S i2i Limited

Creating a Borderless World with

MOBILE INTERNET

Annual Report **2012-13**

Contents

Corporate **Profile**

Headquartered in Singapore and incorporated in 1993, S i2i Limited ("S i2i" or "the Company") (formerly known as Spice i2i Limited) is a company operating in the Mobility, Voice & Data and Computing Services segments.

In the Mobility segment, the Company is primarily involved in the procurement and sale of mobile handsets and related products and services.

The company operates in Indonesia under the (Nexian) brand, in Thailand under the (Wellcom) brand and in Malaysia under the (CSL) Brand. The Company also distributes mobile prepaid cards of established operators like Telkomsel, XL, Indosat etc. in Indonesia ("Airtime Business") and also operates its owned mobile and accessories retail shops ("Retail Business") in Indonesia and Malaysia.

Airtime Business and Retail Businesses in Indonesia operates with its various branches across the country and a distribution network of more than 10,000 point of sales having more than 4000 dealers and sub dealers. The company has established Operator relationships in Malaysia (Tune Talk and Altel), Singapore (SingTel prepaid bundles) and continues to have strong relationships in Indonesia with Telekomsel, XL, Indosat etc.

The Company's strategic partnerships with major players in the 3G space, including Android, allows the Company to tap onto mobile technologies that are currently used by top mobile phone brands across the globe.

In Voice & Data and Computing Services segment, the Company operates into voice over Internet protocol and IT hardware Infrastructure & Service Integration business in markets including Singapore, India and the Middle East.

Partnerships with established global companies such as HP and IBM has enabled the Company to offer a comprehensive suite of voice & data services and Information & Communication Technology (ICT) solutions to both corporate and consumer clients.

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

Chairman's **Statement**

Dear Shareholders,

On behalf of the Board of Directors, I present your Company's financial performance and significant milestones for the financial year ended December 31, 2013 ("FP 2013"), which covers a period of 18 months from 1 July 2012 to December 31 2013.

Regional Economy –An Overview

During the early part of 2013, South-East Asian countries; Indonesia in particular, bore the brunt of the global financial turbulence. Rapid depreciation of local currencies, increase in inflation and fuel price hikes resulted in an economic slowdown in the region. This led to a significant reduction in consumer demand and reduction in liquidity in the market.

The countries are slowly recovering and the GDP growth projections for the next 5 years looks promising. Some countries in South East Asia such as Indonesia and Thailand are projected to experience high GDP growth rates and overall economic development and hence provide a huge opportunity for business growth. In 2014-18, Indonesia is projected to grow at an average annual growth rate of 6.0% and is expected to see growth driven by a stable political environment after the 2014 presidential elections.

Industry overview

The rapid movement in mobile technology and shift from 2G to 3G and 4G is leading to mobile internet revolution in the region.

According to GFK Asia, one in every two mobile handsets purchased in Southeast Asia is now a smartphone. Among the seven Southeast Asian markets, Indonesia has the highest smartphone sales in terms of volume and value. Indonesian consumers bought 20 million smartphones worth over US$ 4 billion in the year 2013.

Southeast Asia has over 155 million internet users in a population of 630 million people. While countries like Singapore have an internet penetration of 73%, Indonesia's internet penetration is rather modest at 15%. This low internet penetration coupled with increasing sales of data enabled range of smartphones and government policies to promote better mobile internet accessibility; offers huge potential. In addition, Indonesia introduced import control measures in early 2013 to encourage local manufacturing of smartphones. These measures resulted in significant changes in the process of imports requiring companies to shift towards local manufacturing over a period of time.

Company Performance – focus on cost and business transformation

During the 18-month period under review, Si2i recorded revenue of US$769.5 million, which represented a 22.5 % decrease from US$ 993.2 million for the 15-month period that ended June 2012 ("FP 2012"). During the last financial year, the focus was on rationalising costs, better cash management and reorganising the revenue portfolio. This is reflected in the reduced EBITDA loss of US$ 29 million from USD 64 million and reduced PAT loss of US$ 58 Million from US$ 188 million of the previous financial period. The Group's financial and net liquidity has been maintained through robust working capital management, with cash and cash equivalents of US$29 million against a total debt of US$13.8 million leaving a net cash of US$15.4 million.

In Indonesia, your company continues to strengthen and profitably grow the telco distribution business by reaching out to ~50K resellers of airtime vouchers across Indonesia with a network of 20+ branch offices and more than 1200 strong employee base. We are one of the largest distributors of mobile prepaid cards in Indonesia, are 3rd largest distributor for Telkomsel and also, national distributor of airtime for almost all the operators in Indonesia. Recently your company has bagged the distributorship for Bolt which is the first 4G operator in Indonesia.

Your company in Indonesia also operates a boutique chain of multiband retail shops selling a range of Smartphones and high end accessories. These 28 Multi branded Retail shops are located in some of the high footfall shopping malls in Jakarta and are considered a Smartphone destination in Jakarta. Close to 200 retail associates are employed with the retail business, selling leading smartphone brands like iPhone, Samsung, Nexian, Blackberry, Smartfren, LG, Lenovo. In 2013, the focus had been to optimize the revenues and profits for the existing stores before embarking on the expansion in 2014. The Selular shops also run customized joint promotions and customer programs with over 15 retail banking partners.

Nexian brand continues to be the favorite local brand in Indonesia and has been recognized as the top local brand in various consumer surveys. Some of the awards for the year 2013 include the "Best Smart Phone for Local brand" by Gadget+Magazine, "Brand of Choice by Community" by Swanetwork, "Winner #1 for Local Smartphone Indonesia local brand" by Swa. Recently in 2014, brand Nexian has received the "Top Smartphone Local brand" recognition.

In Malaysia, the government in 2013 ran a subsidy program to make smartphones available at affordable prices which resulted in the increased penetration of smartphones and higher mobile internet usage. Your company strengthened its position in the Malaysian smartphones market during this period and sold over 140,000 smartphones.

The Information Technology and enterprise business in Singapore remains steady.

Future Strategy

Your company plans to consolidate and position the Group for long term growth and return to sustained profitability. Towards this your company will continue to focus on cost optimization and profitable revenue growth enabled by the following strategies:

- Consolidate and grow the telco distribution business in Indonesia.
- Reenergize the smartphones business in the sub US$ 150 3G smartphones market coupled with operator bundles. Focus will be to capture the growth in the affordable smartphones segment in the South East Asia region.
- Consolidate and grow the information technology distribution and service integration business in collaboration with our partners in Singapore.
- Focus on strengthening the relationships and adding significant value to the leading telco and smartphone brands.

Your company will continue to work closely with existing partners and will also build new strategic partnerships in this space. This will help drive higher market share in the high growth information technology and mobile internet industry in the South East Asian region.

A Word of Gratitude

I would like to take this opportunity to thank all the employees of the subsidiary and associate companies of Si2i group for their commitment to turnaround the company, and to all our business partners across the region for their unstinted support to the group, and for giving us the opportunity to collaborate and grow business together.

I am grateful to the Board for giving me the opportunity to serve the company as Chairman of the Board.

I would also like to thank all the shareholders for their tremendous support and patience. I would like to assure you that the management team of Si2i will leave no stone unturned in building a strong company with a healthy performance growth engine. We will work at the Board along with the management team to put in place key strategic building blocks in the year 2014 to enable the company to ride the information technology and mobile internet growth in the region.

We thank you again for your support.

Dilip Modi
Chairman

Operational & Financial Review

Operational Review

S i2i Limited ("S i2i", and together with its subsidiaries, collectively, the "Group"), is one of South Asia's leading regional mobile device company, focused on the supply and sale of feature-phones, smart-phones and mobility related products in Malaysia, Thailand and Indonesia.

The Group operates in segments namely Mobility, Voice & Data and Computing Services which include Technology and Hardware Infrastructure amongst others.

The Mobility segment comprises of operating companies in Indonesia, Malaysia and Thailand. Mobility business contributes to about 88% of total Group revenue for the 18 months period ended on 31 Dec 2013 ("FP 2013").

The Group owns the "Nexian" brand in Indonesia and is one of the largest distributors for mobile prepaid cards of various established operators like Telkomsel, XL, Indosat etc. ("Airtime Business"). The Group also owns and operates 30 retail outlets selling muti brand handsets and also has a vast distribution and point of sale network.

In Malaysia and Thailand, Si2i owns and operates under the "S-CSL" and " S-Wellcom" brands, of handsets respectively through its retail and distribution channel.

Under Voice & Data segment, the Group has operating subsidiaries in Singapore which operates in the market of enterprise VOIP and data solutions and retail VOIP solutions.

Computing Segment which includes IT Hardware, System Integration and Services businesses has contributed to about 8% of total Group revenue for the FP 2013. Under Computing segment, the Group has operating subsidiaries mainly in Singapore and India, providing IT hardware and related sale and services. This business has relationships with HP and IBM as their distribution and system integration partner. The business also has other vendors as partners in networking and system integration to constitute a whole solution sale for end customers.

Financial Review

The Group recorded a turnover of US$769.6million for FP 2013, a decrease of 22.5% over FP 2012, primarily due to lower revenue generated by the mobility business. The Group's change in strategy and portfolio from 2G feature phones to 3G Android based smart phones has resulted in a short term effect of lower revenue as the Group requires ramp-up time to cater to new dealer ecosystems, new product portfolios, stakeholder training and implementation. As a result of the lower turnover, direct service fees and cost of goods sold declined 21.5% from US$912.8 million in FP 2012 to US$716.8million in FP 2013.

In FP 2013, the depreciation of local currencies in Indonesia, Malaysia and Thailand against the US Dollar during July – December 2013, resulted in significant translation differences against the previous corresponding period.

Demand and margin of Mobility products in the Group's major market of Indonesia, has also been affected due to increased inflation, reduced GDP and consequent tighter liquidity. Si2i has shifted management's focus towards retailing, which is a higher margin business and accordingly has moved away from distribution of third party Mobility products under Affinity Group. This change in management's focus has also resulted in a decrease in revenue contributed by the distribution business in FP 2013.

During the period, there was a decrease in overheads mainly due to certain cost cutting measures initiated by the Group in its effort to rein in costs. Significant reduction in major overheads like personnel costs by 15%, infrastructure costs by 8%, depreciation by 16%, has led to the PAT losses being significantly lower than the previous 15 months period ended 30 June 2012 ("FP2012").

Further during FP 2013, the Group disposed off its subsidiaries namely Mobile Concept (M) Sdn. Bhd. and Spice BPO Services Limited resulting in gain of US$7.8 Mn.

During FP 2013, the Group carried out impairment testing in accordance with Financial Reporting Standards (FRS 36). Resultantly, Goodwill in respect of the Affinity Group, Cavu Group and two entities in subsidiaries namely Mobile Services Internation Co. Ltd and CSL Communication (Shenzhen) Co. Ltd were impaired by US$23.3 million in FP 2012 by US$97.2 million.

As a result of the above, the Group reduced its losses by 69% to US$58.0 million in FP 2013.

The Group's financial and liquidity conditions remain good. As at December 31, 2013, the Group's net assets stood at US$90.2million, with cash and cash equivalents of US$29 million.

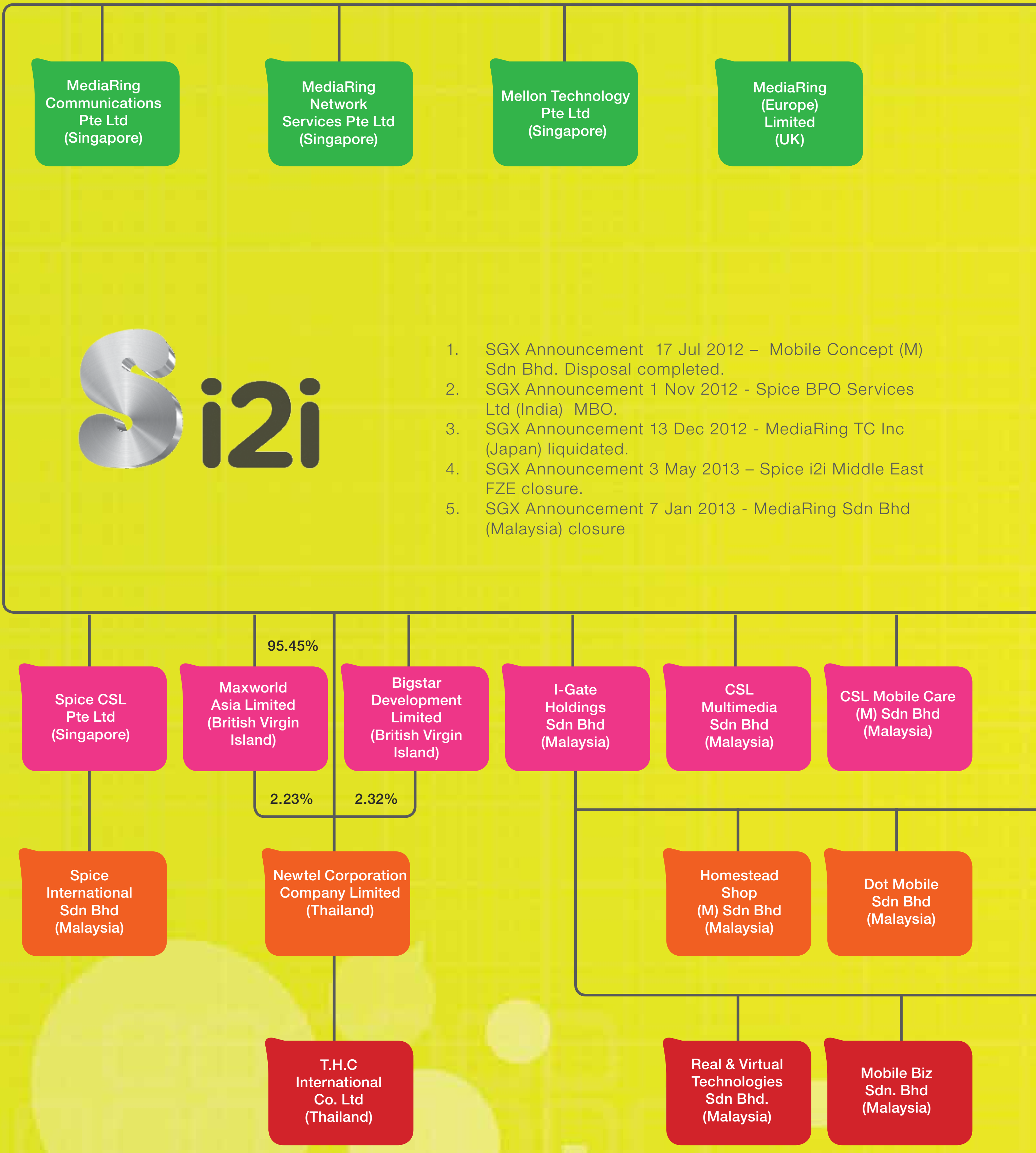
Outlook

Going forward the Company plans to focus on the following initiatives:

- Consolidate and grow the Airtime Business in Indonesia which is robust and performing well.
- Re-energize the mobile device business through low end 3G phones and operator bundles – continue to focus on cost optimization in this cut throat business arena.
- Refocus on Information and Technology business as convergence happens between ICT and mobile technology

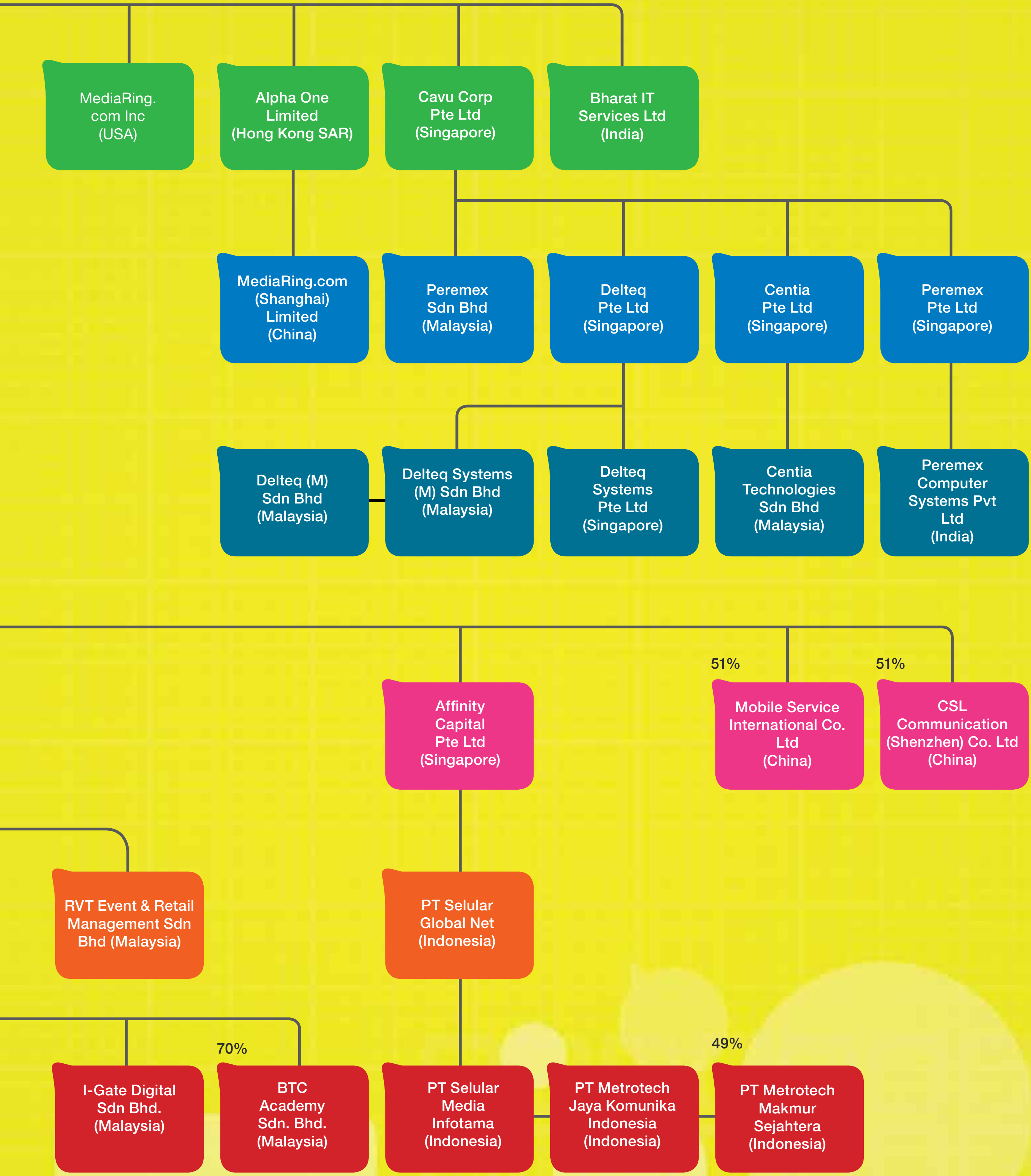
Backed by a strong and committed Board of Directors and Management team, the Group strongly believes that in the long term, its strategy and direction of focussing on cost, growing profitable revenue with low-end Android smart phones, leveraging operator relationships will yield higher margins and greater value for its stakeholders.

Corporate **Structure**



1. SGX Announcement 17 Jul 2012 – Mobile Concept (M) Sdn Bhd. Disposal completed.
2. SGX Announcement 1 Nov 2012 - Spice BPO Services Ltd (India) MBO.
3. SGX Announcement 13 Dec 2012 - MediaRing TC Inc (Japan) liquidated.
4. SGX Announcement 3 May 2013 – Spice i2i Middle East FZE closure.
5. SGX Announcement 7 Jan 2013 - MediaRing Sdn Bhd (Malaysia) closure

Corporate **Structure**



Board of **Directors**

Mr Dilip Modi

Non-Executive Chairman

Mr. Dilip Modi was appointed to the board on 30th April 2010 as a Director of the Company. He was redesignated as a Non-Executive Vice Chairman from a Non-Independent Non Executive Director with effect from 21st December 2012. He is appointed as a Non-Executive Chairman of the Company with effect from 14th November 2013.

Dilip is a new generation entrepreneur who has been spearheading business innovations in his group, ranging from mobility to entertainment with technology as the driving force.

Dilip co-founded the Spice Group in mid nineties, soon after starting his career in the early 90s, when he led the entry of his Group into the sunrise telecom sector in 1995 by creating Modi Telstra, India's first mobile service provider in collaboration with Telstra from Australia and rose to become the Chairman of the Company in year 1999. He also founded the country's earliest VAS companies and mobile retail chains that led the wave of innovations in the telecom industry.

Under his leadership, the Group has been instrumental in building a dynamic Spice brand that has enjoyed leadership in innovation in telecommunications, office automation, technology, entertainment and finance, with mobility being the Group's flagship business.

Dilip has been instrumental in expanding the footprint of the Spice Group across major Asian and African markets and has successfully created a Global and Inclusive Work Culture in the Group. The Group is currently headquartered at Singapore.

Apart from managing his businesses successfully, Dilip is equally aware of the responsibility of the industry for affecting a positive social impact. Dilip's leadership attributes are widely recognized by corporate India resulting in his being the youngest ever President of Associated Chambers of Commerce (ASSOCHAM), the oldest chamber of India in 2011-12 as also the youngest Chairman of the Cellular Operators Association of India (COAI), in 2004 -05.

Dilip was also awarded the "Youth Icon Award" by the Gujarat Chamber of Commerce and Industry for his exemplary leadership.

He is the founder of Ek Soch, a social impact initiative to support innovation and entrepreneurship in the areas of Mobility, Education and Environment.

Dilip holds a First Class Bachelor of Science Degree in Management Technology from the Brunel University, London, UK. He has also done his Masters in Business Administration from the Management School at the Imperial College, London, with a specialization in Finance.

Mr Thomas Henrik Zilliacus

Non-Executive Independent Director

Mr. Thomas Henrik Zilliacus was appointed as Non-Executive Director on 28 February 2002 and was last re-elected to his position as an Independent Non-Executive Director on 25 Oct 2012.

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

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

Mr Umang Das

Non-Executive Independent Director

Umang Das is a veteran and amongst the pioneers of the telecom industry in India. He has been closely involved with the Industry's growth and evolution over the last two decades, ever since the Government initiated the privatization process way back in 1987. He joined the SREI group as Managing Director & CEO of SREI Infocomm Services Ltd. in the year 2008, spearheading all new business initiatives of the Group in the field of Total Telecom Infrastructure enablement for mobile operators.

He presently holds the position of Chief Mentor at Viom Networks and is actively responsible for guiding the organization to the next level of growth. At Viom Networks, Umang is responsible for establishing the company's international ventures and forays into managed services, starting with Myanmar. He is a Director of Viom International at both Singapore and Myanmar. He also holds the position of first Director General of TAIPA (Tower & Infrastructure Provider Association), the Industry body formed by all the tower companies.

After establishing the Telecom Business of Compton Greaves, he took over as the Managing Director of Spice Telecom and subsequently as Group President of Spice Global Businesses. His significant contributions to the telecom industry include establishing cellular mobile telephony business in the country and initiating the first mobile call in August 1995. He is also credited with the innovation of new business model of passive infrastructure outsourcing and sharing, which got its fillip in the early 2005.

Umang holds various prestigious positions in the industry including - Chairman of the CSC India Forum, Chairman of GSM India and Chairman of the e-Governance and IT Committee of ASSOCHAM, Chairman of Committee on Telecom Infrastructure of CMAI (The Communication Media and IT Association of India). He is also an active member of the Managing Committees of CII & FICCI advising on Telecom matters. Socially, he is extremely well networked and involved in several CSR related initiatives. He is the district director of Rotary Club of India for promoting digital literacy and earlier President of Rotary Club of New Delhi.

Umang is an alumnus of the prestigious Indian Institute of Management, Ahmadabad and holds a degree in Electrical Engineering from the Delhi College of Engineering.

Ms Preeti Malhotra

Non-Independent Non-Executive Director

Ms. Preeti Malhotra was appointed to the Board on 14th May 2011. She is presently an Executive Director of Smart Ventures Limited (formerly known as Si2i Mobility Pvt Ltd), the holding company for the global mobility business of the Spice Group.

She is an accomplished professional in the field of corporate governance and her opinion and advisory has industry wide recognition. She has been the past President of the Institute of Company Secretaries of India (ICSI). She was the first and is the only woman to be elected as President amongst the premier National Professional Bodies in India. She was a member of the Dr. J. J. Irani Expert Committee constituted by the Ministry of Corporate Affairs (MCA), Government of India, to advise the Government on the New Company Law 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 is Member of various Committees of Chambers of Industries in India and is presently also the Chairperson of the National Council of Corporate Governance, CSR & Corporate Affairs of ASSOCHAM, a leading industry chamber in India.

She has received several awards & citations and was awarded the Bharat Nirman Talented Ladies Award in the field of profession and the Vocational Service Excellence Award by Rotary Club of New Delhi. She also received on behalf of ICSI as its Past President “Recognition of Excellence Award” for her Excellency from Smt. Pratibha Devisingh Patil (Hon’ble President of India) during the Celebration of India Corporate Week 2009 by MCA.

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

Mr Hanif Mohamed Dahya

Independent Director

Mr. Hanif Mohamed Dahya, Wally, serves as the Chief Executive Officer of The Y Company, LLC.

Mr. Dahya is an Investment Banker with 14 years of experience on Wall Street. He began his career with E.F. Hutton and Company, Inc. Mr. Dahya served as a Director of New York Community BanCorp. Inc and also served as a Director of New York Commercial Bank

He was an Independent Non-Executive Director of Cellebrum Technologies Limited. He has been Independent Non Executive Director of S i2i Limited since August 29, 2013. He is a Director of New York Community Bank since March 2, 2007. He served as a Director of CFS Investments New Jersey, Inc., a subsidiary of CFS Bank

Mr. Dahya holds Masters in Business Administration Degree of Harvard Business School, Cambridge, Massachusetts, USA and obtained his bachelor’s degree in technology from Loughborough University of Technology in the UK.

Senior **Management**

Mr Maneesh Tripathi

Chief Executive Officer

Mr. Maneesh Tripathi was first appointed as Chief Executive Officer of Si2i Ltd (formerly known as MediaRing Ltd) in March 2010. Later, after the acquisition of the Affinity and the Selular Group in Indonesia, he was appointed as Managing Director/ Chief Executive Officer of Affinity Group and Selular Group Indonesia in May 2011.

Mr. Tripathi has played a key role in the integration, transition and growth plans of Affinity Group and Selular Group – (part of SGX Listed Singapore Si2i Ltd) , having business in Mobile Devices, VAS and Telecom operator calling card and VOIP business in Indonesia.

In January 2013 Mr. Tripathi was once again appointed by the Board as the Group CEO of Si2i Ltd to oversee the business of all subsidiaries, as the local management was put in place in Affinity Group in Indonesia and the integration plan was implemented.

Mr. Tripathi has more than 25 years of experience in various leadership positions in Multinational Companies. In 2010 Mr. Tripathi joined Spice i2i as Group CEO. He is also a board member of many subsidiaries of Spice i2i Ltd.

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

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

Mr Arindam Chakrabarty

Chief Financial Officer

Mr. Arindam has been appointed as a Chief Financial Officer of Si2i limited with effect from 14th November, 2013. Mr. Arindam is an innovative, solution oriented, strategic business partner with 20+ years experience in successfully leading Finance & Accounting, Sales, Information Technology teams in India, Indonesia, Middle East & Africa. Proven business partner who builds and works effectively with multi-ethnic management teams.

Arindam has demonstrated leadership in large change efforts. Wealth of experience spanning organizational startups, redesign, mergers, closure, ERP systems, new project Management, Capital restructuring, cost accounting and commercial systems. Adept at getting results within MNC environment as well as partnering with family owned businesses to drive systemic changes.

A Chartered Accountant and MBA by training, Arindam has been able to utilize his training and knowledge to traverse common areas of Finance and at the same time excel at commercial areas like Procurement, Logistics, Information Technology and as Head of Sales in a FMCG company.

Mr Rakesh Khera

Deputy Chief Financial Officer

Rakesh Khera brings with him total experience of 32 years including 3.5 years with S i2i Limited, Singapore.
He is a fellow member of The Institute of Chartered Accountants of India apart from being a commerce graduate.

Before joining S i2i Limited in year 2010, he had been working as Vice President – Finance & Accounts of a widely held public listed company in India.

His pan industry experience includes heading finance and accounts functions of trading, service, process, manufacturing, engineering, procurement & commissioning and assembly oriented organizations. His various roles included heading corporate and works accounts & finance, doing strategic planning, dealing with consortium of financial institutions and banks, foreign collaborators, direct and indirect taxation.

He had also been a nominated member of Finance & Banking Committee of Indian trade associations namely PHD Chamber of Commerce & Industry and Faridabad Industries Association. He also played role of Facilitator for Total quality Management (TQM), when his earlier company embarked upon the journey of TQM followed by ISO 9001 certification.

Singapore

Mr Chan Ying Kiong

Vice-President of Sales, Cavu Corp Pte Ltd

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

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

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

Indonesia

Mr. Charles Sigarlaki

Head- Retail and Sales– Selular Group

Mr. Charles has been more than 16 years in his professional careers. Prior joining Selular Group, Mr. Charles has outstanding records working in some companies like PT. Hero Supermarket, Tbk, PT. Matahari Putra Prima, Tbk, PT. Cipta Multi Usha Perkasa, PT. Global Selular Networks, Indonesia.

Prior to joining Selular Group in the month of Feb'14, Mr. Charles was working with PT. TIPhone Mobile Indonesia, Tbk, as Vice President – Sales and Marketing. Mr. Charles was managing Sales and Distribution of Tiphone Mobile phone in Indonesia. He was instrumental in developing the Strategy, Tactics, Sales Plans and Profit Targets on the company.

On the academic front he has done schooling from STIE, IBII, Indonesia in Financial Management.

Mr. Charles has a very deep knowledge on Indonesia mobile phones market. He has strong relationship with carriers, dealers and principal partners. Mr. Charles has strong business leadership, people management skills which make him an asset to the organization.

Malaysia

Mr Ken Ang Khean Ming

COO , Spice International Sdn Bhd

Mr Ang brings with him more than 10 years of local distribution and channel marketing experience to Spice business in Malaysia , having held senior and responsible positions in this career .

He joined Spice Malaysia in May 2012 as Assistant General Manager , responsible to develop closed distribution business across the country and growing the modern trade business model . He then assumed the role of General Manager in October 2012, spearheading the local business operations and added product development onto his portfolio . More recently , in September 2013 , as the Chief Operating Officer for Spice Malaysia , Mr Ang is responsible for all financial and operational aspects of business within the local model .

He had a 4 years stint in Australia back in year 1999 with one of the largest retail chain , leading business turn arounds and transformations resulting in revenue and profitability .

Thailand

Mr Naveen Bajaj

Business Head, Newtel Corporation Co. Ltd.

Mr Naveen Bajaj is Business Head at Newtel Corporation Co. Ltd. based out of Bangkok. He handles the Smartphone business with the brand as "S Wellcom" in Thailand. Before moving to Bangkok, he was based out of India managing International Sales & heading the alternative business vertical for Spice Mobiles in India.

Naveen has been associated with Spice Group for more than 6 years and with a total of 17 years of rich experience in Telecom and IT Industries, he brings in the market knowledge of managing business with non-traditional channels. He has been associated with the telecom industry for last 10 years.

Naveen is a graduate in Arts and post graduate in business management. He has had a successful career in Sales, Customer Operations and Business Development. He has handled all format of sales including the liaison with Government agencies and setting up the distribution channel for Samsung Mobiles & Sony Ericson in North & Western Regions of India, Apart from strong operational skills he has very strong people and relationship management skills. Naveen also has strong sense of managing business with minimal resources to ensure the cost effective business operations which enhances his ability to turn around businesses and the ability to profitably grow the revenues in whichever assignment he has handled.

Senior **Management**

India

Mr Arun Seth
CEO, Bharat IT Services Ltd

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

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

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

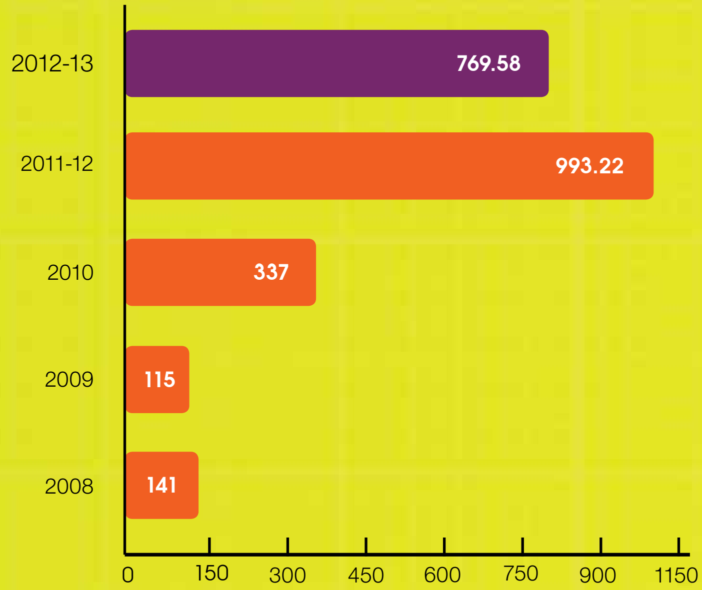
In 2002 when the Modi GBC JV got concluded, Arun was entrusted with the additional responsibility of managing the Office Automation business in India.

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

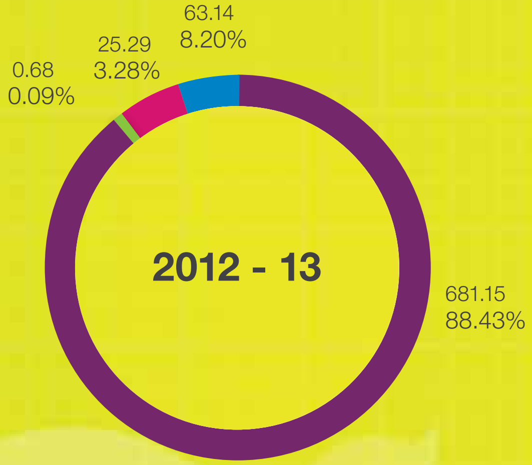
Building and managing teams of successful professionals is Arun's forte. Creating and nurturing customers with long term relationships is a key strength.

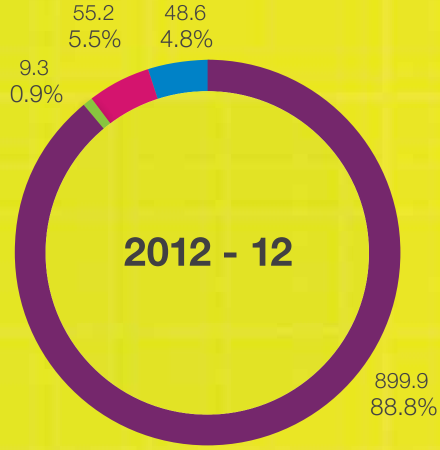
Financial **Highlights**

Revenue (5 years trend)
US$ million



Segmental Revenue
US$ million





Mobility

Operation related to disposal group classified as held for sale

Voice & Data Services

Computing

Corporate **Information**

Board of Directors
Mr Dilip Modi, *Non-Executive Chairman*
Mr Thomas Henrik Zilliacus, *Independent Director*
Mr Hanif M Dahya, *Independent Director*
Mr Umang Das, *Independent Director*
Ms Preeti Malhotra, *Non-Independent Non-Executive Director*

Company Secretary
Ms. Kim Yi Hwa

Audit Committee
Mr Hanif M Dahya (Chairman)
Mr Thomas Henrik Zilliacus
Mr Umang Das
Ms Preeti Malhotra

Remuneration Committee
Mr Umang Das (Chairman)
Mr Thomas Henrik Zilliacus
Ms Preeti Malhotra

Performance Review Committee
Mr Dilip Modi (Chairman)
Mr Hanif M Dahya
Ms Preeti Malthora

Nominating Committee
Mr Thomas Henrik Zilliacus (Chairman)
Mr Umang Das
Ms Preeti Malhotra

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

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)

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

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

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

The revised code of Corporate Governance 2012 (the "Code 2012") was issued on 2 May 2012 and for the Company, the Code 2012 has taken effect from the financial year beginning from 1 January 2014. The Company will be reporting the reference to principles set out in Code 2012 in its next Annual Report of 2014.

(A) BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Effective board to lead and control the Company

The principal roles of the 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, adequacy of internal controls and risk management. The Board also approves the financial results for release to the Singapore Exchange Securities Trading Limited ("SGX-ST"), major funding and borrowings, investment proposals, and ensures that effective human resources and management leadership of high quality and integrity are in place. Each Director exercises objective judgement in the best interest of the Company and the shareholders.

To assist the Board in its discharge of oversight function, the Board has delegated specific responsibilities to various board committees, namely the Audit Committee, Nominating Committee, Remuneration Committee and Performance Review Committee.

The details of the Audit Committee, Nominating Committee and Remuneration Committee can be found in page 18 to 23 of this report.

The Performance Review Committee was formed on 29 August 2013. The members of the Performance Review Committee are as follows:

Performance Review Committee:

Mr. Dilip Modi	Non-Executive Chairman	Chairman
Mr. Hanif M Dahya	Independent Director	Member
Ms Preeti Malhotra	Non-Independent Non-Executive Director	Member

The Performance Review Committee is formed to assist the Board to review the performance of the Group and provide oversight on the Group's business affairs.

During the financial period from 1 July 2012 to 31 December 2013 ("FY2013"), a total of 10 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 FY2013, as well as the attendance of each Board member at these meetings are set out in the table below.

Corporate **Governance**

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
Name of Director	**No. of Meetings**							
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Dr B.K. Modi[1]	10	10	–	–	–	–	–	–
Dilip Modi	10	10	–	–	–	–	–	–
Divya Modi[2]	3	0	–	–	–	–	2	0
Thomas Henrik Zilliacus[3]	10	7	8	7	2	2	4	4
S. Chandra Das[4]	3	1	–	–	1	1	2	2
Vijay B. Chopra[5]	3	2	1	1	1	1	2	2
Jai S. Pathak[6]	3	3	–	–	–	–	2	2
Lim Chin Hu[7]	3	2	1	1	–	–	–	–
Preeti Malhotra[8]	10	10	7	7	3	3	2	2
Hasanand Nanani[9]	6	6	–	–	–	–	–	–
Umang Das[10]	7	7	7	7	2	2	2	2
Hanif M Dahya[11]	1	1	1	1	–	–	–	–

1 Resigned as Director w.e.f 14 November 2013. Total of 10 Board Meetings were held up to the date of his resignation.

2 Retired as Director on 25 October 2012. Total of 3 Board Meetings and 2 Nominating Committee Meetings had been held up to the date of her retirement.

3 Appointed as member of Remuneration Committee on 25 October 2012. Total of 2 Remuneration Committee Meetings had been held since his appointment as a member of the Remuneration Committee.

4 Retired as Director on 25 October 2012. Total of 3 Board Meetings, 1 Remuneration Committee Meeting and 2 Nominating Committee Meetings had been held up to the date of his retirement.

5 Retired as Director on 25 October 2012. Total of 3 Board Meetings, 1 Audit Committee Meeting,1 Remuneration Committee Meeting and 2 Nominating Committee Meetings had been held up to the date of his retirement.

6 Retired as Director on 25 October 2012. Total of 3 Board Meetings and 2 Nominating Committee Meetings had been held up to the date of his retirement.

7 Retired as Director on 25 October 2012. Total of 3 Board Meetings and 1 Audit Committee Meeting had been held up to the date of his retirement.

8 Appointed as member of Audit Committee and Nominating Committee on 25 October 2012. Total of 7 Audit Committee Meetings and 2 Nominating Committee Meetings had been held since her appointment as a member of the Audit Committee and Nominating Committee.

9 Resigned as Director w.e.f 1 January 2013. Total of 6 Board Meetings were held up to the date of his resignation.

10 Appointed as Director, Chairman of Audit Committee and Remuneration Committee and Member of Nominating Committee on 25 October 2012. Total of 7 Board Meetings, 7 Audit Committee Meetings, 2 Remuneration Committee Meetings and 2 Nominating Committee Meetings had been held since his appointment.

11 Appointed as Director and Chairman of Audit Committee on 29 August 2013. Total of 1 Board Meeting and 1 Audit Committee Meeting had been held since his appointment.

The Board oversees the management of the Group and has adopted a set of internal guidelines setting out management authority limits (including Board's approval) for capital and operating expenditure, investments and divestments, bank facilities and cheque signatories.

The Company conducts an induction programme for newly appointed Directors which include 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 so as to enable them to properly discharge their duties as Board or Board Committee members.

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

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

1. Mr Dilip Modi (Non-Executive Chairman)
2. Mr Thomas Henrik Zilliacus (Independent Director)
3. Ms Preeti Malhotra (Non-Independent Non-Executive Director)
4. Mr Umang Das (Independent Director)
5. Mr Hanif M Dahya (Independent Director) *(appointed as an additional director with effect from 29 August 2013)*

Membership on the Board and various board committees are carefully selected to ensure an equitable distribution of responsibilities and appropriate combination of skills and experience, as well as a balance of power and independence.

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

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

The Nominating Committee reviews and assesses the size and composition of the Board, and is of the view that the current 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.

Mr. Hanif M. Dahya was appointed as an Independent Director on 29 August 2013. The Board and the Nominating Committee (NC) reviewed the qualifications, work experience and independence of Mr. Dahya. Although Mr. Dahya is an existing independent director of S Mobility Limited, a company listed on the National and Bombay Stock Exchange, India and S Mobility had transactions of more than S$200,000 with the Company in the previous financial year, the Board noted that these transactions with S Mobility Limited ("Spice IPTs") are carried out on an arms' length basis mainly on account of sharing of expenses, related to support services for procurement of mobility products, in respect of its China office. The Spice IPTs are disclosed by the Company in its Annual Report page 26. Mr. Dahya is also independent from the management of the Company and neither does he have any direct involvement in the day to day operations of S Mobility Limited. As such, he 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. The Board, upon the recommendation of the NC, considered the existence of the relationship described above and opined that Mr. Dahya can be considered Independent. The Board and NC felt that appointment of Mr. Dahya would help to enrich the overall Board Performance.

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

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

Mr Maneesh Tripathi was appointed as the Chief Executive Officer of the Company with effect from 1 January 2013. He is delegated with full executive responsibility for overseeing the Group's day-to-day business, development, strategies and policies.

Corporate **Governance**

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

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

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

Nominating Committee

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

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

Mr Thomas Henrik Zilliacus	Independent Director	Chairman
Mr Umang Das	Independent Director	Member
Ms Preeti Malhotra	Non-Independent Non-Executive 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's key terms of reference includes identifying and selecting new Directors and ensuring equitable distribution of responsibilities among Board members to optimise the effectiveness of the Board. It reviews and assesses the nominations for the appointment, re-appointment or re-election of Directors before making recommendations of the same to the Board. Consideration is given to diversity of experience and appropriate skills as well as to whether there are any conflicts of interests. The NC also evaluates the Directors' availability to commit themselves to carrying out the Board's duties and activities having regard to director's contribution and performance (such as attendance, preparedness, participation and candour). The NC Chairman is an Independent Director and is not, or the one who is directly associated with, a Substantial Shareholder (with interest of 5% or more in the voting shares of the Company).

In accordance with Article 104 of the Company's Articles of Association, at least one-third of the Directors shall retire from office by rotation at every Annual General Meeting ("AGM") and each Director is subject to retirement at least once in every three years. Mr Dilip Modi will retire at the forthcoming AGM in accordance with Article 104 of the Company's Articles of Association. The NC and the Board were informed that Mr Dilip Modi, who is retiring at the forthcoming AGM and being eligible, have offered himself for re-election.

Mr. Lim Chin Hu, Mr. Vijay Brijendra Chopra, Mr. Jai Swarup Pathak, Mr. S Chandra Das and Ms Divya Modi did not seek re-election or re-appointment and retired as Directors and members of all Board Committees of the Company at the last AGM of the Company on 25 October 2012.

Mr. Hasanand Nanani resigned as the Executive Director and CEO of the Company with effect from 31 December 2012.

Dr. Bhupendra Kumar Modi resigned as a Director and Chairman of the Company with effect from 14 November 2013.

Mr. Hanif M Dahya, who was appointed as an additional director on 29 August 2013, is due for re-election at the forthcoming AGM pursuant to Article 108 of the Company's Articles of Association. The NC and Board were informed that, being eligible, he has offered himself for re-election.

All 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 reviews the "independence" status of the Directors annually having regard to the guidelines provided in the Code and Code 2012. The NC is satisfied that there are no relationships which would deem Mr. Umang Das and Mr. Thomas Zilliacus not to be independent while the NC has determined that Mr. Hanif M. Dahya can be considered independent. Each of the independent directors has also declared that they are independent.

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 via tele-conference and is satisfied that all the Directors have adequately carried out their duties as Directors notwithstanding their multiple board representations and other commitments. The Board did not see any reason to set the maximum number of listed board representations that any director may hold as all the directors are able to devote their time to the affairs of the Company in light of their other commitments.

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 8 to 9 of this Annual Report; age, date of first appointment as well as last re-election are set out in the table below.

Name	Age	Position	Date of Initial Appointment	Date of Last Re-election/re-appointment
Dilip Modi	40	Non-Executive Chairman	30 April 2010	Due for retirement at this AGM
Thomas Henrik Zilliacus	60	Independent Director	28 February 2002	25 October 2012
Umang Das	65	Independent Director	25 October 2012	NA
Preeti Malhotra	48	Non-Independent Non-Executive Director	14 May 2011	25 October 2012
Hanif M Dahya	58	Independent Director	29 August 2013	Due for retirement at this AGM -

Information on the shareholdings in the Company of each Director is set out on page 27 to 28 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.

During the year, the NC had evaluated the performance of the Board as a whole. The performance criteria of the Board covers composition structure, accountability and standards of conduct of the Board. 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. The Board has also 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.

The Board is of the view that the financial parameters recommended by the Code as performance criteria for the evaluation of directors' performance may not fully measure the long-term success of the Company and is less appropriate for the Board's performance as a whole.

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

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

The Board has independent and direct access to Senior Management at all times. Frequent dialogue and interaction take place between Senior Management and the Board members. The Board also has separate and independent access to the Company Secretary who attends all Board meetings. The Company Secretary is responsible for advising the Board through the Chairman to ensure that the Board procedures are followed and that the applicable requirements of the Act and the SGX-ST Listing Manual are complied with. The Company Secretary is also responsible for good information flow within and between the Board, the Board committees and the Senior Management. The 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 Umang Das	Independent Director	Chairman
Mr Thomas Henrik Zilliacus	Independent Director	Member
Ms Preeti Malhotra	Non-Independent Non-Executive Director	Member

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

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.

As mentioned by the Chairman in the last AGM, only the Independent Directors are paid fees for the meetings attended, Non-Executive Directors have not been paid any fee during the current financial year or any other form of remuneration. The framework for Independent Directors' remuneration is based on separate fixed fees for holding a chairman position and being a member, as well as serving on board committees and some outstanding share options were allotted in the past. The policy takes into account the effort and time spent and the responsibilities assumed by each Independent Director. Directors' fees are subject to the shareholders' approval at the forthcoming AGM. No director is involved in the decision concerning his own fee.

The Company adopts long-term incentive schemes such as Employee Share Option Schemes (ESOS), 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. Currently the company doesn't have any Executive Director on the Board.

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 FY2013.

	Fees %	Salary %	Bonus %	Share-based Payment%	Total %
S$250,000 and below					
Dr B.K. Modi*	–	–	–	–	–
Mr Hasanand Nanani**	–	100%	–	–	100%
Mr Thomas Henrik Zilliacus	100%	–	–	–	100%
Mr Vijay B. Chopra***	100%	–	–	–	100%
Mr S Chandra Das@	100%	–	–	–	100%
Mr Lim Chin Hu@@	100%	–	–	–	100%
Mr Dilip Modi	–	–	–	–	–
Ms Divya Modi#	–	–	–	–	–
Ms Preeti Malhotra	–	–	–	–	–
Mr Jai S. Pathak##	100%	–	–	–	100%
Mr. Umang Das^	100%	–	–	–	100%
Mr. Hanif M. Dahya^^	100%	–	–	–	100%

*Dr. B.K. Modi resigned as Director w.e.f. 14 November 2013
**Mr. Hasanand Nanani ceased to be an Executive Director w.e.f. 1 January 2013
***Mr. Vijay B. Chopra retired as Director w.e.f 25 October 2012
@Mr. S Chandra Das retired as Director w.e.f 25 October 2012
@@Mr. Lim Chin Hu retired as Director w.e.f 25 October 2012
Ms. Divya Modi retired as Director w.e.f 25 October 2012
Mr. Jai S. Pathak retired as Director w.e.f 25 October 2012
^Mr. Umang Das was appointed as Director on 25 October 2012
^^Mr. Hanif M. Dahya was appointed as Director on 29 August 2013

Information on the Group's ESOS, RSP and PSP is set out in the Directors' Report on page 28 to 30 of Directors' Report.

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

There is no employee who is related to a director whose remuneration exceeds S$50,000 in the Group's employment for FY2013.

(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

<u>Audit Committee ("AC")</u>

<u>The AC comprises the following Directors;</u>

Mr. Hanif M Dahya	Independent Director	Chairman
Mr Umang Das	Independent Director	Member
Mr Thomas Henrik Zilliacus	Independent Director	Member
Ms Preeti Malhotra	Non Independent Non Executive Director	Member

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

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

The AC held eight meetings during the year. The number of the Directors' participation and attendance at the AC meetings held during the FY2013 can be found in page 16 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 controls;

(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.

During FY2013, the AC reviewed the quarterly financial statements, the results of the audits performed by the internal and external auditors and reviewed the register of interested person transactions.

The AC reviewed the nature and extent of non-audit services provided by the external auditors during the FY2013, 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 is satisfied that the independence of the auditors has not been impaired by the provision of those services. The external auditors have also confirmed their independence to the AC.

The external auditors, Messrs Ernst & Young LLP has indicated to the AC and the Board that they would be retiring at the AGM and as such would not be seeking re-election as auditors of the Company. Efforts are being made by the Company to identify and appoint other suitable candidates as new Auditors of the Company as soon as practicable in compliance with applicable requirements in the Companies Act, SGX-ST Listing Manual in respect of the appointment of auditors. Further announcements will be released in due course once appointment of auditors has been confirmed.

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 712 and 716 of the Listing Rules of the SGX-ST.

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

(D) INTERNAL CONTROLS AND RISK MANAGEMENT

Principle 12: Sound system of Internal Controls

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

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

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

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

(iii) documentation of key processes and procedures;

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

(v) maintenance of proper accounting records;

(vi) ensuring the effectiveness and efficiency of operations;

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

(viii) ensuring compliance with applicable laws and regulations.

The Company's internal control system ensures that assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable. The Group has also put in place policies on proper employee behavior 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.

The Group has established a system of internal control and risk management which continues to be improved and provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that Group's internal controls, addressing financial, operational and compliance risks, are adequate as at 31 December 2013.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group would not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Principle 13: Independent internal audit function

In line with good corporate governance, the Company has engaged BDO LLP ('BDO") 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.

BDO performs its work according to the Global BDO IA Methodology which is consistent with the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors

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

(E) COMMUNICATIONS WITH SHAREHOLDERS

Principle 14: Regular, effective and fair communication with shareholders

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

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

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

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

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

(iv) the websites of the Company (www.si2imobility/si2i) at which shareholders and the public may access information on the Group; and

(v) The notice of annual general meeting is dispatched to shareholders at least 14 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

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

(G) MATERIAL CONTRACTS

(Listing Manual Rule 1207(8))

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

(H) DEALINGS IN THE COMPANY'S SECURITIES

(Listing Manual Rule 1207(19))

In line with the recommended practices on dealings in securities set out under Rule 1207(19) of the SGX-ST Listing Manual, the Company has a policy in place prohibiting dealings in the Company's securities on short-term considerations. Directors and employees are also expected to observe the insider trading laws at all times. The Company has issued directives to its employees and Directors not to deal in the Company's securities on short-term considerations and the Company and its officers also should 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.

(I) INTERESTED PERSON TRANSACTION

(Listing Manual Rule 907)

During the financial period under review, the Group had the following interested person transaction: Information required pursuant to Rule 907

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)[1]
Armorcoat Technologies Pte Ltd	1,887*	NA
S Mobility Limited	658*	NA

*amount in US$'000s

Notes:

1. There was neither renewal nor new IPT mandate obtained during the Annual General Meeting of the Company held on 25 October 2012.

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

The Directors present their report to the members together with the audited consolidated financial statements of S 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 on 31 December 2013.

Directors

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

Dilip Modi
Thomas Henrik Zilliacus
Preeti Malthotra
Umang Das (Appointed on 25 October 2012)
Hanif M Dahya (Appointed on 29 August 2013)

Change of financial year end

The Company's financial year was changed from 30 June to 31 December during the current financial period. Consequently, the current financial period covers an 18 months period from 1 July 2012 to 31 December 2013.

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' interest in shares and debentures

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

	Direct interest		**Deemed interest**	
Name of Director	**At the beginning of financial period**	**At the end of financial period**	**At the beginning of financial period**	**At the end of financial period**
S i2i Limited				
Ordinary shares				
Dilip Modi	–	–	1,455,568,754	1,455,568,754
Thomas Henrik Zilliacus	2,400,000	2,400,000	–	–
Options to subscribe for ordinary shares at S$0.1294 per share				
Thomas Henrik Zilliacus	233,359	233,359	–	–
Options to subscribe for ordinary shares at S$0.1680 per share				
Thomas Henrik Zilliacus	233,359	233,359	–	–
Options to subscribe for ordinary shares at S$0.3016 per share				
Thomas Henrik Zilliacus	314,286	314,286	–	–

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

There was no change in any of the above-mentioned interests between the end of the financial period and 21 January 2014.

Mr. Dilip Modi, by virtue of the provisions of Section 7 of the Companies Act, Cap 50, is deemed to be interested in whole of the issued share capital of all the related corporations of S i2i Limited at the beginning and end of financial period.

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

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

(a) 1999 S i2i Employees' Share Option Scheme

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

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

Umang Das	Chairman
Thomas Henrik Zilliacus	Member
Preeti Malhotra	Member

There is no option to subscribe for ordinary shares of the Company pursuant to the 1999 S i2i Employees' Share Option Scheme as at 31 December 2013.

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 December 2013 were granted options under this Scheme and no participant received 5% or more of the total options available under the Scheme.

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

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

Directors' contractual benefits (cont'd)

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

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

Details of all the options to subscribe for ordinary shares of the Company pursuant to the 1999 S i2i Employees' Share Option Scheme II outstanding as at 31 December 2013 are as follows:

Expiry date	Exercise price (S$)	Number of options
26 April 2014	0.1680	233,359
27 April 2015	0.1294	233,359
27 April 2016	0.3016	314,286
		781,004

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 lapsed 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	(196,277)	781,004

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 (2012:Nil). Aggregate options of 35,336,476 ordinary shares have lapsed since the commencement of this Scheme.

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

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

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

Directors' contractual benefits (cont'd)

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

Objectives

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

Eligibility

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

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

2. Non-Executive Directors; and

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

Awards

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

Types of awards

Awards granted under the S i2i RSP and S i2i PSP may be performance-based or time-based. Such predetermined 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 predetermined by the RC. Such awards may also be granted as a sign-on bonus.

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

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

In 2012-13: Nil (2012: 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, (2011-12: Nil) performance shares previously granted had lapsed.

Audit Committee

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

Hanif M Dahya	(Chairman) (Appointed on 29 August 2013)
Preeti Malhotra	(Appointed on 25 October 2012)
Thomas Henrik Zilliacus	
Umang Das	(Appointed on 25 October 2012)

The AC performs the functions set out in the Singapore Companies Act, Cap. 50, the Listing Manual and Best Practices Guide of the Singapore Exchange. In performing those functions, the AC reviewed the overall scope of the internal audit functions, external audit functions and the assistance given by the Company's officers to the auditors. The AC met with the 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 December 2013, as well as the external auditors' report thereon.

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.

A full report on the functions performed by the AC is included in the report on Corporate Governance.

Auditors

Ernst & Young LLP have expressed that they would not be seeking re-appointment as auditors. Efforts are being made to appoint suitable candidates as auditors of the Company as soon as practical. Further announcements will be released in due course once appointment of auditors has been confirmed.

On behalf of the Board of Directors

Dilip Modi
Director

Preeti Malhotra
Director

24 March 2014

Statement by **Directors**

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

(a) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity, and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results of the business, changes in equity and cash flows of the Group and changes in equity of the Company for the period ended on that date, except for any difference that may arise on account of matters specified in Note 25 & 39 of notes of the accompanying financial statements, and

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

On behalf of the Board of Directors

Dilip Modi
Director

Preeti Malhotra
Director

24 March 2014

Report on the Financial Statements

We have audited the accompanying financial statements of S i2i Limited (the "Company") and subsidiaries (collectively, the "Group"), set out on pages 35 to 129, which comprise the balance sheets of the Group and the Company as at 31 December 2013, the statement of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income, and consolidated cash flow statement of the Group for the financial period from 1 July 2012 to 31 December 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

With reference to note 39 to the financial statements, during the course of our audit, we noted significant control deficiencies and other related evidence in "Cavu Group" (comprising Cavu Corp Pte Ltd and its subsidiaries), which cast significant doubt on the reliability of certain documents, information and representations provided to us as audit evidence during the course of our audit. Accordingly, we were unable to assess the appropriateness of the carrying values of certain assets and liabilities and the corresponding income and expenses which have been included in the Group's consolidated financial statements. These assets and liabilities include trade receivables of $12.7 million, creditors and accruals of $4.4 million. The consolidated income statement of the Group for the period from 1 July 2012 to 31 December 2013 also included turnover and the related direct service fees incurred and cost of goods sold of Cavu Group as itemized in Note 39 to the financial statements. We were unable to obtain sufficient appropriate audit evidence to ascertain appropriateness of these amounts presented in the financial statements. Consequently, we were unable to determine whether any adjustments to these amounts, and any consequential adjustments to goodwill relating to Cavu Group, were necessary.

In addition, the consolidated income statement of the Group for the period from 1 July 2012 to 31 December 2013 also included turnover relating to mobile phone sales of "PT Selular Group" (comprising PT Selular and its subsidiaries) as disclosed in Note 25 to the financial statements. During the course of our audit, we were unable to obtain documentary evidence to verify the occurrence of certain sales of mobile phones made by PT Selular Group. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis of Qualified Opinion paragraph, the financial statements 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 Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the period from 1 July 2012 to 31 December 2013.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to note 25 and note 39 to the financial statements:

- The Group received an anonymous complaint in respect of the appropriateness of revenue recognised by PT Selular Group on certain sales transaction. In relation to this matter, the Group has engaged a professional firm to perform a review on this allegation. The review is currently in progress;

- In relation to the significant control deficiencies and other related evidence noted in Cavu Group as described in the Basis of Qualified Opinion paragraph, the Group has initiated a review of this matter, and this is currently in progress.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of these reviews.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

24 March 2014

Balance **Sheets**

As at 31 December 2013

Amounts in United States dollars unless otherwise stated

	Note	Group		Company	
		31.12.2013	30.6.2012	31.12.2013	30.6.2012
		$'000	$'000	$'000	$'000
Equity Attributable to owners of the Company					
Share capital	3	410,663	410,663	410,663	410,663
Accumulated losses	4	(316,768)	(258,843)	(327,642)	(252,528)
Other reserves	5	(3,550)	(3,595)	(6,720)	(6,765)
Translation reserve	6	(209)	7,652	33	16
Translation reserve of disposal group classified as held for sale	6	–	(46)	–	–
		90,136	155,831	76,334	151,386
Non-controlling interest		83	264	–	–
Total equity		90,219	156,095	76,334	151,386
Non-current assets					
Property, plant and equipment	7	5,984	12,981	394	765
Intangible assets	8	40,745	69,364	501	1,554
Investment in subsidiaries	9	–	–	38,946	107,087
Investment in associates	10	–	68	–	144
Investment securities	12	2,747	2,760	2,747	2,760
Long-term loans and advances to subsidiaries	13	–	–	20,127	1,125
Deferred tax assets	24	61	539	–	–
Trade receivables, non-current	14	215	525	–	–
Tax recoverable, non-current	16	3,782	7,360	–	–
Other receivables and deposits, non-current	16	64	279	–	–
		53,598	93,876	62,715	113,435
Current assets					
Stocks	15	20,992	33,131	195	49
Trade receivables, current	14	24,458	49,408	843	2,718
Other receivables and deposits, current	16	5,666	9,240	810	2,718
Prepayments	17	4,078	8,376	381	1,011
Due from subsidiaries	18	–	–	10,657	4,920
Cash and bank deposits pledged	19	6,424	7,780	3,448	183
Cash and cash equivalents	19	22,633	61,477	13,227	45,091
Tax recoverable	16	889	711	–	–
		85,140	170,123	29,561	56,690
Assets held for sale (includes disposal group)	11	–	4,207	–	1,865
		85,140	174,330	29,561	58,555
Total assets		138,738	268,206	92,276	171,990

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

Balance **Sheets**

As at 31 December 2013

Amounts in United States dollars unless otherwise stated

	Note	Group		Company	
		31.12.2013	30.6.2012	31.12.2013	30.6.2012
		$'000	$'000	$'000	$'000
Current liabilities					
Trade creditors	20	11,416	30,654	1,683	6,106
Other creditors and accruals	21	11,669	18,830	2,705	4,621
Deferred revenue		1,174	2,004	293	638
Lease obligations, current	22	2,470	644	21	19
Loans and bank borrowings	23	13,609	49,591	–	–
Due to subsidiaries	18	–	–	11,087	8,910
Due to associates	18	–	128	–	128
Tax payable		1,182	402	–	–
		41,520	102,253	15,789	20,422
Liabilities directly associated with disposal group classified as held for sale	11	–	1,033	–	–
		41,520	103,286	15,789	20,422
Net current assets		43,620	71,044	13,772	38,133
Non-current liabilities					
Deferred tax liabilities	24	5,836	7,167	–	–
Lease obligations, non-current	22	251	503	153	182
Provision for employee benefits	31	714	1,155	–	–
Loan and bank borrowings, non-current	23	198	–	–	–
		6,999	8,825	153	182
Net assets		90,219	156,095	76,334	151,386

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

Consolidated **Income Statement**

For the period from 1 July 2012 to 31 December 2013

Amounts in United States dollars unless otherwise stated

	Note	Group Period from 1.7.2012 to 31.12.2013	Group Period from 1.4.2011 to 30.6.2012
		$'000	$'000
Turnover	25	769,587	993,227
Other income	26	12,203	17,806
Costs and expenses			
Direct service fees incurred and cost of goods sold		(716,823)	(912,807)
Commissions and other selling expenses		(10,654)	(21,289)
Personnel costs	27	(38,914)	(45,919)
Infrastructure costs		(9,134)	(9,958)
Depreciation of property, plant and equipment	7	(4,356)	(5,163)
Amortisation of intangible assets	8	(6,314)	(10,203)
Marketing expenses		(5,332)	(27,941)
Foreign exchange gain/(loss)		1,034	(11,138)
Finance costs		(3,580)	(4,989)
Other expenses		(43,838)	(146,023)
Share of results of associates		(68)	(50)
Loss before taxation	28	(56,189)	(184,447)
Taxation	29	(1,275)	5,201
Loss for the period		(57,464)	(179,246)
Operation related to disposal group classified as held for sale			
Loss for the period from operation related to disposal group classified as held for sale, net of tax	11	(560)	(8,891)
Net loss for the period		(58,024)	(188,137)
Loss for the period attributable to:			
Owners of the parent		(57,925)	(187,713)
Non-controlling interest		(99)	(424)
Total		(58,024)	(188,137)
Loss per share attributable to owners of the parent (cents per share)			
- Basic	30	(1.06)	(3.54)
- Diluted	30	(1.06)	(3.54)

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

Consolidated Statement of **Comprehensive Income**

For the period ended 31 December 2013

Amounts in United States dollars unless otherwise stated

	Group	
	Period from 1.7.2012 to 31.12.2013	**Period from 1.4.2011 to 30.6.2012**
	$'000	$'000
Loss for the period	(58,024)	(188,137)
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss:		
Foreign currency translation	(7,809)	(1,940)
Net gain on fair value changes of available-for-sale financial assets	44	17
Other comprehensive income for the period, net of tax	(7,765)	(1,923)
Total comprehensive income for the period	(65,789)	(190,060)
Total comprehensive income attributable to:		
Owners of the parent	(65,696)	(189,682)
Non-controlling interest	(93)	(378)
Total comprehensive income for the period	(65,789)	(190,060)

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

Statements of **Changes in Equity**

For the period from 1 July 2012 to 31 December 2013

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
Group							
31 December 2013							
Opening balance at 1 July 2012	410,663	(258,843)	(3,595)	7,606	155,831	264	156,095
Loss for the period	–	(57,925)	–	–	(57,925)	(99)	(58,024)
<u>Other comprehensive income</u>							
Foreign currency translation	–	–	–	(7,815)	(7,815)	6	(7,809)
Net gain on fair value of available-for-sale financial assets	–	–	44	–	44	–	44
Other comprehensive income for the period, net of tax	–	–	44	(7,815)	(7,771)	6	(7,765)
Total comprehensive income for the period	–	(57,925)	44	(7,815)	(65,696)	(93)	(65,789)
<u>Contributions by and distributions to owners</u>							
Exercise of employee share options	–	–	1	–	1	–	1
Total contributions by and distributions to owners	–	–	1	–	1	–	1
<u>Changes in ownership interests in subsidiaries</u>							
Non-controlling interest arising from business combination	–	–	–	–	–	158	158
Disposal of a subsidiary	–	–	–	–	–	(246)	(246)
Total changes to ownership interests in subsidiaries	–	–	–	–	–	(88)	(88)
Total transactions with owners in their capacity as owners	–	–	1	–	1	(88)	(87)
Closing balance at 31 December 2013	410,663	(316,768)	(3,550)	(209)	90,136	83	90,219

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

Statements of **Changes in Equity**

For the period from 1 July 2012 to 31 December 2013

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
Group							
30 June 2012							
Opening balance at 1 April 2011	288,061	(71,130)	1,716	9,592	228,239	–	228,239
Loss for the period	–	(187,713)	–	–	(187,713)	(424)	(188,137)
<u>Other comprehensive income</u>							
Foreign currency translation	–	–	–	(1,940)	(1,940)	46	(1,894)
Net gain on fair value of available-for-sale financial assets	–	–	17	–	17	–	17
Translation reserve of disposal company classified as held for sale	–	–	–	(46)	(46)	–	(46)
Other comprehensive income for the period, net of tax	–	–	17	(1,986)	(1,969)	46	(1,923)
Total comprehensive income/(loss) for the period	–	(187,713)	17	(1,986)	(189,682)	(378)	(190,060)
<u>Contributions by and distributions to owners</u>							
Issuance of shares	122,602	–	–	–	122,602	–	122,602
Share issue cost	–	–	(3,562)	–	(3,562)	–	(3,562)
Value of employee services received	–	–	(11)	–	(11)	–	(11)
Total contributions by and distributions to owners	122,602	–	(3,573)	–	119,029	–	119,029
<u>Changes in ownership interests in subsidiaries that do not result in a loss of control</u>							
Acquisition of non-controlling interests	–	–	(1,825)	–	(1,825)	610	(1,215)
Adjustment for acquisition of non-controlling interests	–	–	70	–	70	–	70
Adjustment of non-controlling interest upon finalisation of purchase price allocation	–	–	–	–	–	32	32
Total changes in ownership interests in subsidiaries	–	–	(1,755)	–	(1,755)	642	(1,113)
Total transactions with owners in their capacity as owners	122,602	–	(5,328)	–	117,274	642	117,916
Closing balance at 30 June 2012	410,663	(258,843)	(3,595)	7,606	155,831	264	156,095

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

Statements of **Changes in Equity**

For the period from 1 July 2012 to 31 December 2013

Amounts in United States dollars unless otherwise stated

	Share capital (Note 3)	Accumulated losses (Note 4)	Other reserves (Note 5)	Translation reserve (Note 6)	Total
	$'000	$'000	$'000	$'000	$'000
Company					
31 December 2013					
Opening balance at 1 July 2012	410,663	(252,528)	(6,765)	16	151,386
Loss for the period	–	(75,114)	–	–	(75,114)
Other comprehensive income					
Foreign currency translation	–	–	–	17	17
Fair value adjustment reserve	–	–	44	–	44
Other comprehensive income for the period, net of tax	–	–	44	17	61
Total comprehensive income for the period	–	(75, 114)	44	17	(75,053)
Contributions by and distributions to owners					
Exercise of employee share options	–	–	1	–	1
Total transactions with owners	–	–	1	–	1
Closing balance at 31 December 2013	410,663	(327,642)	(6,720)	33	76,334
30 June 2012					
Opening balance at 1 April 2011	288,061	(84,811)	(3,209)	32	200,073
Loss for the period	–	(167,717)	–	–	(167,717)
Other comprehensive income					
Foreign currency translation	–	–	–	(16)	(16)
Net gain on fair value of available-for-sale financial assets	–	–	17	–	17
Other comprehensive income for the period, net of tax	–	–	17	(16)	1
Total comprehensive income for the period	–	(167,717)	17	(16)	(167,716)
Contributions by and distributions to owners					
Issuance of shares	122,602	–	–	–	122,602
Share issue cost	–	–	(3,562)	–	(3,562)
Value of employee services received	–	–	(11)	–	(11)
Total transactions with owners	122,602	–	(3,573)	–	119,029
Closing balance at 30 June 2012	410,663	(252,528)	(6,765)	16	151,386

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

Consolidated **Cash Flow Statement**

For the period from 1 July 2012 to 31 December 2013

Amounts in United States dollars unless otherwise stated

	Note	For the period from 1.7.2012 to 31.12.2013	For the period from 1.4.2011 to 30.6.2012
		$'000	$'000
Cash flows from operating activities			
Loss before taxation from continuing operations		(56,189)	(184,447)
Loss before taxation from discontinued operations		(560)	(7,499)
Total loss before taxation		(56,749)	(191,946)
Adjustments for:			
Allowance for doubtful trade debts		1,231	5,639
Allowance for doubtful non-trade debts		112	900
Provision for stock obsolescence		3,229	1,994
Amortisation of intangible assets	8	6,321	10,334
Impairment of property, plant and equipment	7	493	2,401
Impairment of intangible assets	8	23,350	97,262
Impairment of intangible assets – discontinued operations	8	–	124
Depreciation of property, plant and equipment	7	4,409	6,564
Net fair value loss on investment securities		90	860
Gain on bargain purchase		–	(555)
Loss/(gain) on disposal of property, plant and equipment		174	(126)
Impairment of investment in associate	10	–	288
Fair value adjustment in fixed assets of subsidiary under disposal		–	44
Net gain on disposal of investment in subsidiaries		(8,281)	–
Impairment loss on quoted equity investment		–	57
Interest income from bonds, deposits and investment securities		(1,100)	(933)
Property, plant and equipment written off		364	11
Provision for employee benefits		(440)	469
Reversal of deferred purchase consideration payable		–	(10,017)
Finance costs		3,978	6,107
Share-based payments		1	(11)
Share of results of associates		68	50
Waiver of loan		–	(5,000)
Write-back of allowance for doubtful trade debts		(346)	(174)
Write-back of provision for stock obsolescence		(1,781)	(2,103)
Write off of non-trade debts		–	11
Write off of trade debts		44	9,544
Write off of stock		581	283
Unrealised exchange differences		(7,529)	(5,993)
Operating cash flows before working capital changes		(31,781)	(73,916)
Decrease in stocks		10,709	44,156
Decrease in trade receivables		24,535	30,274
Decrease in other receivables and deposits		981	17,716
Decrease in prepayments		4,358	13,183
(Increase)/decrease in amount due (to)/from associates		(128)	60
Decrease in trade creditors		(18,459)	(18,317)
Decrease in other creditors and accruals		(6,481)	(17,101)
Decrease in deferred revenue		(830)	(2,033)
Cash flows used in operating activities		(17,096)	(5,978)
Interest paid		(3,978)	(6,107)
Income tax paid/(refunded)		2,240	(3,775)
Net cash flows used in operating activities		(18,834)	(15,860)

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

	Note	For the period from 1.7.2012 to 31.12.2013	For the period from 1.4.2011 to 30.6.2012
		$'000	$'000
Cash flows from investing activities			
Interest income received from bonds and investment securities		933	821
Acquisition of subsidiary MSI China, net of cash acquired	9	(198)	–
Acquisition of subsidiary CSL Shenzhen, net of cash acquired	9	(306)	–
Acquisition of subsidiary I-Gate Group, net of cash acquired		–	77
Acquisition of subsidiary Mobile Concepts, net of cash acquired		–	(1)
Acquisition of subsidiary CSL Multimedia, net of cash acquired		–	(271)
Acquisition of subsidiary CSL Mobile Care, net of cash acquired		–	1
Acquisition of subsidiary Affinity Group, net of cash acquired		–	(94,106)
Acquisition of remaining shares in subsidiary I-Gate Group		–	(300)
Disposal of subsidiary Mobile Concept, net of cash disposed		122	–
Disposal of subsidiary Spice BPO, net of cash disposed		(902)	–
Proceeds from disposal of intangible assets		32	–
Proceeds from disposal of property, plant and equipment		3,455	4,277
Purchase of property, plant and equipment		(962)	(7,397)
Additions to intangible assets	8	(753)	(1,106)
Net cash flows generated from/(used in) investing activities		1,421	(98,005)
Cash flows from financing activities			
Decrease in cash and bank deposits pledged		1,356	9,217
Repayment of loans		(24,498)	(29,145)
Repayment of loan given by a director		–	(8,459)
(Repayment of)/ proceeds from bank borrowings		(130)	835
Net proceeds from rights issue		–	119,040
Repayment of obligations obtained under finance leases		1,521	(1,858)
Net cash flows (used in)/generated from financing activities		(21,751)	89,630
Net decrease in cash and cash equivalents		(39,164)	(24,235)
Effect of exchange rate changes on cash and cash equivalents		152	(884)
Cash and cash equivalents at beginning of period		61,645	86,764
Cash and cash equivalents at end of period		22,633	61,645
Cash and cash equivalents of disposal group classified as held for sale		–	(168)
Cash and cash equivalents at the end of the period of the continuing operations (Note 19)		22,633	61,477

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

1. Corporate information

Si2i Limited (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 registered office and principal place of business of the Company is located at 150 Kampong Ampat #05-02, KA Centre, Singapore 368324.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial period except in the current financial period, the Group has adopted all the new and revised standards that are effective for 18 months beginning on 1 July 2012. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurement*	1 January 2013
Amendments to FRS 107 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to FRSs 2012:	1 January 2013
– Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
– Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
– Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 36: *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014

Amounts in United States dollars unless otherwise stated

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

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 102: Definition of Vesting Condition	1 July 2014
Amendments to FRS 103: Accounting for Contingent Consideration in a Business Combination and Scope exceptions for Joint Ventures	1 July 2014
Amendments to FRS 108: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	1 July 2014
Amendments to FRS 113: Scope of Paragraph 52 (Portfolio Exception)	1 July 2014
Amendments to FRS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation	1 July 2014
Amendments to FRS 19: Employee Contributions	1 July 2014
Amendments to FRS 24: Key Management Personnel	1 July 2014
Amendments to FRS 28: Revaluation Method – Proportionate Restatement of Accumulated Amortisation	1 July 2014
Amendment to FRS 40: Clarifying the Inter-relationship between FRS 103 and FRS 40 When Classifying Property as Investment Property or Owner-Occupied Property	1 July 2014

Except for FRS 112, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending impact on the financial statements on adoption of FRS 112 is described below.

<u>FRS 112 Disclosure of Interests in Other Entities</u>

FRS 112 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

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 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 are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

2.4 Significant accounting estimates and judgements (cont'd)

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

- **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 20 years. The carrying amounts of the Group's and the Company's property, plant and equipment at 31 December 2013 are approximately $5,984,000 and $394,000 (30 June 2012: $12,981,000 and $765,000) 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.

- **Impairment of loans and receivables**

  The Group assesses at the end of each reporting period whether there is any objective evidence that a financial assets 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 14 and Note 16 to the financial statements. If the present value of estimated future cash flows of receivables that are past due but not impaired and those that are impaired, varies by 5% from management's estimates, the Group's allowance for impairment will increase by $862,000 (30 June 2012: $1,327,000).

- **Goodwill and intangible assets**

  As disclosed in Note 8 to the financial statements, the recoverable amounts of the cash generating units which goodwill and intangible assets have been allocated to have been determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 8 to the financial statements.

  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 December 2013 are approximately $24,673,000 and $501,000 (30 June 2012: $30,868,000 and $1,554,000) 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. A 5% difference in the expected useful lives of these assets from management's estimates would result in less than 5% (30 June 2012: less than 1%) variance in the Group's profit before tax.

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

2.4 Significant accounting estimates and judgements (cont'd)

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

- **Impairment of investment in subsidiaries**

  The Company follows the guidance of FRS 36 in determining the recoverability of its investment in subsidiaries. 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. If the present value of estimated future cash flows decreases by 5% from management's estimates, the Group's allowance for impairment will increase by $2,537,000 (30 June 2012: increase by $9,866,000).

- **Fair value of financial instruments**

  Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates, changes on assumptions about these factors could affect the reported fair values of financial instruments. The valuation of financial instruments is disclosed and further explained in Note 37.

- **Defined benefits plan**

  The determination of the Group's obligations and cost for employee benefits liabilities is dependent on its selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, annual salary increment rate, annual employee turnover rate, disability rate, retirement age and mortality rate. Actual results that differ from the Group's assumptions, which are more than 10% of the defined benefit obligations, are deferred and amortised on a straight-line basis over the expected average remaining service years of the qualified employees. While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Group's actual experiences or significant changes in the Group's assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense. The carrying amount of the Group's employee benefits liabilities as at 31 December 2013 is $714,000 (30 June 2012: $1,155,000). Further details are given in Note 31.

(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:

- **Determination of functional currency**

  The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

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)

- **Income taxes**

The Group has exposure to income taxes in various jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the Group's tax payable, tax recoverable, deferred tax liabilities and assets as at 31 December 2013 were US$1,182,000 (30 June 2012: US$402,000), US$4,671,000 (2012: US$8,071,000), US$5,836,000 (30 June 2012: US$7,167,000) and $61,000 (30 June 2012: $539,000) respectively.

2.5 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation 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 and dividends 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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
– de-recognises the carrying amount of any non-controlling interest;
– de-recognises the cumulative translation differences recorded in equity;
– recognises the fair value of the consideration received;
– recognises the fair value of any investment retained;
– recognises any surplus or deficit in profit or loss;
– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

2.5 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

(b) Business combinations

Business combinations from 1 January 2010

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 remeasured until it is finally settled within equity.

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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

2.5 Basis of consolidation and business combinations (cont'd)

(b) Business combinations (cont'd)

Business combinations from 1 January 2010 (cont'd)

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 2.11(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 prior to 1 January 2010

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

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling 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. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been 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 adjustments to the contingent consideration were recognised as part of goodwill.

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

– The amount that would be recognised in accordance with the accounting policy for provisions set out in Note 2.16.

– 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's 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 Company.

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

2.7 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, investments in subsidiaries are accounted for at cost less impairment losses.

2.8 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 investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried 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 and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination 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 the profit attributable to equity holders of the associate and, therefore is the 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 additional impairment loss on the Group's net investment in its associate. The Group determines at the end of each reporting period 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 profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

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

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

2.9 Foreign currency

The Group's consolidated financial statements are measured 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.

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or 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 profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

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

- Assets and liabilities for each balance sheet presented are translated at the rate of exchange ruling at that balance sheet date; and

- Statement of comprehensive income is translated at average exchange rates for the period, which approximates the exchange rates at the dates of the transactions.

The exchange differences arising on the translation are recognised in 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 profit or 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.

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

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. 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 2.17. 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.

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 carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

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 profit or 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 - 10 years
Computer equipment	2 - 5 years
Office equipment	3 - 8 years
Motor vehicles	3 - 10 years
Leasehold improvements	3 - 20 years
Buildings	20 years

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

2.11 Intangible assets

(a) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination 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 or liabilities of the acquiree are assigned to those units.

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

2.11 Intangible assets (cont'd)

(a) Goodwill (cont'd)

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 2.9.

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 acquisition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as 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 profit or loss through the 'amortisation of intangible assets' line item.

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

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

2.11 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

Gains or losses arising from de-recognition 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 profit or 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 profit or loss over the license period from 3 to 10 years (30 June 2012: 3 to 10 years). The costs of applying for and renewing patents and licences are charged to profit or 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, customer relationship and marketing rights***

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

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

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

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

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

2.12 Financial assets

Initial recognition and measurement

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

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

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

2.12 Financial assets (cont'd)

Subsequent measurement

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

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

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

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

(b) Loans and receivables

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

(c) 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 gain or loss from changes in fair value of the financial assets 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.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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.

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

2.12 Financial assets (cont'd)

Regular way purchase or sale of a financial asset

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

2.13 Impairment of financial assets

The Group assesses at each reporting 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 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 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 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. 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 value 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 profit or 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 had 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)

2.13 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 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.

2.14 Stocks

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

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

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

2.15 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 2.12.

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

2.16 Provisions

General

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 resources embodying economic benefits 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 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 that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 Borrowing costs

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.

2.18 Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, 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 de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

2.19 Leases

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

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

(a) Finance leases – as lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

(b) Finance leases – as lessor

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

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

(c) Operating leases – as lessee

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

2.20 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.

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

2.20 Impairment of non-financial assets (cont'd)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group based its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, the Group has used cash flow projections based on detailed budgets and forecast calculations that is deemed reliable and accurate.

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

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

2.21 Revenue recognition

Revenue of the Group comprises fees earned from telecommunication and ISP services rendered, sale of software licences, business process outsourcing (BPO), distribution of telecommunication handsets, related product services and the supply, rental, maintenance and servicing of computer hardware and peripheral equipment and systems integration service relating to computer equipment and peripherals, storage systems and networking products. These revenues are categorised into operating segments as detailed in Note 2.24.

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 following specific recognition criteria must also be met before revenue is recognised:

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

2.21 Revenue recognition (cont'd)

(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.

- 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.

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

2.21 Revenue recognition (cont'd)

(d) Others

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

2.22 Employee benefits

(a) Defined contribution plans

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 share incentive plan

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

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

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

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

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

2.22 Employee benefits (cont'd)

(d) Defined benefit plan

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

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

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

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

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

2.23 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 the 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)

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

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

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

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

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

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

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

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

2.23 Taxes (cont'd)

(c) Sales tax

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

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

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

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

2.24 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 34, 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.

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

2.24 Segment reporting (cont'd)

(a) Operating Segments (cont'd)

- Computing, comprising:

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

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

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

- Mobility, comprising:

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

(b) Geographical Information

The Group has organised geographical segments according to the region in which the reporting Company is incorporated in. Assets and capital expenditure are based on the location of the assets.

2.25 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 shown separately under other reserves.

2.26 Contingencies

A contingent liability is:

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

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

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

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

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

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

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

2.27 Related parties

A related party is defined as follows:

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

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

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

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (ii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.28 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

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

2.29 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

3. Share capital

	Group and Company	
	31.12.2013	**30.6.2012**
	$'000	$'000
Issued and fully paid up:		
At beginning of period - 5,484,980,836 (30 June 2012: 2,742,490,418) ordinary shares	410,663	288,061
Issued for rights issue in May 2011 Nil (30 June 2012: 2,742,490,418) ordinary shares	–	122,602
At end of period - 5,484,980,836 (30 June 2012: 5,484,980,836) ordinary shares	410,663	410,663

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 31) under which, options to subscribe for the Company's ordinary shares and performance shares respectively, have been granted to Directors and employees of the Group.

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

3. Share capital (cont'd)

As at 31 December 2013, the net proceeds from the 2011 Rights Issue have been utilised as follows:

	S$' million
Net proceeds from 2011 Rights Issue	146.4
Less: Proceeds utilised for:	
To partially fund the completion of the acquisition of Affinity Group	87.0
Funding part of the Group's working capital	25.5
Payment to vendors	11.3
Security Deposit, Advance Rent and Capital Expenditure for new office premises	2.3
Loans to various subsidiaries for working capital	5.1
Acquisition of remaining 49% stake in I-Gate Holding Sdn Bhd	0.4
Capital Expenditure for new office premises	1.7
Termination Payment as referred to in the Company's announcement dated 5 March 2012	13.1
Balance of net proceeds from 2011 Rights Issue unutilised	–

4. Accumulated losses

	Group		Company	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
At beginning of period	(258,843)	(71,130)	(252,528)	(84,811)
Loss for the period	(57,925)	(187,713)	(75,114)	(167,717)
At end of period	(316,768)	(258,843)	(327,642)	(252,528)

5. Other reserves

	Group		Company	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
Reserve on acquisition of non-controlling interest	3,170	3,170	–	–
Fair value adjustment reserve	44	–	44	–
Employee share-based payment reserve	197	196	197	196
Share issue cost	(6,961)	(6,961)	(6,961)	(6,961)
Total other reserves	(3,550)	(3,595)	(6,720)	(6,765)

5. Other reserves (cont'd)

(a) Reserve on acquisition of non-controlling interest

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

	Group	
	31.12.2013	**30.6.2012**
	$'000	$'000
At beginning of period	3,170	4,925
Discount on acquisition of non-controlling interest	–	(1,755)
At end of period	3,170	3,170

(b) Fair value adjustment reserve

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

	Group and Company	
	31.12.2013	**30.6.2012**
	$'000	$'000
At beginning of period	–	(17)
Net change in the reserve	44	17
At end of period	44	–
Net change in the reserve arises from:		
- Recognised in the profit or loss: Impairment loss on quoted equity investment	44	17
At end of period	44	17

(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	
	31.12.2013	**30.6.2012**
	$'000	$'000
At beginning of period	196	207
Value of employee services received	1	(11)
At end of period	197	196

5. Other reserves (cont'd)

(d) Share issue cost

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

	Group and Company	
	31.12.2013	**30.6.2012**
	$'000	$'000
At beginning of period	(6,961)	(3,399)
Capitalisation of rights issue cost	–	(3,562)
At end of period	(6,961)	(6,961)

6. Translation reserve

	Group		Company	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
At beginning of period	7,606	9,592	16	32
Net effect of exchange differences	(7,815)	(1,986)	17	(16)
At end of period	(209)	7,606	33	16

7. Property, plant and equipment

	Furniture, fixtures and fittings	Computer equipment	Office equipment	Motor vehicles	Leasehold improvements	Building	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Cost							
At 1 April 2011	1,818	25,109	3,197	192	1,233	3,015	34,564
Additions	2,090	2,485	1,315	305	1,874	119	8,188
Arising from acquisition of subsidiaries	1,786	1,347	465	1,549	149	5,659	10,955
Disposals/write-offs	(1,300)	(7,806)	(213)	(679)	(160)	(2,663)	(12,821)
Asset held for sale (including disposal group)	(1,026)	(1,761)	(424)	(61)	(1,536)	(549)	(5,357)
Net exchange differences	(494)	(894)	(1,342)	(151)	(311)	(569)	(3,761)
At 30 June 2012	2,874	18,480	2,998	1,155	1,249	5,012	31,768
Additions	93	512	103	139	152	41	1,040
Arising from acquisition of subsidiaries (Note 9)	–	2	1	–	–	–	3
Disposals/write-offs	(824)	(3,542)	(911)	(547)	(673)	–	(6,497)
Arising from disposal of subsidiaries	(293)	(233)	(1,378)	(12)	(318)	–	(2,234)
Reclassification	(87)	–	4	–	83	–	–
Net exchange differences	(406)	(275)	29	(133)	(20)	(1,190)	(1,995)
At 31 December 2013	1,357	14,944	846	602	473	3,863	22,085

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

	Furniture, fixtures and fittings	Computer equipment	Office equipment	Motor vehicles	Leasehold improvements	Building	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Analysis of accumulated depreciation and impairment							
At 1 April 2011	976	20,230	1,216	42	351	124	22,939
Depreciation charge for the period	1,022	2,906	290	279	296	370	5,163
Depreciation attributable to discontinued operations (Note11)	140	357	489	37	348	30	1,401
Disposals/write-offs	(1,192)	(6,776)	(94)	(190)	(86)	(321)	(8,659)
Asset held for sale (including disposal group)	(319)	(1,626)	(208)	(39)	(404)	(61)	(2,657)
Impairment attributable to discontinued operations	420	433	1,150	7	391	–	2,401
Fair value adjustment in fixed assets of subsidiary under disposal	6	6	2	16	14	–	44
Net exchange differences	(197)	(556)	(816)	(33)	(196)	(47)	(1,845)
At 30 June 2012 and 1 July 2012	856	14,974	2,029	119	714	95	18,787
Depreciation charge for the period	964	2,311	356	224	125	376	4,356
Depreciation attributable to discontinued operations (Note11)	7	12	22	–	12	–	53
Disposals/write-offs	(558)	(3,259)	(736)	(190)	(394)	–	(5,137)
Impairment loss	–	493	–	–	–	–	493
Arising from disposal of subsidiaries	(259)	(169)	(1,252)	(10)	(263)	–	(1,953)
Reclassification	(26)	–	1	–	25	–	–
Net exchange differences	(236)	(193)	79	(43)	46	(151)	(498)
At 31 December 2013	748	14,169	499	100	265	320	16,101
Net carrying amount							
At 30 June 2012	2,018	3,506	969	1,036	535	4,917	12,981
At 31 December 2013	609	775	347	502	208	3,543	5,984

Assets held under finance lease

During the financial period ended 31 December 2013, the Group and the Company acquired property, plant and equipment with an aggregate cost of $79,000 and $Nil (30 June 2012: $791,000 and $259,774) respectively by means of finance lease.

The carrying amount of property, plant and equipment held under finance lease as at 31 December 2013 was $286,000 (30 June 2012: $929,000) and $200,000 (30 June 2012: $234,857) for the Group and the Company respectively. The leased assets have been pledged as security for the related finance liability.

Impairment of assets

In the previous financial period, two of the Group's subsidiaries, Spice BPO Services Limited and Mobile Concepts (M) Sdn. Bhd. carried out a review of the recoverable amount of its fixed assets because of continuing loss in the businesses and proposed sales of the subsidiaries respectively. An impairment loss of $2,445,000, representing the write-down of property, plant and equipment to recoverable amount and fair value adjustments in fixed assets of subsidiary under disposal have been recognised in the "other expenses" line item of discontinued operation and disposal assets classified as held for sale for the financial period ended 30 June 2012.

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

	Furniture, fixtures and fittings	Computer equipment	Office equipment	Motor Vehicles	Leasehold improvement	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Company						
Cost						
At 1 April 2011	273	7,470	330	–	44	8,117
Additions	735	131	229	260	1,283	2,638
Disposals	(273)	(4,472)	(247)	–	(54)	(5,046)
Asset held for sale	(695)	–	(181)	–	(1,244)	(2,120)
At 30 June 2012	40	3,129	131	260	29	3,589
Additions	8	44	3	–	24	79
Disposals	(16)	(18)	–	–	–	(34)
At 31 December 2013	32	3,155	134	260	53	3,634
Accumulated depreciation						
At 1 April 2011	233	6,700	325	–	12	7,270
Depreciation charge for the period	108	465	42	25	215	855
Disposals	(273)	(4,472)	(247)	–	(54)	(5,046)
Asset held for sale	(58)	–	(25)	–	(172)	(255)
At 30 June 2012	10	2,693	95	25	1	2,824
Depreciation charge for the period	9	348	26	34	21	438
Disposals	(4)	(18)	–	–	–	(22)
At 31 December 2013	15	3,023	121	59	22	3,240
Net carrying amount						
At 30 June 2012	30	436	36	235	28	765
At 31 December 2013	17	132	13	201	31	394

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 April 2011	65,703	12,184	1,721	476	28,852	3,841	1,541	114,318
Effect of prior year adjustment	(3,959)	329	–	–	(5,891)	–	–	(9,521)
As restated	61,744	12,513	1,721	476	22,961	3,841	1,541	104,797
Additions	–	360	–	–	–	–	746	1,106
Arising from acquisition of subsidiaries	51,870	10,149	–	–	21,581	–	–	83,600
Disposal	–	(603)	–	–	–	–	–	(603)
Assets held for sale	–	(85)	–	–	–	–	–	(85)
Net exchange differences	(1,734)	(189)	–	–	(376)	–	–	(2,299)
At 30 June 2012	111,880	22,145	1,721	476	44,166	3,841	2,287	186,516
Additions	–	432	–	–	–	–	321	753
Arising from acquisition of subsidiaries (Note 9)	340	–	–	–	–	–	–	340
Arising from disposal of subsidiaries	–	(109)	–	–	(108)	–	–	(217)
Disposal	–	(708)	–	–	–	–	–	(708)
Net exchange differences	71	89	–	–	300	–	(2)	458
At 31 December 2013	112,291	21,849	1,721	476	44,358	3,841	2,606	187,142
Analysis of accumulated amortisation and impairment								
At 1 April 2011	–	3,352	1,637	476	4,707	341	293	10,806
Effect of prior year adjustment	–	31	–	–	(393)	–	–	(362)
As restated	–	3,383	1,637	476	4,314	341	293	10,444
Amortised during the period	–	2,562	84	–	6,419	320	818	10,203
Amortisation attributable to discontinued operations (Note 11)	–	131	–	–	–	–	–	131
Impairment during the period	73,384	6,519	–	–	15,033	2,326	–	97,262
Impairment attributable to discontinued operations	–	124	–	–	–	–	–	124
Disposal	–	(603)	–	–	–	–	–	(603)
Asset held for sale	–	(79)	–	–	–	–	–	(79)
Net exchange differences	–	(199)	–	–	(131)	–	–	(330)
At 30 June 2012	73,384	11,838	1,721	476	25,635	2,987	1,111	117,152
Amortised during the period	–	461	–	–	5,077	103	673	6,314
Amortisation attributable to discontinued operations (Note 11)	–	7	–	–	–	–	–	7
Impairment during the period	22,835	58	–	–	–	–	457	23,350
Arising from disposal of subsidiaries	–	(108)	–	–	(65)	–	–	(173)
Disposal	–	(676)	–	–	–	–	–	(676)
Net exchange differences	–	125	–	–	300	–	(2)	423
At 31 December 2013	96,219	11,705	1,721	476	30,947	3,090	2,239	146,397
Net carrying amount								
At 30 June 2012	38,496	10,307	–	–	18,531	854	1,176	69,364
At 31 December 2013	16,072	10,144	–	–	13,411	751	367	40,745

8. Intangible assets (cont'd)

The remaining amortisation periods as at 31 December 2013 range between 1 to 13 years for licensing, patents and trademarks, 4.5 to 8 years for customer relationship, 11.5 years for marketing rights and 1 to 3 years for deferred development costs.

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

The carrying amounts of the Group's goodwill on acquisition of subsidiaries as at 31 December 2013 were assessed for impairment during the financial period. Goodwill is allocated for impairment testing purposes to the individual entity or group of subsidiaries, which is also the CGU. Where the acquired business has been merged as a division of an entity, the CGU would be that division of the merged entity.

The carrying amounts of goodwill related to:

	Affinity Group		MediaRing Network Services		Cavu Corp		Delteq		MSI China		CSL Shenzhen		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group														
Goodwill	10,115	26,318	4,436	4,415	252	6,500	1,269	1,263	–	–	–	–	16,072	38,496

(b) *Basis of impairment assessment*

The recoverable amounts of the CGUs have been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a 5 to 8 year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the 5 year period are as follows:

	Affinity Group		Spice BPO		Bharat IT		Spice - CSL		MediaRing Network Services		Newtel Group		Cavu Corp		Delteq	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Pre-tax discount rates	17.50 to 21.00	16.75	–	12.00	22.49	24.79	–	12.39	9.25	9.15	–	13.85	11.00	9.47	11.00	9.47
Growth rates	2.50	3.00	–	–	3.00	–	–	3.40	1.00	1.00	–	4.20	2.00	1.00	1.00	1.00

8. Intangible assets (cont'd)

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

Basis for using projection period longer than 5 years

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

Cavu Group is extending its geographical reach with existing established partners and increasing its focus on service content in its system integration business. Hence, in line with preceding financial period, a longer than 5 years forecast has been considered in case of Cavu Group.

Key assumptions used in the value in use calculations

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.

Sensitivity to changes in assumptions

With regards to the assessment of value in use, if the present value of estimated future cash flows decreases by 5% from management's estimates, the Group's allowance for impairment will increase by $2,537,000 (30 June 2012: increase by $6,124,000).

(c) Impairment loss recognised

During the financial period, an impairment loss was recognised to write-down the carrying amount of goodwill and intangible assets. The impairment loss of $23,350,000 (30 June 2012: $97,386,000) has been recognised in the profit and loss under the line item "Other Expenses".

In accordance with FRS 36 "Impairment of Assets", the Group had carried out impairment testing as at the end of financial period. Accordingly, goodwill in case of Affinity Group had been impaired by US$16,202,000 (30 June 2012: US$23,128,000) to the extent that the carrying amounts exceeded the recovered amounts. The impairment charge in respect of Affinity Group had primarily been on account of changing preference of customers for mobility products on the 3G platform rather than the 2G platform, which most of the products of the Affinity Group still were built on. Rationalisation of business operations in China had also resulted in impairment of goodwill amounting to US$354,000 (30 June 2012: $Nil) in respect of 2 subsidiaries namely MSI China and CSL Shenzhen. In light of decrease in solutions based business (including annuity based) in Singapore, over supply, saturation and lack of solution support from vendors leading to lower sales and margin in business, the Group had also impaired goodwill in case of Cavu Corp Pte Limited by US$6,279,000 (30 June 2012: $Nil).

8. Intangible assets (cont'd)

(c) Impairment loss recognised (cont'd)

The impairment of goodwill and intangible assets are related to:

	S i2i	Affinity Group	MSI China	CSL Shenzhen	Cavu Group	I-Gate	CSL Multi-media	CSL Mobile Care	Spice – CSL	Newtel Group	Spice BPO	Bharat IT	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group													
2013													
Goodwill	–	16,202	132	222	6,279	–	–	–	–	–	–	–	22,835
Intangible assets	515	–	–	–	–	–	–	–	–	–	–	–	515
2012													
Goodwill	–	23,128	–	–	–	1,602	306	402	28,553	19,393	–	–	73,384
Intangible assets	–	–	–	–	–	–	–	–	18,173	1,211	1,012	3,606	24,002

8. Intangible assets (cont'd)

	Licensing, patents and trademarks	Deferred development costs	Total
	$'000	$'000	$'000
Company			
Cost			
At 1 April 2011	2,251	1,541	3,792
Additions	47	746	793
Disposal	(590)	–	(590)
At 30 June 2012	1,708	2,287	3,995
Additions	2	321	323
At 31 December 2013	1,710	2,608	4,318
Analysis of accumulated amortisation and impairment			
At 1 April 2011	1,680	293	1,973
Amortised during the period	239	819	1,058
Disposal	(590)	–	(590)
At 30 June 2012	1,329	1,112	2,441
Amortised during the period	191	670	861
Impairment during the period	58	457	515
At 31 December 2013	1,578	2,239	3,817
Net carrying amount			
At 30 June 2012	379	1,175	1,554
At 31 December 2013	132	369	501

9. Investment in subsidiaries

Investment in subsidiaries comprise:

	Company	
	31.12.2013	30.6.2012
	$'000	$'000
Unquoted equity shares, at cost	211,679	212,879
Less: Impairment losses	(172,733)	(105,792)
Carrying amount after impairment losses	38,946	107,087

Amounts in United States dollars unless otherwise stated

9. Investment in subsidiaries (cont'd)

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 31.12.2013	Percentage of equity interest held by the Group 30.6.2012
			%	%
Directly held by the Company				
MediaRing.com, Inc [b]	To market and sell telecommunication services	USA	100	100
Mellon Technology Pte Ltd [c]	To market and sell telecommunication services	Singapore	100	100
MediaRing (Europe) Limited [j]	Dormant	United Kingdom	100	100
MediaRing Communications Pte Ltd [c]	To market and sell telecommunication and ISP services	Singapore	100	100
Alpha One Limited [m]	To market and sell telecommunication services	Hong Kong	100	100
MediaRing TC, Inc [b]	To market and sell telecommunication services	Japan	–	100
MediaRing Sdn Bhd [d]	To market and sell telecommunication services	Malaysia	–	100
MediaRing Network Services Pte Ltd [c]	To market and sell ISP services	Singapore	100	100
Cavu Corp Pte Ltd [c]	To supply, rent, maintain and service computer hardware and peripheral equipment	Singapore	100	100
Bharat IT Services Limited [g]	To supply, rent, maintain and service computer hardware	India	100	100
Spice BPO Services Limited (Note 11) [h]	To provide customer relationship management (CRM) and business process outsourcing	India	–	100
Spice-CSL Pte Ltd [c]	Procurement, OEM, manufacturing, distribution and sale of mobile handsets and accessories	Singapore	100	100
Newtel Corporation Company Limited [a]	Procurement, OEM, manufacturing, distribution and sale of mobile handsets and accessories	Thailand	100	100
Maxworld Asia Limited [b]	Investment holding	British Virgin Islands	100	100
Bigstar Development Limited [b]	Investment holding	British Virgin Islands	100	100
Spice i2i Middle East FZE [i]	Trading of mobile handsets	Dubai	–	100
Affinity Capital Pte. Ltd [c]	Investment holding and distributor of handphone	Singapore	100	100
I-Gate Holdings Sdn. Bhd [a]	Investment holding and provision of management services	Malaysia	100	100
CSL Multimedia Sdn. Bhd [a]	Trading of portable computers and computer accessories	Malaysia	100	100
CSL Mobile Care Sdn. Bhd [a]	Repairing and maintenance of mobile phones	Malaysia	100	100
Mobile Concept (M) Sdn. Bhd. (Note 11) [k]	Selling handphone and handphone accessories	Malaysia	–	60

Amounts in United States dollars unless otherwise stated

9. Investment in subsidiaries (cont'd)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group	
			31.12.2013	30.6.2012
			%	%
Directly held by the Company (cont'd)				
Mobile Service International Co.Ltd (China) [l]	Technical advice and services and supply chain management services	People's Republic of China	51	–
CSL Communication (Shenzhen) Co. Ltd (China) [l]	Trading of mobile handsets	People's Republic of China	51	–
Held by subsidiaries				
Held by Alpha One Limited				
MediaRing.com (Shanghai) Limited [e]	To market and sell telecommunication services	People's Republic of China	100	100
Held by Cavu Corp Pte Ltd				
Peremex Pte Ltd [c]	To supply, rent, maintain and service computer hardware and peripheral equipment	Singapore	100	100
Centia Pte Ltd [c]	To supply, rent, maintain and service computer hardware and peripheral equipment	Singapore	100	100
Peremex Sdn Bhd [d]	To supply, rent, maintain and service computer hardware and peripheral equipment	Malaysia	100	100
Delteq Pte Ltd [c]	To provide systems integration service related to computer equipment and peripherals, storage systems and networking products	Singapore	100	100
Held by Peremex Pte Ltd				
Peremex Computer Systems Private Limited [f] [n]	To supply, rent, maintain and service computer hardware and peripheral equipment	India	100	100
Held by Centia Pte Ltd				
Centia Technologies Sdn Bhd [d]	To supply, rent, maintain and service computer hardware and peripheral equipment	Malaysia	100	100
Held by Delteq Pte Ltd				
Delteq Systems Pte Ltd [c]	To provide internet infrastructure, e-business applications consulting, project management and systems support services	Singapore	100	100
Delteq Systems (M) Sdn Bhd [d]	To market computer software and render computer related services	Malaysia	100	100
Held by Delteq Systems (M) Sdn Bhd				
Delteq (M) Sdn Bhd [d]	To market computer hardware and software and render computer related services.	Malaysia	100	100

Amounts in United States dollars unless otherwise stated

9. Investment in subsidiaries (cont'd)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group	
			31.12.2013	30.6.2012
			%	%
Held by subsidiaries (cont'd)				
Held by Spice-CSL Pte Ltd				
Spice CSL International Sdn. Bhd. [(a)]	In the business of procurement, OEM, manufacturing, distribution and sale of mobile handsets and accessories	Malaysia	100	100
Held by Newtel Corporation Company Limited				
T.H.C. International Co., Ltd [(a)]	In the business of procurement, OEM, manufacturing, distribution and sale of mobile handsets and accessories	Thailand	100	100
Held by Affinity Capital Pte Ltd				
PT. Selular Global Net [(a)]	Distributor of prepaid phone card and top up voucher	Indonesia	99.99	99.99
Held by PT. Selular Global Net				
PT. Selular Media Infotama [(a)]	Retail and distributor of telecommunication equipment	Indonesia	99.98	99.98
Held by PT. Selular Media Infotama				
PT. Metrotech Jaya Komunika Indonesia [(a)]	Distributor of telecommunication equipment	Indonesia	99.78	99.78
Held by PT. Metrotech Jaya Komunika Indonesia				
PT. Metrotech Makmur Sehjatera [(a)]	Distributor of telecommunication equipment	Indonesia	69.86	69.86
Held by I-Gate Holdings Sdn. Bhd.				
Mobile Biz Sdn. Bhd. [(o)]	Dealer in mobile telecommunication equipment and its related products	Malaysia	100	100
RVT Event & Retail Management Sdn. Bhd. [(a)]	Conceptual design work, event and complex management	Malaysia	100	100
Real & Virtual Technologies Sdn. Bhd. [(a)]	Developing innovative service delivery platforms and solutions	Malaysia	100	100
Dot Mobile Sdn. Bhd. [(a)]	Dealer in mobile telecommunication equipment and its related products	Malaysia	100	100
Homestead Shop (M) Sdn. Bhd. [(a)]	Dealer in mobile telecommunication equipment and its related products	Malaysia	100	100
I-Gate Digital Sdn. Bhd. [(o)]	Dormant	Malaysia	100	100
BTC Academy Sdn. Bhd. [(a)]	Providing education services	Malaysia	70	70

9. Investment in subsidiaries (cont'd)

(a) Audited by member firms of Ernst & Young Global in the respective countries

(b) Not required to be audited by the laws of its country of incorporation

(c) Audited by Ernst & Young LLP, Singapore

(d) Audited by William C.H. Tan & Associates, Malaysia

(e) Audited by Shanghai Ambition CPA, Co. Ltd

(f) Audited by Ranga & Co., India

(g) Audited by Gupta Garg & Agrawal, India

(h) Audited by Alok Vasant & Associates, India

(i) Audited by Jitendra Chartered Accountants, Dubai (U.A.E)

(j) Audited by Blick Rothenberg Chartered Accountants, United Kingdom

(k) Audited by P.S. Yap & Associates, Malaysia

(l) Audited by Shenzhen Long De CPA

(m) Audited by F.L. Chim & Co. Hong Kong

(n) The Group deferred the liquidation of Peremex Computer Systems Private Limited during the financial period

(o) These companies are under voluntary liquidation

Impairment testing of investment in subsidiaries

During the financial period, management performed an impairment test for Affinity Capital Pte Limited, Cavu Corp Pte Limited, CSL Communication (Shenzhen) Co. Limited, Mediaring Network Services Pte Ltd and Mobile Services International Co. Limited (30 June 2012: Spice BPO Services Ltd, Spice CSL Group, Newtel Group, I-Gate Holdings Sdn Bhd & its subsidiaries, CSL Multimedia Sdn Bhd, CSL Mobile Care Sdn Bhd and Affinity Capital Pte Limited). In light of losses incurred and to the extent, the carrying amount of the investment exceeded the recoverable amount, an impairment loss of $68,037,000 (30 June 2012: $87,868,000) was recognised for the financial period ended 31 December 2013 to write down the investments in the respective subsidiaries to their recoverable amounts. The recoverable amounts of investments in these subsidiaries have been determined based on a value-in-use calculated using cash flow projections from financial budget approved by management covering a 8 (30 June 2012: 5-8) years period. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections was 11.00%-21.00% (30 June 2012: 9.47%-17.46%) and 2.00% to 2.50% (30 June 2012: 0%-1%) respectively.

Acquisition of subsidiaries

(a) CSL Communication (Shenzhen) Co. Ltd

On 2 August 2012, the Company effectively acquired 51% of the voting shares in CSL Communication (Shenzhen) Co. Ltd, a China-based company engaged in manufacturing and trading of mobile telecommunication equipment, inclusive of mobile phones and mobile accessories and related spare parts distribution, distribution agent, import and export and related integrated services.

9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(a) CSL Communication (Shenzhen) Co. Ltd (cont'd)

The fair value of the identifiable assets and liabilities of CSL Communication (Shenzhen) Co. Ltd, acquired and the effect thereof as at the date of acquisition were as follows:

	Fair value at date of acquisition	Carrying amount before combination
	$'000	$'000
Property, plant and equipment	1	1
Other receivables and prepayments	181	181
Cash and cash equivalents*	–	–
Total assets	182	182
Net identifiable assets	182	182
Less: Net identifiable assets - non-controlling interest	(89)	
Net identifiable assets - owner of the parents	93	
Goodwill arising from acquisition	213	
	306	
Cost of acquisition:		
Cash paid for purchase consideration	306	
Cash outflow on acquisition:		
Cash paid	(306)	
Net cash acquired with the subsidiary*	–	
Net cash outflow on acquisition	(306)	

*: Amount is less than $1,000

The Group has performed an internal assessment to determine the fair value of the intangible assets. As at 31 December 2013, no intangible asset had been identified.

Impact of acquisition on the income statement

From the date of acquisition, the acquired subsidiary has contributed a net loss of $2,000 to the net loss of the Group.

Goodwill arising from acquisition

As of date of acquisition, the goodwill of $213,000 represented the value of strengthening the Group's mobile handset market position in the ASEAN region, which can serve to expand and consolidate S i2i's presence in China. However, as of 31 December 2013, management revisited the business model and has recorded a full impairment loss on this goodwill.

9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(b) Mobile Service International Co. Ltd

On 9 July 2012, the Company effectively acquired 51% of the voting shares in Mobile Service International Co. Ltd, a China-based company engaged in communication equipment, technical advice and services, supply chain management and related economic information consultation.

The fair value of the identifiable assets and liabilities of Mobile Service International Co. Ltd, acquired and the effect thereof as at the date of acquisition were as follows:

	Fair value at date of acquisition	**Carrying amount before combination**
	$'000	$'000
Property, plant and equipment	2	2
Other receivables and prepayments	319	319
Cash and cash equivalents	1	1
Total assets	322	322
Other creditors and accruals	181	181
Tax payable*	–	–
Total liabilities	181	181
Net identifiable assets	141	141
Less: Net identifiable assets - non-controlling interest	(69)	
Net identifiable assets - owner of the parents	72	
Goodwill arising from acquisition	127	
	199	
Cost of acquisition:		
Cash paid for purchase consideration	199	
Cash outflow on acquisition:		
Cash paid	(199)	
Net cash acquired with the subsidiary	1	
Net cash outflow on acquisition	(198)	

*: Amount is less than $1,000

The Group has performed an internal assessment to determine the fair value of the intangible assets. As at 31 December 2013, no intangible asset had been identified.

Impact of acquisition on the income statement

From the date of acquisition, the acquired subsidiary has contributed a net loss of $4,000 to the net loss of the Group.

9. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(b) Mobile Service International Co. Ltd (cont'd)

Goodwill arising from acquisition

As of date of acquisition, the goodwill of $127,000 represented the value of strengthening the Group's mobile handset market position in the ASEAN region, which can serve to expand and consolidate S i2i's presence in China. However, as of 31 December 2013, management revisited the business model and has recorded a full impairment loss on this goodwill.

Disposal of subsidiaries

During the financial period, the Group disposed/liquidated the following subsidiaries:

(a) Mobile Concepts (M) Sdn Bhd

As at 30 June 2012, the subsidiary was accounted as an asset held for sale on the balance sheet and had been appropriately written down to its offer price, which reflects its fair value.

On 17 July 2012, the Company completed the disposal to dispose its entire 60% interest in the issued share capital of MCM for a consideration of $300,000 in cash and recognised a loss on disposal of $26,000.

(b) Mediaring TC, Inc

On 10 December 2012, the Group completed the voluntary liquidation of its dormant wholly-owned subsidiary, Mediaring TC, Inc, a company registered in Japan.

This voluntary liquidation of Mediaring TC, Inc has no material impact on the consolidated net tangible assets per share and earnings per share of the Company for the financial period ended 31 December 2013.

(c) Spice BPO Services Limited

On 8 June 2012, the management decided to divest off its investment in Spice BPO Services Limited which was approved by the Board of Directors.

On 24 January 2013, the Group disposed its entire interest of 100% in Spice BPO Services Limited for a consideration of $1 and recognised a gain on disposal of $7,870,000.

(d) Spice i2i Middle East FZE

On 30 May 2013, the Group completed the voluntarily liquidation of its dormant wholly-owned subsidiary, Spice i2i Middle East FZE, a company registered in Dubai.

This voluntary liquidation of Spice i2i Middle East FZE has no material impact on the consolidated net tangible assets per share and earnings per share of the Company for the financial period ended 31 December 2013.

10. Investment in associates

	Group		Company	
	31.12.2013	30.6.2012	31.12.2013	30.6.2012
	$'000	$'000	$'000	$'000
Unquoted shares, at cost	479	479	479	479
Share of post-acquisition reserves	(191)	(123)	–	–
Less: Impairment losses	(288)	(288)	(479)	(335)
Carrying amount of investments	–	68	–	144

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group	
			31.12.2013	30.6.2012
			%	%
Directly held by the Company				
MediaRing Africa Ltd [(a)]	To market and sell telecommunication services	Hong Kong	–	40.0
Vipafone (Proprietary) Limited [(b)]	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 [(c)]	To market and sell telecommunication services	Singapore	28.8	28.8

(a) The company has been liquidated on 12 July 2013

(b) Not required to be audited by the laws of its country of incorporation

(c) Audited by R Chan & Associates Public Accounting Corporation

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

	31.12.2013	30.6.2012
	$'000	$'000
Assets and liabilities		
Current assets	–	482
Non-current assets	–	398
Total assets	–	880
Current liabilities	–	97
Total liabilities	–	97
Results		
Revenue	–	–
Loss for the period	(836)	(125)

10. Investment in associates (cont'd)

Unrecognised share of losses of associates

The Group has not recognised losses relating to Vipafone (Proprietary) Limited and MediaRing Africa Ltd where their share of losses exceeds the Group's interest in these associates. The Group's cumulative share of losses at the balance sheet date were $17,000 (30 June 2012: $17,000) and $410,000 (30 June 2012: $76,000) respectively, of which $Nil (30 June 2012: $Nil) and $68,000 (30 June 2012: $50,000) were the share of the current year's losses. The Group has no obligation in respect of these losses.

The management accounts of Vipafone (Proprietary) Limited have not been obtained at the date when these financial statement are authorised for issue.

Impairment testing of investment in associates

During the last financial period, management had performed an impairment test, and in the light of losses and with uncertainty of future recovery, an impairment loss of $288,000 in respect of the investment in MediaRing Africa Limited was recognised for the financial period ended 30 June 2012.

11. Discontinued operation and disposal assets classified as held for sale

		Group	
		31.12.2013	**30.6.2012**
		$'000	$'000
Carrying amount of building of subsidiary	(a)	–	490
Carrying amount of plant and equipment of Company	(b)	–	1,865
Carrying amount of non-current assets of subsidiary	(c)	–	290
Carrying amount of company held for disposal	(d)	–	529
Total		–	3,174

Disposal of Mobile Concept (M) Sdn Bhd ("MCM") and Spice BPO Services Limited ("BPO")

During the financial period, the Company has disposed its interest in MCM and BPO. The disposal was completed on 17 July 2012 and 24 January 2013 respectively.

Both MCM and BPO's results are presented on profit or loss as "Loss for the period from operation related to disposal group classified as held for sale, net of tax".

The Group has re-presented the disclosures for prior period presented in the statement of comprehensive income and cash flow statement so that the disclosures related to all operations discontinued by the end of the reporting period for the latest period are stated.

11. Discontinued operation and disposal assets classified as held for sale (cont'd)

Disposal of Mobile Concept (M) Sdn Bhd ("MCM") and Spice BPO Services Limited ("BPO") (cont'd)

Income statement disclosures

The results of the disposal group (MCM and Spice BPO) for the period ended 31 December 2013 and 30 June 2012 are as follows:

	Group	
	Period from 1.7.2012 to 31.12.2013	**Period from 1.4.2011 to 30.6.2012**
	$'000	$'000
Turnover	682	19,894
Other income	146	855
Direct service fees incurred and cost of goods sold	(317)	(7,909)
Commissions and other selling expenses	(5)	(533)
Personnel costs	(323)	(8,794)
Infrastructure costs	(220)	(2,958)
Depreciation of property, plant and equipment	(53)	(1,401)
Amortisation of intangible assets	(7)	(131)
Marketing expenses	(4)	(138)
Foreign exchange gain/(loss)	99	(424)
Finance costs	(398)	(1,118)
Other expenses	(160)	(4,842)
Loss before tax from discontinued operation	(560)	(7,499)
Taxation	–	(1,392)
Loss for the period from operation related to disposal group classified as held for sale, net of tax	(560)	(8,891)

Cash flow statement disclosures

The cash flows attributable to the disposal group (MCM and Spice BPO) are as follows:

Operating activities	1,356	(2,868)
Investing activities	550	4,045
Financing activities	(1,805)	(445)
Net cash inflows	101	732

11. Discontinued operation and disposal assets classified as held for sale (cont'd)

During the last financial period, the Company announced the decision of its board of directors to dispose of the following assets:

(a) Disposal of building by a subsidiary

On 7 June 2012, a subsidiary obtained its directors' approval on the proposal to dispose its office building to an external party. The recoverable amount was estimated for this building and no impairment loss was identified. The disposal has since been completed on 20 September 2012.

(b) Disposal of plant and equipment by Company

On 18 July 2012, the Company obtained its directors' approval on the proposal to dispose its plant and equipment in a previously occupied office building to an interested party. The recoverable amount was estimated for these plant and equipment and no impairment loss was identified. The disposal has since been completed on 30 August 2012.

(c) Disposal of non-current assets by subsidiary

On 29 June 2012, a subsidiary obtained its directors' approval on the proposal to dispose certain plant, equipment and intangible assets. The recoverable amount was estimated for these plant and equipment and consequently, impairment loss of $350,000 was identified. The disposal was completed on 24 January 2013.

(d) Disposal of Mobile Concept (M) Sdn Bhd ("MCM")

On 10 February 2012, the Company announced the decision of its board of directors to dispose its 60% owned subsidiary, MCM, which was previously reported in the Mobility segment. The disposal was completed on 17 July 2012.

Immediately before the classification of MCM as a discontinued operation, a fair value adjustment of $Nil (30 June 2012: $44,000) (Note 28) was recognised to reduce the carrying amount of the assets in the disposal group to the fair value less costs to sell.

As at 30 June 2012, the assets and liabilities related to MCM and the carrying value of the property, plant and equipment and intangible assets have been presented in the balance sheet as "Assets held for sale (includes disposal group)" and "Liabilities directly associated with disposal group classified as held for sale".

11. Discontinued operation and disposal assets classified as held for sale (cont'd)

Balance sheet disclosures

The major classes of assets and liabilities classified as held for sale and the related asset revaluation reserve as at 30 June 2012 was as follows:

	Group 30.6.2012
	$'000
Assets:	
Property, plant and equipment	61
Stocks	877
Trade receivables, current	289
Other receivables and deposits, current	115
Cash and cash equivalents	168
Tax recoverable	52
Assets of disposal group classified as held for sale	1,562
Liabilities:	
Trade creditors	591
Other creditors and accruals, current	428
Deferred tax liabilities	14
Liabilities directly associated with disposal group classified as held for sale	1,033
Net assets directly associated with disposal group classified as held for sale (MCM)	529
Reserve:	
Translation reserve	(46)

12. Investment securities

	Group and Company	
	31.12.2013	30.6.2012
	$'000	$'000
Non-current		
Available-for-sale financial assets		
- Quoted equity investment	122	60
Designated at fair value through profit or loss		
- Hybrid instrument	2,625	2,700
Total investment in securities	2,747	2,760

12. Investment securities (cont'd)

The hybrid instrument relates to a 7 years term loan that came with 14,034,074 warrants. The loan is fully repayable on 30 April 2015, and is interest-free for the first 5 years, and bears interest at 5% per annum for the sixth and seventh year.

Each warrant entitled the Group to subscribe for 1 preferred share in the issuer at a fixed 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.

On 29 April 2013, the Company has informed their decision of non-exercise of warrants issued. As the warrants were not exercised, it has ceased to exist from 30 April 2013. In accordance to the Loan Agreement and the Amendment Deed, the Company shall be charging interest on the outstanding loan and shall accrue from day to day from 30 April 2013 and ending on the date of receipt by Company of the repayment of the loan and all interest accrued thereon in full, at a rate of 5% per annum.

During the financial period, the Group and the Company recognised an impairment loss of $Nil (30 June 2012: $57,000) (Note 28) for the quoted equity instrument as there was no significant or prolonged decline in the fair value of these investments below their costs.

13. Long-term loans and advances to subsidiaries

	Company	
	31.12.2013	**30.6.2012**
	$'000	$'000
Long-term loans and advances treated as part of net investment in subsidiaries	36,458	36,371
Long-term loans to subsidiaries	20,561	4,881
Less: Allowance for doubtful loans and advances to subsidiaries	(36,892)	(40,127)
	20,127	1,125

Long-term loans and advances treated as part of net investment in subsidiaries are quasi-equity in nature, unsecured, interest-free and have no fixed terms of repayment.

Long-term loans to subsidiaries are unsecured, interest-bearing at 0% to 6% p.a. and have fixed repayment terms of 2 to 7 years.

14. Trade receivables

	Group		Company	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
Non-current				
Lease receivables	219	569	–	–
Less: Unearned finance income	(4)	(44)	–	–
	215	525	–	–
Current				
Trade receivables	26,872	51,359	1,171	1,230
Amount due from a related party	–	1,778	–	1,778
Less: Allowance for impairment	(2,449)	(3,954)	(328)	(290)
	24,423	49,183	843	2,718
Lease receivables	43	226	–	–
Less: Unearned finance income	(8)	(1)	–	–
	24,458	49,408	843	2,718
Total trade receivables	24,673	49,933	843	2,718
Add:				
Long-term loans and advances to subsidiaries (Note 13)	–	–	20,127	1,125
Other receivables and deposits (Note 16)	5,730	9,519	810	2,718
Cash and bank deposits pledged (Note 19)	6,424	7,780	3,448	183
Cash and cash equivalents (Note 19)	22,633	61,477	13,227	45,091
Due from subsidiaries (Note 18)	–	–	10,657	4,920
Total loans and receivables	59,460	128,709	49,112	56,755

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Amount due from a related party is trade in nature, repayable on demand, unsecured, interest-free and are to be settled in cash.

Trade receivables denominated in foreign currencies at period end are as follows:

	Group		Company	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
Singapore Dollar	8,252	10,380	95	113
Indian Rupee	1,405	2,800	–	–
Thai Baht	46	1,396	–	–
Malaysian Ringgit	5,964	2,515	–	–
Indonesian Rupiah	4,068	29,980	–	–
Others	22	272	26	65

14. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to $15,012,000 (30 June 2012: $23,051,000) and $677,000 (30 June 2012: $1,738,000) that are past due at the balance sheet date but not impaired. These trade receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
Trade receivables past due for:				
Less than 30 days	4,653	11,311	158	1,612
31 to 60 days	3,716	4,858	123	128
61 to 90 days	1,252	2,557	53	35
More than 90 days	5,391	4,325	343	(37)
	15,012	23,051	677	1,738

Receivables that are impaired

Trade receivables 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 trade receivables are not secured by any collateral or credit enhancements.

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group			
	Collectively impaired		*Individually impaired*	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
Trade receivables – nominal amounts	113	989	2,354	5,437
Less: Allowance for impairment	(99)	197	(2,350)	(4,151)
	14	1,186	4	1,286
Movement in allowance accounts:				
At beginning of period	(197)	20	4,151	983
Charge for the period	570	247	661	4,081
Attributable to discontinued operations	–	–	(1,259)	1,311
Write-back	(228)	–	(118)	(174)
Write-off	(3)	(147)	(841)	(1,713)
Exchange differences	(43)	(317)	(244)	(337)
At end of period	99	(197)	2,350	4,151

14. Trade receivables (cont'd)

Receivables that are impaired (cont'd)

	Company			
	Collectively impaired		*Individually impaired*	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
Trade receivables – nominal amounts	–	–	332	290
Less: Allowance for impairment	–	–	(328)	(290)
	–	–	4	–
Movement in allowance accounts:				
At beginning of period	–	–	290	108
Charge for the period	–	–	85	277
Write-back	–	–	(39)	–
Write-off	–	–	(8)	–
Exchange differences	–	–	–	(95)
At end of period	–	–	328	290

During the financial period, the Group and the Company wrote back allowance of $346,000 (30 June 2012: $174,000) and $39,000 (30 June 2012: $Nil) respectively upon the collection of debts that were previously provided for.

Receivables pledged as collateral

The Group has pledged trade receivables with a carrying amount of $7,206,000 (30 June 2012: $30,740,000) as collateral to secure a subsidiary's bank loans (Note 23).

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 7.7% (30 June 2012: 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	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
Group				
Not later than one year	43	226	35	225
Later than one year but not later than five years	219	569	215	525
Total minimum lease payments receivable	262	795	250	750
Less: Amounts representing finance incomes	(12)	(45)	–	–
Present value of minimum lease payments receivable	250	750	250	750

15. Stocks

	Group		Company	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
Balance Sheet:				
Stocks	20,992	33,131	195	49
Income Statement:				
Stocks recognised as an expense in cost of sales				
Inclusive of the following charge/(credit):	683,963	884,253	18,766	92,099
- Provision for stock obsolescence	3,229	1,770	5	304
- Write-back of provision for stock obsolescence	(1,781)	(2,103)	(91)	(11)
- Write-off of stock	581	283	1	127

During the financial period, the Group and the Company wrote back stocks amounting to $1,781,000 (30 June 2012: $2,103,000) and $91,000 (30 June 2012: $11,000) upon the sale of obsolete stocks that were previously written off. The stocks were sold above their carrying amounts.

The Group has subjected finished goods amounting to $14,862,000 (30 June 2012: $29,260,000) to collateral charge as security for bank facilities (Note 23).

16. Other receivables and deposits and tax recoverable

	Group		Company	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
Other receivables and deposits				
Current				
Other receivables	5,515	5,794	1,144	575
Less: Allowance for impairment	(600)	(643)	(600)	(488)
	4,915	5,151	544	87
Deposits	420	3,926	15	2,528
Interest receivables	331	163	251	103
	5,666	9,240	810	2,718
Non-current				
Other receivables	64	279	–	–
	64	279	–	–
Total other receivables and deposits	5,730	9,519	810	2,718
Tax recoverable				
Current	889	711	–	–
Non-current	3,782	7,360	–	–
Total tax recoverable	4,671	8,071	–	–

As at 31 December 2013, total tax recoverable includes an amount of $3,782,000 (30 June 2012: $7,360,000) being withheld by the Directorate General of Taxes, pending final results of the regular tax inspection on two subsidiaries in Indonesia as well as an amount of $271,000 (30 June 2012: $611,000) expected to be refunded by Inland Revenue Board, Malaysia.

16. Other receivables and deposits and tax recoverable (cont'd)

Other receivables that are impaired

The Group's other receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
Other receivables – nominal amounts	600	643	600	488
Less: Allowance for impairment	(600)	(643)	(600)	(488)
	–	–	–	–
Movement in allowance account:				
At the beginning of the period	643	123	488	12
Charge for the period	112	900	112	476
Write-off	(162)	(370)	–	–
Exchange differences	7	(10)	–	–
At the end of the period	600	643	600	488

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

	Group		Company	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
Singapore Dollar	891	1,634	179	1,204
Indian Rupee	309	2,028	–	–
Thai Baht	1,218	1,387	–	–
Malaysian Ringgit	422	728	–	1
Indonesian Rupiah	1,479	9,399	–	–
Others	661	12	1	–

17. Prepayments

	Group		Company	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
Prepaid selling expenses	241	414	124	237
Other prepaid expenses	3,837	7,962	257	774
	4,078	8,376	381	1,011

Total other prepaid expenses mainly relate to advance payment to vendors by subsidiaries and prepaid rental for office and shops.

18. Due from/(to) subsidiaries and associates

Amounts due from subsidiaries to the Company are stated after deducting allowance for impairment of $68,964,000 (30 June 2012: $67,129,000).

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 ranging at 5% to 6% (30 June 2012: 5%) per annum.

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

	Company	
	31.12.2013	**30.6.2012**
	$'000	$'000
Singapore Dollar	(7,373)	(4,403)
Chinese Renminbi	(3,098)	(2,395)
Malaysian Ringgit	4,166	1,126
Japanese Yen	–	(1,599)

19. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Group		Company	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
Fixed deposits	20,423	37,441	14,876	28,445
Cash and bank balances	8,634	31,816	1,799	16,829
	29,057	69,257	16,675	45,274
Less: Cash and bank deposits pledged	(6,424)	(7,780)	(3,448)	(183)
	22,633	61,477	13,227	45,091

Fixed deposits with financial institutions mature on varying periods from the financial period end. Fixed deposits earn interest at the effective interest rates ranging from 0.06% to 10% (30 June 2012: 0.05% to 9.75%) per annum.

Cash at bank earns interest at floating rates based on daily bank deposits ranging from 0% to 2.4% (30 June 2012: 0% to 6.5%) per annum.

Cash and bank deposits of $6,424,000 (30 June 2012: $7,780,000) are pledged as security for trust receipt, bank guarantees, standby letters of credit and other bank services.

19. Cash and cash equivalents (cont'd)

Cash and cash equivalents denominated in foreign currencies at period end are as follows:

	Group		Company	
	31.12.2013	30.6.2012	31.12.2013	30.6.2012
	$'000	$'000	$'000	$'000
Singapore Dollar	3,558	7,131	422	2,072
Indian Rupee	2,300	646	–	–
Thai Baht	74	240	–	–
Malaysian Ringgit	802	2,027	–	–
Indonesian Rupiah	3,145	3,000	–	–
Others	271	1,316	–	–

20. Trade creditors

	Group		Company	
	31.12.2013	30.6.2012	31.12.2013	30.6.2012
	$'000	$'000	$'000	$'000
Trade creditors	11,416	30,654	1,683	6,106
Add:				
Other creditors and accruals (Note 21)	11,669	18,830	2,705	4,621
Lease obligations (Note 22)	2,721	1,147	174	201
Loans and bank borrowings (Note 23)	13,807	49,591	–	–
Due to subsidiaries (Note 18)	–	–	11,087	8,910
Due to associates (Note 18)	–	128	–	128
Provision for employee benefits (Note 31)	714	1,155	–	–
Total financial liabilities carried at amortised cost	40,327	101,505	15,649	19,966

Trade creditors are non-interest bearing and are normally settled on 30 to 60 days' terms.

Trade creditors denominated in foreign currencies at period end are as follows:

	Group		Company	
	31.12.2013	30.6.2012	31.12.2013	30.6.2012
	$'000	$'000	$'000	$'000
Singapore Dollar	1,511	1,290	–	–
Indian Rupee	54	1,162	–	–
Thai Baht	11	36	–	–
Malaysian Ringgit	937	773	–	20
Indonesian Rupiah	5,053	1,380	–	–
Others	91	4	2	2

21. Other creditors and accruals

	Group		Company	
	31.12.2013	30.6.2012	31.12.2013	30.6.2012
	$'000	$'000	$'000	$'000
Current				
Amounts due to related parties	719	1,304	20	–
Other creditors	3,212	2,940	637	875
Accrued operating expenses	7,205	14,114	1,994	3,616
Deposits received	533	472	54	130
	11,669	18,830	2,705	4,621

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

As at 31 December 2013, the Group and Company's total accrued operating expenses include an amount of $1,848,000 (30 June 2012: $1,681,000) and $380,000 (30 June 2012: $1,097,000) trade accruals as well as $5,357,000 (30 June 2012: $12,433,000) and $1,614,000 (30 June 2012: $2,519,000) of sundry accruals respectively. These accruals are non-interest bearing and are to be settled within the next twelve months.

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

	Group		Company	
	31.12.2013	30.6.2012	31.12.2013	30.6.2012
	$'000	$'000	$'000	$'000
Singapore Dollar	3,987	4,454	1,982	2,994
Indian Rupee	740	2,596	6	–
Thai Baht	351	986	–	–
Malaysian Ringgit	1,670	2,437	–	–
Indonesian Rupiah	2,693	5,559	–	–
Others	125	258	15	18

22. Lease obligations

The Group have finance leases for computer equipment and motor vehicles. The leases have terms of renewal at the option of the Group. There are no escalation clauses and no restrictions placed upon the Group by entering into these leases. An obligation by a subsidiary is secured by a charge over the leased assets (Note 7). The average discount rate implicit to the leases is 6.86% (30 June 2012: 4.2%) per annum.

22. Lease obligations (cont'd)

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

	Minimum lease payments receivable	Present value of payments receivable	Minimum lease payments receivable	Present value of payments receivable
	31.12.2013		30.6.2012	
	$'000	$'000	$'000	$'000
Group				
Not later than one year	2,500	2,470	675	644
Later than one year but not later than five years	225	197	489	428
Later than five years	58	54	78	75
Total minimum lease payments	2,783	2,721	1,242	1,147
Less: Amounts representing finance charges	(62)	–	(95)	–
Present value of minimum lease payments	2,721	2,721	1,147	1,147
Company				
Not later than one year	26	21	26	19
Later than one year but not later than five years	131	116	131	108
Later than five years	40	37	78	74
Total minimum lease payments	197	174	235	201
Less: Amounts representing finance charges	(23)	–	(34)	–
Present value of minimum lease payments	174	174	201	201

Lease obligations denominated in foreign currencies at period end are as follows:

	Group		Company	
	31.12.2013	30.6.2012	31.12.2013	30.6.2012
	$'000	$'000	$'000	$'000
Singapore Dollar	396	836	174	201
Indian Rupee	–	259	–	–
Thai Baht	4	25	–	–
Malaysian Ringgit	65	–	–	–
Indonesian Rupiah	4	27	–	–

23. Loans and bank borrowings

		Group	
		31.12.2013	**30.6.2012**
		$'000	$'000
Current			
- Trust receipts	(a)	1,217	1,347
- Interest free loan from a related party		–	890
- Loans	(b)	12,392	47,354
Total short term loans and bank borrowings		13,609	49,591
Non-current			
- Loans	(c)	198	–
Total loans and bank borrowings		13,807	49,591

(a) At 31 December 2013, the outstanding trust receipts which are repayable within 1 year from the financial period end have effective interest rates of 6.0% (30 June 2012: 6.0%) per annum, and are secured by fixed deposits pledged to the finance institutions.

(b) At 31 December 2013, the current loans amounting to $12,392,000 (30 June 2012: $47,354,000) are denominated in IDR, USD and SGD (30 June 2012: IDR, USD and INR). The loans of the Group bear interest at rates ranging from 3.0% to 9.5% (30 June 2012: 4.7% to 10.0%) per annum and are repayable within the next 12 months.

(c) At 31 December 2013, the non-current loans amounting to $198,000 (30 June 2012: $Nil) are denominated in SGD (30 June 2012: $Nil). The loans of the Group bear interest at 3% (30 June 2012: $Nil) per annum and are repayable within the next 3 years.

A total loan amount of $9,517,000 (30 June 2012: $40,216,000) are secured over a subsidiary's trade receivables (Note 14) and stocks (Note 15). Repayment of these loans is due on demand.

During the current financial period, two of the subsidiaries of the Group have breached the loan covenants for one (30 June 2012: two) bank. These subsidiaries did not fulfill the requirements to maintain a current ratio of 1.0 and interest coverage ratio of 2.0 for a credit line of $20,041,000 (30 June 2012: $28,266,000), and a current ratio of 1.2 and minimum interest coverage ratio of 1.5 for another credit line of $Nil (30 June 2012: $11,950,000) required by the bank. The bank is contractually entitled to request for immediate repayment of the outstanding loan amount in the event of breach of covenant.

On 10 July 2013, the bank has agreed to renew and extend the expiry date of the loan until 19 April 2014. As at the date when these financial statements are authorised for issue, the bank has not requested for immediate repayment of the outstanding loan amount.

24. Deferred tax

	Group			
	Consolidated balance sheet		Consolidated income statement	
	31.12.2013	30.6.2012	31.12.2013	30.6.2012
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	(3)	(30)	(161)	(747)
Fair value adjustments on acquisition of subsidiaries	(5,833)	(7,137)	1,296	8,539
	(5,836)	(7,167)		
Deferred tax assets				
Provisions	61	539	(478)	(960)
Unutilised tax losses	–	–	–	(3,748)
Other items	–	–	–	(67)
	61	539		
Deferred income tax credit (Note 29)			657	3,017

The impact to the consolidated income statement of fair value adjustments on acquisition of subsidiaries relates to the realisation of deferred tax on the recognition of amortisation during the financial period.

25. Turnover

Turnover comprises the following:

	Group	
	For the period from 1.7.2012 to 31.12.2013	For the period from 1.4.2011 to 30.6.2012
	$'000	$'000
Voice and Data Services	25,295	44,660
Computing	63,138	48,621
Mobility	681,154	899,946
	769,587	993,227

During the period October 2012 to December 2012, the management of one of the subsidiaries in Indonesia, which was in the business of selling mobile phones (part of the Mobility operating segment), decided to close certain branch offices across Indonesia, as part of its effort to increase operating efficiency.

Certain supporting documents for sales and sales returns of mobile phones relating to this period of transition could not be located. In the opinion of the management, the absence of these documents did not have any impact on the financial statements of the Group for the financial period ended 31 December 2013, as proper accounting of such transactions had already been done and reflected in the financial statements. The auditors have made reference to this event in their report of date. Total sales of mobile phones by the subsidiary in question during the period 1 July 2012 to 31 December 2012 was approximately $91.8 million.

26. Other income

	Group	
	For the period from 1.7.2012 to 31.12.2013	For the period from 1.4.2011 to 30.6.2012
	$'000	$'000
Gain on bargain purchase	–	555
Gain on disposal of investment in subsidiaries	8,307	–
Interest income:		
- fixed deposits	605	665
- bank balances	240	51
- investment securities	147	–
- others	18	46
Waiver of loan	–	5,000
Reversal of deferred consideration payable	–	10,017
Rental income	700	198
Early payment discount received	148	203
Write-back of sundry payables	–	595
Rebates	604	62
Support service to a related party	427	–
Others	1,007	414
	12,203	17,806

During the financial period ended 30 June 2012, the waiver of loan relates to loan procured by the vendor of Newtel Group to Newtel Corporation Company Limited, a wholly-owned subsidiary of S i2i Limited.

27. Personnel costs

	Group	
	For the period from 1.7.2012 to 31.12.2013	For the period from 1.4.2011 to 30.6.2012
	$'000	$'000
Salary and allowances	31,121	41,066
Central Provident Fund contributions	1,862	2,076
Defined benefit plan	(250)	692
Share-based payments	1	(12)
Staff accommodation	138	64
Staff recruitment	64	238
Staff welfare	965	684
Insurance	744	498
Medical fee	103	143
Training	26	106
Provision for unpaid leave balance	40	13
Retrenchment cost	2,816	–
Other personnel costs	1,284	351
	38,914	45,919

28. Loss before taxation

Loss before taxation is stated after charging/(crediting) the following:

	Group	
	For the period from 1.7.2012 to 31.12.2013	For the period from 1.4.2011 to 30.6.2012
	$'000	$'000
Audit fees paid to:		
- Auditors of the Company	638	602
- Other auditors	457	459
Non-audit fees paid to:		
- Auditors of the Company	174	171
- Other auditors	55	60
Directors' fees:		
- Directors of the Company	272	664
Other professional fees	2,585	5,500
Bank charges	740	947
Collection service fees	1,344	2,811
Equipment maintenance	608	989
Equipment rental	340	304
Fair value loss on investment securities	90	860
Freight and postage charges	252	358
Impairment of intangible assets	23,350	97,262
Impairment of property, plant and equipment	493	–
Loss on disposal of property, plant and equipment	93	782
Printing & stationery	224	313
Property, plant and equipment written off	364	11
Fair value adjustment in fixed assets of subsidiary under disposal	–	44
Loss on disposal of subsidiaries (Note 9)	26	–
Telecommunication expenses	1,420	1,721
Termination payment	–	10,000
Travelling and entertainment	3,526	4,295
Allowance for doubtful trade debts (Note 14)	1,231	4,328
Allowance for doubtful non-trade debts (Note 16)	112	900
Provision for stock obsolescence (Note 15)	3,229	1,770
Waiver of loan	–	(5,000)
Write-back of allowance for doubtful trade debts (Note 14)	(346)	(174)
Write-back of provision for stock obsolescence (Note 15)	(1,781)	(2,103)
Write off of quoted investment securities (Note 12)	–	57
Write off of stock (Note 15)	581	283
Write off of trade debts	44	9,536
Write off of non-trade debts	–	1

29. Taxation

Major components of income tax expense

The major components of income tax expense for the period ended 31 December 2013 are:

	Group	
	For the period from 1.7.2012 to 31.12.2013	**For the period from 1.4.2011 to 30.6.2012**
	$'000	$'000
Consolidated income statement:		
Current income tax		
- Current income taxation	2,284	(812)
- Under provision in respect of previous years	(352)	20
	1,932	(792)
Deferred income tax (Note 24)		
- Origination and reversal of temporary differences	(657)	(4,409)
	(657)	(4,409)
Income tax attributable to continuing operations	1,275	(5,201)
Income tax attributable to discontinued operations (Note 11)	–	1,392
Income tax expense/(credit) recognised in profit or loss	1,275	(3,809)

Foreign currency translation and net gain or loss on available-for-sale financial assets presented under other comprehensive income have no income tax impact.

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial period ended 31 December 2013 and 30 June 2012 is as follows:

	Group	
	For the period from 1.7.2012 to 31.12.2013	**For the period from 1.4.2011 to 30.6.2012**
	$'000	$'000
Loss before taxation from continuing operations	(56,189)	(184,447)
Loss before taxation from discontinued operations (Note 11)	(560)	(7,499)
Accounting loss before tax	(56,749)	(191,946)
Tax at the domestic rates applicable to pre-tax profit or loss in the countries concerned*	(12,277)	(40,036)
Adjustments:		
Tax effect of expenses not deductible for tax purposes	1,444	15,620
Deferred tax assets not recognised	14,793	21,722
Utilisation of deferred tax assets previously not recognised	(1,315)	(459)
Income not subject to taxation	(1,051)	(423)
Under/ (Over) provision in respect of previous years	(271)	20
Effect of partial tax exemption and tax relief	(94)	(121)
Tax calculated on share of results of associate	(39)	9
Others	85	(141)
Income tax expense/(credit) recognised in profit or loss	1,275	(3,809)

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

29. Taxation (cont'd)

The Group, 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 Group 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	
	31.12.2013	**30.6.2012**
	$'000	$'000
Unabsorbed capital allowance	29,042	1,502
Unutilised tax losses	235,245	110,624

30. 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 period:

	Group	
	31.12.2013	**30.6.2012**
	$'000	$'000
Net loss attributable to ordinary shareholders for basic and diluted earnings per share	(57,925)	(187,713)
Weighted average number of ordinary shares as at 31 December 2013 and 30 June 2012 for the purpose of computing the basic earnings per share as disclosed in Note 3	5,484,981	5,302,148

(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	
	31.12.2013	**30.6.2012**
	$'000	$'000
Weighted average number of ordinary shares as at 31 December 2013 and 30 June 2012 for the purpose of computing the diluted earnings per share as disclosed in Note 3	5,484,981	5,302,148

30. Earnings per share (cont'd)

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

930,416 (30 June 2012: 1,279,870) share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

Since the end of the period, no employees (including senior executives and Directors) have exercised options to acquire ordinary shares (30 June 2012: $Nil).

31. Employee benefits

(a) Employee share incentive plan

The Company has an employee share incentive plan for the granting of non-transferable options to employees.

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

(i) ***1999 S i2i Employees' Share Option Scheme***

Options are granted for terms of 5 to 10 years to purchase the Company's ordinary shares. These options are vested proportionately over four years from the date of grant. Only options that have been vested can be exercised. The first 25% of the options are vested and can be exercised at any time after the end of the quarter following the first anniversary of the date of grant. The balance of 75% of options shall vest in 12 equal quarterly installments with the vesting of each installment taking place successively after the end of each successive calendar quarter.

All 1999 S i2i Employees' Share Option Scheme were fully exercised or lapsed in FY 2009.

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 instalments with the vesting of each instalment taking place successively after the end of each successive calendar quarter.

(ii) ***1999 S i2i Employees' Share Option Scheme II***

As a result of the rights issue completed in August 2010, the exercise price per share and number of option shares outstanding for options granted under 1999 S i2i Employees' Share Option Scheme II had been adjusted accordingly.

As a result of market price of share on the book closure date approximate the exercise price of 2011 Rights Issue, no further adjustment was made for options granted under 1999 S i2i Employees' Share Option Scheme II.

Amounts in United States dollars unless otherwise stated

31. Employee benefits (cont'd)

(a) Employee share incentive plan (cont'd)

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

The adjusted exercise prices per share are as follows:

Expiry date	Adjusted exercise price	Adjusted number of options	Adjusted number of options outstanding as at 31 December 2013	Adjusted number of options outstanding as at 30 June 2012
28 May 2013	0.0857	196,277	–	196,277
26 April 2014	0.1680	233,359	233,359	233,359
27 April 2015	0.1294	233,359	233,359	233,359
27 April 2016	0.3016	314,286	314,286	314,286
30 October 2017	0.2253	373,217	–	42,560
		1,350,498	781,004	1,019,841

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

	Number of Options 2013	Weighted Average Exercise Price (S$) 2013	Number of Options 2012	Weighted Average Exercise Price (S$) 2012
Outstanding at beginning of period (1)	1,019,841	0.1869	2,374,683	0.1856
Lapsed	(238,837)	0.1106	(1,354,842)	0.1846
Outstanding at end of period (1) (2)	781,004	0.2102	1,019,841	0.1869
Exercisable at end period	781,004	0.2102	1,019,841	0.1869

(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 range of exercise prices for options outstanding at the end of the period was S$0.1294 to S$0.3016 (30 June 2012: S$0.0857 to S$0.3016). The weighted average remaining contractual life for these options is 2.93 years (30 June 2012: 2.64 years).

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.

31. Employee benefits (cont'd)

(a) Employee share incentive plan (cont'd)

(iii) *S i2i Restricted Share Plan and S i2i Performance Share Plan*

On 26 April 2006, the Company obtained the approval of its shareholders to establish and administer two new performance share plans, namely the "S i2i Restricted Share Plan" ("RSP") and "S i2i Performance Share Plan" ("PSP"), as part of an incentive plan for independent directors and key employees.

During the period, there was no new performance share plan granted under the above scheme.

All RSP and PSP Scheme were fully exercised or lapsed in FY 2009.

(b) Post-Employment Defined Benefit Plans

The Group has several defined benefit plans covering eligible employees of the subsidiaries.

The estimated employee benefits liability recognised in the balance sheet are as follows:

	Group	
	31.12.2013	30.6.2012
	$'000	$'000
Present value of employee benefits obligation	672	1,679
Unrecognised actuarial loss/(gain)	42	(524)
Non-current liability for employee benefits	714	1,155

The employee benefits expenses recognised in the income statement are as follows:

	Group	
	31.12.2013	30.6.2012
	$'000	$'000
Current service costs	577	671
Recognised actuarial loss/(gain)	29	(1)
Interest costs	72	63
Gains on curtailments and settlements	(928)	(41)
Net employee benefits (credit)/expense	(250)	692

Changes in the present value of the defined benefit obligation are as follows:

	Group	
	31.12.2013	30.6.2012
	$'000	$'000
Benefit obligation at beginning of period	1,155	96
(Reversal)/provision arising from subsidiaries	(441)	1,059
Benefit obligation at end of period	714	1,155

31. Employee benefits (cont'd)

(b) Post-Employment Defined Benefit Plans (cont'd)

The principal assumptions used by an independent actuary in determining the post-employment obligations for one of the subsidiary's plan are as follows:

Annual discount rate	:	8.25%
Annual salary increment rate	:	5%
Annual employee turnover rate	:	Nil
Mortality rate reference	:	100% TMI3
Disability rate	:	5.0% from TMI3
Retirement age	:	55 years

32. Related party transactions

(a) Sale and purchase of goods and services

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties:

	Group	
	31.12.2013	**30.6.2012**
	$'000	$'000
Management income from related party	427	–
Rendering of services to associates	–	188
Rendering of services to entities owned by significant shareholder	–	90
Rendering of licenses to a company related to a director	–	127
Rendering of services from associates	–	(206)
Rendering of transport services from a company related to a director	–	(36)
Rendering of services from companies related to a director	(120)	(150)
Sale of goods to entities owned by significant shareholder	197	21,976
Sale of goods to companies related to a director	2	412
Sale of fixed asset to a company related to a director	1,887	–
Rental of office space from a company related to a director	(64)	(1,087)
Purchase of legal services from a company related to a director	–	(1,690)
Purchases from entities owned by significant shareholder	(3)	(590)
Purchase of Directors' interests in subsidiaries	–	(1,082)
Provision of guarantee for lease obligation from an entity owned by significant shareholder	–	(11,125)
Purchases from companies related to directors	–	(154)
Interest paid to entities owned by significant shareholder	(127)	(152)
Loan received from a company owned by significant shareholder	(7,722)	–

32. Related party transactions (cont'd)

(a) Sale and purchase of goods and services (cont'd)

Company related to a director

The Group rendered support services for procurement of mobility products of $427,000 (30 June 2012: $Nil) to S Mobility Limited, a company owned by significant shareholder.

During the financial period, one of the subsidiaries of the Group, Bharat IT Services Limited incurred interest of $127,000 (30 June 2012: $117,000) on unsecured loan from S Mobility Limited, a company owned by significant shareholder.

During the financial period, the Group rendered airfare costs of $12,000 (30 June 2012: $Nil) from Hollywood Travels Pte Ltd, consultancy fees of $72,000 (30 June 2012: $Nil), staff related claims of $15,000 (30 June 2012: $Nil), and security deposit of $16,000 (30 June 2012: $Nil) from S Global Holdings Pte Ltd, both of which are wholly-owned by a director of the Company. In addition, the group rendered a website maintenance fee of $5,000 (30 June 2012: $Nil) from Spice Digital Ltd, a company controlled by one of the directors. During the previous financial period, the Group rendered marketing and transport costs of $150,000 from CSL Manufacturing Sdn Bhd and J & B Mobile Care Sdn Bhd, both are controlled by a previous director who had resigned in the previous financial period.

During the financial period, the Group had an arrangement with Armorcoat Technologies Pte Ltd, a firm which is owned by a director, for the sales of fixed assets for an amount of $1,887,000 (30 June 2012: $Nil). No balance was outstanding at the end of the financial period.

During the financial period, the Company also entered into a contract with Armorcoat Technologies Pte Ltd and S Global Holdings Pte Ltd, for the rental of an office space for an amount of $17,000 (30 June 2012: $924,000) and $47,000 respectively. During the previous financial period, the Group had an arrangement with CSL Manufacturing Sdn Bhd, a company which the previous director had a 70% equity interest, for the rental of office space amounting to $163,000.

During the previous financial period, the Group had entered into a contract with Gibson Dunn & Crutcher LLP, a firm of which one of the directors of the Company is the managing partner, for the provision of professional legal services to the Company for an amount $1,690,000. There was no outstanding balance (30 June 2012: $164,000) with the firm at the end of the financial period.

During the financial period, the Group had procured an unsecured loan of approximately $7,722,000 from Spice Enfotainment Ltd, a company owned by a director. No balance was outstanding at the end of the financial period towards this loan, as the same had been part of net assets of Spice BPO Services Ltd, the disposal thereof had been completed on 24 January 2013.

(b) Compensation of key management personnel

	Group	
	31.12.2013	**30.6.2012**
	$'000	$'000
Short-term employee benefits	734	1,490
Central Provident Funds contributions	16	–
Total compensation paid to key management personnel	750	1,490
Comprise amounts paid to:		
Directors of the Company	309	1,198
Other key management personnel	441	292
	750	1,490

The compensation of directors of the Company also includes remuneration of ex group CEO, who was also executive director of the Company.

33. Contingent liabilities and commitments

(a) 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 until they have the financial capability to repay the Company. The Company will also, when required, 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 December 2013.

Corporate guarantees

Corporate guarantees of $Nil (30 June 2012: $4,327,000) was given by the Company to enable its subsidiaries to obtain banking facilities.

Corporate guarantees of $7,331,000 (30 June 2012: $9,690,000) were given by the Company to enable a subsidiary to obtain credit facility from a supplier.

Corporate guarantees of $4,577,000 (30 June 2012: $4,799,000) were given by the subsidiary to enable its subsidiaries to obtain credit facility from various suppliers.

Corporate guarantee of $2,371,000 (30 June 2012: $2,360,000) was given by the subsidiary to enable its subsidiary to obtain banking facilities.

(b) 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	
	31.12.2013	**30.6.2012**	**31.12.2013**	**30.6.2012**
	$'000	$'000	$'000	$'000
Within 1 year	1,782	2,749	93	103
Within 2 to 5 years	441	3,501	–	32
	2,223	6,250	93	135

Minimum lease payments recognised as an expense in the profit and loss for the financial period ended 31 December 2013 amounted to $3,636,000 (30 June 2012: $5,049,000) and $596,000 (30 June 2012: $977,000) for the Group and Company respectively.

34. Segment information

(a) Operating segments

	Voice and data services	Computing	Mobility	Operation related to disposal group classified as held for sale	Unallocated expenses	Group
	$'000	$'000	$'000	$'000	$'000	$'000
Period from 1.7.2012 to 31.12.2013						
Turnover – external sales	25,295	63,138	681,154	682	–	770,269
Results:						
Interest income from bonds, deposits, and investment securities	578	238	193	91	–	1,100
Direct service fees incurred and cost of goods sold	(14,420)	(48,534)	(653,869)	(317)	–	(717,140)
Commissions and other selling expenses	(5,434)	(154)	(5,066)	(5)	–	(10,659)
Personnel costs	(5,435)	(9,307)	(24,172)	(323)	–	(39,237)
Infrastructure costs	(1,672)	(803)	(6,659)	(220)	–	(9,354)
Depreciation of property, plant and equipment	(474)	(1,258)	(2,624)	(53)	–	(4,409)
Amortisation of intangible assets	(873)	(191)	(5,250)	(7)	–	(6,321)
Marketing expenses	(113)	(68)	(5,152)	(4)	–	(5,337)
Foreign exchange (loss)/gain	(1,021)	(370)	2,424	99	–	1,132
Fair value loss on investment securities	(90)	–	–	–	–	(90)
Gain on disposal of subsidiaries	8,307	–	–	–	–	8,307
Impairment of intangible assets	(515)	(6,279)	(16,556)	–	–	(23,350)
Impairment of property, plant and equipment	–	(493)	–	–	–	(493)
Other expenses	(10,001)	(1,867)	(8,796)	(503)		(21,167)
Loss before taxation	(5,868)	(5,948)	(44,373)	(560)	–	(56,749)
Taxation	1,291	(852)	(1,714)	–	–	(1,275)
Loss after taxation	(4,577)	(6,800)	(46,087)	(560)	–	(58,024)
Assets:						
Segment assets	28,533	27,855	82,350	–	–	138,738
Capital expenditure	427	397	970	–	–	1,794
Segment liabilities	5,581	15,755	27,184	–	–	48,520

34. Segment information (cont'd)

(a) Operating segments (cont'd)

	Voice and data services	Computing	Mobility	Operation related to disposal group classified as held for sale	Unallocated expenses	Group
	$'000	$'000	$'000	$'000	$'000	$'000
Period from 1.4.2011 to 30.6.2012						
Turnover – external sales	44,660	48,621	899,946	19,894	–	1,013,121
Results:						
Gain on bargain purchase (net)	–	–	555	–	–	555
Interest income from bonds, deposits and investment securities	434	174	154	171	–	933
Waiver of loan	–	–	5,000	–	–	5,000
Reversal of deferred purchase consideration payable	–	–	10,017	–	–	10,017
Direct service fees incurred and cost of goods sold	(22,211)	(35,835)	(854,761)	(7,909)	–	(920,716)
Commissions and other selling expenses	(13,078)	(15)	(8,196)	(533)	–	(21,822)
Personnel costs	(6,720)	(8,598)	(30,601)	(8,794)	–	(54,713)
Infrastructure costs	(3,157)	(863)	(5,938)	(2,958)	–	(12,916)
Depreciation of property, plant and equipment	(907)	(1,796)	(2,460)	(1,401)	–	(6,564)
Amortisation of intangible assets	(1,266)	(770)	(8,167)	(131)	–	(10,334)
Marketing expenses	(385)	(5)	(27,551)	(138)	–	(28,079)
Foreign exchange gain	(4,637)	(211)	(6,290)	(424)	–	(11,562)
Fair value loss on investment securities	(860)	–	–	–	–	(860)
Termination payment	–	–	(10,000)	–	–	(10,000)
Impairment of intangible asset	(888)	(3,606)	(92,768)	(124)	-	(97,386)
Impairment of property, plant and equipment	–	–	–	(2,401)	–	(2,401)
Fair value adjustment of fixed asset of subsidiary under disposal	–	–	–	(44)	–	(44)
Other expenses	(7,285)	(4,155)	(27,882)	(2,707)	(2,146)	(44,175)
Results:						
Loss before taxation	(16,300)	(7,059)	(158,942)	(7,499)	(2,146)	(191,946)
Taxation	394	987	3,820	(1,392)	–	3,809
Loss after taxation	(15,906)	(6,072)	(155,122)	(8,891)	(2,146)	(188,137)
Assets:						
Investment in associates	68	–	–	–	–	68
Segment assets	71,503	30,913	164,160	1,562	–	268,138
Capital expenditure	5,218	1,729	2,334	13	–	9,294
Segment liabilities	18,288	10,186	82,604	1,033	–	112,111

* The unallocated expenses relate to legal and consultancy fees incurred in relation to acquisitions and incorporation of new subsidiaries during the financial period.

34. 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	
	31.12.2013	**30.6.2012**
	$'000	$'000
Segment results of other expenses	(21,165)	(44,173)
Segment results of fair value loss of investment securities	(91)	(860)
Finance costs	3,580	4,989
Impairment of intangible assets	(23,350)	(97,262)
Impairment of fixed assets	(493)	–
Fair value adjustment in fixed assets of subsidiary under disposal	–	(44)
Share of results of associates	68	50
Employee termination cost	–	(10,000)
Loss for the period from operation related to disposal group classified as held for sale, net of tax	560	8,891
Other income – others	(2,947)	(7,613)
	(43,838)	(146,022)

(b) Geographical information

	Turnover		Non-Current Assets		Capital expenditure	
	Period from 01.07.2012 to 31.12.2013	**Period from 01.04.2011 to 30.06.2012**	**31.12.2013**	**30.06.2012**	**Period from 01.07.2012 to 31.12.2013**	**Period from 01.04.2011 to 30.06.2012**
	$'000	$'000	$'000	$'000	$'000	$'000
Southeast Asia	752,698	980,402	52,645	92,239	1,757	7,333
South Asia	15,336	10,128	910	1,612	9	1,940
Others	1,553	2,697	43	25	28	8
Operations related to disposal group classified as held for sale	682	19,894	–	61	–	13
Total	770,269	1,013,121	53,598	93,937	1,794	9,294

Non-current assets information presented above consist of property, plant and equipment, intangible assets and tax recoverable as presented in the consolidated balance sheet.

Amounts in United States dollars unless otherwise stated

35. Directors' remuneration

	Number of directors in remuneration bands		
	Executive Directors	Non-Executive Directors	Total
31 December 2013			
S$250,000 to S$499,999	–	–	–
Below S$250,000	1	11	12
	1	11	12
30 June 2012			
S$250,000 to S$499,999	–	2	2
Below S$250,000	1	10	11
	1	12	13

36. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments.

The Group's principal financial instruments comprise investment securities, fixed deposits, cash and bank balances, lease obligations and bank borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables 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 which are executed by the Chief Financial Officer. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial period, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

There has been no change to the group's exposure to these financial risks or the manner in which it manages and measures the risks, except as disclosed in Note 36(a) on Credit risk.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. 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.

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

(a) Credit risk (cont'd)

The carrying amounts of investment securities, trade and other receivables, 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 collectability 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 $Nil (30 June 2012: $4,327,000) relating to corporate guarantees provided by the Company to enable its subsidiaries to obtain banking facilities;
- A nominal amount of $7,331,000 (30 June 2012: $9,690,000) relating to corporate guarantees provided by the Company to enable a subsidiary to obtain a credit facility from a supplier; and
- A nominal amount of $4,577,000 (30 June 2012: $4,799,000) relating to corporate guarantees provided by the subsidiary to enable its subsidiaries to obtain credit facilities from various suppliers.
- A nominal amount of $2,371,000 (30 June 2012: $2,360,000) relating to corporate guarantee provided by the subsidiary to enable its subsidiary to obtain banking facilities.

The Group has no significant concentration of credit risk. Information regarding trade receivables 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 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.

(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.

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on the contractual undiscounted repayment obligations.

	Within 1 year	1 to 5 years	After 5 years	Total
	$'000	$'000	$'000	$'000
Group				
31 December 2013				
Financial assets:				
Investment securities	122	2,625	–	2,747
Trade and other receivables	30,132	282	–	30,414
Fixed deposits	20,423	–	–	20,423
Cash and bank balances	8,634	–	–	8,634
Total undiscounted financial assets	59,311	2,907	–	62,218
Financial liabilities:				
Trade and other creditors	14,628	–	–	14,628
Due to related parties	719	–	–	719
Lease obligations	2,500	225	58	2,783
Loans and bank borrowings	13,609	198	–	13,807
Total undiscounted financial liabilities	31,456	423	58	31,937
Total net undiscounted financial assets/ (liabilities)	27,855	2,484	(58)	30,281
30 June 2012				
Financial assets:				
Investment securities	–	2,760	–	2,760
Trade and other receivables	58,648	8,207	–	66,855
Fixed deposits	37,441	–	–	37,441
Cash and bank balances	31,816	–	–	31,816
Total undiscounted financial assets	127,905	10,967	–	138,872
Financial liabilities:				
Trade and other creditors	33,594	–	–	33,594
Due to related parties	1,304	–	–	1,304
Due to associates	128	–	–	128
Lease obligations	655	530	–	1,185
Loans and bank borrowings	49,591	–	–	49,591
Total undiscounted financial liabilities	85,272	530	–	85,802
Total net undiscounted financial assets/ (liabilities)	42,633	10,437	–	53,070

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

(b) Liquidity risk (cont'd)

	Within 1 year	1 to 5 years	After 5 years	Total
	$'000	$'000	$'000	$'000
Company				
31 December 2013				
Financial assets:				
Investment securities	122	2,625	–	2,747
Trade and other receivables	1,653	–	–	1,653
Due from subsidiaries	10,602	1,866	18,316	30,784
Fixed deposits	14,876	–	–	14,876
Cash and bank balances	1,799	–	–	1,799
Total undiscounted financial assets	29,052	4,491	18,316	51,859
Financial liabilities:				
Trade and other creditors	2,320	–	–	2,320
Amounts due to related parties	20	–	–	20
Due to subsidiaries	11,087	–	–	11,087
Lease obligations	26	131	40	197
Total undiscounted financial liabilities	13,453	131	40	13,624
Total net undiscounted financial assets	15,599	4,360	18,276	38,235
30 June 2012				
Financial assets:				
Investment securities	–	2,760	–	2,760
Trade and other receivables	5,436	–	–	5,436
Due from subsidiaries	4,920	1,125	–	6,045
Fixed deposits	28,445	–	–	28,445
Cash and bank balances	16,829	–	–	16,829
Total undiscounted financial assets	55,630	3,885	–	59,515
Financial liabilities:				
Trade and other creditors	6,981	–	–	6,981
Due to subsidiaries	8,910	–	–	8,910
Due to associates	128	–	–	128
Lease obligations	26	209	–	235
Total undiscounted financial liabilities	16,045	209	–	16,254
Total net undiscounted financial assets/ (liabilities)	39,585	3,676	–	43,261

The table below shows the contractual expiry by maturity of the company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

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

(b) Liquidity risk (cont'd)

	Within 1 year	1 to 5 years	After 5 years	Total
	$'000	$'000	$'000	$'000
Company				
31 December 2013				
Corporate guarantees	14,265	14	–	14,279
30 June 2012				
Corporate guarantees	21,176	–	–	21,176

(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
Group							
31 December 2013							
Fixed rate							
Investment securities	122	2,625	–	–	–	–	2,747
Loans and bank borrowings	(9,517)	(198)	–	–	–	–	(9,715)
Floating rate							
Cash and bank balances and fixed deposits	29,057	–	–	–	–	–	29,057
Loan and bank borrowings	(4,092)	–	–	–	–	–	(4,092)
30 June 2012							
Fixed rate							
Investment securities	60	–	2,700	–	–	–	2,760
Loans and bank borrowings	(42,473)	–	–	–	–	–	(42,473)
Floating rate							
Cash and bank balances and fixed deposits	69,257	–	–	–	–	–	69,257
Loan and bank borrowings	(7,118)	–	–	–	–	–	(7,118)

36. 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
Company							
31 December 2013							
Fixed rate							
Investment securities	122	2,625	–	–	–	–	2,747
Floating rate							
Cash and bank balances and fixed deposits	16,675	–	–	–	–	–	16,675
30 June 2012							
Fixed rate							
Investment securities	60	–	2,700	–	–	–	2,760
Floating rate							
Cash and bank balances and fixed deposit	45,274	–	–	–	–	–	45,274

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 (30 June 2012: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $136,000 (30 June 2012: $391,000) lower/higher, arising mainly as a result of lower/higher interest income from cash and fixed deposits and lower/higher interest expense from loan and bank borrowings.

At the balance sheet date, if SGD interest rates had been 100 (30 June 2012: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $23,000 (30 June 2012: $88,000) lower/higher, arising mainly as a result of lower/higher interest income from cash and fixed deposits.

At the balance sheet date, if MYR interest rates had been 100 (30 June 2012: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $8,000 (30 June 2012: $20,000) lower/higher, arising mainly as a result of lower/higher interest income from cash and fixed deposits and lower/higher interest expense from loan and bank borrowings.

At the balance sheet date, if IDR interest rates had been 100 (30 June 2012: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $63,000 (30 June 2012: $257,000) lower/higher, arising mainly as a result of lower/higher interest income from cash and fixed deposits and lower/higher interest expense from loan and bank borrowings.

At the balance sheet date, if INR interest rates had been 100 (30 June 2012: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $23,000 (30 June 2012: $62,000) 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 (30 June 2012: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $740 (30 June 2012: $2,000) lower/higher, arising mainly as a result of lower/higher interest income from cash and fixed deposits and lower/higher interest expense from loan and bank borrowings.

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

(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"), Hong Kong Dollar ("HKD"), Chinese Renminbi ("RMB"), Malaysia Ringgit ("MYR"), Indian Rupee ("INR") and Indonesian Rupiah ("IDR"). 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 94% (30 June 2012: 89%) of the Group's sales are denominated in the functional currency of the operating unit making the sale, while almost 82% (30 June 2012: 84%) 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, INR and IDR) amount to $10,150,000 and $422,000 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"), India – Indian Rupee ("INR"), Indonesia – Indonesian Rupiah ("IDR") and Malaysia – Malaysia Ringgit ("MYR").

<u>Sensitivity analysis for foreign currency risk</u>

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the following exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

			Group	
			Profit before tax	
			31.12.2013	**30.6.2012**
			$'000	$'000
SGD/USD	-	strengthened 5% (30 June 2012: 5%)	14	(4)
	-	weakened 5% (30 June 2012: 5%)	(14)	4
HKD/USD	-	strengthened 1% (30 June 2012: 1%)	–	3
	-	weakened 1% (30 June 2012: 1%)	–	(3)
MYR/USD	-	strengthened 5% (30 June 2012: 5%)	(1)	(1)
	-	weakened 5% (30 June 2012: 5%)	1	1
INR/USD	-	strengthened 8% (30 June 2012: 21%)	113	(256)
	-	weakened 8% (30 June 2012: 21%)	(113)	256
IDR/USD	-	strengthened 8% (30 June 2012: 8%)	(504)	(1,529)
	-	weakened 8% (30 June 2012: 8%)	504	1,529

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

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the SGX-ST in Singapore and are classified as held for trading or available-for-sale financial assets. The Group does not have exposure to commodity price risk.

It is the Group's policy not to engage in shares speculation or trading for profit purpose. The Group's objective is to invest in shares of companies with growth potential.

Sensitivity analysis for equity price risk

At the balance sheet date, if the STI had been 10% (30 June 2012: 7%) lower/higher with all other variables held constant, the Group's fair value adjustment reserve would have been $12,000 (30 June 2012: $4,000) lower/higher, arising as a result of a decrease/increase in the fair value of equity instruments classified as available-for-sale.

37. 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:

	Quoted prices in active markets for identical instruments	Significant other observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	$'000	$'000	$'000	$'000
Group				
31 December 2013				
Financial assets:				
Designated at fair value through profit or loss (Note 12)				
- Hybrid instrument (unquoted)	–	–	2,625	2,625
Available-for-sale financial assets (Note 12)				
- Equity investment (quoted)	122	–	–	122
	122	–	2,625	2,747
30 June 2012				
Financial assets:				
Designated at fair value through profit or loss (Note 12)				
- Hybrid instrument (unquoted)	–	–	2,700	2,700
Available-for-sale financial assets (Note 12)				
- Equity investment (quoted)	60	–	–	60
At 30 June 2012	60	–	2,700	2,760

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

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

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no transfer of financial instruments between Level 1 and Level 2 during the financial period ended 31 December 2013 and 30 June 2012.

Determination of fair value

Hybrid instrument (Note 12): The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

For hybrid instrument, the fair value had been determined using the Binomial Tree Model based on assumptions of certain dividend yield and discount rate that are not supported by observable market prices or data. The valuation requires management to make estimates about expected future cash flows of the shares which are discounted at current market rates. The Group applied a sensitivity analysis of 3.5% to its key assumptions, which are considered by the Group to be within range of reasonably possible alternatives based on dividend yield and discount rate of companies with similar risk profiles.

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

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):

	Designated at fair value through profit and loss Hybrid instrument (unquoted)
	$'000
Group	
31 December 2013	
Opening balance	2,700
Total losses recognised in profit or loss	(75)
Closing balance	2,625
Total fair value loss (Note 28) for the period included in profit or loss for assets held at 31 December 2013	(90)
Exchange gain on Hybrid instrument	15

37. 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

The following table shows the impact on fair value of level 3 financial instruments by using reasonably possible alternative assumptions:

	Carrying amount	Effect of reasonably possible alternative assumptions
	$'000	$'000
Group		
31 December 2013		
Fair value through profit or loss		
- Investment securities (unquoted)	2,625	92

The valuation of the hybrid instrument is highly sensitive to assumptions and selection of parameters, particularly to the selection of discount rate. Extrapolation of credit spread was constructed based on assumptions that there is an exponential trend in credit spread movement as companies move across the credit ratings and the exponential trend would apply for bonds rated Ca and below. The choice of credit spread, which ultimately affects the discount rate, is highly judgmental and dependent on the market conditions, as such, the reasonable range of credit spread could possibly be very wide.

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 receivables, 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	Fair value	Carrying amount	Fair value
	$'000	$'000	$'000	$'000
31 December 2013				
Financial assets				
Lease receivables	250	250	–	–
Financial liabilities				
Lease obligations	2,722	2,610	174	167

37. 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)

	Group		Company	
	Carrying amount	Fair value	Carrying amount	Fair value
	$'000	$'000	$'000	$'000
30 June 2012				
Financial assets				
Lease receivables	750	728	–	–
Financial liabilities				
Lease obligations	1,147	1,147	201	201

Determination of fair value

The fair values of lease receivables and lease obligations are estimated by discounting expected future cash flows at current market incremental lending rates for similar types of lending and leasing arrangements at the end of reporting period.

38. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios and a positive cash position 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.

To maintain a positive cash position, the Group ensures that it has sufficient cash balances and enters into loans when necessary. In order to achieve positive cash position, the Group focuses on deriving positive cash profits as well as through better working capital management.

No changes were made in the objectives, policies or processes during the period ended 31 December 2013 and 30 June 2012.

38. Capital management (cont'd)

The Group is currently in a net cash position. The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

	Group	
	31.12.2013	**30.6.2012**
	$'000	$'000
Total gross debt		
- Loans and bank borrowings	13,807	49,591
Shareholders' equity		
- Share capital	410,663	410,663
- Accumulated losses	(316,768)	(258,843)
- Other reserves	(3,550)	(3,595)
- Translation reserve	(209)	7,606
	90,136	155,831
Gross debt equity ratio	15.32%	31.82%
Cash and bank balances and fixed deposits	29,057	69,257
Less: Total gross debt	(13,807)	(49,591)
Net cash position	15,250	19,666

39. Events occurring after the balance sheet date

On 7 January 2014, the Company has Voluntarily struck off its dormant subsidiary Mediaring Sdn Bhd.

On 8 January 2014, the Company divested shareholding in its subsidiary in Indonesia, PT. Metrotech Makmur Sejahtera from 70% to 49%.

On 5 March 2014, the Company has proposed to launch new employee stock option scheme.

Subsequent to the financial period ended 31 December 2013, it has come to the knowledge of the management that there has been certain irregularities and internal control deficiencies in Cavu Corp Pte Ltd and its subsidiaries ("Cavu Group", part of the Computing operating segment) which has raised doubts on the reliability of certain documents, information and representations relied upon in preparing the financial statements of Cavu Group. Management has appointed a professional firm to carry out further investigation including forensics, interviews with employees etc. As of the date of this report, the investigation is still in progress.

Adjustments to the financial statements, where necessary and identified during the initial stage of the investigation process have already been incorporated.

Turnover recorded by the Cavu Group during the financial period from 1 July 2012 to 31 December 2013 was $47.9 million (1 April 2011 to 30 June 2012: $38.5 million), and related direct service fees incurred and cost of goods sold amounted to $40.4 million (1 April 2011 to 30 June 2012: $30.3 million). Cavu Group recorded loss after taxation of $2.2 million (1 April 2011 to 30 June 2012: $2.5 million). As of 31 December 2013, Cavu Group had net assets of $10.2 million (30 June 2012: $12.4 million).

40. Prior year comparative

The financial statements for the period ended 31 December 2013, covers the 18-month period from 1 July 2012 to 31 December 2013. The comparative figures for the prior year cover the 15-month period from 1 April 2011 to 30 June 2012.

The following prior year statement or comprehensive income figures have been reclassified to conform with current year's presentation for discontinued operation:

	As reclassified	As previously reported
	For the period from 1.4.2011 to 30.6.2012	For the period from 1.4.2011 to 30.6.2012
	$'000	$'000
Statement of comprehensive income:		
Turnover	993,227	1,003,782
Other income	17,806	18,624
Personnel costs	(45,919)	(54,078)
Infrastructure costs	(9,958)	(12,729)
Depreciation of property, plant and equipment	(5,163)	(6,513)
Amortisation of intangible assets	(10,203)	(10,334)
Marketing expenses	(27,941)	(27,964)
Foreign exchange loss/(gain)	(11,138)	(11,635)
Finance costs	(4,989)	(6,101)
Other expenses	(146,023)	(150,462)

41. Authorisation of financial statement for issue

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 24 March 2014.

Statistics of **Shareholdings**

As at 7 March 2014

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings			No. of Shareholders	%	No. of Shares	%
1	-	999	141	0.88	28,005	0.00
1,000	-	10,000	6,045	37.99	28,286,922	0.52
10,001	-	1,000,000	9,379	58.94	1,187,649,298	21.65
1,000,001	and above		348	2.19	4,269,016,611	77.83
TOTAL :			15,913	100.00	5,484,980,836	100.00

SUBSTANTIAL SHAREHOLDERS

Name	Note	No. of Shares Direct Interest	Deemed Interest	Total Interest	%
Dr Bhupendra Kumar Modi ("BKM")	2	–	1,671,580,940	1,671,580,940	30.48
Dilip Modi ("DLM")	3	–	1,455,568,754	1,455,568,754	26.54
Divya Modi ("DYM")	4				
S Global Innovation Centre Pte Ltd	2a,3,4,5a	1,455,568,754	–	1,455,568,754	26.54
S Global Holdings Pte Ltd	5	164,264,186	1,490,116,754	1,654,380,940	30.16
Paramount Assets Investments Pte. Ltd	6,7,8	710,220,000	–	710,220,000	12.95
Lee Foundation, States Of Malaya	6	–	710,220,000	710,220,000	12.95
Lee Foundation	7	–	710,220,000	710,220,000	12.95
Lee Pineapple Company (Pte) Limited	8	–	710,220,000	710,220,000	12.95

Notes:

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

(2) BKM is deemed to be interested in 1,671,580,940 Shares comprising the following:

(a) 1,455,568,754 Shares held directly by S Global Innovation Centre Pte Ltd as S Global Innovation CentrePte Ltd is controlled by BKM, DLP and DYM. By virtue of Section 7 of the Companies Act, Spice Global Investments Pvt Ltd, Orion Telecoms Ltd, Dai (Mauritius) Company Ltd, Falcon Securities Ltd, Guiding Star Ltd, Christchurch Investments Ltd, S Global Holdings Ltd, Prospective Infrastructure Pvt Ltd and Smart Ventures Private Ltd (previously "Si2iMobility Private Ltd") are deemed to be interested in the 1,455,568,754 shares held through S Global Innovation Centre Pte Ltd;

(b) 164,264,186 Shares held directly by S Global Holdings Pte Ltd as S Global Holdings Pte Ltd is wholly-owned by BKM;

(c) 34,548,000 Shares held directly by Spice Bulls Pte Ltd as Spice Bulls Pte Ltd is wholly-owned by S Global Holdings Pte Ltd, which is in turn wholly-owned by BKM; and

(d) 17,200,000 Shares held directly by Innovative Management Pte Ltd as Innovative Management Pte Ltd is wholly-owned by BKM.

(3) DLM is deemed to be interested in 1,455,568,754 Shares held directly by S Global Innovation Centre Pte. Ltd. as S Global Innovation Centre Pte. Ltd. is controlled by BKM, DLM and DYM.

(4) DYM is deemed to be interested in 1,455,568,754 Shares held directly by S Global Innovation Centre Pte. Ltd. as S Global Innovation Centre Pte. Ltd. is controlled by BKM, DLM and DYM.

(5) S Global Holdings Pte Ltd is deemed to be interested in 1,490,116,754 Shares comprising the following:

(a) 1,455,568,754 Shares directly held by S Global Innovation Centre Pte. Ltd.; and

(b) 34,548,000 Shares held directly by Spice Bulls Pte Ltd as Spice Bulls Pte Ltd is wholly-owned by S Global Holdings Pte Ltd.

(6) Lee Foundation, States of Malaya, by virtue of its interest in not less than 20% of the total issued share capital of Lee Pineapple Company (Pte) Ltd, is deemed to be interested in 710,220,000 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% of the total issued share capital of Lee Pineapple Company (Pte) Ltd, is deemed to be interested in 710,220,000 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 Shares held directly by Paramount Assets Investments Pte Ltd, a wholly-owned subsidiary of Lee Pineapple Company (Pte) Ltd.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	S GLOBAL INNOVATION CENTRE PTE LTD	1,455,568,754	26.54
2.	PARAMOUNT ASSETS INVESTMENTS PTE LTD	710,220,000	12.95
3.	PHILLIP SECURITIES PTE LTD*	219,495,309	4.00
4.	DBS NOMINEES (PRIVATE) LIMITED	199,754,747	3.64
5.	UOB KAY HIAN PRIVATE LIMITED***	142,035,384	2.59
6.	S GLOBAL HOLDINGS PTE LTD.	104,114,552	1.90
7.	OCBC SECURITIES PRIVATE LIMITED	83,651,897	1.53
8.	CITIBANK NOMINEES SINGAPORE PTE LTD	75,662,370	1.38
9.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	69,195,963	1.26
10.	LIM & TAN SECURITIES PTE LTD	39,503,000	0.72
11.	TAI TAK SECURITIES PTE LTD	39,000,000	0.71
12.	MAYBANK KIM ENG SECURITIES PTE. LTD.	36,238,500	0.66
13.	HSBC (SINGAPORE) NOMINEES PTE LTD**	32,107,000	0.59
14.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	29,227,750	0.53
15.	LEE SENG TEE	25,800,000	0.47
16.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	25,109,752	0.46
17.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	22,348,500	0.41
18.	CHONG KAH LIN	20,400,000	0.37
19.	GOH KIM SENG	18,330,000	0.33
20.	CHANDRA DAS NARESHKUMAR	18,000,000	0.33
	TOTAL :	3,365,763,478	61.37

* Includes (0.6299%) Shareholdings of Spice Bulls Pte Ltd

** Includes (0.3136%) Shareholdings of Innovative Management Pte Ltd

*** Includes (1.0966%) Shareholdings of S Global Holdings Pte Ltd

SHAREHOLDING HELD BY PUBLIC

56.53% of Si2i Limited's issued ordinary Shares in held by the public. Rule 723 of the SGX listing Manual has been complied with.

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