S i2i Limited
(Formerly known as Spice i2i Limited)
(Co. Reg. No: 199304568R)

152, UBI Avenue 4, Smart Innovation Centre, Level 4, Singapore 408826
Tel: (65) 6514 9458
Fax: (65) 6441 3013

www.spicei2i.com

Quarterly Update Pursuant to Listing Rule 1313(2) for the quarter ended 30 September 2016

With effect from 4 March 2015, the Company has been placed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Watch-List, pursuant to Rule 1311 of the SGX-ST Mainboard Listing Rules.

In accordance with Rule 1313(2), the Board of Directors of the Company would like to provide the following quarterly update on the Company, together with its subsidiaries (collectively, the “Group”).

1. Update on Financial Situation

The Group recorded a turnover of S$78.9 million - a decrease of 30.3% over revenue of corresponding quarter. As announced on 2 October 2015, overall clusters consolidation and reallocation exercise for the distribution of operator products carried out by one of the operators in Indonesia resulted in reduction in number of clusters to one of the subsidiaries of the company in Indonesia. Consequently, as anticipated, this resulted in significant reduction in revenue from Distribution of Operator products & services during the quarter ("Q3 2016") and nine months ("YTD 2016") ended 30 September 2016 against corresponding quarter ("Q3 2015") and nine months ("YTD 2015") ended 30 September 2015 of preceding year respectively. Revenue from ICT distribution & managed services has shown a decline in Q3 2016 & YTD 2016 over corresponding Q3 2015 and YTD 2015. The Company continues to move away from Device led business, which is not profitable and also taking steps to move away from loss making retail shops and only focus on profitable revenue stream. Correspondingly, there has been change in "Purchases and changes in inventories and direct services fee incurred".

There was a decrease in overheads on account of ongoing cost optimisation measures taken by the Company. Inspite of reduction in revenue, with improvement in margin, other income and reduction in operating overheads, the group generated Earnings (before interest, depreciation, amortisation and taxation) from continuing operations of S$0.8 million during Q3 2016 against S$0.7 million during corresponding quarter. During YTD 2016, the group generated Earnings (before interest, depreciation, amortisation and taxation) of S$2.3 million against Loss (before interest, depreciation, amortisation and taxation) of S$2.0 million in corresponding period YTD 2015. During YTD 2016 and YTD 2015, certain accruals including in respect of certain non-recurring costs recognised in previous periods as part of alignment of certain business segments in light of industry shifts were written back. In addition, certain unclaimed loan and advance received against supply of materials in past by Bharat IT, one of the subsidiaries engaged in ICT Distribution & managed services, was written back during Q1 2016.

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Resultantly, the Group earned profit before tax of S$0.6 million and S$3.1 million from continuing operations during Q3 2016 and YTD 2016 respectively as against the profit before tax of S$1.6 million during corresponding quarter Q3 2015 and loss before tax of S$2.3 million during YTD 2015 respectively.

The company has continued its focus on operating efficiencies and management of working capital in terms of stocks, trade debtors, trade creditors and loans and borrowings in accordance with its business requirements.

During Q2 2016, the company has completed distribution of cash of S$0.729 per share totalling to approximately S$10 million to its shareholders. It has also sold certain properties in Indonesia as no longer required. During Q1 2016, a gain of S$2.0 million (net) was recognised on account of revaluation of buildings under property, plant & equipment. During Q3 2016, the company has also incurred capital expenditure of S$0.8 million in respect of its advent in electrical vehicles. The net assets as of 30 September 2016 were S$51.7 million against S$57.8 million as of 31st December 2015. Cash in hand (net of borrowings) as at 30 September 2016 was S$25.4 million against S$40.0 million as at 31 December 2015.

2. Update on Material Development and Future Direction

The company keeps its focus on sustaining existing operator business in Indonesia and also growing the clusters in some areas. Stringent Cash flow management, cluster based and focused marketing as per operator guidelines and professional execution over a large geographic area is the key to success to this business. The company continuing its strategy to hold on to existing clusters, fulfil the KPIs and also win new clusters in future to grow business.

The ICT distribution & managed services is a highly competitive business primarily based out of Singapore. The industry continues to face the challenge in the System integration and services space. The hardware business margin keeps diminishing every year due to stiff competition. The hardware sales and hardware related sales is not growing as expected and mostly hardware is being replaced by alternatives like Cloud and Servers consolidation type of offerings. The company continuously faces challenges in the IT services and system integration business. The company is now focusing on Key new offerings aligned to IBM and HP strategy and also on Cloud related service oriented sales strategy to improve margins. This is a new growth area and being an early starter will help the company in the long run. The company will continue to work very closely with the partners like HP, IBM and other MNC partners and consolidate and grow the business with focus on service led solutions which has higher margins.

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The company is moving towards a strategy of 'Information' to 'Innovation'. This is a strategic move to focus on innovative technologies, as the information technologies may not have the desired growth potential. Hence, the company is embarking upon an innovation led business of electric vehicles (EV) with a Chinese manufacturer BYD (Build Your Dreams) in Singapore. Continuous progress is being made on this front. The company is working on a time bound plan to cut down all loss making business and moving towards coming out of watch list.

By Order of the Board

Maneesh Tripathi	Chada Anitha Reddy
Group CEO	Non-Executive Director
9 November 2016	