

## SIAS Queries & S i2i Responses

### SIAS Question

1. (i) **Would the board help shareholders understand if the company would be appointing a chairman of the board soon?**

### Company Response:

The Company is run by a professionally managed Board. The Directors are committed and are working hard for the progress of the Company. The Company has not yet taken a firm decision on the appointment of a new Chairman. Currently, the Company anticipates that the ED & Group CEO will be appointed as chairman for the purposes of general meetings.

### SIAS Question

- (ii) **What is the search and nomination process for a director/chairman? What is the timeline for appointing a new chairman?**

### Company Response:

Keeping in view, the required skills and expertise desired from the prospective Board Member/s, the Company looks for Board Member/s through its contacts/ references. As mentioned earlier, the Company has not yet taken a firm decision on the appointment of a new Chairman.

### SIAS Question

- (iii) **In addition, for the benefit of both new and old shareholders, could the company explain the reason that Ms. Chada Anitha Reddy has been deemed non-independent?**

### Company Response:

Ms Chada Anitha Reddy had been associated with the companies controlled by the controlling shareholders in her capacity as board member in those companies. Therefore, the Company has deemed her to be non-independent.

### SIAS Question

- (iv) **As the company is proposing to change the name from S i2i Limited to SEVAK Limited, and coupled with the stepping down of Dr. Bhupendra Kumar Modi as chairman, would the company be carrying out a strategy review of the group's operations?**

### Company Response:

The rationale for the proposed name change as explained in the circular is to enhance and reinforce a "service oriented" culture in the Company, which is the Company's core value as evidenced in each business unit. The name change was initiated to reflect a constant positive recall for stakeholders.

The stepping down of Dr B K Modi and the proposed name change are two distinct events. Before he stepped down he was fully involved in the process as the Chairman and Board member and supportive of the name change, which is the right step for the Company. He continues to support a "service oriented "culture and the strategy of the company in a different role as a shareholder now.

**2. Would the board/management provide shareholders with better clarity on the changes to the group's business plans based on the update provided in the Operational and financial performance review (page 4 of the annual report)? Specifically:**

**SIAS Question**

**(i) Distribution of operator products and services:** The group's distribution network of more than 30,000 resellers and 150 dealers and sub-dealers has not grown in the past three years. Segment revenue has dropped from \$365 million in FY2014 to \$289 million in FY2017 and profit has shrunk by 70% to \$1.4 million. **What are the long term prospects of this segment? Is this a viable long term business given the changes in consumer behaviour? Is there also a risk of the telcos bypassing intermediaries and going straight to the consumers?**

**Company Response:**

Distribution of operator products and services: This business segment in Indonesia is steady at this time. However, this business is subject to "cluster renewals" by operators periodically which may occur every 2 to 3 years. This business is viable but has this risk associated with it. There is a possibility of the operators going digital as in other countries, but Indonesia being a country with subscribers spread over more than a thousand islands suggests that the traditional cluster model may remain for some time. The Company is aware of the risk and is in constant contact with operators to align with and explore opportunities in their future strategy.

**SIAS Question**

**(ii) ICT Distribution and Managed Services:** **With the scaling down of the hardware business and the pivot to focus on services driven business and key innovative offerings aligned to IBM and HP strategy to improve margins, how does the group intend to execute on this strategy? What is the target market in terms of the profile of the customers? Can management let shareholders know some of the major/high profile projects carried out by the group?**

**Company Response:**

The ICT business continues to keep focus on the financial sector, public sector and mid market segment. It also now focuses more on "wrap around" services as they sell hardware oriented projects.

The Company has a sound maintenance business and is also now moving to create more Cloud, IoT and data center services.

The large projects are with public sector and other financial and key clients whose names may not be disclosed without their approvals.

### **SIAS Question**

**(iii) Electric vehicles: With the announced merger of the ride hailing services, how is the group's fleet of 50 BYDs affected? Are there plans to bring this service to other regional cities? With already \$6.1 million committed in FY2017, how much capital investment is the group committing to the leasing of electric cars? What is the projected return on investment?**

### **Company Response:**

The Company and Grab teams are working closely for smooth transition and are hopeful of striking a balance soon. The Grab-Uber merger has created a temporary setback to the Company in this quarter although this is not unique to the Company but also affects the entire industry.

The Company continues to keep sight of opportunities in other parts of Asean & Asia whilst continuing to focus on establishing its BEV business and looking out for other opportunities in Singapore.

### **SIAS Question:**

**3 (i) As the group is currently in a \$14.9 million net cash position, would the board provide shareholders with better clarity on its capital management policy? How much working capital is needed to run the business and what is the company's limit on leverage/gearing?**

### **Company Response:**

The Group continues to follow its objective of maintaining healthy capital ratios and a positive cash position in order to support its business and maximize shareholder value.

Its debt equity ratio as at 31 December 2017 was 0.16 as against normally accepted ratio of 1.5 to 2. The group's current ratio as at 31 December 2017 was 2.1. Generally, a current ratio of 1.0 or greater is an indication that the Company is well-positioned to cover its current or short-term liabilities. While cash conversion is generally peculiar to every business, cash to cash cycle at our Group level is 19 days.

Being a going concern, all businesses of the group are adequately funded for their operations. The Group had surplus free cash of S\$14.2 million (excluding pledged bank deposits of S\$5.8 million) as at 31 December 2017 to support changes in working capital requirement/other Group initiatives. Should the need arise, with gearing ratio of only 0.16, the Company also stands a good chance to borrow more. However, as mentioned above, the Group will continue to follow its objective stated above.

### **SIAS Question:**

**3 (ii) As disclosed in Note 41 (page 135 – Capital management), can the board clarify what it means to “maintain a positive cash position in order to support its business and maximise shareholder value”? What is the role of debt/borrowings in the group's capital management policy?**

### **Company Response:**

As explained in response to above query, the Group maintains surplus free cash to support changes in working capital requirements of various businesses including one time project orders and also other initiatives of the Group.

Notwithstanding lower gearing ratio, which is a healthy sign, the Group continues to be conservative on role of debt/borrowings.

**SIAS Question:**

**\*\* The company was placed on the SGX watch list in 2015 for posting three straight years of losses and having an average market capitalisation that fell below S\$40 million. On 24 January 2018, the company announced that it has been granted a second 12-month extension, to 3 March 2019, for it to exit the SGX watch list. What are the company's plans to exit the SGX watch-list?**

**Company Response:**

The Company has been profitable for 3 years in a row since 2015 till 2017; which meets one of the criterion for exiting the watch list. Its MTP is also above 20 cents and is at approx \$2.80 cents as of the date of response.

The market cap has increased from approx. S\$27mil to S\$36 million in the last 12-14 months.

The company continues to pursue its strategy of growth and structural changes to move out of the watch list by the deadline.