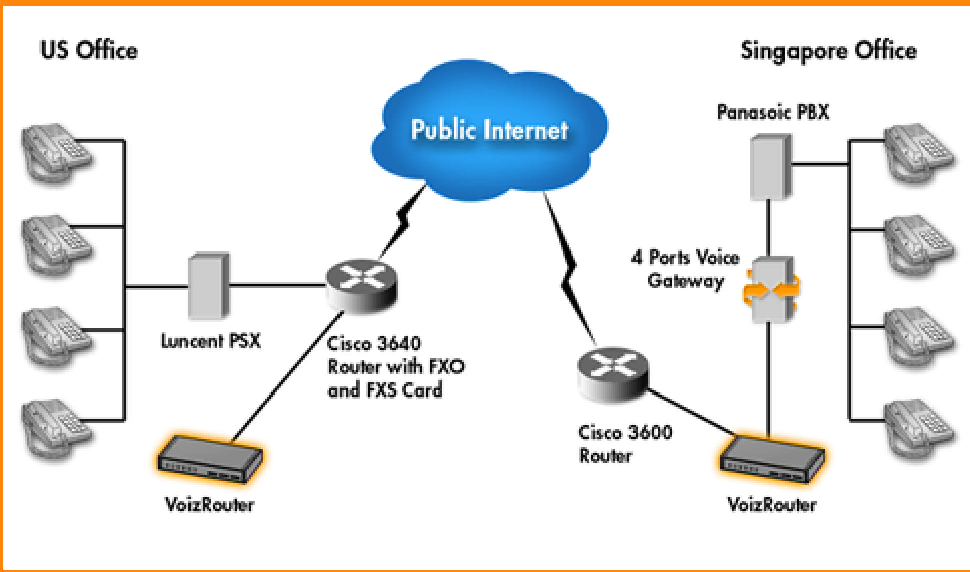
The solutions allow service providers to leverage VoizNet, MediaRing's global interconnected VoIP network, to offer services to their customer to make call over Internet Protocol thus lowering communication cost.

VOIZFONE FOR ISPs

Voiznet for IPSs is a private label solution for service providers to offer own-branded Pre-paid PC-to-Phone services. Based on the same robust technology from VoizNet.

With VoizFone for ISPs, service providers can concentrate on managing their customers, while MediaRing undertakes the management and facilitation of back-end operations like call termination, billing, and maintenance.

VoizNet for ISP allow service providers to leverage VoizNet, MediaRing's global interconnected VoIP network, to offer services to their customer to make call over Internet Protocol thus lowering communication cost.



ENTERPRISE

VOIZNET FOR ENTERPRISES

MediaRing VoizNet for Enterprises provides companies with a simple and affordable way to leverage the public Internet as a delivery mechanism for their long-distance communication needs. VoizNet For Enterprises is a hybrid solution that allows managers to integrate their company's PABX telephone infrastructure with its existing Internet connection using MediaRing VoizRouter technology, leading to cost savings of more than 90 per cent.

Companies can lower their cost of communication without a large initial outlay in the implementation of a managed network, while maintaining high call quality and reliability.

CONSUMERS

VOIZFONE FOR CONSUMERS

VoizFone for consumers, MediaRing's PC to Phone service for consumers, provides quality PC-to-Phone calls without the elevated calling rates of traditional IDD providers. With prices even lower than that of Phone-to-Phone VoIP providers, VoizFone features patent-pending MediaRing technologies that ensure high call clarity even over the public Internet.

CORPORATE INFORMATION...

BOARD OF DIRECTORS

Walter Sousa (Chairman)
Koh Boon Hwee
Sim Wong Hoo
Pol Lucien Corneel Hauspie
Thomas Kalon Ng
Khaw Kheng Joo
Thomas Henrik Zilliacus

EXECUTIVE COMMITTEE

Walter Sousa
Koh Boon Hwee
Yvonne Lau Yee Wan

COMPANY SECRETARIES

Abdul Jabbar bin Karam Din
Yvonne Lau Yee Wan

AUDIT COMMITTEE

Khaw Kheng Joo (Chairman)
Koh Boon Hwee
Thomas Kalon Ng

COMPENSATION COMMITTEE

Koh Boon Hwee (Chairman)
Sim Wong Hoo

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PRINCIPAL BANKERS

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Singapore 039190

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

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Certified Public Accountants
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Partner-in-charge: Max Loh Khum Whai

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(Amounts in Singapore dollars unless otherwise stated)

The directors are pleased to present their report to the members together with the audited financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group) for the financial year ended 31 December 2001.

DIRECTORS

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

Walter Sousa	
Koh Boon Hwee	
Pol Lucien Corneel Hauspie	
Sim Wong Hoo	
Thomas Kalon Ng	
Khaw Kheng Joo	(appointed on 28 February 2002)
Thomas Henrik Zilliacus	(appointed on 28 February 2002)

PRINCIPAL ACTIVITIES

The principal activities of the Company include:

- research and development, design and marketing of telecommunication software;
- marketing and sales of international telephony services; and
- marketing and sales of internet voice communication services.

The principal activities of the subsidiaries include those relating to marketing and the sale of international telephony services and internet voice communication services in their respective countries of incorporation.

There have been no significant changes in the nature of these activities during the financial year.

EMPLOYEES

The total number of employees in the Company and the Group at the end of the financial year was 100 (2000: 123) and 221 (2000: 277) respectively.

RESULTS FOR THE FINANCIAL YEAR

	Group	Company
	$	$
Loss after tax	34,567,643	5,022,175
Accumulated losses brought forward	91,874,354	39,818,428
Accumulated losses carried forward	126,441,997	44,840,603

MATERIAL TRANSFERS TO OR FROM RESERVES OR PROVISIONS

Except as shown in the financial statements, there were no material transfers to or from reserves or provisions during the financial year.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Additional equity interests in the following companies were acquired by the Company during the financial year:

Name of subsidiary	Interest before and after additional acquisition		Consideration	Net tangible assets acquired
	Before %	After %		
Mediaring TC, Inc	49%	100%	¥44,300,000	¥37,161,184
I2U Pte Ltd	72%	100%	$150,000	-
MediaRing (Hong Kong) Limited (Formerly known as MediaRing.com (Hong Kong) Limited)	90%	100%	$2,102,400	-

There were no other acquisitions or disposals of subsidiaries during the financial year.

ISSUE OF SHARES OR DEBENTURES

During the financial year, the Company issued the following shares:

	Shares issued	Purpose
(a)	17,520,000 ordinary shares of $0.10 each at $0.12 per share for consideration other than cash	To acquire issued shares in MediaRing (Hong Kong) Limited (formerly known as MediaRing.com (Hong Kong) Limited)
(b)	2,435,500 ordinary shares of $0.10 each at par for cash	Exercise of employee share options

Except as disclosed above, no other shares or debentures were issued by any company in the Group during the financial year.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTOR'S INTEREST IN SHARES OR DEBENTURES

The interests of the directors who held office at the end of the financial year in the shares or debentures of the Company and related corporations, according to the register kept by the Company for the purposes of section 164 of the Companies Act, were as follows:

	Held by director as at			Other shareholdings in which the director is deemed to have an interest as at		
	1 January 2001	31 December 2001	21 January 2002	1 January 2001	31 December 2001	21 January 2002
Ordinary shares of $0.10 each						
Ng Ede Phang	20,819,440	20,819,440	20,819,440	-	-	-
Koh Boon Hwee	-	-	-	2,915,190	2,915,190	2,915,190
Pol Lucien Corneel Hauspie	-	-	-	53,092,270	53,092,270	53,092,270
Sim Wong Hoo	-	-	-	77,850,240	77,850,240	77,850,240

	Held by director as at			Options in which the director is deemed to have an interest as at		
	1 January 2001	31 December 2001	21 January 2002	1 January 2001	31 December 2001	21 January 2002
Options to subscribe for ordinary shares of $0.10 each at $0.10 per share						
Walter Sousa	650,000	3,650,000	3,650,000	-	-	-
Koh Boon Hwee	1,300,000	1,300,000	1,300,000	-	-	-

	Held by director as at			Warrants in which the director is deemed to have an interest as at		
	1 January 2001	31 December 2001	21 January 2002	1 January 2001	31 December 2001	21 January 2002
Warrants to subscribe for ordinary shares of $0.10 each at $0.17 per share						
Sim Wong Hoo	-	-	-	31,000,000	-	-

No other director had an interest in any shares or debentures of the Company or related corporations either at the beginning or end of the financial year or 21 January 2002.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit or any fixed salary of a full-time employee of the Company, included in the aggregate amount of emoluments shown in the financial statements, or any emoluments received from a related corporation) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIVIDENDS

The directors do not recommend payment of a dividend and no dividend has been paid or declared by the Company since the end of the previous financial year.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were prepared, the directors took reasonable steps to ascertain that proper action had been taken in relation to writing off bad debts and providing for doubtful debts of the Company and satisfied themselves that no debts of the Company needs to be written off as bad and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would require any debts in the group of companies to be written off as bad or render the amount of provision for doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Company were prepared, the directors took reasonable steps to ascertain that any current assets of the Company which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values or that adequate provision had been made for the diminution in values of such current assets.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the consolidated financial statements misleading.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

At the date of this report, no charge on the assets of the Company or any other corporation in the Group which secures the liabilities of any other person has arisen since the end of the financial year and no contingent liability of the Company or any other corporation in the Group has arisen since the end of the financial year.

ABILITY TO MEET OBLIGATIONS

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

UNUSUAL ITEMS

In the opinion of the directors, the results of the operations of the Company and of the Group for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

UNUSUAL ITEMS AFTER THE FINANCIAL YEAR

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

OPTIONS OF THE COMPANY

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

(a) 1996 Employee Share Option Scheme

This scheme was adopted in 1996, under the previous management of the Company. Options to subscribe for a total of 1,330,000 ordinary shares of $0.10 each were granted to employees of the Group under this scheme as follows:

	Number of share options				
Date of grant	**As at date of grant**	**Number of options lapsed/ exercised**	**As at 31 December 2001**	**Exercise price**	**Expiry date**
11 July 1996	1,330,000	1,330,000	-	$0.182	10 July 2001

Pursuant to this scheme, no ordinary shares of $0.10 each were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company. As at the end of the financial year, all options granted under the scheme has expired.

OPTIONS OF THE COMPANY *(Continued)*

(b) 1999 MediaRing Employees' Share Option Scheme

In September 1999, the Company adopted an employee share option scheme (the '1999 MediaRing Employees' Share Option Scheme") to grant options to subscribe for 65,921,470 ordinary shares of $0.10 each to employees and directors of the Group.

The scheme is administered by the Compensation Committee. The members of the committee are:

Koh Boon Hwee (Chairman)
Sim Wong Hoo

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

		No. of shares under option					
	Exercise period	**Granted during the year**	**Total granted**	**Total exercised**	**Total lapsed**	**Total not exercised**	**Exercise price**
Directors of the Company							
Walter Sousa	5 years	-	650,000	-	-	650,000	$0.10
Koh Boon Hwee	5 years	-	1,300,000	-	-	1,300,000	$0.10
Employees granted 5% or more of total options under the scheme							
Hwang Kuo Wei	10 years	-	3,500,000	1,078,000	-	2,422,000	$0.10
Pek Yew Chai	10 years	-	4,000,000	958,000	3,042,000	-	$0.10
Other employees	10 years	-	62,349,930	15,139,000	22,963,160	24,247,770	$0.10
Total		-	71,799,930*	17,175,000	26,005,160	28,619,770	

* Figure includes lapsed options re-offered to existing employees.

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

OPTIONS OF THE COMPANY (Continued)

(c) 1999 MediaRing Employees' Share Option Scheme II

Pursuant to this scheme, the Compensation Committee has the ability to grant options to present and future employees of the Group as well as to other persons who are eligible under the scheme at the then prevailing market price of the shares, less a discount to be determined by the Compensation Committee, which shall not exceed 20% of the then prevailing market price.

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

In line with the current rules of the SGX-ST, the total number of shares to be issued under the 1999 MediaRing Employees' Share Option Scheme II will not exceed 15% of the total issued share capital of the Company from time to time.

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

		No. of shares under option					
	Exercise period	Granted during the year	Total granted	Total exercised	Total lapsed	Total not exercised	Exercise price
Directors of the Company							
Walter Sousa	6.9.2001 to 6.6.2011	3,000,000	3,000,000	-	-	3,000,000	$0.1370
Employees granted 5% or more of total options under the scheme							
Yvonne Lau Yee Wan	5.11.2001 to 5.11.2011	4,000,000	4,000,000	-	-	4,000,000	$0.1020
Other employees	11.1.2000 to 11.1.2010	-	3,808,000	-	1,784,000	2,024,000	$1.4656
Other employees	2.5.2000 to 2.5.2010	-	300,000	-	300,000	-	$0.6816
Other employees	13.6.2000 to 13.6.2010	-	6,340,000	-	2,155,000	4,185,000	$0.4490
Other employees	21.5.2001 to 21.5.2011	7,396,220	7,396,220	-	3,830,000	3,566,220	$0.1540
Other employees	5.11.2001 to 5.11.2011	1,060,000	1,060,000	-	450,000	610,000	$0.1020
Total		15,456,220	25,904,220	-	8,519,000	17,385,220	

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

OPTIONS OF THE COMPANY (Continued)

Except for the above, during the financial year there were:

- no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or any subsidiaries; and
- no shares issued by virtue of any exercise of options to take up unissued shares of the Company or any subsidiaries.

There were no unissued shares of any subsidiaries under option as at the end of the financial year.

AUDIT COMMITTEE

The Audit Committee comprises one executive director and two independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the Committee are:

Khaw Kheng Joo (Chairman, non-executive director)
Koh Boon Hwee
Thomas Kalon Ng (Non-executive director)

The Committee performs the functions set out in the Companies Act, and the Best Practices Guide. In performing those functions, the Committee reviewed the overall scope of the external audits and the assistance given by the Company's officers to the auditors. The Committee met with the external auditors to discuss the results of their audit and their evaluation of the systems of internal accounting controls. The Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2001, as well as the external auditors' report thereon.

The Audit Committee held two meetings during the financial year ended 31 December 2001.

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

OTHER INFORMATION REQUIRED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

No material contracts to which the Company or any subsidiary is a party and which involve directors' interests subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

AUDITORS

Arthur Andersen have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

KOH BOON HWEE
Director

THOMAS KALON NG
Director

Singapore
1 April 2002

In the opinion of the directors of MediaRing.com Ltd, the financial statements set out on pages 19 to 44 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 2001 and the results and changes in equity of the Company and of the Group and cash flows of the Group for the year then ended and 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

KOH BOON HWEE
Director

THOMAS KALON NG
Director

Singapore
1 April 2002

We have audited the financial statements of MediaRing.com Ltd and the consolidated financial statements of MediaRing.com Ltd and its subsidiaries as at 31 December 2001 and for the year then ended set out on pages 19 to 44. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act and Statements of Accounting Standard in Singapore and so as to give a true and fair view of:

    (i) the state of affairs of the Company and of the Group as at 31 December 2001 and of the results and changes in equity of the Company and of the Group and cash flows of the Group for the year then ended; and

    (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;

(b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries incorporated in Singapore have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors and the financial statements of subsidiaries which are not required to present audited financial statements under the laws of their countries of incorporation, being financial statements included in the consolidated financial statements. The names of these subsidiaries are indicated in Note 7 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of the subsidiaries incorporated in Singapore, did not include any comment made under Section 207(3) of the Act.

Arthur Andersen
Certified Public Accountants

Singapore
1 April 2002

BALANCE SHEETS AS AT 31 DECEMBER 2001

(Amounts in Singapore dollars)

	Note	Group		Company	
		2001	2000	2001	2000
		$	$	$	$
Share capital and reserves					
Share capital	3	74,171,187	72,175,637	74,171,187	72,175,637
Share premium	4	117,538,160	117,187,760	117,538,160	117,187,760
Accumulated losses	25	(126,441,997)	(91,874,354)	(44,840,603)	(39,818,428)
Translation reserve		(2,197,826)	418,073	-	-
		63,069,524	97,907,116	146,868,744	149,544,969
Fixed assets	5	5,023,180	8,572,557	1,486,430	2,138,805
Intangible assets	6	422,189	1,083,889	422,189	1,083,889
Investment in subsidiaries	7	-	-	31,568,672	26,840,141
Investment in associated company	8	-	3,373,239	-	3,832,859
Investment in bonds	9	4,279,335	13,557,118	4,279,335	13,557,118
Other investments	10	586,754	1,546,792	475,304	547,386
Due from subsidiaries (non-trade)	11	-	-	37,454,101	24,322,382
Loans to subsidiaries	12	-	-	25,517,982	21,222,890
Current assets					
Stocks	13	258,274	-	57,938	-
Trade debtors	14	2,716,112	4,706,734	167,791	446,386
Other debtors, deposits and prepayments	15	2,940,840	3,860,522	1,103,041	1,657,995
Due from subsidiaries (non-trade)	11	-	-	-	476,147
Loans to subsidiaries	12	-	-	4,987,113	1,179,702
Due from corporate shareholders (trade)		-	1,405,085	-	1,405,085
Investment in bonds	9	31,319,861	34,601,170	31,319,861	34,601,170
Fixed deposits	16	10,942,204	20,385,427	10,656,972	18,388,699
Cash and bank balances		14,209,755	21,194,343	1,948,619	607,376
		62,387,046	86,153,281	50,241,335	58,762,560
Current liabilities					
Trade creditors		2,294,595	3,663,028	229,598	43,769
Accruals and other creditors	17	7,319,178	7,202,047	3,389,466	2,713,717
Due to subsidiaries (trade)		-	-	213,769	5,575
Due to subsidiaries (non-trade)	11	-	-	743,771	-
Short-term loan (secured)		-	5,013,096	-	-
Lease obligations	18	1,133	501,589	-	-
Provision for tax		14,074	-	-	-
		9,628,980	16,379,760	4,576,604	2,763,061
Net current assets		52,758,066	69,773,521	45,664,731	55,999,499
		63,069,524	97,907,116	146,868,744	149,544,969

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

(Amounts in Singapore dollars)

	Note	Group		Company	
		2001	2000	2001	2000
		$	$	$	$
Turnover	19	20,077,130	19,839,805	3,527,587	9,715,166
Other operating (expenses) income, net	20	(99,199)	827,471	685,203	202,497
Direct service fees incurred		(17,060,559)	(8,878,972)	(2,744,699)	(1,290,676)
Personnel costs	21	(16,151,599)	(21,163,718)	(7,054,825)	(9,011,449)
Infrastructure costs		(4,906,270)	(5,611,963)	(1,200,851)	(999,233)
Depreciation and amortisation expenses		(4,375,586)	(4,641,988)	(1,779,119)	(1,906,328)
Marketing expenses		(2,204,780)	(17,378,122)	(253,000)	(7,258,516)
Fixed assets written off		(2,861,784)	(1,981,224)	(40,039)	-
Goodwill on consolidation written off		(2,622,388)	(2,457,279)	-	-
Intangible assets written off		-	(768,651)	-	(768,651)
Unquoted investment written off		(34,082)	-	(34,082)	-
Provision for diminution in value of investment in a subsidiary		-	-	(40,040)	(1,083,300)
Provision for diminution in value of quoted investments		-	(7,843,555)	-	(4,722,961)
Provision for diminution in value of unquoted investments		-	(1,683,310)	-	-
Provision for doubtful debts receivable from a subsidiary		-	-	-	(3,189,274)
Other operating expenses		(9,887,601)	(9,199,588)	(2,303,326)	(3,108,536)
Loss from operations	22	(40,126,718)	(60,941,094)	(11,237,191)	(23,421,261)
Financial income - net	23	6,211,589	4,001,497	6,215,016	4,255,314
Loss before tax		(33,915,129)	(56,939,597)	(5,022,175)	(19,165,947)
Share of loss of associated company		(640,995)	(459,620)	-	-
		(34,556,124)	(57,399,217)	(5,022,175)	(19,165,947)
Tax	24	(11,519)	-	-	-
Loss after tax		(34,567,643)	(57,399,217)	(5,022,175)	(19,165,947)
Minority interests		-	1,443,751	-	-
Net loss for the year		(34,567,643)	(55,955,466)	(5,022,175)	(19,165,947)
Loss per share (cents)					
- basic	26	(4.73)	(7.88)		
- diluted	26	(4.73)	(7.88)		

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

(Amounts in Singapore dollars)

Group

	Share capital	Share premium	Accumulated losses	Translation reserve	Total
	$	$	$	$	$
Balance at 1 January 2000	69,075,229	100,504,916	(35,918,888)	192,952	133,854,209
Net loss	-	-	(55,955,466)	-	(55,955,466)
Issue of shares	3,100,408	16,682,844	-	-	19,783,252
Currency translation differences	-	-	-	225,121	225,121
Balance at 1 January 2001	72,175,637	117,187,760	(91,874,354)	418,073	97,907,116
Net loss	-	-	(34,567,643)	-	(34,567,643)
Issue of shares	1,995,550	350,400	-	-	2,345,950
Currency translation differences	-	-	-	(2,615,899)	(2,615,899)
Balance at 31 December 2001	74,171,187	117,538,160	(126,441,997)	(2,197,826)	63,069,524

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

(Amounts in Singapore dollars)

Company

	Share capital	Share premium	Accumulated losses	Total
	$	$	$	$
Balance at 1 January 2000	69,075,229	100,504,916	(20,652,481)	148,927,664
Net loss	-	-	(19,165,947)	(19,165,947)
Issue of shares	3,100,408	16,682,844	-	19,783,252
Balance at 1 January 2001	72,175,637	117,187,760	(39,818,428)	149,544,969
Net loss	-	-	(5,022,175)	(5,022,175)
Issue of shares	1,995,550	350,400	-	2,345,950
Balance at 31 December 2001	74,171,187	117,538,160	(44,840,603)	146,868,744

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2001

(Amounts in Singapore dollars)

	2001	2000
	$	$
Cash flows from operating activities		
Loss before tax	(34,556,124)	(57,399,217)
Adjustments:		
Provision for stock obsolescence	-	52,336
Provision for doubtful trade debts	3,652,891	89,652
Share of loss of associated company	640,995	459,620
Provision for diminution in value of quoted investments	-	7,843,555
Provision for diminution in value of unquoted investments	-	1,683,310
Fixed assets written off	2,861,784	1,981,224
Intangible assets written off	-	768,651
Interest expense	368,150	9,536
Amortisation of intangible assets	709,323	934,377
Depreciation of fixed assets	3,666,263	3,707,611
Loss on disposal of quoted investments	287,928	-
Loss (gain) on disposal of fixed assets	93,294	(87,981)
Interest income	(2,576,766)	(3,177,875)
Unquoted investments written off	34,082	-
Goodwill on consolidation written off	2,622,388	2,457,279
Translation difference	(3,143,749)	64,520
Operating loss before working capital changes	(25,339,541)	(40,613,402)
Decrease (increase) in:		
- Stocks	(258,274)	2,655
- Trade debtors	(1,655,237)	(4,423,524)
- Other debtors, deposits and prepayments	1,012,410	(727,717)
- Due from corporate shareholders (trade)	1,405,085	(842,145)
Increase (decrease) in:		
- Trade creditors	(1,098,778)	3,387,654
- Accruals and other creditors	(175,038)	(2,122,599)
Cash used in operations	(26,109,373)	(45,339,078)
Income taxes paid	(11,519)	-
Interest paid	(368,150)	(9,536)
Net cash used in operating activities	(26,489,042)	(45,348,614)

Continued...

	2001	2000
	$	$
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash paid (Note B)	365,483	11,983
Acquisition of quoted investments	-	(522,015)
Acquisition of unquoted investments	(111,450)	(1,733,542)
Acquisition of additional shares in a subsidiary	(150,000)	-
Investment in associated company	-	(3,832,859)
Investment in bonds	(22,746,996)	(48,158,288)
Additional costs incurred in acquiring intangible assets	(47,623)	(2,309,304)
Purchase of fixed assets (Note C)	(3,079,028)	(7,297,718)
Proceeds from sale of fixed assets	275,017	238,236
Interest income received	2,576,766	2,175,128
Proceeds from sale of quoted investment	749,478	-
Proceeds from sale of bonds	35,520,065	-
Proceeds from capital reduction in the share capital of associated company	1,979,521	-
Net cash generated from (used in) investing activities	15,331,233	(61,428,379)
Cash flows from financing activities		
Proceeds from issue of new shares (net)	243,550	10,085,150
(Repayment) proceeds from short-term loan	(5,013,096)	5,013,096
Payment of lease obligations	(500,456)	(170,724)
Net cash (used in) generated from financing activities	(5,270,002)	14,927,522
Net (decrease) in cash and cash equivalents	(16,427,811)	(91,849,471)
Cash and cash equivalents at beginning of year (Note A)	41,579,770	133,429,241
Cash and cash equivalents at end of year (Note A)	25,151,959	41,579,770

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances and fixed deposits. Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet items:

	Group	
	2001	2000
	$	$
Fixed deposits	10,942,204	20,385,427
Cash and bank balances	14,209,755	21,194,343
	25,151,959	41,579,770

B. ACQUISITION OF A SUBSIDIARY

Increases and decreases in assets and liabilities and the net cash flows resulting from the acquisition of a subsidiary were as follows:

	2001 $	2000 $
Fixed assets	35,802	79,260
Other investments	-	4,120,000
Trade debtors	7,032	236,839
Other debtors, deposits and prepayments	92,728	19,547
Trade creditors	(6,480)	(232,248)
Accruals and other creditors	(30,107)	(314,935)
Cash and bank balances	1,028,316	1,011,983
Minority interests	-	(1,377,725)
Translation differences	(81,725)	-
Net assets acquired	1,045,566	3,542,721
Goodwill	369,989	2,457,279
Total consideration	1,415,555	6,000,000
Less: Issue of shares	-	(5,000,000)
Cash and bank balances acquired	(1,028,316)	(1,011,983)
Consideration paid in prior years for 49% equity interest (Note 8)	(752,722)	-
Cash inflow from acquisition, net of cash paid	(365,483)	(11,983)

C. FIXED ASSETS

During the financial year, the Group acquired fixed assets with an aggregate cost of $3,079,028 (2000: $7,970,031) of which $Nil (2000: $672,313) was acquired by means of finance leases.

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

These notes are an integral part of and should be read in conjunction with the financial statements.

1. GENERAL

The Company is a limited company domiciled and incorporated in Singapore. The address of the Company's registered office is 10 Eunos Road 8, #12-01, Singapore Post Centre, Singapore 408600.

The principal activities of the Company include:

- research and development, design and marketing of telecommunication software;
- marketing and sales of international telephony services; and
- marketing and sales of internet voice communication services.

The principal activities of the subsidiaries include those relating to marketing and the sale of international telephony services and internet voice communication services in their respective countries of incorporation.

The financial statements of MediaRing.com Ltd and the consolidated financial statements of MediaRing.com Ltd and its subsidiaries for the year ended 31 December 2001 were authorised for issue in accordance with a director's resolution dated 1 April 2002.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements, which are expressed in Singapore dollars, are prepared in accordance with Statements of Accounting Standard in Singapore and under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the consolidated financial statements with effect from the respective dates of acquisition or disposal. All intercompany balances and transactions have been eliminated on consolidation. In the preparation of the consolidated financial statements, the financial statements of the foreign subsidiaries have been translated from their respective measurement currencies to Singapore dollars as follows:

(a) all assets and liabilities at the rates of exchange ruling at the balance sheet date;

(b) share capital and reserves at historical rates of exchange; and

(c) profit and loss items at the average exchange rates for the year.

Foreign currency translation differences are taken directly to translation reserve.

Goodwill

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

An annual review of the carrying value of goodwill is conducted and any impairment in value is provided in full.

Subsidiaries and associated companies

Investments in subsidiaries and associated companies are stated in the financial statements of the Company at cost. Provision is made where there is a decline in value that is other than temporary.

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

An associated company is a company, not being a subsidiary, in which the Group has an equity interest of not less than 20% and in whose financial and operating policy decisions the Group exercises significant influence.

Fixed assets

Fixed assets are stated at cost, net of depreciation and any impairment loss. Fixed assets are depreciated using the straight-line method to write-off the cost less estimated residual value over their estimated useful lives. The estimated useful lives have been taken as follows:

	Years
Furniture, fixtures and fittings	3 - 5
Computer equipment	3
Office equipment	3
Motor vehicles	3
Leasehold improvements	3 - 5

Quoted bonds

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

Other investments

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

Unquoted investments held for the long term are stated at cost. Provision is made for any decline in value that is other than temporary.

Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the lease item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased fixed assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are charged directly against income.

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

Research and development costs

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

Impairment of assets

Fixed assets, intangible assets and long-term investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income for items of fixed assets, intangible assets and long-term investments carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of an impairment loss recognised in prior years is recorded when there is an indication that the impairment loss recognised for an asset no longer exists or has decreased. The reversal is recorded in income or as a revaluation increase.

Intangible assets

The initial costs of acquiring patents, trademarks and licences are capitalised and charged to the profit and loss account over 3 years in equal instalments. The costs of renewing patents and licences are charged to the profit and loss account. The carrying values of intangible assets are assessed at the end of each financial year. Intangible assets that are not expected to have future benefits are fully written off to the profit and loss account.

Stocks

Stocks are stated at the lower of cost (determined on a first-in, first-out basis) and net realisable value. Net realisable value is the estimated normal selling price, less estimated costs necessary to make the sale. Provision is made for deteriorated, damaged, obsolete and slow-moving stocks.

Trade debtors

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

Cash and cash equivalents

Cash consists of cash on hand and cash with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Trade creditors

Trade creditors, which are normally settled on 30 - 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

Employee equity compensation benefits

The Company has an employee share option scheme whereby employees are granted non-transferable options to purchase the Company's shares. There are no charges to earnings upon the grant or exercise of these options.

Revenue recognition

Revenues from rendering of services are recognised as services are provided. Prepayments for communication services are deferred and recognised as revenue as and when the communication services are provided. Unexpired prepayments from customers are included in "accruals and other creditors" in the balance sheet as "unearned revenue".

(Amounts in Singapore dollars)

Income tax

Income tax expense is determined on the basis of tax effect accounting, using the liability method and is applied to all significant timing differences. Deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

Foreign currencies

Transactions in foreign currencies are recorded at exchange rates approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated into the respective measurement currencies at exchange rates approximating those ruling at that date. All resultant exchange differences are dealt with through the profit and loss account.

Segments

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

Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable, long-term receivables, investment in bonds and other investments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Accounting standards not effective until after the financial year

SAS 12, Income Taxes, were issued in March 2001 and is effective for financial years beginning on or after 1 April 2001.

SAS 12 requires deferred tax to be calculated using the balance sheet liability method, for all temporary differences at the balance sheet date between the carrying amount of assets and liabilities and the amounts used for income tax purposes. Deferred tax assets should be recognised when it is probable that sufficient taxable profit will be available against which the deferred tax assets can be utilised.

Had SAS 12 been applied to the current financial year, there would not be any significant impact to the deferred tax asset of the Group as at 31 December 2001.

3. SHARE CAPITAL

	Group and Company	
	2001	**2000**
	$	**$**
Authorised		
- 1,000,000,000 ordinary shares of $0.10 each	100,000,000	100,000,000
Issued and paid up		
- 741,711,865 (2000: 721,756,365) ordinary shares of $0.10 each	74,171,187	72,175,637

(Amounts in Singapore dollars)

SHARE CAPITAL *(cont'd)*

The Company issued the following shares during the financial year:

Shares issued	Purpose
(a) 17,520,000 ordinary shares of $0.10 each at $0.12 per share for consideration other than cash	Acquisition of additional interest in the capital of MediaRing (Hong Kong) Limited (formerly known as MediaRing.com (Hong Kong) Limited)
(b) 2,435,500 ordinary shares of $0.10 each at par for cash	Exercise of employee share options

4. SHARE PREMIUM

	Group and Company	
	2001	**2000**
	$	**$**
At beginning of year	117,187,760	100,504,916
Premium arising from the issue of 8,190,477 ordinary shares of $0.10 each at $1.05 per share	-	7,780,953
Premium arising from the issue of 4,950,495 ordinary shares of $0.10 each at $1.01 per share	-	4,504,951
Premium arising from the issue of 3,011,603 ordinary shares of $0.10 each at $1.56 per share	-	4,396,940
Premium arising from the issue of 17,520,000 ordinary shares of $0.10 each at $0.12 per share	350,400	-
At end of year	117,538,160	117,187,760

The application of share premium account is governed by section 69 - 69F of the Companies Act, Chapter 50. The balance is not available for distribution of dividends except in the form of shares.

5. FIXED ASSETS

(a) Group

	Furniture, fixtures and fittings	Computer equipment	Office equipment	Motor vehicles	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
As at 1.1.2001	1,275,583	5,674,033	4,353,954	305,501	477,680	12,086,751
Arising from acquisition of subsidiary	-	43,745	19,225	-	-	62,970
Additions	87,301	1,076,826	1,914,901	-	-	3,079,028
Disposals	(184,389)	(97,002)	(97,891)	(66,960)	(90,792)	(537,034)
Write-offs	(74,330)	(1,146,492)	(3,559,058)	-	-	(4,779,880)
Translation difference	30,313	205,663	65,952	18,265	24,541	344,734
As at 31.12.2001	1,134,478	5,756,773	2,697,083	256,806	411,429	10,256,569

(Amounts in Singapore dollars)

FIXED ASSETS *(cont'd)*

	Furniture, fixtures and fittings	Computer equipment	Office equipment	Motor vehicles	Leasehold improvements	Total
	$	$	$	$	$	$
Accumulated depreciation						
As at 1.1.2001	240,430	2,269,671	865,512	34,727	103,854	3,514,194
Arising from acquisition of subsidiary	-	24,513	2,655	-	-	27,168
Charge for the year	243,265	1,778,487	1,521,981	16,791	105,739	3,666,263
Disposals	(52,883)	(48,232)	(27,097)	(28,942)	(11,569)	(168,723)
Write-offs	(18,120)	(1,025,892)	(874,084)	-	-	(1,918,096)
Translation difference	5,586	88,494	6,911	1,940	9,652	112,583
As at 31.12.2001	418,278	3,087,041	1,495,878	24,516	207,676	5,233,389
Charge for 2000	222,641	2,538,189	805,273	37,596	103,912	3,707,611
Net book value						
As at 31.12.2001	716,200	2,669,732	1,201,205	232,290	203,753	5,023,180
As at 31.12.2000	1,035,153	3,404,362	3,488,442	270,774	373,826	8,572,557

Computer equipment and office equipment with net book values of $360,942 (2000: $665,632) and $3,650 (2000: $6,566) respectively were under finance leases.

(b) Company

	Furniture, fixtures and fittings	Computer equipment	Office equipment	Total
	$	$	$	$
Cost				
As at 1.1.2001	649,701	2,712,695	635,655	3,998,051
Additions	13,900	407,293	50,333	471,526
Disposals	(6,617)	(35,648)	-	(42,265)
Write-offs	-	(1,022,982)	(60,602)	(1,083,584)
As at 31.12.2001	656,984	2,061,358	625,386	3,343,728
Accumulated depreciation				
As at 1.1.2001	151,533	1,442,123	265,590	1,859,246
Charge for the year	129,426	728,481	211,889	1,069,796
Disposals	(2,021)	(26,178)	-	(28,199)
Write-offs	-	(990,060)	(53,485)	(1,043,545)
As at 31.12.2001	278,938	1,154,366	423,994	1,857,298
Charge for 2000	129,362	633,018	209,571	971,951
Net book value				
As at 31.12.2001	378,046	906,992	201,392	1,486,430
As at 31.12.2000	498,168	1,270,572	370,065	2,138,805

(Amounts in Singapore dollars)

6. INTANGIBLE ASSETS

	Group and Company	
	2001 $	2000 $
Cost at beginning of year	1,888,053	612,077
Additional costs incurred	47,623	2,309,304
Written off during the year	-	(1,033,328)
	1,935,676	1,888,053
Less accumulated amortisation	(1,513,487)	(804,164)
	422,189	1,083,889

Movement in accumulated amortisation during the year is as follows:

	2001 $	2000 $
At beginning of year	804,164	134,464
Amortisation for the year	709,323	934,377
Written off during the year	-	(264,677)
At end of year	1,513,487	804,164

7. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries comprises:

	Company	
	2001 $	2000 $
Unquoted equity shares:		
Cost at beginning of year	27,923,441	21,921,661
Reclassification from investment in associated company (Note 8)	1,853,338	-
Additional investment	2,915,233	6,001,780
	32,692,012	27,923,441
Less provision for diminution in value of investment	(1,123,340)	(1,083,300)
	31,568,672	26,840,141

Movement in provision for diminution in value of investment during the year is as follows:

	2001 $	2000 $
At beginning of year	1,083,300	-
Provision for the year	40,040	1,083,300
At end of year	1,123,340	1,083,300

(Amounts in Singapore dollars)

***INVESTMENT IN SUBSIDIARIES** (cont'd)*

As at 31 December 2001, the Group had the following subsidiaries:

Name	Principal Activities	Country of Incorporation and Place of Business	Percentage of equity held by the Group		Cost of investment by the Company	
			2001 %	2000 %	2001 $	2000 $
Held by the Company						
Mediacommunication Nordic AB *	Dormant	Sweden	100	100	40,040	40,040
MediaRing.com, Inc #	To market and sell international telephony service and internet voice communication services in USA	USA	100	100	20,044,154	20,044,154
Mediaring Pte Ltd	Dormant	Singapore	100	100	2	2
MediaRing (Europe) Ltd (formerly known as MediaRing.com Europe Ltd) †	To market and sell international telephony service and internet voice communication services in Europe	United Kingdom	100	100	1,083,300	1,083,300
I2U Pte Ltd	To provide international telephony services	Singapore	100	72	6,151,780	6,001,780
MediaRing (Hong Kong) Limited (formerly known as MediaRing.com (Hong Kong) Limited) †	To market and sell international telephony service and internet voice communication services in Hong Kong	Hong Kong	100	90	2,856,565	754,165
Mediaring TC, Inc #	To market and sell international telephony service and internet voice communication services in Japan	Japan	100	49	2,516,171	-
Held by a subsidiary						
MediaRing Shanghai Ltd. (formerly known as MediaRing.com Shanghai Ltd) †	To market and sell international telephony service and internet voice communication services in the People's Republic of China	People's Republic of China	100	90	-	-
					32,692,012	27,923,441

† Audited by associated firm of Arthur Andersen, Singapore.

\# Not required to present audited financial statements under the laws of its country of incorporation.

* Not audited as company was in liquidation during the year.

(Amounts in Singapore dollars)

8. INVESTMENT IN ASSOCIATED COMPANY

Investment in associated company comprises:

	Group		Company	
	2001 $	2000 $	2001 $	2000 $
Unquoted equity shares, at cost	3,832,859	3,832,859	3,832,859	3,832,859
Share of loss	(1,100,616)	(459,620)	-	-
Proceeds from capital reduction in the share capital of associated company	(1,979,521)	-	(1,979,521)	-
	752,722	3,373,239	1,853,338	3,832,859
Reclassification to investment in subsidiaries (Note 7)	(752,722)	-	(1,853,338)	-
	-	3,373,239	-	3,832,859

During the financial year, the associated company, Mediaring TC, Inc, underwent a capital restructuring exercise. Immediately thereupon, the Company acquired the remaining 51% interest in the share capital of the associated company from the existing shareholders, converting it into a wholly-owned subsidiary.

9. INVESTMENT IN BONDS

	Group and Company	
	2001 $	2000 $
Quoted bonds, at cost	35,599,196	48,158,288
Matures within 1 year	(31,319,861)	(34,601,170)
Matures after 1 year or more	4,279,335	13,557,118
Quoted bonds, at market value	35,569,790	47,594,851

(Amounts in Singapore dollars)

10. OTHER INVESTMENTS

	Group		Company	
	2001 $	2000 $	2001 $	2000 $
Quoted investments - at cost	4,821,115	9,340,115	4,821,115	5,220,115
Provision for lower of cost and market value	(4,132,384)	(6,787,103)	(4,132,384)	(3,666,509)
Additional provision for diminution in value of quoted investments	(229,577)	(1,056,452)	(229,577)	(1,056,452)
Total provision	(4,361,961)	(7,843,555)	(4,361,961)	(4,722,961)
Quoted investments - net	459,154	1,496,560	459,154	497,154
Unquoted investments - at cost	127,600	1,733,542	16,150	50,232
Provision for diminution in value of unquoted investments for the year, representing balance at end of year	-	(1,683,310)	-	-
Total unquoted investments	127,600	50,232	16,150	50,232
Total investments	586,754	1,546,792	475,304	547,386
Market value of quoted investments	688,731	2,553,012	688,731	1,553,606

Movements in provision for lower of cost and market value and diminution in value of quoted investments:

	Group 2001	Group 2000	Company 2001	Company 2000
At beginning of year	7,843,555	-	4,722,961	-
Provision for the year:				
- lower of cost and market value	-	6,787,103	-	3,666,509
- diminution in value	-	1,056,452	-	1,056,452
Write-off against provision	(3,481,594)	-	(361,000)	-
At end of year	4,361,961	7,843,555	4,361,961	4,722,961

11. DUE FROM/(TO) SUBSIDIARIES (NON-TRADE)

Due from subsidiaries

These amounts are unsecured and interest-free.

	Company	
	2001 $	2000 $
Due from subsidiaries (non-trade)	40,627,731	27,972,159
Less provision for doubtful debts for the year, representing balance at end of year	(3,173,630)	(3,173,630)
	37,454,101	24,798,529
Receivable within twelve months	-	(476,147)
Receivable after twelve months	37,454,101	24,322,382

Due to subsidiaries

These amounts are unsecured, interest-free and repayable on demand.

(Amounts in Singapore dollars)

12. LOANS TO SUBSIDIARIES

These amounts are unsecured and bear interest at 6% per annum. A loan amount of $25,517,982 (2000: $21,222,890) is classified under non-current assets and is not expected to be repaid within the next financial year. The other balance of $4,987,113 (2000: $1,179,702) relating to another subsidiary, which is classified under current assets is repayable on demand.

13. STOCKS

	Group		Company	
	2001 $	2000 $	2001 $	2000 $
Trading stocks	258,274	52,336	57,938	52,336
Less provision for stock obsolescence	-	(52,336)	-	(52,336)
	258,274	-	57,938	-
Movement in provision for stock obsolescence during the year is as follows:				
At beginning of year	52,336	-	52,336	-
Provision for the year	-	52,336	-	52,336
Written off against provision	(52,336)	-	(52,336)	-
At end of year	-	52,336	-	52,336

14. TRADE DEBTORS

	Group		Company	
	2001 $	2000 $	2001 $	2000 $
Trade debtors	6,495,973	4,796,386	186,435	446,386
Less provision for doubtful trade debts	(3,779,862)	(89,652)	(18,644)	-
	2,716,111	4,706,734	167,791	446,386
Movement in provision for doubtful trade debts during the year is as follows:				
At beginning of year	89,652	-	-	-
Provision for the year	3,652,891	89,652	18,644	-
Written off against provision	(84,456)	-	-	-
Translation difference	121,775	-	-	-
At end of year	3,779,862	89,652	18,644	-

15. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2001 $	2000 $	2001 $	2000 $
Other debtors	948,903	880,197	291,805	218,976
Deposits	1,381,304	1,348,220	312,997	373,182
Prepayments	164,778	629,358	52,384	63,090
Interest receivable	445,855	1,002,747	445,855	1,002,747
	2,940,840	3,860,522	1,103,041	1,657,995

(Amounts in Singapore dollars)

16. FIXED DEPOSITS

Fixed deposits of a subsidiary amounting to $285,232 (2000: $150,000) are pledged to a bank to secure banking guarantee facilities.

17. ACCRUALS AND OTHER CREDITORS

	Group		Company	
	2001	**2000**	**2001**	**2000**
	$	**$**	**$**	**$**
Accrued operating expenses	4,013,707	3,214,545	2,107,670	1,870,907
Other creditors	1,651,564	2,821,886	236,704	389,211
Unearned revenue	1,385,314	623,759	1,004,214	412,721
Deposits received	268,593	541,857	40,878	40,878
	7,319,178	7,202,047	3,389,466	2,713,717

18. LEASE OBLIGATIONS

		Group	
	Payments	**Internet**	**Principal**
	$	**$**	**$**
2001			
Not later than one year	1,280	147	1,133
2000			
Not later than one year	524,219	22,630	501,589

19. TURNOVER

Turnover comprises the following:

	Group		Company	
	2001	**2000**	**2001**	**2000**
	$	**$**	**$**	**$**
Revenue from advertising				
- cash	292,145	5,431,153	5,000	3,545,342
- barter	-	4,239,664	-	4,239,664
Revenue from other consumer operations	6,221,314	1,653,039	3,226,502	1,476,399
Revenue from telephony operations	12,753,887	7,761,153	150,202	-
Revenue from integrated solutions	805,888	490,414	144,146	453,761
Other revenue	3,896	264,382	1,737	-
	20,077,130	19,839,805	3,527,587	9,715,166

(Amounts in Singapore dollars)

20. OTHER OPERATING (EXPENSES) INCOME, NET

	Group		Company	
	2001 $	2000 $	2001 $	2000 $
(Loss) gain on disposal of fixed asset	(93,295)	87,981	(4,319)	1,510
(Loss) gain on disposal of quoted investments	287,928	-	41,826	-
Rental income	-	750,409	138,150	136,260
Management fees	-	-	480,000	-
Others	(293,832)	(10,919)	29,546	64,727
	(99,199)	827,471	685,203	202,497

21. PERSONNEL COSTS

	Group		Company	
	2001 $	2000 $	2001 $	2000 $
Salary and allowances	14,109,734	17,604,801	6,201,624	7,829,571
Central Provident Fund contributions	853,261	730,419	612,981	622,506
Sales commission	233,928	210,303	22,662	58,323
Staff accommodations	160,561	418,851	26,220	-
Staff recruitment	84,187	697,009	44,582	98,815
Staff welfare	169,117	713,398	39,438	25,231
Training	45,986	158,364	(3,185)	35,920
Provision for unpaid leave balance	76,773	285,000	32,857	285,000
Other personnel costs	418,052	345,573	77,646	56,083
	16,151,599	21,163,718	7,054,825	9,011,449

Personnel costs include the amount of directors' remuneration as shown on Note 22.

22. LOSS FROM OPERATIONS

This is determined after charging (crediting) the following:

	Group		Company	
	2001 $	2000 $	2001 $	2000 $
Auditors' remuneration				
- auditors of the Company	90,000	72,250	60,000	60,000
- other auditors	60,000	54,481	-	-
Non-audit fees paid to auditors of the Company	23,400	29,500	19,400	29,500
Amortisation of intangible assets	709,323	934,377	709,323	934,377
Depreciation of fixed assets	3,575,358	1,419,287	978,891	517,591
Directors' fees				
- directors of holding company	140,000	-	140,000	-
Directors' remuneration				
- directors of holding company	322,987	212,696	322,987	212,696
- directors of subsidiaries	957,648	463,195	473,635	319,190
Fixed assets written off	2,861,784	1,981,224	40,039	-
Goodwill on consolidation written off	2,622,388	2,457,279	-	-

(Amounts in Singapore dollars)

***LOSS FROM OPERATIONS** (cont'd)*

	Group		Company	
	2001	**2000**	**2001**	**2000**
	$	**$**	**$**	**$**
Loss (gain) on disposal of fixed assets	93,295	(87,981)	4,319	(1,510)
Loss (gain) on disposal of quoted investment	287,928	-	(41,826)	-
Intangible assets written off	-	768,651	-	768,651
Operating lease expense	2,035,935	2,576,487	822,479	849,544
Provision for diminution in value of investment in a subsidiary	-	-	40,040	1,083,300
Provision for diminution in value of unquoted investments	-	1,683,310	-	-
Provision for diminution in value of quoted investments	-	7,843,555	-	4,722,961
Provision for doubtful debts receivable from a subsidiary	-	-	-	3,189,274
Provision for doubtful trade debts	3,652,891	89,652	18,644	-
Provision for stock obsolescence	-	52,336	-	52,336
Research and development costs*	2,353,441	11,987,706	1,949,205	5,168,197
Write-off of unquoted investment	34,082	-	34,082	-

* Included in research and development costs are depreciation charges relating to the Group and Company amounting to $90,905 (2000: $2,288,324) and $90,905 (2000: $454,360) respectively as well as personnel expenses relating to the Group and Company amounting to $2,074,456 (2000: $7,248,310) and $1,726,090 (2000: $4,490,241) respectively.

23. FINANCIAL INCOME - NET

	Group		Company	
	2001	**2000**	**2001**	**2000**
	$	**$**	**$**	**$**
Interest income				
- fixed deposit	975,445	2,237,419	333,960	1,626,678
- bonds	1,569,090	910,140	1,569,090	910,140
- bank balances	32,231	30,316	7,613	10,054
- loan to subsidiaries	-	-	204,022	871,879
Foreign exchange gain, net	4,002,973	833,158	4,100,331	836,563
Interest expense on short-term loans	(368,150)	(9,536)	-	-
	6,211,589	4,001,497	6,215,016	4,255,314

24. TAX

The Company

There is no current tax expense as the Company is in a tax loss position.

As at 31 December 2001, the Company had unutilised tax losses of approximately $30,700,000 (2000: $25,400,000) available to be carried forward for offset against future taxable profits, subject to agreement with the Income Tax Authorities and compliance with the relevant provisions of the Singapore Income Tax Act.

The subsidiaries

As at 31 December 2001, the subsidiaries had unutilised tax losses of approximately $42,000,000 (2000: $28,000,000). These are available for offset against future taxable profits, subject to agreement with the Income Tax Authorities and the relevant provisions of the tax legislation of the respective countries in which the subsidiaries operate.

The losses of companies within the Group are not available for offset against the profits of profitable companies on a group basis.

The Group's potential deferred tax benefit arising from these unutilised tax losses and capital allowances has not been recognised in the financial statements in accordance with the accounting policy in Note 2 to the financial statements.

(Amounts in Singapore dollars)

25. ACCUMULATED LOSSES, CARRIED FORWARD

	Group	
	2001	2000
	$	$
The Company	44,840,603	39,818,428
Subsidiaries	78,979,006	49,139,027
Associated company	-	459,620
Goodwill on acquisition written off	2,622,388	2,457,279
	126,441,997	91,874,354

26. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is calculated by dividing the Group's net loss for the year of $34,567,643 (2000: $55,955,466) by the weighted average number of shares in issue during the year of 731,176,362 (2000: 710,140,188) ordinary shares of $0.10 each.

Diluted loss per share is the same as basic loss per share as the effects of anti-dilutive potential ordinary shares are ignored in calculating diluted loss per share.

27. RELATED PARTY INFORMATION

In addition to the related party information disclosed elsewhere in the financial statements, significant transactions with related parties, on terms agreed between the parties, were as follows:

	Group		Company	
	2001	2000	2001	2000
	$	$	$	$
Revenue				
Revenue from corporate shareholders	-	4,692,339	-	4,692,339
Interest income from subsidiaries	-	-	204,022	871,879
Management fees from a subsidiary	-	-	480,000	-
Expenses				
Management fees to a subsidiary	-	-	-	23,426

28. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities, unsecured

The Company has undertaken to provide continuing financial support to four of its subsidiaries by not demanding payment for loans and receivables owing by them and when required, to provide sufficient working capital to enable them to operate as going concerns for a period of at least twelve months from the respective dates of the directors' reports of the subsidiaries relating to the audited financial statements for the financial year ended 31 December 2001.

(Amounts in Singapore dollars)

***CONTINGENT LIABILITIES AND COMMITMENTS** (cont'd)*

(b) Operating lease commitments

The Group has various operating lease agreements for offices. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

	Group		Company	
	2001 $	2000 $	2001 $	2000 $
Within one year	2,937,000	4,341,000	871,000	1,045,000
Within 2 to 5 years	1,703,000	6,924,000	871,000	958,000
Later than 5 years	-	371,000	-	-
	4,640,000	11,636,000	1,742,000	2,003,000

29. GROUP SEGMENTAL REPORTING

(a) By business segments

The Group is organsied on a worldwide basis into three main operating divisions, namely:

- Consumer operations
- Telephony
- Integrated solutions

2001	Consumer operations	Telephony	Integrated solutions	Others	Group
	$	$	$	$	$
Revenue					
External sales	6,513,459	12,753,887	805,888	3,896	20,077,130
Result					
Operating loss	(12,476,762)	(20,911,502)	(3,799,682)	3,896	(37,184,050)
Unallocated corporate income (mainly financial income)					6,213,318
Unallocated corporate expenses					(2,944,397)
Share of loss of associated company					(640,995)
Tax					(11,519)
					(34,567,643)
Assets					
Allocated assets	3,784,419	7,260,372	915,887	-	11,960,678
Unallocated assets					60,737,826
Total assets					72,698,504
Liabilities					
Allocated liabilities	(3,454,605)	(5,462,151)	(712,224)	-	(9,628,980)
Total liabilities					(9,628,980)
Capital expenditure	748,693	2,180,596	149,739	-	3,079,028
Depreciation and amortisation	1,202,689	2,635,179	537,718	-	4,375,586

(Amounts in Singapore dollars)

GROUP SEGMENTAL REPORTING *(cont'd)*

(a) By business segments *(cont'd)*

2000	Consumer operations	Telephony	Integrated solutions	Others	Group
	$	$	$	$	$
Revenue					
External sales	11,323,856	7,761,153	490,414	264,382	19,839,805
Result					
Operating loss	(20,345,322)	(10,310,183)	(20,346,725)	(171,883)	(51,174,113)
Unallocated corporate income (mainly financial income)					3,652,008
Unallocated corporate expenses					(9,417,492)
Share of loss of associated company					(459,620)
Minority interests					1,443,751
Net loss for the year					(55,955,466)
Assets					
Allocated assets	6,871,588	28,602,161	3,146,170	-	38,619,919
Investment in associated company					3,373,239
Unallocated assets					72,293,718
Total assets					114,286,876
Liabilities					
Allocated liabilities	3,043,695	11,117,155	2,194,731	24,179	16,379,760
Total liabilities					16,379,760
Capital expenditure	555,648	5,191,792	2,222,591	-	7,970,031
Depreciation of fixed assets	1,820,707	680,665	1,204,246	1,993	3,707,611

(b) By geographical regions

Turnover is based on the location of customers. Assets and additions to property, plant and equipment are based on the location of those assets.

	Turnover		Assets		Capital expenditure	
	2001	2000	2001	2000	2001	2000
	$	$	$	$	$	$
Asia	14,863,235	18,737,491	66,474,823	107,291,810	2,754,853	6,406,781
America	2,484,381	900,092	2,528,100	6,023,961	324,175	1,388,768
Europe	2,729,514	202,222	3,695,581	971,105	-	174,482
Total	20,077,130	19,839,805	72,698,504	114,286,876	3,079,028	7,970,031

(Amounts in Singapore dollars)

30. DIRECTORS' REMUNERATION

	Number of directors in remuneration bands		
	Executive directors	Non-executive directors	Total
2001			
$500,000 and above	-	-	-
$250,000 to $499,999	-	-	-
Below $250,000	2	4	6
	2	4	6
2000			
$500,000 and above	-	-	-
$250,000 to $499,999	-	-	-
Below $250,000	1	7	8
	1	7	8

31. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The main risk arising from the Group's financial instruments is foreign currency risk. The Board reviews and agrees policies for managing this risk and they are summarised below.

Interest rate and liquidity risk

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

Foreign exchange risk

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

Fair values of financial instruments

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

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

<u>Cash and cash equivalents, trade and other receivables, trade and other payables</u>

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

FINANCIAL INSTRUMENTS *(cont'd)*

Non-current unquoted investments

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

Non-current loans due from subsidiaries

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

Investment in bonds

The fair value of investment in bonds is estimated based on the expected cash flows discounted to present value.

As at 31 December 2001, the fair value of financial assets and financial liabilities which do not approximate the carrying amount in the balance sheet are presented in the following table:

	2001	
	Carrying amount	**Estimated fair value**
	$	**$**
Investment in bonds	35,599,196	35,569,790

This portion is in compliance with the "Listing Manual", Clause 912(4), to provide sufficient disclosure of the Company's corporate governance processes and activities in its Annual Report.

The Directors and Management are committed to maintaining a high standard of corporate governance. We adopt the best practices set out under the Best Practices Guide issued by the Singapore Exchange Securities Trading Limited. For effective corporate governance, the Company has the following:

BOARD OF DIRECTORS

The Board of Directors comprises 7 members. Other than the Chairman of the Board, Mr Walter Sousa and Mr Koh Boon Hwee, the rest of the members are non-Executive Directors.

The Board supervises the management of the business and affairs of the Group. Apart from its statutory responsibilities, the Board approves the Group's strategic plans, key operational initiatives, major investments and funding decisions, reviews the financial performance of the Group and evaluates the performance and compensation of senior management personnel. These functions are carried out either directly or through Board committees like the Audit Committee, Compensation Committee and the Executive Committee as well as by means of a system of Corporate Authorization to management personnel in various companies of the Group.

The Board of Directors held a total of 7 Board Meetings during the financial year ended 31 December 2001.

AUDIT COMMITTEE

The Audit Committee comprises three members and is chaired by Mr Khaw Kheng Joo, an independent director. The other members are executive director, Mr Koh Boon Hwee and non- executive director, Mr Thomas Kalon Ng.

The overall objective of the Audit Committee is to ensure that Management has created and maintained an effective control environment in the Company, and the Management demonstrates and stimulates the necessary respect of the internal control structure among all parties.

The role of the Audit Committee is to assist the Board with discharging its responsibility to:

- safeguard the Company's assets;
- maintain adequate accounting records; and

In 2001, the Audit Committee held two meetings

The Audit Committee met the external auditors twice to discuss and review

(1) the financial statements of the Company and the consolidated accounts of the Group for the year ended 31 December 2001;
(2) the audit plan for year 2001, their evaluation of the system of internal accounting controls and the audit report;
(3) the assistance given by the Group's officers to the external auditors;
(4) the nomination of the external auditors for their reappointment; and
(5) interested party transactions.

The Audit Committee is also charged with the responsibility of commissioning and reviewing the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls of infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operations results and/or financial position.

COMPENSATION COMMITTEE

The Compensation Committee of the Board comprises 2 directors Mr Koh Boon Hwee and Mr Sim Wong Hoo, a non-executive director.

The Chairman of the Compensation Committee is Mr Koh Boon Hwee.

The Compensation Committee was created and mandated with the responsibility to oversee the general compensation of employees of the Group with a goal to motivate, recruit and retain employees and directors through competitive compensation and progressive policies, in particular, the Compensation Committee is responsible for approving and overseeing share incentives, including the employee share option schemes. The Compensation Committee met 3 times in 2001.

EXECUTIVE COMMITTEE

The Executive Committee (EXCO) has 3 members comprising of Chairman of the Board Mr Walter Sousa, executive director Mr Koh Boon Hwee and Chief Financial Officer, Mrs Yvonne Kwek.

The EXCO acts for the Board in supervising the management of the Group's business and affairs within limits of authority delegated by the Board.

The delegation of authority by the Board to the EXCO and other management personnel enables the Board to achieve operational efficiency by empowering them to decide on matters within certain limits of authority and yet maintain control over major policies and decisions of the Group.

INTERESTED PARTY TRANSACTIONS

There are no interested persons transactions carried out during the financial year by the Group pursuant to the Shareholders' Mandate in accordance with Chapter 9A of the Listing Manual.

DEALING IN SECURITIES - BEST PRACTICES

The Company has adopted a Code of Best Practices on securities transactions which contains the recommendations of the Best Practices Guide in the Listing Manual. The Code sets out the prohibitions on dealing in the securities during "closed periods" and the system of controls in monitoring dealings in the securities by directors and officers of the Company to handle potential interests and insider trading situations in compliance with the Securities Industry Act and the disclosure requirements of the Singapore Exchange Securities Trading Limited.

The Company directors and officers are prohibited from dealing in the Company's shares at least 4 weeks before the announcement of the Company's full-year or half-year results or 3 days before the announcement of price-sensitive information. Directors and key officers are expected not to deal in the Company's Securities on short-term considerations. Besides directors, key officers are required to notify the Company of their dealings within 2 days after transaction. All employees and directors of the Company and its subsidiaries are required to observe the insider trading laws under the Securities Industry Act at all times.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 1,000	2,719	13.40	2,708,559	0.36
1,001 - 10,000	12,182	60.02	62,615,045	8.42
10,001 - 1,000,000	5,343	26.32	244,537,020	32.88
1,000,001 and above	52	0.26	433,896,241	58.34
Total	20,296	100.00	743,756,865	100.00

LOCATION OF SHAREHOLDINGS

Locations	No. of Shareholders	%	No. of Shares	%
Singapore	19,961	98.35	589,384,685	79.24
Malaysia	172	0.85	3,819,000	0.51
Hong Kong	29	0.14	953,000	0.13
USA	35	0.17	851,000	0.12
United Kingdom	2	0.01	15,000	-
Europe	1	0.01	20,000	-
Australia / New Zealand	15	0.07	187,000	-
Others	81	0.40	148,527,180	19.97
Total	20,296	100.00	743,756,865	100.00

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1	CTI Limited	77,850,240	10.47
2	L&H Investment Company	53,092,270	7.14
3	Innomedia Pte Ltd	34,399,680	4.63
4	Philip Securities Pte Ltd	25,276,367	3.40
5	BNP Paribas Merchant Banking Nominees Pte Ltd	23,783,000	3.20
6	Vertex Technology Fund Ltd	17,910,910	2.41
7	Jason Communications Pte Ltd	15,200,000	2.04
8	T.H.eVenture Pte Ltd	14,632,520	1.97
9	DBS Nominees Pte Ltd	14,260,000	1.92
10	United Overseas Bank Nominees Pte Ltd	13,161,600	1.77
11	OCBC Securities Private Ltd	10,490,000	1.41
12	Citibank Nominees Singapore Pte Ltd	9,574,170	1.29
13	Oversea-Chinese Bank Nominees Pte Ltd	8,541,120	1.15
14	SIS Netrepreneur Ventures Corp	8,300,810	1.12
15	UOB Kay Hian Pte Ltd	6,899,000	0.93
16	Vertex Technology Fund (II) Ltd	6,829,270	0.92
17	Wiig Global Ventures Pte Ltd	6,514,700	0.88
18	Citibank Consumer Nominees Pte Ltd	6,441,000	0.87
19	Goh Seh Leong	6,103,000	0.82
20	Pax Realty and Development Pte Ltd	4,859,000	0.65
	Total	364,118,757	48.99

SUBSTANTIAL SHAREHOLDERS

		Direct Interest		Deemed Interest		Total Interest	
	Name	No of Share	%	No of Share	%	No of Shares	%
1	CTI Limited	77,850,240	10.47	-	-	77,850,240	10.47
2	Sim Wong Hoo	-	-	77,850,240	10.47	77,850,240	10.47
3	L&H Investment Company	53,092,270	7.14	-	-	53,092,270	7.14
4	Pol Lucien Comeel Hauspie	-	-	53,092,270	7.14	53,092,270	7.14
5	Ng Kai Wa	1,333,170	0.18	39,067,680	5.25	40,400,850	5.43
6	Innomedia Pte Ltd	34,399,680	4.63	4,668,000	0.63	39,067,680	5.25

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MediaRing.com Ltd ("the Company") will be held at Singapore Post Centre, 10 Eunos Road 8, #05-30 The Pavilion (Theatrette), Singapore 408600 on Friday, 31 May 2002 at 10:00 AM for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2001 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Articles 104 and 108 of the Company's Articles of Association:-

Mr Thomas Kalon Ng	(Retiring under Article 104)	**(Resolution 2)**
Mr Pol Lucien Corneel Hauspie	(Retiring under Article 104)	**(Resolution 3)**
Mr Khaw Kheng Joo	(Retiring under Article 108)	**(Resolution 4)**
Mr Thomas Henrik Zilliacus	(Retiring under Article 108)	**(Resolution 5)**

   Mr Thomas Kalon Ng and Mr Khaw Kheng Joo will, upon re-election as Directors of the Company, remain as members of the Audit Committee and the Board considers them independent for the purposes of Clause 902(4)(a) of Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve remuneration to Directors for the year ended 31 December 2001 comprising :

   a. fees of S$ 110,737 and

   b. 738,333 options to subscribe for new shares in the Company on terms and conditions as set up in the 1999 MediaRing Employees' Share Option Scheme II at an exercise price of S$0.155 per share being the closing price on the 3rd trading day following the announcement of the full year results for the financial year ended 31 December 2001. **(Resolution 6)**

4. To re-appoint Arthur Andersen as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

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

AS SPECIAL BUSINESS

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

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

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Clause 941(3)(b) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that

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

   (b) the aggregate number of shares to be issued other than on a pro rata basis to existing members does not exceed twenty per cent (20%) of the Company's issued share capital for the time being.

   Such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next General Meeting is required by law to be held, whichever is earlier, unless revoked or varied by the Company. **(Resolution 8)**

7. Authority to allot and issue shares under the MediaRing Employees' Share Option Scheme

   That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be empowered to allot and issue shares in the capital of the Company to the holders of options granted by the Company under the MediaRing Employees' Share Option Scheme ("the Scheme") established by the Company upon the exercise of such options and in accordance with the terms and conditions of the Scheme provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed 65,921,470 ordinary shares and such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next General Meeting is required by law to be held, whichever is earlier. [See Explanatory Note (i)] **(Resolution 9)**

8. Authority to allot and issue shares under the 1999 MediaRing Employees' Share Option Scheme II

   That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be empowered to allot and issue shares in the capital of the Company to the holders of options granted by the Company under the 1999 MediaRing Employees' Share Option Scheme II ("the Scheme II") established by the Company upon the exercise of such options and in accordance with the terms and conditions of the Scheme provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme from time to time shall not exceed fifteen per centum (15%) of the issued share capital of the Company for the time being and such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next General Meeting is required by law to be held, whichever is earlier. [See Explanatory Note (ii)] **(Resolution 10)**

9. Renewal of Shareholders' Mandate for Interested Person Transactions

   That for the purposes of Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited:-

   (a) approval be given for the renewal of the mandate for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out on pages 68 to 69 of the Company's Prospectus dated 11 November 1999 ("Prospectus") with any party who is of the class of Interested Persons described in the Prospectus, provided that such transactions are carried out in the normal course of business, at arm's length and on commercial terms and in accordance with the guidelines of the Company for Interested Person Transactions as set out in the Company's Prospectus (the "Shareholders" Mandate")

   (b) the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting; or the expiration of the period within which the next General Meeting is required by law to be held, whichever is earlier; and

   (c) authority be given to the Directors to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate as they may think fit. [See Explanatory Note (iii)] **(Resolution 11)**

By Order of the Board

ABDUL JABBAR BIN KARAM DIN / YVONNE KWEK
Joint Company Secretaries

Singapore
14 May 2002

Explanatory Notes:

(i) The Ordinary Resolution 9 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares in the Company up to a maximum of 65,921,470 ordinary shares of the issued share capital of the Company pursuant to the exercise of options under the Scheme.

(ii) The Ordinary Resolution 10 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company for the time being pursuant to the exercise of the options under Scheme II.

(iii) The Ordinary Resolution 11 proposed in item 9 above, if passed, will authorise Interested Person Transactions as described in the Prospectus and recurring in the year and will empower the Directors to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a Member of the Company.

2. 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.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Eunos Road 8, #12-01/02 Singapore Post Centre, Singapore 408600 not less than 48 hours before the time for holding the Meeting.

MEDIARING.COM LTD

(Incorporated in The Republic Of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________

of ______________________________

being a member/members of MediaRing.com Ltd (the "Company"), hereby appoint ______________________________

______________________________ of ______________________________

______________________________ or, failing him/her,

______________________________ of ______________________________

____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Friday, 31 May 2002 at 10:00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1	Directors' Report and Accounts for the year ended 31 December 2001		
2	Re-election of Mr Thomas Kalon Ng as a Director		
3	Re-election of Mr Pol Lucien Corneel Hauspie as a Director		
4	Re-election of Mr Khaw Kheng Joo as a Director		
5	Re-election of Mr Thomas Henrik Zilliacus as a Director		
6	Approval of Directors' fees amounting to S$110,737 and offer of 738,333 share options under the 1999 ESOS II to the same Directors		
7	Re-appointment of Arthur Andersen as Auditors		
8	Authority to allot and issue new shares		
9	Authority to allot and issue shares under the 1999 MediaRing Employees' Share Option Scheme		
10	Authority to allot and issue shares under the 1999 MediaRing Employees' Share Option Scheme II		
11	Renewal of Shareholders' Mandate for Interested Person Transactions		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.)

Dated this ________________ day of ____________ 2002

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

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholders

PROXY FORM

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

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

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Eunos Road 8, #12-01/02 Singapore Post Centre, Singapore 408600 not less than 48 hours before the time appointed for the Annual General Meeting.

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

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

General:

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

a. Fold along this line

Affix
Stamp
Here

The Company Secretary

10 Eunos Road 8 #12-01/02

Singapore Post Centre

Singapore 408600

b. Fold along this line

MediaRing.com Ltd

10 Eunos Road 8 #12-01 South Lobby Singapore Post Centre Singapore 408600
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