

## Half-Year Financial Statement And Dividend Announcement for the Period Ended 30/06/2006 (Unaudited)

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS.

1(a) An income statement (for the group ) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	US\$'000		%
	1H 06	1H 05	Change
<b>Turnover</b>	<b>53,319</b>	<b>44,418</b>	<b>20.0%</b>
Other income	17	1	1600.0%
Direct service fees incurred (Note 1)	(21,647)	(20,164)	7.4%
Commissions and other selling expenses (Note 1)	(17,883)	(14,557)	22.8%
Personnel costs	(5,757)	(4,925)	16.9%
Infrastructure costs (Note 2)	(1,683)	(1,028)	63.7%
Depreciation of fixed assets (Note 3)	(979)	(612)	60.0%
Marketing expenses (Note 4)	(329)	(143)	130.1%
Amortisation of intangible assets	(72)	(54)	33.3%
Foreign exchange gain/(loss)	310	(217)	N.M.
Other operating expenses (Note 6)	(2,770)	(1,938)	42.9%
Share of results of associates	(86)	-	N.M.
<b>Profit from operations</b>	<b>2,440</b>	<b>781</b>	<b>212.4%</b>
Interest income (Note 11)	965	433	122.9%
Non-operating income (Note 5)	11	(1)	N.M.
<b>Profit before tax</b>	<b>3,416</b>	<b>1,213</b>	<b>181.6%</b>
Tax	-	-	N.M.
<b>Profit for the period</b>	<b>3,416</b>	<b>1,213</b>	<b>181.6%</b>

N.M. - Not Meaningful

#### Note 1

Direct service fees and commissions and other selling expenses increased by 7.4% & 22.8% respectively compared to the same period last year. This was due to the increase in sales activity.

#### Note 2

Infrastructure costs increased by 63.7% compared to the same period last year. This was due to the increase in sales activity and inclusion of costs incurred by the newly acquired subsidiary PT Atlasat Solusindo for the first time.

#### Note 3

Depreciation increased by 60% compared to the same period last year. This was due to fixed assets additions arising from the newly acquired subsidiary PT Atlasat Solusindo.

#### Note 4

The increase in travelling & entertainment and marketing expenses was due to increase in sales activity and significant promotional programmes.

#### Note 5

This relate to gain/(loss) on disposal of investment.

*Note 6*

*Other operating expenses include the following:*

	Group		
	US\$'000		%
	1H 06	1H 05	Change
(Loss)/gain on disposal of fixed assets	(10)	2	N.M.
Fixed assets written off	-	(171)	N.M.
Write back of allowance for stock obsolescence	11	5	120.0%
Allowance for doubtful debts - trade	(205)	(197)	4.1%
Allowance for doubtful debts - non-trade	-	(74)	N.M.
Bad debts written back - trade	-	54	N.M.
Travelling & entertainment (Note 4)	(975)	(430)	126.7%
Professional fees	(473)	(419)	12.9%
Others	(1,118)	(708)	57.9%
<b>Total other operating expenses</b>	<b>(2,770)</b>	<b>(1,938)</b>	<b>42.9%</b>

1(b)(i) A balance sheet ( for the issuer and group ) , together with a comparative statement as at the end of the immediately preceding financial year.

	Group US\$'000		Company US\$'000	
	30/06/2006	31/12/2005	30/06/2006	31/12/2005
Share capital	154,034	54,113	154,034	54,113
Share premium	-	75,887	-	75,887
Accumulated losses	(79,747)	(83,163)	(79,310)	(83,703)
Other reserves	2,667	215	2,667	215
Translation reserves	(56)	(146)	9	5
<b>Total Shareholders Equity</b>	<b>76,898</b>	<b>46,906</b>	<b>77,400</b>	<b>46,517</b>
<b>Fixed assets (Note 3)</b>	<b>4,215</b>	<b>2,542</b>	<b>1,396</b>	<b>1,190</b>
<b>Intangible assets (Note 7)</b>	<b>3,975</b>	<b>186</b>	<b>312</b>	<b>129</b>
<b>Investment in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>3,912</b>	<b>433</b>
<b>Investment in associates</b>	<b>214</b>	<b>154</b>	<b>347</b>	<b>200</b>
<b>Investment in long-term bonds and deposits (Note 8)</b>	<b>3,456</b>	<b>5,661</b>	<b>3,456</b>	<b>5,661</b>
<b>Other investments (Note 9)</b>	<b>6,302</b>	<b>3,716</b>	<b>6,302</b>	<b>3,716</b>
<b>Long-term loans and advances to subsidiaries</b>	<b>-</b>	<b>-</b>	<b>4,045</b>	<b>3,849</b>
<b>Current assets</b>	<b>78,625</b>	<b>48,487</b>	<b>74,940</b>	<b>44,000</b>
Stocks	421	276	328	215
Trade debtors (Note 10)	4,419	2,172	2,715	1,618
Other debtors and deposits	686	1,210	516	1,087
Prepayments (Note 10)	6,295	3,178	5,926	2,847
Due from subsidiaries	-	-	4,359	1,904
Due from associate	403	333	403	333
Investment in short-term bonds	4,155	2,420	4,155	2,420
Fixed deposits (Note 11)	59,700	37,437	55,793	33,168
Cash and bank balances	2,546	1,461	745	408
<b>Current liabilities</b>	<b>19,889</b>	<b>13,840</b>	<b>17,310</b>	<b>12,661</b>
Trade creditors (Note 10)	4,408	2,834	2,618	1,814
Other creditors and accruals (Note 10)	7,561	4,614	5,848	3,775
Deferred revenue (Note 10)	7,920	6,392	7,284	5,763
Due to subsidiaries	-	-	1,560	1,309
<b>Net current assets</b>	<b>58,736</b>	<b>34,647</b>	<b>57,630</b>	<b>31,339</b>
<b>Net Assets</b>	<b>76,898</b>	<b>46,906</b>	<b>77,400</b>	<b>46,517</b>

Note 7

As compared to 31 December 2005, the increase in intangible assets was mainly due to goodwill arising from the acquisition of subsidiary PT Atlasat Solusindo.

Note 8

As compared to 31 December 2005, the decrease in investment in long-term bonds and deposits was due to the disposal of long-term bonds and reclassification from long-term bonds to short-terms bonds.

Note 9

As compared to 31 December 2005, the increase in other investments was mainly due to the increase in the fair value of quoted equity investments.

Note 10

As compared to 31 December 2005, the increase in trade debtors, prepayments, trade creditors, other creditors and accruals and deferred revenue was mainly due to the increase in sales activity.

Note 11

As compared to 31 December 2005, the increase in fixed deposits was mainly due to cash generated from operating activities, proceeds from redemption and disposal of bonds and proceeds from rights issue. The increase in fixed deposits also resulted in a corresponding increase in interest income.

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

As at 30/06/2006		As at 31/12/2005	
Secured (US\$'000)	Unsecured (US\$'000)	Secured (US\$'000)	Unsecured (US\$'000)
Nil	Nil	Nil	Nil

**Amount repayable after one year**

As at 30/06/2006		As at 31/12/2005	
Secured (US\$'000)	Unsecured (US\$'000)	Secured (US\$'000)	Unsecured (US\$'000)
Nil	Nil	Nil	Nil

**Details of any collateral**

- i) Structured deposits of US\$Nil (31/12/2005 : structured deposits of US\$1.0 million) were pledged as security for bank guarantees, standby letters of credit and other bank services;
- ii) Quoted bonds of US\$2.5 million (31/12/2005 : quoted bonds of US\$2.4 million) were pledged as security for bank guarantees, standby letters of credit and other bank services; and
- iii) Quoted shares of US\$6.2 million (31/12/2005 : US\$Nil) were pledged as security for revolving credit facility and foreign exchange facility.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group (US\$'000)	
	1H 06	1H 05
<b>Cash flow from operating activities</b>		
Profit before taxation	3,416	1,213
<b>Adjustment for non-cash items</b>		
Loss/(gain) on disposal of fixed assets	10	(2)
(Gain)/loss on disposal of investment	(11)	1
Share of results of associates	86	-
Write back of allowance for stock obsolescence	(11)	(5)
Amortisation of intangible assets	72	54
Depreciation of fixed assets	979	612
Share option & performance share expenses	218	197
Fixed assets written off	-	171
Interest income from bonds and deposits	(965)	(433)
Allowance for doubtful debts - trade	205	197
Allowance for doubtful debts - non trade	-	74
Translation differences	(83)	126
<b>Operating profit before working capital changes</b>	<b>3,916</b>	<b>2,205</b>
(Increase)/decrease in stocks	(136)	23
Increase in trade debtors	(1,663)	(619)
Decrease/(increase) in other debtors and deposits	569	(164)
Increase in prepayments	(3,077)	(987)
Increase in amount due from an associate	(70)	-
Increase in trade creditors	1,128	1,812
Increase in other creditors and accruals	739	1,879
Increase in deferred revenue	1,452	1,169
<b>Cash generated from operating activities</b>	<b>2,858</b>	<b>5,318</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(1,170)	(814)
Purchase of intangible assets	(234)	(77)
Proceeds from disposal of fixed assets	40	8
Proceeds from disposal of long-term bonds and other investments	643	3,015
Proceeds from redemption of short-term bonds	-	1,538
Interest income received from bonds and deposits	960	531
Investment in subsidiaries, net of cash acquired	(3,364)	-
Investment in associates	(147)	-
Purchase of other investments	(150)	-
<b>Net cash (used in)/generated from investing activities</b>	<b>(3,422)</b>	<b>4,201</b>
<b>Cash flow from financing activities</b>		
Proceeds from issuance of ordinary shares	23,912	30
<b>Net cash generated from financing activities</b>	<b>23,912</b>	<b>30</b>
<b>Net increase in cash and cash equivalents</b>	<b>23,348</b>	<b>9,549</b>
Cash and cash equivalents at beginning of the period	38,898	16,643
<b>Cash and cash equivalents at end of the period</b>	<b>62,246</b>	<b>26,192</b>

1(d)(i) A statement ( for the issuer and group ) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital US\$'000	Share premium US\$'000	Accumulated losses US\$'000	Other reserve US\$'000	Translation reserve US\$'000	Total US\$'000
<b>The Group</b>						
Balance as at 1 January 2005	45,044	70,418	(88,330)	557	(136)	27,553
Changes in equity for the period:						
-Net change in fair value adjustment reserve				(123)		(123)
-Net effect of exchange differences	-	-	-	-	(88)	(88)
-Net income recognised directly in equity	-	-	-	(123)	(88)	(211)
-Profit for the period	-	-	1,213	-	-	1,213
-Total recognised income and expenses for the period	-	-	1,213	(123)	(88)	1,002
-Issuance of ordinary shares	29	1	-	-	-	30
-Grant of equity-settled share options to employees	-	-	-	197	-	197
<b>Balance as at 30 June 2005</b>	<b>45,073</b>	<b>70,419</b>	<b>(87,117)</b>	<b>631</b>	<b>(224)</b>	<b>28,782</b>
Balance as at 1 January 2006	54,113	75,887	(83,163)	215	(146)	46,906
Changes in equity for the period:						
-Net change in fair value adjustment reserve	-	-	-	2,356	-	2,356
-Net effect of exchange differences	-	-	-	-	90	90
-Net income recognised directly in equity	-	-	-	2,356	90	2,446
-Profit for the period	-	-	3,416	-	-	3,416
-Total recognised income and expenses for the period	-	-	3,416	2,356	90	5,862
-Transfer of share premium reserve to share capital account	75,887	(75,887)				-
-Issuance of ordinary shares	24,034	-	-	-	-	24,034
-Grant of equity-settled share options to employees	-	-	-	218	-	218
-Exercise of employee share options	-	-	-	(122)	-	(122)
<b>Balance as at 30 June 2006</b>	<b>154,034</b>	<b>-</b>	<b>(79,747)</b>	<b>2,667</b>	<b>(56)</b>	<b>76,898</b>

	Share capital US\$'000	Share premium US\$'000	Accumulated losses US\$'000	Other reserve US\$'000	Translation reserve US\$'000	Total US\$'000
<b>The Company</b>						
Balance as at 1 January 2005	45,044	70,418	(88,517)	557	16	27,518
Changes in equity for the period:						
-Net change in fair value adjustment reserve				(123)		(123)
-Net effect of exchange differences	-	-	-	-	(11)	(11)
-Net income recognised directly in equity	-	-	-	(123)	(11)	(134)
-Profit for the period	-	-	2,484	-	-	2,484
-Total recognised income and expenses for the period	-	-	2,484	(123)	(11)	2,350
-Issuance of ordinary shares	29	1	-	-	-	30
-Grant of equity-settled share options to employees	-	-	-	197	-	197
<b>Balance as at 30 June 2005</b>	<b>45,073</b>	<b>70,419</b>	<b>(86,033)</b>	<b>631</b>	<b>5</b>	<b>30,095</b>
Balance as at 1 January 2006	54,113	75,887	(83,703)	215	5	46,517
Changes in equity for the period:						
-Net change in fair value adjustment reserve	-	-	-	2,356	-	2,356
-Net effect of exchange differences	-	-	-	-	4	4
-Net income recognised directly in equity	-	-	-	2,356	4	2,360
-Profit for the period	-	-	4,393	-	-	4,393
-Total recognised income and expenses for the period	-	-	4,393	2,356	4	6,753
-Transfer of share premium reserve to share capital account	75,887	(75,887)				-
-Issuance of ordinary shares	24,034	-	-	-	-	24,034
-Grant of equity-settled share options to employees	-	-	-	218	-	218
-Exercise of employee share options	-	-	-	(122)	-	(122)
<b>Balance as at 30 June 2006</b>	<b>154,034</b>	<b>-</b>	<b>(79,310)</b>	<b>2,667</b>	<b>9</b>	<b>77,400</b>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-back , exercise of share options or warrants , conversion of other issues of equity securities , issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

a) During the financial period under review, a total of 11,507,000 ordinary shares were issued upon the exercise of options granted under the Employees' Share Option Schemes.

b) During the financial period under review, a total of 228,512,819 ordinary shares were issued to existing shareholder for each rights share at S\$0.16 per share, on the basis of one rights share for every four existing ordinary shares.

The breakdown of the outstanding share options granted under the Employees' Share Option Schemes

	No. of Shares	
	30/06/2006	30/06/2005
Options granted under 1999 MediaRing Employees' Share Option Scheme	5,876,196	9,852,000
Options granted under 1999 MediaRing Employees' Share Option Scheme II	92,300,452	89,115,614

A total of 1,525,000 (30/06/2005 : Nil) performance share were granted under the Employees' Performance Share Scheme for the period under review.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditor's report ( including any qualifications or emphasis of a matter ).

Not Applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has adopted the same accounting policies and methods of computation as the audited financial statements for the year ended 31 December 2005.

5. If there are any changes in the accounting policies and method of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not Applicable

6. Earning per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	1H 06	1H 05
Earning per ordinary share for the year after deducting any provision for preference dividends:-		
i) Based on weighted average number of ordinary share in issue (US cent)	0.36 cent	0.16 cent
ii) On a fully diluted basis (US cent)	0.34 cent	0.16 cent

Basic earning per share is calculated based on the weighted average number of 948,512,416 (30/06/2005 : 751,302,398) ordinary shares in issue.

Diluted earning per share is calculated based on the adjusted weighted average number of 1,003,348,504 (30/06/2005 : 761,588,931) ordinary shares.

7. **Net assets value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the :- (a) current financial period reported on; and (b) immediately preceding financial year.**

	Group		Company	
	30/06/2006	31/12/2005	30/06/2006	31/12/2005
Net asset backing per ordinary share is calculated based on 1,143,890,098 (31/12/2005 : 903,870,279) ordinary shares in issue at the end of the period under review and of the immediate preceding financial year (US cent).	6.72 cent	5.19 cent	6.77 cent	5.15 cent

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

For the period ended 30 June 2006, the Group achieved a net profit of US\$3.4 million, an improvement of 182% over the same period in 2005, on continued strong growth in VoIP revenue.

In 1H 2006, Group revenue grew by 20% to US\$53.3 million from US\$44.4 million in 1H 2005, mainly due to continued growth in its VoIP retail operations, which grew 21.5% on a year-on-year basis.

Call traffic routed by the Group's continued with its upward trend and rose 24% to 588 million minutes in 1H 2006 from 474 million minutes in 1H 2005, of which VoIP traffic accounted for 97%. Since May 2006, the Group generated more than 100 million minutes of call traffic a month.

In 1H 2006, all categories of expenses for the Group increased as a result of growth in revenue and the first time inclusion of expenses incurred in a new subsidiary, Indonesia's PT Atlasat Solusindo. While direct service fees as a percentage of revenue declined from 45.4% in 1H 2005 to 40.6% in 1H 2006, commissions and other selling expenses increased almost in tandem with growth in revenue. Increase in the Group's other operating expenses was mainly due to travel expenses and the non-recurring expenses related to the Rights Issue.

In April 2006, having obtained the necessary shareholders and regulatory approvals, the Group initiated a cash tender offer to acquire all the issued shares of Pacific Internet Limited ("PacNet"), at US\$8.25 in cash per share. The offer price was subsequently raised to US\$9.50 per share on 22 June 2006.

The Group believes that the two businesses were complementary in nature and that the combined geographical presence would provide ample opportunities for cross-marketing and bundling of services, brand leveraging and cost rationalisation through economies of scale.

On 11 July 2006, this offer expired without acceptance of the tendered shares. Subsequently the Company purchased additional shares in PacNet. The total number of shares held by the Company as at the date of this report is 4,056,613 representing approximately 29.9% of the total issued shares of PacNet.

During the financial period under review, a total of 228,512,819 ordinary shares were issued to existing shareholders for each rights share at S\$0.16 per share, on the basis of one rights share for every four existing ordinary shares. Proceeds of the rights share of US\$22.9 million would be used to finance new acquisitions and investments in assets or business which are synergistic with the Group's business.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

There was no forecast or prospect statement disclosed to shareholders previously.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

As part of the Group's expansion strategy, MediaRing intends to defend and grow existing markets and to expand into new markets through partnerships, acquisitions and alliances. MediaRing's already announced ventures in Cambodia and Indonesia are part of this strategy. In Cambodia, the Group is well positioned to tap into the growth of the country's telecommunications sector through its associated company, Cambodia Data Communication Company Ltd ("CDC"), and has rolled out WiMax Broadband technology in May 2006. In Indonesia, being one of a handful of licence holder for VoIP, the Group is well poised to increase its market share.

In addition, the Group will look at developing new markets such as South America, Africa and India. Since July 2006, the Group entered the telecommunications market in Africa through alliances with key communications services providers on the continent.

Looking ahead, the Group remains strongly focused on our goal to achieve sustainable growth for our VoIP business and build value for shareholders through both organic and inorganic means.

To this end, our blueprint for growth includes ongoing expansion of our distribution network, continuous market and product development, strategic alliances, and investments in other synergistic businesses.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? None

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? None

**(c) Date payable**

Not Applicable

**(d) Books closure date**

Not Applicable

**12. If no dividend has been declared / recommended, a statement to that effect.**

No dividend has been declared or recommended.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not Applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not Applicable.

15. A breakdown of sales.

Not Applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not Applicable

**BY ORDER OF THE BOARD**

**Yvonne Lau Yee Wan**  
**Company Secretary**

**14 August 2006**