

## S i2i LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199304568R)

(the “**Company**”)

---

### PROPOSED ACQUISITION OF AN E-COMMERCE PLATFORM BY S I2I LIMITED FROM A SOFTBANK-LED FUND AND THE PROPOSED REQUISITE DILUTION OF EQUITY IN AFFINITY CAPITAL PTE LTD, A SUBSIDIARY OF S I2I LIMITED

---

#### 1. INTRODUCTION

The board of directors of S i2i Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, Affinity Capital Pte. Ltd., a company incorporated in Singapore (“**Affinity**”) has on 3 April 2017 entered into an asset transfer agreement (the “**ATA**”) with SB ISAT Fund, a limited liability partnership incorporated in the Cayman Islands (the “**Vendor**”) for the proposed acquisition by Affinity of an e-commerce platform (the “**E-Commerce Platform**”) from the Vendor (the “**Proposed Acquisition**”). In consideration of the Proposed Acquisition, Affinity shall allot and issue an aggregate of 22,499,998 new ordinary shares in the capital of Affinity (the “**Consideration Shares**”) to the Vendor. Pursuant to the allotment and issuance of the Consideration Shares upon completion of the ATA, the Company’s equity interest in Affinity will be diluted from 100% to 50% plus one ordinary share issued in the capital of Affinity (each, an “**Affinity Share**”) (hereinafter referred to as the “**Proposed Dilution**”).

The Proposed Acquisition and the consequent Proposed Dilution (the “**Proposed Transaction**”) requires the approval of the Company’s shareholders (the “**Shareholders**”) in a general meeting. Accordingly, the Company will be convening an extraordinary general meeting (“**EGM**”) to seek Shareholders’ approval for the Proposed Transaction and the consequential Proposed Dilution. A circular containing the details of the Proposed Transaction, the Proposed Dilution and the notice of EGM will be despatched to the Shareholders in due course.

#### 2. INFORMATION ON AFFINITY, THE VENDORS, AND THE ASSETS

Affinity is a company which holds the shareholding interests of the Group’s subsidiaries in Indonesia. These include PT Selular Global Net (“**SGN**”), PT Selular Media Infotama (“**SMI**”), PT Technomas Internusa (“**TIN**”), PT Metrotech Jaya Komunika Indonesia (“**MJKI**”) and PT Metrotech Makmur Sejahtera (“**MMS**”) (each an “**Affinity Group Company**”, and together with Affinity, the “**Affinity Group**”). The Affinity Group’s business is in the distribution of mobile phones and airtime products in Indonesia, and as part of this business it owns real estate interests in Indonesia.

The Vendor, SB ISAT Fund, is a limited liability partnership incorporated under the laws of the Cayman Islands. Its limited partners include Softbank Capital. SB ISAT Fund was launched as a US\$50 million fund in Indonesia targeting Indonesian growth-stage start-ups.

The E-Commerce Platform was developed by one of the limited partners of the Vendor (the “**Original Developer**”) as an e-commerce market place for a variety of products ranging from e-books to gaming vouchers, mobile devices and accessories etc. Currently leveraging the relationship of the Vendor in Indonesia, the E-Commerce Platform has the potential to integrate with approximately 280,000 resellers/retailers among a total universe of approximately 500,000 resellers/retailers in Indonesia.

#### 3. THE PROPOSED ACQUISITION

Under the ATA, the Vendor will sell, and Affinity (or its nominee) will purchase, the E-Commerce Platform together with other related assets (collectively, the “**Assets**”) in consideration of the Consideration Shares. As at the date of this announcement, the Company holds 22,500,000 ordinary shares in Affinity (“**Affinity Shares**”), representing 100% of Affinity’s existing issued and paid-up share capital. Upon completion of the ATA and the allotment and issue of the Consideration Shares, Affinity’s total issued and paid-up share capital will increase to 44,999,998 Affinity Shares (the “**Affinity Enlarged Share Capital**”). The Consideration Shares to be issued to the Vendor and the Affinity Shares held by the Company will comprise 50% minus one Affinity Share and 50% plus one Affinity Share of the Affinity Enlarged Share Capital respectively.

Pursuant to Rule 1010 of the Listing Manual of the SGX-ST (the “**Listing Manual**”), the Proposed Acquisition constitutes a discloseable transaction. Please refer to paragraph 7 of this announcement for information on the relative figures computed under Rule 1006.

Based on the latest unaudited financial statements of the Group and the Affinity Group for FY 2016, the Affinity Group’s reported pre-tax profit of approximately S\$2,898,000 contributed to approximately 94.49% of the Group’s pre-tax profit of approximately S\$3,067,000. Accordingly, Affinity is considered a principal subsidiary of the Company. Pursuant to Rule 805(2)(b) of the Listing Manual, the approval of the Shareholders is required for the proposed dilution of up to 50% minus one Affinity Share of the Company’s shareholding interest in Affinity pursuant to the completion of the Proposed Acquisition.

#### 4. **RATIONALE FOR THE PROPOSED ACQUISITION AND THE CONSEQUENT PROPOSED DILUTION**

The Proposed Acquisition is in line with the Group’s strategic plans to expand its business *into innovative areas including E-commerce*. This operation, with time, may include the *entire universe of distribution channels* offered by the E-Commerce Platform led by the Fund. The management of the Group is of the view that the Company’s existing businesses are complementary to the business opportunities of the E-Commerce Platform, and intends to run the existing businesses in consonance with the business of the Affinity Group, with the objective of enhancing and growing the value of the E-Commerce Platform. The Group also intends to use the E-Commerce Platform to capitalize on other opportunities which may arise from telecom operator-led businesses in Indonesia or in other emerging markets. With this collaboration between the Company and the Fund, the parties intend to extend the distribution range of the Group’s products in Indonesia through the E-Commerce Platform, by leveraging both parties’ capabilities.

#### 5. **CONDITIONS PRECEDENT UNDER THE ATA**

The completion of the Proposed Acquisition under the ATA (“**Completion**”) is conditional upon, *inter alia*, the following (the “**Conditions**”):

(a) Certain transactions:

- (i) the completion of the transfer of the entire interest in the retail business of SMI out of the Affinity Group, whether by way of a business transfer or a share transfer, to the satisfaction of Affinity;
- (ii) the completion of the transfer of the entire interest in the wholesale device business of MJKI and MMS out of the Affinity Group, whether by way of a business transfer or a share transfer, to the satisfaction of Affinity;
- (iii) the completion of the sale and/or transfer of all of the non-operative real estate owned by SMI (including 40 retail shops in Indonesia) out of the Affinity Group, whether by way of a business transfer or a share transfer, to the satisfaction of Affinity; and
- (iv) the settlement of all intercompany balances between Affinity and the Company, Affinity and MJKI, and MJKI and SMI;

(b) Conditions precedent:

- (i) all relevant governmental/regulatory consents or approvals being obtained in respect of the ATA and the sale of the Assets to Affinity (or its nominee), including but not limited to Affinity (or its nominee which is acquiring the Assets) being engaged in the requisite line of business(es) in Indonesia and increases its investment amount to at least the requisite amount under applicable laws and regulations within such time period as may be allowed by the relevant authorities;
- (ii) Affinity being satisfied, at its absolute discretion, (A) with the results of the legal, financial and business due diligence conducted on the Assets, and (B) the fulfilment of further conditions which may be imposed by Affinity as a result of its due diligence findings;

- (iii) delivery to Affinity of a joint venture agreement to be entered into between the Company and the Vendor in relation to the operation of Affinity (the “**Joint Venture Agreement**”), duly executed by the Vendor;
- (iv) the Vendor having supplied the transfer agreement or any other document which serves as evidence (in Affinity’s sole discretion) that the Vendor is the owner of the Assets as at the date of the ATA, to Affinity’s satisfaction;
- (v) the requisite regulatory and shareholder approval being obtained by the Company in respect of the Proposed Acquisition, and the allotment and issue of the Consideration Shares which would result in a percentage reduction of more than 20% of the Company’s equity interest in Affinity (as the Company’s principal subsidiary); and
- (vi) all other consents and approvals required under any and all applicable laws and regulations for the sale of the Assets to Affinity (or its nominee) and to give effect to the transactions contemplated hereunder, and the delivery by the Vendor to the Company of such other papers, documents, agreements and third party consents as may be necessary to effectively carry out and implement the sale and purchase contemplated under the provisions of the ATA.

Pursuant to the terms and conditions of the ATA, if the Conditions shall not have been satisfied or waived in accordance with the ATA on or before the date falling 45 days after the date of the ATA or such date which Affinity and the Vendor may agree in writing (the “**Longstop Date**”), the ATA shall terminate, and neither Affinity nor the Vendor shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by Affinity against the Vendor arising from an antecedent breach of the terms of the ATA which arises from a breach of specific provisions therein; provided always that if the condition set out in paragraph 5(b)(ii) above shall not have been satisfied or waived on or before the Longstop Date, the ATA shall not terminate, and instead Affinity may elect to defer Completion until such time as it may specify, or proceed to Completion as far as practicable (without limiting its rights under the ATA).

## 6. **CONSIDERATION FOR THE PROPOSED ACQUISITION**

In consideration for the sale of the Assets by the Vendor, Affinity shall allot and issue 22,499,998 Consideration Shares at an issue price of S\$0.28 for each Consideration Share to the Vendor. Such price was commercially agreed between Affinity (under the direction of the Company) and the Vendor on a willing-buyer and willing-seller basis, after taking into consideration, *inter alia*, a due diligence exercise carried out by Ernst & Young LLP (“**EY**”) on the E-Commerce Platform which focused on (a) the developmental costs including, amongst others, the capital deployed which created the intellectual property of the E-Commerce Platform, (b) the prospects of the Assets and (c) the additional synergistic value that the Company expects to enjoy from acquiring the Assets. The Consideration Shares represent 50% minus one Affinity Share of the Affinity Enlarged Share Capital.

Based on the abovementioned due-diligence exercise by EY and the interactions between the Company’s management and the Vendor, the Company’s view is that the total capital deployed on the Assets is approximately S\$ 7.92 million (“**Assets Developmental Cost**”). The evaluation of the Board and Management after taking into consideration the above, and its own assessment of the prospects of the Assets, was that the aggregate consideration payable for the Assets should be no more than approximately S\$ 6.31 million (the “**Aggregate Consideration**”). The Aggregate comprising the issue price of S\$ 0.28 is approximately 0.80 times of the Assets Developmental Cost.

## 7. **RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL IN RELATION TO THE PROPOSED ACQUISITION**

Rule 1010(1) of the Listing Manual states that where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 5% but does not exceed 20%, a transaction is classified as a “discloseable transaction”.

Based on the unaudited consolidated financial statements of the Group for FY 2016, the relative figures computed in respect of the Proposed Acquisition on the bases set out in Rule 1006 of the Listing Manual are as follows:

<b>Rule</b>	<b>Bases of computation</b>	<b>Size of relative figure (%)</b>
1006(a)	Net asset value of assets being disposed of compared with the Group's net asset value.	Not applicable to an acquisition of assets
1006(b)	Net profits attributable to the assets acquired, compared with the Group's net profits.	Not Applicable <sup>(1)</sup>
1006(c)	The aggregate value of consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	18.56% <sup>(2)</sup>
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable <sup>(3)</sup>
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company.	Not applicable as this is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company

**Notes:**

- (1) In connection with the Assets, losses of S\$4,116,000 had in FY 2016 been incurred by the Original Developer. However, pursuant to the terms of the ATA, the Assets will be acquired by the Company free from any liabilities, encumbrances, and any obligations owed to third-parties. Accordingly, the Company is of the view that the net profits or losses are not attributable to the Assets acquired.
- (2) Based on the net asset value of the Consideration Shares of S\$6,310,000, compared to the market capitalisation of the Company of approximately S\$34.007 million determined by multiplying the existing number of shares in issue by S\$2.48, being the weighted average price of the Company's shares transacted on 29 March 2017.
- (3) No equity securities will be issued by the Company as consideration for the Proposed Acquisition.

As the relative figures computed on the bases set out in Rule 1006(c) exceeds 5%, but is less than 20%, the Proposed Acquisition constitutes a "discloseable transaction" under Chapter 10 of the Listing Manual.

**8. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

For illustration purposes only and based on the unaudited consolidated financial statements of the Group for FY 2016, the financial effects of the Proposed Acquisition on the NTA per Share and EPS of the Company and the Group, as the case may be, are set out below. The financial effects of the Proposed Acquisition have been prepared solely for illustrative purposes and 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 Acquisition, and have been prepared based on the following key assumptions:

- (a) for the purposes of computing the NTA per Share of the Company, assuming that the Proposed Acquisition had been completed on 31 December 2016, being the end of FY 2016;

- (b) for the purposes of computing the EPS of the Company, assuming that the Proposed Acquisition had been completed on 1 January 2016, being the beginning of FY 2016;
- (c) the computation does not take into account any expenses that may be incurred in relation to the Proposed Acquisition.

(i) NTA per Share

The illustrative financial effects of the Proposed Acquisition on the NTA per Share of the Group for FY 2016 are as follows:-

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
NTA (S\$) <sup>(1)</sup>	52,920,000	49,765,000*
Number of issued Shares	13,712,452	13,712,452
NTA per Share (S\$)	3.86	3.63

\*Pursuant to the terms of the Joint Venture Agreement described below at paragraph 10 of this announcement (in particular, paragraph 10(a)), and assuming the Proposed Acquisition was completed on 31 December 2016, the reduction in NTA due to the losses attributable to the Shareholders of S\$2,058,000 have not been considered in the above calculations.

(ii) EPS

The illustrative financial effects of the Proposed Acquisition on the EPS of the Group for FY 2016 are as follows:-

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
Profits/ (Loss) attributable to Shareholders (S\$)	1,892,000	Not Applicable*
Weighted average number of Shares	13,712,452	13,712,452
Earnings/ (Loss) per Share (cents)	13.80	Not Applicable

\*Pursuant to the terms of the Joint Venture Agreement described below at paragraph 10 of this announcement (in particular, paragraphs 10(a) and 10(b)), and assuming the Proposed Acquisition was completed on 1 January 2016, the Group's profits attributable to Shareholders will remain unchanged. Also, the losses attributable to the Shareholders of S\$2,058,000 have not been considered in the above calculations.

## 9. THE PROPOSED DILUTION

Pursuant to Rule 805(2)(b) of the Listing Manual, an issuer must obtain the prior approval of its Shareholders in a general meeting if a principal subsidiary of an issuer issues shares that will or may result in a percentage reduction of 20% or more of the issuer's equity interest in the principal subsidiary.

As Affinity is a principal subsidiary of the Company, the completion of the Proposed Acquisition will result in a percentage reduction from 100% to 50% plus one Affinity Share of the Company's equity interest in Affinity based on the Affinity Enlarged Share Capital. Accordingly, prior approval of Shareholders for the Proposed Dilution will be required under Rule 805(2)(b) of the Listing Manual.

Notwithstanding the Proposed Dilution, the Group will continue to operate two core business segments under the Affinity Group, being (i) the existing distribution of pre-paid airtime products of various telecommunications operators, including Telkomsel, XL, Indosat, and Smartfren, such distribution managed by operational personnel and other officers in corporate offices in Indonesia, and (ii) the distribution of telecommunications products in Indonesia through the newly-acquired E-Commerce Platform.

## 10. JOINT VENTURE AGREEMENT

At Completion, the Company and the Vendor will enter into the Joint Venture Agreement to establish the manner in which the business and affairs of Affinity will be conducted. The salient terms of the Joint Venture Agreement are, *inter alia*, as follows:

- (a) The Company and the Vendor acknowledge and agree that the NTA of Affinity as at Completion shall be S\$10.5 million. In the event that the NTA of Affinity falls below the aforementioned amount, as a result of the termination of any distribution contract held by Affinity with any telecommunications operators in Indonesia (such termination initiated by the counterparty, such terminated contract referred to as the “**Terminated Contract**” and such date of termination referred to as the “**Termination Date**”), the Vendor undertakes to pay or cause to be paid an amount equivalent to the NTA value attributed or attributable to the Terminated Contract as at the Termination Date, as determined by Affinity’s auditors based on the next quarterly management accounts of Affinity available after the Termination Date, to Affinity in cash within 3 months from the Termination Date.
- (b) The Company and the Vendor each acknowledges and undertakes to the other that it will use reasonable endeavours to ensure that the Airtime Business shall maintain an NPAT of S\$2.8 million (“**Airtime NPAT**”). The Company and the Vendor will ensure that Affinity’s auditors (or failing which, the Chief Financial Officer of Affinity) provide a written certification of the NPAT of the Airtime Business within 15 days from the end of each financial quarter (the “**Certification**”). If, based on the Certification, the NPAT of the Airtime Business falls below the Airtime NPAT, the Vendor and the Company agree that:
  - (i) none of the profits derived from the Airtime Business shall be utilised towards the E-Commerce Platform Business in any way under any circumstance. In this regard, proceeds derived from the Airtime Business may be directed towards the funding of the E-Commerce Platform Business only if the NPAT of the Airtime Business exceeds the Airtime NPAT for the preceding financial year based on Affinity’s audited accounts, but shall cease once the Certification reflects otherwise;
  - (ii) the Vendor (i) irrevocably and unconditionally waives all rights they hold to receive any dividends or any other distributions from Affinity on their Affinity Shares (including any interest or any other rights accruing to them by reason of the failure of Affinity to pay such dividends, if any) for such period as the NPAT of the Airtime Business remains below the Airtime NPAT, but (ii) this waiver shall not and is not intended to effect the waiver of any other rights held by the Company, and the Company shall continue to hold the right to receive dividends or any other distributions declared by Affinity, subject to applicable laws and regulations; and
  - (iii) any profits derived from the Airtime Business for that financial quarter shall be paid to the Company, by way of a management fee or pursuant to any other suitable, tax-efficient mechanism, unless the Company and the Vendor agree to direct such monies towards the growth of the Airtime Business.
- (c) The Company and the Vendor agree that the financial requirements of the Affinity Group (including for growth of business and to fund any operational losses or liabilities) shall be financed by the Vendor by way of loans or other methods of working capital funding (as may be permissible under applicable laws and regulations) (the “**Financing**”), provided that (i) such Financing shall not dilute or result in the dilution of the Company’s shareholding in any of the Affinity Group Companies, (ii) such Financing shall not have or cause any adverse impact on the valuation of the Company’s interest in the Affinity Group based on the Agreed NTA of S\$10.5 million as at the date of the ATA (and for the avoidance of doubt, the Financing shall be excluded from the liabilities of the Affinity Group and/or where relevant, each Affinity Group Company, for the purposes of computing the fair market value of the Affinity Group and/or each Affinity Group Company) , and (iii) the Company shall not be required to furnish any bond, undertaking, guarantee, indemnity, warranty, collateral or other form of security without

its prior written consent but if it does so, the Vendor agrees to indemnify the Company and keep the Company fully and effectively indemnified in connection with any loss, damage, expense, cost or claim suffered or incurred by the Company by reason of its provision of such security.

#### **11. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS**

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition and/or the Proposed Dilution, save for their respective shareholder interests, if any, in the Company.

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition and the Proposed Dilution. Accordingly, there is no service contract proposed to be entered into by the Company in connection with the Proposed Acquisition and the Proposed Dilution.

#### **12. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition and the consequent Proposed Dilution, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

#### **13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the Company at 152 Ubi Avenue 4, Level 4, Smart Innovation Centre, Singapore 408826 during normal business hours from the date of this announcement for a period of 3 months, or up to and including the date of EGM, whichever date is earlier

- (i) the constitutional documents of the Company; and
- (ii) the ATA.

#### **BY ORDER OF THE BOARD**

**Maneesh Tripathi**  
Executive Director and Group CEO  
S i2i Limited

4 April 2017