LEADING THE SWITCH REVOLUTION

Spice i2i Limited | Annual Report **2010 - 11**

CONTENTS

CORPORATE PROFILE

Headquartered in Singapore, Spice i2i has transformed itself from a one-stop service provider for voice, data and communication to a global company focused on promoting a digitally connected lifestyle through its innovative mobile phones and mobile internet solutions. Given its experience of operating in fast-growing and rapidly evolving markets, the Company has implemented its 'i2i' strategy that focuses on 'Innovation to Infinity' to bring groundbreaking new mobile products and services to emerging markets across the Asian region.

Over the course of the year, the Company has made significant progress towards the achievement of its 'i2i' strategy by expanding its footprint through 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. The strengthened market presence together with its ingrained technological expertise has created a solid platform to ride the growing band of mobile users in the region. Moving forward, Spice i2i is confident of meeting the evolving needs of its consumers to facilitate their aspirations for a **'SWITCH'** to the **Mobile Internet** and the ensuing digitally connected lifestyle.

The Company operates under two business groups, namely Mobility and Technology.

In Mobility, the Company is primarily involved in the procurement and sale of mobile handsets, which it distributes through its vast retail network to raise brand awareness and loyalty for the Company's distinctive 'S' brand. The added clout of its burgeoning handset arm, also grants the Company greater strength along the supply chain when making procurements of supplies. In addition, it 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 the Technology business group, the Company continues to maintain its market share and competitiveness in their respective markets in Singapore, Malaysia, India and the Middle East. By partnering with established global companies such as HP and IBM, the Company is able 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 specialises in comprehensive and high quality communication solutions without the need for massive investment.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

It gives me great pleasure to be communicating with you again from our corporate headquarters in Singapore.

As the most technologically advanced market in the i2i region, Singapore will provide the most relevant benchmark for our progress in the region. The multi-cultural working environment, and its demographic character, which combines two of the most ambitious populations in the world (Chinese and Indians), places us at a vantage point for appreciating the true potential of the region.

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Year in Review

The primary focus for the year under review has been the building of a completely new growth engine for Spice i2i. Sensing the growing importance that the region will play in the global mobile space, we embarked on a strategic growth plan which resulted in the acquisition of three strong entrepreneurial businesses within the region. These helped us make major inroads into burgeoning markets like Malaysia, Thailand, Vietnam and Indonesia, which together account for more than 2 million handset shipments each month.

In March 2010, the Group began with the acquisition of the CSL Group in Malaysia, one of the most established domestic enterprises in the telecom sector, with 21 branches across the country, and a sales network of more than 2,600 outlets. We quickly followed that up with the acquisition of WellcoM Mobile, a leading producer, distributor and wholesaler of mobile phones in Thailand with an extensive sales network of over 3,000 partners and sub-dealers in December 2010.

Besides expanding our Mobility footprint, these acquisitions provide the Group with far greater clout when dealing with design houses, chipset manufacturers and software platform developers. This in turn allows us to stay one step ahead of the competition, as it builds on its extensive product range, particularly in the emerging smart-like and smartphone markets.

Most recently in May 2011, the Group completed its most significant acquisition to date viz. the Affinity Group in Indonesia, along with its leading mobile handset brand Nexian.

During the period, the Group has recorded revenue of USD 337 million which does not include the revenue (Year 2010 – USD 689 million) of recent acquisition of Affinity Group of Indonesia, which if included will take the revenue to nearly USD 1 billion. With these inorganic initiatives the Group is poised for significant global growth.

Becoming the largest mobile handset brand in ASEAN

With the Nexian brand owning over 20% of the handset business in Indonesia, the completion of this acquisition represented a significant milestone for Spice i2i. Not only does it bring about synergies and economies of scale and the resultant efficiencies, the acquisition guarantees us a premium position in the fourth largest country in the world.

A widely expanded footprint, much higher scale, a multi-cultural, multi-skilled workforce, are now combined to provide us the perfect launch pad for creating leadership in the i2i region. This coming year will be one of exciting developments as we begin to witness the fruits of our acquisitions. It will also be a time for us to consolidate and execute the next phase of our brand strategy, as we ‘switch’ to Mobile Internet as our core business.

Switching to the new era

Telecommunications has come a long way since its early days. From the invention of the modern telephone to the advent of wireless communications, the industry has only ever known quantum leaps. With three decades in the personal productivity arena behind us, we have consistently demonstrated the ability to spot emerging trends, and deliver smart innovations ahead of time, every time.

We believe that there were three driving forces that got us to where we are today:

• **Unconventional wisdom:** Ability to go against the grain with conviction

• **One step ahead of the rest:** Moving before the pack

• **Customer and investor focus:** Creating value for all

These, combined with its team of experienced and committed global top management now available to us, I strongly believe that this group is now ready to take the next leap as we transit into the mobile internet phase.

Born Free, Live Free: The Aspirations of Mobile Society

The idea of a mobile society has seen drastic changes over the past decade. Mobile phones have progressed from being a single function device, one which only allows users to make and receive phone calls, to a multi-faceted and lifestyle orientated device which allow users to stay connected, anytime, anywhere, with the freedom to do whatever you want. I like to call this change the switch from Mobility 1.0 to Mobility 2.0 – the Mobile Internet.

A recent mobile market report by research firm Gartner's says 428 million mobile devices were sold in the first quarter of 2011, representing a 19% increase year-over-year. Almost a quarter of these came from smartphones, accounting for an 85% year-over-year increase. With more and more users adopting smartphones, our dreams of a truly "internet on the mobile society" is only one click ahead.

Becoming one family

With our new acquisitions, we now have access to more than 3,200 outlets in Indonesia, Thailand and Malaysia. These will soon be consolidated under one single digital "S" brand, allowing us to exploit our global supply chain.

Significantly, the brand acquisitions provide us a ready platform to pre-load our wide range of mobile internet applications onto phones directly sold to consumers. These include the incorporation of entertainment, information, healthcare, financial, transactional and other Value Added Services (VAS) onto our upcoming models of phones. Together with potential revenues from advertising, this provides us another avenue to enhance value growth.

As the industry becomes increasingly commoditised, it will be up to enterprises like Spice i2i to bridge the gap between sleek hardware features and innovative software solutions that will satisfy the evolving needs of consumers. Indeed, we intend to create a whole "S" brand internet lifestyle for users of our products.

Keen Appreciation

Spice i2i's ability to navigate the challenging economic environment and make such progress with our brand integration could not have been achieved without the commitment and support of our management team and staff, business associates, shareholders and fellow directors. With your continued support, we are confident of achieving our vision of becoming one of the world's premier mobile-internet integrated communications and solutions providers.

We see the **HORIZON**

it's **UNLIMITED.**

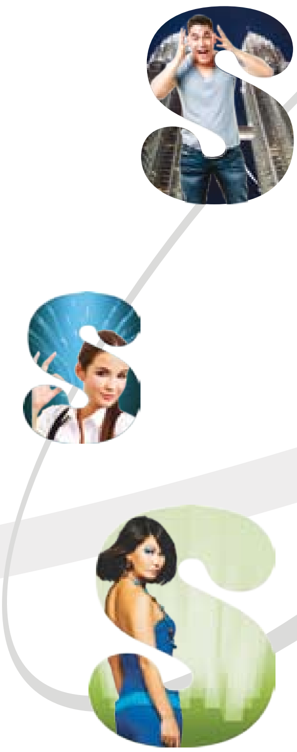
THE VISION TO SWITCH

Smarter phones, greater value. We continue to lead the consumer revolution and switch to Mobile Internet.

From Innovation to Infinity. Spice i2i is always one step ahead of the pack.

INNOVATION TO INFINITY

nexian



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FEARLESS

We are entrepreneurial and challenge conventions to inspire change, so that our customers can expect more and expect better.

IMAGINATIVE

We anticipate market needs to provide leading edge products and services, and constantly seek new ways to serve our constituents.

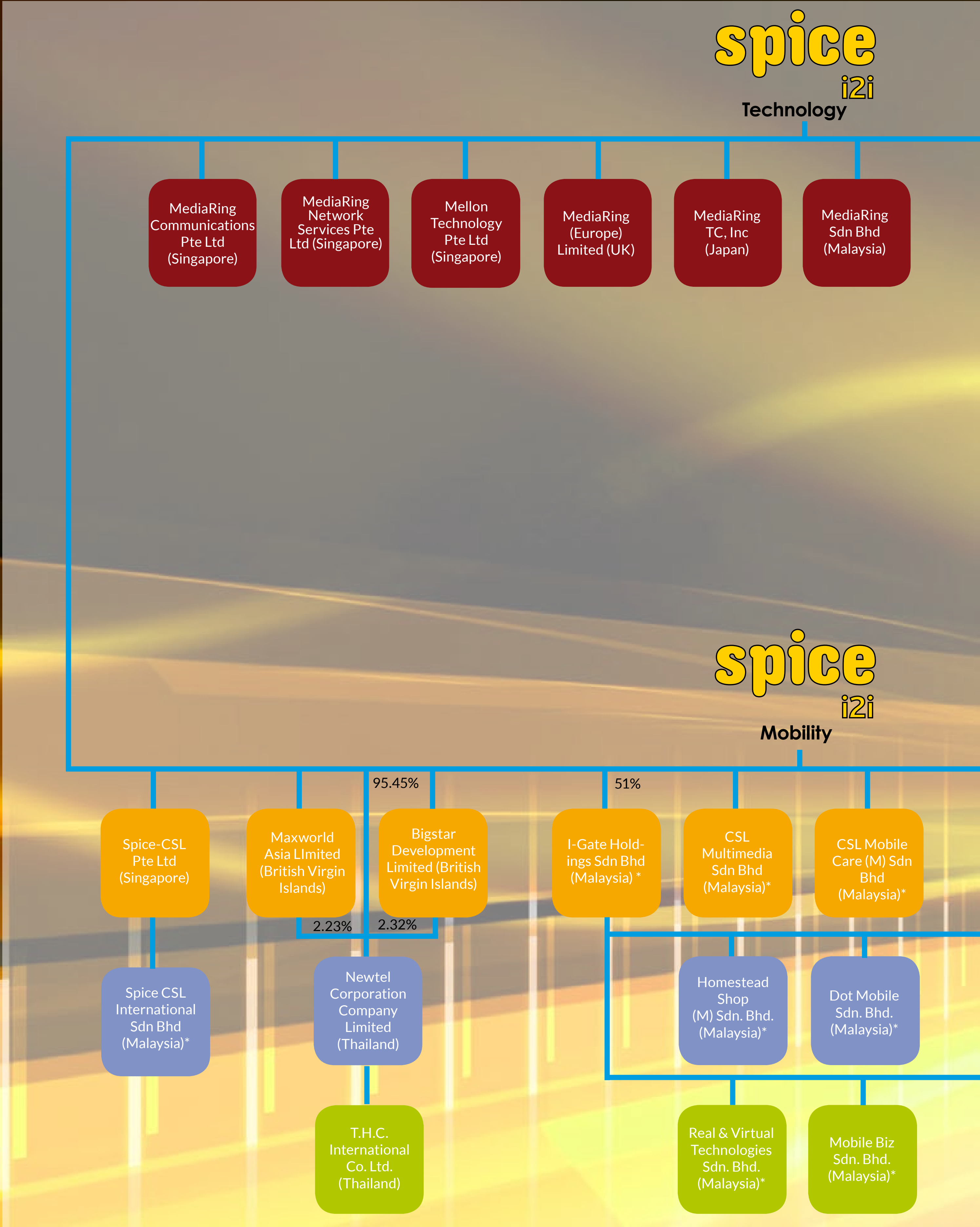
VIBRANT

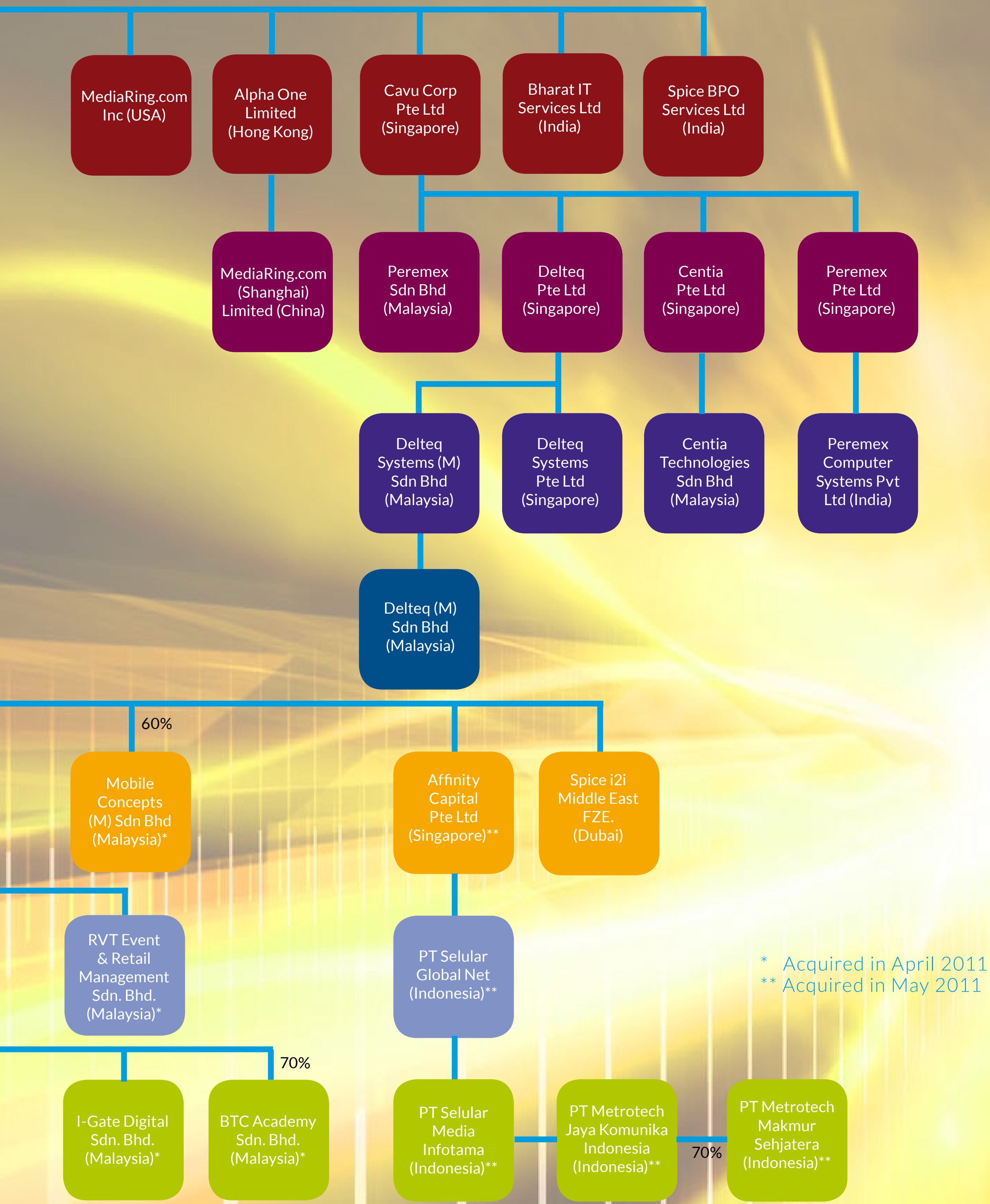
We are professional but we are also fun, spontaneous and outgoing - thanks to our passion, dynamism and energy.

OPEN

We are not only accessible and responsive to our customers' comments and suggestions but also understand their needs and help fulfill them.

CORPORATE STRUCTURE




MediaRing.com Inc (USA)
Alpha One Limited (Hong Kong)
Cavu Corp Pte Ltd (Singapore)
Bharat IT Services Ltd (India)
Spice BPO Services Ltd (India)
MediaRing.com (Shanghai) Limited (China)
Peremex Sdn Bhd (Malaysia)
Delteq Pte Ltd (Singapore)
Centia Pte Ltd (Singapore)
Peremex Pte Ltd (Singapore)
Delteq Systems (M) Sdn Bhd (Malaysia)
Delteq Systems Pte Ltd (Singapore)
Centia Technologies Sdn Bhd (Malaysia)
Peremex Computer Systems Pvt Ltd (India)
Delteq (M) Sdn Bhd (Malaysia)
60%
Mobile Concepts (M) Sdn Bhd (Malaysia)*
Affinity Capital Pte Ltd (Singapore)**
Spice i2i Middle East FZE. (Dubai)
RVT Event & Retail Management Sdn. Bhd. (Malaysia)*
PT Selular Global Net (Indonesia)**
70%
I-Gate Digital Sdn. Bhd. (Malaysia)*
BTC Academy Sdn. Bhd. (Malaysia)*
PT Selular Media Infotama (Indonesia)**
PT Metrotech Jaya Komunika Indonesia (Indonesia)**
70%
PT Metrotech Makmur Sehjatera (Indonesia)**
* Acquired in April 2011
** Acquired in May 2011

BOARD OF DIRECTORS

Dr. Bhupendra Kumar Modi
Chairman

"Technology Futurepreneur"

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

From his early days, when he defied family business norms to introduce Photocopying to India, 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 Western 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, CSL in Malaysia, WellcoM in Thailand and Media Ring 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 South California, and was awarded a Ph D in Financial Management. He has also been conferred a D Litt in Industrial Management.

Mr. Dilip Modi
Executive Vice Chairman & Managing Director

Mr. Dilip Modi was appointed to the board on 30th April 2010 as Director and appointed as Executive Vice Chairman on 1st October 2010. On 14 May 2011, Mr. Dilip Modi was also appointed as Managing Director of the Company.

Currently Group President Global Operations – Spice Group and Managing Director Spice Mobility, Dilip 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, Dilip 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 Dilip 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.

Dilip is currently 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. Dilip Modi holds a BSc from Brunel University and MBA from Imperial College London.

Ms. Divya Modi
Executive Director

Ms. Divya Modi was appointed to the board on 31st August 2009 and was last re-elected as Executive Director on 30th April 2010.

She had worked closely with Jones Lang and Lasalle and Haldford Associates to develop Spice Global's first Entertainment Centre "Spice World" where she has been credited for tying up with the Key Anchor Stores for the venture.

She was instrumental in setting-up the Management Assurance Services (Internal Audit function) for Spice Global and was also involved with various Financial Restructuring initiatives and Investor Relations for the group especially for its erstwhile listed entities. She was also involved in the M&A function at a group level.

Ms. Divya 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.

Dato' Chuah Seong Ling
Executive Director

Dato' Chuah Seong Ling was appointed to the Board on 30th April 2010 as Executive Director. He is a self-made entrepreneur who is known for his innovativeness, fighting spirit and business acumen.

The founder of the CSL Group of Companies, Dato' Chuah Seong Ling plays an instrumental role in not just the management of the company but also in charting its overall direction. Under his exceptional leadership, the company has grown from strength to strength, hitting key milestones like the integration of its mobile phone assembly, establishment of retail and distribution arms, after-sales and customer care services, and third party logistics services, all within a decade. As its chief product architect, he is the creative force behind CSL's ever expanding range of products and services, constantly injecting fresh innovative ideas to ensure the company maintains a competitive edge over others through technology advancements.

From an unknown home-grown brand, the CSL brand is today recognised as one of Asia Pacific's Top Excellence Brands, awarded by Global Business Magazine in Malaysia; its footprint now spans across Malaysia, Singapore, Indonesia, Bangladesh and China.

In April 2010, Dato' Chuah entered into a joint venture with Singapore main-board listed Spice i2i Limited to further harness the CSL brand's potential. As part of this new global driving force, Dato' Chuah will spearhead the Supply Chain initiative that will bring great synergies to the group as a whole.

Dato' Chuah is a holder of Ph.D in International Marketing from Inter America University, New York, USA. An engineer by profession, Dato' Chuah graduated from University Technology Malaysia with a Degree in Bachelor of Electrical and Electronics.

Mr. S Chandra Das
Independent Director

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

At present he 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 also sits on the board of two public listed companies Nera Telecommunications Ltd and Yeo Hiap Seng Ltd.

He is Singapore's non-resident Ambassador to Turkey, Pro-Chancellor of Nanyang Technological University and Board-Member of the Institute of South Asian Studies.

S Chandra Das has been simultaneously 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, Chandra Das has been conferred honorary doctorates in Business (by the University of Newcastle, Australia) and in Commercial Science (by St. John's University, NY).

Mr. Thomas Henrik Zilliacus
Lead Independent Director

Mr. Zilliacus was appointed as Non-Executive Director in 28 February 2002 and was last re-elected to his position on 24 April 2008.

Mr. Zilliacus is the founder and Executive Chairman of Mobile FutureWorks Inc, a company which develops mobile companies and invests 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.

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

Mrs. Eileen Tay-Tan Bee Kiew
Independent Director

Mrs. Tay was appointed to the Board in 02 October 2002 and was last re-elected as Director on 21 April 2009.

With more than 25 years of experience in the public accounting field, Mrs. Tay was a partner with KPMG and her experience includes auditing, taxation, public listing, due diligence, mergers and acquisitions and business advisory.

She holds an Honours degree in Accountancy from the Singapore University. Mrs. Tay is a Fellow of Chartered Institute of Management Accountants (UK), Fellow of CPA Australia, Fellow of the Institute of Certified Public Accountants of Singapore and Licentiate of Trinity College (London).

Mr. Vijay Brijendra Chopra
Independent Director

Mr. Vijay B. Chopra was appointed to the board on 14 October 2009. 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. Sin Hang Boon
Independent Director

Mr. Sin joined the Board in 09 June 2003 and was last re-elected as Director on 30th April 2010. He is currently also serving as a Director in Jason Marine Group Ltd and several private companies.

Mr. Sin spent over 40 years in the telecommunications industry before his retirement in 2002. He was a senior executive in Belgacom S.A. in Belgium from 1996 to 1998.

From 1999 till 2001, he headed SingTel International, the strategic investment arm of the SingTel Group. From 2002 to March 2004, Mr. Sin was advisor to SingTel and represented SingTel on the boards of several of its associated companies overseas, including Belgacom S.A., ADSB Telecommunications B.V. in The Netherlands and New Century Infocomm Tech Co Ltd in Taiwan.

He holds a Bachelor of Science (Physics) degree from Nanyang University, Singapore.

Mr. Jai Swarup Pathak
Non-Independent Non-Executive Director

Mr. Jai Swarup Pathak was appointed to the Board on 14th October 2009 as Non-Independent Non-Executive Director and was last re-elected to his position on 30th April, 2010. Mr. Jai S. Pathak is the Partner-in-Charge of the Singapore office of Gibson, Dunn & Crutcher. 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.

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.

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 14th May 2011. She is presently Executive Director, Spice Mobility Ltd and Group President-Corporate Affairs, Spice Group. Preeti is responsible for instituting good Corporate Governance in all 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 on Corporate laws ,Governance and regulation and regularily interacts with the MCA and SEBI on the 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. She is also invited by OECD regularly to participate in the Asian Round Table discussions on Corporate Governance.

She 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.

She is a Fellow Member of the Institute of Company Secretaries of India and a Law Graduate from Law Faculty, Delhi University.

SENIOR MANAGEMENT

Mr. Kul Taran Singh Anand (KTS)
Chief Financial Officer

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. 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. Stephen Lok
Chief Operations Officer - Mobility

KL Lok (Lok) has more than 20 years of working experience in the telecommunications industry, mainly in the sales and marketing of mobile phones in Singapore and the region. He was one of the key founding members and the Managing Director (Personal Communications Systems) of TeleChoice International Ltd, and played an instrumental role in building the business to achieve S$500 million in revenue in 2006. TeleChoice International Limited is listed in the Singapore Stock Exchange in 2004.

Following TeleChoice, Lok had a stint at Motorola Electronics Pte Ltd as its Singapore Country General Manager for Mobile Devices from 2007-2008 before starting his own business. He has two investments in TPIS Pte Ltd, a telecommunications equipment company currently active in Vietnam; and in Tricore Pte Ltd, an Internet logistics fulfillment company currently active in Singapore, Malaysia and Indonesia.

Lok holds a B.Eng (Civil and Structural Engineering) from National University of Singapore and Diploma of Marketing Management from Ngee Ann Polytechnic. He brings to Spice i2i his extensive business acumen including contacts and relationships which are critical to the success in this industry.

Mr. Spencer Tan
Assistant Vice President (Retail Voice Business)

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 Spice i2i Limited 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. Tan Choon Tee
Senior Vice President (IT & Managed Services)

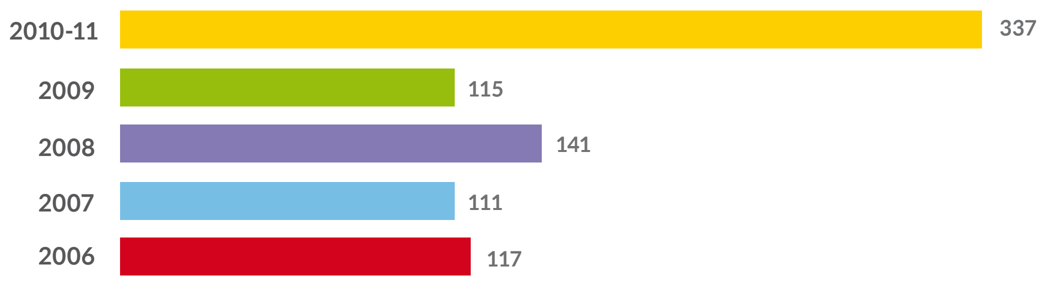
Choon Tee heads the IT business of Spice i2i Limited. Before this, he was heading DELTEQ, a local company acquired in Nov 2008 and is currently part of the IT business. 15 years in DELTEQ, he started as a Client Manager for the defence sector. Rising through the ranks, he was appointed General Manager in 2000, and then Senior General Manager in 2004.

He was instrumental in leading DELTEQ through turbulent years including an IPO endeavour and the several global crises within the period. He built a trusted branding for DELTEQ in the market, with strong presence in the defence and education sectors. Before joining DELTEQ, Choon Tee spent 6 years in the Army Plans department, driving organisational transformation and development.

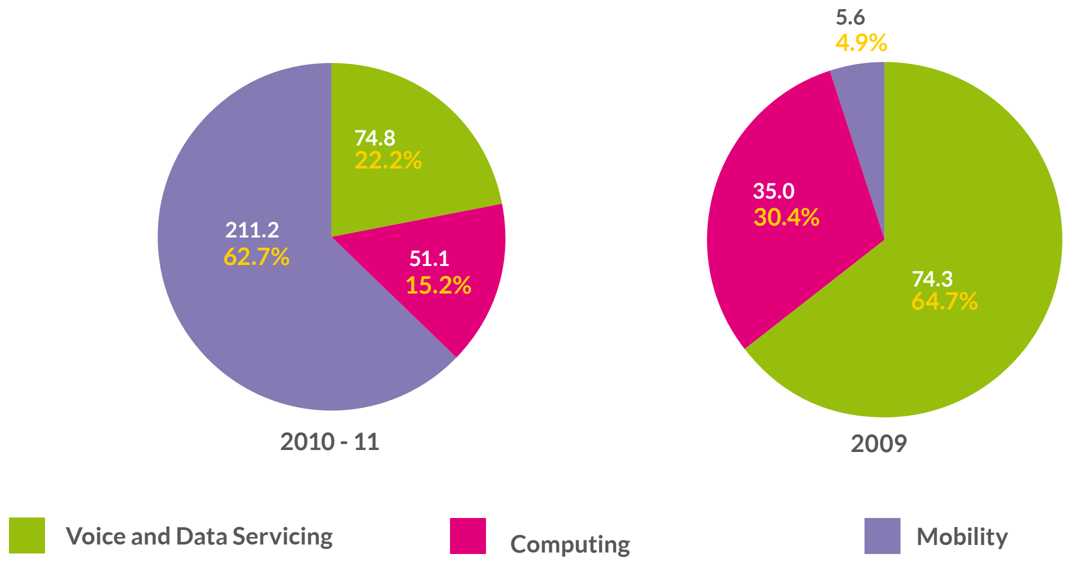
Choon Tee now holds the rank of Lieutenant Colonel in National Service. A combat graduate under the SAF Training Award, he holds a Bachelor of Science (Information Systems & Computer Sciences) from NUS and a Graduate Diploma in Marketing from the Marketing Institute of Singapore.

FINANCIAL HIGHLIGHTS

Revenue (5 years trend)
US$ million



Segmental Revenue
US$ million



CORPORATE GOVERNANCE

Spice 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").

(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 judgment 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 Executive Committee, Audit Committee, Nominating Committee and Remuneration Committee.

Other than the Audit Committee, Nominating Committee and Remuneration Committee which the details are found in page 32 to 38 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	Executive Director	Chairperson
Mr. Vijay Brijendra Chopra	Independent Director	Member
Mr. Thomas Henrik Zilliacus	Lead Independent Director	Member
Ms. Preeti Malhotra	Non Executive and Non Independent Director	Member

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

<u>Executive Committee</u>

Dr. Bhupendra Kumar Modi	Chairman	Chairman
Mr. Dilip Modi	Executive Vice Chairman and Managing Director	Member
Ms. Divya Modi	Executive Director	Member
Dato' Eric Chuah Seong Ling	Executive Director	Member

CORPORATE GOVERNANCE

The Executive Committee provides oversight of the business affairs of the Group. It is empowered to exercise the 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.

The Board meets regularly. During the financial period ended 31 March 2011 ("FY2010-11"), a total of 18 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 FY2010-11, 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	18	18	–	–	–	–	–	–
Dilip Modi *	15	11	–	–	–	–	–	–
Dato' Eric Chuah Seong Ling *	15	13	–	–	–	–	–	–
Divya Modi	18	6	–	–	–	–	–	–
Eileen Tay-Tan Bee Kiew	18	16	9	9	–	–	–	–
Sin Hang Boon	18	13	–	–	6	6	–	–
S Chandra Das **	12	11	–	–	–	–	–	–
Thomas Henrik Zilliacus	18	16	–	–	–	–	2	2
Vijay B. Chopra	18	17	9	9	6	6	2	2
Jai S. Pathak	18	16	9	8	6	6	2	2
Ashok Kumar Goyal #	18	17	–	–	–	–	–	–
Lucas Chow Wing Keung ##	2	0	–	–	–	–	1	0

* *Appointed as Director on 30 April 2010. Total of 15 Board Meetings had been held since 30 April 2010.*

** *Appointed as Director on 31 July 2010. Total of 12 Board Meetings had been held since 31 July 2010.*

\# *Resigned as Director on 31 March 2011. Total of 18 Board Meetings had been held up to the date of his resignation.*

\## *Resigned as Director on 30 April 2010. Total of 2 Board Meetings and 1 Nominating Committee Meeting had been held up to the date of his resignation.*

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.

CORPORATE GOVERNANCE

Board Composition and Guidance

Principle 2: Strong and independent element on the Board

The Board comprises of eleven Directors, five of whom are independent Directors. The Directors of the Company as at the date of this statement are:

1. Dr. Bhupendra Kumar Modi (Chairman)
2. Mr. Dilip Modi (Executive Vice Chairman and Managing Director)
3. Dato' Eric Chuah Seong Ling (Executive Director)
4. Ms. Divya Modi (Executive Director)
5. Mr. Thomas Henrik Zilliacus (Lead Independent Director)
6. Ms. Eileen Tay-Tan Bee Kiew (Independent Director)
7. Mr. Sin Hang Boon (Independent Director)
8. Mr. Vijay Brijendra Chopra (Independent Director)
9. Mr. S Chandra Das (Independent Director)
10. Mr. Jai Swarup Pathak (Non-Executive & Non-Independent Director)
11. Ms. Preeti Malhotra (Non-Executive & Non-Independent 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. Mr. Thomas Henrik Zilliacus ("THZ") has been appointed as Lead Independent Director on 14 May 2011. On 4 April 2011, THZ was appointed as a non-executive independent Director of S Mobility Limited, which is an interested person of Spice i2i Limited. As such, he has/will abstain from both making any recommendation and/or voting on any shareholders' and/or director's resolution that relates to the Spice IPTs, or any other commercial transactions (if any) that the Group might have with S Mobility Limited in future. There are interested person transactions between S Mobility Limited and Spice i2i Limited ("Spice IPTs") and a general mandate for such Spice IPTs had been obtained from shareholders of the Company in the Extraordinary General Meeting held on 23 July 2010. Pursuant to such general mandate, the Group has established guidelines for the review and approval of the Spice IPTs to ensure that the Spice IPTs are carried out at arm's length and on normal commercial terms which are not prejudicial to the interests of the Group and its minority shareholders. Resolution No. 12 for the renewal of the Shareholders' Mandate for the Spice IPTs has been included in the 2011 AGM Notice. The officers and committee of the Group who are involved in the Review Procedures are the AC, the executive directors, the chief executive officer and the chief financial officer of the Company whereby THZ is not involved in the Review Procedures at all.

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 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 are all Independent Directors.

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 Managing Director
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 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 Dilip Modi was appointed to the Board on 30 April 2010 as Director and appointed as Executive Vice Chairman on 1 October 2010. On 14 May 2011, Mr. Dilip Modi was also appointed as the Managing Director of the Company. He is delegated with full executive responsibility for the day-to-day running of the Group's businesses, making operational decisions for the Group and implementing the Group's business directions, strategies and policies. The Company has also appointed Mr. Thomas Henrik Zilliacus as Lead Independent Director to ensure adequate accountability and transparency within the Group.

Each of the Chairman and the Managing Director 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 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 terms of reference, comprises the following Directors as at the date of this report:

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

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

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.

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 provided by Article 99 of the Company's Articles of Association, not subject to retirement while holding that office. Mr. Thomas Henrik Zilliacus and Mrs. Eileen Tay-Tan Bee Kiew 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 Mrs. Eileen Tay-Tan Bee Kiew who is retiring at the forthcoming AGM will not seek re-election. In connection with this, she will cease as the Chairman of AC upon her retirement as Director of the Company at the forthcoming AGM.

CORPORATE GOVERNANCE

Ms. Preeti Malhotra, who is newly appointed on 14 May 2011 is due for re-election at the forthcoming AGM pursuant to Article 108 of the Company's Articles of Association.

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. Sin Hang Boon and Mr. S Chandra Das are both subject to retirement and re-appointment pursuant to Section 153(6) of the Act. The NC and the Board were informed that Mr. Sin Hang Boon who is retiring at the forthcoming AGM will not seek re-election. In connection with this, he will cease as the member of the AC and RC upon his retirement as Director of the Company at the forthcoming AGM.

All re-elections and re-appointments 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.

Key information of the Directors are set out in the following pages of the Annual Report: academic and professional qualifications are set out on page 22 to 25 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 Last Re-election	Date of Initial Appointment
Dr. Bhupendra Kumar Modi	63	Chairman & Non-Executive Director	30 April 2010	31 August 2009
Dilip Modi	37	Executive Vice Chairman & Managing Drector	–	30 April 2010
Dato' Eric Chuah Seong Ling	36	Executive Director	–	30 April 2010
Divya Modi	28	Executive Director	30 April 2010	31 August 2009
Thomas Henrik Zilliacus	58	Lead Independent Director	17 April 2007	28 February 2002
Eileen Tay-Tan Bee Kiew	59	Independent Director	21 April 2009	2 October 2002
Sin Hang Boon	73	Independent Director	30 April 2010	9 June 2003
Vijay Brijendra Chopra	53	Independent Director	30 April 2010	14 October 2009
S Chandra Das	72	Independent Director	–	31 July 2010
Preeti Malhotra	46	Non-Executive & Non-Independent Director	–	14 May 2011
Jai Swarup Pathak	52	Non-Executive & Non-Independent Director	30 April 2010	14 October 2009

Information on the shareholdings in the Company of each Director is set out on page 42 to 45 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.

CORPORATE GOVERNANCE

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 also responsible for good information flow within and between the Board, the Board committees and the Senior Management. 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

Remuneration Committee ("RC")

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

Mr. Vijay Brijendra Chopra	Independent Director	Chairman
Mr. Sin Hang Boon	Independent Director	Member
Ms. Preeti Malhotra	Non-Executive & Non-Independent Director	Member

All the members of the RC are non-executive and the majority of the RC members including the Chairman are Independent Directors.

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.

The Company adopts long-term incentive schemes such as Employee Share Option Scheme ("ESOS") and performance shares schemes pursuant to the Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") that reward Directors and employees who contribute to the Group and are valuable to retain, using vesting schedules.

Ms. Divya Modi and Dato' Chuah Seong Ling, have each entered into a service agreement with the Company in which the terms of their employment are 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, both of them will be paid an incentive bonus based on achievement of goals set by Management and Executive Committee and subject to approval of Executive Committee, RC and the Board of Directors. Both Ms. Divya Modi and Dato' Chuah Seong Ling do not receive any Directors' fees.

Save as disclosed, all other Directors have no service contracts, and their remuneration packages consist of Directors' fees component based on the Directors' fee policy, share options component pursuant to the ESOS, RSP and PSP. 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.

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 FY2010-11.

	Fees %	Salary %	Bonus %	Share-based Payment%	Total %
S$250,000 and below					
Dr. Bhupendra Kumar Modi	100%	–	–	–	100%
Divya Modi	100%	–	–	–	100%
Dilip Modi	100%	–	–	–	100%
Dato Eric Chuah	–	100%	–	–	100%
Ashok Kumar Goyal	–	100%	–		100%
Thomas Henrik Zilliacus	100%	–	–		100%
Eileen Tay-Tan Bee Kiew	100%	–	–		100%
Sin Hang Boon	100%				100%
Vijay Brijendra Chopra	100%				100%
Jai Swarup Pathak	100%				100%
S Chandra Das	100%				100%
Lucas Chow Wing Keung	100%				100%

Information on the Group's ESOS, RSP and PSP is set out in the Directors' Report on pages 44 to 46 of Directors' Report.

CORPORATE GOVERNANCE

The remuneration of the top 5 key executive (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 financial year ended 31 March 2011

(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 shareholder confidence and trust in our capability and integrity.

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:

Mrs. Eileen Tay-Tan Bee Kiew	Independent Director	Chairperson
Mr. Vijay Brijendra Chopra	Independent Director	Member
Mr. Jai Swarup Pathak	Non-Executive & Non-Independent Director	Member
Mr. Sin Hang Boon	Independent Director	Member
Ms. Preeti Malhotra	Non-Executive & Non-Independent Director	Member

All the members of the AC are non-executive and the majority of the AC members 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 nine meetings during the year. The number of the Directors' participation and attendance at the AC meetings held during the FY2010-11 can be found in page 30 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.

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;

CORPORATE GOVERNANCE

(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.

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 through the AC and the Management, considers that the Group's framework of internal controls and procedures is adequate to provide reasonable assurance of integrity, confidentiality and availability of critical information and the effectiveness and efficiency of operations, safeguarding of assets and compliance with rules and regulations. It is also satisfied that problems are identified on a timely basis and there is in place a process for follow up actions to be taken promptly to minimise unnecessary lapses.

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:

a) 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;

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

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

d) the website of the Company (www.spicei2i.com) at which shareholders and the public may access information on the Group;

e) 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 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
(Listing Manual Rule 1207(4)(d))

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 Board of Directors.

(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 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(18))

In line with the recommended practices on dealings in securities set out under Rule 1207(18) 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.

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 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 31 March 2011.

Directors

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

Dr. Bhupendra Kumar Modi	
Divya Modi	
Thomas Henrik Zilliacus	
Eileen Tay-Tan Bee Kiew	
Vijay Brijendra Chopra	
Sin Hang Boon	
Jai Swarup Pathak	
Dilip Modi	(Appointed on 30 April 2010)
Dato' Chuah Seong Ling	(Appointed on 30 April 2010)
S Chandra Das	(Appointed on 31 July 2010)
Preeti Malhotra	(Appointed on 14 May 2011)

Change of financial year end

The Company's financial year end was changed from 31st December to 31st March during the current financial period.

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, 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 period or date of appointment	At the end of financial period	At the beginning of financial period or date of appointment	At the end of financial period
Spice i2i Limited					
Ordinary shares					
Dr Bhupendra Kumar Modi ("Dr. BK Modi")	(a), (e)	–	–	278,681,860	565,963,720
Dilip Modi ("Dilip")	(b)	–	–	187,912,767	375,825,534
Divya Modi ("Divya")	(c)	–	–	187,912,767	375,825,534
Thomas Henrik Zilliacus		600,000	1,200,000	–	–
Eileen Tay-Tan Bee Kiew ("Eileen")	(d)	617,523	1,235,046	462,500	925,000
Sin Hang Boon		455,145	910,290	–	–
Ashok Kumar Goyal		2,050,000	2,050,000	–	–
Dato' Chuah Seong Ling		102,840,466	205,680,932	–	–
S Chandra Das		1,000,000	2,000,000	–	–

Notes:

(a) Dr BK Modi is deemed to be interested in 565,963,720 ordinary shares comprising the following:

i. 375,825,534 shares held directly by Spice Innovative Technologies Pvt Ltd as Spice Innovative Technologies Pvt Ltd is controlled by Dr BK Modi;
ii. 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;
iii. 17,274,000 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
iv. 8,600,000 Shares held directly by Innovative Management Pte Ltd as Innovative Management Pte Ltd is wholly-owned by Dr BK Modi.

(b) Dilip is deemed to have an interest 375,825,534 shares through Spice Innovative Technologies Pvt Ltd as Spice Innovative Technologies Pvt Ltd is controlled by Dr B K Modi.

(c) Divya is deemed to have an interest 375,825,534 shares through Spice Innovative Technologies Pvt Ltd as Spice Innovative Technologies Pvt Ltd is controlled by Dr B K Modi.

(d) Eileen is deemed to be interested in 925,000 shares that are held directly by her spouse.

(e) S Global Holdings Pte Ltd is deemed to be interested in 393,099,534 shares comprising the following:

i. 375,825,534 shares indirectly held through Spice Innovative Technologies Pvt Ltd; and
ii. 17,274,000 shares held directly by Spice Bulls Pte Ltd as Spice Bulls Pte Ltd is wholly-owned directly by S Global Holdings Pte Ltd.

Directors' interest in shares and debentures (cont'd)

Name of Director	Direct interest: At the beginning of financial period or date of appointment	Direct interest: At the end of financial period	Deemed interest: At the beginning of financial period or date of appointment	Deemed interest: At the end of financial period
Options to subscribe for ordinary shares at S$0.0857 per share				
Thomas Henrik Zilliacus	187,355	196,277	–	–
Options to subscribe for ordinary shares at S$0.1294 per share				
Thomas Henrik Zilliacus	222,752	233,359	–	–
Options to subscribe for ordinary shares at S$0.1680 per share				
Thomas Henrik Zilliacus	222,752	233,359	–	–
Options to subscribe for ordinary shares at S$0.2708 per share				
Eileen Tay-Tan Bee Kiew	334,128	350,039	–	–
Sin Hang Boon	334,128	350,039	–	–
Options to subscribe for ordinary shares at S$0.3016 per share				
Thomas Henrik Zilliacus	300,000	314,286	–	–

There was no change in any of the above-mentioned interests between the end of the financial period and 21 April 2011.

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' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, 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.

DIRECTORS' REPORT

Options

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

(a) 1999 Spice i2i Employees' Share Option Scheme

In September 1999, the Company adopted an employee share option scheme ("1999 Spice 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)
Sin Hang Boon	
Preeti Malhotra	(Appointed on 14 May 2011)

There is no option to subscribe for ordinary shares of the Company pursuant to the 1999 Spice i2i Employees' Share Option Scheme as at 31 March 2011.

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

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

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

No other Directors as at 31 March 2011 were granted options under this Scheme and no participant received 5% or more of the total options available under the Scheme.

(b) 1999 Spice 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 is 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.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the 1999 Spice i2i Employees' Share Option Scheme II outstanding as at 31 March 2011 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
27 April 2016	0.2708	700,078
30 October 2017	0.2253	173,513
27 February 2019	0.0592	523,811
		2,374,683

Options (cont'd)

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

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
Name of Director			
Thomas Henrik Zilliacus	977,281	–	977,281
Eileen Tay-Tan Bee Kiew	350,039	–	350,039
Sin Hang Boon	350,039	–	350,039

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 (2009: 2,200,000). Aggregate options of 33,759,167 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 Spice 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) Spice i2i Restricted Share Plan ("Spice i2i RSP") and Spice i2i Performance Share Plan ("Spice i2i PSP")

Objectives

The Spice i2i RSP and Spice 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 Spice i2i Ltd or associates (as defined in the Listing Manual) of such controlling shareholders, shall be eligible to participate in both Spice i2i RSP and Spice 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 Spice i2i RSP and Spice 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 Spice i2i RSP and Spice 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 Spice i2i RSP and Spice i2i PSP to the same participant simultaneously. No minimum vesting periods are prescribed under both Spice i2i RSP and Spice 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 Spice i2i RSP and Spice 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 2010-11, Nil (2009: 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 (2009: 48,000) performance shares previously granted had lapsed.

Audit Committee

The Audit Committee ("AC") comprises the following three independent Non-Executive Directors and two non-independent and Non-Executive Director:

Eileen Tay-Tan Bee Kiew	(Chairperson)
Jai Swarup Pathak	
Vijay Brijendra Chopra	
Sin Hang Boon	(Appointed on 14 May 2011)
Preeti Malhotra	(Appointed on 14 May 2011)

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 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 31 March 2011, as well as the external auditors' report thereon.

The AC held nine meetings during the financial period ended 31 March 2011.

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,

Divya Modi
Director

Preeti Malhotra
Director

24 June 2011

STATEMENT BY DIRECTORS

We, Divya Modi and Preeti Malhotra, being two of the Directors of 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, consolidated 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 31 March 2011 and the results of the business, changes in equity and cash flows of the Group 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 24 June 2011.

On behalf of the Board of Directors,

Divya Modi
Director

Preeti Malhotra
Director

24 June 2011

INDEPENDENT AUDITORS' REPORT

To the Members of Spice i2i Limited
For the financial period ended 31 March 2011

Report on the consolidated financial statements

We have audited accompanying financial statements of Spice i2i Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 March 2011, 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 then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 31 March 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the period ended on that date.

INDEPENDENT AUDITORS' REPORT

To the Members of Spice i2i Limited
For the financial period ended 31 March 2011

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

24 June 2011

BALANCE SHEETS

As at 31 March 2011

Amounts in United States dollars unless otherwise stated

	Note	Group		Company	
		31.3.2011 $'000	31.12.2009 $'000	31.3.2011 $'000	31.12.2009 $'000
Share capital and reserves					
Share capital	3	288,061	168,534	288,061	168,534
Accumulated losses	4	(71,383)	(70,268)	(84,811)	(76,934)
Other reserves	5	1,716	(80)	(3,209)	(80)
Translation reserve	6	9,552	2,951	32	28
Total equity		227,946	101,137	200,073	91,548
Non-current assets					
Property, plant and equipment	7	11,625	4,563	847	1,216
Intangible assets	8	103,512	18,486	1,819	556
Investment in subsidiaries	9	–	–	93,873	24,673
Investment in associates	10	406	463	432	479
Investment in long-term bonds	11	–	3,300	–	3,300
Investment securities, non-current	12	3,708	3,905	3,708	3,905
Long-term loans and advances to subsidiaries	13	–	–	3,604	1,214
Deferred tax assets	23	4,405	–	–	–
Trade debtors, non-current	14	292	488	–	–
Other debtors and deposits, non-current	16	341	–	–	–
		124,289	31,205	104,283	35,343
Current assets					
Stocks	15	23,846	7,487	238	266
Trade debtors, current	14	52,955	16,327	11,192	6,866
Other debtors and deposits, current	16	20,592	1,792	9,648	577
Prepayments	17	2,837	4,499	786	2,378
Due from subsidiaries	18	–	–	28,604	4,572
Due from associates	18	60	28	60	28
Investment in short-term bonds	11	–	4,184	–	4,184
Investment securities, current	12	–	54,688	–	54,688
Cash and bank deposits pledged	19	2,995	147	–	–
Cash and cash equivalents	19	86,764	18,338	77,805	4,590
		190,049	107,490	128,333	78,149
Current liabilities					
Trade creditors		10,720	11,860	3,758	6,704
Other creditors and accruals, current	20	25,217	8,619	11,264	3,625
Deferred revenue		4,019	6,180	1,115	2,636
Lease obligations, current	21	1,388	1,035	–	–
Loans and bank borrowings, current	22	23,037	4,246	–	–
Due to subsidiaries	18	–	–	8,869	8,957
Due to associates	18	128	22	128	22
Tax payable		681	376	–	–
		65,190	32,338	25,134	21,944
Net current assets		124,859	75,152	103,199	56,205
Non-current liabilities					
Deferred tax liabilities	23	9,430	1,715	–	–
Lease obligations, non-current	21	677	834	–	–
Loans and bank borrowings, non-current	22	3,590	2,671	–	–
Provision for employee benefits		96	–	–	–
Other creditors and accruals, non-current	20	7,409	–	7,409	–
		21,202	5,220	7,409	–
Net assets		227,946	101,137	200,073	91,548

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

CONSOLIDATED INCOME STATEMENT

For the period ended 31 March 2011
Amounts in United States dollars unless otherwise stated

	Note	Group	
		Period from 1.1.2010 to 31.3.2011	Year ended 31.12.2009
		$'000	$'000
Turnover	24	337,138	114,963
Other income	25	5,062	6,807
Costs and expenses			
Direct service fees incurred and cost of goods sold		(259,022)	(62,596)
Commissions and other selling expenses		(18,091)	(25,660)
Personnel costs	26	(31,195)	(15,418)
Infrastructure costs		(7,040)	(4,049)
Depreciation of property, plant and equipment	7	(5,129)	(3,452)
Amortisation of intangible assets	8	(6,406)	(1,417)
Marketing expenses		(5,822)	(1,931)
Foreign exchange gain		8,986	272
Finance costs		(2,245)	(323)
Other expenses	27	(16,734)	(5,453)
Share of results of associates		(57)	18
(Loss)/profit before taxation		(555)	1,761
Taxation	28	1,038	(20)
Profit for the period/year		483	1,741
(Loss)/profit for the period/year attributable to:			
Owners of the parent		(135)	1,741
Non-controlling interest		618	–
Total		483	1,741
(Loss)/earnings per share attributable to owners of the parent (cents per share)			
- Basic	29	(0.01)	0.12
- Diluted	29	(0.01)	0.12

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2011
Amounts in United States dollars unless otherwise stated

	Group	
	Period from 1.1.2010 to 31.3.2011	Year ended 31.12.2009
	$'000	$'000
Profit for the period/year	483	1,741
Other comprehensive income:		
Foreign currency translation	8,016	799
Net gain on fair value changes of available-for-sale financial assets	25	34
Other comprehensive income for the period/year, net of tax	8,041	833
Total comprehensive income for the period/year	8,524	2,574
Total comprehensive income attributable to:		
Owners of the parent	6,491	2,574
Non-controlling interest	2,033	–
	8,524	2,574

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2011
Amounts in United States dollars unless otherwise stated

	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
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2011							
Group							
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
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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2011
Amounts in United States dollars unless otherwise stated

	Share capital (Note 3) $'000	Accumulated losses (Note 4) $'000	Other reserves (Note 5) $'000	Translation reserve (Note 6) $'000	Total $'000
2009					
Group					
Balance at 1 January 2009	161,723	(72,009)	564	2,152	92,430
Profit for the year	–	1,741	–	–	1,741
Other comprehensive income					
Foreign currency translation	–	–	–	799	799
Net gain on fair value of available for sale financial assets	–	–	34	–	34
Other comprehensive income for the period, net of tax	–	–	34	799	833
Total comprehensive income for the year	–	1,741	34	799	2,574
Contributions by and distributions to owners					
Exercise of employee share options	6,811	–	(685)	–	6,126
Value of employee services received	–	–	7	–	7
Total contributions by and distributions to owners	6,811	–	(678)	–	6,133
Balance at 31 December 2009	168,534	(70,268)	(80)	2,951	101,137

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

CONSOLIDATED
CASH FLOW STATEMENT

For the period ended 31 March 2011
Amounts in United States dollars unless otherwise stated

	Note	Period from 1.1.2010 to 31.3.2011 $'000	Year ended 31.12.2009 $'000
Cash flows from operating activities			
(Loss)/profit before taxation		(555)	1,761
Adjustments for:			
Allowance for doubtful trade debts		505	242
Allowance for doubtful non-trade debts		56	263
Amortisation of intangible assets	8	6,406	1,417
Depreciation of property, plant and equipment	7	5,129	3,452
Net fair value gain on investment securities		(965)	(831)
Gain on bargain purchase		(1,150)	(4,476)
Gain on disposal of property, plant and equipment		(93)	(82)
Gain on disposal of investment in bonds		(176)	–
Impairment loss on quoted equity investment		59	–
Loss on disposal of an unquoted equity investment		–	4
Interest expenses on borrowings		2,245	323
Interest income from bonds and investment securities		(1,021)	(910)
Property, plant and equipment written off		18	57
Provision for employee benefits		10	–
Share of results of associates		57	(18)
Share-based payments		27	7
Write-back of allowance for doubtful trade debts		(128)	(129)
Write-down of stocks		430	298
Translation differences		1,103	332
Operating cash flows before working capital changes		11,957	1,710
Increase in stocks		(10,640)	(3,141)
(Increase)/decrease in trade debtors		(28,987)	810
(Increase)/decrease in other debtors and deposits		(11,499)	35
Decrease/(increase) in prepayments		1,771	(657)
Decrease in amount due from associates		74	391
(Decrease)/increase in trade creditors		(22,124)	901
Increase/(decrease) in other creditors and accruals		8,294	(4,892)
Decrease in deferred revenue		(3,001)	(2,595)
Cash flows used in operating activities		(54,155)	(7,438)
Interest paid		(2,245)	(323)
Income tax paid		(1,963)	(219)
Net cash flows used in operating activities		(58,363)	(7,980)

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

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 March 2011
Amounts in United States dollars unless otherwise stated

	Note	Period from 1.1.2010 to 31.3.2011	Year ended 31.12.2009
		$'000	$'000
Cash flows from investing activities			
Interest income received from bonds and investment securities		1,403	1,050
Net cash inflow on acquisition of subsidiary(Bharat IT)		–	2,384
Net cash inflow on acquisition of subsidiary (Spice BPO)	9	1,362	–
Net cash outflow on acquisition of subsidiary (Newtel)	9	(1,709)	–
Acquisition of certain intangible assets of DEC and certain companies controlled by him	9	(10,000)	–
Capital injection by non-controlling interest		25	–
Proceeds from disposal of investment securities		–	105
Proceeds from disposal of property, plant and equipment		298	93
Proceeds from redemption of short-term bonds		4,732	300
Proceeds from redemption of investment securities		56,243	–
Proceeds from redemption of long-term bonds		2,904	1,000
Additions to intangible assets	8	(2,247)	(284)
Purchase of investment securities		–	(49,789)
Purchase of property, plant and equipment		(4,116)	(2,757)
Net cash flows generated from/(used in) investing activities		48,895	(47,898)
Cash flows from financing activities			
Acquisition of non-controlling interest in Spice-CSL	9	(12,400)	–
Dividends paid on ordinary shares		(980)	–
(Increase)/decrease in cash and bank deposits pledged		(2,848)	807
(Repayment of)/proceeds from loans		(7,437)	3,565
(Repayment of)/proceeds from bank borrowings		(2,712)	1,972
Net proceeds received from rights issue		97,988	–
Loan provided by a Director		8,451	–
Proceeds from exercise of employee share options		4	6,126
Repayment of obligations obtained under finance leases		(2,172)	(408)
Net cash flows generated from financing activities		77,894	12,062
Net increase/(decrease) in cash and cash equivalents		68,426	(43,816)
Cash and cash equivalents at beginning of period/year		18,338	62,154
Cash and cash equivalents at end of period/year	19	86,764	18,338

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011
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1. Corporate information

The financial statements of Spice i2i Limited (formerly known as MediaRing Ltd) (the "Company") for the period ended 31 March 2011 were authorised for issuance in accordance with a Directors' resolution dated 24 June 2011.

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 750A, Chai Chee Road, #05-01 Technopark @ Chai Chee, Singapore 469001.

The principal activities of the Company are rendering of telecommunication services and research & development, distribution of telecommunication handset, 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.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial period, 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 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

<u>FRS 103 *Business Combinations* (revised) and FRS 27 *Consolidated and Separate Financial Statements* (revised)</u>

The revised FRS 103 *Business Combinations* and FRS 27 *Consolidated and Separate Financial Statements* are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

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

2.2 *Changes in accounting policies (cont'd)*

FRS 103 *Business Combinations* (revised)

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;
- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;
- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and
- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

FRS 27 *Consolidated and Separate Financial Statements* (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;
- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and
- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

Prior to adoption of the revised FRS 27, the Group's accounting policy is to recognise goodwill arising on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011
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2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

FRS 27 *Consolidated and Separate Financial Statements* (revised) (cont'd)

The effects of the adoption of the revised FRS 27 on the Group's consolidated financial statements, relating to the acquisition of additional 35% equity interest in Spice-CSL Pte Ltd from its non-controlling interests on 2 February 2011 (Note 9) are as follows:

	Group 2011 $'000
Increase/(decrease) in:	
Consolidated balance sheet	
Other reserves – Reserve on acquisition of non-controlling interest	4,925

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendment to FRS 32, Financial Instruments: Presentation - Classification of Rights Issues	1 February 2010
Amendment to FRS 101, First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 107, Disclosures for First-time Adopters	1 July 2010
INT FRS 119, Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Revised FRS 24, Related Party Disclosures	1 January 2011
INT FRS 115, Agreements for the Construction of Real Estate	1 January 2011
Amendments to INT FRS 114, Prepayments of a Minimum Funding Requirement	1 January 2011
Amendment to FRS 101, First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendment to FRS 107 Disclosures – Transfers of Financial Assets	1 July 2011
Amendments to FRS 12 Deferred Tax – Recovery of Underlying Assets	1 January 2012
Improvements to FRSs issued in 2010:	
- *Amendments to FRS 101, First-time Adoption of Financial Reporting Standards*	1 January 2011
- *Amendments to FRS 103, Business Combinations*	1 July 2010
- *Amendments to FRS 107, Financial Instruments: Disclosures*	1 January 2011
- *Amendments to FRS 1, Presentation of Financial Statements*	1 January 2011
- *Transition requirements for amendments arising as a result of FRS 27, Consolidated and Separate Financial Statements*	1 July 2010
- *FRS 34, Interim Financial Reporting*	1 January 2011
- *INT FRS 113, Customer Loyalty Programmes*	1 January 2011

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

2.3 *Standards issued but not yet effective (cont'd)*

Except for the revised FRS 24, the Directors expect that the adoption of the other 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 24 is described below.

Revised FRS 24 *Related Party Disclosures*

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

Amendment to FRS 32 *Financial Instruments: Presentation – Classification of Rights Issue*

The Amendment to FRS 32 Financial Instruments – Classification of Rights Issues is applicable for annual periods beginning on or after 1 February 2010. On 1 January 2010, the Group early adopted the Amendment to FRS 32 and applied the amendment retrospectively.

The Amendment to FRS 32 addresses the accounting for rights issues (rights, options, or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amendment states that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount of any currency are equity instruments, regardless of the currency in which the exercise price is denominated if the entity offers the rights, options, or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

On 15 June 2010, the Group offered all of its existing ordinary shareholders the rights to acquire one new ordinary share for every one ordinary shares held. The exercise price of the rights share is S$0.10 per share. A total of 1,371,206,221 rights were offered. The rights expired on 29 July 2010 and were fully subscribed on that date.

With the early adoption of Amendment to FRS 32, the rights issued in Singapore Dollar was classified as equity instruments. Hence, no derivatives or gain or loss would be recognised in respect of the rights.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011
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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 31 March 2011 are approximately \$11,625,000 and \$847,000 (2009: \$4,563,000 and \$1,216,000) 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 31 March 2011 are approximately \$37,809,000 and \$1,819,000 (2009: \$7,462,000 and \$556,000) 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.

- **Share-based payments**

  The Group complies with FRS 102, Share-based Payment, where equity-settled share-based payments are measured at fair value at the date of grant and expensed over the expected vesting period. The carrying amount of the Group's and the Company's employee share-based payment reserve at 31 March 2011 is approximately \$207,000 (2009: \$182,000). At each balance sheet date, the Group revises estimates of the number of share options and performance shares that are expected to vest based on non-market vesting conditions.

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

2.4 *Significant accounting estimates and judgements (cont'd)*

(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:

- **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.

- **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 $1,248,000 (2009: $151,000).

- **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 charges 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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011
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2. Summary of significant accounting policies (cont'd)

2.4 *Significant accounting estimates and judgements (cont'd)*

(b) Critical judgement made in applying accounting policies (cont'd)

- **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.

(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 be remeasured until it is finally settled within equity.

NOTES TO THE FINANCIAL STATEMENTS

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

2.5 *Investment in subsidiaries (cont'd)*

(b) Basis of consolidation (cont'd)

Business combinations from 1 January 2010 (cont'd)

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011
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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 (cont'd)

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect the fair values, or recognise any new assets or liabilities.
- No goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

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 2.19; or
- 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.

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.

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, investment in associates are accounted for at cost less impairment losses.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011
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2. Summary of significant accounting policies (cont'd)

2.8 *Foreign currency (cont'd)*

(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 balance sheet date. 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 are 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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 2.21.

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 - 5 years
Motor vehicles	3 - 5 years
Leasehold improvements	3 - 5 years (or period of lease whichever is the shorter)
Leasehold lands and buildings	10 – 90 years

Computer equipment include 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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011
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2. Summary of significant accounting policies (cont'd)

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 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.

(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.

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

2.10 *Intangible assets (cont'd)*

(b) Other intangible assets (cont'd)

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 but 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.

(ii) Customer contracts, order backlog and 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.

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

2.11 *Financial assets*

Initial recognition and measurement

Financial assets 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 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.

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.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

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.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(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.

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

2.11 *Financial assets (cont'd)*

(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.

(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.

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

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.

(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.

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 *Bonds*

Quoted bonds intended to be held to maturity are classified as held-to-maturity investments under FRS 39, while other quoted bonds which are not identified as held-to-maturity investments are classified as available-for-sale financial assets under FRS 39.

The accounting policy for this category of financial assets is stated in Note 2.11.

2.14 *Investment securities*

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.15 *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.

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.

2.16 *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.

2.17 *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.

2.18 *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 2.22.

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.

2.19 *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 expense finance cost.

NOTES TO THE FINANCIAL STATEMENTS

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

2.20 *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.21 *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.

2.22 *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 and in the case of other financial liabilities, plus directly attributable transaction costs.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling 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. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

2.22 *Financial liabilities (cont'd)*

Subsequent measurement (cont'd)

Financial liabilities at fair value through profit or loss (cont'd)

Subsequent to initial recognition, financial liabilities 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 liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

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.

2.23 *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 asset or the arrangement conveys a right to use the asset. 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.

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

2.23 *Leases (cont'd)*

(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.

2.24 *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 groups 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.

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.

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

2.25 *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 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 2.28.

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.
- 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.

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

2.25 *Revenue recognition (cont'd)*

(b) Computing (cont'd)

- 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 and management fees income are recognised on an accrual basis.

2.26 *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.

(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.

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

2.26 *Employee benefits (cont'd)*

(c) Employee equity compensation benefits (cont'd)

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 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.

2.27 *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)

2.27 *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 by the balance sheet date.

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.

(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.

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

2.28 *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;

  (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.

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

2.28 *Segment reporting (cont'd)*

(a) Operating Segments (cont'd)

- Mobility, comprising:

  (i) Sales of mobile handsets, related accessories and services.

- Others, comprising:

  Included in others are 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. Because of the nature of its business, the Group is unable to determine the exact location of its customers. Hence, 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.

2.29 *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.

2.30 *Contingencies*

A contingent liability or asset is:

(a) a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of 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.

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3. Share capital

	Group and Company	
	31.3.2011 $'000	31.12.2009 $'000
Issued and fully paid up:		
At beginning of period/year - 1,268,365,755 (2009: 1,202,990,947) ordinary shares	168,534	161,723
Issued for acquisition of certain intangible assets - 102,840,466 (2009: Nil) ordinary shares (Note 9)	18,354	–
Issued for rights issue in August 2010 - 1,371,206,221 (2009: Nil) ordinary shares	101,167	–
Exercise of employee share options - 77,976 (2009: 65,374,808) ordinary shares	4	6,126
Transfer from employee share-based payment reserve	2	685
At end of period/year - 2,742,490,418 (2009: 1,268,365,755) ordinary shares	288,061	168,534

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 15 June 2010 announced that the Company would be undertaking a renounceable rights issue ("2010 Rights Issue") of up to 1,371,206,221 new ordinary shares in the capital of the Company at an issue price of S$0.10 for each right share on the basis of one rights share for every one existing ordinary shares in the Company held by the shareholders on 27 July 2010. The 2010 Rights Issue was completed on 26 August 2010 with the listing and quotation of 1,371,206,221 rights shares on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

As at 31 March 2011, the net proceeds from the 2010 Rights Issue have been utilised as follows:

	Amount 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 part of the Group's working capital	33.9
Balance of net proceeds from 2010 Rights Issue unutilised	47.3

3. Share capital (cont'd)

The Company announced on 25 January 2011 that it would carry out a renounceable underwritten rights issue (the "2011 Rights Issue") of up to 2,744,524,562 new ordinary shares in the capital of the Company. On 3 May 2011, 2,742,490,418 Rights Shares were allotted and issued. Details of the 2011 rights issue are set out in Note 39.

4. Accumulated losses

	Group		Company	
	31.3.2011 $'000	31.12.2009 $'000	31.3.2011 $'000	31.12.2009 $'000
At beginning of period/year	(70,268)	(72,009)	(76,934)	(78,317)
(Loss)/profit for the period/year	(135)	1,741	(6,897)	1,383
Dividends paid (Note 38)	(980)	–	(980)	–
At end of period/year	(71,383)	(70,268)	(84,811)	(76,934)

5. Other reserves

	Group		Company	
	31.3.2011 $'000	31.12.2009 $'000	31.3.2011 $'000	31.12.2009 $'000
Reserve on acquisition of non-controlling interest	4,925	–	–	–
Fair value adjustment reserve	(17)	(42)	(17)	(42)
Employee share-based payment reserve	207	182	207	182
Share issue cost	(3,399)	(220)	(3,399)	(220)
Total other reserves	1,716	(80)	(3,209)	(80)

(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 the remaining non-controlling interest.

	Group	
	31.3.2011 $'000	31.12.2009 $'000
At beginning of period/year	–	–
Discount on acquisition of non-controlling interest (Note 9)	4,925	–
At end of period/year	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	
	31.3.2011	31.12.2009
	$'000	$'000
At beginning of period/year	(42)	(76)
Net change in the reserve	25	34
At end of period/year	(17)	(42)
Net change in the reserve arises from:		
- Net (loss)/gain on fair value changes during the period	(34)	34
- Recognised in the profit or loss: Impairment loss on quoted equity investment	59	–
At end of period/year	25	34

(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	
	31.3.2011	31.12.2009
	$'000	$'000
At beginning of period/year	182	860
Transfer to share capital	(2)	(685)
Value of employee services received	27	7
At end of period/year	207	182

(d) Share issue cost

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

	Group and Company	
	31.3.2011	31.12.2009
	$'000	$'000
At beginning of period/year	(220)	(220)
Capitalisation of rights issue cost	(3,179)	–
At end of period/year	(3,399)	(220)

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6. Translation reserve

	Group		Company	
	31.3.2011 $'000	31.12.2009 $'000	31.3.2011 $'000	31.12.2009 $'000
At beginning of period/year	2,951	2,152	28	18
Net effect of exchange differences	6,601	799	4	10
At end of period/year	9,552	2,951	32	28

7. Property, plant and equipment

	Furniture, fixtures and fittings $'000	Computer equipment $'000	Office equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Leasehold Land and building $'000	Total $'000
Group							
Cost							
At 1 January 2009	922	21,147	660	54	150	–	22,933
Additions	17	2,735	5	–	–	–	2,757
Arising from acquisition of a subsidiary	2	48	–	–	–	–	50
Disposals/write-offs	(84)	(2,618)	(126)	(39)	(145)	–	(3,012)
Net exchange differences	12	250	2	–	–	–	264
At 31 December 2009 and 1 January 2010	869	21,562	541	15	5	–	22,992
Additions	246	2,961	331	–	58	520	4,116
Arising from acquisition of subsidiaries (Note 9)	1,285	2,297	5,204	288	1,637	2,608	13,319
Disposals/write-offs	(115)	(1,593)	(275)	–	(5)	–	(1,988)
Net exchange differences	99	1,369	177	–	35	70	1,750
At 31 March 2011	2,384	26,596	5,978	303	1,730	3,198	40,189
Accumulated depreciation							
At 1 January 2009	807	16,092	611	54	149	–	17,713
Depreciation charge for the year	81	3,348	23	–	–	–	3,452
Arising from acquisition of a subsidiary	–	19	–	–	–	–	19
Disposals/write-offs	(83)	(2,557)	(121)	(39)	(145)	–	(2,945)
Net exchange differences	13	176	1	–	–	–	190
At 31 December 2009 and 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
Arising from acquisition of subsidiaries (Note 9)	551	1,446	2,703	112	484	177	5,473
Disposals/write-offs	(110)	(1,540)	(109)	–	(5)	–	(1,764)
Net exchange differences	79	1,075	114	1	20	8	1,297
At 31 March 2011	1,542	21,717	3,997	153	848	307	28,564
Net carrying amount							
At 31 December 2009	51	4,484	27	–	1	–	4,563
At 31 March 2011	842	4,879	1,981	150	882	2,891	11,625

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

Assets held under finance lease

During the financial period, the Group acquired property, plant and equipment with an aggregate fair value of $Nil (2009: $731,000) by means of a finance lease.

The carrying amount of property, plant and equipment held under finance lease as at 31 March 2011 was $1,321,000 (2009: $1,154,000). The leased asset is pledged as security for the related finance liability.

	Furniture, fixtures and fittings	Computer equipment	Office equipment	Leasehold improvement	Total
	$'000	$'000	$'000	$'000	$'000
Company					
Cost					
At 1 January 2009	228	6,957	328	–	7,513
Additions	–	349	3	–	352
Disposals	–	(25)	(4)	–	(29)
At 31 December 2009 and 1 January 2010	228	7,281	327	–	7,836
Additions	45	319	3	44	411
Disposals	–	(130)	–	–	(130)
At 31 March 2011	273	7,470	330	44	8,117
Accumulated depreciation					
At 1 January 2009	186	5,059	304	–	5,549
Depreciation charge for the year	24	1,058	11	–	1,093
Disposals	–	(21)	(1)	–	(22)
At 31 December 2009 and 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	233	6,700	325	12	7,270
Net carrying amount					
At 31 December 2009	18	1,185	13	–	1,216
At 31 March 2011	40	770	5	32	847

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8. Intangible assets

	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
Group								
Cost								
At 1 January 2009	10,762	1,906	1,681	476	1,491	–	–	16,316
Additions	–	133	–	–	–	–	151	284
Arising from acquisition of a subsidiary	–	26	5,772	–	–	–	–	5,798
Adjustment to intangible assets arising from acquisition of a subsidiary in the prior year	(13)	–	–	–	(40)	–	–	(53)
Net exchange differences	275	9	–	–	11	–	–	295
At 31 December 2009 and 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 subsidiaries (Note 9)	50,732	8,826	–	–	23,605	–	–	83,163
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	876	–	–	1,895	–	–	6,718
At 31 March 2011	65,703	12,633	1,721	476	28,853	3,841	1,541	114,768

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8. Intangible assets (cont'd)

Group	Goodwill $'000	Licensing, patents and trademarks $'000	Customer contracts $'000	Order backlog $'000	Customer relationship $'000	Marketing rights $'000	Deferred development costs $'000	Total $'000
Analysis of accumulated amortisation and impairment								
At 1 January 2009	-	1,136	840	297	441	-	-	2,714
Amortised during the year	-	416	337	179	485	-	-	1,417
Arising from disposal of a subsidiary	-	6	-	-	-	-	-	6
Net exchange differences	-	8	-	-	9	-	-	17
At 31 December 2009 and 1 January 2010	-	1,566	1,177	476	935	-	-	4,154
Amortised during the period	-	1,664	460	-	3,648	341	293	6,406
Arising from acquisition of subsidiaries (Note 9)	-	437	-	-	-	-	-	437
Net exchange differences	-	134	-	-	125	-	-	259
At 31 March 2011	-	3,801	1,637	476	4,708	341	293	11,256
Net carrying amount								
At 31 December 2009	11,024	508	6,276	-	527	-	151	18,486
At 31 March 2011	65,703	8,832	84	-	24,145	3,500	1,248	103,512

8. Intangible assets (cont'd)

The remaining amortisation periods as at 31 March 2011 range between 1 to 8 years for licensing, patents and trademarks, 1 year for customer contracts, 4 to 8 years for customer relationship, 14 years for marketing rights and 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 31 March 2011 were assessed for impairment during the financial period. Goodwill is allocated for impairment testing purposes to the individual entity, 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:

	Spice - CSL		MediaRing Network Services		Newtel Group		Cavu Corp		Delteq		Total	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009	31.3.2011	31.12.2009	31.3.2011	31.12.2009	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group												
Goodwill	29,143	–	4,454	3,997	24,275	–	6,557	5,884	1,274	1,143	65,703	11,024

(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 five-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 five-year period are as follows:

	Spice - CSL		MediaRing Network Services		Newtel Group		Cavu Corp		Delteq	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009	31.3.2011	31.12.2009	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	%	%	%	%	%	%	%	%	%	%
Pre-tax discount rates	13.40	–	13.04	10.9	13.29	–	8.75	8.6	11.46	8.6
Growth rates	1.00	–	1.00	1.00	1.00	–	1.00	1.00	1.00	1.00

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8. Intangible assets (cont'd)

(b) *Basis of impairment assessment (cont'd)*

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.

	Licensing, patents and trademarks	Deferred development costs	Total
	$'000	$'000	$'000
Company			
Cost			
At 1 January 2009	1,546	–	1,546
Additions	61	151	212
At 31 December 2009 and 1 January 2010	1,607	151	1,758
Additions	644	1,390	2,034
At 31 March 2011	2,251	1,541	3,792
Analysis of accumulated amortisation			
At 1 January 2009	837	–	837
Amortised during the year	365	–	365
At 31 December 2009 and 1 January 2010	1,202	–	1,202
Amortised during the period	478	293	771
At 31 March 2011	1,680	293	1,973
Net Carrying Amount			
At 31 December 2009	405	151	556
At 31 March 2011	571	1,248	1,819

9. Investment in subsidiaries

Investment in subsidiaries comprise

	Company	
	31.3.2011	31.12.2009
	$'000	$'000
Unquoted equity shares, at cost	111,796	42,596
Less: Impairment losses	(17,923)	(17,923)
Carrying amount after impairment losses	93,873	24,673

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	
			31.3.2011	31.12.2009
			%	%
Directly held by the Company				
MediaRing.com, Inc [(b)]	To market and sell telecommunication services	USA	100	100
Mellon Technology Pte Ltd [(c)] [(e)]	To market and sell telecommunication services	Singapore	100	100
MediaRing (Europe) Limited [(o)]	Dormant	United Kingdom	100	100
MediaRing Communications Pte Ltd [(e)]	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
MediaRing Sdn Bhd [(d)] [(f)]	To market and sell telecommunication services	Malaysia	100	100
MediaRing Network Services Pte Ltd [(e)]	To market and sell ISP services	Singapore	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	
			31.3.2011	31.12.2009
			%	%
Directly held by the Company (cont'd)				
Cavu Corp Pte Ltd [e]	To supply, rent, maintain and service computer hardware and peripheral equipment	Singapore	100	100
Bharat IT Services Limited [i]	To supply, rent, maintain and service computer hardware	India	100	100
Spice BPO Services Limited [j]	To provide customer relationship management (CRM) and business process outsourcing	India	100	–
Spice-CSL Pte Ltd [e]	Procurement, OEM, manufacturing, distribution and sale of mobile handsets and accessories	Singapore	100	–
Newtel Corporation Company Limited [a]	Procurement, OEM, manufacturing, distribution and sale of mobile handsets and accessories	Thailand	100	–
Maxworld Asia Limited [b]	Investment holding	British Virgin Islands	100	–
Bigstar Development Limited [b]	Investment holding	British Virgin Islands	100	–
Spice i2i Middle East FZE [l][n]	Trading of mobile handsets	Dubai	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	
			31.3.2011	31.12.2009
			%	%
Held by subsidiaries				
Held by Alpha One Limited				
MediaRing.com (Shanghai) Limited (g)	To market and sell telecommunication services	People's Republic of China	100	100
Held by Cavu Corp Pte Ltd				
Peremex Pte Ltd (e)	To supply, rent, maintain and service computer hardware and peripheral equipment	Singapore	100	100
Centia Pte Ltd (e)	To supply, rent, maintain and service computer hardware and peripheral equipment	Singapore	100	100
Peremex Sdn Bhd (f)	To supply, rent, maintain and service computer hardware and peripheral equipment	Malaysia	100	100
Delteq Pte Ltd (e)	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 (h) (k)	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	
			31.3.2011	31.12.2009
			%	%
Held by subsidiaries (cont'd)				
Held by Centia Pte Ltd				
Centia Technologies Sdn Bhd [f]	To supply, rent, maintain and service computer hardware and peripheral equipment	Malaysia	100	100
Held by Delteq Pte Ltd				
Delteq Systems Pte Ltd [e]	To provide internet infrastructure, e-business applications consulting, project management and systems support services	Singapore	100	100
Delteq Systems (M) Sdn Bhd [f]	To market computer software and render computer related services	Malaysia	100	100
Held by Delteq Systems (M) Sdn Bhd				
Delteq (M) Sdn Bhd [f]	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] [m]	In the business of procurement, OEM, manufacturing, distribution and sale of mobile handsets and accessories	Malaysia	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	
			31.3.2011	31.12.2009
			%	%
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	–

[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] Cost of investment is S$2 (2009: S$2).
[d] Cost of investment is RM2 (2009: RM2).
[e] Audited by Ernst & Young LLP, Singapore.
[f] Audited by William C.H. Tan & Associates, Malaysia.
[g] Audited by Shanghai Jialiang CPAs Limited, Shanghai.
[h] Audited by Ranga & Co., India.
[i] Audited by Gupta Garg & Agrawal, India.
[j] Audited by BSR & Co., India.
[k] The Group deferred the liquidation of Peremex Computer Systems Private Limited during the financial period.
[l] Cost of investment is AED 1 million (2009: Nil)
[m] Cost of investment is RM 100 (2009: Nil)
[n] Audited by Jitendra Chartered Accountants, Dubai (U.A.E)
[o] Audited by Blick Rothenberg Chartered Accountants, United Kingdom

Impairment testing of investment in subsidiaries

During the financial period, management performed an impairment test for the investments in MediaRing Communications Pte Ltd, MediaRing Network Services Pte Ltd and Cavu Corp Pte Ltd. No impairment loss was recognised for the period ended 31 March 2011 and the year ended 31 December 2009. The recoverable amounts of the investments in MediaRing Communications Pte Ltd, MediaRing Network Services Pte Ltd and Cavu Corp Pte Ltd have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are 1.0% (2009: 1.0%) and 8.75% - 13.04% (2009: 8.60% - 11.82%), respectively.

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9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries

(a) Spice BPO Services Limited

On 7 January 2010, the Company acquired 100% of the voting shares in Spice BPO Services Limited, an Indian-based company involved in the business of customer relationship management (CRM) and business process outsourcing. The acquisition enables the Group to tap into a large pool of customers and would create synergy with the Group in supporting and servicing new customers.

The fair value of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition were as follows:

	Fair value recognised on acquisition	Carrying amount before combination
	$'000	$'000
Property, plant and equipment (Note 7)	7,103	6,311
Intangible assets (Note 8)	1,594	309
Trade debtors	2,973	2,973
Other debtors and prepayments	3,999	3,999
Deferred tax assets	550	550
Cash and cash equivalents	2,266	2,266
Total assets	18,485	16,408
Trade creditors	2,758	2,758
Other creditors and accruals	1,083	1,083
Tax payable	702	702
Loan and bank borrowings	11,423	11,404
Deferred tax liabilities	465	–
Total liabilities	16,431	15,947
Net identifiable assets	2,054	461
Gain on bargain purchase	(1,150)	
	904	
Consideration transferred on acquisition of Spice BPO Services Limited		
Cash paid for purchase consideration	904	
Cash outflow on acquisition		
Cash paid	(904)	
Net cash acquired with the subsidiary	2,266	
Net cash inflow on acquisition	1,362	

Customer relationships and process manual have been identified as intangible assets arising from their acquisition. The Group engaged an independent external valuer to determine the fair value of these intangible assets. As at 31 March 2011, the fair value of these intangible assets has been determined to amount to $1,594,000.

9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(a) Spice BPO Services Limited (cont'd)

Transaction costs

Transaction costs related to the acquisition of $48,000 have been recognised in the "Other expenses" line item in the Group's profit or loss for the period ended 31 March 2011.

Impact of acquisition on the profit or loss

From the date of acquisition, the acquired subsidiary has contributed $16,318,000 of revenue and net loss of $1,045,000 to the net profit 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 $2,054,000 over the negotiated purchase consideration of $904,000, a gain on bargain purchase of $1,150,000 was recognised.

(b) Spice-CSL Pte Ltd

On 27 February 2010, the Company entered into a shareholders' agreement with Dato' Eric Chuah Seong Ling ("DEC") for the formation of Spice-CSL Pte Ltd ("Spice-CSL"). Spice-CSL will have an initial paid-up share capital of S$100,000 ($71,000), with the Company holding a 65% stake and DEC holding the remaining 35% stake in Spice-CSL.

In addition, Spice-CSL entered into an Asset Purchase Agreement with DEC and certain companies controlled by him for the sale of CSL handset distribution business to Spice-CSL. In consideration of DEC procuring the transfer of the Sale Assets to Spice-CSL as aforesaid, Spice-CSL provided the following consideration to DEC (the "Consideration").

(i) As part of the Consideration, $10,000,000 in cash,

(ii) Upon Completion, Spice-CSL, also procure the allotment and issue to DEC new shares in the Company amounting to 7.5% (102,840,466 ordinary shares) of the enlarged share capital of the Company calculated on the basis of the Company's market price at the date of issuance amounting to S$25,710,000 ($18,354,000) as the remaining Consideration.

The above transactions were completed on 24 March 2010.

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9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(b) Spice-CSL Pte Ltd (cont'd)

The fair value of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition were as follows:

	Fair value recognised on acquisition $'000	Carrying amount before combination $'000
Intangible assets (Note 8)	23,212	–
Cash and cash equivalents	71	71
Total assets	23,283	71
Deferred tax liabilities on fair value adjustment	5,802	–
Total liabilities	5,802	–
Net identifiable assets	17,481	71
Non-controlling interest measured at the non-controlling interest's proportionate share of Spice-CSL net identifiable assets	(15,292)	
Goodwill arising from acquisition	26,211	
	28,400	
Consideration transferred on acquisition of Spice-CSL		
Cash paid for purchase consideration	10,046	
Equity instruments issued (102,840,466 ordinary shares of Spice i2i Limited at S$0.25 each)	18,354	
	28,400	
Cash outflow on acquisition		
Cash paid	(10,046)	
Net cash acquired with the subsidiary	71	
Net cash outflow on acquisition	(9,975)	

Customer relationships and trademarks have been identified as intangible assets arising from their acquisition. The Group engaged an independent external valuer to determine the fair value of the intangible assets. As at 31 March 2011, the fair value of the intangible assets amounting to $23,212,000 has been finalised.

Equity instruments issued as part of consideration transferred

In connection with the acquisition of 65% equity interest in Spice-CSL, Spice i2i Limited issued 102,840,466 ordinary shares with a fair value of S$0.25 each. The fair value of these shares is the published price of the shares at the acquisition date.

9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(b) Spice-CSL Pte Ltd (cont'd)

Acquisition of non-controlling interests

Subsequently, on 2 February 2011, the Group acquired the remaining 35% equity interest in Spice-CSL from its non-controlling interests for a cash consideration of $12,400,000. As a result of this acquisition, Spice-CSL Pte Ltd became a wholly-owned subsidiary of the Group.

The carrying value of the net assets of Spice-CSL at 2 February 2011 was $49,495,000 and the carrying value of the additional interest acquired was $17,325,000. The difference of $4,925,000 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 Spice-CSL on the equity attributable to owners of the parent:

	$'000
Cash outflow on acquisition:	
Consideration paid for acquisition of non-controlling interests	(12,400)
Decrease in equity attributable to non-controlling interests	17,325
Increase in equity attributable to owners of the parent	4,925

Transaction costs

Transaction costs related to the acquisition of $1,877,000 have been recognised in the "Other expenses" line item in the Group's profit or loss for the period ended 31 March 2011.

Impact of acquisition on the profit or loss

From the date of acquisition, the acquired subsidiary has contributed $91,714,000 of revenue and net profit of $2,729,000 to the net profit of the Group.

Goodwill arising from acquisition

The goodwill of $26,211,000 comprises the value of strengthening the Group's mobile handset market position in the ASEAN region, which can be strengthened and expanded to consolidate Spice Group'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.

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9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(c) *Newtel Group*

On 2 December 2010, the Company acquired 100% of the voting shares in Maxworld Asia Limited, Bigstar Development Limited and Newtel Corporation Limited and its subsidiary (collectively known as Newtel Group). Except for Maxworld Asia Limited and Bigstar Development Limited which are investment holding companies, the group of companies are involved in the business of procurement, OEM, manufacturing, distribution and sale of mobile handsets and accessories.

The fair value of the identifiable assets and liabilities of the subsidiaries acquired as at the date of acquisition were as follows:

	Fair value recognised on acquisition $'000	Carrying amount before combination $'000
Property, plant and equipment (Note 7)	743	743
Intangible assets (Note 8)	7,370	270
Trade debtors	4,990	4,990
Stocks	6,169	6,169
Other debtors and prepayments	4,111	4,111
Deferred tax assets	2,565	2,565
Cash and cash equivalents	8,291	8,291
Total assets	34,239	27,139
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	2,128	–
Total liabilities	38,562	36,434
Net identifiable liabilities	(4,323)	(9,295)
Goodwill arising from acquisition	24,339	
	20,016	
Consideration transferred on acquisition of Newtel Group		
Cash paid for purchase consideration	10,000	
Contingent consideration recognised as at acquisition date	10,016	
	20,016	
Cash outflow on acquisition		
Cash paid	(10,000)	
Net cash acquired with the subsidiaries	8,291	
Net cash outflow on acquisition	(1,709)	

9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(c) Newtel Group (cont'd)

Customer relationships, trademarks and license have been identified as intangible assets arising from their acquisition. The Group has engaged an independent external valuer to determine the fair value of the intangible assets. As at 31 March 2011, the fair value of the intangible assets amounting to $7,370,000 has been determined on a provisional basis. The fair value assessment by the external valuer is expected to be finalised within 12 months from the date of acquisition. Adjustments, if any, to the above provisionally determined fair values will be accounted for in the 2012 financial statements.

Contingent consideration arrangement

As part of the purchase agreement with the previous owner of Newtel Group, a contingent consideration comprising the following additional cash payments has been agreed upon:

(a) a deferred payment which is equivalent to the amount by which the audited consolidated normalised profit after tax ("Consolidated PAT") of the Group Companies from 1 January 2011 to 31 December 2011 ("Year 1") exceeds $4,000,000, subject to a maximum of $3,000,000 (Year 1 Payment");

(b) a deferred payment which is equivalent to the amount by which the Consolidated PAT of the Group Companies from 1 January 2012 to 31 December 2012 ("Year 2") exceeds $5,000,000, subject to a maximum of $4,000,000 ("Year 2 Payment"); and

(c) a deferred payment which is equivalent to the amount by which the Consolidated PAT of the Group Companies from 1 January 2013 to 31 December 2013 ("Year 3") exceeds $7,000,000, subject to a maximum of $5,000,000 ("Year 3 Payment").

As at the acquisition date, the fair value of the contingent consideration was estimated at $10,016,000. The fair value of the contingent consideration was calculated by applying the income approach using the probability weighted expected contingent consideration and at a discount rate of 3.56%.

As of 31 March 2011, the key performance indicators of the Newtel Group show that target (a) will be achieved and the achievements of target (b) and (c) are probable due to a significant expansion of the business and synergies. Accordingly, the fair value of the contingent consideration has been adjusted to reflect this development and such change will be recognised through profit or loss.

Transaction costs

Transaction costs related to the acquisition of $200,000 have been recognised in the "Other expenses" line item in the Group's profit or loss for the period ended 31 March 2011.

Impact of acquisition on the profit or loss

From the date of acquisition, the acquired subsidiaries have contributed $23,475,000 of revenue and net loss of $332,000 to the net profit of the Group. If the business combination had taken place at the beginning of the financial period, the revenue would have been $374,234,000 and the Group's would have a net loss of $6,260,000.

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9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(c) Newtel Group (cont'd)

Provisional accounting of acquisition of Newtel Group

Customer relationships, trademarks and licenses has been identified as intangible assets arising from this acquisition. The Group has engaged an independent valuer to determine the fair value of the intangible assets. As at 31 March 2011, the fair value of the intangible assets amounting to $7,370,000 has been determined on a provisional basis as the final results of the independent valuation have not been received by the date the financial statements was authorised for issue. Goodwill arising from this acquisition, the carrying amount of the intangible assets, deferred tax liability, and amortisation of the intangible assets will be adjusted accordingly on a retrospective basis when the valuation of the intangible assets is finalised.

Goodwill arising from acquisition

The goodwill of $24,339,000 comprises the value of strengthening the Group's mobile handset market position in the ASEAN region, which can serve to expand and consolidate Spice 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.

(d) Bharat IT Services Limited

Adjustments to initial accounting for acquisitions that were determined provisionally in 2009

The purchase price allocation of the acquisition of Bharat IT Services Limited in the financial year ended 31 December 2009 that were provisionally determined has been finalised during the financial period. The finalised purchase price allocation showed that the fair values of intangible assets and deferred tax liabilities as at the date of acquisition were $5,772,000 and $1,308,000 respectively. No adjustment was made to initial accounting for the acquisition of Bharat IT Services Limited.

10. Investment in associates

	Group		Company	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	$'000	$'000	$'000	$'000
Unquoted shares, at cost	479	479	479	479
Share of post-acquisition reserves	(73)	(16)	–	–
Less: Impairment loss	–	–	(47)	–
Carrying amount of investments	406	463	432	479

10. Investment in associates (cont'd)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group	
			31.3.2011	31.12.2009
			%	%
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

The gross summarised financial information of the associates is as follows:

	31.3.2011	31.12.2009
	$'000	$'000
Assets and liabilities		
Current assets	485	619
Non-current assets	517	637
Total assets	1,002	1,256
Current liabilities	93	(169)
Total liabilities	93	(169)
Results		
Revenue	109	344
(Loss)/profit for the year	(178)	57

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 (2009: $3,000), of which $14,000 (2009: $5,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

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11. Investment in bonds

	Group and Company	
	31.3.2011	31.12.2009
	$'000	$'000
Current		
Held-to-maturity financial assets		
- Quoted bonds	–	4,184
Investment in short-term bonds	–	4,184
Non-current		
Held-to-maturity financial assets		
- Quoted bonds	–	3,300
Investment in long-term bonds	–	3,300
Investment in bonds	–	7,484

Bonds have been fully redeemed during the financial period.

12. Investment securities

	Group and Company	
	31.3.2011	31.12.2009
	$'000	$'000
Current		
Designated at fair value through profit or loss		
- Investment securities	–	4,531
Held for trading investment		
- Investment securities	–	50,157
Investment in short-term securities	–	54,688
Non-current		
Available-for-sale financial assets		
- Quoted equity investment	117	148
Designated at fair value through profit or loss		
- Hybrid instrument	3,591	3,757
Investment in long-term securities	3,708	3,905
Total investment in securities	3,708	58,593

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.

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12. Investment securities (cont'd)

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.

Investment securities have been fully redeemed upon its maturity during the financial period.

13. Long-term loans and advances to subsidiaries

	Company	
	31.3.2011	31.12.2009
	$'000	$'000
Long-term loans and advances treated as part of net investment in subsidiaries	36,366	37,634
Long-term loans to subsidiaries	3,604	–
Less: Allowance for doubtful loans and advances to subsidiaries	(36,366)	(36,420)
	3,604	1,214

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 of 0% to LIBOR + 2% and have fixed repayment terms of 3 to 5 years.

14. Trade debtors

	Group		Company	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	$'000	$'000	$'000	$'000
Non-current				
Lease receivables	330	563	–	–
Less: Unearned finance income	(38)	(75)	–	–
	292	488	–	–
Current				
Trade debtors	55,920	11,232	9,837	1,388
Amount due from a related party	1,463	5,586	1,463	5,586
Less: Allowance for impairment	(4,820)	(827)	(108)	(108)
	52,563	15,991	11,192	6,866
Lease receivables	449	409	–	–
Less: Unearned finance income	(57)	(73)	–	–
	52,955	16,327	11,192	6,866
Total trade debtors	53,247	16,815	11,192	6,866

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14. Trade debtors (cont'd)

During the financial period, the Group and the Company wrote back allowance of $128,000 (2009: $129,000) and $12,000 (2009: $27,000) 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 as at period end and year end are as follows:

	Group		Company	
	31.3.2011 $'000	31.12.2009 $'000	31.3.2011 $'000	31.12.2009 $'000
Singapore Dollar	10,261	7,758	160	171
Indian Rupee	5,358	1,296	–	–
Thai Baht	10,596	–	–	–
Malaysian Ringgit	11,333	764	–	–
Others	113	47	109	42

Debtors that are past due but not impaired

The Group and the Company have trade debtors amounting to $26,821,000 (2009: $5,283,000) and $2,608,000 (2009: $985,000) 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	
	31.3.2011 $'000	31.12.2009 $'000	31.3.2011 $'000	31.12.2009 $'000
Trade debtors past due for:				
Less than 30 days	11,840	2,691	2,146	587
30 to 60 days	4,302	1,137	67	261
61 to 90 days	2,735	746	77	123
More than 90 days	7,944	709	318	14
	26,821	5,283	2,608	985

14. Trade debtors (cont'd)

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	
	31.3.2011 $'000	31.12.2009 $'000	31.3.2011 $'000	31.12.2009 $'000
Trade debtors – nominal amounts	7,383	45	1,093	782
Less: Allowance for impairment	(3,802)	(45)	(1,018)	(782)
	3,581	–	75	–
Movement in allowance accounts:				
At the beginning of the period/year	45	15	782	790
Charge for the year	(25)	61	244	27
Arising from acquisition of subsidiary	3,819	–	36	49
Write-back	–	(31)	(128)	(98)
Exchange differences	(37)	–	84	14
At the end of the period/year	3,802	45	1,018	782

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14. Trade debtors (cont'd)

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% (2009: 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:

	Minimum lease payments receivable	Present value of payments receivable	Minimum lease payments receivable	Present value of payments receivable
	31.3.2011	31.3.2011	31.12.2009	31.12.2009
	$'000	$'000	$'000	$'000
Group				
Not later than one year	449	392	409	336
Later than one year but not later than five years	330	292	563	488
Total minimum lease payments receivable	779	684	972	824
Less : Amounts representing finance incomes	(95)	–	(148)	–
Present value of minimum lease payments receivable	684	684	824	824

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 $192,302,000 (2009: $33,123,000) and $97,044,000 (2009: $5,581,000) for the Group and the Company respectively.

During the financial period, the Group and the Company wrote down stocks amounting to $430,000 (2009: $298,000) and $93,000 (2009: $49,000) respectively.

During the financial period, the Group and the Company reversed write-down of stocks amounting to $Nil (2009: $93,000) and $Nil (2009: $Nil) respectively upon the sale of obsolete stocks that were previously wrote down. The stocks were sold above their carrying amounts.

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16. Other debtors and deposits

	Group		Company	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	$'000	$'000	$'000	$'000
Current :				
Other debtors	7,250	1,164	892	317
Deposits	13,292	303	8,745	72
Interest receivables	50	325	11	188
	20,592	1,792	9,648	577
Non-current :				
Other debtors	341	–	–	–
	341	–	–	–
Total other debtors and deposits	20,933	1,792	9,648	577

Other debtors and deposits denominated in foreign currencies at period end and year end are as follows:

	Group		Company	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	$'000	$'000	$'000	$'000
Singapore Dollar	1,772	323	634	(37)
Indian Rupee	2,908	676	–	–
Thai Baht	3,898	–	–	–
Malaysian Ringgit	2,733	33	–	–
Others	11	44	–	–

17. Prepayments

	Group		Company	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	$'000	$'000	$'000	$'000
Prepaid selling expenses	584	1,151	426	1,088
Other prepaid expenses	2,253	3,348	360	1,290
	2,837	4,499	786	2,378

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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 $15,727,000 (2009: $9,936,000).

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% (2009:5%) per annum.

Amounts due from/(to) subsidiaries and associates denominated in foreign currencies at period end and year end are as follows:

	Group		Company	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	$'000	$'000	$'000	$'000
Chinese Renminbi	(2,838)	(2,610)	(2,838)	(2,610)
Singapore Dollar	(4,643)	(4,895)	(4,643)	(4,895)
Indian Rupee	(6)	–	(6)	–
Malaysian Ringgit	(7)	(6)	(7)	(6)
Japanese Yen	(14)	(187)	(14)	(1,187)
Great Britain Pound	33	27	33	27
Hong Kong Dollar	(35)	–	(35)	–

19. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Group		Company	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	$'000	$'000	$'000	$'000
Fixed deposits	59,808	6,356	57,321	2,379
Cash and bank balances	29,951	12,129	20,484	2,211
	89,759	18,485	77,805	4,590
Less: Cash and bank deposits pledged	(2,995)	(147)	–	–
	86,764	18,338	77,805	4,590

Fixed deposits with financial institutions mature on varying periods within 1 day to 24 months (2009: 1 week to 24 months) from the financial year end. Interest is at rates ranging from 0.05% to 9.00% (2009: 0% to 8.00%) per annum, which are also the effective interest rates.

Cash at bank earns interest at floating rates based on daily bank deposits ranging from 0% to 1.5% (2009: 0% to 0.05%) per annum.

Cash and bank deposit of $2,995,000 (2009: $147,000) are pledged as security for trust receipts, bank guarantees, standby letters of credit and other bank services.

20. Other creditors and accruals

	Group		Company	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	$'000	$'000	$'000	$'000
Current				
Amounts due to related parties	1,328	1,259	–	–
Other creditors	5,721	1,194	1,551	675
Accrued operating expenses	14,386	5,975	6,145	2,864
Deposits received	1,175	191	961	86
Contingent consideration for business combination (Note 9)	2,607	–	2,607	–
	25,217	8,619	11,264	3,625
Non-current				
Contingent consideration for business combination (Note 9)	7,409	–	7,409	–

Amounts due to related parties are non-trade in nature, repayable on demand, unsecured, interest-free and are to be settled in cash.

Other creditors and accruals denominated in foreign currencies at period end and year end are as follows:

	Group		Company	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	$'000	$'000	$'000	$'000
Singapore Dollar	5,465	3,814	3,398	1,335
Indian Rupee	5,548	2,651	–	–
Thai Baht	4,340	–	–	–
Malaysian Ringgit	1,740	120	–	–
Others	163	307	32	141

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21. Lease obligations

The Group has finance leases for computer equipment and motor vehicles. The lease has terms of renewal at the option of the Group. There are no escalation clauses and no restrictions placed upon the Group by entering into this lease. The discount rate implicit to the lease is 7.0% (2009: 2.5%) per annum.

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments 31.3.2011 $'000	Present value of payments 31.3.2011 $'000	Minimum lease payments 31.12.2009 $'000	Present value of payments 31.12.2009 $'000
Group				
Not later than one year	1,524	1,388	1,114	1,035
Later than one year but not later than five years	723	677	908	834
Total minimum lease payments	2,247	2,065	2,022	1,869
Less : Amounts representing finance charges	(182)	–	(153)	–
Present value of minimum lease payments	2,065	2,065	1,869	1,869

22. Loans and bank borrowings

		Group	
		31.3.2011 $'000	31.12.2009 $'000
Current			
<u>Short term borrowings</u>			
- Trust receipts	(a)	640	3,353
- Loan from Director	(b)	8,526	–
- Loan from related parties	(c)	3,209	–
- Interest free loan from a related party	(d)	1,266	–
- Loans	(e)	9,396	893
Total short term loans and bank borrowings		23,037	4,246
Non-current			
<u>Long term borrowings</u>			
- Interest free loan from a related party	(d)	3,515	–
- Loans	(e)	75	2,671
Total long term loans and bank borrowings		3,590	2,671
Total loans and bank borrowings		26,627	6,917

22. Loans and bank borrowings (cont'd)

(a) At 31 March 2011, the outstanding SGD trust receipts which are repayable within 1 year from the financial year end have effective interest rates of 6.0% (2009: 6.0% to 7.5%) per annum, and are secured by way of corporate guarantees given by the Company and two subsidiaries.

(b) The loan from a Director amounting to $8,526,000 (2009: $Nil) is denominated in USD. The loan from a Director of the Group bears interest rate of 5.0% (2009: $Nil) per annum, is repayable within the next 12 months and is unsecured.

(c) The loans from related parties amounting to $3,209,000 (2009: $Nil) are denominated in THB and INR. The loans from related parties of the Group bear interest rates ranging from 1.8% to 11.0% (2009: Nil) per annum, is repayable within the next 12 months and is unsecured.

(d) The interest free loan from a related party is denominated in USD. The repayment schedule of interest free loan from a related party shall be as follows:

- 30% of the principal amount to be repaid on the first anniversary of the disbursement of the loan

- 30% of the principal amount to be repaid on the second anniversary of the disbursement of the loan; and

- 40% of the principal amount to be repaid on the third anniversary of the disbursement of the loan.

The fair value of the loan is $2,789,000 discounted at market borrowing rate of 3.56% is per annum.

(e) The current and non-current loans amounting to $9,471,000 (2009: $3,564,000) are denominated in INR (2009: SGD). The loans of the Group bears interest at rates ranging from 9.0% to 15.0% (2009: 5.0%) per annum and are repayable within the next 12 months for current loan and final payment for non-current loan to be made as at year 2013. A total loan amount of $437,000 is secured via subsidiary's current assets of $8,408,000 and property, plant and equipment with a carrying amount of $6,201,000.

23. Deferred tax

	Group			
	Consolidated balance sheet		Consolidated income statement	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	(245)	(250)	1,356	(109)
Fair value adjustments on acquisition of subsidiaries	(9,185)	(1,435)	1,201	148
Reduction in tax rate	–	(30)	–	30
	(9,430)	(1,715)	2,557	69

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23. Deferred tax (cont'd)

	Group			
	Consolidated balance sheet		Consolidated income statement	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	$'000	$'000	$'000	$'000
Deferred tax assets				
Provisions	590	–	–	–
Unutilised tax losses	3,748	–	42	–
Other items	67	–	–	–
	4,405	–	42	–
Deferred income tax credit (Note 28)			2,599	69

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 1.1.2010 to 31.3.2011	Year ended 31.12.2009
	$'000	$'000
Voice and Data Services	74,809	74,344
Computing	51,061	35,033
Mobility	211,268	5,586
	337,138	114,963

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25. Other income

	Group	
	Period from 1.1.2010 to 31.3.2011 $'000	Year ended 31.12.2009 $'000
Gain on bargain purchase	1,150	4,476
Gain on disposal of investment in bonds	176	–
Interest income:		
- bonds	63	570
- fixed deposits	712	273
- bank balances	24	–
- investment securities	134	21
- others	88	46
Fair value gain on investment securities	1,555	1,126
Rental income	310	–
Others	850	295
	5,062	6,807

26. Personnel costs

	Group	
	Period from 1.1.2010 to 31.3.2011 $'000	Year ended 31.12.2009 $'000
Salary and allowances	27,397	14,072
Central Provident Fund contributions	2,246	1,212
Defined benefit plan	58	–
Share-based payments	27	7
Staff accommodation	14	–
Staff recruitment	249	76
Staff welfare	356	105
Training	114	76
Provision for unpaid leave balance	355	181
Grant income from Jobs Credit Scheme	(71)	(565)
Other personnel costs	450	254
	31,195	15,418

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26. Personnel costs (cont'd)

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme ("Scheme"). Under the Scheme, the Group received a 12% cash grant on the first S$2,500 of each month's wages for each employee on their Central Provident Fund payroll in four receipts in March, June, September and December. The Scheme has later extended with an additional payment in March 2010 at stepped down rates, where the Group received 6% cash grant on the first $2,500 of each month's wages for each employee on their CPF payroll. The Scheme was suspended by the Singapore Finance Minister in June 2010. The total grant received was S$97,000 (2009: S$821,000) and this is accounted as a reduction in the CPF contribution.

Personnel costs include the amount of Directors' remuneration as shown in Note 31.

27. Other expenses

Other expenses are stated after charging/(crediting) the following:

	Group	
	Period from 1.1.2010 to 31.3.2011	Year ended 31.12.2009
	$'000	$'000
Non-audit fees paid to:		
- auditors of the Company	192	10
- other auditors	121	81
Directors' fees:		
- Directors of the Company	498	214
Other professional fees	7,955	724
Fair value loss on investment securities	590	295
Impairment loss on quoted equity investment	59	–
Travelling and entertainment	2,381	942
Equipment maintenance	1,282	539
Equipment rental	37	14
Allowance for doubtful trade debts	505	242
Allowance for doubtful non-trade debts	56	263
Write-back of allowance for doubtful trade debts	(128)	(129)
Write-down of stocks	430	298
Property, plant and equipment written off	18	57
Gain on disposal of property, plant and equipment	(93)	(82)

28. Taxation

	Group	
	Period from 1.1.2010 to 31.3.2011 $'000	Year ended 31.12.2009 $'000
Income tax on profit before taxation:		
Current income tax		
- current income taxation	1,550	27
- under provision in respect of previous years	11	62
	1,561	89
Deferred income tax		
- effect of reduction in tax rate	–	(30)
- origination and reversal of temporary differences	(2,599)	(39)
	(2,599)	(69)
Current financial period's tax (credit)/expenses	(1,038)	20

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 profit multiplied by the applicable corporate tax rate for the financial period/year ended 31 March 2011 and 31 December 2009 is as follows:

	Group	
	Period from 1.1.2010 to 31.3.2011 $'000	Year ended 31.12.2009 $'000
(Loss)/profit before taxation	(555)	1,761
Tax at the domestic rates applicable to pre-tax profit or loss in the countries concerned*	(199)	290
Adjustments:		
Tax effect of expenses not deductible for tax purposes	1,907	278
Effect of reduction in tax rate	(67)	(30)
Deferred tax assets not recognised	1,241	803
Utilisation of deferred tax assets previously not recognised	(286)	(283)
Income not subject to taxation	(3,639)	(1,048)
(Over)/Under provision in respect of previous years	(11)	62
Tax calculated on share of results of associate	10	(3)
Effect of partial tax exemption and tax relief	(17)	–
Others	23	(49)
Current financial period's tax (credit)/expense	(1,038)	20

* The reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

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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 1.1.2010 to 31.3.2011 $'000	Year ended 31.12.2009 $'000
Unabsorbed capital allowances	279	47
Tax losses	53,253	49,246

<u>Tax consequences of proposed dividends</u>

There are no income tax consequences (2009: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 38).

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	
	As at 31.3.2011 $'000	As at 31.12.2009 $'000
Net (loss)/profit attributable to ordinary shareholders for basic and diluted earnings per share	(135)	1,741
	As at 31.3.2011 '000	As at 31.12.2009 '000
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 right issue	2,269,364	1,467,531

Weighted average number of ordinary shares as at 31 March 2011 and number of ordinary shares as at 31 December 2009 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	
	As at 31.3.2011 '000	As at 31.12.2009 '000
Weighted average number of ordinary shares after adjusting for notional bonus element in rights issue	2,269,364	1,467,531
Effect of dilution:		
Share options	753	6,511
Performace shares	–	237
Weighted average number of ordinary shares adjusted for the effect of dilution and notional bonus element in rights issue	2,270,117	1,474,279

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29. Earnings per share (cont'd)

(b) Diluted earnings per share (cont'd)

Since the end of the period, no employees (including senior executives and Directors) have exercised options to acquire ordinary shares (2009: Nil). Other than the rights issue completed on 3 May 2011, there have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements, except for issuance of 2,742,490,418 right shares on 3 May 2011 (Details are set out in Note 39(c)).

30. Employee benefits

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:

(a) 1999 Spice 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.

Information with respect to the number of options granted under the Company's Employees' Share Option Scheme is as follows:

	Number of Options	Weighted Average Exercise Price (S$)	Number of Options	Weighted Average Exercise Price (S$)
	31.3.2011	31.3.2011	31.12.2009	31.12.2009
Outstanding at beginning of period [1]	–	–	1,518,957	0.0898
Exercised [2]	–	–	(1,518,957)	0.0898
Lapsed	–	–	–	–
Outstanding at end of period [1] [3]	–	–	–	–
Exercisable at end of period	–	–	–	–

[1] Included within these balances are equity-settled options that are exempted from recognition 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 was S$Nil (2009: S$0.2335).

[3] All options were fully exercised in FY 2009.

Amounts in United States dollars unless otherwise stated

30. Employee benefits (cont'd)

(b) 1999 Spice 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 the rights issue completed in August 2010, the exercise price per share and number of option shares outstanding for options granted under 1999 Spice i2i Employees' Share Option Scheme II had been adjusted in accordingly. 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 31.3.2011
28 May 2013	0.0857	196,277	196,277
26 April 2014	0.1680	233,359	233,359
27 April 2015	0.1294	233,359	233,359
27 April 2016	0.3016	314,286	314,286
27 April 2016	0.2708	700,078	700,078
30 October 2017	0.2253	373,217	173,513
27 February 2019	0.0592	1,571,430	523,811
		3,622,006	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 31.3.2011	Weighted Average Exercise Price (S$) 31.3.2011	Number of Options 31.12.2009	Weighted Average Exercise Price (S$) 31.12.2009
Outstanding at beginning of period (1)	4,185,288	0.2029	69,794,031	0.1536
Granted (4)	164,639	0.1512	2,200,000	0.0620
Lapsed	(1,897,268)	0.2129	(4,417,186)	0.3045
Exercised (2)	(77,976)	0.0592	(63,391,557)	0.1366
Outstanding at end of period (1) (3)	2,374,683	0.1856	4,185,288	0.2029
Exercisable at end period	2,010,632	0.2027	1,983,108	0.3100

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30. Employee benefits (cont'd)

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

(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$0.1200 (2009: S$0.2511).

(3) The range of exercise prices for options outstanding at the end of the period was S$0.0592 to S$0.3016 (2009: S$0.0620 to S$1.316). The weighted average remaining contractual life for these options is 4.75 years (2009: 4.79 years).

(4) The weighted average fair value of options granted during the period was S$Nil (2009: S$0.0361).

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.

(c) Spice i2i Performance Share Plans

On 26 April 2006, the Company obtained the approval of its shareholders to establish and administer two new performance share plans, namely the "Spice i2i Restricted Share Plan" ("RSP") and "Spice 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.

Information with respect to the number of shares granted under the Spice i2i PSP is as follows:

	Group Number of shares	
	2010-11	**2009**
Outstanding at beginning of year	–	513,000
Exercised during the year	–	(465,000)
Lapsed during the year	–	(48,000)
Outstanding at end of year	–	–

31. Related party transactions

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or

(ii) it is subject to common control or common significant influence.

31. Related party transactions (cont'd)

(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 year at terms agreed between the parties:

	Group	
	Period from 1.1.2010 to 31.3.2011 $'000	Year ended 31.12.2009 $'000
Services rendered from associates	–	(58)
Services rendered to associates	273	623
Interest income from related parties	–	88
Interest paid to related parties	(163)	–
Bank charges from related parties	–	(1)
Services rendered to related parties	205	86
Sale of goods to related parties	84,227	5,586
Purchase from related parties	(77,882)	–
Services rendered from related parties	(3,614)	(75)
Management income from an associate	14	36
Purchase of a Directors' interests in a subsidiary	(13,304)	(805)

(b) Compensation of key management personnel

	Group	
	Period from 1.1.2010 to 31.3.2011 $'000	Year ended 31.12.2009 $'000
Short-term employee benefits	1,552	1,882
Pension benefits	–	45
Share-based payments	–	(6)
Total compensation paid to key management personnel	1,552	1,921
Comprise amounts paid to:		
■ Directors of the Company	830	792
■ Other key management personnel	722	1,129
	1,552	1,921

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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	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	331	179	–	179

(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 31 March 2011.

Corporate guarantees

Corporate guarantees of $5,953,000 (2009: $19,369,000) were given by the Company to enable its subsidiaries to obtain banking facilities.

Corporate guarantees of $6,350,000 (2009: $5,698,000) were given by the Company to enable a subsidiary to obtain credit facility from a supplier.

Corporate guarantees of $4,861,000 (2009: $3,708,000) 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	
	31.3.2011	31.12.2009	31.3.2011	31.12.2009
	$'000	$'000	$'000	$'000
Within 1 year	4,361	2,385	424	570
Within 2 to 5 years	1,880	2,403	–	523
	6,241	4,788	424	1,093

Minimum lease payments recognised as an expense in the profit and loss for the financial period ended 31 March 2011 amounted to $5,363,000 (2009: $2,566,000) and $547,000 (2009: $411,000) for the Group and Company respectively.

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33. Segment information

(a) Operating Segments

	Voice & data services $'000	Computing $'000	Mobility $'000	Unallocated expenses $'000	Group $'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)	(3,552)	–	(6,406)
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)	4,329	(5,607)	(555)
Taxation	1,109	165	(236)	–	1,038
(Loss)/profit after taxation	2,036	(39)	4,093	(5,607)	483
Assets:					
Investment in associates	406	–	–	–	406
Segment assets	122,176	37,938	153,818	–	313,932
Segment liabilities	37,126	12,300	36,966	–	86,392
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.

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33. Segment information (cont'd)

(a) Operating Segments (cont'd)

	Voice & data services	Computing	Mobility	Group
	$'000	$'000	$'000	$'000
Year ended 31.12.2009				
Turnover – external sales	74,344	35,033	5,586	114,963
Results:				
Gain on bargain purchase on provisional basis	–	4,476	–	4,476
Fair value gain on investment securities	1,126	–	–	1,126
Interest income from bonds, deposits and investment securities	806	104	–	910
Direct service fees incurred and cost of goods sold	(31,808)	(25,324)	(5,464)	(62,596)
Commissions and other selling expenses	(25,460)	(200)	–	(25,660)
Personnel costs	(10,409)	(5,009)	–	(15,418)
Infrastructure costs	(3,540)	(509)	–	(4,049)
Depreciation of property, plant and equipment	(1,512)	(1,940)	–	(3,452)
Amortisation of intangible assets	(717)	(700)	–	(1,417)
Marketing expenses	(1,913)	(18)	–	(1,931)
Fair value loss on investment securities	(295)	–	–	(295)
Foreign exchange gain	201	71	–	272
Other expenses	(3,645)	(1,523)	–	(5,168)
(Loss)/profit before taxation	(2,822)	4,461	122	1,761
Taxation	46	(66)	–	(20)
(Loss)/profit after taxation	(2,776)	4,395	122	1,741
Assets:				
Investment in associates	463	–	–	463
Segment assets	88,578	44,068	5,586	138,232
Segment liabilities	9,625	22,469	5,464	37,558
Capital expenditure	700	2,341	–	3,041

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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 1.1.2010 to 31.3.2011 $'000	Group Year ended 31.12.2009 $'000
Segment results of other expenses	(17,110)	(5,168)
Segment results of fair value loss of investment securities	(590)	(295)
Finance costs	2,245	323
Other income – others	(850)	(295)
Other income – gain on disposal of investment in bonds	(176)	–
Other income – rental income	(310)	–
Share of results of associates	57	(18)
	(16,734)	(5,453)

(b) Geographical information

	Turnover		Assets		Capital expenditure	
	Period from 1.1.2010 to 31.3.2011	Year ended 31.12.2009	31.3.2011	31.12.2009	Period from 1.1.2010 to 31.3.2011	Year ended 31.12.2009
	$'000	$'000	$'000	$'000	$'000	$'000
Asia	336,218	114,182	314,111	138,371	6,329	2,957
USA	920	781	227	324	34	84
Total	337,138	114,963	314,338	138,695	6,363	3,041

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34. Directors' remuneration

	Number of directors in remuneration bands		
	Executive Directors	Non-Executive Directors	Total
31.3.2011			
S$250,000 to S$499,999	1	–	1
Below S$250,000	4	7	11
	5	7	12
31.12.2009			
S$500,000 and above	1	–	1
S$250,000 to S$499,999	–	–	–
Below S$250,000	5	7	12
	6	7	13

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 in bonds, 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, excepts as disclosed in Note 35(a) on Credit risk .

35. Financial risk management objectives and policies (cont'd)

(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.

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 with the result that the Group's exposure to bad debts is not significant. 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 $5,953,000 (2009: $19,369,000) relating to corporate guarantees provided by the Company to enable its subsidiaries to obtain banking facilities; and

- A nominal amount of $6,350,000 (2009: $5,698,000) relating to corporate guarantees provided by the Company to a third party on a subsidiary's credit facilities.

- A nominal amount of $4,861,000 (2009: $3,708,000) relating to corporate guarantees provided by the subsidiary to enable its subsidiaries to obtain credit facilities from a supplier.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 14.

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 $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
31.3.2011				
Group				
Financial assets:				
Investment securities	–	3,708	–	3,708
Trade and other receivables	73,547	633	–	74,180
Due from associates	60	–	–	60
Fixed deposits	59,808	–	–	59,808
Cash and bank balances	29,951	–	–	29,951
Total undiscounted financial assets	163,366	4,341	–	167,707
Financial liabilities:				
Trade and other creditors	19,048	7,409	–	26,457
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	45,065	11,722	–	56,787
Total net undiscounted financial assets	118,301	(7,381)	–	110,920

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35. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	Within 1 year $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
31.3.2011				
Company				
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	7,916	7,409	–	15,325
Due to associates	128	–	–	128
Total undiscounted financial liabilities	8,044	7,409	–	15,453
Total net undiscounted financial assets	90,661	(3,701)	–	86,960

	Within 1 year $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
31.12.2009				
Group				
Financial assets:				
Investment in bonds	4,184	3,300	–	7,484
Investment securities	54,688	3,905	–	58,593
Trade and other receivables	18,192	563	–	18,755
Due from associates	28	–	–	28
Fixed deposits	6,356	–	–	6,356
Cash and bank balances	12,129	–	–	12,129
Total undiscounted financial assets	95,577	7,768	–	103,345

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35. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	Within 1 year $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
31.12.2009				
Group				
Financial liabilities:				
Trade and other creditors	13,054	–	–	13,054
Due to related parties	1,259	–	–	1,259
Due to associates	22	–	–	22
Lease obligations	1,114	908	–	2,022
Loans and bank borrowings	4,493	3,072	–	7,565
Total undiscounted financial liabilities	19,942	3,980	–	23,922
Total net undiscounted financial assets	75,635	3,788	–	79,423
Company				
Financial assets:				
Investment in bonds	4,184	3,300	–	7,484
Investment securities	54,688	3,905	–	58,593
Trade and other receivables	7,443	–	–	7,443
Due from subsidiaries	4,572	–	–	4,572
Due from associates	28	–	–	28
Fixed deposits	2,379	–	–	2,379
Cash and bank balances	2,211	–	–	2,211
Long-term loans and advances to subsidiaries	–	1,214	–	1,214
Total undiscounted financial assets	75,505	8,419	–	83,924
Financial liabilities:				
Trade and other creditors	7,379	–	–	7,379
Due to subsidiaries	8,957	–	–	8,957
Due to associates	22	–	–	22
Total undiscounted financial liabilities	16,358	–	–	16,358
Total net undiscounted financial assets	59,147	8,419	–	67,566

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
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)*

	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
31.12.2009							
Group							
Fixed rate							
Investment in bonds	4,184	3,300	–	–	–	–	7,484
Investment securities	53,192	–	–	–	3,757	–	56,949
Loans and bank borrowings	4,246	890	890	891	–	–	6,917
Floating rate							
Cash and fixed deposits	18,485	–	–	–	–	–	18,485
Investment securities	1,496	–	–	–	–	–	1,496
31.12.2009							
Company							
Fixed rate							
Investment in bonds	4,184	3,300	–	–	–	–	7,484
Investment securities	53,192	–	–	–	3,757	–	56,949
Floating rate							
Cash and fixed deposits	4,590	–	–	–	–	–	4,590
Investment securities	1,496	–	–	–	–	–	1,496

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 (2009: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $484,000 (2009: $50,000) lower/higher, arising mainly as a result of lower/higher interest income from floating rate USD fixed deposits.

At the balance sheet date, if SGD interest rates had been 100 (2009: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $223,000 (2009: $6,000) lower/higher, arising mainly as a result of lower/higher interest income from loans and bank borrowings.

35. Financial risk management objectives and policies (cont'd)

(c) *Interest rate risk (cont'd)*

At the balance sheet date, if INR interest rates had been 100 (2009: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $61,000 (2009: $24,000) 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 (2009: Nil) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $26,000 (2009: Nil) lower/higher, arising mainly as a result of lower/higher interest income from cash and bank balances.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

(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") and Malaysia Ringgit ("MYR"). The foreign currencies in which these transactions are denominated are mainly USD and SGD.

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 90% (2009: 94%) of the Group's sales are denominated in the functional currency of the operating unit making the sale, while almost 87% (2009: 80%) 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 $27,351,000 and $18,338,000 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") and Malaysia – Malaysia Ringgit ("MYR").

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35. Financial risk management objectives and policies (cont'd)

(d) *Foreign exchange risk (cont'd)*

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	
	2010-11 $'000	2009 $'000
Against USD		
SGD - strengthened 11% (2009: 3%)	4,477	(94)
- weakened 11% (2009: 3%)	(4,477)	94
HKD - strengthened 1% (2009: 1%)	8	5
- weakened 1% (2009: 1%)	(8)	(5)
RMB - strengthened 4% (2009: 3%)	55	23
- weakened 4% (2009: 3%)	(55)	(23)
THB - strengthened 5% (2009: Nil)	(171)	–
- weakened 5% (2009: Nil)	171	–
MYR - strengthened 13% (2009: Nil)	(72)	–
- weakened 13% (2009: Nil)	72	–

(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. The Group's equity portfolio consists of shares included in the Straits Times Index ("STI").

Sensitivity analysis for equity price risk

At the balance sheet date, if the STI had been 2% (2009: 2%) lower/higher with all other variables held constant, the Group's fair value adjustment reserve would have been $1,000 (2009: $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			
	2010-11 $'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)	–	–	3,591	3,591
Available-for-sale financial assets (Note 12)				
- Equity investment (quoted)	117	–	–	117
At 31 March 2011	117	–	3,591	3,708

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/year ended 31 March 2011 and 31 December 2009.

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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)

Determination of fair value

Unquoted investment securities and 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. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for investment securities and hybrid instrument for disclosure purposes.

Quoted equity investment (Note 12): Fair value is determined directly by reference to their published market bid price at the balance sheet date.

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 2010-11 $'000 Designated at fair value through profit and loss Hybrid instrument (unquoted)
Opening balance	3,757
Total gains or losses: recognised in profit and loss	(166)
Closing balance	3,591
Total losses for the period included in the profit and loss for assets held at 31 March 2011	(166)

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 2010-11 $'000	
	Carrying amount	Effect of reasonably possible alternative assumptions
Designated at fair value through profit or loss		
- Hybrid Instrument (unquoted)	3,591	126

36. Fair values of financial instruments (cont'd)

A. Fair value of financial instruments that are carried at fair value (cont'd)

Impact of changes to key assumptions on fair value of level 3 financial instruments (cont'd)

For unquoted hybrid instrument, the fair value had been determined using a valuation technique 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 hybrid instrument 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 a range of reasonably possible alternatives based on dividend yield and discount rate of companies with similar risk profiles.

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.

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 $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
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	–	–
31.12.2009				
Financial assets				
Investment in bonds	7,484	7,728	7,484	7,728
Lease receivables	824	958	–	–
Financial liabilities				
Lease obligations	1,869	1,869	–	–
Loans and bank borrowings, non-current	2,671	2,671	–	–

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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)

Determination of fair value

Investment in bonds

The fair value of investment in bonds which is the market value, is disclosed above.

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.

36. Fair values of financial instruments (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:

	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
31.3.2011							
Group							
Assets							
Property, plant and equipment	–	–	–	–	–	11,625	11,625
Intangible assets	–	–	–	–	–	103,512	103,512
Investment in associates	–	–	–	–	–	406	406
Investment securities, non-current	–	3,591	–	117	–	–	3,708
Deferred tax assets	–	–	–	–	–	4,405	4,405
Trade debtors, non-current	292	–	–	–	–	–	292
Other debtors and deposits, non-current	341	–	–	–	–	–	341
Stocks	–	–	–	–	–	23,846	23,846
Trade debtors, current	52,955	–	–	–	–	–	52,955
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 bank balances	86,764	–	–	–	–	–	86,764
Liabilities							
Trade creditors	–	–	–	–	(10,720)	–	(10,720)
Other creditors and accruals, current	–	–	–	–	(25,217)	–	(25,217)
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	–	–	–	–	–	(9,430)	(9,430)
Lease obligations, non-current	–	–	–	–	(677)	–	(677)
Loans and bank borrowings, non-current	–	–	–	–	(3,590)	–	(3,590)
Provision for employee benefits	–	–	–	–	(96)	–	(96)
Other creditors and accruals, non-current	–	–	–	–	(7,409)	–	(7,409)
Net assets							**227,946**

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36. Fair values of financial instruments (cont'd)

	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
31.3.2011							
Company							
Assets							
Property, plant and equipment	–	–	–	–	–	847	847
Intangible assets	–	–	–	–	–	1,819	1,819
Investment in subsidiaries	–	–	–	–	–	93,873	93,873
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	–	–	–	–	(11,264)	–	(11,264)
Deferred revenue	–	–	–	–	–	(1,115)	(1,115)
Due to subsidiaries	–	–	–	–	(8,869)	–	(8,869)
Due to associates	–	–	–	–	(128)	–	(128)
Other creditors and accruals, non-current	–	–	–	–	(7,409)	–	(7,409)
Net Assets							**200,073**

36. Fair values of financial instruments (cont'd)

	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
31.12.2009							
Group							
Assets							
Property, plant and equipment	–	–	–	–	–	4,563	4,563
Intangible assets	–	–	–	–	–	18,486	18,486
Investment in associates	–	–	–	–	–	463	463
Investment in long-term bonds	–	–	3,300	–	–	–	3,300
Investment securities, non-current	–	3,757	–	148	–	–	3,905
Trade debtors, non-current	488	–	–	–	–	–	488
Stocks	–	–	–	–	–	7,487	7,487
Trade debtors, current	16,327	–	–	–	–	–	16,327
Other debtors and deposits	1,792	–	–	–	–	–	1,792
Prepayments	–	–	–	–	–	4,499	4,499
Due from associates	28	–	–	–	–	–	28
Investment in short-term bonds	–	–	4,184	–	–	–	4,184
Investment securities, current	–	54,688	–	–	–	–	54,688
Cash and bank deposits pledged	147	–	–	–	–	–	147
Cash and cash equivalent	18,338	–	–	–	–	–	18,338
Liabilities							
Trade creditors	–	–	–	–	(11,860)	–	(11,860)
Other creditors and accruals	–	–	–	–	(8,619)	–	(8,619)
Deferred revenue	–	–	–	–	–	(6,180)	(6,180)
Lease obligations, current	–	–	–	–	(1,035)	–	(1,035)
Loans and bank borrowings, current	–	–	–	–	(4,246)	–	(4,246)
Due to associates	–	–	–	–	(22)	–	(22)
Tax payable	–	–	–	–	–	(376)	(376)
Deferred tax liabilities	–	–	–	–	–	(1,715)	(1,715)
Lease obligations, non-current	–	–	–	–	(834)	–	(834)
Loans and bank borrowings, non-current					(2,671)	–	(2,671)
Net assets							**101,137**

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011
Amounts in United States dollars unless otherwise stated

36. Fair values of financial instruments (cont'd)

	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
31.12.2009							
Company							
Assets							
Property, plant and equipment	–	–	–	–	–	1,216	1,216
Intangible assets	–	–	–	–	–	556	556
Investment in subsidiaries	–	–	–	–	–	24,673	24,673
Investment in associates	–	–	–	–	–	479	479
Investment in long-term bonds	–	–	3,300	–	–	–	3,300
Investment securities, non-current	–	3,757	–	148	–	–	3,905
Long-term loans and advances to subsidiaries	1,214	–	–	–	–	–	1,214
Stocks	–	–	–	–	–	266	266
Trade debtors, current	6,866	–	–	–	–	–	6,866
Other debtors and deposits	577	–	–	–	–	–	577
Prepayments	–	–	–	–	–	2,378	2,378
Due from subsidiaries	4,572	–	–	–	–	–	4,572
Due from associates	28	–	–	–	–	–	28
Investment in short-term bonds	–	–	4,184	–	–	–	4,184
Investment securities, current	–	54,688	–	–	–	–	54,688
Cash and cash equivalents	4,590	–	–	–	–	–	4,590
Liabilities							
Trade creditors	–	–	–	–	(6,704)	–	(6,704)
Other creditors and accruals	–	–	–	–	(3,625)	–	(3,625)
Deferred revenue	–	–	–	–	–	(2,636)	(2,636)
Due to subsidiaries	–	–	–	–	(8,957)	–	(8,957)
Due to associates	–	–	–	–	(22)	–	(22)
Net Assets							**91,548**

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/year ended 31 March 2011 and 31 December 2009.

The Group is currently in a strong net cash position. With a strong net cash position, the Group has greater leverage in targeting a wider range of potential strategic partnerships and alliances as well as investment opportunities in synergistic businesses that can accelerate the Group's growth. The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

	Group	
	31.3.2011	31.12.2009
	$'000	$'000
Total gross debt		
- Loans and bank borrowings	26,627	6,917
Shareholders' equity		
- Share capital	288,061	168,534
- Accumulated losses	(71,383)	(70,268)
- Other reserves	1,716	(80)
- Translation reserve	9,552	2,951
	227,946	101,137
Gross debt equity ratio	11.68%	6.84%
Cash and bank balances and fixed deposits	89,759	18,485
Less: Total gross debt	26,627	6,917
Net cash position	63,132	11,568

38. Dividends

	Group and Company	
	31.3.2011	31.12.2009
	$'000	$'000
Declared and paid during the financial period/year		
- Final exempt (one-tier) dividend for 2009: S$0.001 (2008: Nil) per share	980	–
Proposed but not recognised as a liability as at period end		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final exempt (one-tier) dividend for 2011: Nil (2009: S$0.001) per ordinary share	–	980

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2011
Amounts in United States dollars unless otherwise stated

39. Events occurring after the balance sheet date

(a) Completion of Acquisition of equity interests in I-Gate Holdings Sdn Bhd, CSL Multimedia Sdn Bhd, CSL Mobilecare Sdn Bhd and Mobile Concepts (M) Sdn Bhd.

The Company had on 4 April 2011 announced that it had completed the acquisition of interests in the aforesaid companies 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 I-Gate Holdings Sdn Bhd;

(ii) 100% of the shares in the issued share capital of CSL Multimedia Sdn Bhd;

(iii) 100% of the shares in the issued share capital of CSL Mobilecare Sdn Bhd; and

(iv) 60% of the shares in the issued share capital of Mobile Concepts (M) Sdn Bhd.

The fair value assessment is currently being carried out and expected to be finalised within 12 months from the date of acquisition.

(b) Acquisition of Affinity Capital Pte Ltd

On 23 May 2011, the Company announced that it had completed the aforesaid acquisition. The details are given below:

On 22 January 2011, the Company entered into a Share Purchase Agreement with Affinity Pacific Ltd, Mr Zulkarnaen Tanzil, and Mr Martono Jaya Kusuma to acquire 100% of the issued shares of Affinity Capital Pte Ltd, and its following subsidiaries:

(1) PT Selular Global Net (“SGN”);

(2) PT Selular Media Infotama (“SMI”);

(3) PT Metrotech Jaya Komunika Indonesia (“MJKI”); and

(4) PT Metrotech Makmur Sehjatera (“MMS”).

The total consideration comprises a deposit of US$2,000,000, a completion payment of US$98,000,000 and deferred payments of up to US$25,000,000 per year over 3 years.

As the acquisition was a major transaction under the SGX-ST Listing Rules, shareholders approval was required and obtained at the Extraordinary General Meeting held on 29 March 2011.

The fair value assessment is currently being carried out and expected to be finalised within 12 months from the date of acquisition.

39. Events occurring after the balance sheet date (cont'd)

(c) Renounceable Underwritten Rights Issue

On 13 May 2011, the Company announced the completion of the aforesaid issue. The details are given below:

On 25 January 2011, the Company announced that it would carry out a renounceable underwritten rights issue (the "Rights Issue") of up to 2,744,524,562 new ordinary shares in the capital of the Company (collectively, the "Rights Shares", each, a "Rights Share"), at an issue price of S$0.055 for each Rights Share, on the basis of one (1) Rights Share for every one (1) existing ordinary share in the capital of the Company (the "Share") held by shareholders of the Company ("Shareholders") who are eligible to participate in the Rights Issue.

Shareholders' approval was obtained on 29 March 2011 and on 3 May 2011, 2,742,490,418 Rights Shares were allotted and issued.

40. Comparative figures

During the financial period, the Group changed its financial year end from 31 December to 31 March. The financial statements for the period ended 31 March 2011 cover the fifteen months from 1 January 2010 to 31 March 2011. The financial statements for 2009 covered the twelve months from 1 January 2009 to 31 December 2009.

SUPPLEMENTARY INFORMATION

Interested Party Transactions ("IPT")

The aggregate value of all IPT during the financial period ended 31 March 2011 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)	Aggregate value of all Interested Person Transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than SGD100,000)
	$'000	$'000
Dr Bhupendra Kumar Modi	1,368	76,473
Divya Modi	1,368	76,473
Dilip Modi	1,368	76,473
Dato' Chuah Seong Ling	4,074	57,834
Jai Swarup Pathak	2,479	–

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STATISTICS OF SHAREHOLDINGS

As at 15 June 2011

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	123	0.72	24,593	0.00
1,000 – 10,000	6,350	37.07	30,215,747	0.55
10,001 – 1,000,000	10,331	60.30	1,195,163,714	21.79
1,000,001 and above	328	1.91	4,259,576,782	77.66
TOTAL :	17,132	100.00	5,484,980,836	100.00

SUBSTANTIAL SHAREHOLDERS

		No. of Shares			
	Name	Direct Interest	Deemed Interest	Total Interest	%
1.	Dr. Bhupendra Kumar Modi	–	1,671,580,940	1,671,580,940	30.4756
2.	S Global Holdings Pte. Ltd.	164,264,186	1,490,116,754	1,654,380,940	30.1620
3.	Dilip Modi	–	1,455,568,754	1,455,568,754	26.5374
4.	Divya Modi	–	1,455,568,754	1,455,568,754	26.5374
5.	Spice Innovative Technologies Pvt Ltd	1,455,568,754	–	1,455,568,754	26.5374
6.	Lee Foundation, States of Malaya	–	710,220,000	710,220,000	12.9484
7.	Lee Foundation	–	710,220,000	710,220,000	12.9484
8.	Lee Pineapple Company (Pte) Ltd	–	710,220,000	710,220,000	12.9484
9.	Paramount Assets Investments Pte Ltd	710,220,000	–	710,220,000	12.9484

Notes:

(1) The above percentages are calculated based on the Company's share capital comprising 5,484,980,836 issued and paid-up Shares as at the date hereof.

(2) Dr. Bhupendra Kumar Modi ("BKM") is deemed to have an interest in 1,671,580,940 ordinary shares of the Company comprising the following:

(a) 1,455,568,754 ordinary shares held directly by Spice Innovative Technologies Pvt Ltd as Spice Innovative Technologies Pvt Ltd is controlled by BKM;
(b) 164,264,186 ordinary shares held directly by S Global Holdings Pte. Ltd. as S Global Holdings Pte. Ltd. is wholly-owned by BKM;
(c) 34,548,000 ordinary 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 BKM; and
(d) 17,200,000 ordinary shares held directly by Innovative Management Pte Ltd as Innovative Management Pte Ltd is wholly-owned by BKM.

(3) S Global Holdings Pte. Ltd. is deemed to be interested in 1,490,116,754 ordinary shares comprising the following:

(a) 1,455,568,754 ordinary shares held directly by Spice Innovative Technologies Pvt Ltd; and
(b) 34,548,000 ordinary 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 15 June 2011

(4) Mr. Dilip Modi is deemed to be interested in 1,455,568,754 ordinary shares held directly by Spice Innovative Technologies Pvt Ltd as Spice Innovative Technologies Pvt Ltd is controlled by BKM.

(5) Ms Divya Modi is deemed to be interested in 1,455,568,754 ordinary shares held directly by Spice Innovative Technologies Pvt Ltd as Spice Innovative Technologies Pvt Ltd is controlled by BKM.

(6) Lee Foundation, States of Malaya, by virtue of its interest in not less than 20.0% 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 Foundation, by virtue of its interest in not less than 20.0% 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.

(8) 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.	UOB Kay Hian Pte Ltd	1,598,988,888	29.15*
2.	Paramount Assets Investments Pte Ltd	710,220,000	12.95
3.	HSBC (Singapore) Nominees Pte Ltd	167,244,216	3.05
4.	Phillip Securities Pte Ltd	150,066,045	2.74
5.	S Global Holdings Pte. Ltd.	104,114,552	1.90
6.	Dato Eric Chuah Seong Ling	102,840,466	1.87
7.	OCBC Securities Private Ltd	76,439,700	1.39
8.	United Overseas Bank Nominees Pte Ltd	63,201,963	1.15
9.	Kim Eng Securities Pte. Ltd.	60,526,500	1.10
10.	Lim & Tan Securities Pte Ltd	48,790,000	0.89
11.	DBS Nominees Pte Ltd	47,768,849	0.87
12.	DBS Vickers Securities (S) Pte Ltd	44,959,250	0.82
13.	Tai Tak Securities Pte Ltd	39,000,000	0.71
14.	Citibank Nominees Singapore Pte Ltd	37,200,870	0.68
15.	CIMB Securities (Singapore) Pte Ltd	29,022,500	0.53
16.	Lee Seng Tee	25,800,000	0.47
17.	Chong Kah Lin	20,400,000	0.37
18.	OCBC Nominees Singapore Pte Ltd	20,166,752	0.37
19.	Koh Kow Tee Michael	20,000,000	0.36
20.	Citibank Consumer Nominees Pte Ltd	18,738,000	0.34
TOTAL :		3,385,488,551	61.71

* Includes 26.5374% shareholdings of Spice Innovative Technologies Private Limited and 1.0966% Shareholdings of S Global Holdings Pte. Ltd.

SHAREHOLDING HELD BY THE PUBLIC

52.5580% of Spice 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

SPICE i2i LIMITED

(Company Registration No. 199304568R)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Spice i2i Limited (the "Company") will be held at NTUC Centre, 1 Marina Boulevard, NTUC Auditorium Level 7, Singapore 018989 on Tuesday, 26 July 2011 at 10.30 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial period ended 31 March 2011 and the Directors' Reports and the Auditors' Report thereon. **(Resolution 1)**

2. To re-appoint Mr S. Chandra Das as a Director of the Company, pursuant to Section 153(6) of the Companies Act, Cap. 50, to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 2)**

3. To re-elect Ms Preeti Malhotra as a Director of the Company, who is retiring pursuant to Article 108 of the Company's Articles of Association, to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 3)**

4. To re-elect Mr Thomas Henrik Zilliacus as a Director of the Company, who is retiring pursuant to Article 104 of the Company's Articles of Association, to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 4)**

5. To record the retirement of Mr Sin Hang Boon as a Director of the Company pursuant to Section 153(6) of the Companies Act, Cap. 50 who will not be seeking for re-appointment.
   [See explanatory note (a)]

6. To record the retirement of Mrs Eileen Tay-Tan Bee Kiew 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)]

7. To approve the proposed Directors' fees of S$673,575 for the financial period ended 31 March 2011. (2009: S$332,639). **(Resolution 5)**

8. To re-appoint Messrs Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

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

NOTICE OF ANNUAL GENERAL MEETING

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:

10. 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;

NOTICE OF ANNUAL GENERAL MEETING

SPICE i2i LIMITED
(Company Registration No. 199304568R)
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(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 (c)] **(Resolution 7)**

11. AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE 1999 SPICE 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 (d)] **(Resolution 8)**

12. AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE 1999 SPICE 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, Spice i2i Restricted Share Plan and Spice 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 (e)] **(Resolution 9)**

13. AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE SPICE I2I RESTRICTED SHARE PLAN ("SPICE 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 Spice i2i RSP in accordance with the terms and conditions of the Spice i2i RSP, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Spice i2i RSP, 1999 Spice i2i Employees' Share Option Scheme II and Spice 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 10)**

NOTICE OF ANNUAL GENERAL MEETING

SPICE i2i LIMITED

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(Incorporated in the Republic of Singapore)

14. AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE SPICE I2I PERFORMANCE SHARE PLAN ("SPICE 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 Spice i2i PSP in accordance with the terms and conditions of the Spice i2i PSP, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Spice i2i PSP, 1999 Spice i2i Employees' Share Option Scheme II and Spice 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 (g)] **(Resolution 11)**

15. RENEWAL OF THE SPICE IPT MANDATE

"That:

(a) approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited for the Company, its subsidiaries and associated companies (the "Group") or any of them to enter into the Spice IPTs with one or more members of the Spice Group as described in the Circular in relation to Renewal of Spice IPT Mandate, provided that such transactions are carried out in the normal course of business, at arm's length and on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders, and in accordance with the guidelines of the Company for interested person transactions as set out in the abovementioned Circular;

(b) such approval shall, unless revoked or varied by the Company in a general meeting, continue in force until the next Annual General Meeting of the Company; and

(c) the Independent Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Ordinary Resolution."
[See explanatory note (h)] **(Resolution 12)**

16. RENEWAL OF THE ISSA IPT MANDATE

"That:

(a) approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited for the Company, its subsidiaries and associated companies (the "Group") or any of them to enter into the ISSA IPTs as described in the Circular in relation to Renewal of ISSA IPT Mandate, provided that such transactions are carried out in the normal course of business, at arm's length and on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders, and in accordance with the guidelines of the Company for interested person transactions as set out in the abovementioned Circular

(b) such approval shall, unless revoked or varied by the Company in a general meeting, continue in force until the next Annual General Meeting of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

SPICE i2i LIMITED

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(Incorporated in the Republic of Singapore)

(c) the Independent Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Ordinary Resolution."
[See explanatory note (i)] **(Resolution 13)**

By Order of the Board

Joanna Lim
Company Secretary
4 July 2011
Singapore

Explanatory Notes:

(a) Mr Sin Hang Boon, upon his retirement at the conclusion of the Annual General Meeting, will step down as a member of the Audit Committee and Remuneration Committee.

(b) Mrs Eileen Tay-Tan Bee Kiew, upon her retirement at the conclusion of the Annual General Meeting, will step down as the Chairman of the Audit Committee.

(c) The Ordinary Resolution 7 proposed in the item (10) 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.

(d) The Ordinary Resolution 8 proposed in item (11) 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.

(e) The Ordinary Resolution 9 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 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 options to be granted under the ESOS, ESOS II, Spice i2i RSP, Spice 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.

(f) The Ordinary Resolution 10 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 Spice 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, Spice i2i RSP and Spice 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.

NOTICE OF ANNUAL GENERAL MEETING

SPICE i2i LIMITED

(Company Registration No. 199304568R)
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(g) The Ordinary Resolution 11 proposed in item (14) 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 Spice i2i PSP, ESOS II and Spice 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 Spice i2i PSP.

(h) The Ordinary Resolution 12 proposed in item (15) above if passed, will renew the Shareholders' Mandate to allow the Company, its subsidiaries and associated companies (the "Group") or any of them to enter into Spice IPTs with one or more members of the Spice Group as described in the Circular in relation to Renewal of Spice IPT Mandate.

(i) The Ordinary Resolution 13 proposed in item (16) above if passed, will renew the Shareholders' Mandate to allow the Company, its subsidiaries and associated companies (the "Group") or any of them to enter into the ISSA IPTs as described in the Circular in relation to Renewal of ISSA IPT Mandate.

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.

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SPICE 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 Spice i2i Limited's shares, this Annual Report 2011 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 Spice 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 NTUC Centre, 1 Marina Boulevard, NTUC Auditorium Level 7, Singapore 018989 on 26 July 2011 at 10.30 a.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 and adopt the Audited Financial Statements of the Company for the financial period ended 31 March 2011 and the Reports of the Directors and the Auditors thereon.		
2.	To re-appoint Mr S. Chandra Das as Director of the Company.		
3.	To re-elect Ms Preeti Malhotra as Director of the Company.		
4.	To re-elect Mr Thomas Henrik Zilliacus as Director of the Company.		
5.	To approve the payment of directors' fees amounting to S$673,575 for the financial period ended 31 March 2011.		
6.	To re-appoint Messrs Ernst & Young LLP as auditors of the Company 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 issue shares under the ESOS.		
9.	To authorise Directors to allot and issue shares under the ESOS II.		
10.	To authorise Directors to allot and issue shares under the SPICE I2I RSP.		
11.	To authorise Directors to allot and issue shares under the SPICE I2I PSP.		
12.	To renew the SPICE IPT Mandate.		
13.	To renew the ISSA IPT Mandate.		

Dated this ____________ day of _________________ 2011

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.

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.

AFFIX
POSTAGE
STAMP

The Share Registrar
SPICE i2i LIMITED
c/o Boardroom Corporate Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

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CORPORATE **INFORMATION**

Board of Directors
Dr. Bhupendra Kumar Modi, Chairman
Mr. Dilip Modi, Executive Vice Chairman & Managing Director
Ms. Divya Modi, Executive Director
Dato' Chuah Seong Ling, Executive Director
Mr. Thomas Henrik Zilliacus, Lead Independent Director
Mr. S Chandra Das, Independent Director
Mrs. Eileen Tay-Tan Bee Kiew, Independent Director
Mr. Sin Hang Boon, Independent Director
Mr. Vijay Brijendra Chopra, Independent 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
Dato' Chuah Seong Ling

Audit Committee
Mrs. Eileen Tay-Tan Bee Kiew, Chairperson
Mr. Jai Swarup Pathak
Mr. Vijay Brijendra Chopra
Mr. Sin Hang Boon
Ms. Preeti Malhotra

Remuneration Committee
Mr. Vijay Brijendra Chopra, Chairman
Mr. Sin Hang Boon
Ms. Preeti Malhotra

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

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

Registered Office
750A Chai Chee Road
#05-01 Technopark @ Chai Chee
Singapore 469001
T: (65) 6514 9458
F: (65) 6441 3013
www.spicei2i.com

Share Registrar
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

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

DBS Bank Ltd
6 Shenton Way
DBS Building Tower One
Singapore 068809

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

Standard Chartered Bank
6 Battery Road, #22-00
Singapore 049909

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)

spice
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www.spicei2i.com