S i2i Limited

ENHANCING the power of mobile communication

ANNUAL REPORT 2011-12

Our Brand Vision

To stay one step ahead of the needs of the Mobile Internet Society.

Our Brand Promise

We deliver outstanding value by combining deep market knowledge with unconventional thinking. Knowledge guides us but imagination drives us.

Our Brand Attributes

A vision can only be pursued when backed by a set of strong values. We shall aim to instill in ourselves some key attributes.

Today, a Spicean can be identified as:

FEARLESS
IMAGINATIVE
VIBRANT
OPEN

Contents

Corporate **Profile**

Headquartered in Singapore and incorporated in 1993, S i2i Limited ("S i2i" or "the Company") (formerly known as Spice i2i Limited) is a leader in the "Switch Up" to Mobile Internet industry through the supply and sale of its own innovative brand of smart-phones and other mobile-related products.

In line with its 'Innovation to Infinity' ("i2i") strategy, the Company has became one of the largest Mobile Internet ("MI") companies in the ASEAN region through its 2010-2011 brand acquisitions of 'Nexian' in Indonesia, 'WellcoM' in Thailand and the Greater Mekong Sub-region, 'CSL' in Malaysia and the creation of 'S' brand in Singapore.

With the new acquisitions, the Company now has access to more than 3,200 outlets in Indonesia, Thailand and Malaysia, all consolidating under a single "S" brand that allows exploitation of the Company's global supply chain.

The strengthened market presence, together with the Company's ingrained technological expertise, creates a solid platform to ride the growing band of mobile users in the region. In continuing to meet the evolving needs of S i2i's consumers, the Company relentlessly brings innovative, affordable mobile phones and mobile internet solutions to emerging markets across the Asian region that will allow everyone to enjoy the digitally connected lifestyle.

The Company operates under two business groups, namely Mobility and Technology. In March 2011, the Company set up its new Mobility unit to leverage on the growing demand for mobile internet products.

In Mobility, the Company is primarily involved in the procurement and sale of mobile handsets, which it sells through its vast retail and distributor network. As one of the largest producer of Dual SIM mobile phones in the region, S i2i has garnered greater bargaining power when procuring supplies along the supply chain. The Company's strategic partnerships with major players in the 3G space, allows S i2i to tap onto mobile technologies that are currently used by top mobile phone brands across the globe. In addition, S i2i offers a host of mobile Value-Added Services like S-unno (mobile application that allows users to make calls to anyone in the world at low cost rates) that encourages greater user stickiness.

In Technology, the Company continues to maintain its market share and competitiveness in its respective markets: Singapore, Malaysia, India and the Middle East. Partnerships with established global companies such as HP and IBM has enabled the Company to offer a comprehensive suite of voice & data services and Information & Communication Technology (ICT) solutions to both corporate and consumer clients. Leveraging on its portfolio of in-house developed and patented technologies, the Company also specialises in comprehensive and high quality communication solutions without the need for massive investment.

S i2i was listed on the Main Board of SGX-ST on November 19, 1999.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you our financial performance and significant milestones for the financial year ended June 30, 2012 ("FP 2012"), which covers a period of 15 months from April 1, 2011, to June 30, 2012.

Year in Review: Navigating rapid technology shifts

The mobile communication technology scene continues to change at an unprecedented speed to meet the demands of the increasingly sophisticated consumer. Innovative companies such as Apple and Samsung have captured the hearts and minds of mobile consumers with leading-edge smartphones and a range of applications that are based on proprietary technology and well-designed platforms. In contrast, other major technology companies have been impacted by the rapid changes in the product market and retail trends. These ongoing developments have reaffirmed our belief that scale, technology and product leadership are key to our future success.

S i2i pursued its strategy of creating a "Circle of Champions" by acquiring the top local brands in key countries in South East Asia (Indonesia, Thailand, Malaysia) and creating a strong local brand through this aggregation which will challenge the MNCs brands at the mid and low end market to position the company for growth and value creation. With the acquisition the company also acquired local skills, talent and technical expertise and developed highly cost effective "Smart like" phones for the mid / high end 3G/Wi-Fi segment to capture the tremendous growth opportunity in that space. There is a huge demand of 3G/ Android phones which have all localized Apps and smart features, but not all wish to pay USD 500-700 for such a device. S i2i has planned a product portfolio to capture this space and create highly affordable value for money smart phones which are below USD 150 offering similar features.

During this period, we saw the completion of our acquisition of the Affinity Group in Indonesia, comprising of the leading mobile handset brand Nexian; Retail and Distribution business and the Airtime/Card business, with its 21 branches across the country and a distribution network of more than 10,000+ counters/point of sales/ outlets having more than 4000 partners/Dealers/Sub dealers. Affinity Group together with the CSL entities in Malaysia and WellcoM Mobile in Thailand, which were acquired during the previous period has enabled S i2i, to possess the necessary scale, distribution network and localised knowledge which are crucial factors in our 'Switch Up' to Mobile Internet ("MI") business. This year was the year of integration and learning 3 big local markets in South East Asia.

Consolidation for longer term growth

During the 15-month period under review, S i2i recorded revenue of US$1.0 billion, which represented a 197.7% increase from US$337.1 million for the corresponding 15-month period that ended March 31, 2011 ("FP 2011"). The increase in revenue was attributed mainly to the Affinity Group acquisition in May 2011.

With the higher revenue contributed by the acquisitions, business costs also increased. Compared to FP2011, direct service fees incurred and cost of goods sold increased 252.4% to US$912.8 million, largely due to competitive market conditions and obsolete inventory. As a consequence of the Group's acquisition of Affinity Group on 21 May 2011, FP2012 personnel costs and marketing costs also increased 73% to US$54.1 million and 380% to US$28.0 million respectively. Increased competition and global changes affected the mobile Industry and with changing customer preferences, the company took a conservative approach and provided for complete Impairment of Intangible assets including goodwill in the CSL entities in Malaysia & WellcoM in Thailand etc. and partial impairment in the Affinity Group in Indonesia, totaling to US$ 97.4 million. As a result, the Group posted a total net loss of US$188.1 million in FP2012.

Risks associated with increasing competition, market changes, integration and management changes were duly considered by the Company at the time of acquiring the target companies. However, it would have been difficult to predict such a rapid rate of global changes in the mobile industry, which has affected even larger global handset suppliers, who have also suffered from the change. The market has shifted significantly from feature phones to smart phones. Consumers have rapidly moved from Voice/ 2G to Data/3G platforms.

We not only acquired the Company Assets/Brands but also acquired and heavily relied on the skills, local market knowledge and expertise of the local management and promoters, who were appropriately empowered to run these businesses and achieve results.

Chairman's Statement

The Company had also taken steps to mitigate such risks by structuring each of the acquisitions of Newtel and Affinity on the basis of deferred payments linked to the future performance of the target companies. In the case of Spice-CSL, part of the consideration was paid by an issue of equity shares rather than by paying in cash.

Our operating performance during the current period necessitated the numerous necessary steps that we have now made to consolidate and posture the Group for long term growth. During this period we terminated the Management Agreements with the original shareholders to replace it with professional management control in Indonesia, Malaysia & Thailand.

To reduce cost, we have integrated the device business units for Affinity Group, WellcoM Mobile and CSL as one vertical to realise greater synergies and reduce procurement costs of mobile handsets. The Group has also rolled out initiatives to optimise its cost structure, with a focus on rationalizing manpower, infrastructure and selling expenses across the region. This will reduce losses in future and also have a cost structure commensurate to the revenue and gross margin this industry realistically represents now. The Company is also in the process of restructuring the Board to reduce costs, keeping in mind the relevant Corporate Governance guidelines. The Retails and Distribution business and the Airtime/card business continue to be our focus for growth and margin in future also.

With the consolidation and alignment initiatives that will streamline the decision-making process and optimise cost structure, we are confident of enhancing our product desirability ("MI" Mobile Internet space) and achieving greater synergies and cost efficiencies over the longer term, enabling us to reap economies of scale from the aggregation of our supply chain and to improve the overall performance of the Group.

The Group's financial and liquidity conditions continue to remain strong with cash and cash equivalents of US$69.2 million against a total debt of US$50.7 million.

A Return to Profitability

Over the coming months, we plan to execute our strategies as we remain focused on the task at hand, which is to return the Group to profitability. In this respect, we have implemented a compensation scheme which ties management compensation to performance oriented variable pay payouts and closely aligns the interests of our employees to those of our Shareholders.

We are competing with the local brands in the feature phone segment and with the multinational brands in the smart phone segment. To succeed we need to focus on strengthening channel & operator relationship, speed to market with respect to product launches and competitive market connected pricing. This will help us in claiming higher market share in the feature phone segment for our own Brand. Smart phones are being competitively priced by multinationals and therefore, to help us to have a strong product portfolio we are looking to tie-up with Multinationals in this segment for co-branded products. This will enable us to compete in the smart phone segment in these markets.

Indonesia as a country offers huge potential for growth and will continue to be our main focus and engine for growth and return to profitability with focused execution at the Affinity Group. Indonesia is now the world's fourth largest economy, and we plan to tap on its burgeoning population, which presents us with strong growth potential.

We have moved our operating HQ and Global Innovation Centre to Jakarta, where we plan to focus on product development and bring new products to the market. The Company already has established businesses in the form of our own "Nexian" Brand, Multinational brand retail and distribution and Airtime distribution which the company continues to focus and build on.

Thailand continues to be a strategic market as it provides a platform for us to explore more opportunities in Cambodia and Vietnam. These are emerging markets in which we believe our products will be highly sought after.

In Malaysia, given the significant share of smart phones, we believe that the multi-brand retail strategy has potential and we will seek to leverage this to increase our market penetration.

The Company continues to focus on its core-businesses and is proposing to divest from the non-core loss making entity, Spice BPO after taking necessary approvals to limit losses. The company has optimized costs in all other businesses to maximize profits.

On a strategic level, we will continue to focus our goal of providing accessible and affordable Mobile Internet to the masses in the ASEAN region. However, we have realigned our strategies to be more compatible with the movement towards 3G – hence our plans for strategic tie-ups with brand names in this field.

As smartphones are still cost-prohibitive to majority of the developing population, there remains a demand for our affordable smart-feature phones, which would allow many in such markets to gain access to the Internet and services such as Facebook, Yahoo and Google. We believe that our strategies will help S i2i to create niche in these markets and fill a gap.

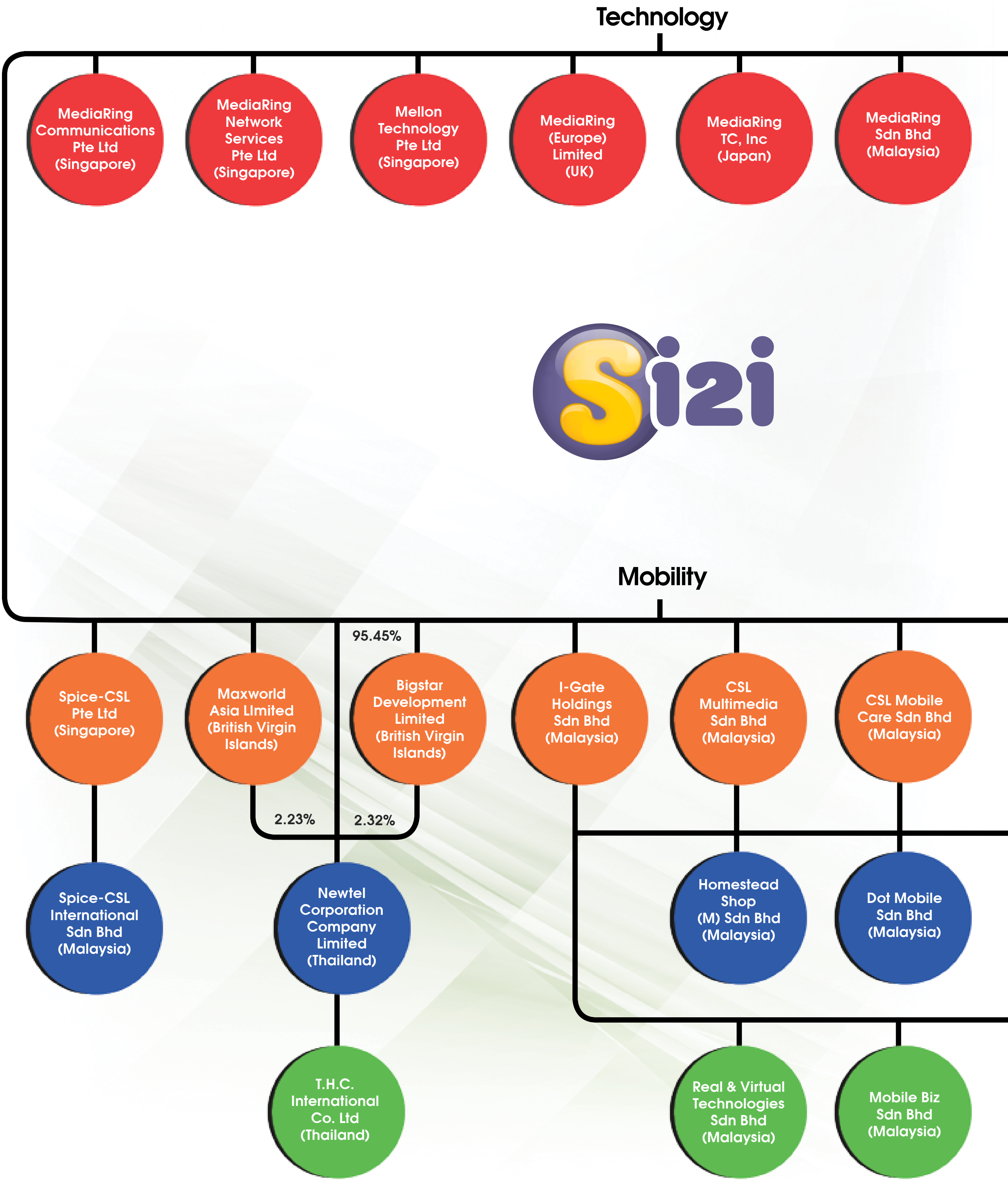
A Word of Appreciation

We could not have weathered the challenging economic environment and survived the competitive business environment to move forward with our brand integration without the contributions, commitment and support our management team and staff, business associates, and shareholders.

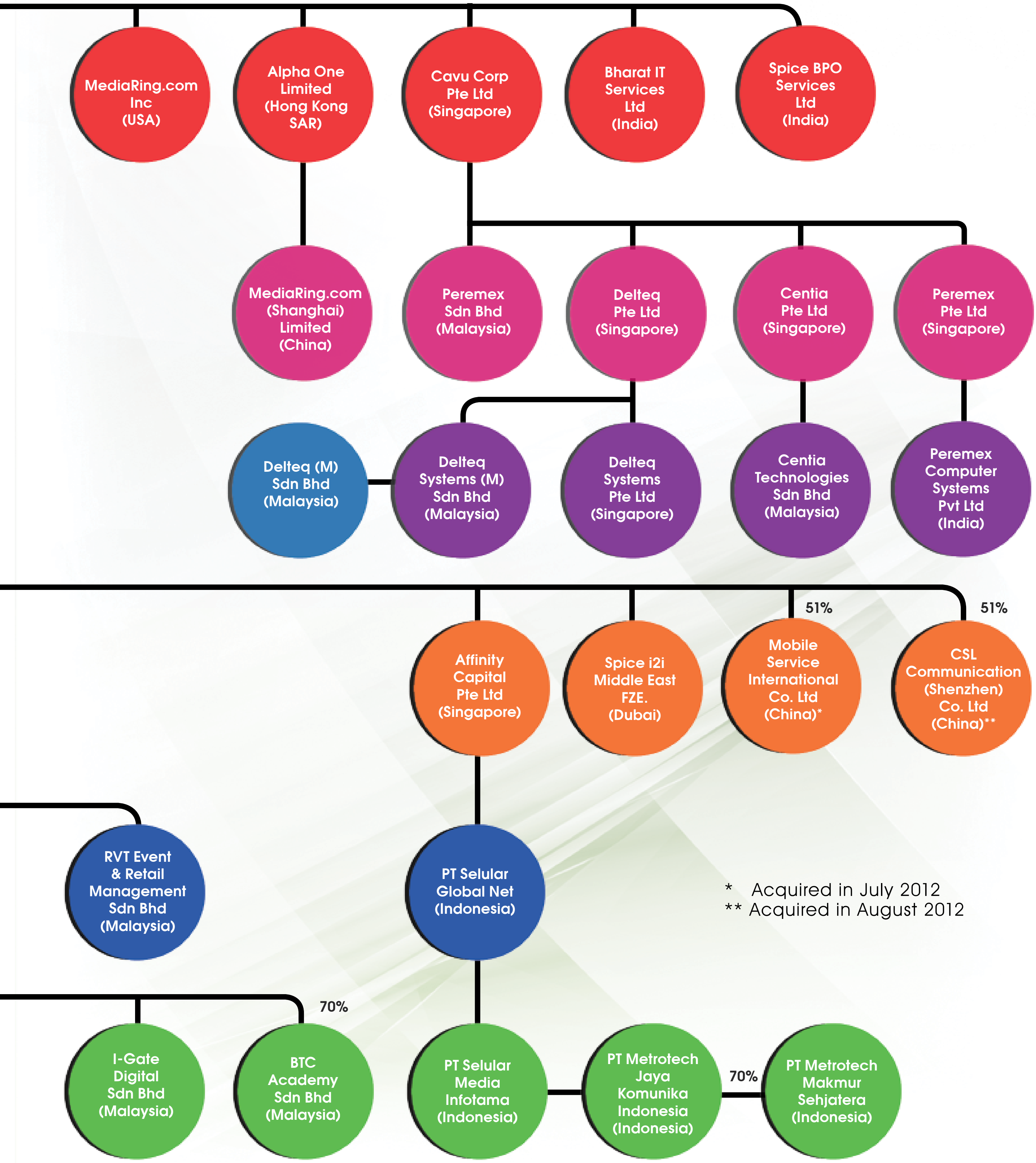
We appreciate your continued support, and steadfast belief in our mission and vision. In return, we will continue to work hard to bring the "Switch" brand (S) and its associated philosophy of a digitally connected lifestyle to a regional scale and strive to be one of the major regional mobile and mobile Internet Company.

Dr B. K. Modi
Chairman

Corporate Structure



Corporate Structure



* Acquired in July 2012
** Acquired in August 2012

Board of Directors

Dr Bhupendra Kumar Modi
Non-Executive Chairman

"Technology Futurepreneur"

Dr Bhupendra Kumar Modi ("Dr BKM") was appointed to the board on 31 August 2009 as Non-Executive Director and Chairman, and was re-elected as Director on 30 April 2010.

From his early days, when he defied family business norms to introduce photocopying to India or the first mobile service in the country, Dr BKM has always shunned conformity in order to embrace the future.

As a "Futurepreneur" with 30 years of business leadership behind him, Dr BKM has always lived and worked on the principal philosophy of challenging conventional wisdom. In his words "I want to ensure that people everywhere enjoy the highest levels of personal productivity. And today the mobility of the Internet will drive this more than any other phenomenon."

Over the last three decades Dr BKM has consistently demonstrated this intent through a series of very successful alliances with category leaders like Xerox, Alcatel, Telstra, Olivetti and more recently with Telekom Malaysia. He pre-empted the revolutions in Office Automation, Internet infrastructure, Wireless Telephony and Specialty Retailing.

In keeping with this thinking, Dr BKM now wants to foster global levels of personal productivity for the youth in the exciting geography that extends from the Ivory Coast to Indonesia. To this end, he has created a US $2 bn organisation built on some exciting acquisitions to the Spice group. These include very successful entrepreneurial brands like Nexian in Indonesia and MediaRing in Singapore, that together provide a brilliant orchestra of passionate professionals who will drive leadership in the region.

Dr BKM is a Chemical Engineer and an MBA from University of South California (U.S.C), and was awarded a Ph D in Financial Management. He has also been conferred a D Litt in Industrial Management.

Mr Dilip Modi
Non-Independent Non-Executive Director

Mr Dilip Modi was appointed to the board on 30 April 2010. On 10 February 2012, Mr Modi was re-designated from Executive Vice Chairman & Managing Director to Non-Independent Non-Executive Director.

Mr Modi started his professional career in 1996 working closely with McKinsey to help restructure the BK Modi Group businesses. This led to formation of Spice Corp (formerly Mcorp Global) and its vision to grow in the ICE (Internet, Communications and Entertainment) domain. He has since executed instrumental roles, amalgamating the inherited business acumen with contemporary professionalism to build the Group into a vibrant, energetic business entity with a highly skilled team managing the core and strong businesses forming the periphery.

He built Modi Telstra, India's first cellular service provider, and was later instrumental in divestment of this company through one of the smartest deals. As Chairman-MD of Spice Communications, he developed Spice Telecom into one of the most valuable and enduring brands in Punjab and Karnataka, the two highly profitable mobile markets in India. Over the past five years, Mr Modi founded and set up Mobility businesses in the areas of Mobile Devices (Spice Mobile), Mobile Value Added Services (Spice Digital) & Mobile Retail (Spice Hotspot), which have since emerged as amongst the leading players in their respective domains in the fast growing Indian mobility landscape.

Currently Mr Modi is working towards building a leading Mobile Internet and Digital Lifestyle company across i2i (Ivory Coast to Indonesia) with the objective of building solutions that reduces the digital divide across emerging markets of Asia and Africa.

Mr Modi was last year the President of ASSOCHAM (Associated Chamber of Commerce), a leading industry chamber with over 400,000 members. He was the youngest Chairman of the Cellular Operators Association of India (COAI) and currently the youngest President of a National Industry Chamber. Awarded Youth Icon Award by the Gujarat Chamber of Commerce. Mr Modi holds a BSc from Brunel University and MBA from Imperial College London.

Ms Divya Modi
Non-Independent Non-Executive Director

Ms Divya Modi was appointed to the board on 31 August 2009. On 10 February 2012, Ms Modi was re-designated from Executive Director to Non-Independent Non-Executive Director.

Ms Modi started her career by setting up S Group's first 25,000 sq mt. lifestyle real estate project in India. She has extensive experience in M&A and Corporate Finance. She established the management assurance service within the group to oversee the internal control framework in the organization, setup and led the Investor Relations function

Board of Directors

and worked closely with the finance team in major M&A's. She was also the Joint MD of the retail operations in India where she worked closely with McKinsey to develop the strategy for the business and implemented key measures required to drive the strategy through. She is presently spearheading the financial services business and is working on the group's entry into the healthcare industry.

Ms Modi is a CFA Charter holder, a Graduate in Economics and Business Finance (Honors) from Brunel University, UK and a Masters in Accounting from the University of Southern California, USA.

Mr Hasanand Nanani
Executive Director and Chief Executive Officer

Mr Hasanand Nanani was appointed to the board on 10th February 2012 as Executive Director and Chief Executive Officer.

Mr Nanani has over 37 years of diverse experience across international business development, global procurement and distribution, having held senior positions in Xerox India and the Jumbo Group (Indian and International Operations).

He has played a key role in the growth in India for Spice Corp – a diversified conglomerate with operations across the entire spectrum of the mobile eco-system, including Telecom Services, Mobile Handsets, Mobile Value Added Services, and Telecom Retail Operations.

Mr Nanani previously spent 19 years with Xerox India, rising to the position of Group Managing Director. He was instrumental in establishing the 'Xerox' Brand in India and helping it grow into one of the most successful joint ventures in India. At Xerox, he was in charge of business operations in India and South Asia and completed stints with Xerox in USA, UK and the Asia Pacific region. Under his stewardship, Xerox India was rated as the most successful channel business in the Xerox Group.

As Chief Operating Officer of Jumbo World Holdings, Mr Nanani successfully headed the international operations of the group and grew it into a highly profitable business with revenues of USD 1 Billion. He was responsible for the total growth of Global Operations in Sony Products, (Entertainment, Electronics, IT & Telecom Products), Telecom Handset Business, IBM and Compaq Computers.

During his career, Mr Nanani was also responsible for initiating the Quality Movement in India. The `Leadership Through Quality' (LTQ) training conducted by him was an outstanding success and was adopted by various Indian and multi-national companies in India. Mr Nanani was also responsible for awarding Business Excellence Certification to various Xerox companies across the world.

Mr Nanani has won several prestigious awards and recognition, including the Top Professional Manager of the Year. He was Head of the Assocham Expert Committee on Consumer Affairs and has participated in several International Senior Management Development programs of Xerox Corporation and was recognized as one of their most successful CEOs.

Mr Nanani is an alumnus of Birla Institute of Technological Sciences, Pilani.

Mr S. Chandra Das
Independent Director

Mr S. Chandra Das was appointed to the Board on 31 July 2010 as Independent Director.

At present, Mr Das is the Managing Director of NUR Investment & Trading, Chairman of Southern Africa Investments (a subsidiary of Temasek Holdings) and Director of several other trading and manufacturing companies.

He is currently Singapore's non-resident Ambassador to Turkey and Pro-Chancellor of Nanyang Technological University.

Mr Das has been involved in the corporate sector and public/community services for over 4 decades, holding several high profile appointments.

He was a Member of Parliament (1980 to 1996), Chairman-Parliamentary Committee for Defence & Foreign Affairs (1985-90) and Chairman- Parliamentary Committee for Finance, Trade and Industry (1990-91); Chairman-Trade Development Board (1983-86); Chairman-Jurong Shipyard and Jurong Engineering Ltd; Chairman-NTUC Fairprice Co-operative (1993-2005) and Director- CIES Food Forum, Paris (1994-2006).

His efforts across various fields have also earned significant recognition through several awards and citations. These include NTUC's Friend of Labour Award (1979), Meritorious Service Award (1997), Distinguished Service Award (2001) and Distinguished Service (Star) Award (2005); Poland's Golden Cross of Merit (1991), Rochdale Medal by Singapore National Co-operative Federation (1998) and President's Medal by Singapore Australian Business Council (2000).

An economics graduate, Mr Das has been conferred honorary doctorates in Business (by the University of Newcastle, Australia) and in Commercial Science (by St. John's University, NY).

Board of Directors

Mr Thomas Henrik Zilliacus
Lead Independent Director

Mr Thomas Henrik Zilliacus was appointed as Non-Executive Director in 28 February 2002 and was last re-elected to his position on 26 July 2011.

Mr Zilliacus is the founder and Executive Chairman of Mobile FutureWorks Inc, a developer and investor in companies in the mobile space. He is also the Executive Chairman of YuuZoo Corporation, a leading global mobile payments, mobile social networks and mobile media company. He is the former head of Nokia's Asian operations, and the former global head of Nokia's brand, corporate marketing, PR & IR. He is a board member or advisor for several technology & finance companies in Asia, Europe and the US.

Mr Zilliacus holds a Master of Science in Economics and Business Administration from the Swedish School of Economics and Business Administration, Helsinki.

Mr Vijay Brijendra Chopra
Independent Director

Mr Vijay Brijendra Chopra was appointed to the board on 14 October 2009 as Independent Director and was last re-elected to his position on 30 April 2010.

Mr Chopra is a Senior International Financier with a robust TMT Executive track record, experienced in origination, structuring, and managing Equity and Debt investments across a wide range of sectors. Mr Chopra is a veteran in M&A, private and traded equity, as well as in project/leveraged debt financing and loan/bond markets.

Mr Chopra is currently the Chief Executive Officer of Millennium Capital Pte. Ltd. Prior to this current assignment, Mr Chopra was Managing Director with UBS Bank in Singapore and held senior executive positions in BNP/BNP Paribas/BNP Paribas Peregrine and ABN Amro.

Mr Chopra holds a degree in Masters of Commerce from University of Bombay and is an MBA (Finance) with distinction from University of Hull (UK). He is an Associate of the Institute of Cost and Works Accountants of India and a Certified Associate of the Indian Institute of Bankers.

Mr Lim Chin Hu
Independent Director

Mr Lim Chin Hu was appointed to the board on 12 August 2011 as Independent Director.

Mr Lim has over 28 years of experience in the Infocomm industry. He is currently the Managing Partner of Stream Global Venture Catalyst Pte Ltd, a venture fund providing seed funding for Infocomm startups in the social media and interactive digital media space.

He was previously CEO of Frontline Technologies Corp. Ltd; formerly a SGX listed company before it was acquired by British Telecoms (BT) in 2008. Frontline was one of Asia's premier IT companies with a wide geographic reach across the Asia Pacific region.

Prior to joining Frontline, Mr Lim held senior positions at Sun Microsystems including Managing Director of Sun Microsystems Singapore; country manager for Sun Microsystems in Thailand, Philippines, Indonesia and Vietnam. Mr Lim began his career at Hewlett Packard and held various sales, marketing & management positions in Singapore and South East Asia since joining in 1981.

Mr Lim has also served in various technology industry bodies such as a council member in Singapore Infocomm Technology Federation (SiTF), a board member of Infocomm Development Authority of Singapore (IDA) and a council member of IT Standards Committee and National Infocomm Manpower Council. He currently sits on the board of Changi General Hospital and Integrated Healthcare Informations Systems. He is also a board member of Caledonian Investment Ltd and Kulicke & Soffa, a Nasdaq listed leading semiconductor equipment manufacturer.

Mr Lim holds a Bachelor of Science degree from La Trobe University, Melbourne, Australia and a Diploma in Electrical and Electronics Engineering from Ngee Ann Polytechnic.

Mr Jai Swarup Pathak
Non-Independent Non-Executive Director

Mr Jai Swarup Pathak was appointed to the Board on 14 October 2009 as Non-Independent Non-Executive Director and was last re-elected to his position on 30 April 2010.

Mr Pathak is the Partner-in-Charge of the Singapore office of Gibson, Dunn & Crutcher and the Asia Pacific region. He is also located in Gibson Dunn's Los Angeles office. Mr Pathak is a member of the firm's Corporate Department and its Mergers and Acquisitions Practice Group and serves on the firm's executive committee.

Mr Pathak has extensive experience in cross-border mergers and acquisitions, takeovers, dispositions, privatisations, joint ventures, licensing, infrastructure development, as well as private equity and structured finance transactions. His clients have included governments, financial institutions, investment banks, multinational companies and U.S., European, and Asian companies.

Mr Pathak previously practiced with Jones Day since 1985, where he was a partner heading the transactional practice in Los Angeles and coordinating the M&A section for the California region. He previously served as head of that firm's India practice and partner in charge of the Singapore office. He also spent more than a decade practicing in that firm's London, New York and Cleveland offices.

Board of Directors

Chambers & Partners Asia Pacific 2011 ranks Mr Pathak as a leading lawyer for Corporate/M&A in both Singapore and India. Mr Pathak won the "Best Corporate Lawyer" award at Asian Legal Business's Legal Who's Who Singapore 2003. He was presented the "National Law Day Award – 2001" by the Indian Council of Jurists for his unique contribution to the development of Indian corporate law. In addition, Mr Pathak was also named by The American Lawyer in its February 2009 issue to its list of the Top 20 Lateral Partner Hires for 2008.

Mr Pathak graduated from law school (B.A. (Hons. in Jurisprudence)) from Oxford University in 1984 (M.A., 1989) and received his LL.M from the University of Virginia in 1985. He previously earned his B.A. (Hons.) and M.A. degrees from the University of Delhi and Jawaharlal Nehru University, New Delhi, India.

Ms Preeti Malhotra
Non-Independent Non-Executive Director

Ms Preeti Malhotra was appointed to the Board on 14 May 2011.

She is presently Executive Director, S Mobility Ltd and is responsible for instituting good Corporate Governance in Spice Group entities and during her tenure with the Group she has handled a number of re-structuring transactions including IPO's, takeovers, Mergers and other JV initiatives of the Group.

Ms Malhotra is the past President of the Institute of Company Secretaries of India (ICSI) & was the first and still the only woman to be elected as President amongst the premier National Professional Bodies in India.

Ms Malhotra was a member of the Dr JJ Irani Expert Committee constituted by the Ministry of Corporate Affairs (MCA), Government of India, to advise the Government on the New Company Law being framed. She specifically drove the discussions on Management, Board Governance and Shareholders democracy. She is a member on various expert panels in corporate laws, Governance & regualtion and regularly interacts with the Government on new laws being framed. She is/has been Chairperson/Member of various Committees of ICSI and of various Chambers of Industries in India and is presently also the Chairperson of the National Council of Corporate Governance, CSR & Corporate Affairs of ASSOCHAM.

Ms Malhotra has received several awards and citations and was awarded the Bharat Nirman Talented Ladies Award in the field of profession in the year 2003 and the prestigious Vocational Service Excellence Award by Rotary Club of New Delhi in the year 2009. She also received on behalf of ICSI as its Past President "Recognition of Excellence Award" from Her Excellency Smt. Pratibha Devisingh Patil (Hon'ble President of India) during the Celebration of India Corporate Week 2009 by Ministry of Corporate Affairs.

Ms Malhotra is a Fellow Member of the Institute of Company Secretaries of India. She is a Commerce (Hons) Graduate and a Law Graduate from Delhi University.

Proposed Director

Mr Umang Das
will be joining the Board as Director on 25 Oct 2012.

Umang Das is one of the pioneers of the Indian Telecom Industry and was instrumental in establishing Cellular Mobile Telephony Business and the 1st Mobile Call in India.

After establishing Telecom Business of M/s. Crompton Greaves he established the Spice Telecom Business – offering Cellular mobile Services in various parts of the country.

He is credited for having innovated the new Business model of Passive Infrastructure Outsourcing and Sharing, which got its filip in early 2005 and today has grown to a Rs. 150000 crs (US $ 35 Billion) Industry.

Sensing new opportunities with Govt. allowing Active Infrastructure Sharing he moved over to an entrepreneurial model of offering Active Infra Services by joining SREI – Quippo Group as Managing Director & CEO of Quippo Infocomm Ltd in May 2008. With the merger of the Group's Passive Infra Co. Quippo Telecom with WTTIL (Tata Group), he is the President of merged entity Viom Networks Ltd. having over 40000 Towers across the country and is world's largest Independent Telecom Infrastructure Co. and has recently taken over as Chief Mentor - Viom Networks.

He is currently holding the following positions; Director on Board – SREI E-Sahaj Village Ltd, Director on Board – Quippo Infocomm Ltd, Managing Director – U R Consultants & Impex Pvt. Ltd, Chairman - COAI Infrastructure Committee, Chairman – CSC India Forum, Director General - Tower and Infrastructure Providers Association (TAIPA), Chairman - ASSOCHAM e-Governance and IT Committee, Chairman - FICCI's Telecom Infra Committee & Member - Managing Committees of ASSOCHAM, CII & FICCI.

On the Social welfare front he has been the President of the Rotary Club of New Delhi. Currently he is the District Director – Digital Literacy & Corporate Services, Rotary Distt: 3010.

Mr Das is an alumnus of the prestigious Indian Institute of Management, Ahmedabad and an Electrical / Electronics Engineer form the Delhi College of Engineering with Post Graduate Diploma in Business Management.

Senior Management

Singapore

Mr Kul Taran Singh Anand (KTS)
CFO (Group), S i2i Limited

Mr Kul Taran Singh Anand (KTS) has valuable professional experience of over 27 years in the field of corporate finance, accounts, global taxation, commercial and corporate laws, strategic planning, corporate governance, mergers & acquisitions, investor relations and secretarial functions.

Mr KTS Anand has worked with large corporate houses and multinationals. His last assignment was as Chief Financial Officer with NIIT Technologies Ltd, a leading global IT solution organisation having business in more than 20 countries in America, Europe, Australia and Asia.

His previous experience includes working as Vice President - Finance & Manufacturing and SBU head in TCNS Limited, engaged in manufacturing and export of textiles/garments from India, China, Hong Kong, Bangladesh, Sri Lanka and Nepal.

Prior to this, he has also worked with Pepsi, MilkFood and Nuchem.

Mr KTS Anand is a gold medalist and topped the University while doing his graduation (B.Com). He also holds Master degree in Commerce. He is a fellow member of The Institute of Chartered Accountants of India.

Mr Spencer Tan
AVP Retail Voice Business, S i2i Limited

Spencer Tan has with him more than 20 years of working experience. He spent a good half of his career years in IT/Communications companies like Tech Pacific, Compaq, Xircom Inc. & Larscom Inc., holding mainly regional sales roles.

He joined S i2i in the year 2003 as a Senior Business Development Manager, focusing on South & Central Asia's Retail Sales Market. With his proven top sales record and leadership qualities, he worked his way through the ranks and held various positions within the organisation, and, has been instrumental in bringing the retail business to the next level. Spencer is now the Assistant Vice President (Retail Voice Business), overseeing the company's International Retail voice and Carrier business.

Mr Tiey Hwee Song
Senior Business Manager, Delteq Pte Ltd

Hwee Song joined Delteq Pte Ltd in September 1999 as an Account Manager after 11½ years career in the Singapore Armed Forces. He completed various instructional and staff appointments before leaving the service. Hwee Song completed his Master of Business Administration (International Business) course with Oklahoma City University and the Bachelor of Science (Information Systems & Computer Systems) course with the National University of Singapore.

In Delteq, he started his sales career covering MINDEF. A hands-on person, he participated in major deployment projects to understand the environment and build closer relationship with customers. He progressively moved towards managing role and was subsequently entrusted the responsibility (HP business formed 70% of Delteq's) of managing Delteq's relationship with HP. His 12 years journey in Delteq has been a fruitful and fulfilling; having experienced the highs (major wins) and lows (dotcom & SARS) during those period and rode through it. His motto – D[edication]. A[ttidute]. D[etermination], which he believes has carried him far in life.

Mr Chan Ying Kiong
VP, Cavu Corp Pte Ltd

Chan Ying Kiong, Vice-President of Sales, has been with Cavu Corp Pte Ltd since 2010. A relatively new member of the team, he has been tasked to grow the IBM portfolio, with the ultimate aim of working towards becoming IBM's preferred partner in Information Technologies.

Prior to joining Cavu Corp Pte Ltd, Ying Kiong has undertaken various leadership roles in the IT arena. With an experience spanning over 27 years, 15 of which were spent leading teams at Fortune Global 100 companies, Ying Kiong has played a vital role in expanding trusted brands in both the local and overseas markets.

Ying Kiong holds a Bachelor of Sciences with Honours, in Physics and Computer Sciences, from Brock University in Canada.

Senior Management

Indonesia

Mr Maneesh Tripathi
Managing Director of Affinity Group & Selular Group Indonesia – a subsidiary of S i2i Limited

Mr Maneesh Tripathi was first appointed as Chief Executive Officer of S i2i Limited (formerly known as Spice i2i Limited) in March 2010. Later, after the acquisition of the Affinity and the Selular Group in Indonesia he was appointed as Managing Director of Affinity Group and Selular Group Indonesia in May 2011. He is also a board member of many subsidiaries of S i2i Limited.

Mr Tripathi has played a key role in the integration, transition and growth plans of Affinity Group and Selular Group – (part of SGX Listed Singapore S i2i Limited), having business in Mobile Devices, VAS and Telecom operator calling card and VOIP business in Indonesia. He is also the MD (operations) of the Singapore based VOIP and Technology business.

Mr Tripathi has more than 25 years of experience in various leadership positions in Multinational Companies. Prior to this he has handled senior management assignments with IBM , Philips, Olivetti, Sun and TCPL conducting business and working out of various countries like Japan, China, Singapore, Malaysia, Thailand, India, Saudi Arabia and Middle East. He managed various Business Head positions in IBM Global Services during his stint (10 years) where he lastly held the position of COO to run IBM ISS in Asia Pac. He is also an honorary board member Global Indian International School Singapore.

Mr Tripathi is an Engineer by qualification with a Degree in Electronics and Telecom from Jabalpur Engineering College (India) and has a PGCGM/Management from Indian Institute of Management, Calcutta, India.

Mr Navin Kaul
CEO Device Business, Selular Group

Mr Navin Kaul is CEO of device business based out of Jakarta. He handles Indonesia, Malaysia and Thailand markets. Before moving to Jakarta, he was based out of Bangkok managing Thailand and Malaysia markets.

Navin has 34 years of rich and diversified experience in varied fields like Pharmaceuticals, Office Automation and Telecom and IT services. He has worked with large multinational organizations like Xerox, Telstra & Samsung & Spice group. He has been associated with the telecom industry for last 17 years.

He is a graduate in science and post graduate in business management.

He has had a successful career in Sales, Marketing, Customer Operations and Business Development. He was responsible for setting up one of the telecom companies in India and positioned the company strongly against its competitors. Apart from strong operational skills he has a very strong people and relationship management skills.

He had a short stint in Australia with the largest telecom company to implement a project on customer satisfaction index enhancement and has undergone a senior management course of Stanford University at Singapore.

Apart from being extensively traveled and attended several seminars and programs, he has strong ability to turn around businesses and the ability to profitably grow the revenues in whichever assignment he has handled.

Senior Management

Mr Andy Tanamas
VP Business Development, Selular Group

Mr Andy Tanamas has been working as VP of Business Development in PT MJKI since January 2010. He is responsible for strengthening the bundling business with operator. In 2011, Nexian got awarded from Telkomsel and XL as their valuable bundling partner. Starting 2012, he started the bundling business with new partner, Indosat.

He is also in charge for banking, online and operator channel business where in MJKI consider as non direct sales which need a special treatment to business partner.

Andy has already been in the Telco industry for more than 12 (twelve) years. His career in Telco industry started in 2000 when he joined PT Trikomsel Multimedia where he developed Oke Shop in the first stage. After working for six and half years in Trikomsel he moved to LG Mobile Phone for two and half years, where he increased the LG Mobile Phone awareness. The career journey made him move to SMART Telecom where he's in charge in penetrating the modern channel to sell operator products.

Mr Agus Sutiono
VP Sales and Marketing Card Division, Selular Group

Mr Agus Sutiono, 37 is the VP Sales and Marketing for Card Division in Selular Group. Agus is responsible for the Sales and Marketing business in Card Division, this involves Card Business Development and Operator's Relationship. Agus also responsible for Key Performance Indicator Achievement in all Card Business.

Acquired an economy management degree from Tarumanegara University in 2001. Agus Sutiono joined Selular Group in 1998 and first started as a Sales Person Staff. He has a work experience of more than 15 years in Card and Operators Business.

Mr Avedhesh Kumar Tayal
CFO, Selular Group

Avedhesh Kumar Tayal joined S i2i in October 2009 as Chief Financial Officer and currently designated as Chief Financial Officer of Selular Group. In May 2010 was redesignated as Sr. Vice President Finance to take care of Acquisitions and Fund Raising for S i2i. During this period Mr Tayal was involved in Rights Issue of the company as well as worked in S i2i's new locations at Malaysia, Thailand and Indonesia.

Mr Tayal comes from a very strong finance and operations background and has handled Accounting, Corporate Finance, Budgeting, Mergers and Acquisitions activities, logistics, treasury, right issues and all other aspects of financial system during his carrier. He has more than 30 years of experience and has worked with various companies like Modi Xerox Ltd, Modi Olivetti Ltd, Spice Mobiles Ltd, Spice Communications Ltd, Spice Televentures Pvt ltd at various levels before joining S i2i.

Mr Tayal graduated from Meerut University, India with a Bachelor of Commerce (Honors) degree and is a member of the institute of Chartered Accountants of India.

Senior **Management**

Mr Manish Bhardwaj
Advisor - Human Resources, Selular Group

Mr Manish Bhardwaj is currently working as Advisor Human Resources, Selular Group, subsidiary of S i2i Ltd. He is responsible for the HR Administration and IT functional deliverables for Selular Group, based out of Jakarta. As full spectrum responsibility, this involves Staffing and Recruitment as per Manpower Plan, Training, Employee Engagement, Employee Relations and relevant Statutory Compliances. As strategic partner for business, Manish has to work with leadership team and drive company objectives with Line Managers. He is responsible to set and drive HR initiatives throughout the organization with Business Heads and Line Managers.

Manish has completed his B. Sc (Honors) Physics from Delhi University and Post Graduate Diploma in HRD from Symbiosis Centre for Management & HRD. He has a work experience of more than 12 years in India and International environment with companies like Spice Group, Schneider Electric India, ABB Ltd, Unilever Group and Coca Cola India.

Manish has been associated with Spice group for more than 4.5 years.

Mr Isaac Sjahrir Sjauhari Jenie ("Izak")
Business Division - Director, Selular Group

Izak started the project with Nexian Messenger which in only 1 year successfully grabbed 9 million users with 3 million active users monthly. Nexian Messenger now delivers more than 3 billion messages per month and is growing 40% monthly. The system is also used as the base of the new Facebook client for feature handset with MTK chipset.

Izak is also the designer for a mobile payment system which has been well received with multiple merchants, the system has been approved by worldwide payment expert such Visa International.

Izak was also the founder of Jatis Group, the IT leading company in Indonesia. Izak started Jatis with few people to become the 500 strong with dozens million dollars of revenue. Izak served as the board of directors in Jatis for 11 years, specialize in technology. During his tenure, Jatis spread its operation to Singapore, Malaysia, Philippines and Thailand.

Izak is the architect for big and mission-critical system in Indonesia, with a wide range spectrum of industries, including banking, manufacturing, telecommunication and tax system. He is the architect of the largest internet banking and mobile banking in Indonesia.

Mr Isnur Rochmad
CTO, Selular Group

Isnur Rochmad is currently working for Selular Group as Chief Technology Officer (CTO) in Selular Group. He is responsible for the product management, which covers defining product roadmap, driving innovation for new product development as well as maintaining and enhancing existing product lifecycle. Another key role is project management to ensure the time to market of the products. As CTO, Isnur has to build strategic partnership with key partners such as ODM (Original Design Manufacturers) partners, chipset partners, software platforms and also mobile applications and contents. Finally, Isnur has also to lead esteemed engineering and project management teams and direct them to achieve the company goals.

Isnur has completed his bachelor degree in Electrical Engineering from the Institut Teknologi Sepuluh Nopember Surabaya in 1992 and also Master Degree in Computing Science from University of Newcastle Upon Tyne, UK in 1999. He has 19 year working experience in telecommunication industry with companies like PT. Industri Telekomunikasi Indonesia (PT. INTI), PT. INTI Pisma International, PT. Metrotech Jaya Komunika Indonesia and Selular Group.

Senior Management

Malaysia and Thailand

Mr Desmond Ng Teck Peng
CEO, I-Gate

Mr Ng is an industry veteran in the "fast-moving-consumer-goods" (FMCG) and "consumer durables" industry. He has a proven track record and operational experience in managing logistics, hi-volume inventory, after-sales support, retailing and wholesales for electrical home appliances, electronic goods and digital products.

He was the lead in establishing a local key retailer chain of international brands. Thereafter, he was headhunted by a group of private investors to setup another retail organization which held the local exclusive distribution rights for key European brands. In addition, he was also responsible for securing the "contract manufacturing" for the products to be manufactured and assembled in Malaysia.

Mr Ng recognized the new opportunities arising from the mobile industry and digital consumer goods industry. He focused his attention in setting up retail and distribution channels in this industry. He developed a new solution concept to create an organized marketing and service network for the industry. From a single distribution company, he managed to secure 75 touch points in traditional and modern trade business models by monopolizing the hypermarket channels.

His proven track record as a high achiever, his vast business network and his intimate knowledge of both the industry and operations will aid the company in its new endeavours.

India

Mr Arun Seth
CEO, Bharat IT Services Ltd

As the CEO of Bharat IT Services Ltd, Arun brings with him a rich experience spanning 22 years in the Electronics and Information Technology Industry in India, having held senior and responsible positions throughout his career.

Arun commenced his career with the IT industry and served DCM Data Products and Spice Limited in various senior capacities. He joined Modi Olivetti Ltd in 1990 as General Manager. During the initial years of his tenure with the Company, Arun proved to be a consistent performer.

In 1996, Arun was given the complete responsibility of the organization and was capped as CEO of Modi Olivetti. Even though Olivetti exited the PC business worldwide, Arun was able to build a substantial business under the Spice Banner in the I.T Systems, Services and Peripherals area.

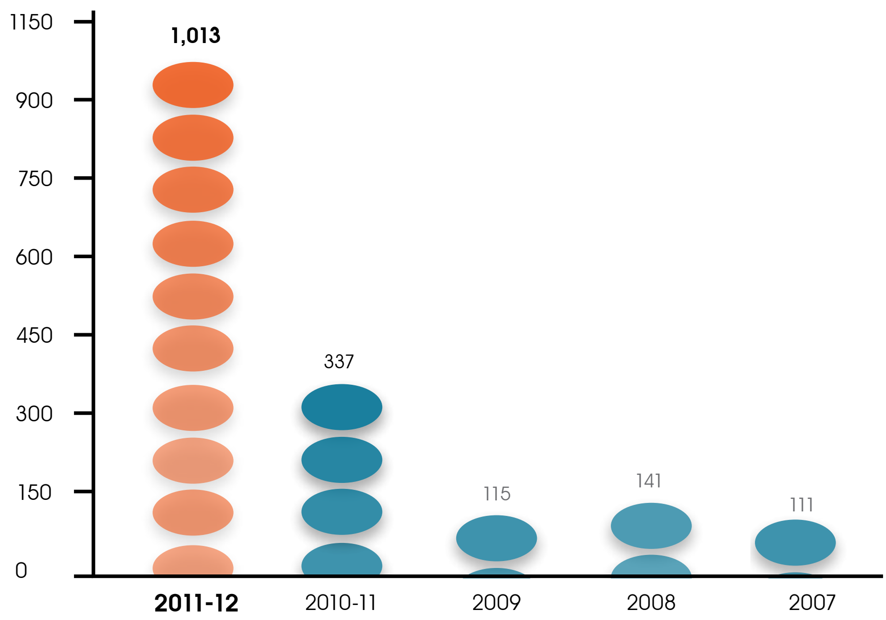
In 2002 when the Modi GBC JV got concluded, Arun was entrusted with the additional responsibility of managing the Office Automation business in India.

Introducing technology products to address evolving needs of banks has been an important consideration for Arun. Bharat IT's most recent foray in the Cheque Truncation area will go a long way in making it a prominent player in this category in India.

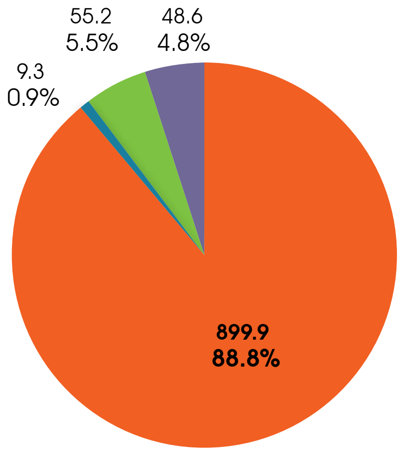
Building and managing teams of successful professionals is Arun's forte. Creating and nurturing customers with long term relationships is a key strength.

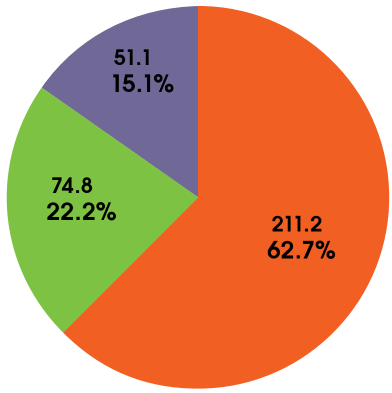
Financial Highlights

Revenue (5 years trend)
US$ million



Segmental Revenue
US$ million





2011 - 12 **2010 - 11**

Mobility
Operation related to disposal group classified as held for sale
Voice & Data Services
Computing

Corporate Information

Board of Directors
Dr Bhupendra Kumar Modi, Non-Executive Chairman
Mr Hasanand Nanani, Executive Director & Chief Executive Officer
Mr Thomas Henrik Zilliacus, Lead Independent Director
Mr Vijay Brijendra Chopra, Independent Director
Mr S Chandra Das, Independent Director
Mr Lim Chin Hu, Independent Director
Mr Dilip Modi, Non-Independent Non-Executive Director
Ms Divya Modi, Non-Independent Non-Executive Director
Mr Jai Swarup Pathak, Non-Independent Non-Executive Director
Ms Preeti Malhotra, Non-Independent Non-Executive Director

Company Secretary
Ms Joanna Lim Lan Sim

Executive Committee
Dr Bhupendra Kumar Modi (Chairman)
Mr Dilip Modi
Ms Divya Modi
Mr Hasanand Nanani

Audit Committee
Mr Vijay Brijendra Chopra (Chairman)
Mr Lim Chin Hu
Mr Thomas Henrik Zilliacus

Remuneration Committee
Mr Vijay Brijendra Chopra (Chairman)
Mr S. Chandra Das
Ms Preeti Malhotra

Nominating Committee
Mr Thomas Henrik Zilliacus (Chairman)
Mr S. Chandra Das
Mr Vijay Brijendra Chopra
Ms Divya Modi
Mr Jai Swarup Pathak

Shareholders Value Enhancement Committee
Ms Divya Modi (Chairperson)
Mr Thomas Henrik Zilliacus
Mr Vijay Brijendra Chopra
Ms Preeti Malhotra

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Boardroom Corporate & Advisory Services Pte. Ltd.
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#32-01 Singapore Land Tower
Singapore 048623

Principal Bankers
United Overseas Bank Limited
80 Raffles Place
UOB Plaza 1
Singapore 048624

DBS Bank Limited
12 Marina Boulevard
#46-04 Marina Bay Financial Centre Tower 3
Singapore 018982

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

Standard Chartered Bank
Marina Bay Financial Centre
Tower 1, Level 24, 8 Marina Boulevard
Singapore 018981

Oversea Chinese Banking Corporation Limited
18 Church Street
#04-00 OCBC Centre South
Singapore 049479

Auditors
Ernst & Young LLP
One Raffles Quay
#18-01 North Tower
Singapore 048583
Partner-in-charge: Simon Yeo
(From financial year ended 31 March 2009)

Corporate **Governance**

S i2i Limited (the "Company") and its subsidiaries (collectively called "the Group") are committed to achieving and maintaining high standards of corporate governance. While there will always be business risks, we believe that these standards are the cornerstones in building a sound corporation and in protecting the interests of the shareholders. We believe that given the Group's size and stage of development, the overall corporate governance we have in place is appropriate and is in compliance with the requirements of the Singapore Code of Corporate Governance 2005 (the "Code"). This corporate governance report ("Report") describes the Company's corporate governance framework with specific reference to the principles set out in the Code. The Company has also complied with the spirit and requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The revised code of Corporate Governance 2012 (the "Code 2012") was issued on 2 May 2012. As the Code 2012 has not been taken effect, the Company will comply with the revised guidelines for the financial year commencing on or after 1 November 2012.

(A) BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Effective board to lead and control the Company

The principal roles of Board of Directors (the "Board") are to decide on matters in respect of strategic direction, performance, resources, standard of conduct, corporate planning, major investments and divestments. The Board oversees and reviews key operational activities, business strategies and affairs of the Group, annual budget, management performance, the adequacy of internal controls and risk management. The Board also approves the financial results for release to SGX-ST, major funding, investment proposals and borrowings, and ensures effective human resources and management leadership of high quality and integrity are in place. Every Director is required to exercise independent judgement in the best interest of the Group and the shareholders.

To assist the Board in the discharge of its oversight function, the Board delegated specific responsibilities to various board committees, namely the Audit Committee, Nominating Committee, Remuneration Committee, Shareholder Value Enhancement Committee and Executive Committee.

Other than the Audit Committee, Nominating Committee and Remuneration Committee which the details are found in pages 20 to 27 of this report, the details of the Shareholder Value Enhancement Committee and Executive Committee are as follows:-

<u>Shareholder Value Enhancement Committee:</u>

Ms Divya Modi	Non-Independent Non-Executive Director	Chairperson
Mr Thomas Henrik Zilliacus	Lead Independent Director	Member
Mr Vijay Brijendra Chopra	Independent Director	Member
Ms Preeti Malthora	Non-Independent Non-Executive Director	Member

The Shareholder Value Enhancement Committee is responsible for exploring and identifying various strategies the Company may take in order to help in achieving the enhancement of the Shareholders' value. It reviews, assesses and proposes strategies before making recommendation to the Board.

Corporate **Governance**

Executive Committee:

Dr Bhupendra Kumar Modi	Non-Executive Chairman	Chairman
Mr Dilip Modi	Non-Independent Non-Executive Director	Member
Ms Divya Modi	Non-Independent Non-Executive Director	Member
Mr Hasanand Nanani	Executive Director & Chief Executive Officer	Member

The Executive Committee provides oversight of the business affairs of the Group. It is empowered to exercise full powers and authority of the Board when the Board does not meet except in respect of matters that specifically require the decision of the Board or any Board Committee.

During the financial period from 1 April 2011 to 30 June 2012 ("FY2011-12"), a total of 13 Board meetings were held. The Company's Articles of Association provide for participation in a meeting of the Board by means of conference telephone or similar communications equipment. The number of Meetings of the Board of Directors, Audit Committee, Remuneration Committee and Nominating Committee held in FY2011-12, as well as the attendance of each Board member at these meetings are set out in the table below.

	Board		**Audit Committee**		**Remuneration Committee**		**Nominating Committee**	
	No. of Meetings							
Name of Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Dr B.K. Modi	13	13	–	–	–	–	–	–
Dilip Modi	13	10	–	–	–	–	–	–
Divya Modi	13	13	–	–	–	–	6	6
Thomas Henrik Zilliacus@	13	13	1	1	–	–	6	6
S. Chandra Das@@@	13	11	–	–	1	1	5	5
Vijay B. Chopra	13	12	6	6	2	2	6	6
Jai S. Pathak@@	13	11	2	2	–	–	6	5
Preeti Malhotra*	12	12	5	5	2	2	–	–
Lim Chin Hu**	7	5	4	4	–	–	–	–
Hasanand Nanani***	4	4	–	–	–	–	–	–
Dato' Eric Chuah Seong Ling #	9	8	–	–	–	–	–	–
Eileen Tay-Tan Bee Kiew##	6	6	2	2	–	–	–	–
Sin Hang Boon###	6	5	2	2	1	1	–	–

* Appointed as Director on 14 May 2011. Total of 12 Board Meetings and 5 Audit Committee Meetings had been held since 14 May 2011.

** Appointed as Director on 12 August 2011. Total of 7 Board Meetings and 4 Audit Committee Meetings had been held since 12 August 2011.

*** Appointed as Director on 10 February 2012. Total of 4 Board Meetings had been held since 10 February 2012.

Resigned as Director on 10 February 2012. Total of 9 Board Meetings had been held up to the date of his resignation.

Resigned as Director on 27 July 2011. Total of 6 Board Meetings and 2 Audit Committee Meetings had been held up to the date of her resignation.

Resigned as Director on 27 July 2011. Total of 6 Board Meetings, 2 Audit Committee Meetings and 1 Remuneration Committee Meeting had been held up to the date of his resignation.

@ Appointed as member of the AC on 10 February 2012. Total of 1 AC Meeting had been held since 10 February 2012.

@@ Ceased as member of the AC on 12 August 2011. Total of 2 AC Meetings had been held up to the date of cessation.

@@@ Appointed as member of the RC on 12 August 2011 and member of NC on 14 May 2011. Total of 1 RC Meeting had been held since 12 August 2011 and total of 5 NC Meetings had been held since 14 May 2011.

Corporate Governance

The Company has adopted a set of internal guidelines setting out the authority limit (including Board's approval) for capital and operating expenditure, investments and divestments, bank facilities and cheque signatories. The Company conducts orientation programme for newly appointed Directors which includes management presentations on the Group's businesses and strategic plans and objectives. The Directors are provided with regular updates on regulatory changes and any new applicable laws.

Board Composition and Guidance
Principle 2: Strong and independent element on the Board

The Board comprises ten Directors, four of whom are Independent Directors. The Directors of the Company as at the date of this statement are:

1. Dr Bhupendra Kumar Modi (Non-Executive Chairman)
2. Mr Hasanand Nanani (Executive Director & Chief Executive Officer)
3. Mr Thomas Henrik Zilliacus (Lead Independent Director)
4. Mr Vijay Brijendra Chopra (Independent Director)
5. Mr S. Chandra Das (Independent Director)
6. Mr Lim Chin Hu (Independent Director)
7. Mr Dilip Modi (Non-Independent Non-Executive Director)
8. Ms Divya Modi (Non-Independent Non-Executive Director)
9. Ms Preeti Malhotra (Non-Independent Non-Executive Director)
10. Mr Jai Swarup Pathak (Non-Independent Non-Executive Director)

Membership on the Board and various board committees are carefully constituted to ensure equitable distribution of responsibilities and appropriate combination of skills and experience, as well as balance of power and independence. To enhance the independence of the Board, a Lead Independent Director has been appointed to coordinate the activities of the Independent Directors and act as the principal liaison between the Independent Directors and the Chairman on sensitive issues. Mr Thomas Henrik Zilliacus, the appointed Lead Independent Director on 14 May 2011, continue to ensure adequate accountability and transparency within the Company.

The Nominating Committee continues to hold the view that as warranted by circumstances, the Board may form additional board committees to look into specific areas of oversight. Majority of the members in Audit Committee, Remuneration Committee and Nominating Committee are Independent Directors of which chairpersons of the Audit Committee, Remuneration Committee and Nominating Committee are all Independent Directors.

The Board consists of respected business leaders and professionals whose collective core competencies and experience are extensive, diverse and relevant to the principal activities of the Group.

The Nominating Committee reviews and assesses the size and composition of the Board, and is of the view that the Board (i) is of an appropriate size taking into account the nature and scope of the Group's operations; (ii) has an appropriate balance of Independent Directors; and (iii) comprises suitable and competent Directors who can address the relevant industry and business needs of the Group. The Nominating Committee is satisfied that the Board comprises Directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, required for the Board to be effective.

Corporate Governance

Chairman and Chief Executive Officer

Principle 3: Clear division of responsibilities at the top of the Company, no one individual represents a considerable concentration of power

Dr Bhupendra Kumar Modi is the Non-Executive Chairman of the Company who is involved at the Board level decision-making and charting the corporate direction for the Company while taking advice from the other members of the Board.

Mr Hasanand Nanani was appointed as Executive Director and Chief Executive Officer of the Company on 10 February 2012. He is delegated with full executive responsibility for overseeing of the day-to-day Group's business, development, strategies and policies.

Each of the Chairman and the Chief Executive Officer perform separate functions to ensure that there is an appropriate balance of power, authority and responsibility, and to ensure accountability and Board independence. All major decisions involving the Company are only executed upon approval by a majority of the Board.

The Chairman leads the Board and ensures that the members of the Board work closely together with the Management on various matters, including strategic issues and business planning processes. The Chairman ensures effective communication with shareholders and promotes high standards of disclosure and corporate governance.

Board Membership

Principle 4: Formal and transparent process for the appointment of new directors to the board

<u>Nominating Committee</u>

The Company has established a Nominating Committee ("NC") to, among other matters, make recommendations to the Board on all board appointments and oversee the Company's succession and leadership development plans.

The NC, which is guided by written term of reference, comprises the following Directors as at the date of this Report:

Mr Thomas Henrik Zilliacus	Lead Independent Director	Chairman
Mr S. Chandra Das	Independent Director	Member
Mr Vijay Brijendra Chopra	Independent Director	Member
Ms Divya Modi	Non-Independent Non-Executive Director	Member
Mr Jai Swarup Pathak	Non-Independent Non-Executive Director	Member

Majority of the NC members (including the Chairman) are Independent Directors.

Corporate **Governance**

Board renewal is an ongoing process to ensure good governance, and maintain relevance to the changing needs of the Group and business. The NC is responsible for identifying and selecting new Directors and ensuring equitable distribution of responsibilities among Board members to optimise the effectiveness of the Board. It reviews and assesses the nominations for the appointment, re-appointment or re-election of Directors before making recommendations of the same to the Board. Consideration is given to diversity of experience and appropriate skills as well as to whether there are any conflicts of interests. The NC also evaluates the Directors' availability to commit themselves to carrying out the Board's duties and activities having regard to director's contribution and performance (such as attendance, preparedness, participation and candour). The NC Chairman is an Independent Director and is not, or the one who is directly associated with, a Substantial Shareholder (with interest of 5% or more in the voting shares of the Company).

In accordance with Article 104 of the Company's Articles of Association, at least one-third of the Directors shall retire from office by rotation at every Annual General Meeting ("AGM") and each Director is subject to retirement at least once in every three years, except for the Managing Director who is pursuant to Article 99 of the Company's Articles of Association not subject to retirement while holding that office. Mr Vijay Brijendra Chopra, Mr Jai Swarup Pathak and Ms Divya Modi will retire at the forthcoming AGM in accordance with Article 104 of the Company's Articles of Association. The NC and the Board were informed that Mr Vijay Brijendra Chopra, Mr Jai Swarup Pathak and Ms Divya Modi, who are retiring at the forthcoming AGM will not seek re-election. Consequently, they will cease to be Chairman/members of their respective Board Committees.

Mr Hasanand Nanani and Mr Lim Chin Hu who were newly appointed by the Board of Directors during FY2011-12 are due for re-election at the forthcoming AGM pursuant to Article 108 of the Company's Articles of Association. The NC and the Board were informed that Mr Lim Chin Hu, who is retiring at the forthcoming AGM will not seek re-election. Consequently, he will cease to be the member of the Audit Committee.

Ms Preeti Malhotra and Mr Thomas Henrik Zilliacus who were re-elected by the members pursuant to resolutions duly passed at the last AGM and are due for re-election at the forthcoming AGM. The NC and the Board were informed that Ms Preeti Malhotra and Mr Thomas Henrik Zilliacus who are retiring at the forthcoming AGM have offered themselves for re-election.

Any Director who is more than seventy years of age shall submit himself for retirement and re-appointment by the shareholders at the AGM in accordance with Section 153(6) of the Companies Act, Chapter 50 (the "Act"). Mr S Chandra Das is subject to retirement pursuant to Section 153(6) of the Act. The NC and the Board were informed that Mr S Chandra Das is not seeking re-appointment at the forthcoming AGM. Consequently, he will cease to be the member of the RC and the NC.

All re-appointments and re-elections of Directors are subject to recommendation of the NC. The NC meets at least once a year. Additional meetings are scheduled when the Chairman of the NC deems necessary.

The NC is also delegated with determining the "independence" status of the Directors annually having regard to the guidelines provided in the Code. The NC has reviewed the Directors with multiple directorships and is of the view that sufficient time and attention has been given to the affairs of the Company, through attendance at Board and Board Committee meetings including meetings held in a less formal basis via tele-conference and is satisfied that all the Directors have adequately carried out their duties as Directors notwithstanding their multiple board representations.

Corporate Governance

Key information of the Directors are set out in the following pages of the Annual Report: academic and professional qualifications are set out on pages 6 to 9 of this Annual Report; age, date of first appointment as well as last re-election are set out in the table below.

Name	Age	Position	Date of Initial Appointment	Date of Last Re–election/Re-appointment
Dr Bhupendra Kumar Modi	63	Non-Executive Chairman	31 August 2009	30 April 2010
Thomas Henrik Zilliacus	59	Lead Independent Director	28 February 2002	27 July 2011
Vijay Brijendra Chopra	54	Independent Director	14 October 2009	30 April 2010
S. Chandra Das	73	Independent Director	31 July 2010	27 July 2011
Lim Chin Hu	54	Independent Director	12 August 2011	–
Hasanand Nanani	64	Executive Director & Chief Executive Officer	10 February 2012	–
Dilip Modi	38	Non-Independent Non-Executive Director	30 April 2010	–
Divya Modi	29	Non-Independent Non-Executive Director	31 August 2009	30 April 2010
Preeti Malhotra	47	Non-Independent Non-Executive Director	14 May 2011	27 July 2011
Jai Swarup Pathak	53	Non-Independent Non-Executive Director	14 October 2009	30 April 2010

Information on the shareholdings in the Company of each Director is set out on pages 33 of the Directors' Report.

Board Performance

Principle 5: Formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board

The Company believes that Board performance is ultimately reflected in the performance of the Group. The Board, through the delegation of its authority to the NC, ensures that Directors appointed to the Board possess the background, experience, industry knowledge and skills critical to the Group's business so as to enable the Board to make sound and well-considered decisions.

One of the considerations when assessing the Board's performance is its ability to lend support to Management especially in times of crisis and to steer the Group in the right direction. Other considerations include contribution by Board members, communication with the Management and the Board members' standard of conduct and compliance. The Board members should act in good faith, with due diligence and care in the best interests of the Company and the shareholders.

Throughout the year, the Board has maintained open lines of communication directly with Senior Management on matters within their purview, over and above their attendance at convened meetings. Non-Executive Directors have constructively challenged and assisted in developing proposals on strategy and reviewed the Management's performance in meeting set goals and objectives. The Board has also provided valuable inputs, knowledge and raised insightful issues at Board and Board Committees' meetings.

Access to Information

Principle 6: Board members to have complete, adequate and timely information

Prior to each Board or Board Committee meeting and as warranted by circumstances, the Management provides the Board and the relevant Board Committees with adequate and complete information in a timely manner, relating to matters to be brought before them for decision. Monthly reports providing updates on key performance indicators and financial analysis on the performance of the Group, and regular analysts' reports on the Company are also circulated to the Board for their information. This enables the Board and the Board Committees to make informed, sound and appropriate decisions and keep abreast of key challenges and opportunities as well as developments for the Group.

The Board has independent and direct access to Senior Management at all times. Frequent dialogue and interaction take place between Senior Management and the Board members. The Board also has separate and independent access to the Company Secretary who attends all Board meetings. The Company Secretary is responsible for advising the Board through the Chairman to ensure that the Board procedures are followed and that the applicable requirements of the Act and the SGX-ST Listing Manual are complied with. The Company Secretary is also responsible for good information flow within and between the Board, the Board committees and the Senior Management. The appointment and removal of the Company Secretary is subject to Board approval. The Board members may take independent professional advice, at the Company's expense, as and when necessary to enable them to discharge their responsibilities effectively.

(B) REMUNERATION MATTERS

Principle 7: Formal and transparent procedure for fixing the remuneration packages of individual Directors

Principle 8: Remuneration of Directors should be adequate but not excessive

Principle 9: Disclosure on remuneration policy and level and mix of remuneration

<u>Remuneration Committee ("RC")</u>

The RC comprises the following Directors as at the date of this report:

Mr Vijay Brijendra Chopra	Independent Director	Chairman
Mr S. Chandra Das	Independent Director	Member
Ms Preeti Malhotra	Non-Independent Non-Executive Director	Member

All the members of the RC are Non-Executive and the majority of the RC members including the Chairman are Independent Directors.

Corporate Governance

The main responsibilities of the RC which is guided by its written terms of reference, include:-

(i) reviewing policy on executive remuneration and for determining the remuneration packages of Individual Directors and Senior Management;

(ii) reviewing and making recommendation to the Board for endorsement of a framework for remuneration which covers all aspects of remuneration including Directors' fees, salaries, allowance, bonuses, options and benefits in kind and the specific remuneration packages for each Director; and

(iii) reviewing the remuneration of Senior Management.

In setting an appropriate remuneration structure and level, the RC takes into consideration industry practices and norms in compensation as well as the Group's relative performance. The compensation structure is designed to enable the Company to stay competitive and relevant.

Mr Hasanand Nanani has entered into a service agreement with the Company in which the terms of his employment is stipulated. The service agreement may be terminated by giving three months' prior written notice or an amount equal to three months' salary in lieu of such notice. Under the service agreement, he will be paid Annual Bonus/Incentive in terms of Employee Share Scheme or Stock Options subject to achievement of goals set by the Executive Committee. Such number of employee share of stock option shall be decided by and would be subject to approval of Executive Committee, RC and the Board of Directors. Mr Hasanand Nanani is not entitled to receive any Directors' fees.

Non-Executive Directors have no service contracts. Their remuneration packages consist of Directors' fees component based on the Directors' fee policy, share options component pursuant to the Company's Employee Share Option Scheme and performance shares pursuant to the Restricted Share Plan and Performance Share Plan. The Directors' fee policy is based on separate fixed sums for holding a chairman position and being a member, as well as serving on board committees. The policy takes into account the effort and time spent and the responsibilities assumed by each Director. Directors' fees are subject to the shareholders' approval at the forthcoming AGM.

The Company adopts long-term incentive schemes such as ESOS, RSP and PSP that reward Directors and employees who contribute to the Group and are valuable to retain, using vesting schedules. Executive Directors do not receive any Directors' fees. They are employed under the standard terms and conditions as provided in the Employees' Handbook and their compensation packages consist of salary, variable bonus and share options under the ESOS, RSP and PSP.

For key executives, the Group adopts a remuneration policy that comprises a fixed and a variable component. The variable component is in the form of a variable bonus that is linked to the Group's key performance indicators approved by the Board.

The level and mix of each of the Directors' remuneration in bands of S$250,000 are set out below for the FY2011-12.

Directors' Remunerations (For period from April 2011 to June 2012)	Fee (S$)	Salary (S$)	Bonus/VP (S$)	Share-based Payment (S$)	Total Amount (S$)
S$250,000 to S$499,999					
1) Divya Modi*	6.0%	94.0%	–	–	100.0%
2) Dato Eric Chuah Seong Ling**	–	100.0%	–	–	100.0%
S$250,000 and below					
1) Dr Bhupendra Kumar Modi	100.0%	–	–	–	100.0%
2) Dilip Modi	100.0%	–	–	–	100.0%
3) Thomas Henrik Ziliacus	100.0%	–	–	–	100.0%
4) Vijay Brijendra Chopra	100.0%	–	–	–	100.0%
5) Jai Swarup Pathak	100.0%	–	–	–	100.0%
6) S. Chandra Das	100.0%	–	–	–	100.0%
7) Lim Chin Hu	100.0%	–	–	–	100.0%
8) Preeti Malhorta	100.0%	–	–	–	100.0%
9) Eileen Tay-Tan Bee Kiaw	100.0%	–	–	–	100.0%
10) Sin Hang Boon	100.0%	–	–	–	100.0%
11) Hasanand Nanani***	–	100.0%	–	–	100.0%

* Ms Divya Modi ceased to be an Executive Director w.e.f. 10 February 2012.

** Dato Eric Chuah Seong Ling resigned as Director on 10 February 2012.

*** Mr Hasanand Nanani appointed as Director on 10 February 2012

Information on the Group's ESOS, RSP and PSP is set out in the Directors' Report on pages 34 to 36 of Directors' Report.

The remuneration of the top 5 key executives (who are not Directors) is not disclosed as the Company believes in maintaining confidentiality of staff remuneration matters and that disclosure of the remuneration of individual executives is disadvantageous to its business interest, given the highly competitive industry conditions.

There is no employee who is related to a director whose remuneration exceeds S$150,000 in the Group's employment for the FY2011-12.

(C) ACCOUNTABILITY AND AUDIT

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospect

The Board has overall accountability to shareholders for the Group's performance and ensuring that the Group is well managed and guided by its strategic objectives. The Company continues to report the Group's operating performance and financial results on a quarterly basis and other price sensitive information via SGXNet in an effort to provide shareholders with a balanced and accurate assessment of the Group's performance, financial position and prospects. The Company believes that prompt compliance of statutory reporting requirements is a way to maintain shareholders confidence and trust in our capability and integrity.

Corporate Governance

Management provides the Board members with monthly business and financial reports which compare actual performance with budget and highlight the Company's performance, position and prospects. Other business reports are also provided on a timely and regular basis, to give up-to-date information and facilitate effective decision making.

Principle 11: Establishment of Audit Committee with written terms of reference

Audit Committee ("AC")

The AC comprises the following Directors as at the date of this report:

Mr Vijay Brijendra Chopra	Independent Director	Chairman
Mr Lim Chin Hu	Independent Director	Member
Mr Thomas Henrik Zilliacus	Lead Independent Director	Member

All the members of the AC including the Chairman are Independent Directors.

The AC has explicit authority to conduct or authorise investigation into any matter within its terms of reference. It has full access to and co-operation by the Management and full discretion to invite any Director or executive officer to attend its meetings and reasonable resources to discharge its functions properly.

The AC held six meetings during the year. The number of the Directors' participation and attendance at the AC meetings held during the FY2011-12 can be found in page 18 of this Report.

The key roles of AC include:-

(i) maintaining adequate accounting records;

(ii) reviewing the scope and results of the internal audit reports as well as Management's responses to the findings of the internal audit reports;

(iii) reviewing the quarterly and full-year financial statements and the integrity of financial reporting of the Company;

(vi) reviewing the adequacy of the Company's internal control;

(v) reviewing the interested party transactions;

(vi) making recommendations to the Board on the appointment and re-appointment of auditors; and

(vii) reviewing findings of internal investigations into matters where there is suspected fraud, irregularity, failure of internal controls or violation of any law likely to have a material impact on the financial reporting or other matters.

The AC reviewed the nature and extent of non-audit services provided by the external auditor during the year, which included tax services. It was satisfied that the nature and extent of such non-audit services will not prejudice the independence and objectivity of the external auditor.

In appointing the audit firms for the Group, the AC and the Board are satisfied that the Group has complied with the Listing Rules 712 and 715.

The AC recommends to the Board the re-appointment of the external auditors to be reappointed. Such recommendation takes into account the independence and objectivity of the auditors.

The AC has adopted the practice to meet with both the external and internal auditors without the presence of Management at least once a year.

Both the AC and the Board have reviewed the appointment of auditors and/or significant associated companies and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group. Accordingly, the Company has complied with Rule 716 of the Listing Rules of the SGX-ST.

As approved by the Board, the Company has put in place a whistle-blowing policy and procedures, which provide for the mechanisms by which the employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

(D) INTERNAL CONTROLS AND RISK MANAGEMENT

Principle 12: Sound system of Internal Controls

The AC is delegated the full responsibility to review, together with the Company's external auditors, at least once a year, the effectiveness and adequacy of the Group's system of internal accounting controls, operational and compliance controls and risk management policies.

The AC also monitors Management's responses to audit findings and actions taken to correct any noted deficiencies. The key internal controls covered under such a review include:

(i) identification of risks and implementation of risk management policies and measures;

(ii) establishment of policies and approval limits for key financial and operational matters, and the rules relating to the delegation of authorities;

(iii) documentation of key processes and procedures;

(iv) ensuring the integrity, confidentiality and availability of critical information;

(v) maintenance of proper accounting records;

(vi) ensuring the effectiveness and efficiency of operations;

(vii) safeguarding of the Group's assets; and

(viii) ensuring compliance with applicable laws and regulations.

The Company's internal control system ensures that assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable. The Group has also put in place policies on proper employee behaviour and conduct which includes the observance of confidentiality obligations on information relating to the Group and customers, and the safeguarding of system integrity.

Corporate Governance

The internal audit function, as discussed under Principle 13, assists the AC and the Board in evaluating internal controls, financial and accounting matters, compliance and financial risk management.

Based on the controls and systems that have been put in place, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing financial, operational and compliance risks, were adequate as at 30 June 2012.

The Group has established a system of internal control and risk management which continues to be improved and provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives.

Principle 13: Independent internal audit function

In line with good corporate governance, the Company has engaged KPMG Services Pte. Ltd. as the Company's independent internal auditors to provide an independent resource and perspective to the Board and the AC, on the processes and controls that help to mitigate major risks.

The AC is satisfied that KPMG Services Pte. Ltd. has the adequate resources to perform its functions and has appropriate standing within the Company. The internal auditor reports its findings and recommendations for improvement of any internal control weakness to the AC. The AC reviews and makes recommendations to the Board to adopt the internal audit plan drawn up on an annual basis and ensures that the approved audit recommendations are adequately performed.

(E) COMMUNICATIONS WITH SHAREHOLDERS

Principle 14: Regular, effective and fair communication with shareholders

In line with continuous disclosure obligations of the Company pursuant to the SGX-ST's Listing Rules, it is the Board's policy that the shareholders be informed of all major developments that significantly affect the Group.

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

(i) quarterly and full year financial results announcements, announcements of corporate information in accordance with the requirements of SGX-ST, and press releases broadcasted through SGXNet;

(ii) annual reports and circulars that are sent to all shareholders;

(iii) notices of and explanatory notes for annual general meetings and extraordinary general meetings;

(iv) the websites of the Company (www.s-i2i.com) at which shareholders and the public may access information on the Group; and

(v) the notice of annual general meeting is dispatched to shareholders at least 14 working days before the meeting.

The Board welcomes questions from shareholders who have an opportunity to raise issues either formally at or informally after the annual general meeting. The respective Chairman of the Audit, Remuneration and Nominating Committees are normally available at the annual general meeting to answer questions relating to the work of these committees.

Principle 15: Greater shareholder participation at AGM

Shareholders are informed of the AGM through notices published in the newspapers and reports sent to all shareholders. At each AGM, shareholders are encouraged to participate in the question and answer session. The Board of Directors, the external auditors and the Senior Management are present to respond to shareholders' questions.

If any shareholder is unable to attend the AGM, the Company's Articles of Association allow a shareholder to appoint up to two proxies, who need not be a Shareholder of the Company, to attend and vote on his or her behalf at the AGM. The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company presents separate resolutions on each issue at Shareholders' meetings. Voting on each resolution is carried out systematically with proper recording of the votes cast and the resolutions passed.

The Company Secretary prepares minutes of shareholders' meetings which incorporates substantial comments and responses from the Board and Management. These minutes are available to shareholders upon their requests.

(F) RISK MANAGEMENT

The Group does not have a Risk Management Committee. However, the Management regularly reviews the Company's business and operational activities to identify areas of significant business risk as well as appropriate measures to control and mitigate these risks. The Management reviews all significant policies and procedures and will highlight all significant matters to the AC and the Board.

(G) MATERIAL CONTRACTS
(Listing Manual Rule 1207(8))

Other than those disclosed in the financial statements, the Company and its subsidiary companies did not enter into any material contracts involving interests of the CEO, Directors or controlling shareholders and no such material contracts still subsist at the end of the financial period.

(H) DEALINGS IN THE COMPANY'S SECURITIES
(Listing Manual Rule 1207(19))

In line with the recommended practices on dealings in securities set out under Rule 1207(19) of the SGX-ST Listing Manual, the Company has issued a directive to all employees and Directors not to deal in the Company's securities on short-term considerations and to abstain from dealing with the Company's securities for a period commencing two weeks before the announcement of the results of each quarter and one month before the announcement of full year results and ending on the date of the announcement of the relevant results.

Corporate Governance

(I) INTERESTED PERSON TRANSACTION

(Listing Manual Rule 907)

The aggregate value of all IPT during the financial period ended 30 June 2012 is as follows:

Name of Interested Person	Aggregate value of all Interested Person Transactions during the period under review (excluding transactions less than SGD100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) $'000	Aggregate value of all Interested Person Transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than SGD100,000) $'000
Dr Bhupendra Kumar Modi	1,268	21,849
Dilip Modi	1,268	21,849
Divya Modi	1,268	21,849
Dato' Chuah Seong Ling	453	(10,142)*
Jai Swarup Pathak	1,690	–

Note:

Save for the above, there were no other transactions conducted with interested persons as defined in Chapter 9 of the Listing Manual of the SGX-ST.

* Mainly on account of cancellation of purchase orders placed during FY2010-11.

FINANCIAL
CONTENTS AND OTHER INFORMATION

Directors' Report

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of S i2i Limited (formerly known as Spice i2i Limited) (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial period ended 30 June 2012.

Directors

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

Dr Bhupendra Kumar Modi	
Dilip Modi	
Divya Modi	
Thomas Henrik Zilliacus	
S. Chandra Das	
Vijay Brijendra Chopra	
Jai Swarup Pathak	
Preeti Malthotra	
Lim Chin Hu	(Appointed on 12 August 2011)
Hasanand Nanani	(Appointed on 10 February 2012)

Change of financial year end

The Company's financial year end was changed from 31 March to 30 June during the current financial period. Consequently the current financial period cover a 15 months period from 1 April 2011 to 30 June 2012.

Arrangements to enable Directors to acquire shares or debentures

Except as described in this report, neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose object are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' Report

Directors' interest in shares and debentures

The following Directors, who held office at the end of the financial period, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, (the "Act") an interest in the shares, share options, performance shares or debentures of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

	Direct interest		Deemed interest	
Name of Director	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At the beginning of financial year or date of appointment**	**At the end of financial year**
S i2i Limited				
Ordinary shares				
Dr Bhupendra Kumar Modi	–	–	565,963,720	1,671,580,940
Dilip Modi	–	–	375,825,534	1,455,568,754
Divya Modi	–		375,825,534	1,455,568,754
Thomas Henrik Zilliacus	1,200,000	2,400,000	–	–
S. Chandra Das	2,000,000	4,000,000		
Options to subscribe for ordinary shares at S$0.0857 per share				
Thomas Henrik Zilliacus	196,277	196,277	–	–
Options to subscribe for ordinary shares at S$0.1294 per share				
Thomas Henrik Zilliacus	233,359	233,359	–	–
Options to subscribe for ordinary shares at S$0.1680 per share				
Thomas Henrik Zilliacus	233,359	233,359	–	–
Options to subscribe for ordinary shares at S$0.3016 per share				
Thomas Henrik Zilliacus	314,286	314,286	–	–

There was no change in any of the above-mentioned interests between the end of the financial period and 21 July 2012.

By virtue of Section 7 of the Act, Dr BK Modi, Dilip Modi and Divya Modi are deemed to have an interest in all the related corporations of the Company, at the beginning and at the end of the financial year.

Except as disclosed in this report, no Director who held office at the end of the financial period had interests in shares, share options, performance shares or debentures of the Company, or of related corporations, either at the beginning of the financial period, or date of appointment if later, or at the end of the financial period.

Directors' Report

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial period, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Options

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

(a) 1999 S i2i Employees' Share Option Scheme

In September 1999, the Company adopted an employee share option scheme ("1999 S i2i Employees' Share Option Scheme") to grant options to subscribe for ordinary shares to employees and Directors of the Group.

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

Vijay Brijendra Chopra	Chairman
S. Chandra Das	Member
Preeti Malhotra	Member

There is no option to subscribe for ordinary shares of the Company pursuant to the 1999 S i2i Employees' Share Option Scheme as at 30 June 2012.

Aggregate options of 72,400,126 were granted under this Scheme since the commencement of the Scheme to the end of the financial year.

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

Aggregate options of 36,525,636 have lapsed since the commencement of this Scheme.

No other Directors as at 30 June 2012 were granted options under this Scheme and no participant received 5% or more of the total options available under the Scheme.

(b) 1999 S i2i Employees' Share Option Scheme II

Pursuant to this Scheme, the RC has the ability to grant options to present and future employees of the Group as well as to other persons who are eligible under the Scheme at the average of the closing prices for the 5 trading days prior to the issuance of the grant, less a discount, if any, to be determined by the RC, which shall not exceed 20% of the then prevailing market price.

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

Options (cont'd)

(b) 1999 S i2i Employees' Share Option Scheme II (cont'd)

Details of all the options to subscribe for ordinary shares of the Company pursuant to the 1999 S i2i Employees' Share Option Scheme II outstanding as at 30 June 2012 are as follows:

Expiry date	Exercise price (S$)	Number of options
28 March 2013	0.0857	196,277
26 April 2014	0.1680	233,359
27 April 2015	0.1294	233,359
27 April 2016	0.3016	314,286
30 October 2017	0.2253	42,560
		1,019,841

Details of the options to subscribe for ordinary shares in the Company granted to Directors of the Company pursuant to the Scheme are as follows:

	No. of shares under option		
	Aggregate options granted/adjusted since commencement of Scheme to end of financial period	**Aggregate options exercised since commencement of Scheme to end of financial period**	**Aggregate options outstanding as at end of financial period**
<u>Name of Director</u>			
Thomas Henrik Zilliacus	977,281	–	977,281

Aggregate options of 130,334,221 were granted under this Scheme since the commencement of the Scheme to the end of the financial period. The options granted during the financial period under this Scheme were Nil (2010-11: Nil). Aggregate options of 35,114,009 ordinary shares have lapsed since the commencement of this Scheme.

Except as disclosed above, no other Directors were granted options under this Scheme and no participant received 5% or more of the total options available under the Scheme. No un-issued shares other than those referred to above, are under option as at the date of this report.

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

The total number of shares to be issued under the S i2i Employees' Share Option Scheme II shall not exceed 15% of the total issued share capital of the Company from time to time.

Directors' Report

(c) S i2i Restricted Share Plan ("S i2i RSP") and S i2i Performance Share Plan ("S i2i PSP")

Objectives

The S i2i RSP and S i2i PSP were established in the financial year 2006 with the objectives of increasing the Group's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance and sustaining long-term growth for the Group.

Eligibility

The following persons, unless they are also controlling shareholders (as defined in the Listing Manual) of S i2i Limited or associates (as defined in the Listing Manual) of such controlling shareholders, shall be eligible to participate in both S i2i RSP and S i2i PSP (provided that such persons are not un-discharged bankrupts):

1. any employee of the Group (including any Group Executive Directors and any Parent Group Executive or Non-Executive Director of the Parent Group who meet the relevant age and rank criteria and whose services have been seconded to a company within the Group) selected by the RC to participate in the S i2i RSP and S i2i PSP;

2. Non-Executive Directors; and

3. any employee of associated companies (including Executive Director) selected by the RC to participate in both Plans.

Awards

Awards represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, upon the participant achieving prescribed performance targets and/or service conditions or otherwise having performed well and/or made a significant contribution to the Group.

Types of awards

Awards granted under the S i2i RSP and S i2i PSP may be performance-based or time-based. Such pre-determined performance targets may be shorter term targets aimed at encouraging continued service such as completion of project and/or stretched targets aimed at sustaining longer term growth. Time-based awards are awards granted after the satisfactory completion of time-based service conditions, that is, after the participant has served the Group for a specified number of years, as may be determined or pre-determined by the RC. Such awards may also be granted as a sign-on bonus.

The Company has the flexibility to grant awards under both S i2i RSP and S i2i PSP to the same participant simultaneously. No minimum vesting periods are prescribed under both S i2i RSP and S i2i PSP and the length of vesting periods will be determined on a case-by-case basis. The RC may also grant the awards at any time where in its opinion a participant's performance and/or contribution justifies such award.

The release of the shares awarded under both S i2i RSP and S i2i PSP can take the form of either a new issue of shares and/or the purchase of existing shares (subject to applicable laws).

In 2011-12: Nil (2011: Nil) performance shares was granted to independent Non-Executive Directors as part of the incentive plan for independent Non-Executive Directors and key employees. During the financial period under review, Nil, (2010-11: Nil) performance shares previously granted had lapsed.

Audit Committee

The Audit Committee ("AC") comprises the following three Independent Directors:

Vijay Brijendra Chopra	Chairman
Lim Chin Hu	Member (Appointed on 12 August 2011)
Thomas Henrik Zilliacus	Member (Appointed on 10 February 2012)

The AC performs the functions set out in the Singapore Companies Act, Cap. 50, the Listing Manual and Best Practices Guide of the Singapore Exchange. In performing those functions, the AC reviewed the overall scope of the internal audit functions, external audit functions and the assistance given by the Company's officers to the auditors. The AC met with the internal auditors to discuss the results of their audit and their evaluation of the systems of internal controls. The AC also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial period ended 30 June 2012, as well as the external auditors' report thereon.

The AC held six meetings during the financial period ended 30 June 2012.

The AC has reviewed the non-audit services provided by the auditors and is of the view that such services would not affect the independence of the auditors.

The AC has recommended to the Board of Directors that Ernst & Young LLP be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors

Mr Hasanand Nanani
Director

Ms Preeti Malhotra
Director

2 October 2012

Statement by **Directors**

We, Hasanand Nanani and Preeti Malhotra, being two of the Directors of S i2i Limited (formerly known as Spice i2i Limited), do hereby state that, in the opinion of the directors,

(a) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity, and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2012 and the results of the business, changes in equity and cash flows of the Group and changes in equity of the Company for the period ended on that date, and

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

The Board of Directors authorised these financial statements for issue on 2 October 2012.

On behalf of the Board of Directors,

Hasanand Nanani
Director

Preeti Malhotra
Director

2 October 2012

Independent Auditor's Report

TO THE MEMBERS OF S I2I LIMITED
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

Report on the financial statements

We have audited accompanying financial statements of S i2i Limited (formerly known as Spice i2i Limited) (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 41 to 164, which comprise the balance sheets of the Group and the Company as at 30 June 2012, the consolidated income statement, consolidated statement of comprehensive income, the statement of changes in equity of the Group and the Company and consolidated cash flow statement of the Group for the period from 1 April 2011 to 30 June 2012, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2012 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the period from 1 April 2011 to 30 June 2012.

Independent Auditor's Report

TO THE MEMBERS OF S I2I LIMITED
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

2 October 2012

Balance **Sheets**

AS AT 30 JUNE 2012
AMOUNTS IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED

	Note	Group		Company	
		30.6.2012	**31.3.2011**	**30.6.2012**	**31.3.2011**
		$'000	$'000	$'000	$'000
Equity Attributable to owners of the Company					
Share capital	3	410,663	288,061	410,663	288,061
Accumulated losses	4	(258,843)	(71,130)	(252,528)	(84,811)
Other reserves	5	(3,595)	1,716	(6,765)	(3,209)
Translation reserve	6	7,652	9,592	16	32
Translation reserve of disposal group classified as held for sale		(46)	–	–	–
		155,831	228,239	151,386	200,073
Non-controlling interest		264	–	–	–
Total equity		156,095	228,239	151,386	200,073
Non-current assets					
Property, plant and equipment	7	12,981	11,625	765	847
Intangible assets	8	69,364	94,353	1,554	1,819
Investment in subsidiaries	9	–	–	107,087	83,857
Investment in associates	10	68	406	144	432
Investment securities, non-current	12	2,760	3,708	2,760	3,708
Long-term loans and advances to subsidiaries	13	–	–	1,125	3,604
Deferred tax assets	23	539	5,314	–	–
Trade debtors, non-current	14	525	292	–	–
Other debtors and deposits, non-current	16	7,639	341	–	–
		93,876	116,039	113,435	94,267
Current assets					
Stocks	15	33,131	22,614	49	238
Trade debtors, current	14	49,408	51,156	2,718	11,192
Other debtors and deposits, current	16	9,240	20,592	2,718	9,648
Prepayments	17	8,376	2,837	1,011	786
Due from subsidiaries	18	–	–	4,920	28,604
Due from associates	18	–	60	–	60
Cash and bank deposits pledged	19	7,780	2,995	183	–
Cash and cash equivalents	19	61,477	86,764	45,091	77,805
Tax recoverable		711	–	–	–
		170,123	187,018	56,690	128,333
Assets held for sale (includes disposal group)	11	4,207	–	1,865	–
		174,330	187,018	58,555	128,333
Total assets		268,206	303,057	171,990	222,600

The accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

AS AT 30 JUNE 2012
AMOUNTS IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED

	Note	Group		Company	
		30.6.2012	31.3.2011	30.6.2012	31.3.2011
		$'000	$'000	$'000	$'000
Current liabilities					
Trade creditors		30,654	10,720	6,106	3,758
Other creditors and accruals, current	20	18,830	22,610	4,621	8,657
Deferred revenue		2,004	4,019	638	1,115
Lease obligations, current	21	644	1,388	19	–
Loans and bank borrowings, current	22	49,591	23,037	–	–
Due to subsidiaries	18	–	–	8,910	8,869
Due to associates	18	128	128	128	128
Tax payable		402	681	–	–
		102,253	62,583	20,422	22,527
Liabilities directly associated with disposal group classified as held for sale	11	1,033	–	–	–
		103,286	62,583	20,422	22,527
Net current assets		71,044	124,435	38,133	105,806
Non-current liabilities					
Deferred tax liabilities	23	7,167	7,872	–	–
Lease obligations, non-current	21	503	677	182	–
Loans and bank borrowings, non-current	22	–	3,590	–	–
Provision for employee benefits	30	1,155	96	–	–
		8,825	12,235	182	–
Net assets		156,095	228,239	151,386	200,073

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated
Income Statement

FOR THE PERIOD FROM 1 APRIL 2011 TO 30 JUNE 2012
AMOUNTS IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED

		Group	
	Note	**Period from 1.4.2011 to 30.6.2012**	**Period from 1.1.2010 to 31.3.2011**
		$'000	$'000
Turnover	24	1,003,782	337,138
Other income	25	18,624	5,062
Costs and expenses			
Direct service fees incurred and cost of goods sold		(912,807)	(259,022)
Commissions and other selling expenses		(21,289)	(18,091)
Personnel costs	26	(54,078)	(31,195)
Infrastructure costs		(12,729)	(7,040)
Depreciation of property, plant and equipment	7	(6,513)	(5,129)
Amortisation of intangible assets	8	(10,334)	(6,044)
Marketing expenses		(27,964)	(5,822)
Foreign exchange (loss)/gain		(11,635)	8,986
Finance costs		(6,101)	(2,245)
Other expenses	27	(150,462)	(16,734)
Share of results of associates		(50)	(57)
Loss before taxation		(191,556)	(193)
Taxation	28	3,809	929
(Loss)/profit for the period		(187,747)	736
Operation related to disposal group classified as held for sale			
Loss for the period from operation related to disposal group classified as held for sale, net of tax	11	(390)	–
Net (loss)/profit for the period		(188,137)	736
(Loss)/profit for the period attributable to:			
Owners of the parent		(187,713)	121
Non-controlling interest		(424)	615
Total		(188,137)	736
(Loss)/earnings per share attributable to owners of the parent (cents per share)			
- Basic	29	(3.54)	0.01
- Diluted	29	(3.54)	0.01

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement Of **Comprehensive Income**

FOR THE PERIOD ENDED 30 JUNE 2012
AMOUNTS IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED

	Group	
	Period from 1.4.2011 to 30.6.2012	**Period from 1.1.2010 to 31.3.2011**
	$'000	$'000
(Loss)/profit for the period	(188,137)	736
Other comprehensive income:		
Foreign currency translation	(1,940)	8,056
Net gain on fair value changes of available-for-sale financial assets	17	25
Other comprehensive income for the period, net of tax	(1,923)	8,081
Total comprehensive income for the period	(190,060)	8,817
Total comprehensive income attributable to:		
Owners of the parent	(189,636)	6,784
Non-controlling interest	(424)	2,033
	(190,060)	8,817

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement Of
Changes In Equity

FOR THE PERIOD FROM 1 APRIL 2011 TO 30 JUNE 2012
AMOUNTS IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED

	Attributable to owners of the parent						
2012	**Share capital (Note 3)**	**Accumulated losses (Note 4)**	**Other reserves (Note 5)**	**Translation reserve (Note 6)**	**Total**	**Non-controlling interest**	**Total**
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 March 2011	288,061	(71,383)	1,716	9,552	227,946	–	227,946
Prior year restatement (Note 2.1)	–	253	–	40	293	–	293
Balance at 1 April 2011	288,061	(71,130)	1,716	9,592	228,239	–	228,239
Loss for the period	–	(187,713)	–	–	(187,713)	(424)	(188,137)
Other comprehensive income							
Foreign currency translation	–	–	–	(1,894)	(1,894)	–	(1,894)
Net gain on fair value of available-for-sale financial assets	–	–	17	–	17	–	17
Other comprehensive income for the period, net of tax	–	–	17	(1,894)	(1,877)	–	(1,877)
Total comprehensive income/ (loss) for the period	–	(187,713)	17	(1,894)	(189,590)	(424)	(190,014)
Contributions by and distributions to owners							
Issuance of shares	122,602	–	–	–	122,602	–	122,602
Share issue cost	–	–	(3,562)	–	(3,562)	–	(3,562)
Translation reserve of disposal company classified as held for sale	–	–	–	(46)	(46)	–	(46)
Value of employee services received	–	–	(11)	–	(11)	–	(11)
Total contributions by and distributions to owners	122,602	–	(3,573)	(46)	118,983	–	118,983

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement Of
Changes In Equity

FOR THE PERIOD FROM 1 APRIL 2011 TO 30 JUNE 2012
AMOUNTS IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED

	Attributable to owners of the parent						
2012	**Share capital (Note 3)**	**Accumulated losses (Note 4)**	**Other reserves (Note 5)**	**Translation reserve (Note 6)**	**Total**	**Non-controlling interest**	**Total**
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000
<u>Changes in ownership interests in subsidiaries that do not result in a loss of control</u>							
Acquisition of non-controlling interests	–	–	(1,825)	–	(1,825)	610	(1,215)
Adjustment for acquisition of non-controlling interests	–	–	70	–	70	–	70
Adjustment of non-controlling interest upon finalisation of purchase price allocation	–	–	–	–	–	32	32
Total changes in ownership interests in subsidiaries	–	–	(1,755)	–	(1,755)	642	(1,113)
Total transactions with owners in their capacity as owners	122,602	(187,713)	(5,311)	(1,940)	(72,362)	218	(72,144)
Balance at 30 June 2012	410,663	(258,843)	(3,595)	7,652	155,877	218	156,095

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement Of
Changes In Equity

FOR THE PERIOD FROM 1 APRIL 2011 TO 30 JUNE 2012
AMOUNTS IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED

2011	Attributable to owners of the parent: Share capital (Note 3)	Accumulated losses (Note 4)	Other reserves (Note 5)	Translation reserve (Note 6)	Total	Non-controlling interest	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2010	168,534	(70,268)	(80)	2,951	101,137	–	101,137
Profit/(loss) for the period	–	(135)	–	–	(135)	618	483
Other comprehensive income							
Foreign currency translation	–	–	–	6,601	6,601	1,415	8,016
Net gain on fair value of available-for-sale financial assets	–	–	25	–	25	–	25
Other comprehensive income for the period, net of tax	–	–	25	6,601	6,626	1,415	8,041
Total comprehensive income/(loss) for the period	–	(135)	25	6,601	6,491	2,033	8,524
Contributions by and distributions to owners							
Issuance of shares	101,167	–	–	–	101,167	–	101,167
Share issue cost	–	–	(3,179)	–	(3,179)	–	(3,179)
Shares issued for acquisition of certain intangible assets	18,354	–	–	–	18,354	–	18,354
Dividends on ordinary shares	–	(980)	–	–	(980)	–	(980)
Exercise of employee share options	6	–	(2)	–	4	–	4
Value of employee services received	–	–	27	–	27	–	27
Total contributions by and distributions to owners	119,527	(980)	(3,154)	–	115,393	–	115,393

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement Of
Changes In Equity

FOR THE PERIOD FROM 1 APRIL 2011 TO 30 JUNE 2012
AMOUNTS IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED

	Attributable to owners of the parent						
2011	**Share capital (Note 3)**	**Accumulated losses (Note 4)**	**Other reserves (Note 5)**	**Translation reserve (Note 6)**	**Total**	**Non-controlling interest**	**Total**
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Acquisition of non-controlling interests	–	–	4,925	–	4,925	(2,033)	2,892
Total changes in ownership interests in subsidiaries	–	–	4,925	–	4,925	(2,033)	2,892
Total transactions with owners in their capacity as owners	119,527	(980)	1,771	–	120,318	(2,033)	118,285
Balance at 31 March 2011	288,061	(71,383)	1,716	9,552	227,946	–	227,946
Restatement (Note 2.1)	–	253	–	40	293	–	293
Balance at 31 March 2011	288,061	(71,130)	1,716	9,592	228,239	–	228,239

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated
Cash Flow Statement

FOR THE PERIOD FROM 1 APRIL 2011 TO 30 JUNE 2012
AMOUNTS IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED

	Note	Period from 1.4.2011 to 30.6.2012	Period from 1.1.2010 to 31.3.2011
		$'000	$'000
Cash flows from operating activities			
Loss before taxation from continuing operations		(191,556)	(193)
Loss before taxation from operation related to disposal groups classified as held for sale		(390)	–
Total loss before taxation		(191,946)	(193)
Adjustments for:			
Allowance for doubtful trade debts		5,639	505
Allowance for doubtful non-trade debts		900	56
Amortisation of intangible assets	8	10,334	6,044
Impairment of property, plant and equipment		2,401	–
Impairment of intangible assets	8	97,386	–
Depreciation of property, plant and equipment	7	6,564	5,129
Net fair value loss/(gain) on investment securities		860	(965)
Gain on bargain purchase		(555)	(1,150)
Gain on disposal of property, plant and equipment		(126)	(93)
Impairment of investment in associate	10	288	–
Fair value adjustment in fixed assets of subsidiary under disposal		44	–
Gain on disposal of investment in bonds		–	(176)
Impairment loss on quoted equity investment		57	59
Reversal of deferred purchase consideration payable		(10,017)	–
Interest expenses on borrowings		6,107	2,245
Interest income from bonds and investment securities		(933)	(1,021)
Waiver of loan		(5,000)	–
Write-back of allowance for stock obsolescence		(2,103)	–
Write off of non-trade debts		11	–
Write off of trade debts		9,544	–
Write off of stock		283	–
Property, plant and equipment written off		11	18
Provision for employee benefits		469	10
Share of results of associates		50	57
Share-based payments		(12)	27
Write-back of allowance for doubtful trade debts		(174)	(128)
Allowance for stock obsolescence		1,994	430
Decrease in deferred revenue		(2,033)	(3,001)
Unrealised exchange differences		(6,876)	1,103
Operating cash flows before working capital changes		(76,833)	8,956
Decrease/(increase) in stocks		44,156	(10,640)
Decrease/(increase) in trade debtors		30,274	(28,987)
Decrease/(increase) in other debtors and deposits		17,716	(11,499)
Decrease in prepayments		13,183	1,771
Decrease in amount due from associates		60	74
Decrease in trade creditors		(18,317)	(22,124)
(Decrease)/increase in other creditors and accruals		(17,101)	8,294
Cash flows used in operating activities		(6,862)	(54,155)

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated
Cash Flow Statement

FOR THE PERIOD FROM 1 APRIL 2011 TO 30 JUNE 2012
AMOUNTS IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED

	Note	Period from 1.4.2011 to 30.6.2012	Period from 1.1.2010 to 31.3.2011
		$'000	$'000
Interest paid		(6,107)	(2,245)
Income tax paid		(3,775)	(1,963)
Net cash flows used in operating activities		(16,744)	(58,363)
Cash flows from investing activities			
Interest income received from bonds and investment securities		821	1,403
Acquisition of subsidiary Affinity Group, net of cash acquired	9	(94,106)	–
Acquisition of subsidiary I-Gate Group, net of cash acquired	9	77	–
Acquisition of subsidiary Mobile Concepts, net of cash acquired	9	(1)	–
Acquisition of subsidiary CSL Multimedia, net of cash acquired	9	(271)	–
Acquisition of subsidiary CSL Mobile Care, net of cash acquired	9	1	–
Acquisition of remaining shares in subsidiary I-Gate Group	9	(300)	–
Net cash inflow on acquisition of subsidiary (Spice BPO)		–	1,362
Net cash outflow on acquisition of subsidiary (Newtel)		–	(1,709)
Acquisition of certain intangible assets of DEC and certain companies controlled by him		–	(10,000)
Acquisition of non-controlling interest in Spice-CSL		–	(12,400)
Capital injection by non-controlling interest		–	25
Proceeds from disposal of property, plant and equipment		4,277	298
Proceeds from redemption of short-term bonds		–	4,732
Proceeds from redemption of investment securities		–	56,243
Proceeds from redemption of long-term bonds		–	2,904
Additions to intangible assets	8	(1,106)	(2,247)
Purchase of property, plant and equipment		(7,397)	(4,116)
Net cash flows (used in)/generated from investing activities		(98,005)	36,495
Cash flows from financing activities			
Dividends paid on ordinary shares		–	(980)
Decrease/(increase) in cash and bank deposits pledged		9,217	(2,848)
(Repayment of)/proceeds from loans		(37,604)	1,014
Proceeds from/(repayment of) bank borrowings		835	(2,712)
Proceeds received from rights issue		122,602	101,167
Share issuance cost		(3,562)	(3,179)
Proceeds from exercise of employee share options		–	4
Repayment of obligations obtained under finance leases		(1,858)	(2,172)
Net cash flows generated from financing activities		89,630	90,294
Net (decrease)/increase in cash and cash equivalents		(25,119)	68,426
Cash and cash equivalents at beginning of period		86,764	18,338
Cash and cash equivalents at end of period		61,645	86,764
Cash and cash equivalents of disposal group classified as held for sale	11	168	–
Cash and cash equivalents at the end of the period of the continuing operations	19	61,477	86,764

The accounting policies and explanatory notes form an integral part of the financial statements.

Notes To The Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2012
AMOUNTS IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED

1. Corporate information

The financial statements of S i2i Limited (formerly known as Spice i2i Limited) (the "Company") for the period ended 30 June 2012 were authorised by its Board of Directors for issuance on 2 October 2012.

The Company is a limited liability company, incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The address of the Company's registered office and principal place of business is 150 KA Centre #05-02, Kampong Ampat, Singapore 368324.

The principal activities of the Company are rendering of telecommunication services and research and development, distribution of telecommunication handset, related products and services, design and marketing of telecommunication software. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

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

<u>Prior year adjustment in accordance with FRS 103R Business Combinations</u>

The financial statements for 2011 have been restated to reflect the effects of the retrospective adjustment of the goodwill arising from the finalisation of the fair values of the assets and liabilities, relating to the acquisition of Newtel Group, which was acquired during the financial period ended 31 March 2011. In accordance with FRS 103R Business Combinations, the adjustments arising from the finalisation of such provisional purchase price allocation, which are to be made within twelve months from the date of acquisition, are made retrospectively.

The goodwill arising from this acquisition had not been finalised by the date of issue of the financial statement for the financial period ended 31 March 2011. The Purchase Price Allocation (PPA) exercise in accordance with FRS 103R Business Combinations has now been completed. The provisional goodwill has been revised for the finalisation of the fair value of contingent consideration and reallocation of purchase price to the Group's share of identifiable assets and liabilities.

Notes To The Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2012
AMOUNTS IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED

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

2.1 Basis of preparation (cont'd)

Consequently, the results for the financial period ended 31 March 2011 have been restated to exclude the deferred purchase contingent consideration of $10.0 million as it had been assessed that the Group would not be required to pay the amount, considering that Newtel Group were unlikely to achieve the consideration targets.

The restatements of each of the affected financial statements line items for the previous financial period ended 31 March 2011 are as follows:

	Balance at 31 March 2011, as previously reported	Effect of prior year adjustments	Balance at 31 March 2011, as restated
	$'000	$'000	$'000
Group			
Balance Sheet			
Accumulated losses	(71,383)	253	(71,130)
Translation reserve	9,552	40	9,592
Intangible assets	103,512	(9,159)	94,353
Deferred tax assets	4,405	909	5,314
Stocks	23,846	(1,232)	22,614
Trade debtors, current	52,955	(1,799)	51,156
Other creditors and accruals, current	25,217	(2,607)	22,610
Other creditors and accruals, non-current	7,409	(7,409)	–
Deferred tax liabilities	9,430	(1,558)	7,872
Statement of Comprehensive Income			
Amortisation of intangible assets	(6,406)	362	(6,044)
Taxation	1,038	(109)	929
Company			
Balance Sheet			
Investment in subsidiaries	93,873	(10,016)	83,857
Other creditors and accruals, current	11,264	(2,607)	8,657
Other creditors and accruals, non-current	7,409	(7,409)	–

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 April 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

AMOUNTS IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED

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

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 107 *Disclosures – Transfers of Financial Assets*	1 July 2011
Amendments to FRS 101 *Amendments to FRS 101 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	1 July 2011
Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*	1 January 2012
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 Employee Benefits	1 January 2013
Revised FRS 27 Separate Financial Statements	1 January 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
FRS 110 Consolidated Financial Statements	1 January 2014
FRS 111 Joint Arrangements	1 January 2014
FRS 112 Disclosure of Interests in Other Entities	1 January 2014
FRS 113 Fair Value Measurements	1 January 2013

Except for the Revised FRS 19, the directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Revised FRS 19 is described below.

<u>FRS 19 Employee Benefits (Revised)</u>

The revised FRS 19 Employee Benefits is effective for financial periods beginning on or after 1 January 2013.

The revised FRS 19 removes the corridor mechanism for defined benefit plans and no longer allows actuarial gains and losses to be recognised in profit or loss. The distinction between short-term and long-term employee benefits is based on expected timing of settlement rather than employee entitlement. The revised FRS 19 is to be applied retrospectively.

The directors are currently evaluating the impact arising from the adoption of the standard.

Notes To The
Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2012
AMOUNTS IN UNITED STATES DOLLARS UNLESS OTHERWISE STATED

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

2.4 Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) ***Key sources of estimation uncertainty***

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

- **Depreciation of property, plant and equipment**

  Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 90 years. The carrying amounts of the Group's and the Company's property, plant and equipment at 30 June 2012 are approximately $12,981,000 and $765,000 (2011: $11,625,000 and $847,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

- **Amortisation of intangible assets**

  Intangible assets other than goodwill are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these intangible assets to be within 1 to 15 years. The carrying amounts of the Group's and the Company's intangible assets other than goodwill at 30 June 2012 are approximately $30,868,000 and $1,554,000 (2011: $32,609,000 and $1,819,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future amortisation charges could be revised.

- **Impairment of investment in subsidiaries and associates**

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

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

2.4 Significant accounting estimates and judgements (cont'd)

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

- **Impairment of loans and receivables**

  The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

  Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 22 and Note 14 respectively to the financial statements.

- **Deferred development costs**

  Deferred development costs are capitalised in accordance with the accounting policy in Note 2.10(b)(iii). Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The carrying amount of deferred development costs capitalised at the balance sheet date was $1,176,000 (2011: $1,248,000).

- **Fair value of financial instruments**

  Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates, changes on assumptions about these factors could affect the reported fair values of financial instruments. The valuation of financial instruments is described in more detail in Note 36.

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

2.4 Significant accounting estimates and judgements (cont'd)

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

- **Defined benefits plan**

  The determination of the Group's obligations and cost for employee benefits liabilities is dependent on its selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, annual salary increment rate, annual employee turnover rate, disability rate, retirement age and mortality rate. Actual results that differ from the Group's assumptions, which are more than 10% of the defined benefit obligations, are deferred and amortized on a straight-line basis over the expected average remaining service years of the qualified employees. While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Group's actual experiences or significant changes in the Group's assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense. The carrying amount of the Group's employee benefits liabilities as at 30 June 2012 is $1,155,000 (2011: $96,000). Further details are given in Note 30.

(b) ***Critical judgement made in applying accounting policies***

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

- **Fair value measurement of contingent consideration on business combination**

  The carrying amount of the contingent consideration on business combination as of balance sheet date is disclosed in Note 9 to the financial statements.

2.5 Investment in subsidiaries

(a) ***Subsidiaries***

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses.

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

2.5 Investment in subsidiaries (cont'd)

(b) ***Basis of consolidation***

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not re-measured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

2.5 Investment in subsidiaries (cont'd)

(b) ***Basis of consolidation (cont'd)***

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:

– The amount that would be recognised in accordance with the accounting policy for provisions set out in Note 2.18

– The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with guidance for revenue recognition.

2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

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

2.7 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investment in associates are accounted for using the equity method. Under the equity method, the investment in an associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in its associate. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit and loss.

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

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses.

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

2.8 Foreign currency

(a) ***Functional currency***

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

(b) ***Transactions and balances***

The Group's consolidated financial statements are presented in USD, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the profit and loss of the Group on disposal of the foreign operation.

(c) ***Group companies***

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

- Assets and liabilities for each balance sheet presented are translated at the rate of exchange ruling at that balance sheet date; and
- Statement of comprehensive income is translated at average exchange rates for the period, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are taken directly to other comprehensive income.

On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit and loss.

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

2.8 Foreign currency (cont'd)

(c) ***Group companies (cont'd)***

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost.

Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The residual values, useful lives and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate, to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss in the period the asset is derecognised.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, fixtures and fittings	3 - 5 years
Computer equipment	2 - 5 years
Office equipment	3 - 8 years
Motor vehicles	3 - 10 years
Leasehold improvements	3 - 10 years
Leasehold lands and buildings	10 – 90 years

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

2.9 Property, plant and equipment (cont'd)

Computer equipment includes office computers, telecommunication equipment and network equipment. Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2.10 Intangible assets

(a) ***Goodwill***

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.8.

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

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

2.10 Intangible assets (cont'd)

(b) ***Other intangible assets***

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in the profit and loss through the 'amortisation of intangible assets' line item.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying amount may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss when the asset is derecognised.

(i) ***Patents, trademarks and licences***

The initial costs of acquiring patents, trademarks and licences are capitalised and charged to the profit and loss over the licence period from 3 to 10 years (2011 : Not more than 8 years). The costs of applying for and renewing patents and licences are charged to the profit and loss.

The carrying amounts of patents, trademarks and licenses are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment in amount is provided in full.

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

2.10 Intangible assets (cont'd)

(b) ***Other intangible assets (cont'd)***

(ii) ***Customer contracts, order backlog, customer relationship and marketing rights***

Customer contracts, order backlog, customer relationship and marketing rights were acquired through business combinations, and measured at fair value as at the date of acquisitions. Subsequently, customer contracts, order backlog, customer relationship and marketing rights are amortised on a straight-line basis over their estimated useful lives of 1 to 15 years.

The carrying amounts of customer contracts, order backlog, customer relationship and marketing rights are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment in amount is provided in full.

(iii) ***Research and development costs***

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following initial recognition of deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of 3 years from the completion of the related project on a straight line basis.

2.11 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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

2.11 Financial assets (cont'd)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the profit and loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(b) ***Loans and receivables***

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

(c) ***Held-to-maturity investments***

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

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

2.11 Financial assets (cont'd)

Subsequent measurement (cont'd)

(d) ***Available-for-sale financial assets***

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

2.12 Impairment of financial assets

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

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

2.12 Impairment of financial assets (cont'd)

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of the impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying amount of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

(b) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

2.12 Impairment of financial assets (cont'd)

(c) ***Available-for-sale financial assets***

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.13 Investment securities

Investment securities include quoted investment security and a hybrid instrument. Quoted equity investment is classified as available-for-sale financial asset under FRS 39. The hybrid instrument contains embedded derivatives. In accordance with FRS 39, the Group has designated the entire instrument as financial asset at fair value through profit or loss. The accounting policy for these categories of financial assets is stated in Note 2.11.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

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

2.14 Stocks (cont't)

Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated costs necessary to make the sale.

2.15 Trade and other debtors

Trade and other debtors, including amounts due from subsidiaries and associates, and long-term loans and advances to subsidiaries are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.11.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.12.

2.16 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand, fixed deposits, short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, and are classified as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.11.

2.17 Trade and other creditors

Liabilities for trade and other creditors, which are normally settled on 30-90 day terms, and payables to related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The accounting policy for this category of financial liabilities is stated in Note 2.20.

Gains and losses are recognised in the profit and loss when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate to reflect, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

2.19 Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

The Group recognises other borrowing costs as an expense in the period in which they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.20 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

2.21 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) ***Finance leases – as lessee***

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. 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 the liability. Finance charges are charged to the profit and loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

(b) ***Finance leases – as lessor***

Finance leases, which transfer substantially all the risks and rewards incidental to legal ownership of the leased items, are recognised as a receivable at an amount equal to the net investment in the lease. Thus the lease payment receivable is treated by the Group as repayment of principal and finance income to reimburse and reward the Group for its investment and services.

The recognition of finance income shall be based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

(c) ***Operating leases – as lessee***

Operating lease payments are recognised as an expense in profit and loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

2.22 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit and loss in those expense categories consistent with the function of the impaired asset except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss unless the asset is measured at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss is treated as a revaluation increase.

2.23 Revenue recognition

Revenue of the Group comprises fees earned from telecommunication and ISP services rendered, sale of software licences, business process outsourcing (BPO), distribution of telecommunication handsets, related product services and the supply, rental, maintenance and servicing of computer hardware and peripheral equipment and systems integration service relating to computer equipment and peripherals, storage systems and networking products. These revenues are categorised into operating segments as detailed in Note 2.26.

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

2.23 Revenue recognition (cont'd)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Voice and Data Services***

- Revenue from postpaid telecommunication services is recognised at the time when such services are rendered.
- Revenue from rendering of prepaid telecommunication services comprises the gross value of services rendered. Commissions and other incentives given to resellers are separately classified under commissions and other selling expenses as these are part of the distribution costs. Revenue and the related distribution costs from such services are recognised when services are rendered. Collections from prepaid telecommunication services are deferred and recognised as revenue as and when the services are rendered. Unused prepaid telecommunication services are included in the balance sheet as "deferred revenue". Upon termination of the prepaid telecommunication services, any unutilised value of the prepaid telecommunication services will be taken to the profit and loss.
- Revenue from software customisation and system integration services to telecommunication carriers and wholesale clearing houses is recognised upon completion and delivery of the services to the customer.
- Revenue from software licences and post-contract customer support services is recognised proportionately on a time basis over the contract period.
- Revenue from ISP services is recognised at the time when such services are rendered.
- Revenue from service income is recognised on an accrual basis when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the service.

(b) ***Computing***

Revenue from the supply of computer hardware and peripheral equipment is recognised at the time when significant risk and rewards of ownership of the goods is transferred to the customer, which generally coincides with delivery and acceptance of goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

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

2.23 Revenue recognition (cont'd)

(b) ***Computing (cont'd)***

Revenue from the maintenance and servicing of computer hardware and peripheral equipment, systems integration service and consultation services is recognised at the time when services are rendered.

Revenue from the rental of computer hardware and peripheral equipment is recognised proportionately on a time basis over the contract period.

(c) ***Mobility***

- Revenue from the supply of telecommunication and consumer electronic products is recognised at the time when significant risks and rewards of ownership of the goods are transferred to the customer, which generally coincides with delivery and acceptance of goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs of the possible return of goods.

(d) ***Others***

- Interest income is recognised using the effective interest method and management fee income is recognised on an accrual basis.

2.24 Employee benefits

(a) ***Pensions and other post employment benefits***

The Group has complied with the mandatory contribution schemes including national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

(b) ***Employee leave entitlements***

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

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

2.24 Employee benefits (cont'd)

(c) ***Employee equity compensation benefits***

Employees (including senior executives and Directors) of the Group receive remuneration in the form of share options and performance shares as consideration for services rendered ('equity-settled transactions').

The cost of equity-settled share-based transactions with employees for award granted after 22 November 2002 is measured by reference to the fair value at the date on which the share options and performance shares are granted which takes into account market conditions and non-vesting conditions. The Group has plans that are time-based and performance-based. In valuing the Performance-based plans, no account is taken of any performance conditions.

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share-based payment reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share-based payment reserve is transferred to share capital if new shares are issued.

(d) ***Defined benefit plan***

The Group provides additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the respective jurisdiction, in accordance to the local legal regulations.

The said additional provisions are estimated using actuarial calculations based on the report prepared by independent actuary firms. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

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

2.24 Employee benefits (cont'd)

(d) ***Defined benefit plan (cont'd)***

Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised on a straight line basis over the expected average remaining working lives of the employees participating in the plans.

The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately.

The defined benefit asset or liability is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period plus any actuarial gains (less any actuarial losses) not recognised, reduced by past service costs not yet recognised.

2.25 Taxes

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date, in the countries where they Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

2.25 Taxes (cont'd)

(b) ***Deferred tax (cont'd)***

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

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

2.25 Taxes (cont'd)

(c) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

(a) ***Operating Segments***

The main operating segments of the Group are:

- Voice and Data Services, comprising:

  (i) PC-Phone service that allows users to make calls from their PC to any phone in the world;

  (ii) GCC service that offers users the means to make low cost calls via IP infrastructure;

  (iii) IDD, Mobile VoIP and VoIP telephony services to corporate users and consumers;

  (iv) Enterprise service that allows corporate users to make calls via their existing corporate PABX and internet access;

  (v) Wholesale Termination services to carriers and service providers;

  (vi) Technology Licensing that offers connectivity and interoperability solutions to telecommunication carriers and wholesale clearing houses;

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

2.26 Segment reporting (cont'd)

(a) ***Operating Segments (cont'd)***

(vii) ISP service that offers an extensive portfolio of data services include Broadband, Leaseline Access, Private Network, Network Security, Hosted Services and IT Solutions to corporate users and consumers;

(viii) Provide internet infrastructure, e-business applications consulting, project management and systems support services; and

(ix) Provide business process outsourcing services and customer relationship management.

- Computing, comprising:

(i) Supply, rental, maintenance and servicing of computer hardware and peripheral equipment;

(ii) Systems integration service related to computer equipment and peripherals, storage systems and networking products;

(iii) Provide computer advising and consultation services, training of personnel and sales and services of computer software.

- Mobility, comprising:

(i) Sales of mobile handsets, related products and services

- Others, comprising:

Miscellaneous income and expenses that are not considered part of the main operating segments.

(b) ***Geographical Information***

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

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

2.27 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.28 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.29 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

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

2.29 Related parties (cont'd)

(b) An entity is related to the Group and the Company if any of the following conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Share capital

	Group and Company	
	30.6.2012	**31.3.2011**
	$'000	$'000
Issued and fully paid up:		
At beginning of period		
- 2,742,490,418 (2011: 1,268,365,755) ordinary shares	288,061	168,534
Issued for acquisition of a subsidiary		
- Nil (2011: 102,840,466) ordinary shares	–	18,354
Issued for rights issue in May 2011 / August 2010		
- 2,742,490,418 (2011: 1,371,206,221) ordinary shares	122,602	101,167
Exercise of employee share options		
- Nil (2011: 77,976) ordinary shares	–	4
Transfer from employee share-based payment reserve	–	2
At end of period		
- 5,484,980,836 (2011: 2,742,490,418) ordinary shares	410,663	288,061

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3. Share capital (cont'd)

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

The Company has two employee share option plans and two performance share plans (Note 30) under which, options to subscribe for the Company's ordinary shares and performance shares respectively, have been granted to Directors and employees of the Group.

The Company had on 25 January 2011 (2011: 15 June 2010) announced that the Company would be undertaking a renounceable rights issue ("2011 Rights Issue") (2011: "2010 Rights issue") of up to 2,744,524,562 (2011: 1,373,204,475) new ordinary shares in the capital of the Company at an issue price of S$0.055 (2011: S$0.10) for each rights share on the basis of one rights share for every one existing ordinary share in the Company held by the shareholders on 4 April 2011 (2011: 27 July 2010). Renounceable rights issue of 2,744,524,562 (2011: 1,373,204,475) new ordinary shares included Exercisable Share Options for 2,034,144 (2011: 1,998,254) shares. None of the said options were exercised and accordingly were not entitled for the "2011 Rights Issue". The 2011 Rights Issue (2011: 2010 Rights Issue) was completed on 4 May 2011 (2011: 26 August 2010) with the listing and quotation of 2,742,490,418 (2011: 1,371,206,221) rights shares on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

As at 30 June 2012, the net proceeds from the 2011 Rights Issue have been utilised as follows:

	S$' million
Net proceeds from 2011 Rights Issue	146.4
Less: Proceeds utilised for:	
To partially fund the completion of the Proposed Acquisition of Affinity Group	87.0
Funding part of the Group's working capital	23.6
Security Deposit, Advance Rent and Capital Expenditure for new office premises	2.3
Loans to various subsidiaries for working capital	5.1
Acquisition of remaining 49% stake in I-Gate Holding Sdn Bhd	0.4
Capital Expenditure for new office premises	1.7
Termination Payment as referred to in the Company's announcement dated 5 March 2012	13.1
Balance of net proceeds from 2011 Rights Issue unutilised	13.2

	S$' million
Net proceeds from 2010 Rights Issue	132.7
Less: Proceeds utilised for:	
Funding the acquisition of Newtel Corporation Company Limited and capitalisation exercise referred to in the Company's announcement dated 2 December 2010	22.3
Funding the acquisition of 35% stake in Spice-CSL Pte Ltd	16.2
Partial repayment of loan from DEC to Spice-CSL Pte Ltd under the loan agreement	13.0
Funding the acquisition of CSL acquisition referred to in the Company's announcement dated 4 April 2011	1.0
To partially fund the completion of the Proposed Acquisition of Affinity Group referred to in the Company's announcement dated 23 May 2011	36.9
Funding part of the Group's working capital	43.3
Balance of net proceeds from 2010 Rights Issue unutilised	–

4. Accumulated losses

	Group		Company	
	30.6.2012	**31.3.2011**	**30.6.2012**	**31.3.2011**
	$'000	$'000	$'000	$'000
At beginning of period	(71,130)	(70,268)	(84,811)	(76,934)
(Loss)/profit for the period	(187,713)	118	(167,717)	(6,897)
Dividends paid (Note 38)	–	(980)	–	(980)
At end of period	(258,843)	(71,130)	(252,528)	(84,811)

5. Other reserves

	Group		Company	
	30.6.2012	**31.3.2011**	**30.6.2012**	**31.3.2011**
	$'000	$'000	$'000	$'000
Reserve on acquisition of non-controlling interest	3,170	4,925	–	–
Fair value adjustment reserve	–	(17)	–	(17)
Employee share-based payment reserve	196	207	196	207
Share issue cost	(6,961)	(3,399)	(6,961)	(3,399)
Total other reserves	(3,595)	1,716	(6,765)	(3,209)

(a) ***Reserve on acquisition of non-controlling interest***

The reserve on acquisition of non-controlling interest relates to the excess of the net recognised amount of the identifiable assets acquired and liabilities assumed over fair value of the consideration on the acquisition of non-controlling interest.

	Group	
	30.6.2012	**31.3.2011**
	$'000	$'000
At beginning of period	4,925	–
Discount on acquisition of non-controlling interest (Note 9)	(1,755)	4,925
At end of period	3,170	4,925

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5. Other reserves (cont'd)

(b) *Fair value adjustment reserve*

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

	Group and Company	
	30.6.2012	31.3.2011
	$'000	$'000
At beginning of period	(17)	(42)
Net change in the reserve	17	25
At end of period	–	(17)
Net change in the reserve arises from:		
- Net loss on fair value changes during the period	–	(34)
- Recognised in the profit or loss:		
Impairment loss on quoted equity investment	17	59
At end of period	17	25

(c) *Employee share-based payment reserve*

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

	Group and Company	
	30.6.2012	31.3.2011
	$'000	$'000
At beginning of period	207	182
Transfer to share capital	–	(2)
Value of employee services received	(11)	27
At end of period	196	207

(d) *Share issue cost*

Share issue cost represents cumulative expenses incurred for the issuance of shares being capitalised.

	Group and Company	
	30.6.2012	31.3.2011
	$'000	$'000
At beginning of period	(3,399)	(220)
Capitalisation of rights issue cost	(3,562)	(3,179)
At end of period	(6,961)	(3,399)

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6. Translation reserve

	Group		Company	
	30.6.2012	31.3.2011	30.6.2012	31.3.2011
	$'000	$'000	$'000	$'000
At beginning of period	9,592	2,951	32	28
Net effect of exchange differences	(1,940)	6,641	(16)	4
At end of period	7,652	9,592	16	32

7. Property, plant and equipment

Group	Furniture, fixtures and fittings	Computer equipment	Office equipment	Motor vehicles	Leasehold improvements	Leasehold land and building	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
At 1 January 2010	869	21,562	541	15	5	–	22,992
Additions	246	2,961	331	–	58	520	4,116
Arising from acquisition of a subsidiary	734	851	2,501	176	1,153	2,431	7,846
Disposals/write-offs	(115)	(1,593)	(275)	–	(5)	–	(1,988)
Net exchange differences	84	1,328	99	1	22	64	1,598
At 31 March 2011 and 1 April 2011	1,818	25,109	3,197	192	1,233	3,015	34,564
Additions	2,090	2,485	1,315	305	1,874	119	8,188
Arising from acquisition of subsidiaries (Note 9)	1,786	1,347	465	1,549	149	5,659	10,955
Disposals/write-offs	(1,300)	(7,806)	(213)	(679)	(160)	(2,663)	(12,821)
Asset held for sale (including disposal group)	(1,026)	(1,761)	(424)	(61)	(1,536)	(549)	(5,357)
Net exchange differences	(494)	(894)	(1,342)	(151)	(311)	(569)	(3,761)
At 30 June 2012	2,874	18,480	2,998	1,155	1,249	5,012	31,768

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7. Property, plant and equipment (cont'd)

Group	Furniture, fixtures and fittings	Computer equipment	Office equipment	Motor vehicles	Leasehold improvements	Leasehold land and building	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation							
At 1 January 2010	818	17,078	514	15	4	–	18,429
Depreciation charge for the period	204	3,658	775	25	345	122	5,129
Disposals/write-offs	(110)	(1,540)	(109)	–	(5)	–	(1,764)
Net exchange differences	64	1,034	36	2	7	2	1,145
At 31 March 2011 and 1 April 2011	976	20,230	1,216	42	351	124	22,939
Depreciation charge for the period	1,162	3,263	779	316	644	400	6,564
Disposals/write-offs	(1,192)	(6,776)	(94)	(190)	(86)	(321)	(8,659)
Asset held for sale (including disposal group)	(319)	(1,626)	(208)	(39)	(404)	(61)	(2,657)
Impairment losses	426	439	1,152	23	405	–	2,445
Net exchange differences	(197)	(556)	(816)	(33)	(196)	(47)	(1,845)
At 30 June 2012	856	14,974	2,029	119	714	95	18,787
Net carrying amount							
At 31 March 2011	842	4,879	1,981	150	882	2,891	11,625
At 30 June 2012	2,018	3,506	969	1,036	535	4,917	12,981

Assets held under finance lease

During the financial period, the Group and the Company acquired property, plant and equipment with an aggregate cost of $791,000 (2011: $Nil) and $259,774 (2011 : $Nil) respectively by means of a finance lease.

The carrying amount of property, plant and equipment held under finance lease as at 30 June 2012 was $929,000 (2011: $1,321,000) and $234,857 (2011 : $Nil) for the Group and the Company respectively. The leased asset is pledged as security for the related finance liability.

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7. Property, plant and equipment (cont'd)

Impairment of assets

During the financial period, two of the Group's subsidiaries, Spice BPO Services Limited and Mobile Concepts (M) Sdn. Bhd. carried out a review of the recoverable amount of its fixed assets because of continuing loss in the business and proposed sales of the subsidiary respectively. An impairment loss of $2,445,000 (2011: $Nil), representing the write-down of property, plant and equipment to recoverable amount and fair value adjustment in fixed assets of subsidiary under disposal have been recognised in the "other expenses" (Note 27) line item of profit or loss for the financial period ended 30 June 2012.

Company	Furniture, fixtures and fittings	Computer equipment	Office equipment	Motor Vehicles	Leasehold improvement	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
At 1 January 2010	228	7,281	327	–	–	7,836
Additions	45	319	3	–	44	411
Disposals	–	(130)	–	–	–	(130)
At 31 March 2011 and 1 April 2011	273	7,470	330	–	44	8,117
Additions	735	131	229	260	1,283	2,638
Disposals	(273)	(4,472)	(247)	–	(54)	(5,046)
Asset held for sale	(695)	–	(181)	–	(1,244)	(2,120)
At 30 June 2012	40	3,129	131	260	29	3,589
Accumulated depreciation						
At 1 January 2010	210	6,096	314	–	–	6,620
Depreciation charge for the period	23	734	11	–	12	780
Disposals	–	(130)	–	–	–	(130)
At 31 March 2011 and 1 April 2011	233	6,700	325	–	12	7,270
Depreciation charge for the period	108	465	42	25	215	855
Disposals	(273)	(4,472)	(247)	–	(54)	(5,046)
Asset held for sale	(58)	–	(25)	–	(172)	(255)
At 30 June 2012	10	2,693	95	25	1	2,824
Net carrying amount						
At 31 March 2011	40	770	5	–	32	847
At 30 June 2012	30	436	36	235	28	765

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8. Intangible assets

Group	Goodwill	Licensing, patents and trademarks	Customer contracts	Order backlog	Customer relationship	Marketing rights	Deferred development costs	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
At 1 January 2010	11,024	2,074	7,453	476	1,462	–	151	22,640
Additions	–	857	–	–	–	–	1,390	2,247
Arising from acquisition of a subsidiary	50,732	8,389	–	–	23,605	–	–	82,726
Adjustment to intangible assets arising from acquisition of a subsidiary in the prior year	–	–	(5,732)	–	1,891	3,841	–	–
Net exchange differences	3,947	864	–	–	1,894	–	–	6,705
At 31 March 2011 and 1 April 2011	65,703	12,184	1,721	476	28,852	3,841	1,541	114,318
Effect of prior year adjustment	(3,959)	329	–	–	(5,891)	–	–	(9,521)
As restated	61,744	12,513	1,721	476	22,961	3,841	1,541	104,797
Additions	–	360	–	–	–	–	746	1,106
Arising from acquisition of subsidiaries (Note 9)	51,870	10,149	–	–	21,581	–	–	83,600
Disposal	–	(362)	–	–	–	–	–	(362)
Assets held for sale	–	(85)	–	–	–	–	–	(85)
Net exchange differences	(1,734)	(430)	–	–	(376)	–	–	(2,540)
At 30 June 2012	111,880	22,145	1,721	476	44,166	3,841	2,287	186,516

8. Intangible assets (cont'd)

Group	Goodwill	Licensing, patents and trademarks	Customer contracts	Order backlog	Customer relationship	Marketing rights	Deferred development costs	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Analysis of accumulated amortisation and impairment								
At 1 January 2010	–	1,566	1,177	476	935	–	–	4,154
Amortised during the period	–	1,664	460	–	3,648	341	293	6,406
Net exchange differences	–	122	–	–	124	–	–	246
At 31 March 2011 and 1 April 2011	–	3,352	1,637	476	4,707	341	293	10,806
Effect of prior year adjustment	–	31	–	–	(393)	–	–	(362)
As restated	–	3,383	1,637	476	4,314	341	293	10,444
Amortised during the period	–	2,693	84	–	6,419	320	818	10,334
Impairment during the period	73,384	6,643	–	–	15,033	2,326	–	97,386
Disposal	–	(603)	–	–	–	–	–	(603)
Asset held for sale	–	(79)	–	–	–	–	–	(79)
Net exchange differences	–	(199)	–	–	(131)	–	–	(330)
At 30 June 2012	73,384	11,838	1,721	476	25,635	2,987	1,111	117,152
Net carrying amount								
At 31 March 2011	61,744	9,130	84	–	18,647	3,500	1,248	94,353
At 30 June 2012	38,496	10,307	–	–	18,531	854	1,176	69,364

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8. Intangible assets (cont'd)

The remaining amortisation periods as at 30 June 2012 range between 1 to 9 years for licensing, patents and trademarks, 1 to 8 years for customer relationship, 12 years for marketing rights and 1 to 3 years for deferred development costs.

(a) ***Allocation of goodwill to cash-generating units ("CGU")***

The carrying amounts of the Group's goodwill on acquisition of subsidiaries as at 30 June 2012 were assessed for impairment during the financial period. Goodwill is allocated for impairment testing purposes to the individual entity or group of subsidiaries, which is also the CGU. Where the acquired business has been merged as a division of an entity, the CGU would be that division of the merged entity.

The carrying amounts of goodwill related to:

	Affinity Group		Spice - CSL		MediaRing Network Services		Newtel Group		Cavu Corp		Delteq		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group														
Goodwill	26,318	–	–	29,143	4,415	4,454	–	20,316	6,500	6,557	1,263	1,274	38,496	61,744

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8. Intangible assets (cont'd)

(b) ***Basis of impairment assessment***

The recoverable amounts of the CGUs have been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a 5 to 12 year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the 5 year period are as follows:

	Affinity Group		Spice BPO		Bharat IT		Spice - CSL		MediaRing Network Services		Newtel Group		Cavu Corp		Delteq	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Pre-tax discount rates	16.75	–	12.00	–	19.79	–	12.39	13.40	9.15	13.04	13.85	13.29	9.47	8.75	9.47	11.46
Growth rates	3.00	–	–	–	–	–	3.40	1.00	1.00	1.00	4.20	1.00	1.00	1.00	1.00	1.00

Basis for using projection period longer than 5 years

Mobile, VAS and Mobile Internet business are growth Industries and are currently in a nascent stage. As the mature phase of VAS and Mobile Internet will take place in the medium to long term, the Group expects to be well positioned to reap the benefits and returns during this stable phase. Hence, a longer than 5 years forecast has been used for Affinity Group.

For Bharat IT, a 12 year projection period was used to be in line with the remaining estimated useful life of the marketing rights.

The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

Forecasted gross margins – Gross margins are based on the value achieved in the year preceding the start of the budget period.

Growth rates – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rates reflect management's estimate of the risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

8. Intangible assets (cont'd)

(c) ***Impairment loss recognized***

During the financial year, an impairment loss was recognised to write-down the carrying amount of goodwill and intangible assets. The impairment loss of $97,386,000 (2011: $Nil) has been recognised in the profit and loss under the line item "other expenses".

As at the end of the financial period, in accordance with FRS 36 Impairment, the Group had carried out impairment testing and resultantly, in cases wherever the Carrying Amounts exceeded the Recoverable Amounts in the specific Cash-Generating Units (CGUs), intangible assets including goodwill have been impaired to the value in use. The impairment charges to the below mentioned CGUs totalling $97,386,000 (2011 : $Nil) have primarily been due to increased competition and global changes in the mobile industry, coupled with the changing preference of customers for mobile phones on the 3G platform rather than the 2G platform technology wherein most of the CGU's businesses had historically been built on.

The impairment of goodwill and intangible assets are related to:

	Affinity Group		I-Gate		CSL Multimedia		Mobile Care		Spice – CSL		Newtel Group		Spice BPO		Bharat IT		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group																		
Goodwill	23,128	–	1,602	–	306	–	402	–	28,553	–	19,393	–	–	–	–	–	73,384	–
Intangible assets	–	–	–	–	–	–	–	–	18,173	–	1,211	–	1,012	–	3,606	–	24,002	–

8. Intangible assets (cont'd)

	Licensing, patents and trademarks	Deferred development costs	Total
	$'000	$'000	$'000
Company			
Cost			
At 1 January 2010	1,607	151	1,758
Additions	644	1,390	2,034
At 31 March 2011 and 1 April 2011	2,251	1,541	3,792
Additions	47	746	793
Disposal	(590)	–	(590)
At 30 June 2012	1,708	2,287	3,995
Analysis of accumulated amortisation			
At 1 January 2010	1,202	–	1,202
Amortised during the period	478	293	771
At 31 March 2011 and 1 April 2011	1,680	293	1,973
Amortised during the period	239	819	1,058
Disposal	(590)	–	(590)
At 30 June 2012	1,329	1,112	2,441
Net carrying amount			
At 31 March 2011	571	1,248	1,819
At 30 June 2012	379	1,175	1,554

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9. Investment in subsidiaries

Investment in subsidiaries comprise:

	Company 2012	Company 2011
	$'000	$'000
Unquoted equity shares, at cost	212,879	101,781
Less: Impairment losses	(105,792)	(17,924)
Carrying amount after impairment losses	107,087	83,857

The details of subsidiaries are as follows:

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group 30.6.2012 %	Percentage of equity interest held by the Group 31.3.2011 %
Directly held by the Company				
MediaRing.com, Inc (b)	To market and sell telecommunication services	USA	100	100
Mellon Technology Pte Ltd (c)	To market and sell telecommunication services	Singapore	100	100
MediaRing (Europe) Limited (j)	Dormant	United Kingdom	100	100
MediaRing Communications Pte Ltd (c)	To market and sell telecommunication and ISP services	Singapore	100	100
Alpha One Limited (a)	To market and sell telecommunication services	Hong Kong	100	100
MediaRing TC, Inc (b)	To market and sell telecommunication services	Japan	100	100

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9. Investment in subsidiaries (cont'd)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group	
			30.6.2012 %	31.3.2011 %
Directly held by the Company (cont'd)				
MediaRing Sdn Bhd [d]	To market and sell telecommunication services	Malaysia	100	100
MediaRing Network Services Pte Ltd [c]	To market and sell ISP services	Singapore	100	100
Cavu Corp Pte Ltd [c]	To supply, rent, maintain and service computer hardware and peripheral equipment	Singapore	100	100
Bharat IT Services Limited [g]	To supply, rent, maintain and service computer hardware	India	100	100
Spice BPO Services Limited [h]	To provide customer relationship management (CRM) and business process outsourcing	India	100	100
Spice-CSL Pte Ltd [c]	Procurement, OEM, manufacturing, distribution and sale of mobile handsets and accessories	Singapore	100	100
Newtel Corporation Company Limited [a]	Procurement, OEM, manufacturing, distribution and sale of mobile handsets and accessories	Thailand	100	100
Maxworld Asia Limited [b]	Investment holding	British Virgin Islands	100	100

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9. Investment in subsidiaries (cont'd)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group	
			30.6.2012	31.3.2011
			%	%
Directly held by the Company (cont'd)				
Bigstar Development Limited [b]	Investment holding	British Virgin Islands	100	100
Spice i2i Middle East FZE [i]	Trading of mobile handsets	Dubai	100	100
Affinity Capital Pte. Ltd [c]	Investment holding and distributor of handphone	Singapore	100	–
I-Gate Holdings Sdn. Bhd [a]	Investment holding and provision of management services	Malaysia	100	–
CSL Multimedia Sdn. Bhd [a]	Trading of portable computers and computer accessories	Malaysia	100	–
CSL Mobile Care Sdn. Bhd [a]	Repairing and maintenance of mobile phones	Malaysia	100	–
Mobile Concept (M) Sdn. Bhd. (Note 11) [k]	Selling handphone and handphone accessories	Malaysia	60	–

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9. Investment in subsidiaries (cont'd)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group	
			30.6.2012 %	31.3.2011 %
Held by subsidiaries				
MediaRing.com (Shanghai) Limited [(e)]	To market and sell telecommunication services	People's Republic of China	100	100
Held by Cavu Corp Pte Ltd				
Peremex Pte Ltd [(c)]	To supply, rent, maintain and service computer hardware and peripheral equipment	Singapore	100	100
Centia Pte Ltd [(c)]	To supply, rent, maintain and service computer hardware and peripheral equipment	Singapore	100	100
Peremex Sdn Bhd [(d)]	To supply, rent, maintain and service computer hardware and peripheral equipment	Malaysia	100	100
Delteq Pte Ltd [(c)]	To provide systems integration service related to computer equipment and peripherals, storage systems and networking products	Singapore	100	100
Held by Peremex Pte Ltd				
Peremex Computer Systems Private Limited [(f) (l)]	To supply, rent, maintain and service computer hardware and peripheral equipment	India	100	100

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9. Investment in subsidiaries (cont'd)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group	
			30.6.2012 %	31.3.2011 %
Held by subsidiaries (cont'd)				
Held by Centia Pte Ltd				
Centia Technologies Sdn Bhd [(d)]	To supply, rent, maintain and service computer hardware and peripheral equipment	Malaysia	100	100
Held by Delteq Pte Ltd				
Delteq Systems Pte Ltd [(c)]	To provide internet infrastructure, e-business applications consulting, project management and systems support services	Singapore	100	100
Delteq Systems (M) Sdn Bhd [(d)]	To market computer software and render computer related services	Malaysia	100	100
Held by Delteq Systems (M) Sdn Bhd				
Delteq (M) Sdn Bhd [(d)]	To market computer hardware and software and render computer related services.	Malaysia	100	100
Held by Spice-CSL Pte Ltd				
Spice CSL International Sdn. Bhd. [(a)]	In the business of procurement, OEM, manufacturing, distribution and sale of mobile handsets and accessories	Malaysia	100	100

9. Investment in subsidiaries (cont'd)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group	
			30.6.2012	31.3.2011
			%	%
Held by subsidiaries (cont'd)				
Held by Newtel Corporation Company Limited				
T.H.C. International Co., Ltd [(a)]	In the business of procurement, OEM, manufacturing, distribution and sale of mobile handsets and accessories	Thailand	100	100
Held by Affinity Capital Pte Ltd				
PT. Selular Global Net [(a)]	Distributor of prepaid phone card and top up voucher	Indonesia	99.99	–
Held by PT. Selular Global Net				
PT. Selular Media Infotama [(a)]	Retail and distributor of telecommunication equipment	Indonesia	99.98	–
Held by PT. Selular Media Infotama				
PT. Metrotech Jaya Komunika Indonesia [(a)]	Distributor of telecommunication equipment	Indonesia	99.78	–
Held by PT. Metrotech Jaya Komunika Indonesia				
PT. Metrotech Makmur Sehjatera [(a)]	Distributor of telecommunication equipment	Indonesia	69.86	–

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9. Investment in subsidiaries (cont'd)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group	
			30.6.2012	31.3.2011
			%	%
Held by subsidiaries (cont'd)				
Held by I-Gate Holdings Sdn. Bhd.				
Mobile Biz Sdn. Bhd. [(a)]	Dealer in mobile telecommunication equipment and its related products	Malaysia	100	–
RVT Event & Retail Management Sdn. Bhd. [(a)]	Conceptual design work, event and complex management	Malaysia	100	–
Real & Virtual Technologies Sdn. Bhd. [(a)]	Developing innovative service delivery platforms and solutions	Malaysia	100	–
Dot Mobile Sdn. Bhd. [(a)]	Dealer in mobile telecommunication equipment and its related products	Malaysia	100	–
Homestead Shop (M) Sdn. Bhd. [(a)]	Dealer in mobile telecommunication equipment and its related products	Malaysia	100	–
I-Gate Digital Sdn. Bhd. [(a)]	Dormant	Malaysia	100	–
BTC Academy Sdn. Bhd. [(a)]	Providing education services	Malaysia	70	–

(a) Audited by member firms of Ernst & Young Global in the respective countries
(b) Not required to be audited by the laws of its country of incorporation
(c) Audited by Ernst & Young LLP, Singapore
(d) Audited by William C.H. Tan & Associates, Malaysia
(e) Audited by Shanghai Jialiang CPAs Limited, Shanghai
(f) Audited by Ranga & Co., India
(g) Audited by Gupta Garg & Agrawal, India
(h) Audited by Alok Vasant & Associates, India
(i) Audited by Jitendra Chartered Accountants, Dubai (U.A.E)
(j) Audited by Blick Rothenberg Chartered Accountants, United Kingdom
(k) Audited by P.S. Yap & Associates, Malaysia
(l) The Group deferred the liquidation of Peremex Computer Systems Private Limited during the financial period

9. Investment in subsidiaries (cont'd)

Impairment testing of investment in subsidiaries

During the financial period, management performed an impairment test for the investment in some of its subsidiaries namely Spice BPO Services Ltd, Spice CSL Group, NewTel Group, I-Gate Holdings Sdn Bhd & its subsidiaries, CSL Multimedia Sdn Bhd, CSL Mobile Care Sdn Bhd and Affinity Capital Pte Limited. In light of losses incurred and to the extent, the carrying amount of the investments exceeded the recoverable amounts, an impairment loss of $87,868,000 (2011: $NIL) was recognised for the financial period ended 30 June 2012 to write down the investments in these subsidiaries to their respective recoverable amounts. The recoverable amount of the investment in said subsidiaries has been determined based on a value in use calculated using cash flow projections from financial budgets approved by management covering a 5-8 years period. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections was 9.47%-17.46% (2011: 8.75%-13.04%) and 0%-1% (2011:1%) respectively.

Acquisition of subsidiaries

(a) ***Newtel Group***

Adjustments to initial accounting for acquisition that were determined provisionally in 2011

The Group acquired 100% equity interest in Newtel Group on 3rd December 2010, for a total cash consideration of $10.0 million and fair valuation of deferred payment amounting to $10.0 million. The allocation of purchase price to the Group's share of identifiable assets and liabilities of Newtel Group was determined only provisionally as at 31 March 2011.

The allocation of the purchase price of Newtel Group to the Group's share of identifiable assets and liabilities had been determined during the measurement period of 12 months. Consequently deferred consideration of $10.0 million had been reversed as it had been assessed that the Group would not be required to pay the amount, considering that Newtel Group may unlikely achieve the consideration target. Correspondingly the intangible assets had also been adjusted.

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9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(a) ***Newtel Group (cont'd)***

Adjustments to initial accounting for acquisition that were determined provisionally in 2011 (cont'd)

The fair value of the identifiable assets, liabilities and contingent liabilities were finalised during the year based on a purchase price allocation undertaken by external valuer and the provisional goodwill, intangible assets and contingent consideration recognised in FY2011 were retrospectively adjusted as follows:

	Fair value at date of acquisition	**Provisional fair value recognised on acquisition**
	$'000	$'000
Property, plant and equipment	743	743
Intangible assets	1,808	7,370
Trade debtors	3,191	4,990
Stocks	4,937	6,169
Other debtors and prepayments	4,111	4,111
Deferred tax assets	3,474	2,565
Cash and cash equivalents	8,291	8,291
Total assets	26,555	34,239
Trade creditors	18,262	18,262
Other creditors and accruals	4,677	4,677
Deferred revenue	636	636
Loan and bank borrowings	12,859	12,859
Deferred tax liabilities on fair value adjustment	461	2,128
Total liabilities	36,895	38,562
Net identifiable assets/(liabilities)	(10,340)	(4,323)
Goodwill arising from acquisition	20,340	24,339
	10,000	20,016

The adjustments to intangible assets on acquisition of Newtel Group had been accounted for retrospectively as required under FRS 103R Business Combination. Please refer to Note 2.1 for further information.

9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(b) ***Affinity Group***

On 21 May 2011, the Company acquired 100% of the voting shares in Affinity Capital Pte Ltd and its subsidiaries, referred to herein as the "Affinity Group".

The Affinity Group is engaged in the mobile handset and calling cards business in Indonesia, including assembly, distribution, value-added, after-sales and other ancillary services, and related contractual arrangements.

In FY2012, the fair value of the identifiable assets and liabilities of the Affinity Group acquired and the effect thereof as at the date of acquisition were as follows:

	Fair value at date of acquisition	**Carrying amount before combination**
	$'000	$'000
Property, plant and equipment	9,995	9,995
Intangible assets	31,621	137
Stocks	52,820	52,820
Trade debtors	41,396	41,396
Other debtors and prepayments	25,552	25,552
Tax recoverable	154	154
Deferred tax assets	1,382	1,382
Cash and bank deposits pledged	14,003	14,003
Cash and cash equivalents	5,894	5,894
Total assets	182,817	151,333
Trade creditors	34,592	34,592
Other creditors and accruals	10,339	10,339
Lease obligations	113	113
Loan and bank borrowings	68,739	68,739
Deferred tax liabilities on fair value adjustment	7,872	1
Provision for employee benefits	590	590
Total liabilities	122,245	114,374
Net identifiable assets/(liabilities)	60,572	36,959
Goodwill arising from acquisition	49,445	
	110,017	

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9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(b) ***Affinity Group (cont'd)***

	Fair value at date of acquisition
	$'000
Cost of acquisition:	
Cash paid for purchase consideration	100,000
Contingent consideration recognised as at acquisition date	10,017
	110,017
Cash outflow on acquisition:	
Cash paid	(100,000)
Net cash acquired with the subsidiary	5,894
Net cash outflow on acquisition	(94,106)

Customer relationships and trademark have been identified as intangible assets arising from the acquisition of the Affinity Group. The Group has engaged an external valuer to determine the fair value of the intangible assets. As at 30 June 2012, the fair value of the intangible assets amounting to $31,621,000 has been finalised.

Transaction costs

Transaction costs related to the acquisition of $1,726,000 and $2,985,000 have been recognised in the "Other expenses" line item in the Group's profit or loss for the period ended 30 June 2012 and 31 March 2011 respectively.

Impact of acquisition on the income statement

From the date of acquisition, the acquired subsidiary has contributed $782,301,000 of revenue and $6,202,000 of losses to the net loss of the Group.

Goodwill arising from acquisition

The goodwill of $49,445,000 has been deemed by management to represent the value in strengthening the Group's mobile handset market position in the ASEAN region, which can serve to expand and consolidate S i2i's retail presence. It also includes the value of a customer list, which has not been recognised separately. Due to the contractual terms imposed on the acquisition, the customer list is not separable and therefore does not meet the criteria for recognition as an intangible asset under FRS 38.

Pursuant to finalization of purchase price allocation exercise within the measurement period of 12 months, the Group had provisionally recognised goodwill of $48,326,000 on 31 March 2012. During the course of annual statutory audit of Affinity Group, certain adjustments in carrying amounts before combination resulted in reduction in net assets by $1,119,000. Consequently, the value of goodwill has been increased by $1,119,000, resulting in total goodwill of $49,445,000.

9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(b) ***Affinity Group (cont'd)***

Contingent consideration arrangement

As part of the Share Purchase Agreement dated 22 January 2011 with the previous owner of Affinity Group, a contingent consideration comprising the following additional cash payments has been agreed upon:

(a) For the FY ended 31 December 2011 ("FY2011"), if the NPAT of Affinity:

(i) is less than or equal to $5,000,000, there shall be no Deferred Payment; or

(ii) is more than $5,000,000, the Deferred Payment shall be equivalent to the amount by which the NPAT exceeds $5,000,000, and up to a maximum of $25,000,000;

(b) For the FY ended 31 December 2012 ("FY2012"), if the NPAT of Affinity:

(i) is less than or equal to $5,000,000, there shall be no Deferred Payment; or

(ii) is more than $5,000,000, the Deferred Payment shall be equivalent to the amount by which the NPAT exceeds $5,000,000, and up to a maximum of $25,000,000; and

(c) For the FY ended 31 December 2013 ("FY2013"), the NPAT of Affinity:

(i) is less than or equal to $5,000,000, there shall be no Deferred Payment; or

(ii) is more than $5,000,000, the Deferred Payment shall be equivalent to the amount by which the NPAT exceeds $5,000,000, and up to a maximum of $25,000,000.

As at the acquisition date, based on key performance indicators of the Affinity Group the fair value of the contingent consideration was estimated at $10,017,000. The fair value of the contingent consideration was calculated by applying the present value of the expected payments at a discount rate of 6%.

Termination of contingent consideration

Company has on 5 March 2012 entered into a supplemental agreement to amend the Share Purchase Agreement dated 22 January 2011 among the Company, Affinity Pacific Ltd and its key management, Mr. Zulkarnaen Tanzil and Mr. Martono Jaya Kusuma (each a "Manager" and, collectively, the "Managers") and; a termination agreement ("Termination Agreement") to terminate the Management Incentive Agreement dated 21 May 2011 between the Company and the Managers.

Pursuant to the Supplemental Agreement, the Deferred Payments ceased to be payable and the Company has been released and discharged from any obligation under the SPA to make any further payment to the Vendor and the Managers. Accordingly, the deferred payment of $10,017,000 has been reversed in profit or loss as other income.

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9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(c) ***CSL Mobile Care Sdn Bhd***

On 4 April 2011, the Company effectively acquired 100% of the voting shares in CSL Mobile Care Sdn Bhd, a Malaysia-based company engaged in repair and maintenance of mobile phones and trading of mobile accessories.

The fair value of the identifiable assets and liabilities of the CSL Mobile Care Sdn Bhd, acquired and the effect thereof as at the date of acquisition were as follows:

	Fair value at date of acquisition	Carrying amount before combination
	$'000	$'000
Property, plant and equipment	39	39
Stocks	170	373
Trade debtors	113	113
Other debtors and prepayments	32	32
Cash and cash equivalents	2	2
Total assets	356	559
Trade creditors	659	659
Other creditors and accruals	118	118
Total liabilities	777	777
Net identifiable assets/(liabilities)	(421)	
Goodwill arising from acquisition	422	
	1	
Cost of acquisition:		
Cash paid for purchase consideration	1	
Cash outflow on acquisition:		
Cash paid	(1)	
Net cash acquired with the subsidiary	2	
Net cash inflow on acquisition	1	

The Group had engaged an external valuer to determine the fair value of the intangible assets. As at 30 June 2012, no intangible asset had been identified.

9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(c) ***CSL Mobile Care Sdn Bhd (cont'd)***

Transaction costs

Transaction costs related to the acquisition of $2,000 have been recognised in the "Other expenses" line item in the Group's profit or loss for the period ended 30 June 2012.

Impact of acquisition on the income statement

From the date of acquisition, the acquired subsidiary has contributed $1,538,000 of revenue and net loss of $462,000 to the net loss of the Group.

Goodwill arising from acquisition

The goodwill of $422,000 represents the Group's belief that the acquisition would strengthen the Group's mobile handset market position in the ASEAN region, which can serve to expand and consolidate S i2i's retail presence. It also includes the value of a customer list, which has not been recognised separately. Due to the contractual terms imposed on the acquisition, the customer list is not separable and therefore does not meet the criteria for recognition as an intangible asset under FRS 38.

(d) ***CSL Multimedia Sdn Bhd***

On 4 April 2011, the Company effectively acquired 100% of the voting shares in CSL Multimedia Sdn Bhd, a Malaysia-based company engaged in trading of IT products, computers, consumer electronic devices and e-commerce.

The fair value of the identifiable assets and liabilities of the CSL Multimedia Sdn Bhd, acquired and the effect thereof as at the date of acquisition were as follows:

	Fair value at date of acquisition	Carrying amount before combination
	$'000	$'000
Property, plant and equipment	1	1
Stocks	165	277
Trade debtors	46	137
Cash and cash equivalents	58	58
Total assets	270	473

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9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(d) ***CSL Multimedia Sdn Bhd (cont'd)***

	Fair value at date of acquisition	Carrying amount before combination
	$'000	$'000
Other creditors and accruals	262	262
Total liabilities	262	262
Net identifiable assets/(liabilities)	8	211
Goodwill arising from acquisition	321	
	329	
Cost of acquisition:		
Cash paid for purchase consideration	329	
Cash outflow on acquisition:		
Cash paid	(329)	
Net cash acquired with the subsidiary	58	
Net cash outflow on acquisition	(271)	

The Group has engaged an external valuer to determine the fair value of the intangible assets. As at 30 June 2012, no intangible asset has been identified.

Transaction costs

Transaction costs related to the acquisition of $33,819 have been recognised in the "Other expenses" line item in the Group's profit or loss for the period ended 30 June 2012.

Impact of acquisition on the income statement

From the date of acquisition, the acquired subsidiary has contributed $151,000 of revenue and net loss of $263,000 to the net loss of the Group.

Goodwill arising from acquisition

The goodwill of $321,000 has been deemed by management to represent its value of strengthening the Group's mobile handset market position in the ASEAN region, in which can serve to expand and consolidate S i2i's retail muscle. It also includes the value of a customer list, which has not been recognised separately. Due to the contractual terms imposed on the acquisition, the customer list is not separable and therefore does not meet the criteria for recognition as an intangible asset under FRS 38.

9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(e) ***I-Gate Group***

On 4 April 2011, the Company effectively acquired 51% of the voting shares in I-Gate Holdings Sdn. Bhd. and its subsidiaries are referred to herein as the "I-Gate Group".

The I-Gate Group is engaged in the mobile handset and related products in Malaysia, including trading in electrical products, conceptual design works, event and complex management, education consultant and conducting professional courses.

The fair value of the identifiable assets and liabilities of the I-Gate Group acquired and the effect thereof as at the date of acquisition were as follows:

	Fair value at date of acquisition	**Carrying amount before combination**
	$'000	$'000
Property, plant and equipment	777	777
Intangible assets	–	17
Stocks	1,194	1,212
Trade debtors	1,002	1,088
Other debtors and prepayments	874	874
Deferred tax assets	3	–
Cash and cash equivalents	429	429
Total assets	4,279	4,397
Trade creditors	3,082	3,082
Other creditors and accruals	2,867	3,132
Loan and bank borrowings	935	935
Total liabilities	6,884	7,149
Net identifiable assets/(liabilities)	(2,605)	(2,752)
Less: Net identifiable assets - non-controlling interest	1,275	
Net identifiable assets/(liabilities) - owner of the parents	(1,330)	
Goodwill arising from acquisition	1,682	
	352	

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9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(e) ***I-Gate Group (cont'd)***

	Fair value at date of acquisition
	$'000
Cost of acquisition:	
Cash paid for purchase consideration	352
Cash outflow on acquisition:	
Cash paid	(352)
Net cash acquired with the subsidiary	429
Net cash inflow on acquisition	77

The Group has engaged an external valuer to determine the fair value of the intangible assets. As at 30 June 2012, no intangible asset has been identified.

Transaction costs

Transaction costs related to the acquisition of $56,266 have been recognised in the "Other expenses" line item in the Group's profit or loss for the period ended 30 June 2012.

Impact of acquisition on the income statement

From the date of acquisition, the acquired subsidiary has contributed $19,910,000 of revenue and net loss of $2,200,000 to the net loss of the Group.

Goodwill arising from acquisition

The goodwill of $1,682,000 comprises the value of strengthening the Group's mobile handset market position in the ASEAN region, which can serve to expand and consolidate S i2i's retail muscle. It also includes the value of a customer list, which has not been recognised separately. Due to the contractual terms imposed on the acquisition, the customer list is not separable and therefore does not meet the criteria for recognition as an intangible asset under FRS 38.

9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(e) ***I-Gate Group (cont'd)***

Acquisition of non-controlling interests

Subsequently, on 14 October 2011, the Group acquired the remaining 49% equity interest in I-Gate Group from its non-controlling interests for a cash consideration of $300,000. As a result of this acquisition, I-Gate Group became a wholly-owned subsidiary of the Group.

The carrying value of the net liabilities of I-Gate Group at 14 October 2011 was $3,113,000 and the carrying value of the additional interest acquired was $1,455,000. The difference of $1,755,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Reserve on acquisition of non-controlling interests" within equity.

The following summarises the effect of the change in the Group's ownership interest in I-Gate Group on the equity attributable to owners of the parent:

Cash outflow on acquisition:

	$'000
Consideration paid for acquisition of non-controlling interests	(300)
Decrease in equity attributable to non-controlling interests	(1,455)
Increase in equity attributable to owners of the parent	(1,755)

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9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(f) ***Mobile Concepts (M) Sdn Bhd***

On 4 April 2011, the Company effectively acquired 60% of the voting shares in Mobile Concepts (M) Sdn Bhd, a Malaysia-based company engaged in the mobile handset and mobile accessories business.

The fair value of the identifiable assets and liabilities of the Mobile Concepts (M) Sdn Bhd acquired and the effect thereof as at the date of acquisition were as follows:

	Fair value at date of acquisition	**Carrying amount before combination**
	$'000	$'000
Property, plant and equipment	143	143
Intangible assets	109	–
Stocks	1,177	1,177
Trade debtors	412	412
Other debtors and prepayments	41	41
Cash and cash equivalents	99	99
Total assets	1,981	1,872
Trade creditors	511	511
Other creditors and accruals	165	165
Tax payable	1	1
Loan and bank borrowings	69	69
Lease obligation	102	102
Deferred tax liabilities on fair value adjustment	42	15
Total liabilities	890	863
Net identifiable assets/(liabilities)	1,091	1,009
Less: Net identifiable assets - non-controlling interest	(436)	
Net identifiable assets/(liabilities) - owner of the parents	655	
Gain on bargain purchase	(555)	
	100	

9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(f) ***Mobile Concepts (M) Sdn Bhd (cont'd)***

	Fair value at date of acquisition
	$'000
Cost of acquisition:	
Cash paid for purchase consideration	100
Cash outflow on acquisition:	
Cash paid	(100)
Net cash acquired with the subsidiary	99
Net cash outflow on acquisition	(1)

Distribution rights have been identified as intangible assets arising from their acquisition. The Group has engaged an external valuer to determine the fair value of the intangible assets. As at 30 June 2012, the fair value of the intangible assets amounting to $109,000 has been finalised.

Transaction costs

Transaction costs related to the acquisition of $21,146 have been recognised in the "Other expenses" line item in the Group's profit or loss for the period ended 30 June 2012.

Impact of acquisition on the income statement

From the date of acquisition, the acquired subsidiary has contributed $9,339,000 of revenue and net loss of $390,000 to the net loss of the Group.

Gain on bargain purchase

As a result of the excess of net identifiable assets and liabilities amounts acquired at the date of acquisition amounting to $655,000 over the negotiated purchase consideration of $100,000, a gain on bargain purchase of $555,000 was recognised.

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10. Investment in associates

	Group		Company	
	30.6.2012	31.3.2011	30.6.2012	31.3.2011
	$'000	$'000	$'000	$'000
Unquoted shares, at cost	479	479	479	479
Share of post-acquisition reserves	(123)	(73)	–	–
Less: Impairment losses	(288)	–	(335)	(47)
Carrying amount of investments	68	406	144	432

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group	
			2012	2011
			%	%
Directly held by the Company				
MediaRing Africa Ltd	To market and sell telecommunication services	Hong Kong	40.0	40.0
Vipafone (Proprietary) Limited	To market and sell telecommunication services	Africa	40.0	40.0
Held by a subsidiary				
Held by MediaRing Network Services Pte Ltd				
NGV Pte Ltd	To market and sell telecommunication services	Singapore	28.8	28.8

10. Investment in associates (cont'd)

The gross summarised financial information of the associates is as follows:

	2012	2011
	$'000	$'000
Assets and liabilities		
Current assets	482	485
Non-current assets	398	517
Total assets	880	1,002
Current liabilities	97	93
Total liabilities	97	93
Results		
Revenue	–	109
Loss for the period	(125)	(178)

Unrecognised share of losses of associates

The Group has not recognised losses relating to Vipafone (Proprietary) Limited where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the balance sheet date was $17,000 (2011: $17,000), of which $Nil (2011: $14,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

The management account of Vipafone (Proprietary) Limited has not been obtained at the date when these financial statement are authorised for issue.

Impairment testing of investment in associates

During the financial period, management has performed an impairment test, and in the light of losses and with uncertainty of future recovery, an impairment loss of $288,000 in respect of the investment in MediaRing Africa Limited was recognised for the financial period ended 30 June 2012

11. Discontinued operation and disposal assets classified as held for sale

		Group	
		2012	2011
		$'000	$'000
Carrying amount of building of subsidiary	(a)	490	–
Carrying amount of plant and equipment of Company	(b)	1,865	–
Carrying amount of non-current assets of subsidiary	(c)	290	–
Carrying amount of company held for disposal	(d)	529	–
Total		3,174	–

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11. Discontinued operation and disposal assets classified as held for sale (cont'd)

During the current financial year, the Company announced the decision of its board of directors to dispose the following assets:

(a) Disposal of building by a subsidiary

On 7 June 2012, a subsidiary obtained its directors' approval on the proposal to dispose its office building to an external party. The recoverable amount was estimated for this building and no impairment loss was identified. As of the date of these financial statements, the disposal has since been completed on 20 September 2012.

(b) Disposal of plant and equipment by Company

On 18 July 2012, the Company obtained its directors' approval on the proposal to dispose its plant and equipment in a previously occupied office building to an interested party. The recoverable amount was estimated for these plant and equipment and no impairment loss was identified. As of the date of these financial statements, the disposal has since been completed on 30 August 2012.

(c) Disposal of non-current assets by subsidiary

On 29 June 2012, a subsidiary obtained its directors' approval on the proposal to dispose certain plant and equipment and intangible assets. The recoverable amount was estimated for these plant and equipment and consequently, impairment loss of $350,000 was identified. As of the date of these financial statements, the disposal is yet to be completed.

(d) Disposal of Mobile Concept (M) Sdn Bhd ("MCM")

On 10 February 2012, the Company announced the decision of its board of directors to dispose its 60% owned subsidiary, Mobile Concept (M) Sdn Bhd (MCM), which was previously reported in the Mobility segment. The disposal was completed on 17 July 2012.

Immediately before the classification of MCM as a discontinued operation, a fair value adjustment of $44,000 (2011: $Nil) (Note 27) was recognised to reduce the carrying amount of the assets in the disposal group to the fair value less costs to sell.

As at 30 June 2012, the assets and liabilities related to MCM and the carrying value of the property, plant and equipment and intangible assets have been presented in the balance sheet as "Assets held for sale (includes disposal group)" and "Liabilities directly associated with disposal group classified as held for sale", and MCM's result are presented separately on profit or loss as "Loss for the period from operation related to disposal group classified as held for sale, net of tax".

11. Discontinued operation and disposal assets classified as held for sale (cont'd)

Balance sheet disclosures

The major classes of assets and liabilities classified as held for sale and the related asset revaluation reserve as at 30 June 2012 are as follows:

	Group	
	2012	**2011**
	$'000	$'000
Assets:		
Property, plant and equipment	61	–
Stocks	877	–
Trade debtors, current	289	–
Other debtors and deposits, current	115	–
Cash and cash equivalents	168	–
Tax recoverable	52	–
Assets of disposal group classified as held for sale	1,562	–
Liabilities:		
Trade creditors	591	–
Other creditors and accruals, current	428	–
Deferred tax liabilities	14	–
Liabilities directly associated with disposal group classified as held for sale	1,033	–
Net assets directly associated with disposal group classified as held for sale (MCM)	529	–
Reserve:		
Translation reserve	(46)	–

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11. Discontinued operation and disposal assets classified as held for sale (cont'd)

Income statement disclosures

The results of MCM for the periods ended 30 June 2012 are as follows:

	Group	
	2012	**2011**
	$'000	$'000
Turnover	9,339	–
Other income	37	–
Direct service fees incurred and cost of goods sold	(7,909)	–
Commissions and other selling expenses	(533)	–
Personnel costs	(635)	–
Infrastructure costs	(187)	–
Depreciation of property, plant and equipment	(51)	–
Marketing expenses	(115)	–
Foreign exchange gain	73	–
Finance costs	(6)	–
Other expenses	(403)	–
Loss before tax from discontinued operation	(390)	–
Taxation	–	–
Loss for the period from operation related to disposal group classified as held for sale, net of tax	(390)	–

Cash flow statement disclosures

The cash flows attributable to MCM are as follows:

	2012	2011
Operating activities	192	–
Investing activities	(16)	–
Financing activities	(89)	–
Net cash inflows	87	–

12. Investment securities

	Group and Company	
	30.6.2012	**31.3.2011**
	$'000	$'000
Non-current		
Available-for-sale financial assets		
- Quoted equity investment	60	117
Designated at fair value through profit or loss		
- Hybrid instrument	2,700	3,591
Investment in long-term securities	2,760	3,708
Total investment in securities	2,760	3,708

The hybrid instrument relates to a 7 year term loan that comes with 14,034,074 warrants. The loan is fully repayable on 30 April 2015, and is interest-free for the first 5 years, and bears interest at 5% per annum for the sixth and seventh year.

Each warrant entitled the Group to subscribe for 1 preferred share in the issuer at a fixed initial subscription price. The warrants are exercisable immediately when issued and will remain valid and exercisable by the Group at any time during the loan period.

The preferred shares are entitled to liquidation priority and shall be convertible into the ordinary shares of the issuer at the sole and absolute discretion of the Group at an initial conversion ratio of 1:1.

During the financial period, the Company and the Group recognised an impairment loss of $57,000 (2011: $59,000) (Note 27) for the quoted equity instrument as there were significant or prolonged decline in the fair value of these investments below their costs.

13. Long-term loans and advances to subsidiaries

	Company	
	30.6.2012	**31.3.2011**
	$'000	$'000
Long-term loans and advances treated as part of net investment in subsidiaries	36,371	36,366
Long-term loans to subsidiaries	4,881	3,604
Less: Allowance for doubtful loans and advances to subsidiaries	(40,127)	(36,366)
	1,125	3,604

Long-term loans and advances treated as part of net investment in subsidiaries are quasi-equity in nature, unsecured, interest-free and have no fixed terms of repayment.

Long-term loans to subsidiaries are unsecured, interest-bearing at 0% to 5% p.a. and 6 months LIBOR + 2% p.a. and have fixed repayment terms of 2 to 5 years.

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14. Trade debtors

	Group		Company	
	30.6.2012	31.3.2011	30.6.2012	31.3.2011
	$'000	$'000	$'000	$'000
Non-current				
Lease receivables	569	330	–	–
Less: Unearned finance income	(44)	(38)	–	–
	525	292	–	–
Current				
Trade debtors	52,065	50,304	1,230	9,837
Amount due from a related party	1,779	1,463	1,778	1,463
Less: Allowance for impairment	(4,661)	(1,003)	(290)	(108)
	49,183	50,764	2,718	11,192
Lease receivables	226	449	–	–
Less: Unearned finance income	(1)	(57)	–	–
	49,408	51,156	2,718	11,192
Total trade debtors	49,933	51,448	2,718	11,192

During the financial period, the Group and the Company wrote back allowance of $174,000 (2011: $128,000) and $Nil (2011: $12,000) respectively upon the collection of debts that were previously provided for.

Trade debtors are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Amount due from a related party is trade in nature, repayable on demand, unsecured, interest-free and are to be settled in cash.

Trade receivables denominated in foreign currencies at period end are as follows:

	Group		Company	
	30.6.2012	31.3.2011	30.6.2012	31.3.2011
	$'000	$'000	$'000	$'000
Singapore Dollar	10,380	10,261	113	160
Indian Rupee	2,800	5,358	–	–
Thai Baht	1,396	8,797	–	–
Malaysian Ringgit	2,515	11,333	–	–
Indonesian Rupiah	29,980	–	–	–
Others	272	113	65	109

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14. Trade debtors (cont'd)

Debtors that are past due but not impaired

The Group and the Company have trade debtors amounting to $23,051,000 (2011: $26,821,000) and $1,738,000 (2011: $2,608,000) that are past due at the balance sheet date but not impaired. These debtors are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	30.6.2012	**31.3.2011**	**30.6.2012**	**31.3.2011**
	$'000	$'000	$'000	$'000
Trade debtors past due for:				
Less than 30 days	11,311	11,840	1,612	2,146
31 to 60 days	4,858	4,302	128	67
61 to 90 days	2,557	2,735	35	77
More than 90 days	4,325	7,944	(37)	318
	23,051	26,821	1,738	2,608

Debtors that are impaired

Trade debtors that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These debtors are not secured by any collateral or credit enhancements.

The Group's trade debtors that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group			
	Collectively impaired		**Individually impaired**	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
Trade debtors – nominal amounts	989	1,802	6,144	1,058
Less: Allowance for impairment	197	(20)	(4,858)	(983)
	1,186	1,782	1,286	75
Movement in allowance accounts:				
At the beginning of the period	20	45	983	782
Charge for the period	247	(25)	5,392	244
Write-back	–	–	(174)	(128)
Write-off	(147)	–	(1,006)	–
Exchange differences	(317)	–	(337)	85
At the end of the period	(197)	20	4,858	983

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14. Trade debtors (cont'd)

Receivables pledged as collateral

The Group has pledged trade receivables with a carrying amount of $30,740,000 (2011: $Nil) as collateral to secure a subsidiary's bank loans (Note 22).

Lease receivables

The Group has finance lease arrangements with customers for the sale of computer hardware and peripheral equipment. The discount rate implicit to the lease is 3.3% (2011: 3.3%) per annum.

Future minimum lease payment receivable under finance leases together with the present value of the net minimum lease payment receivables are as follows:

Group	Minimum lease payments receivable 30.6.2012	Present value of payments receivable 30.6.2012	Minimum lease payments receivable 31.3.2011	Present value of payments receivable 31.3.2011
	$'000	$'000	$'000	$'000
Not later than one year	226	225	449	392
Later than one year but not later than five years	568	525	330	292
Total minimum lease payments receivable	794	750	779	684
Less: Amounts representing finance incomes	(44)	–	(95)	–
Present value of minimum lease payments receivable	750	750	684	684

15. Stocks

During the financial period, stocks recognised as an expense in the profit and loss under the line item "Direct service fees incurred and costs of goods sold" were $912,807,000 (2011: $259,022,000) and $107,710,000 (2011: $97,044,000) for the Group and the Company respectively.

During the financial period, the Group and the Company wrote down stocks amounting to $2,053,000 (2011: $430,000) and $420,000 (2011: $93,000) to the lower of cost and net realisable value respectively.

During the financial period, the Group reversed write-down of stocks amounting to $2,103,000 (2011: $Nil) upon the sale of obsolete stocks that were previously wrote down. The stocks were sold above their carrying amounts.

The Group has subjected finished goods amounting to $29,260,000 (2011: $Nil) to collateral charge as security for bank facilities (Note 22).

16. Other debtors and deposits

	Group		Company	
	30.6.2012	31.3.2011	30.6.2012	31.3.2011
	$'000	$'000	$'000	$'000
Current				
Other debtors	5,151	7,250	87	892
Deposits	3,926	13,292	2,528	8,745
Interest receivables	163	50	103	11
	9,240	20,592	2,718	9,648
Non-current				
Other debtors	7,639	341	–	–
	7,639	341	–	–
Total other debtors and deposits	16,879	20,933	2,718	9,648

Other debtors and deposits denominated in foreign currencies at period end are as follows:

	Group		Company	
	30.6.2012	31.3.2011	30.6.2012	31.3.2011
	$'000	$'000	$'000	$'000
Singapore Dollar	1,634	1,772	1,204	634
Indian Rupee	2,028	2,908	–	–
Thai Baht	1,387	3,898	–	–
Malaysian Ringgit	728	2,733	1	–
Indonesian Rupiah	9,399	–	–	–
Others	12	11	–	–

17. Prepayments

	Group		Company	
	30.6.2012	31.3.2011	30.6.2012	31.3.2011
	$'000	$'000	$'000	$'000
Prepaid selling expenses	414	584	237	426
Other prepaid expenses	7,962	2,253	774	360
	8,376	2,837	1,011	786

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18. Due from/(to) subsidiaries and associates

Amounts due from subsidiaries to the Company are stated after deducting allowance for impairment of $67,129,000 (2011: $15,727,000).

Amounts due from/(to) subsidiaries and associates are non-trade in nature, repayable on demand, unsecured, interest-free and are to be settled in cash, except for loans to subsidiaries which bear interest at 5% (2011:5%) per annum.

Amounts due from/(to) subsidiaries and associates denominated in foreign currencies at period end are as follows:

	Company	
	30.6.2012	**31.3.2011**
	$'000	$'000
Chinese Renminbi	(2,395)	(2,838)
Singapore Dollar	(4,403)	(4,643)
Indian Rupee	–	(6)
Malaysian Ringgit	1,126	(7)
Japanese Yen	(1,599)	(14)
Great Britain Pound	–	33
Hong Kong Dollar	–	(35)

19. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Group		Company	
	30.6.2012	**31.3.2011**	**30.6.2012**	**31.3.2011**
	$'000	$'000	$'000	$'000
Fixed deposits	37,441	59,808	28,445	57,321
Cash and bank balances	31,816	29,951	16,829	20,484
	69,257	89,759	45,274	77,805
Less: Cash and bank deposits pledged	(7,780)	(2,995)	(183)	–
	61,477	86,764	45,091	77,805

Fixed deposits with financial institutions mature on varying periods from the financial period end. Interest is at rates ranging from 0.05% to 9.75% (2011: 0.05% to 9.00%) per annum, which are also the effective interest rates.

19. Cash and cash equivalents (cont'd)

Cash at bank earns interest at floating rates based on daily bank deposits ranging from 0% to 6.5% (2011: 0% to 1.5%) per annum.

Cash and bank deposits of $7,780,000 (2011: $2,995,000) are pledged as security for trust receipt, bank guarantees, standby letters of credit and other bank services.

Cash and cash equivalents denominated in foreign currencies at period end are as follows:

	Group		Company	
	30.6.2012	**31.3.2011**	**30.6.2012**	**31.3.2011**
	$'000	$'000	$'000	$'000
Singapore Dollar	7,131	22,493	2,072	18,338
Indian Rupee	646	3,899	–	–
Thai Baht	240	162	–	–
Malaysian Ringgit	2,027	611	–	–
Indonesian Rupiah	3,000	2	–	–
Others	1,316	927	–	–

20. Other creditors and accruals

	Group		Company	
	30.6.2012	**31.3.2011**	**30.6.2012**	**31.3.2011**
	$'000	$'000	$'000	$'000
Current				
Amounts due to related parties	1,304	1,328	–	–
Other creditors	2,940	6,621	875	1,551
Accrued operating expenses	14,114	13,486	3,616	6,145
Deposits received	472	1,175	130	961
	18,830	22,610	4,621	8,657

Amounts due to related parties are non-trade in nature, repayable on demand, unsecured, interest-free and are to be settled in cash.

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20. Other creditors and accruals (cont'd)

Other creditors and accruals denominated in foreign currencies at period end are as follows:

	Group		Company	
	30.6.2012	31.3.2011	30.6.2012	31.3.2011
	$'000	$'000	$'000	$'000
Singapore Dollar	4,454	5,465	2,994	3,398
Indian Rupee	2,596	5,548	–	–
Thai Baht	986	4,340	–	–
Malaysian Ringgit	2,437	1,740	–	–
Indonesian Rupiah	5,559	–	–	–
Others	258	163	18	32

21. Lease obligations

The Group has finance leases for computer equipment and motor vehicles. The leases have terms of renewal at the option of the Group. There are no escalation clauses and no restrictions placed upon the Group by entering into these leases. An obligation by a subsidiary is secured by a charge over the leased assets (Note 7). The average discount rate implicit to the leases is 4.2% (2011: 7.0%) per annum.

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

Group	Minimum lease payments receivable 30.6.2012	Present value of payments receivable 30.6.2012	Minimum lease payments receivable 31.3.2011	Present value of payments receivable 31.3.2011
	$'000	$'000	$'000	$'000
Not later than one year	675	644	1,524	1,388
Later than one year but not later than five years	489	428	723	677
Later than five years	78	75	–	–
Total minimum lease payments	1,242	1,147	2,247	2,065
Less: Amounts representing finance charges	(95)	–	(182)	–
Present value of minimum lease payments	1,147	1,147	2,065	2,065

22. Loans and bank borrowings

		Group	
		30.6.2012	**31.3.2011**
		$'000	$'000
Current			
Short term borrowings			
- Trust receipts	(a)	1,347	640
- Loan from Director		–	8,526
- Loan from related parties		–	3,209
- Interest free loan from a related party	(b)	890	1,266
- Loans	(c)	47,354	9,396
Total short term loans and bank borrowings		49,591	23,037
Non-current			
Long term borrowings			
- Interest-free loan from a related party		–	3,515
- Loans		–	75
Total long term loans and bank borrowings		–	3,590
Total loans and bank borrowings		49,591	26,627

(a) At 30 June 2012, the outstanding SGD trust receipts which are repayable within 1 year from the financial period end have effective interest rates of 6.0% (2011: 6.0%) per annum, and are secured by way of corporate guarantees given by the Company and two subsidiaries.

(b) The interest free loan from a related party is denominated in INR, unsecured and repayable on demand.

(c) The current loans amounting to $47,354,000 (2011: $9,396,000) are denominated in IDR, USD and INR (2011: INR). The loans of the Group bears interest at rates ranging from 4.7% to 10.0% (2011: 9.0% to 15.0%) per annum and are repayable within the next 12 months.

A total loan amount of $40,216,000 (2011: $Nil) are secured over a subsidiary's stocks (Note 15), trade debtors (Note 14) and cash and cash equivalents (Note 19). Repayment of these loans is due on demand.

During the current financial period, two of the subsidiaries of the Group have breached the loan covenants for two bank loans. These subsidiaries did not fulfill the requirements to maintain a current ratio of 1.0 and interest coverage ratio of 2.0 for a credit line of $28,266,000 (2011: $Nil), and a current ratio of 1.2 and minimum interest coverage ratio of 1.5 for another credit line of $11,950,000 (2011: $Nil). The banks are contractually entitled to request for immediate repayment of the outstanding loan amount in the event of breach of covenant.

As at the date when these financial statements are authorised for issue, the banks had not requested for immediate repayment of the outstanding loan amount. On 18 July and 2 August 2012 both the banks have agreed to renew and extend the expiry date of the loan for a further one year period.

These credit lines are presented as current liability at the end of the reporting period as the maturity dates are within the subsequent 12 months.

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23. Deferred tax

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	(992)	(245)	(747)	1,356
Fair value adjustments on acquisition of subsidiaries	(6,175)	(7,627)	8,539	1,092
	(7,167)	(7,872)	7,792	2,448
Deferred tax assets				
Provisions	539	1,499	(960)	–
Unutilised tax losses	–	3,748	(3,748)	42
Other items	–	67	(67)	–
	539	5,314	(4,775)	42
Deferred income tax credit (Note 28)			3,017	2,490

The impact to the consolidated income statement on fair value adjustments on acquisition of subsidiaries relates to the realisation of deferred tax on the recognition of amortisation during the financial period.

24. Turnover

Turnover comprises the following:

	Group	
	Period from 1.4.2011 to 30.6.2012	Period from 1.1.2010 to 31.3.2011
	$'000	$'000
Voice and Data Services	55,219	74,809
Computing	48,621	51,061
Mobility	899,942	211,268
	1,003,782	337,138

25. Other income

	Group	
	Period from 1.4.2011 to 30.6.2012	**Period from 1.1.2010 to 31.3.2011**
	$'000	$'000
Gain on bargain purchase	555	1,150
Gain on disposal of investment in bonds	–	176
Interest income:		
- bonds	–	63
- fixed deposits	833	712
- bank balances	51	24
- investment securities	–	134
- others	46	88
Waiver of loan	5,000	–
Reversal of deferred consideration payable	10,017	–
Fair value gain on investment securities	–	1,555
Rental income	198	310
Early payment discount received	214	–
Write-back of sundry payables	1,227	–
Others	483	850
	18,624	5,062

The waiver of loan relates to loan procured by the vendor of Newtel Group to Newtel Corporation Company Limited, a wholly-owned subsidiary of S i2i Limited.

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26. Personnel costs

	Group	
	Period from 1.4.2011 to 30.6.2012	**Period from 1.1.2010 to 31.3.2011**
	$'000	$'000
Salary and allowances	48,691	27,397
Central Provident Fund contributions	2,400	2,294
Defined benefit plan	692	10
Share-based payments	(12)	27
Staff accommodation	64	14
Staff recruitment	248	249
Staff welfare	805	356
Insurance	525	271
Medical fee	155	141
Training	113	114
Provision for unpaid leave balance	46	355
Grant income from Jobs Credit Scheme	–	(71)
Other personnel costs	351	38
	54,078	31,195

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27. Other expenses

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

	Group	
	Period from 1.4.2011 to 30.6.2012	Period from 1.1.2010 to 31.3.2011
	$'000	$'000
Audit fees paid to:		
- Auditors of the Company	602	341
- Other auditors	459	111
Non-audit fees paid to:		
- Auditors of the Company	171	192
- Other auditors	60	121
Directors' fees:		
- Directors of the Company	550	498
Other professional fees	5,675	7,504
Bank charges	993	550
Collection service fees	2,811	261
Equipment maintenance	1,556	1,282
Equipment rental	304	37
Fair value loss on investment securities	860	590
Freight and postage charges	362	266
Impairment of intangible assets	97,386	–
Impairment of property, plant and equipment	2,401	–
Gain on disposal of property, plant and equipment	(126)	(93)
Printing & stationery	342	211
Property, plant and equipment written off	11	18
Fair value adjustment in fixed assets of subsidiary under disposal	44	–
Telecommunication expenses	1,886	576
Termination payment	10,000	–
Travelling and entertainment	4,578	2,381
Allowance for doubtful trade debts	5,639	505
Allowance for doubtful non-trade debts	900	56
Allowance for stock obsolescence	1,770	430
Write-back of allowance for doubtful trade debts	(174)	(128)
Write-back of allowance for stock obsolescence	(2,103)	–
Write off of quoted investment securities	57	59
Write off of stock	283	–
Write off of trade debts	9,539	104
Write off of non-trade debts	11	–
Others	3,615	862

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28. Taxation

	Group	
	Period from 1.4.2011 to 30.6.2012	Period from 1.1.2010 to 31.3.2011
	$'000	$'000
Income tax on loss before taxation:		
Current income tax		
- Current income taxation	(812)	1,550
- Under provision in respect of previous years	20	11
	(792)	1,561
Deferred income tax		
- Origination and reversal of temporary differences	(3,017)	(2,490)
	(3,017)	(2,490)
Current financial period's tax credit	(3,809)	(929)

Foreign currency translation and net gain or loss on available-for-sale financial assets presented under other comprehensive income has no income tax impact.

A reconciliation between the tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial period ended 30 June 2012 and 31 March 2011 is as follows:

	Group	
	Period from 1.4.2011 to 30.6.2012	Period from 1.1.2010 to 31.3.2011
	$'000	$'000
Loss before taxation	(191,946)	(193)
Tax at the domestic rates applicable to pre-tax profit or loss in the countries concerned*	(40,036)	(69)
Adjustments:		
Tax effect of expenses not deductible for tax purposes	15,620	1,907
Effect of reduction in tax rate	-	(67)
Deferred tax assets not recognised	21,722	1,220
Utilisation of deferred tax assets previously not recognised	(459)	(286)
Income not subject to taxation	(423)	(3,639)
Under provision in respect of previous years	20	11
Tax calculated on share of results of associate	9	10
Effect of partial tax exemption and tax relief	(121)	(17)
Others	(141)	1
Current financial period's tax credit	(3,809)	(929)

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

28. Taxation (cont'd)

The Company, in arriving at the current tax liabilities for the Singapore companies, has taken into account losses to be transferred under the loss transfer system of group relief in Singapore. This is subject to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authority of Singapore. The current year tax expense of the Company is net of the tax effects of the unutilised tax losses transferred.

The use of these tax losses and unabsorbed capital allowances is subjected to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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

	Group	
	Period from 1.4.2011 to 30.6.2012	**Period from 1.1.2010 to 31.3.2011**
	$'000	$'000
Unabsorbed capital allowance	1,502	279
Tax losses	110,624	53,253

29. Earnings per share

(a) ***Basic earnings per share***

Basic earnings per share is calculated by dividing profit, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period. The following table reflects the profit and share data used in the basic and diluted earnings per share computation for the following periods:

	Group	
	Period from 1.4.2011 to 30.6.2012	**Period from 1.1.2010 to 31.3.2011**
	$'000	$'000
Net loss attributable to ordinary shareholders for basic and diluted earnings per share	(187,713)	(132)
Effect of prior year restatement	–	253
As restated	–	121

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29. Earnings per share (cont'd)

(a) ***Basic earnings per share (cont'd)***

	2012	2011
	'000	'000
Weighted average number of ordinary shares as at 30 June 2012 and 31 March 2011 for the purpose of computing the basic earnings per share after the rights issue of ordinary shares as disclosed in Note 3 and adjusting for notional bonus element in right issue	5,302,148	2,182,081
Weighted average number of ordinary shares as at 31 March 2011 and 31 December 2009 for the purpose of computing the basic earnings per share after the rights issue of ordinary shares as disclosed in Note 3 and adjusting for notional bonus element in rights issue	5,302,148	2,182,081
Adjustment Factor		
Shares Issued in 2012	1	1.04

Weighted average number of ordinary shares as at 30 June 2012 and number of ordinary shares as at 31 March 2011 for the purpose of computing the basic earnings per share after the right issue of ordinary shares as disclosed in Note 3.

(b) ***Diluted earnings per share***

Diluted earnings per share is calculated by dividing profit, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group	
	2012	2011
	'000	'000
Weighted average number of ordinary shares after adjusting for notional bonus element in right issue	5,302,148	2,269,364
Effect of dilution:		
Share options	–	753
Performance Shares	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution and notional bonus element in rights issue	5,302,148	2,270,117

Since the end of the period, no employees (including senior executives and Directors) have exercised options to acquire ordinary shares (2011: Nil).

30. Employee benefits

(a) ***Employee share incentive plan***

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

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

(i) ***1999 S i2i Employees' Share Option Scheme***

Options are granted for terms of 5 to 10 years to purchase the Company's ordinary shares. These options are vested proportionately over four years from the date of grant. Only options that have been vested can be exercised. The first 25% of the options are vested and can be exercised at any time after the end of the quarter following the first anniversary of the date of grant. The balance of 75% of options shall vest in 12 equal quarterly installments with the vesting of each installment taking place successively after the end of each successive calendar quarter.

All 1999 S i2i Employees' Share Option Scheme were fully exercised or lapsed in FY 2009.

(ii) ***1999 S i2i Employees' Share Option Scheme II***

Options are granted for terms of 10 years to purchase the Company's ordinary shares at the average of the closing prices for the 5 trading days prior to the issuance of the grant. These options are vested proportionately over 4 years from the date of grant. Only options that have been vested can be exercised. The first 25% of the options are vested and can be exercised at any time after the end of the quarter following the first anniversary of the date of grant. The balance of 75% of options shall vest in 12 equal quarterly installments with the vesting of each installment taking place successively after the end of each successive calendar quarter.

As a result of market price of share on the book closure date approximate the exercise price of 2011 Rights Issue, no further adjustment was made for options granted under 1999 S i2i Employees' Share Option Scheme II.

As a result of the rights issue completed in August 2010, the exercise price per share and number of option shares outstanding for options granted under 1999 S i2i Employees' Share Option Scheme II had been adjusted accordingly.

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30. Employee benefits (cont'd)

(a) *Employee share incentive plan (cont'd)*

(ii) *1999 S i2i Employees' Share Option Scheme II (cont'd)*

The adjusted exercise prices per share are as follows:

Expiry date	Adjusted exercise price	Adjusted number of options	Adjusted number of options outstanding as at 30 June 2012	Adjusted number of options outstanding as at 31 March 2011
28 May 2013	0.0857	196,277	196,277	196,277
26 April 2014	0.1680	233,359	233,359	233,359
27 April 2015	0.1294	233,359	233,359	233,359
27 April 2016	0.3016	314,286	314,286	314,286
27 April 2016	0.2708	700,078	–	700,078
30 October 2017	0.2253	373,217	42,560	173,513
27 February 2019	0.0592	1,571,430	–	523,811
		3,622,006	1,019,841	2,374,683

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

	Number of Options 2012	Weighted Average Exercise Price (S$) 2012	Number of Options 2011	Weighted Average Exercise Price (S$) 2011
Outstanding at beginning of period (1)	2,374,683	0.1856	4,185,288	0.2029
Granted (4)	–	–	164,639	0.1512
Lapsed	1,354,842	0.1846	(1,897,268)	0.2129
Exercised (2)	–	–	(77,976)	0.0592
Outstanding at end of period (1) (3)	1,019,841	0.1869	2,374,683	0.1856
Exercisable at end period	1,019,841	0.1869	2,010,632	0.2027

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

(2) The weighted average share price at the date of exercise for the options exercised was S$ Nil (2011: S$0.1200).

(3) The range of exercise prices for options outstanding at the end of the period was S$0.0857 to S$0.3016 (2011: S$0.0592 to S$0.3016). The weighted average remaining contractual life for these options is 2.64 years (2011: 4.75 years).

(4) The weighted average fair value of options granted during the period was S$Nil (2011: S$Nil).

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

30. Employee benefits (cont'd)

(a) ***Employee share incentive plan (cont'd)***

(iii) ***S i2i Restricted Share Plan and S i2i Performance Share Plan***

On 26 April 2006, the Company obtained the approval of its shareholders to establish and administer two new performance share plans, namely the "S i2i Restricted Share Plan" ("RSP") and "S i2i Performance Share Plan" ("PSP"), as part of an incentive plan for independent directors and key employees.

During the period, there was no new performance share plan granted under the above scheme.

All RSP and PSP Scheme were fully exercised or lapsed in FY 2009.

(b) ***Post-Employment Defined Benefit Plans***

The Group has several defined benefit plans covering eligible employees of the subsidiaries.

The estimated employee benefits liability recognized in the balance sheet are as follows:

	Group	
	2012	**2011**
	$'000	$'000
Present value of employee benefits obligation	1,679	96
Unrecognized actuarial loss	(524)	–
Non-current liability for employee benefits	1,155	96

The employee benefits expenses recognized in the income statement are as follows:

	Group	
	2012	**2011**
	$'000	$'000
Current service costs	671	9
Recognized actuarial gain	(1)	–
Interest costs	63	1
Gains on curtailments and settlements	(41)	–
Net employee benefits expense	692	10

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30. Employee benefits (cont'd)

(b) *Post-Employment Defined Benefit Plans (cont'd)*

Changes in the present value of the defined benefit obligation are as follows:

	Group	
	2012	**2011**
	$'000	$'000
Benefit obligation at beginning of period	96	–
Provision arising from subsidiaries	1,059	96
Benefit obligation at end of period	1,155	96

The principal assumptions used by an independent actuary in determining the post-employment obligations for one of the subsidiary's plan are as follows:

Annual discount rate	:	5.75%
Annual salary increment rate	:	5%
Annual employee turnover rate	:	15.0% for employees under 30 years old and a linear decrease until 0% by the age of 55 years
Mortality rate reference	:	Indonesian Mortality Table II
Disability rate	:	5.0% from mortality rate
Retirement age	:	55 years

31. Related party transactions

(a) ***Sale and purchase of goods and services***

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

	Group	
	Period from 1.4.2011 to 30.6.2012	**Period from 1.1.2010 to 31.3.2011**
	$'000	$'000
Services rendered from associates	(206)	–
Services rendered to associates	188	273
Interest paid to entities owned by significant shareholder	(152)	(140)
Interest paid to a director	–	(23)
Services rendered to entities owned by significant shareholder	90	205
Rendering of licenses to a company related to a director	127	–
Rendering of transport services from a company related to a director	(36)	–
Sale of goods to entities owned by significant shareholder	21,976	81,391
Sale of goods to companies related to a director	412	2,836
Purchases from entities owned by significant shareholder	(590)	–
Purchases from companies related to a director	(154)	(77,882)
Services rendered from entities owned by significant shareholder	–	(356)
Services rendered from companies related to a director	(150)	(594)
Rental of office space from a company related to a director	(924)	–
Rental of office space from a company related to a director	(163)	–
Rental of office space from an entity owned by significant shareholder	–	(139)
Rental of office space from a director	–	(46)
Purchase of legal services from a company related to a director	(1,690)	(2,479)
Management income from an associate	–	14
Purchase of Directors' interests in subsidiaries	(1,082)	(13,304)
Provision of guarantee for lease obligation from an entity owned by significant shareholder	(11,125)	(11,125)

<u>Company related to a director</u>

- The Group rendered license charges of $127,000 (2011: $Nil) to Beoworld Sdn Bhd, a company controlled by one of the directors. The Group also rendered transport services of $36,000 (2011: $Nil) from this company.

- During the financial period, the Group rendered marketing and transport costs of $150,000 (2011: $Nil) from CSL Manufacturing Sdn Bhd and J & B Mobile Care Sdn Bhd, both are controlled by a previous director who had resigned in the current financial period.

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31. Related party transactions (cont'd)

(a) ***Sale and purchase of goods and services (cont'd)***

- The Group had arrangements with CSL Manufacturing Sdn Bhd and J & B Mobile Care Sdn Bhd to sell goods amounting to $77,000 (2011: $1,000) and $335,000 (2011: $1,117,000) respectively in the financial period.

- During the financial period, the Group also had an arrangement with CSL Manufacturing Sdn Bhd, a company which the previous director has a 70% equity interest, for the rental of office space amounting to $163,000 (2011: $Nil), and did not enter into any purchase arrangements with the company (2011: $75,696,000).

- During the financial period, one of the Group's subsidiaries purchased stocks of $154,000 (2011: $124,000) from First Choice Enterprises Pvt. Ltd., whose one of the directors is also a director of above referred subsidiary. The outstanding balance with the firm at the end of the financial period is $Nil (2011: $70,000).

- The Company has entered into a contract with Armorcoat Technologies Pte Ltd, a firm which is owned by a director, for the rental of an office space for an amount of $924,000 (2011: $Nil). No balance was outstanding at the end of the financial period.

- The Group has entered into a contract with Gibson Dunn & Crutcher LLP, a firm of which one of the director of the Company is the managing partner, for the provision of professional legal services to the Company for an amount of $1,690,000 (2011: $2,479,000). The outstanding balance with the firm at the end of the financial period is $164,000 (2011: $Nil).

(b) ***Compensation of key management personnel***

	Group	
	Period from 1.4.2011 to 30.6.2012	**Period from 1.1.2010 to 31.3.2011**
	$'000	$'000
Short-term employee benefits	1,490	1,552
Total compensation paid to key management personnel	1,490	1,552
Comprise amounts paid to:		
Directors of the Company	1,198	830
Other key management personnel	292	722
	1,490	1,552

32. Contingent liabilities and commitments

(a) ***Capital commitments***

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements are as follows:

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	–	331	–	–

(b) ***Contingent liabilities***

Continuing financial support

The Company has undertaken to provide continuing financial support to its subsidiaries by not demanding payment for loans and receivables owing by them and when required, to provide sufficient working capital to enable them to operate as going concern 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 period ended 30 June 2012.

Corporate guarantees

Corporate guarantees of $4,327,000 (2011: $5,953,000) were given by the Company to enable its subsidiaries to obtain banking facilities.

Corporate guarantees of $9,690,000 (2011: $6,350,000) were given by the Company to enable a subsidiary to obtain credit facility from a supplier.

Corporate guarantees of $4,799,000 (2011: $4,861,000) were given by the subsidiary to enable its subsidiaries to obtain credit facilities from a supplier.

(c) ***Operating lease commitments – as lessee***

The Group leases certain properties under lease agreements that are non-cancellable within a year. It has various operating lease agreements for offices, office equipment and leased equipment. There are no escalation clauses included in the contracts and no restrictions placed upon the Group and the Company by entering into these leases.

Future minimum lease payments for all leases with initial terms of one year or more are as follows:

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Within 1 year	2,749	4,361	103	424
Within 2 to 5 years	3,501	1,880	32	–
	6,250	6,241	135	424

Minimum lease payments recognised as an expense in the profit and loss for the financial period ended 30 June 2012 amounted to $5,049,000 (2011: $5,363,000) and $977,000 (2011: $547,000) for the Group and Company respectively.

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33. Segment information

(a) ***Operating segments***

	Voice and data services	Computing	Mobility	Operation related to disposal group classified as held for sale	Unallocated expenses	Group
	$'000	$'000	$'000	$'000	$'000	$'000
Period from 1.4.2011 to 30.6.2012						
Turnover – external sales	55,215	48,621	899,946	9,339	–	1,013,121
Results:						
Gain on bargain purchase	–	–	555	–	–	555
Interest income from bonds, deposits and investment securities	602	174	154	3	–	933
Waiver of loan	–	–	5,000	–	–	5,000
Reversal of deferred purchase consideration payable	–	–	10,017	–	–	10,017
Direct service fees incurred and cost of goods sold	(22,211)	(35,835)	(854,761)	(7,909)	–	(920,716)
Commissions and other selling expenses	(13,078)	(15)	(8,196)	(533)	–	(21,822)
Personnel costs	(14,878)	(8,598)	(30,602)	(635)	–	(54,713)
Infrastructure costs	(5,928)	(863)	(5,938)	(187)	–	(12,916)
Depreciation of property, plant and equipment	(2,257)	(1,796)	(2,460)	(51)	–	(6,564)

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33. Segment information (cont'd)

(a) ***Operating segments (cont'd)***

	Voice and data services	Computing	Mobility	Operation related to disposal group classified as held for sale	Unallocated expenses	Group
	$'000	$'000	$'000	$'000	$'000	$'000
Amortisation of intangible assets	(1,397)	(770)	(8,167)	–	–	(10,334)
Marketing expenses	(408)	(5)	(27,551)	(115)	–	(28,079)
Foreign exchange gain	(5,133)	(211)	(6,291)	73	–	(11,562)
Fair value loss on investment securities	(860)	–	–	–	–	(860)
Termination payment	–	–	(10,000)	–	–	(10,000)
Impairment of intangible assets	(1,012)	(3,606)	(92,768)	–	–	(97,386)
Impairment of property, plant and equipment	(2,401)	–	–	–	–	(2,401)
Fair value adjustment in fixed assets of subsidiary under disposal	–	–	–	(44)	–	(44)
Other expenses	(9,663)	(4,155)	(27,880)	(331)	(2,146)	(44,175)
Loss before taxation	(23,409)	(7,059)	(158,942)	(390)	(2,146)	(191,946)
Taxation	(998)	987	3,820	–	–	3,809
Loss after taxation	(24,407)	(6,072)	(155,122)	(390)	(2,146)	(188,137)
Assets:						
Investment in associates	68	–	–	–	–	68
Segment assets	104,322	24,413	137,841	1,562	–	268,138
Segment liabilities	18,288	10,186	82,604	1,033	–	112,111
Capital expenditure	5,218	1,729	2,334	13	–	9,294

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33. Segment information (cont'd)

(a) ***Operating segments (cont'd)***

	Voice and data services	Computing	Mobility	Unallocated expenses	Group
	$'000	$'000	$'000	$'000	$'000
Period from 1.1.2010 to 31.3.2011					
Turnover – external sales	74,809	51,061	211,268	–	337,138
Results:					
Gain on bargain purchase	1,150	–	–	–	1,150
Fair value gain on investment securities	1,555	–	–	–	1,555
Interest income from bonds, deposits and investment securities	774	217	30	–	1,021
Direct service fees incurred and cost of goods sold	(28,744)	(37,443)	(192,835)	–	(259,022)
Commissions and other selling expenses	(16,884)	(52)	(1,155)	–	(18,091)
Personnel costs	(20,319)	(7,064)	(3,812)	–	(31,195)
Infrastructure costs	(5,846)	(772)	(422)	–	(7,040)
Depreciation of property, plant and equipment	(2,740)	(2,315)	(74)	–	(5,129)
Amortisation of intangible assets	(1,678)	(1,176)	(3,190)	–	(6,044)
Marketing expenses	(1,088)	(1)	(4,733)	–	(5,822)
Foreign exchange gain	7,411	97	1,478	–	8,986
Fair value loss on investment securities	(590)	–	–	–	(590)
Other expenses	(6,883)	(2,756)	(1,864)	(5,607)*	(17,110)
(Loss)/profit before taxation	927	(204)	4,691	(5,607)	(193)
Taxation	1,109	165	(345)	–	929
(Loss)/profit after taxation	2,036	(39)	4,346	(5,607)	736
Assets:					
Investment in associates	406	–	–	–	406
Segment assets	122,176	37,938	142,537	–	302,651
Segment liabilities	37,126	12,300	25,392	–	74,818
Capital expenditure	4,897	1,101	365	–	6,363

* The unallocated expenses relate to legal and consultancy fees incurred in relation to acquisitions and incorporation of new subsidiaries during the financial period.

33. Segment information (cont'd)

(a) ***Operating segments (cont'd)***

The following items are (added to)/deducted from segment other expenses to arrive at "other expenses" presented in the consolidated profit and loss:

	Group	
	Period from 1.4.2011 to 30.6.2012	**Period from 1.1.2010 to 31.3.2011**
	$'000	$'000
Segment results of other expenses	(44,175)	(17,110)
Segment results of fair value loss of investment securities	(860)	(590)
Finance costs	6,101	2,245
Other income – Gain on disposal of investment in bonds	–	(176)
Reversal of deferred consideration payable	(10,017)	–
Other income – rental income	(198)	(310)
Impairment of intangible assets	(97,386)	–
Impairment of property, plant and equipment	(2,401)	–
Fair value adjustment in fixed assets of subsidiary under disposal	(44)	–
Share of results of associates	50	57
Loss for the period from operation related to disposal group classified as held for sale, net of tax	390	–
Other income – others	(1,922)	(850)
	(150,462)	(16,734)

(b) ***Geographical information***

	Turnover		Non-current assets		Capital expenditure	
	Period from 1.4.2011 to 30.6.2012	**Period from 1.1.2010 to 31.3.2011**	**2012**	**2011**	**Period from 1.4.2011 to 30.6.2012**	**Period from 1.1.2010 to 31.3.2011**
	$'000	$'000	$'000	$'000	$'000	$'000
Asia	1,003,287	336,218	93,851	115,935	9,281	6,329
USA	495	920	25	104	–	34
Operations related to disposal group classified as held for sale in Asia	9,339	–	61	–	13	–
Total	1,013,121	337,138	93,937	116,039	9,294	6,363

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34. Directors' remuneration

	Number of directors in remuneration bands		
	Executive Directors	Non-Executive Directors	Total
30.6.2012			
S$250,000 to S$499,999	–	2	2
Below S$250,000	1	10	11
	1	12	13
31.3.2011			
S$250,000 to S$499,999	1	–	1
Below S$250,000	4	7	11
	5	7	12

35. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments.

The Group's principal financial instruments comprise investment securities, fixed deposits, cash and bank balances, lease obligations and bank borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade debtors and trade creditors, which arise directly from its day-to-day operations.

It is the Group's policy not to engage in foreign exchange and/or derivatives speculation or trading for profit purpose. It is not in the interest of the Group to engage in trading for profit or to speculate or trade in treasury instruments.

The key financial risks include credit risk, liquidity risk, interest rate risk, foreign exchange risk and market price risk. The Board reviews and agrees policies for managing these risks and they are summarised below.

There has been no change to the group's exposure to these financial risks or the manner in which it manages and measures the risks, except as disclosed in Note 35(a) on Credit risk.

(a) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other debtors. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

35. Financial risk management objectives and policies (cont'd)

(a) ***Credit risk (cont'd)***

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subjected to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the credit control team.

The carrying amounts of investment in long-term bonds and deposits, investment securities, trade and other debtors, amount due from associates, fixed deposits and cash and bank balances represent the Group's maximum exposure to credit risk. Cash and bank balances are placed with banks of good standing. The Group performs ongoing credit evaluation of its customers' financial conditions and maintains an allowance for doubtful trade debts based upon expected collectibility of all trade debts.

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the balance sheets;

- A nominal amount of $4,327,000 (2011: $5,953,000) relating to corporate guarantees provided by the Company to enable its subsidiaries to obtain banking facilities;

- A nominal amount of $9,690,000 (2011: $6,350,000) relating to corporate guarantees provided by the Company to a third party on a subsidiary's credit facilities; and

- A nominal amount of $4,799,000 (2011: $4,861,000) relating to corporate guarantees provided by the subsidiary to enable its subsidiaries to obtain credit facilities from a supplier.

The Group has no significant concentration of credit risk. Information regarding trade debtors that are either past due or impaired is disclosed in Note 14.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents, investments in bonds and deposits and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

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35. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

To manage liquidity risk, the Group and the Company monitors its net operating cash flow and maintains an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on the contractual undiscounted repayment obligations.

	Within 1 year	1 to 5 years	After 5 years	Total
	$'000	$'000	$'000	$'000
30.6.2012				
Group				
Financial assets:				
Investment securities	–	2,760	–	2,760
Trade and other receivables	58,648	8,207	–	66,855
Fixed deposits	37,441	–	–	37,441
Cash and bank balances	31,816	–	–	31,816
Total undiscounted financial assets	127,905	10,967	–	138,872
Financial liabilities:				
Trade and other creditors	33,594	–	–	33,594
Due to related parties	1,304	–	–	1,304
Due to associates	128	–	–	128
Lease obligations	655	530	–	1,185
Loans and bank borrowings	49,591	–	–	49,591
Total undiscounted financial liabilities	85,272	530	–	85,802
Total net undiscounted financial assets	42,633	10,437	–	53,070

35. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

	Within 1 year	1 to 5 years	After 5 years	Total
	$'000	$'000	$'000	$'000
31.3.2011				
Group				
Financial assets:				
Investment securities	–	3,708	–	3,708
Trade and other receivables	71,748	633	–	72,381
Due from associates	60	–	–	60
Fixed deposits	59,808	–	–	59,808
Cash and bank balances	29,951	–	–	29,951
Total undiscounted financial assets	161,567	4,341	–	165,908
Financial liabilities:				
Trade and other creditors	17,341	–	–	17,341
Due to related parties	1,328	–	–	1,328
Due to associates	128	–	–	128
Due to Director	8,526	–	–	8,526
Lease obligations	1,524	723	–	2,247
Loans and bank borrowings	14,511	3,590	–	18,101
Total undiscounted financial liabilities	43,358	4,313	–	47,671
Total net undiscounted financial assets	118,209	28	–	118,237

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35. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

	Within 1 year	1 to 5 years	After 5 years	Total
	$'000	$'000	$'000	$'000
30.6.2012				
Company				
Financial assets:				
Investment securities	–	2,760	–	2,760
Trade and other receivables	5,436	–	–	5,436
Due from subsidiaries	4,920	1,125	–	6,045
Fixed deposits	28,445	–	–	28,445
Cash and bank balances	16,829	–	–	16,829
Total undiscounted financial assets	55,630	3,885	–	59,515
Financial liabilities:				
Trade and other creditors	6,981	–	–	6,981
Due to subsidiaries	8,910	–	–	8,910
Due to associates	128	–	–	128
Lease obligations	26	209	–	235
Total undiscounted financial liabilities	16,045	209	–	16,254
Total net undiscounted financial assets	39,585	3,676	–	43,261
31.3.2011				
Financial assets:				
Investment securities	–	3,708	–	3,708
Trade and other receivables	20,840	–	–	20,840
Due from associates	60	–	–	60
Fixed deposits	57,321	–	–	57,321
Cash and bank balances	20,484	–	–	20,484
Total undiscounted financial assets	98,705	3,708	–	102,413
Financial liabilities:				
Trade and other creditors	5,309	–	–	5,309
Due to associates	128	–	–	128
Total undiscounted financial liabilities	5,437	–	–	5,437
Total net undiscounted financial assets	93,268	3,708	–	96,976

35. Financial risk management objectives and policies (cont'd)

(c) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their investment securities, fixed deposits and cash and bank balances.

To manage interest rate risk, surplus funds are placed with reputable banks and invested in bonds and investment securities.

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

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30.6.2012							
Group							
Fixed rate							
Investment securities	60	–	2,700	–	–	–	2,760
Loans and bank borrowings	42,473	–	–	–	–	–	42,473
Floating rate							
Cash and fixed deposits	69,257	–	–	–	–	–	69,257
Loan and bank borrowings	7,118	–	–	–	–	–	7,118
30.6.2012							
Company							
Fixed rate							
Investment securities	60	–	2,700	–	–	–	2,760
Floating rate							
Cash and fixed deposits	45,274	–	–	–	–	–	45,274
31.3.2011							
Group							
Fixed rate							
Investment securities	117	–	–	–	3,591	–	3,708
Loans and bank borrowings	21,771	–	75	–	–	–	21,846
Floating rate							
Cash and fixed deposits	89,759	–	–	–	–	–	89,759
31.3.2011							
Company							
Fixed rate							
Investment securities	117	–	–	–	3,591	–	3,708
Floating rate							
Cash and fixed deposits	77,805	–	–	–	–	–	77,805

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35. Financial risk management objectives and policies (cont'd)

(c) ***Interest rate risk (cont'd)***

The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

Sensitivity analysis for interest rate risk

At the balance sheet date, if USD interest rates had been 100 (2011: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $391,000 (2011: $484,000) lower/higher, arising mainly as a result of lower/higher interest income from cash and fixed deposits and lower/higher interest expense from loan and bank borrowings.

At the balance sheet date, if SGD interest rates had been 100 (2011: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $88,000 (2011: $223,000) lower/higher, arising mainly as a result of lower/higher interest income from cash and fixed deposits.

At the balance sheet date, if MYR interest rates had been 100 (2011: Nil) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $20,000 (2011: Nil) lower/higher, arising mainly as a result of lower/higher interest income from cash and fixed deposits and lower/higher interest expense from loan and bank borrowings.

At the balance sheet date, if IDR interest rates had been 100 (2011: Nil) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $257,000 (2011: Nil) lower/higher, arising mainly as a result of lower/higher interest income from cash and fixed deposits and lower/higher interest expense from loan and bank borrowings.

At the balance sheet date, if INR interest rates had been 100 (2011: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $62,000 (2011: $61,000) lower/higher, arising mainly as a result of lower/higher interest income from cash and bank balances.

At the balance sheet date, if THB interest rates had been 100 (2011: Nil) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $2,000 (2011: $26,000) lower/higher, arising mainly as a result of lower/higher interest income from cash and fixed deposits and lower/higher interest expense from loan and bank borrowings.

(d) ***Foreign exchange risk***

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group's entities, primarily USD, Singapore Dollar ("SGD"), Thai Baht ("THB"), India Rupee ("INR"), Indonesian Rupiah ("IDR") and Malaysia Ringgit ("MYR"). The foreign currencies in which these transactions are denominated are mainly USD and SGD.

35. Financial risk management objectives and policies (cont'd)

(d) *Foreign exchange risk (cont'd)*

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. However, the Group reviews periodically that its net exposure is kept at an acceptable level. Approximately 89% (2011: 90%) of the Group's sales are denominated in the functional currency of the operating unit making the sale, while almost 84% (2011: 87%) of costs are denominated in the respective functional currencies of the Group's entities. The Group's trade and other receivables and trade and other payables balances at the balance sheet date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances (mainly in SGD) amount to $7,131,000 and $2,072,000 for the Group and the Company respectively.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Singapore – Singapore Dollar ("SGD"), Hong Kong – Hong Kong Dollar ("HKD"), People's Republic of China – Chinese Renminbi ("RMB"), Thailand – Thai Baht ("THB"), India - Indian Rupee ("INR"), Indonesia – Indonesian Rupiah ("IDR") and Malaysia – Malaysia Ringgit ("MYR").

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the respective exchange rates, with all other variables held constant, of the Group's profit net of tax.

			Group Profit net of tax	
			2012	**2011**
			$'000	$'000
Against USD				
SGD	-	strengthened 5% (2011: 11%)	(4)	4,477
	-	weakened 5% (2011: 11%)	4	(4,477)
HKD	-	strengthened 1% (2011: 1%)	3	8
	-	weakened 1% (2011: 1%)	(3)	(8)
RMB	-	strengthened 5% (2011: 4%)	–	55
	-	weakened 5% (2011: 4%)	–	(55)
MYR	-	strengthened 5% (2011: 13%)	(1)	(72)
	-	weakened 5% (2011: 13%)	1	72
THB	-	strengthened 5% (2011: 5%)	–	(171)
	-	weakened 5% (2011: 5%)	–	171
INR	-	strengthened 21% (2011: Nil)	(256)	–
	-	weakened 21% (2011: Nil)	256	–
IDR	-	strengthened 8% (2011: Nil)	(1,529)	–
	-	weakened 8% (2011: Nil)	1,529	–

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35. Financial risk management objectives and policies (cont'd)

(e) ***Market price risk***

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the SGX-ST in Singapore and are classified as held for trading or available-for-sale financial assets. The Group does not have exposure to commodity price risk.

It is the Group's policy not to engage in shares speculation or trading for profit purpose. The Group's objective is to invest in shares of companies with growth potential.

Sensitivity analysis for equity price risk

At the balance sheet date, if the STI had been 7% (2011: 2%) lower/higher with all other variables held constant, the Group's fair value adjustment reserve would have been $4,000 (2011: $1,000) lower/higher, arising as a result of a decrease/increase in the fair value of equity instruments classified as available-for-sale.

36. Fair values of financial instruments

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

A. Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group 2012 $'000			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
Financial assets:				
Designated at fair value through profit or loss (Note 12)				
- Hybrid instrument (unquoted)	–	–	2,700	2,700
Available-for-sale financial assets (Note 12)				
- Equity investment (quoted)	60	–	–	60
At 30 June 2012	60	–	2,700	2,760

36. Fair values of financial instruments (cont'd)

A. Fair value of financial instruments that are carried at fair value (cont'd)

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no transfer of financial instruments between Level 1 and Level 2 during the financial period ended 30 June 2012 and 31 March 2011.

Determination of fair value

Hybrid instrument (Note 12): The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

For hybrid instrument, the fair value had been determined using the Binomial Tree Model based on assumptions of certain dividend yield and discount rate that are not supported by observable market prices or data. The valuation requires management to make estimates about expected future cash flows of the shares which are discounted at current market rates. The Group applied a sensitivity analysis of 3.5% to its key assumptions, which are considered by the Group to be within range of reasonably possible alternatives based on dividend yield and discount rate of companies with similar risk profiles.

Quoted equity investment (Note 12): Fair value is determined directly by reference to their published market bid price at the balance sheet date.

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36. Fair values of financial instruments (cont'd)

A. Fair value of financial instruments that are carried at fair value (cont'd)

Movements in Level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (level 3):

	Group 2012 $'000 **Designated at fair value through profit and loss Hybrid instrument (unquoted)**
Opening balance	3,591
Total gains or losses recognised in the profit and loss	(891)
Closing balance	2,700
Total losses for the period included in the profit and loss for assets held at 30 June 2012	(891)

Impact of changes to key assumptions on fair value of level 3 financial instruments

The following table shows the impact on fair value of level 3 financial instruments by using reasonably possible alternative assumptions:

	Group 2012 $'000	
	Carrying amount	**Effect of reasonably possible alternative assumptions**
Fair value through profit or loss		
- Investment securities (unquoted)	2,700	95

B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and cash equivalents, trade and other debtors, trade and other creditors, amounts due from/(to) subsidiaries and associates, and current loans and bank borrowings

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

36. Fair values of financial instruments (cont'd)

C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group		**Company**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$'000	$'000	$'000	$'000
30.6.2012				
Financial assets				
Lease receivables	750	728	–	–
Financial liabilities				
Lease obligations	1,147	1,147	201	201
31.3.2011				
Financial assets				
Lease receivables	684	664	–	–
Financial liabilities				
Lease obligations	2,065	2,065	–	–
Loans and bank borrowings, non-current	3,590	3,389	–	–

Determination of fair value

Lease receivables and lease obligations

The fair values of lease receivables and lease obligations have been determined using discounted cash flows. The discount rates used are the current market incremental lending rates for similar types of lending and leasing arrangements.

Non-current loans and bank borrowings

The fair values of non-current loans and bank borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the balance sheet date.

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36. Fair values of financial instruments (cont'd)

C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd)

Set out below is a comparison by category of carrying amounts of the Group's and the Company's assets and liabilities that are carried in the financial statements:

30.6.2012	Loans and receivables	Fair value through profit or loss	Held-to-maturity investments	Available for sale	Liabilities at amortised cost	Non-financial assets/ (liabilities)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Assets							
Property, plant and equipment	–	–	–	–	–	12,981	12,981
Intangible assets	–	–	–	–	–	69,364	69,364
Investment in associates	–	–	–	–	–	68	68
Investment securities, non-current	–	2,700	–	60	–	–	2,760
Deferred tax assets	–	–	–	–	–	539	539
Trade debtors, non-current	525	–	–	–	–	–	525
Other debtors and deposits, non-current	7,639	–	–	–	–	–	7,639
Stocks	–	–	–	–	–	33,131	33,131
Trade debtors, current	49,408	–	–	–	–	–	49,408
Other debtors and deposits, current	9,240	–	–	–	–	–	9,240
Prepayments	–	–	–	–	–	8,376	8,376
Cash and bank deposits pledged	7,780	–	–	–	–	–	7,780
Cash and cash equivalent	61,477	–	–	–	–	–	61,477
Tax recoverable	–	–	–	–	–	711	711
Asset classified as held for sale	624	–	–	–	–	3,583	4,207
Liabilities							
Trade creditors	–	–	–	–	(30,654)	–	(30,654)
Other creditors and accruals, current	–	–	–	–	(18,830)	–	(18,830)
Deferred revenue	–	–	–	–	–	(2,004)	(2,004)
Lease obligations, current	–	–	–	–	(644)	–	(644)
Loans and bank borrowings, current	–	–	–	–	(49,591)	–	(49,591)
Due to associates	–	–	–	–	(128)	–	(128)
Tax payable	–	–	–	–	–	(402)	(402)
Liabilities directly associated with disposal asset classified as held for sale	–	–	–	–	–	(1,033)	(1,033)
Deferred tax liabilities	–	–	–	–	–	(7,167)	(7,167)
Provision for employee benefits	–	–	–	–	(1,155)	–	(1,155)
Lease obligations, non-current	–	–	–	–	(503)	–	(503)
Net assets							156,095

36. Fair values of financial instruments (cont'd)

30.6.2012	**Loans and receivables**	**Fair value through profit or loss**	**Held-to-maturity investments**	**Available for sale**	**Liabilities at amortised cost**	**Non-financial assets/ (liabilities)**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Company							
Assets							
Property, plant and equipment	–	–	–	–	–	765	765
Intangible assets	–	–	–	–	–	1,554	1,554
Investment in subsidiaries	–	–	–	–	–	107,087	107,087
Investment in associates	–	–	–	–	–	144	144
Investment securities, non-current	–	2,700	–	60	–	–	2,760
Long-term loans and advances to subsidiaries	1,125	–	–	–	–	–	1,125
Stocks	–	–	–	–	–	49	49
Trade debtors, current	2,718	–	–	–	–	–	2,718
Other debtors and deposits, current	2,718	–	–	–	–	–	2,718
Prepayments	–	–	–	–	–	1,011	1,011
Due from subsidiaries	4,920	–	–	–	–	–	4,920
Cash and bank deposits pledged	183	–	–	–	–	–	183
Cash and cash equivalents	45,091	–	–	–	–	–	45,091
Asset classified as held for sale	–	–	–	–	–	1,865	1,865
Liabilities							
Trade creditors	–	–	–	–	(6,106)	–	(6,106)
Other creditors and accruals, current	–	–	–	–	(4,621)	–	(4,621)
Deferred revenue	–	–	–	–	–	(638)	(638)
Lease obligations, current	–	–	–	–	(19)	–	(19)
Due to subsidiaries	–	–	–	–	(8,910)	–	(8,910)
Due to associates	–	–	–	–	(128)	–	(128)
Lease obligations, non-current	–	–	–	–	(182)	–	(182)
Net assets							151,386

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36. Fair values of financial instruments (cont'd)

31.3.2011	Loans and receivables	Fair value through profit or loss	Held-to-maturity investments	Available for sale	Liabilities at amortised cost	Non-financial assets/ (liabilities)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Assets							
Property, plant and equipment	–	–	–	–	–	11,625	11,625
Intangible assets	–	–	–	–	–	94,353	94,353
Investment in associates	–	–	–	–	–	406	406
Investment securities, non-current	–	3,591	–	117	–	–	3,708
Deferred tax assets	–	–	–	–	–	5,314	5,314
Trade debtors, non-current	292	–	–	–	–	–	292
Other debtors and deposits, non-current	341	–	–	–	–	–	341
Stocks	–	–	–	–	–	22,614	22,614
Trade debtors, current	51,156	–	–	–	–	–	51,156
Other debtors and deposits, current	20,592	–	–	–	–	–	20,592
Prepayments	–	–	–	–	–	2,837	2,837
Due from associates	60	–	–	–	–	–	60
Cash and bank deposits pledged	2,995	–	–	–	–	–	2,995
Cash and cash equivalent	86,764	–	–	–	–	–	86,764
Liabilities							
Trade creditors	–	–	–	–	(10,720)	–	(10,720)
Other creditors and accruals, current	–	–	–	–	(22,610)	–	(22,610)
Deferred revenue	–	–	–	–	–	(4,019)	(4,019)
Lease obligations, current	–	–	–	–	(1,388)	–	(1,388)
Loans and bank borrowings, current	–	–	–	–	(23,037)	–	(23,037)
Due to associates	–	–	–	–	(128)	–	(128)
Tax payable	–	–	–	–	–	(681)	(681)
Deferred tax liabilities	–	–	–	–	–	(7,872)	(7,872)
Lease obligations, non-current	–	–	–	–	(677)	–	(677)
Loans and bank borrowings, non-current	–	–	–	–	(3,590)	–	(3,590)
Provision for employee benefits	–	–	–	–	(96)	–	(96)
Net assets							228,239

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36. Fair values of financial instruments (cont'd)

31.3.2011	Loans and receivables	Fair value through profit or loss	Held-to-maturity investments	Available for sale	Liabilities at amortised cost	Non-financial assets/ (liabilities)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Company							
Assets							
Property, plant and equipment	–	–	–	–	–	847	847
Intangible assets	–	–	–	–	–	1,819	1,819
Investment in subsidiaries	–	–	–	–	–	83,857	83,857
Investment in associates	–	–	–	–	–	432	432
Investment securities, non-current	–	3,591	–	117	–	–	3,708
Long-term loans and advances to subsidiaries	3,604	–	–	–	–	–	3,604
Stocks	–	–	–	–	–	238	238
Trade debtors, current	11,192	–	–	–	–	–	11,192
Other debtors and deposits, current	9,648	–	–	–	–	–	9,648
Prepayments	–	–	–	–	–	786	786
Due from subsidiaries	28,604	–	–	–	–	–	28,604
Due from associates	60	–	–	–	–	–	60
Cash and cash equivalents	77,805	–	–	–	–	–	77,805
Liabilities							
Trade creditors	–	–	–	–	(3,758)	–	(3,758)
Other creditors and accruals, current	–	–	–	–	(8,657)	–	(8,657)
Deferred revenue	–	–	–	–	–	(1,115)	(1,115)
Due to subsidiaries	–	–	–	–	(8,869)	–	(8,869)
Due to associates	–	–	–	–	(128)	–	(128)
Net assets							200,073

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37. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended 30 June 2012 and 31 March 2011.

The Group is currently in a net cash position. The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

	Group	
	2012	**2011**
	$'000	$'000
Total gross debt		
- Loans and bank borrowings	49,591	26,627
Shareholders' equity		
- Share capital	410,663	288,061
- Accumulated losses	(258,843)	(71,130)
- Other reserves	(3,595)	1,716
- Translation reserve	7,606	9,592
	155,831	228,239
Gross debt equity ratio	31.82%	11.67%
Cash and bank balances and fixed deposits	69,257	89,759
Less: Total gross debt	49,591	26,627
Net cash position	19,666	63,132

38. Dividends

	Group and Company	
	30.6.2012	**31.3.2011**
	$'000	$'000
Declared and paid during the financial period		
- Final exempt (one-tier) dividend for 2011: Nil (2009: S$0.001) per share	–	980

39. Events occurring after the balance sheet date

(a) Member's voluntary liquidation of dormant wholly-owned subsidiary, Mediaring TC, Inc

On 12 July 2012, the Company announced that it was voluntarily liquidating its dormant wholly-owned subsidiary, Mediaring TC, Inc, which is registered in Japan. The member's voluntary liquidation of Mediaring TC, Inc has no material impact on the consolidated net tangible assets per share and earnings per share of the Company for the financial period ended 30 June 2012.

(b) Disposal of 60% equity interests in Mobile Concepts (M) Sdn Bhd

On 17 July 2012, the Company entered into a Sale and Purchase Agreement dated 17 July 2012 with Mr Wong Kok Heng ("WKH"), to sell its 60% interest in the issued share capital of Mobile Concepts (M) Sdn Bhd to the WKH at the consideration of $300,000. WKH then already held the remaining 40% interest in the issued share capital of Mobile Concepts (M) Sdn Bhd. The transaction was completed on 17 July 2012.

Further details of the disposal can be found in the announcement on SGX-Net dated 17 July 2012.

(c) Completion of Acquisition of equity interests in Mobile Service International Co., Ltd.

Following the Extraordinary General Meeting of the Company held on 1 February 2011, where the shareholders of the Company duly approved the relevant ordinary resolutions as set out in the Notice of Extraordinary General Meeting dated 17 January 2011, the Company had on 19 July 2012 announced on SGX-Net that it had completed the acquisition on 9 July 2012 of the following company pursuant to the Master Sale and Purchase Agreement dated 4 October 2010, entered into between the Company and Dato Eric Chuah Seong Ling, Datin Cheah Kah Wei, CSL Holdings Sdn Bhd, Yap Yoke Fong and Zhi Mei:

(i) 51% of the shares in the issued share capital of Mobile Service International Co., Ltd.

Further details of the above acquisitions can be found in the circular to shareholders dated 17 January 2011.

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39. Events occurring after the balance sheet date (cont'd)

(d) Completion of Acquisition of equity interests in CSL Communication (Shenzhen) Co., Ltd.

Following the Extraordinary General Meeting of the Company held on 1 February 2011, where the shareholders of the Company duly approved the relevant ordinary resolutions as set out in the Notice of Extraordinary General Meeting dated 17 January 2011, the Company had on 13 August 2012 announced on SGX-Net that it had completed the acquisition on 2 August 2012 of the following company pursuant to the Master Sale and Purchase Agreement dated 4 October 2010, entered into between the Company and Dato Eric Chuah Seong Ling, Datin Cheah Kah Wei, CSL Holdings Sdn Bhd, Yap Yoke Fong and Zhi Mei:

(i) 51% of the shares in the issued share capital of CSL Communication (Shenzhen) Co., Ltd.

Further details of the above acquisitions can be found in the circular to shareholders dated 17 January 2011.

40. Comparative figures

During the financial period, the Group changed its financial year end from 31 March to 30 June. The financial statements for the period ended 30 June 2012 cover the fifteen months from 1 April 2011 to 30 June 2012. The financial statements for 2011 covered the fifteen months from 1 January 2010 to 31 March 2011.

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CSL Mobile Care (M) Sdn Bhd
No. 1 Jalan Pengacara U1/48,
Temasya Industrial Park,
40150 Shah Alam,
Selangor, Malaysia.
Tel. +603 5569 3031
Fax. +603 5569 5351

CSL Multimedia Sdn Bhd
No. 1 Jalan Pengacara U1/48,
Temasya Industrial Park,
40150 Shah Alam,
Selangor, Malaysia.
Tel. +603 5569 3031
Fax. +603 5569 5351

I-Gate Holdings Sdn Bhd
No. 1 Jalan Pengacara U1/48,
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40150 Shah Alam,
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Tel. +603 5569 3031
Fax. +603 5569 5351

BTC Academy Sdn Bhd
No. 1 Jalan Pengacara U1/48,
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Tel. +603 5569 3031
Fax. +603 5569 5351

Dot Mobile Sdn Bhd
No. 1 Jalan Pengacara U1/48,
Temasya Industrial Park,
40150 Shah Alam,
Selangor, Malaysia.
Tel. +603 5569 3031
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Homestead Shop (M) Sdn Bhd
No. 1 Jalan Pengacara U1/48,
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40150 Shah Alam,
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Fax. +603 5569 5351

I-Gate Digital Sdn Bhd
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Mobile Biz Sdn Bhd
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Tel. +603 5569 3031
Fax. +603 5569 5351

Real & Virtual Technologies Sdn Bhd
No. 1 Jalan Pengacara U1/48,
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40150 Shah Alam,
Selangor, Malaysia.
Tel. +603 5569 3031
Fax. +603 5569 5351

RVT Event & Retail Management Sdn Bhd
No. 1 Jalan Pengacara U1/48,
Temasya Industrial Park,
40150 Shah Alam,
Selangor, Malaysia.
Tel. +603 5569 3031
Fax. +603 5569 5351

Group Offices

BRITISH VIRGIN ISLANDS

Bigstar Development Limited
Akara Bldg., 24 De Castro Street,
Wickhams Cay 1, Road Town,
Tortola, British Virgin Islands

Maxworld Asia Limited
Akara Bldg., 24 De Castro Street,
Wickhams Cay 1, Road Town,
Tortola, British Virgin Islands

EUROPE

MediaRing (Europe) Limited
Mailing Address:
150 Kampong Ampat
#05-02 KA Centre
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Tel: +65 6514 9458
Fax: +65 6441 3013
Email: sales-eu@s-i2i.com

JAPAN

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Fax: +81 3 3583 9111
Email: sales-jp@s-i2i.com

USA

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Fax : 877 386 4766
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INDONESIA

PT Selular Global Net
Blue Dot Center Blok E-I,
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Telp. +62 21 5602 111
Faks. +62 21 56940 111
Email: sales@selulargroup.com

PT Selular Media Infotama
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Faks. +62 21 56940 111
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PT Metrotech Jaya Komunika Indonesia
Blue Dot Center Blok E-I,
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INDIA

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#05-02 KA Centre
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Fax: +65 6303 6869

Bharat IT Services Limited
C-10, Sector-65, Noida, U.P.,
India-201301
Tel: +91 120 4639500
Fax: +91 120 4141550
Email: ho@spicelimited.com

Spice BPO Services Limited
C-10, Sector-65, Noida, U.P.,
India-201301
Tel: +91 120 4639500
Fax: +91 120 4141550
Email: corporate@spicebpo.in

THAILAND

Newtel Corporation Co., Ltd
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14th Floor, Rama IX Road,
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Bangkok, Thailand.
Tel: +66 02 641 0500
Fax: +66 02 645 0486

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14th Floor, Rama IX Road,
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Huaykwang District,
Bangkok, Thailand.
Tel: +66 02 641 0500
Fax: +66 02 645 0486

Group Offices

CHINA

Alpha One Limited
A2(9), 2/F, Hang Fung Industrial
Building Phase II,
2G Hok Yuen Street, Hung Hom,
Kowloon, Hong Kong.
Tel: +852 2836 6191
Fax: +852 2836 6477
Email: sales-hk@mediaring.com

MediaRing.com (Shanghai) Limited
Rm. B, 12th Floor,
No.1365 Dongfang Road,
Pudong New Area,
Shanghai, China.
Tel: +86 21 3868 5901
Fax: +86 21 3869 5902
Email: sales-shanghai@mediaring.com

CSL Communication (Shenzhen) Co Ltd
No 5A01, 5th floor, Tower A, Cyber times building, Tianan Cyber Park,
Chegongmiao Industrial Zone,
Futian District, Shenzhen,
P.R. China, Post code : 518040
Tel no : +86 755 3333 0898
Fax no: +86 755 3333 0891
Email: lucy.liu@csl-china.com

Mobile Service International Co., Ltd
No 5A01, 5th floor, Tower A, Cyber Times Building, Tianan Cyber Park, Chegongmiao Industrial Zone, Futian District, Shenzhen,
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Tel no : +86 755 3333 0898
Fax no: +86 755 3333 0891
Email: lucy.liu@csl-china.com

UNITED ARAB EMIRATES

Spice i2i Middle East FZE
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Tel: +65 6514 9458
Fax: +65 6441 3013

ASSOCIATES

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151 Lorong Chuan, #06-7A
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Singapore 556741
Tel: +65 6735 3779
Fax: +65 6732 4964
Email: support@ngv-group.com

CHINA

MediaRing Africa Limited
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SOUTH AFRICA

Vipafone (Proprietary) Limited
15 Court Road , Telecom House,
Wynberg, 7800 Cape Town,
South Africa
Tel: +27 21 762 9630
Fax: +27 21 762 9635

Statistics Of Shareholdings

AS AT 14 SEPTEMBER 2012

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	138	0.84	25,862	0.00
1,000 -10,000	6,205	37.69	29,262,404	0.53
10,001 -1,000,000	9,780	59.40	1,183,519,895	21.58
1,000,001 and above	341	2.07	4,272,172,675	77.89
TOTAL :	16,464	100.00	5,484,980,836	100.00

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares Direct Interest	Deemed Interest	Total Interest	%
Dr Bhupendra Kumar Modi ("Dr BK Modi")	–	1,671,580,940	1,671,580,940	30.4756
Dilip Modi ("Dilip")	–	1,455,568,754	1,455,568,754	26.5374
Divya Modi ("Divya")	–	1,455,568,754	1,455,568,754	26.5374
S Global Innovation Centre Pte Ltd	1,455,568,754	–	1,455,568,754	26.5374
S Global Holdings Pte Ltd	164,264,186	1,490,116,754	1,654,380,940	30.1620
Paramount Assets Investments Pte. Ltd	710,220,000	–	710,220,000	12.9484
Lee Foundation, States Of Malaya	–	710,220,000	710,220,000	12.9484
Lee Foundation	–	710,220,000	710,220,000	12.9484
Lee Pineapple Company (Pte) Limited	–	710,220,000	710,220,000	12.9484

Notes:

(1) Dr BK Modi is deemed to be interested in 1,671,580,940 ordinary shares comprising the following:

(a) 1,455,568,754 shares held directly by S Global Innovation Centre Pte Ltd as S Global Innovation Centre Pte Ltd is controlled by Dr B K Modi, Dilip and Divya. By virtue of Section 7 of the Companies Act (Cap. 50), Spice Global Investments Pvt Ltd, Orion Telecoms Ltd, Dai (Mauritius) Company Ltd, Falcon Securities Ltd, Guiding Star Ltd, Christchurch Investments Ltd, S Global Holdings Ltd, Prospective Infrastructure Pvt Ltd and S i2i Mobility Pvt Ltd are deemed to be interested in the 1,455,568,754 shares held through S Global Innovation Centre Pte Ltd;

(b) 164,264,186 shares held directly by S Global Holdings Pte Ltd as S Global Holdings Pte Ltd is wholly-owned by Dr BK Modi;

(c) 34,548,000 shares held directly by Spice Bulls Pte Ltd as Spice Bulls Pte Ltd is wholly-owned by S Global Holdings Pte Ltd, which is in turn wholly-owned by Dr BK Modi; and

(d) 17,200,000 shares held directly by Innovative Management Pte Ltd as Innovative Management Pte Ltd is wholly-owned by Dr BK Modi.

(2) Dilip is deemed to be interested in 1,455,568,754 shares held directly by S Global Innovation Centre Pte. Ltd. as S Global Innovation Centre Pte. Ltd. is controlled by Dr B K Modi, Dilip and Divya.

(3) Divya is deemed to be interested in 1,455,568,754 shares held directly by S Global Innovation Centre Pte. Ltd. as S Global Innovation Centre Pte. Ltd. is controlled by Dr B K Modi, Dilip and Divya.

(4) S Global Holdings Pte Ltd is deemed to be interested in 1,490,116,754 shares comprising the following:

(a) 1,455,568,754 shares directly held by S Global Innovation Centre Pte. Ltd.; and

(b) 34,548,000 shares held directly by Spice Bulls Pte Ltd as Spice Bulls Pte Ltd is wholly-owned by S Global Holdings Pte Ltd.

Statistics Of
Shareholdings

AS AT 14 SEPTEMBER 2012

(5) Lee Foundation, States of Malaya, by virtue of its interest in not less than 20% of the total issued share capital of Lee Pineapple Company (Pte) Ltd, is deemed to be interested in 710,220,000 ordinary shares held directly by Paramount Assets Investments Pte Ltd, a wholly-owned subsidiary of Lee Pineapple Company (Pte) Ltd.

(6) Lee Foundation, by virtue of its interest in not less than 20% of the total issued share capital of Lee Pineapple Company (Pte) Ltd, is deemed to be interested in 710,220,000 ordinary shares held directly by Paramount Assets Investments Pte Ltd, a wholly-owned subsidiary of Lee Pineapple Company (Pte) Ltd.

(7) Lee Pineapple Company (Pte) Ltd is deemed to be interested in 710,220,000 ordinary shares held directly by Paramount Assets Investments Pte Ltd, a wholly-owned subsidiary of Lee Pineapple Company (Pte) Ltd.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	S Global Innovation Centre Pte Ltd	1,455,568,754	26.54
2.	Paramount Assets Investments Pte Ltd	710,220,000	12.95
3.	Phillip Securities Pte Ltd*	242,066,503	4.41
4.	DBS Nominees Pte Ltd	181,006,497	3.30
5.	UOB Kay Hian Pte Ltd***	139,729,384	2.55
6.	S Global Holdings Pte Ltd.	104,114,552	1.90
7.	United Overseas Bank Nominees Pte Ltd	67,387,963	1.23
8.	Citibank Nominees Singapore Pte Ltd	67,134,370	1.22
9.	OCBC Securities Private Ltd	63,343,703	1.15
10.	HSBC (Singapore) Nominees Pte Ltd**	52,342,216	0.95
11.	Maybank Kim Eng Securities Pte Ltd	51,697,500	0.94
12.	Tai Tak Securities Pte Ltd	39,000,000	0.71
13.	Hong Leong Finance Nominees Pte Ltd	37,788,000	0.69
14.	Lim & Tan Securities Pte Ltd	34,013,000	0.62
15.	DBS Vickers Securities (S) Pte Ltd	33,854,750	0.62
16.	CIMB Securities (Singapore) Pte Ltd	27,176,500	0.50
17.	Lee Seng Tee	25,800,000	0.47
18.	OCBC Nominees Singapore Pte Ltd	20,899,752	0.38
19.	Chong Kah Lin	20,400,000	0.37
20.	Koh Kow Tee Michael	20,000,000	0.36
TOTAL :		3,393,543,444	61.86

* Includes (0.6299%) shareholdings of Spice Bulls Pte Ltd.

** Includes (0.3136%) shareholdings of Innovative Management Pte Ltd.

*** Includes (1.0966%) shareholdings of S Global Holdings Pte Ltd.

SHAREHOLDING HELD BY THE PUBLIC

56.52% of S i2i Limited's issued ordinary shares is held by the public. Rule 723 of the SGX Listing Manual has been complied with.

Notice Of
Annual General Meeting

S I2I LIMITED (FORMERLY KNOWN AS SPICE I2I LIMITED)
(COMPANY REGISTRATION NO. 199304568R)
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of S i2i Limited (the "Company") will be held at 10 Eunos Road 8, Singapore Post Centre, Singapore 408600 on Thursday, 25 October 2012 at 2.30 p.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial period from 1 April 2011 to 30 June 2012 and the Directors' Reports and the Auditors' Report thereon. **(Resolution 1)**

2. To appoint Mr Umang Das as a Director of the Company. Key information of Mr Umang Das is available on page 9 of this Annual Report. **(Resolution 2)**

3. To re-elect Mr Hasanand Nanani as a Director of the Company, who is retiring pursuant to Article 108 of the Company's Articles of Association. **(Resolution 3)**

4. To re-elect Ms Preeti Malhotra as a Director of the Company, who is retiring pursuant to the resolution duly passed in the last AGM. **(Resolution 4)**

4A. To re-elect Mr Thomas Henrik Zilliacus as a Director of the Company, who is retiring pursuant to the resolution duly passed in the last AGM. **(Resolution 4A)**

5. To record the retirement of Mr Vijay Brijendra Chopra as a Director of the Company, who is retiring pursuant to Article 104 of the Company's Articles of Association who will not be seeking for re-election.
[See explanatory note (a)]

5A. To record the retirement of Mr Jai Swarup Pathak as a Director of the Company, who is retiring pursuant to Article 104 of the Company's Articles of Association who will not be seeking for re-election.
[See explanatory note (b)]

5B. To record the retirement of Ms Divya Modi as a Director of the Company, who is retiring pursuant to Article 104 of the Company's Articles of Association who will not be seeking for re-election.
[See explanatory note (c)]

6. To record the retirement of Mr Lim Chin Hu as a Director of the Company, who is retiring pursuant to Article 108 of the Company's Articles of Association who will not be seeking for re-election.
[See explanatory note (d)]

7. To record the retirement of Mr S. Chandra Das as a Director of the Company, who is retiring pursuant to Section 153(6) of the Companies Act, Cap. 50 who will not be seeking for re-appointment.
[See explanatory note (e)]

8. To approve the proposed Directors' fees of S$680,660 for the financial period ended 30 June 2012. (2011: S$673,575). **(Resolution 5)**

9. To re-appoint Messrs Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

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

Notice Of
Annual General Meeting

S I2I LIMITED (FORMERLY KNOWN AS SPICE I2I LIMITED)
(COMPANY REGISTRATION NO. 199304568R)
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

SPECIAL BUSINESS

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

11. **AUTHORITY TO ALLOT AND ISSUE SHARES**

"That pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit to:

(a) (i) issue ordinary shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares; and

(b) issue Shares in pursuance of any Instruments made or granted by the Directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution).

provided that:

(1) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 50% of the total number of issued Shares (as calculated in accordance with paragraph (2) below), and provided further that where shareholders of the Company ("**Shareholders**") are not given the opportunity to participate in the same on a pro-rata basis ("**non pro-rata basis**"), then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20% of the total number of issued Shares in the capital of the Company, excluding treasury shares (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of the Shares that may be issued under paragraph (1) above, the total number of issued Shares, excluding treasury shares, shall be based on the total number of issued Shares of the Company, excluding treasury shares, at the time such authority was conferred, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from the exercising share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and

(c) any subsequent consolidation or subdivision of the Shares;

and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Articles of Association of the Company for the time being; and

(4) (unless revoked or varied by the Company in a general meeting) the authority so conferred shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." *[See explanatory note (d)]* **(Resolution 7)**

12. **Authority to allot and issue shares under the 1999 S i2i Employees' Share Option Scheme ("ESOS")**

"That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the ESOS upon the exercise of such options and in accordance with the terms and conditions of the ESOS, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the ESOS shall not exceed 65,921,470 ordinary shares and such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting or the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier." *[See explanatory note (e)]* **(Resolution 8)**

13. **Authority to allot and issue shares under the 1999 S i2i Employees' Share Option Scheme II ("ESOS II")**

"That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the ESOS II upon the exercise of such options and in accordance with the terms and conditions of the ESOS II, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the ESOS II, S i2i Restricted Share Plan and S i2i Performance Share Plan collectively shall not exceed fifteen per centum (15%) of the total issued share capital of the Company from time to time and such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting or the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier." *[See explanatory note (f)]* **(Resolution 9)**

Notice Of
Annual General Meeting

S I2I LIMITED (FORMERLY KNOWN AS SPICE I2I LIMITED)
(COMPANY REGISTRATION NO. 199304568R)
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

14. **Authority to allot and issue shares under the S i2i Restricted Share Plan ("S i2i RSP")**

"That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the selected employees of the Company and/or its subsidiaries, including directors of the Company, and other selected participants, whether granted during the subsistence of this authority or otherwise, under the S i2i RSP in accordance with the terms and conditions of the S i2i RSP, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the S i2i RSP, 1999 S i2i Employees' Share Option Scheme II and S i2i Performance Share Plan collectively shall not exceed fifteen per centum (15%) of the total issued share capital of the Company from time to time and such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting or the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier." *[See explanatory note (g)]* **(Resolution 10)**

15. **Authority to allot and issue shares under the S i2i Performance Share Plan ("S i2i PSP")**

"That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the selected employees of the Company and/or its subsidiaries, including directors of the Company, and other selected participants, whether granted during the subsistence of this authority or otherwise, under the S i2i PSP in accordance with the terms and conditions of the S i2i PSP, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the S i2i PSP, 1999 S i2i Employees' Share Option Scheme II and S i2i Restricted Share Plan collectively shall not exceed fifteen per centum (15%) of the total issued share capital of the Company from time to time and such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting or the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier." *[See explanatory note (h)]* **(Resolution 11)**

By Order of the Board

Joanna Lim
Company Secretary
10 October 2012
Singapore

Notice Of
Annual General Meeting

S I2I LIMITED (FORMERLY KNOWN AS SPICE I2I LIMITED)
(COMPANY REGISTRATION NO. 199304568R)
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

Explanatory Notes:

(a) Mr Vijay Brijendra Chopra, upon his retirement at the conclusion of the Annual General Meeting, will step down as the Chairman of Remuneration Committee and Audit Committee, and member of Shareholders Value Enhancement Committee and Nominating Committee.

(b) Mr Jai Swarup Pathak, upon his retirement at the conclusion of the Annual General Meeting, will step down as member of Nominating Committee.

(c) Ms Divya Modi, upon her retirement at the conclusion of the Annual General Meeting, will step down as the Chairperson for Shareholders Value Enhancement Committee, member of Executive Committee and of Nominating Committee.

(d) Mr Lim Chin Hu, upon his retirement at the conclusion of the Annual General Meeting, will step down as member of the Audit Committee.

(e) Mr S. Chandra Das, upon his retirement at the conclusion of the Annual General Meeting, will step down as member of Remuneration Committee and Nominating Committee.

(f) The Ordinary Resolution 7 proposed in the item (11) above if passed, will empower the Directors of the Company from the date of the Meeting to allot and issue shares in the Company up to an amount not exceeding 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company with a sub-limit of 20% other than on a pro-rata basis to shareholders for the time being for such purposes as they consider would be in the interest of the Company. The authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

(g) The Ordinary Resolution 8 proposed in item (12) above if passed, will empower the Directors of the Company, from the date of the above meeting until the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to allot and issue shares in the Company pursuant to the exercise of options under the ESOS, provided always that the total number of ordinary shares allotted and issued shall not exceed 65,921,470 ordinary shares from time to time pursuant to the exercise of the options under the ESOS.

(h) The Ordinary Resolution 9 proposed in item (13) above if passed, will empower the Directors of the Company, from the date of the above meeting until the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to allot and issue shares in the Company pursuant to the exercise of the options under the ESOS II, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to outstanding options and optioned to be granted under the ESOS, ESOS II, S i2i RSP, S i2i PSP collectively shall not exceed fifteen per centum (15%) of the total number of issued shares, excluding treasury shares, in the capital of the Company from time to time.

(i) The Ordinary Resolution 10 proposed in item (14) above if passed, will empower the Directors of the Company, from the date of the above meeting until the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to allot and issue shares in the Company, pursuant to the exercise of the options under S i2i RSP, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to outstanding option and options to be granted under the ESOS, ESOS II, S i2i RSP and S i2i PSP collectively shall not exceed fifteen per centum (15%) of the total number of issued shares excluding treasury shares, in the capital of the Company from time to time.

(j) The Ordinary Resolution 11 proposed in item (15) above if passed, from the date of the above meeting until the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to allot and issue shares in the Company, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the S i2i PSP, ESOS II and S i2i RSP collectively shall not exceed fifteen per centum (15%) of the total issued share capital of the Company from time to time pursuant to the exercise of the options under S i2i PSP.

Notes:

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

2) A member of the Company which is corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

3) A proxy need not be a member of the Company.

4) The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for holding the Annual General Meeting.

S i2i LIMITED

(Company Registration No. 199304568R)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT
1. For investors who have used their CPF monies to buy S i2i LIMITED's shares, this Annual Report 2012 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

I/We ______________________ (name) holder of NRIC/Passport No. ______________________
of ____ (address)
being a member/members of S i2i Limited (the "Company"), hereby appoint:-

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete where appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at 10 Eunos Road 8, Singapore Post Centre, Singapore 408600 on Thursday, 25 October 2012 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/their discretion. The authority herein includes the right to demand or join in demanding a poll and to vote on a poll.

Resolution No.	**Ordinary Resolutions**	**For**	**Against**
1.	To receive, consider and adopt the Audited Financial Statements for the financial period ended 30 June 2012 and the Directors' Reports and the Auditors' Report thereon.		
2.	To appoint Mr Umang Das as a Director of the Company. Key information of Mr Umang Das is available on page 9 of this Annual Report.		
3.	To re-elect Mr Hasanand Nanani as a Director of the Company, who is retiring pursuant to Article 108 of the Company's Articles of Association.		
4.	To re-elect Ms Preeti Malhotra as a Director of the Company, who is retiring pursuant to the resolution duly passed in the last AGM.		
4A.	To re-elect Mr Thomas Henrik Zilliacus as a Director of the Company, who is retiring pursuant to the resolution duly passed in the last AGM		
5.	To approve the proposed Directors' fees of S$680,660 for the financial period ended 30 June 2012.		
6.	To re-appoint Messrs Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration.		
7.	To authorise Directors to allot and issue shares.		
8.	To authorise Directors to allot and to issue shares under the ESOS.		
9.	To authorise Directors to allot and to issue shares under the ESOS II.		
10.	To authorise Directors to allot and to issue shares under the S i2i RSP.		
11.	To authorise Directors to allot and to issue shares under the S i2i PSP.		

Dated this ______________ day of ______________ 2012

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

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

IMPORTANT: Please read notes overleaf

Notes:-

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 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 in his/her stead. Such 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. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

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Affix postage stamp

The Share Registrar
S i2i LIMITED
c/o Boardroom Corporate Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

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5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the Meeting.
6. 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. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. 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.

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