

PROPOSED CAPITAL REDUCTION AND CASH DISTRIBUTION

1. INTRODUCTION

The Board of Directors (the “**Directors**” or the “**Board**”) of S i2i Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company proposes to undertake a capital reduction exercise pursuant to Section 78A, read with Sections 78C to 78F, of the Companies Act (Chapter 50) of Singapore (the “**Companies Act**”), which will involve a cash distribution (the “**Cash Distribution**”) to shareholders of the Company (the “**Shareholders**”) of approximately S\$0.729 in cash for each ordinary share (“**Share**”) in the capital of the Company held by a Shareholder as at a books closure date to be determined by the Board (the “**Books Closure Date**”), amounting to an aggregate distribution of approximately S\$10 million (the “**Proposed Capital Reduction**”).

2. THE PROPOSED CAPITAL REDUCTION

2.1. Details of the Proposed Capital Reduction

The Company is proposing to return approximately S\$0.729 in cash for each Share held by Shareholders or on their behalf as at the Books Closure Date. Based on the issued and paid-up share capital of the Company of approximately S\$590,515,000 comprising 13,712,452 Shares, as at the date of this announcement, an aggregate amount of approximately S\$10 million will be returned to Shareholders pursuant to the Proposed Capital Reduction.

The actual aggregate Cash Distribution to be made to the Shareholders pursuant to the Proposed Capital Reduction will be based on the issued and paid-up share capital of the Company as at the relevant Books Closure Date.

The Proposed Capital Reduction will not result in a cancellation of Shares, or change in the number of Shares held by any Shareholder. Each Shareholder will hold the same number of Shares before and immediately after the Proposed Capital Reduction.

2.2. Rationale for the Proposed Capital Reduction

Having reviewed the capital structure of the Company, the Board is of the view that the capital of the Company is in excess of its immediate requirements and the Proposed Capital Reduction will allow the Group to achieve a more efficient capital structure. After the Proposed Capital Reduction, the Board believes that the Company continues to maintain a sufficient capital base. The Proposed Capital Reduction allows for the Cash Distribution while enabling each Shareholder to maintain the same proportionate shareholding in the Company. In determining the Cash Distribution to Shareholders, the Board has ensured that the Company has retained sufficient capital to support its existing operations and to service its debt obligations as and when they fall due.

2.3. Funds for the Proposed Capital Reduction

The Proposed Capital Reduction will be funded from existing cash and cash equivalents of the Group of approximately S\$40 million (net of borrowings) as at 31 December 2015.

2.4. Conditions of the Proposed Capital Reduction

The Proposed Capital Reduction is subject to, *inter alia*, the following:

- 2.4.1. the clearance of the circular to Shareholders on the Proposed Capital Reduction (the “**Circular**”) by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”);
- 2.4.2. all the Directors making a solvency statement in relation to the Proposed Capital Reduction and compliance with other relevant solvency requirements as prescribed by the Companies Act;
- 2.4.3. the approval of Shareholders by way of a special resolution for the Proposed Capital Reduction (the “**Capital Reduction Resolution**”) by a majority of not less than three-fourths of the Shareholders present and voting at the annual general meeting (“**AGM**”) or an extraordinary general meeting (“**EGM**”) to be convened;
- 2.4.4. compliance with the applicable publicity requirements as prescribed in the Companies Act;
- 2.4.5. no application having been made for the cancellation of the Capital Reduction Resolution by any creditor of the Company within the period of six (6) weeks beginning with the date of the Capital Reduction Resolution, or if such application was made, the withdrawal of such application or dismissal thereof by the judicial authorities;
- 2.4.6. lodgement of the relevant documents with the Accounting and Corporate Regulatory Authority of Singapore after the end of six (6) weeks (but before the end of eight (8) weeks) beginning with the date of the Capital Reduction Resolution; and
- 2.4.7. the approval of all other relevant regulatory authorities (if any and if necessary).

2.5. Illustrative Financial Effects of the Proposed Capital Reduction

For illustrative purposes only and based on the latest audited consolidated financial statements of the Group for the financial period ended 31 December 2014 (“**FY2014**”), the financial effects of the Proposed Capital Reduction on *inter alia*, the share capital, net asset value (“**NAV**”) per Share, earnings per Share (“**EPS**”) and gearing of the Company and the Group, as the case may be, are set out below. The financial effects of the Proposed Capital Reduction do not purport to be indicative or a projection of the actual financial position of the Company and the Group immediately after completion of the Proposed Capital Reduction, and have been prepared based on the following key assumptions:

- (a) for the purposes of computing the share capital, NTA per Share and gearing, assuming that the Proposed Capital Reduction had been completed on 31 December 2014, being the end of FY2014;
- (b) for the purposes of computing the EPS, assuming that the Proposed Capital Reduction had been completed on 1 January 2014, being the beginning of FY2014;

- (c) the computation takes into account completion of the share consolidation of every 400 ordinary shares into one (1) ordinary share in the capital of the Company (which had been approved by Shareholders at the annual general meeting held on 30 April 2015, and completed on 30 June 2015), such that the issued share capital of the Company is S\$590,515,000 comprising 13,712,452 Shares (excluding treasury Shares) as at 31 December 2014; and
- (d) the computation does not take into account any expenses that may be incurred in relation to the Proposed Capital Reduction.

2.5.1. **Share Capital**

The Proposed Capital Reduction will not have any impact on the number of Shares held by the Shareholders. The illustrative financial effects of the Proposed Capital Reduction on the issued and paid-up share capital of the Company as at 31 December 2014 is as follows:-

	Before the Proposed Capital Reduction	After the Proposed Capital Reduction
Number of issued Shares	13,712,452	13,712,452
Amount of share capital (S\$'000)	590,515	580,515

2.5.2. **NTA per Share**

The illustrative financial effects of the Proposed Capital Reduction on the NTA of the Group for FY2014 are as follows:-

	Before the Proposed Capital Reduction	After the Proposed Capital Reduction
NTA (S\$'000) ⁽¹⁾	58,122	48,122
Number of issued Shares	13,712,452	13,712,452
NTA per Share (S\$)	4.24	3.51

Note (1): Non-controlling interests have not been taken into account.

2.5.3. **EPS**

The illustrative financial effects of the Proposed Capital Reduction on the EPS of the Group for FY2014 are as follows:-

	Before the Proposed Capital Reduction	After the Proposed Capital Reduction
Profits/ (Loss) attributable to Shareholders (S\$'000)	(55,846)	(55,846)
Weighted average number of Shares	13,712,452	13,712,452
Earnings/ (Loss) per Share (S\$)	(4.07)	(4.07)

2.5.4. **Gearing**

The illustrative financial effects of the Proposed Capital Reduction on the gearing of the Group for FY2014 are as follows:-

	Before the Proposed Capital Reduction	After the Proposed Capital Reduction
Total Borrowings (S\$'000)	11,858	11,858
Shareholders' Equity (S\$'000) ⁽¹⁾	58,367	48,367
Gearing Ratio	20%	25%

Note (1): Non-controlling interests have not been taken into account.

3. **AGM/EGM AND DESPATCH OF CIRCULAR TO SHAREHOLDERS**

Subject to the receipt of approval from the SGX-ST, the Company will convene the AGM/EGM to seek the approval of Shareholders for the Proposed Capital Reduction, and the Circular containing details thereof and enclosing the notice of AGM/EGM, will be despatched to Shareholders in due course.

Meanwhile, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the actions they should take.

4. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or to the best of the Company's knowledge, the controlling Shareholders of the Company, has any interest, direct or indirect, in the Proposed Capital Reduction, other than through their respective directorships and/or shareholdings in the Company.

BY ORDER OF THE BOARD

Maneesh Tripathi
Executive Director and Group CEO
S i2i Limited

Chada Anitha Reddy
Director
S i2i Limited

29 February 2016