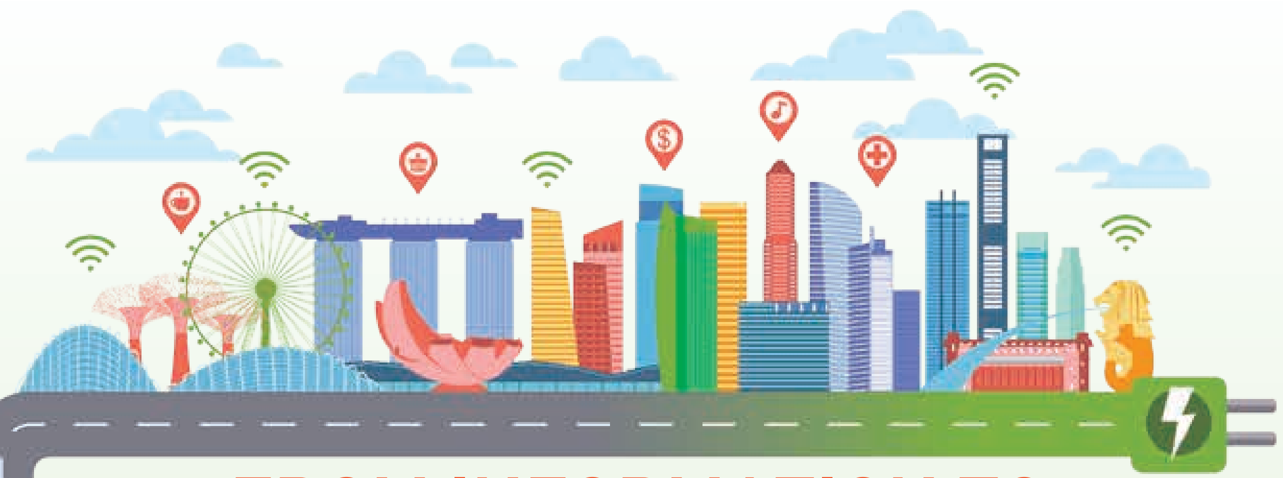
S i2i LIMITED
[Co. No. 199304568R]

152, UBI Avenue 4
Smart Innovation Centre
Singapore 408826
Tel: +65 65149458
Fax: +65 64413013

Si2i LIMITED

ANNUAL REPORT 2017

S i2i



FROM INFORMATION TO INNOVATION

- 2017 ANNUAL REPORT -

CONTENTS

CORPORATE PROFILE

S i2i Limited was incorporated in Singapore under the name of Mediacom Technologies Pte Ltd on 15 July 1993. Subsequently, it was converted to a public limited company on 25 October 1999.

The Company continues to focus on 3 verticals:

- Operator Products and Distribution Service
- Information Communications and Technology (ICT) Distribution and managed services
- Mobile devices retail services

The Company has also embarked upon Battery Electric Vehicles fleet management services in Singapore since 2016.

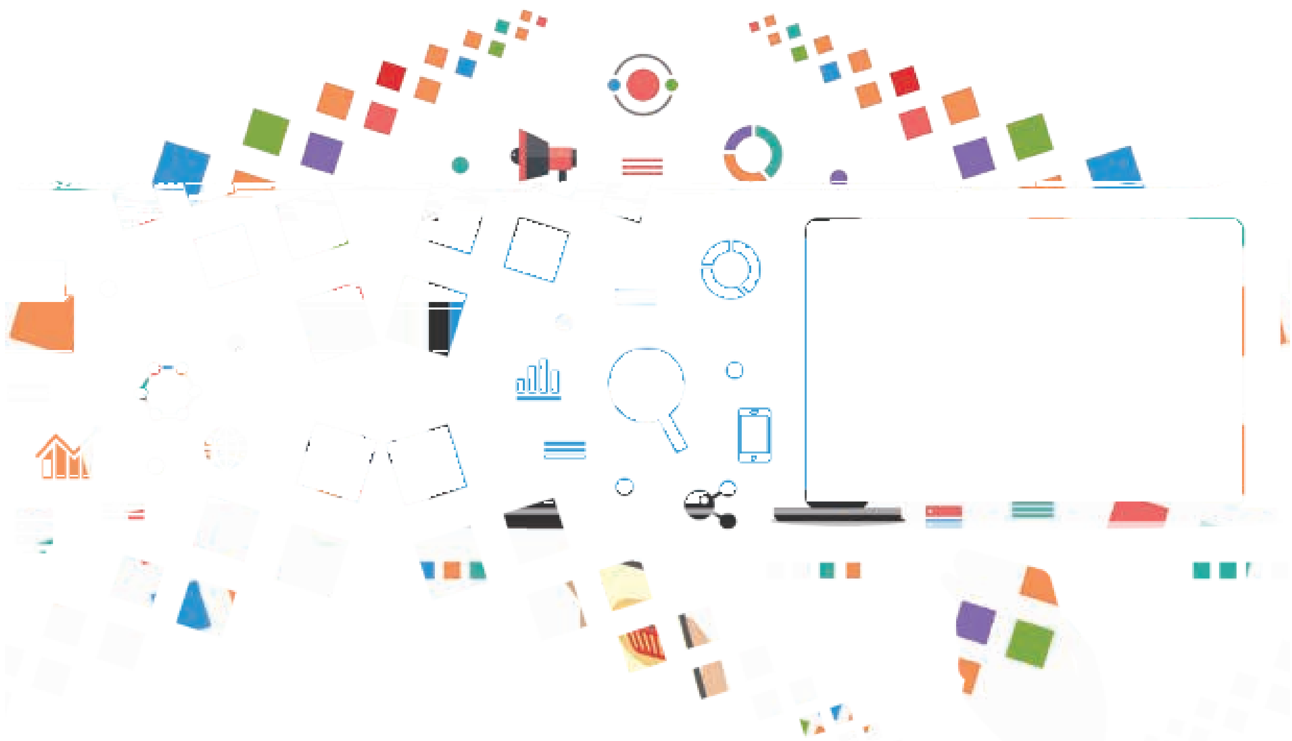
In Indonesia, the Company mainly distributes mobile prepaid cards as authorized distributor of the well-established telecom operators in Indonesia namely PT Telekomunikasi Selular (Telkomsel), PT XL Axiata, and PT Indosat ("Airtime Business"). The distribution is based on a network of more than 30,000 resellers, 150 dealers and sub-dealers, along with a network of large number of branch offices and sub-branch offices in Indonesia.

Based on partnerships with global players like IBM and HP, the Company provides both hardware infrastructure and business service integration for governments and corporate clients in Southeast Asia. The Company offers integrated one-stop ICT solutions ranging from consultancy to maintenance and disaster recovery services and also undertakes projects on Networking, Data Hosting, and Managed Service solutions. The Company is now focusing on services driven business and key innovative offerings aligned to IBM and HP strategy to improve margins via futuristic services based Offerings like Cloud, IOT, Server consolidation, Virtualization and other services relevant to a developed economy.

The Company is moving from "Information to Innovation" in the coming years and has started exploring new areas of opportunities in ICT and Electric Vehicles since 2016 onwards.

In a strategic move to focus on innovative technologies, as the information technologies may not have the desired growth potential, the Company is embarking upon an innovation led business of battery electric vehicles (BEV) with a Chinese manufacturer BYD (Build Your Dreams) in Singapore.

Since 1999 S i2i Limited is listed on the Main board of the Singapore Exchange Securities Trading Limited and operates under the ticker symbol SGX: BAI.



BOARD OF DIRECTORS' MESSAGE

DEAR SHAREHOLDERS,

The Board of Directors of S i2i Limited ("S i2i" or the "Group") along with the management hereby present to you the Group's annual report for the financial year ended December 31, 2017. ("FY2017").

We express our sincere gratitude to all stakeholders for your continuing support for S i2i over the years.

Your Company has been profitable for the past 3 years. The Company got an extension of 1 year till 3 March 2019 to exit the watch list assisted by its steady progress in the years 2016 and 2017, and the management and board are continuously taking steps to exit the watch list as before.

Challenging business environment brings out innovative thinking. The Company is on its move from Information to Innovation bringing forth the cultural change needed for services led business. As part of the same transformation the Company has put up for shareholders' approval, a name change proposal from S i2i Limited to SEVAK Limited.

This name change connotes a further move of the Company towards a service oriented culture. SEVAK is a Sanskrit word basically depicting "SERVICE". It depicts full commitment, adherence and orderly compliance to services committed.

With merger of Uber operations with Grab, the Company is working with Grab for smooth transition of operations of Battery Electric Vehicles. Based on the results obtained the Company will look at future expansion plans in other countries for mutually beneficial tie ups.

The Company also executed a Share Buy Back scheme which started in August 2017, and has nearly completed about 9.86% of share buy back till 4 April 2018.

In closing, we would like to reiterate our sincere appreciation to our loyal shareholders for their faith in S i2i. With your unstinting support, we will continue to move ahead to achieve success in the years ahead. Thank you!

S I2I LIMITED

4 April 2018

EXECUTIVE DIRECTOR & GROUP CEO'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the management, we express our sincere gratitude to all stakeholders and Board for your continuing support for S i2i Ltd.

The plan of stabilization of business and consolidation of operations continued in the year 2017 with ongoing focus on profitable revenue, so as to meet the key condition to get out of the watch list. The year also saw the Company foraying into certain innovation oriented solutions in Cloud, AI and Big data in the ICT business, enhanced management systems for better achieving KPIs in the operator distribution business and also learn more about the pilot in Electric Vehicles business.

The Company got an extension of 1 more year to get out of the watch list and has been making all efforts to exit the watch list as done before in the years 2016 & 2017.

Our turnaround efforts, which commenced in FY 2015 continue to yield positive results. In year 2017, the company has posted a profit after tax of S$0.8 million against S$0.5 million in FY 2016. The efforts in FY 2016 & 2017 by the Board and management is a firm step forward in line with our priority of achieving profitability and exiting the SGX financial entry watch-list.

Notwithstanding a challenging backdrop, the Group recorded turnover of S$351.0 million in FY2017, as compared to S$325.5 million in FY2016. There has been all around growth in revenue from all business segments of the Group.

Operating expenses increased to S$28.7 million in FY 2017 from S$25.4 million in FY2016, primarily owing to operator driven manpower requirement/planning and enhanced focus on services led business.

The Company has continuously worked with operators in Indonesia to plan to increase the number of clusters. The efforts resulted in acquiring 2 new clusters and an increase of approximately S$16.6 million in revenue in FY2017.

The Company also worked diligently to meet the KPIs set by the operators as the cluster renewals for major operators are due by the 3rd quarter of this year 2018.

The re-mapping of clusters is a risk, which all operator distribution companies face in Indonesia and the management is working hard to mitigate this risk by meeting KPIs and other performance measures. Loss-making and non-strategic business units will continue to be divested to save cost and reduce loss.

The ICT Distribution and Managed Services industry continues to face challenges. The Company has aligned with new innovation oriented strategic partners and has started pilots in the space of Cloud computing, Big data, IoT and edge networks. These efforts will increase the gross margin, as they are services led, but will take time to show results.

The Company intends to focus on innovative service-led solutions in the coming years and has restructured the ICT business so as to reduce focus on hardware oriented sales and focus on services oriented large account deals, working closely with our partners.

Further, through various quality circles initiatives and a change in management/MIS structure, we will continue to exercise financial discipline and look for ways to rationalise costs and improve margins.

We would like to thank our stakeholders, business associates and customers for their unwavering support. We must also extend our gratitude to S i2i's staff, for their counsel, diligence and unwavering commitment shown to the Group.
Thanking you once again for all your support over the years.

MANEESH TRIPATHI
Executive Director and Group CEO
S i2i LIMITED
4 April 2018

OPERATIONAL AND FINANCIAL PERFORMANCE REVIEW

OPERATIONAL REVIEW

S i2i Limited ("S i2i", and together with its subsidiaries, collectively, the "Group"), is a company with focus on products and services in segments such as distribution of mobile operator & IT related products and services and related professional & managed services.

The Group mainly operates in the following key segments:

1. Distribution of operator products and services

The Company mainly distributes mobile prepaid cards as authorized distributor of the well-established telecom operators in Indonesia namely PT Telekomunikasi Selular (Telkomsel), PT XL Axiata, and PT Indosat ("Airtime Business"). The distribution is based on a network of more than 30,000 resellers, 150 dealers and sub-dealers, along with a network of large number of branch offices and sub-branch offices in Indonesia.

2. ICT Distribution and Managed Services

The Company is in the business of ICT distribution & managed services which is a highly competitive business. The ICT Industry has moved to innovative and disruptive offerings & technology and the Company is in the midst of making the paradigm adjustment and a shift towards futuristic services based Offerings like Cloud, IOT, Server consolidation, Virtualization and other services relevant to a developed economy. The hardware business margin keeps diminishing every year due to stiff competition. The hardware and 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 is now focusing on services driven business and key innovative offerings aligned to IBM and HP strategy to improve margins. This turn around will be a big challenge in this competitive land scape and has the key attention of the management.

3. Mobile Devices retail business and Running of Electric Vehicles

The Company is involved in the procurement and sale of both mobile devices and related services through a chain of retail stores in Indonesia under the "Selular Shop" brand.

The Company retails MNC brand Mobile devices from retail outlets but has moved away from it's own brand of mobile devices procurement and distribution business.

The Company continues its move from 'Information' to 'Innovation' strategy. 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 battery electric vehicles (BEV) with a Chinese manufacturer BYD (Build Your Dreams) in Singapore.

The Company's fleet of 50 BYD BEVs, as it stands now, (as B2B taxi model) in the Singapore market place with alliance from App hailing services is proceeding as planned.

FINANCIAL REVIEW

The Group recorded a turnover of S$351.0 million – an increase of 7.9% over revenue of corresponding year. Distribution of Operator products and services in Indonesia grew at 6.1% during FY 2017 against corresponding FY 2016. Revenue from ICT distribution and managed services has also grown at 15.9% during FY 2017 over corresponding FY 2016. To retain and grow margins, the subsidiaries engaged in this business have been focusing more on services led business. The Company continues to focus on profitable revenue stream of multi-brand, MNC mobile retail business through our own retail shops in Indonesia. During later part of FY 2016, the company through one of the subsidiaries in Singapore had ventured into business of battery electric vehicles and passenger land transport. Correspondingly, there has been change in "Purchases and changes in inventories and direct services fee incurred".

There was an increase in overheads mainly owing to operator driven manpower requirement/planning and related costs in operator products & services, enhanced focus on services led business in case of one of the subsidiaries under ICT distribution and managed services and Battery Electric Vehicle (BEV) business. The earnings (before interest, depreciation, amortisation and taxation) during FY 2017 have been S$2.5 million against S$3.0 million during FY 2016.

The Group earned profit before tax of S$1.9 million during FY 2017, against profit before tax of S$1.6 million during FY 2016.

The Company has continued its focus on operating efficiencies and management of working capital in terms of inventories, trade debtors, trade creditors and loans and borrowings in accordance with its business requirements. Cash in hand (net of borrowings) as at 31 December 2017 was S$14.9 million against S$29.3 million as at 31 December 2016. Consequent to mandate for share buyback received at EGM on 1 August 2017, the company has been buying back its shares and till 31 December 2017, 1,232,500 shares have been bought for a consideration (excluding stamp duty and other costs) of S$3.8 million. During FY 2017, the Company has also purchased additional battery electric vehicles valued at S$6.1 million for its electric vehicle business.

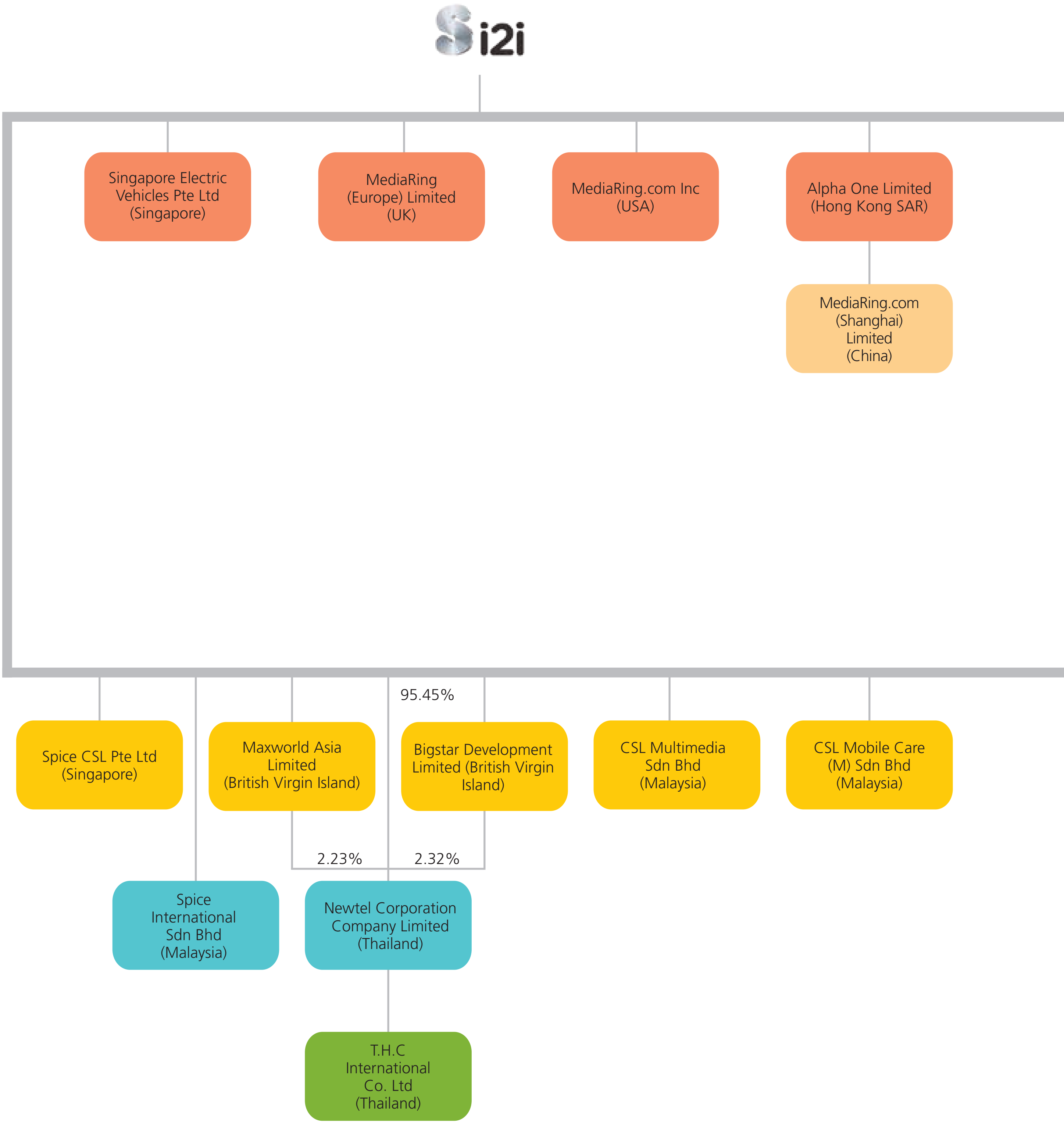
OUTLOOK

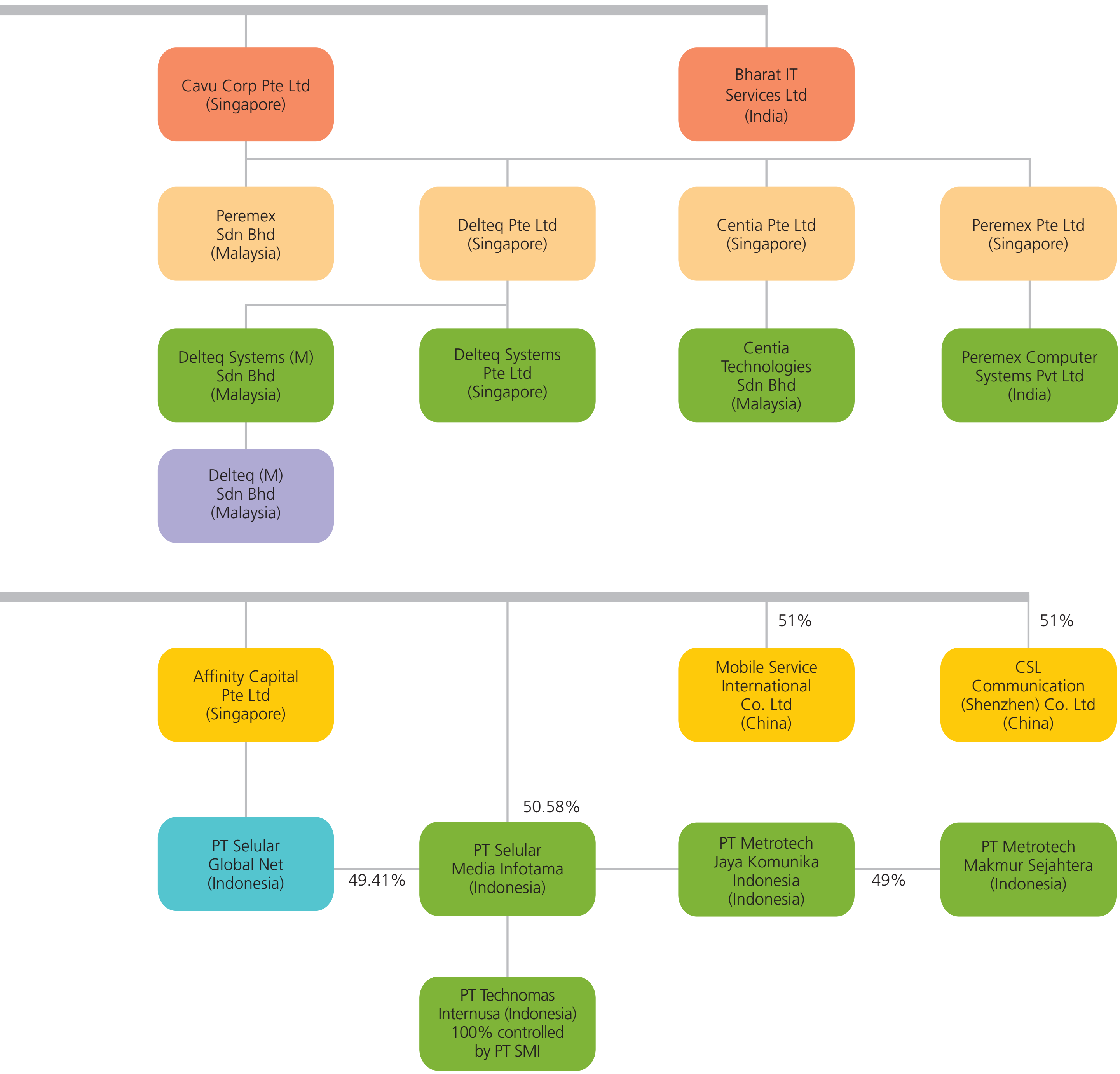
Going forward the Company plans to focus on the following initiatives:

- Consolidate the Airtime Business in Indonesia and plan to win back or grow more clusters in Indonesia
- Cut losses and exit non-strategic and loss making business units
- Plan for new areas of growth to re-energize the company
- Work to move out of watch list as per guidelines

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 focusing on cost, profitable revenue, and plan for new areas of growth will yield greater value for its stakeholders.

CORPORATE STRUCTURE



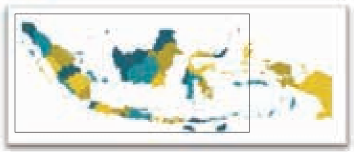

Cavu Corp Pte Ltd (Singapore)
Bharat IT Services Ltd (India)
Peremex Sdn Bhd (Malaysia)
Delteq Pte Ltd (Singapore)
Centia Pte Ltd (Singapore)
Peremex Pte Ltd (Singapore)
Delteq Systems (M) Sdn Bhd (Malaysia)
Delteq Systems Pte Ltd (Singapore)
Centia Technologies Sdn Bhd (Malaysia)
Peremex Computer Systems Pvt Ltd (India)
Delteq (M) Sdn Bhd (Malaysia)
51%
51%
Affinity Capital Pte Ltd (Singapore)
Mobile Service International Co. Ltd (China)
CSL Communication (Shenzhen) Co. Ltd (China)
50.58%
PT Selular Global Net (Indonesia)
49.41%
PT Selular Media Infotama (Indonesia)
PT Metrotech Jaya Komunika Indonesia (Indonesia)
49%
PT Metrotech Makmur Sejahtera (Indonesia)
PT Technomas Internusa (Indonesia) 100% controlled by PT SMI

OUR DISTRIBUTION STRENGTH IN MAJOR OPERATIONS

AIRTIME & RETAIL BUSINESS

INDONESIA

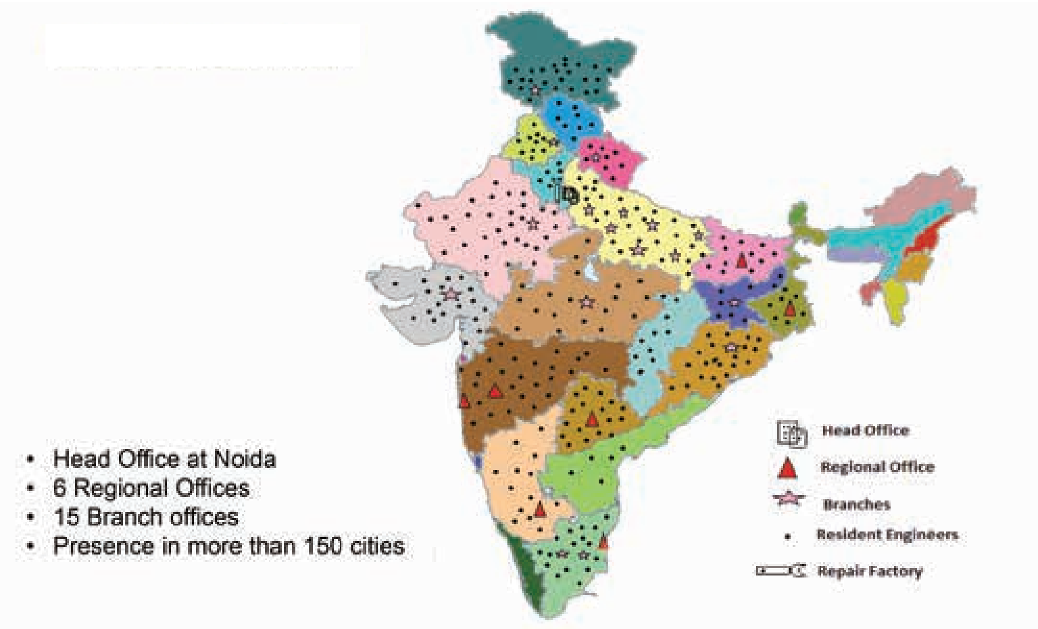
1. Head office in Jakarta
2. 31 Branch offices
3. 21 Sub branch offices
4. 25 retail outlets
5. Over 30,000 reseller points



OUR DISTRIBUTION STRENGTH IN MAJOR OPERATIONS

ICT BUSINESS

INDIA



SINGAPORE

BOARD OF DIRECTORS

MR. DORARAJ S

Lead Independent Director

Mr. Doraraj S, is a Singaporean aged 68 years. He is a practicing Lawyer who was called as an Advocate and Solicitor of the Supreme Court of Singapore in 2001. He holds a MBA in Entrepreneurship from Giberran University, Australian Institute of Education.

Mr. Doraraj has worked as Director of Sales/Marketing in a company co-founded by his present partners and himself from 1982 till 2012. He retired in 2012 to pursue his other passion in the legal sector. During his 30 years he held various roles like, International Business Franchising, Developing and Marketing of products of Major overseas Manufacturers, including Startup of New Businesses in Malaysia, Corporate Administration and Human Resource Development. He was responsible for introducing and implementing the ISO 2000 Quality control system in Yen Lee Fireweld Pte Ltd, which is still running successfully.

Besides running his business, he has always been active in community and social work. Since 1967 he has always been involved in organizing sports, religious activities, and educational seminars at National levels through the various Non-Government organizations. These activities are normally targeted at the Middle and Lower income people with the aim of elevating their quality of life.

Currently he is a non-executive director of the following companies which he co-founded with his current partners:

1. Yen Lee Fireweld Pte Ltd
2. Yen Lee Investment Pte Ltd
3. Nirul Sdn Bhd
4. Raj Govin Law Practice (Sole Proprietor)

MR. TUSHAR S/O PRITAMLAL DOSHI

Independent Director

Mr. Tushar P Doshi, 51, was born in Singapore, and completed his PSLE and GCE O Levels in Singapore and did his GCE A Levels in London. Thereafter, Mr. Doshi returned to Singapore to do his National Service before going to the USA for his Bachelors of Arts in Economics and his post graduate studies in International Business.

Mr. Doshi's formal work experience began about 23 years ago in 1994 working with various organizations as Consultant and Sales and Marketing officer. In 1996 he embarked on his entrepreneurial venture under the name of Tushiv International Pte Ltd. Under this company Mr. Doshi began his trading business in agricultural commodities and computer peripherals and chemicals, and introduced a new concept in advertising called virtual advertising. In 2003, Mr. Doshi focused on developing a very unique and patented art formed called 3 Dimensional Holographic Sculptures which was handmade in Bali, Indonesia. He created a global market from these products with a distribution network spanning from New Zealand to the USA and across Europe and the Middle East and Africa as well as India. In 2016, Mr. Doshi sold this part of the business to his local Indonesian director and closed the retail showroom in Singapore. Since middle of 2017, Mr. Doshi has become a Global Independent Distributor for an American manufacturer in Stem Cell Lift technology and DNA Reparation and Anti Aging and Longevity space of the Health and Wellness industry.

Mr. Doshi was also a founding Shareholder and Director of SearchWorks Pte Ltd in Singapore and Mumbai. After a year, Mr. Doshi sold his shares to his partner and exited the company.

Currently Mr. Doshi is also an Advisory Board Member of Tiara Furniture Systems, which has a 40 year old history in furniture hardware and modular kitchen and storage manufacturing based in India.

Mr. Doshi has been very active with various non profit and social organisations and served in the following positions:

2012 to 2014 – Singapore Indian Chamber of Commerce and Industry – Co Chair of the Membership and Member of The Board of Directors.

1995 to 2018 – Singapore Gujarati Society – served in various capacities in the Management Committee and is currently serving his 3rd term as the President.

2014 to 2017 – Inter Racial and Religious Confidence Circle with the Mountbatten Community Center – Committee Member.

Since around 2007, a lifetime Patron of Jain International Trade Organization in India.

2015 to 2016 – Rules and Membership Sub Committee, Singapore Cricket Club – Committee Member.

2017 to 2018 – Marketing and Communications Sub Committee, Singapore Cricket Club – Committee Member.

2014 to 2016 – GOPIO Singapore (Global Organization of People of Indian Origin Singapore) – Committee Member.

2017 to 2019 – GOPIO Singapore (Global Organization of People of Indian Origin Singapore) – 2nd Vice President.

MR. MANEESH TRIPATHI

Executive Director and Group Chief Executive Officer

Mr. Maneesh Tripathi aged 55 is the Executive Director and Chief Executive Officer of S i2i Limited (formerly known as Media Ring Ltd) since March 2010. In the interim and after the acquisition of the Affinity Group and the Selular Group in Indonesia he was appointed as Managing Director/Chief Executive Officer of Affinity Group and Selular Group Indonesia from May 2011 to January 2013.

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 S i2i Limited), 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 Chief Executive Officer of S i2i Limited 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 28 years of experience in various leadership positions in Multinational Companies. In 2010 Mr. Tripathi joined Spice i2i as Group Chief Executive Officer. He is also a board member of many subsidiaries of S i2i Limited.

Prior to this, Mr. Tripathi handled senior management assignments with IBM Asia Pacific. He also has experience of working with MNCs like, 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 Chief Operating Officer 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. Maneesh Tripathi is a state level cricket player and has captained University and played for MP state level cricket in U22 CK Naidu Trophy. He has a 4 year diploma in the percussion instrument Tabla from Shankar Sangrat Maha Vidyalaya Allahabad. Mr. Maneesh Tripathi also has a Certificate in Film Production & Planning from Singapore Media Academy.

He is a member of the Executive Committee of SGTech formerly known as Singapore Infocomm Technology Federation (SiTF) and a member of Singapore Institute of Directors (SID), Singapore Computer Society (SCS), Singapore Venture Capital & Private Equity Association (SVCA), Singapore Business Federation (SBF) and Singapore Manufacturing Federation (SMF).

MS. CHADA ANITHA REDDY

Non-Executive Non-Independent Director

Ms. Anitha Reddy is appointed as Non Independent & Non-Executive Director with effect from 7 April 2018. Prior to this, she had been leading the Si2i Human Resources Department. She has over 20 years of managerial experience.

She has held various senior management positions where she held leadership roles in Corporate Administration, Corporate Image & International Business Relationships, Events Management, Personnel/Human Resource Development, Communication, Public Relations. She was also actively involved in providing matrix leadership for teams in Finance, Human Resources, Policy development and Administration and led various teams during group initial acquisitions, restructuring operations and new spinoffs in Singapore, Thailand, Malaysia and Indonesia.

Anitha also takes keen interest and is actively involved in community development and service, coordinating and conducting charity and community events. She held various positions in the community centres of Singapore and cultural associations and was awarded long service award by the community centres of Singapore in appreciation of her dedicated voluntary service.

She holds a Master of Business Administration degree.

SENIOR MANAGEMENT

MR. RAKESH KHERA

Chief Financial Officer, S i2i Limited

Mr. Rakesh Khera brings with him total experience of 25+ years including 7+ years with S i2i Limited, Singapore.

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

He is a fellow member of The Institute of Chartered Accountants of India apart from being a commerce graduate.

MR. ARUN SETH

CEO, Bharat IT Services Ltd

As the CEO of Bharat IT Services Ltd, Mr. Arun Seth brings with him a rich experience spanning 25+ years in the Electronics and Information Technology Industry in India, having held senior and responsible positions throughout his career.

Mr. Arun Seth 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, Mr. Arun Seth proved to be a consistent performer and his geographic domain remained the highest revenue generating region in the country for many years.

In 1996, Mr. Arun Seth was given the complete responsibility of the organization and was capped as Chief Executive Officer of Modi Olivetti. Mr. Arun Seth remained in vanguard and transformed the organization with a select team to support him.

Even though Olivetti exited the PC business worldwide, Mr. Arun Seth was able to build a substantial business under the Spice Banner in the I.T Systems, Services and Peripherals area.

A key component of this success was the strong bond established with Olivetti to promote, sell and service their products in India. Till today, the Olivetti business remains the flagship business for Bharat IT and contributes majority to the top and bottom line of the company.

Parallely, the service business in the I.T sector was developed to cater to the service support needs of the domestic BFSI segment. This business has also shown regular and encouraging growth till date.

In 2002 when the Modi GBC JV got concluded, Mr. Arun Seth was entrusted with the additional responsibility of managing the Office Automation business in India. He was able to successfully integrate the GBC business as a separate LOB in Bharat IT.

Introducing technology products to address evolving needs of banks has been an important consideration for Mr. Arun Seth.

Bharat I.T's foray in the Cheque Truncation area by associating with ARCA Technologies S.R.L of Italy as their Indian Distributor, will go a long way in making us a prominent player in this category in India.

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

MR. MUKESH KHETAN

President Director, Selular Group

Mr. Mukesh Khetan brings with him a total experience of more than 10 years of handling compliance and legal functions including managing compliance, legal and corporate affairs function for the S i2i Group for the past 5 years.

He is based in Indonesia and in his current role, he has also been assigned an additional responsibility as President Director of Selular Group in Indonesia and is now managing the Indonesia business of the Company with the local team.

Throughout his career he has been associated with publicly listed companies in India like Vaibhav Global Limited and Provogue India Limited as their Company Secretary and Compliance Officer before joining the Spice Group. He has handled matters like IPOs, Private Equity Placements, GDRs, Complex SPAs, Litigation etc.

He is an associate member of the Institute of Company Secretaries of India and a Masters of Business Administration in Finance from the Institute of Chartered Financial Analysts of India ("ICFAI") besides being a Commerce Graduate.

MR. RUSLI SUFIANTO

Chief Operating Officer, Selular Group

Mr. Rusli Sufianto is the Chief Operating Officer of the Selular Group in Indonesia. He has been instrumental and has proven track record in developing business strategies, Sales Plans and Performance Targets of the Airtime business unit. Currently, he is also responsible for the Retail business of the Selular Group.

He has over 10 years of professional experience in the field of telecommunications. Prior to joining Selular Group in 2011 as General Manager Sumatera and Kalimantan Area, he had outstanding record in working with some reputed and established companies in Indonesia like PT. Grant Surya Multi Sarana and PT. Landseair Transport.

He has good understanding of Indonesia's Telco industry. He maintains good relationships with Telco operators, dealers and partners. He also has strong business leadership skills, people management skills which make him an asset to the organization

Mr. Sufianto is a literary language graduate from University Methodist-Indonesia.

MS. KELLY LIM

Deputy General Manager, Delteq Pte Ltd

Ms. Kelly Lim has more than 20 years of experience in System Integration industry, dealing with public, finance, manufacturing, pharmaceutical, etc sector.

Her network with industry leaders such as Hewlett Packard Enterprise, HP Inc, Veritas, ArcServe and so on, has been an asset to the company in driving more opportunity in collaboration. She has an outstanding track record in her performance as the senior sales manager in her previous role, being the top sales person in Delteq.

Under her leadership, Delteq started its transformation towards solution and services base business. Driven by profitability, Delteq has increased both its revenue and profitability YoY.

Ms. Lim graduated from National University of Singapore and has a degree in Information Systems and Computer Science.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Doraraj S, Lead Independent Director
Mr. Tushar s/o Pritamlal Doshi, Independent Director
Ms. Chada Anitha Reddy, Non-Independent, Non-Executive Director
Mr. Maneesh Tripathi, Executive Director and Group Chief Executive Officer

COMPANY SECRETARY

Ms. Kim Yi Hwa

AUDIT COMMITTEE

Mr. Doraraj S – Chairman
Mr. Tushar s/o Pritamlal Doshi
Ms. Chada Anitha Reddy

NOMINATING COMMITTEE

Mr. Tushar s/o Pritamlal Doshi – Chairman
Mr. Doraraj S
Ms. Chada Anitha Reddy

REMUNERATION COMMITTEE

Mr. Tushar s/o Pritamlal Doshi – Chairman
Mr. Doraraj S
Ms. Chada Anitha Reddy

REGISTERED OFFICE

152 Ubi Avenue 4
Level 4, Smart Innovation Centre
Singapore 408826
Tel: (65) 6514 9458
Fax: (65) 6441 3013
http://www.s-i2i.com/

SHARE REGISTRAR

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

CORPORATE GOVERNANCE

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 good corporate governance is the cornerstone to building a sound corporation in the best interests of the shareholders and other stakeholders. We believe that given the Group's size and stage of development, the overall corporate governance we have in place is appropriate. This corporate governance report ("Report") describes the Company's corporate governance framework with specific reference to the principles set out in the Code of Corporate Governance 2012 ("Code"). Reasons for deviations on any principles and guidelines of the Code are explained within this report. The Company has complied with the spirit and requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

(A) BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Effective board to lead and control the Company

The principal role of the Board of Directors (the "Board") is 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, sets Company values and standards and business strategies (including taking into account of sustainability issues), annual budget, management of performance, adequacy of internal controls and risk management and engages stakeholders as stakeholder perception affects the Company's reputation. The Board also approves financial results for release to the SGX-ST, major funding and borrowings, investment proposals, and ensures effective human resources and management leadership of high quality and integrity are in place. Each Director has fiduciary duties and exercises objective judgement in the best interest of the Company.

To assist the Board in its discharge of oversight function, the Board has delegated specific responsibilities to various board committees, namely the Audit Committee (AC), the Nominating Committee (NC) and the Remuneration Committee (RC).

The details of the AC, NC and RC can be found in pages 18 to 26 of this report.

During the financial year from 1 January 2017 to 31 December 2017 ("FY2017"), a total of nine Board meetings were held. The Company's Constitution allows 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, AC, RC and NC held in FY2017, as well as the attendance of each Board member at these meetings are set out in the table below.

	Board (Regular)		Board (Ad-hoc)		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings									
Name of Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Dr. Bhupendra Kumar Modi#	4	3	5	5	–	–	–	–	–	–
Mr. Doraraj S	4	4	5	5	5	5	7	7	2	2
Mr. Tushar s/o Pritamlal Doshi	4	4	5	5	5	5	7	7	2	2
Mr. Ashok Kumar Goyal*	1	1	2	2	–	–	–	–	–	–
Mr. Maneesh Tripathi**	3	3	2	2	–	–	–	–	–	–
Ms. Chada Anitha Reddy@	1	1	3	3	1	1	3	3	1	1
Mr. Jai Swarup Pathak@@	3	3	2	1	3	3	4	4	–	–

* Appointed as a Director on 13 February 2017 and ceased to be a Director on 23 March 2017
** Appointed as an Executive Director on 23 March 2017
@ Appointed as a Director on 5 January 2016 and ceased to be a Director on 23 March 2017 and re-appointed as a Director on 7 April 2018
@@ Appointed as a Director on 31 March 2017 and ceased to be a Director on 18 December 2017
# Ceased to be a Director on 6 April 2018

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 issues formal letters to new Directors upon their appointment, setting out various information including their duties, obligations and responsibilities as Directors and an induction would be provided to newly appointed Directors which includes 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 and are also encouraged to attend training programs, seminars and workshops organized by professional bodies and organizations, so as to enable them to properly discharge their duties as Board or Board Committee members. The Company allocates a budget for arranging and funding of training of the Directors. During FY2017, the independent directors attended training programmes on audit, risk and governance to update and refresh themselves on matters that may affect and/or enhance their performance as directors.

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

The Directors of the Company during FY2017 were:

1. Dr. Bhupendra Kumar Modi (Non-Executive Chairman)

2. Mr. Maneesh Tripathi (Executive Director and Group Chief Executive Officer ("CEO")) (appointed on 23 March 2017)

3. Ms. Chada Anitha Reddy (Non-Independent Non-Executive Director) (appointed on 5 January 2016) (resigned on 23 March 2017)

4. Mr. Doraraj S (Lead Independent Director)

5. Mr. Tushar s/o Pritamlal Doshi (Independent Director)

6. Mr. Jai Swarup Pathak (Non-Independent Non-Executive Director) (appointed on 31 March 2017 and resigned on 18 December 2017)

7. Mr. Ashok Kumar Goyal (Non-Independent Non-Executive Director) (appointed on 13 February 2017) (resigned on 23 March 2017)

Currently, the Company does not have a diversity policy but recognises that board diversity brings fresh perspective to the Board. Due to a need for fresh perspective, during FY2016, Board membership was refreshed. The current Board comprises Directors with diversity of expertise and knowledge in areas such as business management, strategic planning experience, customer-based experience, human resource, legal and accounting or finance. On 6 April 2018, Dr. Bhupendra Kumar Modi resigned as Non-Executive Chairman and Ms. Chada Anitha Reddy was appointed as Non-Independent Non-Executive Director on 7 April 2018. The appointment of Ms. Chada Anitha Reddy provides gender diversity to the Board.

The Board is cognizant of the recommendation of Guideline 2.2 of the Code which provides that where, inter alia, the Chairman of the Board is not an independent director, the independent directors should make up at least half of the

CORPORATE GOVERNANCE

The NC identifies and nominates candidates to fill Board vacancies for the approval of the Board, as and when they arise. In selecting prospective new directors, Board size and mix, required skills, experience and competencies necessary to enable the Board to fulfill its responsibilities will be considered. Prospective candidates are sourced through extensive network of contacts and new directors are reviewed by the NC based on key attributes such as integrity, commitment, competencies and ability to carry out duties as a director. Recommendations are then made to the Board for Board approval.

The independent non-executive directors constructively challenge and assist in development of proposals on strategy, assist the Board in reviewing the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. When necessary, the non-executive directors will have discussions and meet amongst themselves without the presence of Management.

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 NC 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 the AC, RC and NC are independent directors of which chairpersons of the AC, RC and NC are all independent directors.

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

The NC had reviewed the independence of the Independent Directors who were present on the Board in FY2017 and found them to be independent. The Board does not impose any limit on the length of service of independent directors. Currently, none of the Independent Director has served on the Board for more than nine years from their respective date of first appointment.

The NC has reviewed the size of the Board in FY2017 taking into account the nature and scope of the Group's operations. The current Board members comprise competent Directors who are able to address the relevant industry and business needs of the Group. The NC was satisfied that the Board in FY2017 comprised Directors who as a group provided core competencies and diversity of skills, experience and knowledge 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. With the addition of one female director on 7 April 2018, the Board has gender diversity as well.

The Board views that Board renewal is an ongoing process to ensure good governance, and to maintain relevance to the changing needs of the Group and business.

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

In FY2017, Dr. Bhupendra Kumar Modi was the Non-Executive Director and Chairman of the Company and he was involved at the Board level in charting the corporate direction for the Company while taking advice from the other members of the Board.

Mr. Maneesh Tripathi was the Executive Director and Group CEO of the Company and has been delegated with full executive responsibility for overseeing the Group's day-to-day business, development, strategies and policies.

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In FY2017, the Chairman and the Group CEO performed 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 and the CEO are not related to each other.

The Chairman led the Board and ensured that the members of the Board worked closely together with Management on various matters, including strategic issues and business planning processes. The Chairman also ensured effective communication with shareholders and promoted high standards of disclosure and corporate governance.

Mr. Doraraj S continues to be the Lead Independent Director of the Company in FY2017. The Lead Independent Director is available to shareholders if they have any concerns relating to matters when contact through the normal channels of the Chairman or the CEO has failed to resolve, or where such contact is inappropriate. The Lead Independent Director also meets with the other independent director to discuss on matters concerning the Company and would provide feedback to the Chairman or Management of the Company.

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

NC

The Company has established a 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 terms of reference, comprises the following Directors:

Mr. Tushar s/o Pritamlal Doshi	Independent Director (Chairman)
Mr. Doraraj S	Lead Independent Director (Member)
Ms. Chada Anitha Reddy	Non-Independent Non-Executive Director (Member) (Ceased as member of NC on 23 March 2017 and re-appointed as a member on 7 April 2018)

Dr. Bhupendra Kumar Modi, who was appointed as a member on 31 March 2017, ceased to be a member of the NC on 6 April 2018.

Majority of the NC members (including the Chairman) are independent directors.

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. Board renewal is an ongoing process to ensure good governance, and maintain relevance to the changing needs of the Group and business. The search for candidates for the Board is conducted through a broad network of contacts. Candidates should have good reputation, integrity and have expertise that complements the existing skill sets of the Board members. The candidate should also be able to devote time to the affairs of the Company and commit to duties as a Director of the Company.

The NC 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 for assessment of Board is given to diversity of experience, appropriate skills, potential contributions to the needs and goals of the Group, as well as to whether there are any conflicts of interests. The NC also evaluates the Directors' availability to commit them 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).

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In accordance with Article 104 of the Company's Constitution, at least one-third of the Directors (or, if the number is not a multiple of three, the number nearest to but not greater than one-third) 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. Tushar s/o Pritamlal Doshi is subject to retirement at the forthcoming AGM pursuant to Article 104 of the Constitution. He has offered himself for re-election. Pursuant to Article 108 of the Constitution, Ms. Chada Anitha Reddy, who was appointed on 7 April 2018, would retire at the forthcoming AGM. She has offered herself 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. Mr. Doraraj S and Mr. Tushar s/o Pritamlal Doshi have each declared that they are independent. The NC was satisfied that Mr. Doraraj S and Mr. Tushar s/o Pritamlal Doshi are considered to be independent.

The NC had reviewed the Directors with multiple directorships and was 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 teleconference 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 has not made any determination of a maximum number of listed board representations or principal commitments that any director may hold. All the directors are required to devote their time to the affairs of the Company in light of their other directorships or principal commitments and if they have any difficulty to do so, they may consult the Chairman for a discussion.

There are no Alternate Directors appointed in the Company. The Board does not encourage the appointment of Alternate Directors.

Key information of the Directors are set out in the following pages of the Annual Report: academic and professional qualifications are set out on pages 10 to 11 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/ Resignation
Mr. Doraraj S	68	Lead Independent Director	15 July 2016	28 April 2017
Mr. Tushar s/o Pritamlal Doshi	51	Independent Director	15 July 2016	Due for re-election
Mr. Maneesh Tripathi	55	Executive Director and Group CEO	27 March 2017	28 April 2017
Ms. Chada Anitha Reddy	46	Non-Executive Director	7 April 2018	Due for re-election

Information on the shareholdings in the Company of each Director is set out on page 30 in the Directors' Statement. Separately, Ms. Chada Anitha Reddy holds 487 ordinary Shares in the Company.

CORPORATE GOVERNANCE

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 FY2017, the NC had evaluated the performance of the Board as a whole and its committees. The Company Secretary assisted the Board with conduct of the evaluation process and ensured objectivity and transparency in the process.

Each Director is required to complete a board evaluation questionnaire. The results of the evaluation is prepared and consolidated for the Board and the findings of the evaluation are discussed by the NC with recommendation to the Board for any need for improvements to be made. 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 does not currently have any performance criteria which allow comparison with peers. In future, the Board may decide on performance criteria which allows comparison with peers and address how the Board has enhanced long term shareholders' values.

The Chairman, with recommendation of the NC would act on the results of the performance evaluation, with the view of strengthening the Board to enhance its effectiveness as a whole. The Directors are not evaluated individually. However, the factors taken into consideration for the re-nomination of the Directors are based on their contributions at meetings and on various matters, including strategic issues and business planning processes and their attendance at meetings. Throughout the year FY2017, 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.

Based on the review of the Board and its committees' performance in FY2017, the Board and its committees were found to be operating effectively and contributing to the overall effectiveness of the Board. The Board's performance objectives for the year were met.

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, Management provides the Board and the relevant board committees with adequate and complete information, relating to matters to be brought before them for decision. Periodical 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.

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The Board has independent and direct access to the 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 appointment and removal of the Company Secretary is a matter for the Board as a whole.

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: Procedures for developing remuneration policies
Principle 8: Level and mix of remuneration
Principle 9: Disclosure on remuneration

RC

The RC comprises of the following Directors:

Mr. Tushar s/o Pritamlal Doshi	Independent Director (Chairman)
Mr. Doraraj S	Lead Independent Director (Member)
Ms. Chada Anitha Reddy	Non-Independent Non-Executive Director (Member) (Ceased to be a member on 23 March 2017 and re-appointed as a member on 7 April 2018)

Dr. Bhupendra Kumar Modi was appointed as a member on 18 December 2017 and ceased to be a member on 6 April 2018.

Mr. Jai Swarup Pathak who was appointed as a member on 31 March 2017, ceased to be a member on 18 December 2017.

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.

Only the independent directors are paid fees. Non-Executive directors who are not independent have not been paid any fee during the current financial year or any other form of remuneration.

CORPORATE GOVERNANCE

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. The framework is as follows:

Fees of Independent Directors	Chairman (S$ per annum)	Member (S$ per annum)
Board	75,000	40,000
Audit Committee	22,000	10,000
Nominating Committee	15,000	8,000
Remuneration Committee	15,000	8,000

Share options are granted from time to time as decided by the RC. 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 RC has recommended to the Board a total amount of S$158,000 as Directors' fees for FY2017. This recommendation has been endorsed by the Board and would be tabled at the forthcoming AGM for shareholders' approval.

The level and mix of each of the Directors' remuneration are set out below for the FY2017.

	Fees %	Salary %	Bonus %	Share-based Payment %	Total S$
S$600,000 and below					
Mr. Maneesh Tripathi	–	46%	54%	–	–
S$100,000 and below					
Dr. Bhupendra Kumar Modi	–	–	–	–	–
Ms. Chada Anitha Reddy	–	–	–	–	–
Mr. Doraraj S	100%	–	–	–	78,000
Mr. Tushar s/o Pritamlal Doshi	100%	–	–	–	80,000
Mr. Jai Swarup Pathak	–	–	–	–	–

The Company adopts long-term incentive schemes that reward Directors and employees who contribute to the Group and are valuable to retain, using vesting schedules. During FY2017, no options have been granted.

For key management personnel, 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 RC can engage experts to give advice on executive compensation, as and when the need for such services arises. There was no necessity to obtain expert advice for FY2017.

Information on the Group's ESOS, RSP and PSP is set out in the Directors' Statement on pages 31 to 32.

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The remuneration details of the key executives (who are not Directors) in FY2017 is set out below:

No.	Employee Name	Designation	Basic	Variable Pay	Total	Salary Range In S$
1	Mr. Rusli Sufianto	COO, Selular Group	75%	25%	100%	0-250,000
2	Mr. Arun Seth	Executive Director, Bharat IT Services Ltd	66%	34%	100%	
3	Mr. Rakesh Khera	Group CFO	100%	–	100%	
4	Ms. Lim Wee Hoon (Kelly)	Deputy GM, Delteq Business	88%	12%	100%	

The aggregate remuneration (excluding statutory taxes) paid to the above key executives in FY2017 was S$721,046.

The Company is of the view that due to confidentiality and sensitivity attached to remuneration matters, it would not be in the best interest of the Company to disclose the exact details of the remuneration of each of the key executives and the Group CEO. The information on performance conditions of the key executives in FY2017 are not disclosed due to confidentiality and sensitivity attached to remuneration matters.

There is no termination, retirement and post-employment benefits granted to the Directors, the Group CEO or the key executives apart from the applicable laws. There is no contractual provision in the terms of employment of the Group CEO and the key executives to reclaim incentive components of their remuneration paid in prior years.

There were no terminations of key executive positions in FY2017. The RC would review the Company's obligations arising in the event of termination of executive director and key executives contracts of service, to ensure that the termination clauses are fair and reasonable.

There is no employee who is related to a director whose remuneration exceeds S$50,000 in the Group's employment for FY2017.

(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.

The Board is responsible for ensuring compliance with legislative and regulatory requirements and Group policies, practices and procedures have been established setting forth the internal procedures. Management provides the Board members with periodical 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.

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INTERNAL CONTROLS AND RISK MANAGEMENT

Principle 11: Sound system of Risk Management and Internal Controls

The AC is delegated the full responsibility to review, together with the Company's 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 below, assists the AC and the Board in evaluating internal controls, financial and accounting matters, compliance and financial risk management.

The Board has received assurance from the Executive Director & Group CEO and the CFO on the adequacy and effectiveness of the Group's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements for the year ended 31 December 2017 give a true and fair view of the Group's operations and finances.

Based on the internal controls and risk management systems 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 and risk management systems, addressing financial, operational, compliance and information technology risks, are adequate and effective as at 31 December 2017.

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.

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Principle 12: Establishment of Audit Committee with written terms of reference

AC

The AC comprises the following Directors:

Mr. Doraraj S	Lead Independent Director (Chairman)
Mr. Tushar s/o Pritamlal Doshi	Independent Director (Member)
Ms. Chada Anitha Reddy	Non-Independent Non-Executive Director (Member) (Ceased as a member on 23 March 2017 and re-appointed as a member on 7 April 2018)

Dr. Bhupendra Kumar Modi was appointed as a member on 18 December 2017 and ceased to be a member on 6 April 2018.

Mr. Jai Swarup Pathak was appointed as a member on 31 March 2017 and ceased to be a member on 18 December 2017.

Majority of the members of the AC including the Chairman are independent directors. No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

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 five meetings in FY2017. The number of the Directors' participation and attendance at the AC meetings held during the FY2017 can be found on page 15 of this Report.

The key roles of AC include:

(i) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcement relating to the Group's financial performance;

(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;

(iv) reviewing the adequacy of the Company's internal controls and risk management system;

(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.

The AC members take measures to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements through updates from the external auditors and the Management from time to time.

During FY2017, 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.

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The AC has reviewed the non-audit services provided by the auditors and is satisfied that they would not affect the independence of the external auditors. The external auditors have confirmed their independence and the AC is satisfied on the independence of the external auditors.

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 in subsidiaries 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. The AC, has therefore, recommended the existing external auditors, Moore Stephens LLP, to be re-appointed as auditors at the AGM.

As approved by the Board, the Company has put in place a whistle-blowing policy 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. There were no reports of whistle-blowing received for the year.

Financial matters

In review of the financial statements, the AC has discussed with Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditors and were reviewed by the AC:

Significant matters	How the AC reviewed these matters and what decisions were made
Revenue recognition	The AC considered the scope of accounting standards relevant to revenue recognition by the Group and the Group's revenue recognition practices. Please refer to page 35 of this Annual Report for the audit report on the matter. The AC discussed with Management in relation to the internal controls that exist over revenue recognition, and the assessment of those controls by the internal auditors. The AC also obtained an understanding of the work performed by the external auditors, including their assessment of the key controls in operation in relation to the internal control systems. The AC was satisfied with the appropriateness of the revenue recognised in the financial statements.
Valuation of inventories	The AC reviewed Management's judgements in assessing the required level of inventories provisioning and considered the method of estimating the carrying value of inventory remains appropriate. The AC also discussed with the external auditors on their review of the reasonableness of the allowances for inventories obsolescence. Please refer to page 35 of this Annual Report for the audit report on the matter. The AC concurred with Management's assessment of the allowance for inventory obsolescence and concluded that the disclosures in the financial statements were appropriate.

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Significant matters	How the AC reviewed these matters and what decisions were made
Valuation of trade and other receivables and loan receivable	The AC assessed the reasonableness of the recoverability of the amount due from trade and other receivables. The AC considered the observations and findings presented by the external auditors with reference to the Group's credit policy, and evaluation of the processes for identifying impairment indicators, the payment track records and credit worthiness. Please refer to page 36 of this Annual Report for the audit report on the matter. The AC reviewed the impairment computations and obtained assurance from Management that detailed impairment testing had been undertaken using appropriate methodology and assumption. The AC also discussed with the external auditors on their review of the reasonableness and relevance of the assumptions used in the impairment assessment. The AC concurred with Management's assessment of the allowance for impairment of trade and other receivables and concluded that the disclosures in the financial statements were appropriate.

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 reports functionally to the AC.

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. BDO are given full access to documents, records and personnel.

The AC is satisfied that BDO has the adequate resources to perform its functions and has appropriate standing within the Company, with numerous years of experience and has requisite qualification. 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.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES
Principle 14: Shareholder rights
Principle 15: Communication with shareholders
Principle 16: Conduct of Shareholder Meetings

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. Management addresses queries raised by institutional and retail investors or shareholders via phone calls or emails. Any shareholder also is free to call at the Company office during office hours on working days and get their queries attended.

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 and explanatory notes for annual general meetings and extraordinary general meetings;

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(iv) the websites of the Company (www.s-i2i.com) 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 will provide timely and fair disclosures to all stakeholders. Where there is inadvertent disclosures made to a select group, the Company would make the same disclosure publicly to ensure fair dissemination of news as promptly as possible.

The Board welcomes questions from institutional and retail shareholders who have an opportunity to raise issues either formally at or informally after the annual general meeting. The respective Chairmen of the AC, RC and NC are normally available at the annual general meeting to answer questions relating to the work of these committees.

Though the Company has made profit this year, the Company has not declared any dividends. The Company does not have a dividend policy. The Board in considering dividend payments will take into account factors such as the Company's earning, financial condition, capital requirements, business expansion plans and cash flow.

The Company carried out a share buyback exercise during FY 2017 where it bought a total of 1,232,500 shares until 31 December 2017 and kept them as treasury shares.

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 Constitution allows a shareholder to appoint up to two proxies to attend and vote on his or her behalf at the AGM. A relevant intermediary, which has the meaning in the Companies Act, Cap 50, is allowed to appoint more than two proxies.

During FY2017, the Company has organised dialog sessions with shareholders to give general update to questions and answers from shareholders. The Company may organise such sessions as and when circumstances permit.

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 by poll, with proper recording of the votes cast and the resolutions passed. The results of the electronic poll voting on each resolution, including the total number of votes cast for or against each resolution, were also announced after the Shareholders' meeting via SGXNet.

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.

(E) RISK MANAGEMENT

The Group does not have a separate 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.

CORPORATE GOVERNANCE

(F) 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.

(G) 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.

(H) INTERESTED PERSON TRANSACTION
(Listing Manual Rule 907)

During the financial year 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]
Smart Innovations Global Pte Ltd (f.k.a. Armorcoat Technologies Pte Ltd)	1221*	–
Smart EV Pte. Ltd.	214*	–

* amount in S$'000s

Notes:

1. There was neither renewal nor new IPT mandate obtained during the Annual General Meeting of the Company held on 28 April 2017.
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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The directors present their statement to the members together with the audited consolidated financial statements of S i2i Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2017, and the statement of financial position of the Company as at 31 December 2017.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; 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.

1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Dr. Bhupendra Kumar Modi	(Non-Independent Non-Executive Director and Chairman) – resigned on 4 April 2018 to be effective on 6 April 2018
Doraraj S	(Lead Independent Non-Executive Director)
Tushar s/o Pritamlal Doshi	(Independent Non-Executive Director)
Maneesh Tripathi	(Executive Director and Group Chief Executive Officer) – appointed on 23 March 2017
Chada Anitha Reddy	(Non-Independent Non-Executive Director) – appointed on 4 April 2018 to be effective on 7 April 2018

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Except as described in this statement, neither at the end of nor at any time during the financial year was, the Company a party to any arrangement whose object was 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.

3 DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the shares, share options, performance shares or debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

	Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
Name of Director and Company	At the beginning of the financial year/date of appointment	At the end of the financial year	At the beginning of the financial year/date of appointment	At the end of the financial year
S i2i Limited (the Company)		Ordinary shares		
Dr. Bhupendra Kumar Modi	–	–	4,424,651	4,561,251

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3 DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2018.

Dr. Bhupendra Kumar Modi, by virtue of the provisions of Section 7 of the Companies Act, Chapter 50, is deemed to be interested in the whole of the issued share capital of all the related corporations of S i2i Limited at the beginning and end of the financial year.

4 SHARE OPTIONS

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

(a) 1999 S i2i Employees' Share Option Scheme

This scheme had lapsed in the year 2009 and had since been discontinued. There are no outstanding options under this scheme.

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

This scheme had lapsed in the year 2009 and had since been discontinued. The last outstanding option under this scheme lapsed in April 2016. There are no outstanding options under this scheme.

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

The S i2i RSP and S i2i PSP had lapsed in April 2016 and had since been discontinued. There are no outstanding restricted share awards or performance share awards pending under these schemes.

(d) S i2i Employee Stock Option Plan 2014 ("ESOP 2014")

The ESOP 2014 was approved by the shareholders in their meeting held on 15 April 2014 with an objective to gradually phase out the S i2i 1999 Employees' Share Option Scheme and the 1999 S i2i Employees' Share Option Scheme II as no new options can be granted under these schemes. Pursuant to ESOP 2014, the RC has the authority to grant options to present and future employees of the Group as well as to other persons who are eligible under ESOP 2014 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.

ESOP 2014 is administered by the RC who then determines 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.

The RC had on 27 March 2015 granted a total of 274,200,000 stock options to the directors under the ESOP 2014. The options granted at an exercise price of S$0.0024 were to be vested after 2 years from the date of the grant. The options can be exercised up to 10 years from the date of the grant.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4 SHARE OPTIONS (CONTINUED)

(d) S i2i Employee Stock Option Plan 2014 ("ESOP 2014") (Continued)

All options granted under ESOP 2014 had lapsed.

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 unissued shares are under option as at the date of this statement.

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

5 AUDIT COMMITTEE

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

Doraraj S	(Chairman and Lead Independent Director)
Tushar s/o Pritamlal Doshi	(Member and Independent Non-Executive Director)
Dr. Bhupendra Kumar Modi	(Member and Non-Independent Non-Executive Director) – appointed on 18 December 2017 and ceasing on 6 April 2018
Chada Anitha Reddy	(Member and Non-Independent Non-Executive Director) – appointed on 4 April 2018 to be effective on 7 April 2018

The AC performs the functions set out in section 201B (9) of the Singapore Companies Act, Chapter 50. In performing those functions, the AC reviewed the overall scope of the internal audit function, external audit function 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 year ended 31 December 2017, as well as the external auditor's report thereon.

The AC has noted that there are no non-audit services provided by the auditors and as such the independence of the auditors is not affected.

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6 INDEPENDENT AUDITORS

The independent auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors

…………………………………..
Maneesh Tripathi
Executive Director and Group Chief Executive Officer

…………………………………..
Doraraj S
Director

Singapore
4 April 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF S i2i LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of S i2i Limited (the Company) and its subsidiaries (the Group) which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF S i2i LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Revenue recognition For the financial year ended 31 December 2017, the Group has recorded revenue amounting to S$351.05 million. The accounting policies for revenue recognition are set out in Note 2(r) to the financial statements and the different revenue streams of the Group have been disclosed in Note 4 to the financial statements. We have identified sales cut-off to be significant because of the high volume of transactions and the varying sales, contractual and shipping terms. Revenue recognition is susceptible to the higher risk that the revenue is recognised before the transfer of risks and rewards of ownership of goods to the customers.	**Our response** We assessed the overall sales process and the relevant systems and the design of controls over the capture and recording of revenue transactions. We have tested the effectiveness of controls on the processes related to revenue recognition relevant to our audit. We performed sample testing on revenue and checked that the revenue recognition criteria are appropriately applied. We have also performed cut-off test to ensure the Group has complied with proper cut-off procedures and revenue is recognised in the appropriate accounting period. **Our findings:** We found the Group's revenue recognition to be consistent with its accounting policy as disclosed in Note 2(r) to the consolidated financial statements. We are satisfied that the Group's revenue has been appropriately recognised and in the relevant accounting period.
Valuation of inventories We refer to Note 2(k), Note 3(b)(ii) and Note 10 to the financial statements. As at 31 December 2017, the total carrying amount of inventories was S$19.74 million. The assessment of impairment of inventories involves significant estimation uncertainty, subjective assumptions and the application of significant judgment. Reviews are made periodically by management on inventories for obsolescence and decline in net realisable value below cost. Allowances are recorded against the inventories for any such declines based on historical obsolescence and slow-moving history. Key factors considered include the nature of the stock, its ageing, shelf life and turnover rate.	**Our response** We have checked and analysed the ageing of the inventories, reviewed the historical trend on whether there were significant inventories write-off or reversal of the allowances for inventories obsolescence. We conducted a detailed discussion with the Group's key management and considered their views on the adequacy of allowances for inventories obsolescence in light of the current economic environment. We have also reviewed the subsequent selling prices in the ordinary course of business and compared against the carrying amounts of the inventories on a sampling basis at the reporting date. **Our findings:** We found management's assessment of the allowance for inventory obsolescence to be reasonable based on available evidence.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF S i2i LIMITED

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of trade and other receivables and loan receivable We refer to Note 2(j), Note 3(a)(ii), Note 11 and Note 12 to the financial statements. The carrying amount of trade and other receivables of the Group was S$18.11 million as at 31 December 2017. We focused on this area because of its significance and the degree of judgement required in determining the carrying amount of trade and other receivables as at the reporting date. As disclosed in Notes 11, 12 and 22 to the consolidated financial statements, the Group assesses periodically and at each financial year end whether there is objective evidence that the receivables are impaired. When 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.	**Our response** We obtained an understanding of the Group credit policy and evaluated the processes for identifying impairment indicators. We have reviewed and tested the ageing of trade and other receivables. We have reviewed management's assessment on the credit worthiness of selected customers. We further discussed with the key management and the component auditors on the adequacy of the allowance for impairment recorded by the Group and reviewed the supporting documents provided by management in relation to their assessment. We have also reviewed the adequacy and appropriateness of the impairment charge based on the available information. **Our findings:** Based on our audit procedures performed, we found management's assessment of the recoverability of trade and other receivables to be reasonable and the disclosures to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, 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 authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF S i2i LIMITED

Responsibilities of Management and Directors for the Financial Statements (Continued)

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF S i2i LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Christopher Bruce Johnson.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
4 April 2018

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group	
		2017 S$'000	2016 S$'000
Turnover	4	351,045	325,490
Operating expenses			
Purchases and changes in inventories and direct service fees incurred		(320,272)	(299,221)
Commissions and other selling expenses		(288)	(262)
Other income – operating	5	646	2,401
Personnel costs	6	(18,071)	(16,358)
Infrastructure costs		(2,833)	(2,622)
Marketing expenses		(1,436)	(909)
Other expenses – operating		(6,323)	(5,544)
Other income – non-operating	5	310	974
Other expenses – non-operating		(225)	(1,678)
Interest income from cash deposits	5	652	660
Finance costs		(368)	(281)
Depreciation of property, plant and equipment		(906)	(894)
Amortisation of intangible assets		(7)	(119)
Profit before taxation	7	1,924	1,637
Taxation	8	(1,140)	(1,164)
Net profit after tax for the year		784	473
Profit attributable to:			
Owners of the parent		772	462
Non-controlling interest		12	11
Total		784	473
Earnings per share attributable to owners of the parent (cents per share)			
– Basic and diluted	9	5.79	3.37

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group	
	2017 S$'000	2016 S$'000
Profit for the year	784	473
Other comprehensive (loss)/income, net of income tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(2,666)	984
Net gain on fair value changes of available-for-sale financial assets	–	93
Fair value gains recycled to profit or loss on de-recognition	(128)	–
	(2,794)	1,077
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	119	–
(Loss)/gain on revaluation of property, plant and equipment	(32)	2,072
	87	2,072
Other comprehensive (loss)/income for the year, net of tax	(2,707)	3,149
Total comprehensive (loss)/income for the year	(1,923)	3,622
Total comprehensive (loss)/income attributable to:		
Owners of the parent	(1,925)	3,658
Non-controlling interest	2	(36)
Total comprehensive (loss)/income for the year	(1,923)	3,622

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Assets					
Current assets					
Inventories	10	19,736	13,800	–	–
Trade receivables	11	10,796	8,712	118	113
Other receivables and deposits	12	7,190	5,930	1,662	2,280
Prepayments	13	3,450	3,001	15	26
Due from subsidiaries	14	–	–	58	2,026
Loan receivable	22	–	–	–	–
Cash and cash equivalents	15	19,346	20,377	5,149	6,108
Fixed deposits	15(a)	2,235	11,148	–	9,872
Tax recoverable	12	195	686	–	–
		62,948	63,654	7,002	20,425
Non-current assets					
Property, plant and equipment	16	9,782	4,798	178	22
Investment properties	17	2,300	2,434	–	–
Intangible assets	18	21	3	16	3
Investment in subsidiaries	19	–	–	28,366	25,067
Investment in associate	20	–	–	–	–
Investment securities	21	–	231	–	231
Long-term loans and advances to subsidiaries	23	–	–	8,247	1,042
Deferred tax assets	24	151	170	–	–
Trade receivables	11	6	81	–	–
Other receivables	12	113	171	–	–
Prepayments	13	176	201	–	–
Fixed deposits	15(a)	705	355	–	–
		13,254	8,444	36,807	26,365
Total assets		76,202	72,098	43,809	46,790

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Liabilities					
Current liabilities					
Trade creditors	25	13,173	6,984	109	157
Other creditors and accruals	26	6,356	7,108	1,275	1,624
Deferred revenue		1,823	1,996	–	–
Lease obligations	27	18	18	5	–
Loans and bank borrowings	28	7,344	2,527	2,972	–
Due to subsidiaries	14	–	–	6,771	6,957
Tax payable		698	787	–	–
		29,412	19,420	11,132	8,738
Non-current liabilities					
Lease obligations	27	15	–	15	–
Provision for employee benefits	34	959	995	–	–
Deferred revenue		99	140	–	–
Deferred tax liabilities	24	60	70	–	–
		1,133	1,205	15	–
Total liabilities		30,545	20,625	11,147	8,738
Equity Attributable to owners of the Company					
Share capital	29	580,518	580,518	580,518	580,518
Treasury shares	30	(3,779)	–	(3,779)	–
Accumulated losses	31	(456,383)	(457,516)	(479,556)	(479,023)
Other reserves	32	(4,108)	(3,592)	(8,919)	(8,657)
Translation reserve	33	(70,489)	(67,833)	(55,602)	(54,786)
		45,759	51,577	32,662	38,052
Non-controlling interest		(102)	(104)	–	–
Total equity		45,657	51,473	32,662	38,052
Total liabilities and equity		76,202	72,098	43,809	46,790

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company							
	Share capital S$'000	Treasury shares S$'000	Accumulated losses S$'000	Other reserves S$'000	Translation reserve S$'000	Total S$'000	Non-controlling interest S$'000	Total S$'000
Group								
2017								
Opening balance at 1 January 2017	580,518	–	(457,516)	(3,592)	(67,833)	51,577	(104)	51,473
Purchase of treasury shares	–	(3,779)	–	(134)	–	(3,913)	–	(3,913)
Unclaimed dividend distribution	–	–	11	–	–	11	–	11
Profit for the year	–	–	772	–	–	772	12	784
Other comprehensive income/(loss), net of tax	–	–	119	(160)	(2,656)	(2,697)	(10)	(2,707)
Total comprehensive income/(loss) for the year	–	–	891	(160)	(2,656)	(1,925)	2	(1,923)
Transferred to accumulated losses	–	–	231	(222)	–	9	–	9
Transactions with owners	–	(3,779)	242	(356)	–	(3,893)	–	(3,893)
Closing balance at 31 December 2017	580,518	(3,779)	(456,383)	(4,108)	(70,489)	45,759	(102)	45,657

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company						
	Share capital	Accumulated losses	Other reserves	Translation reserve	Total	Non-controlling interest	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group							
2016							
Opening balance at 1 January 2016	590,515	(458,390)	(5,361)	(68,864)	57,900	(69)	57,831
Capital reduction	(9,997)	–	–	–	(9,997)	–	(9,997)
Capital subscribed by non-controlling interest	–	–	–	–	–	1	1
Profit for the year	–	462	–	–	462	11	473
Other comprehensive income/(loss), net of tax	–	–	2,165	1,031	3,196	(47)	3,149
Total comprehensive income/(loss) for the year	–	462	2,165	1,031	3,658	(36)	3,622
Transferred to accumulated losses	–	412	(396)	–	16	–	16
Transactions with owners	(9,997)	412	(396)	–	(9,981)	1	(9,980)
Closing balance at 31 December 2016	580,518	(457,516)	(3,592)	(67,833)	51,577	(104)	51,473

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group	
	2017 S$'000	2016 S$'000
Cash Flows from Operating Activities		
Profit before taxation	1,924	1,637
Adjustments for:		
Depreciation and amortisation	913	1,013
Impairment loss for non-trade debts, net	88	176
Impairment loss for/(reversal of) trade debts, net	203	(144)
(Reversal of)/allowance for inventory obsolescence, net	(1,297)	429
Interest income from cash deposits	(652)	(660)
Impairment loss for loan receivable	–	1,838
Gain on revaluation of investment properties	(94)	–
Impairment loss on property, plant and equipment	64	–
Gain on disposal of property, plant and equipment	(26)	–
Gain on disposal of investment securities	(62)	–
Fair value gains recycled to profit or loss on de-recognition	(128)	–
Finance costs	368	281
Unrealised foreign exchange differences	(2,369)	186
Others	(18)	323
Operating cash flows before working capital changes	(1,086)	5,079
Increase in inventories	(4,495)	(2,666)
(Increase)/decrease in trade receivables	(2,202)	1,654
(Increase)/decrease in other receivables and deposits	(1,427)	765
Increase in prepayments	(423)	(993)
Increase/(decrease) in trade creditors	6,189	(1,128)
Decrease in other creditors and accruals	(642)	(2,997)
Decrease in deferred revenue	(214)	(541)
Cash flows used in operating activities	(4,300)	(827)
Interest paid	(368)	(281)
Income tax paid	(669)	(116)
Net cash flows used in operating activities	(5,337)	(1,224)
Cash flows from Investing Activities		
Interest income received from cash deposits	851	756
Proceeds from disposal of property, plant and equipment	446	1,367
Purchase of intangible assets	(24)	(80)
Purchase of property, plant and equipment	(6,472)	(1,836)
Proceeds from disposal of investment securities	250	–
Net cash flows (used in)/generated from investing activities	(4,949)	207
Cash Flows from Financing Activities		
Capital reduction	–	(9,997)
Purchase of treasury shares, including incidental costs	(3,913)	–
(Placement)/withdrawal of cash and bank deposits pledged	(3,558)	7,001
Proceeds from/(repayment of) loans and bank borrowings, net	5,131	(1,423)
Unclaimed dividend distribution	11	–
Increase/(repayment) of obligations under finance leases, net	15	(463)
Net cash flows used in financing activities	(2,314)	(4,882)
Net decrease in cash and cash equivalents	(12,600)	(5,899)
Cash and cash equivalents at the beginning of the year	27,342	32,802
Effect of exchange rate changes on the balances of cash held in foreign currencies	(552)	439
Cash and cash equivalents at the end of the year (Note 15)	14,190	27,342

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

1 GENERAL

S i2i 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 152 Ubi Avenue 4, level 4, Smart Innovation Centre, Singapore 408826.

The principal activities of the Company are rendering of telecommunication services and research and development, distribution of telecommunication handsets, related products and services, design and marketing of telecommunication software. The principal activities of the subsidiaries are disclosed in Note 19 to the financial statements.

The financial statements for the financial year ended 31 December 2017 were approved and authorised for issue by the board of directors in accordance with a resolution of the directors on the date of the Directors' Statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS").

The financial statements, which are expressed in Singapore Dollar ("S$"), are rounded to the nearest thousand dollar (S$'000), except as otherwise indicated. The financial statements have been prepared on a historical cost basis, except as disclosed in the summary of accounting policies below.

Adoption of New/Revised FRS

The Group has adopted all the new and revised standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any material effect on the financial statements.

Application of New/Revised Financial Reporting Standards ("FRSs") effective for annual period beginning on or after 1 January 2017

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (Continued)

Application of New/Revised Financial Reporting Standards ("FRSs") effective for annual period beginning on or after 1 January 2017 (Continued)

Amendments to FRS 7 *Statement of Cash Flows*

The amendments require new disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities in respect of:

(a) Changes from financing cash flows;

(b) Changes arising from obtaining or losing control of subsidiaries or other businesses;

(c) The effect of changes in foreign exchange rates;

(d) Changes in fair values; and

(e) Other changes.

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are included in cash flows from financing activities. Comparatives are not required in the first year of adoption.

As this is a disclosure requirement, the application of this amendment has had no impact on the Group's consolidated financial statements. The above information is provided in Note 28 to the financial statements.

Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments to FRS 12 *Recognition of deferred tax assets for unrealised losses* clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments to FRS 12 is effective for annual periods beginning on or after 1 January 2017. Management has reassessed all unrealised losses on debt instruments measured at fair value and there is no material impact.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (Continued)

FRSs and INT FRSs issued but not yet effective

At the date of authorisation of these financial statements, the following standards that have been issued and are relevant to the Group and Company but not yet effective:

		Effective for accounting periods beginning on or after
FRS 109	*Financial Instruments*	1 January 2018
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 102	*Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40	*Investment Property*	1 January 2018
INT FRS 122	*Foreign Currency Transactions and Advance Consideration*	1 January 2018
Improvements to FRSs (December 2016)		1 January 2018
– FRS 101	*First-time Adoption of International Financial Reporting Standards*	
– FRS 28	*Investments in Associates and Joint Ventures*	
FRS 116	*Leases*	1 January 2019
INT FRS 123	*Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 110 and FRS 28	*Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture*	Deferred indefinitely, early application is still permitted

Except for amendments to FRS 109, FRS 115 and FRS 116, 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.

FRS 109 *Financial Instruments*

FRS 109 was introduced to replace FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. FRS 109 also provides a simplified hedge accounting model that will align more closely with companies' risk management strategies. FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is generally required, except that hedge accounting requirements are, with limited exemptions, applied prospectively. Comparative information need not be restated.

The Group does not expect to reclassify any of their financial assets and liabilities as a result of the application of FRS 109.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (Continued)

FRSs and INT FRSs issued but not yet effective *(Continued)*

FRS 109 *Financial Instruments* *(Continued)*

Trade, contract and lease receivables

The Group plans to apply the simplified impairment approach to recognise only lifetime expected credit losses ("ECL") impairment charges on all trade receivables and other contract assets that arise from FRS 115, as well as lease receivables. The Group does not expect a resulting significant change in aggregate impairment allowance on these receivables.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 *Revenue from Contracts with Customers* sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue standards, FRS 18 *Revenue* and FRS 11 *Construction Contracts*, and the related interpretations on revenue recognition, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers*, and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied. Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group plans to apply the following practical expedients:

- For completed contracts, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 January 2017; and
- For completed contracts that have variable consideration, the Group plans to use the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (Continued)

FRSs and INT FRSs issued but not yet effective *(Continued)*

FRS 115 *Revenue from Contracts with Customers* *(Continued)*

Variable consideration

Some contracts with customers provide a right of return. Presently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provision give rise to variable consideration under FRS 115, and will be subject to be estimated at contract inception. Under FRS 115, variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associate uncertainty is subsequently resolved. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraints. The Group does not expect the application of the constraint to result in more revenue being deferred than is under current FRS.

Right of return

Under FRS 115, the Group will estimate the amount of expected returns in determining the transaction price and recognise revenue based on the amounts to which the Group expects to be entitled through the end of the return period. The Group will recognise the amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. The Group does not expect the refund liability to be significant.

There is no separately purchased extended warranty provided by the Group.

FRS 116 *Leases*

FRS 116 *Leases* sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

FRS 116 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted for companies but only if it also apply FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of FRS 116.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (Continued)

FRSs and INT FRSs issued but not yet effective (Continued)

FRS 116 *Leases* *(Continued)*

As disclosed in Note 36(b) to the financial statements, the Group has entered into operating leases for offices, office equipment and leased equipment as lessee. As at 31 December 2017, the minimum lease payments committed under non-cancellable operating leases amounted to S$1,540,000, of which S$426,000 are due after 31 December 2018. Upon adoption of FRS 116, the Group may be required to recognise lease liabilities and right-of-use assets in respect of some of those lease commitments. However, the approximate financial impact cannot be ascertained until 31 December 2018, as certain factors can only be established at that date, including those that affect discount rate, likelihood of lease renewals and terminations, as well as new leases. The Group will continue its detailed assessment of the financial impact of FRS 116.

Convergence with International Financial Reporting Standards (IFRS)

Singapore-incorporated companies listed on the Singapore Exchange (SGX) are required to apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this note.

Other than the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework. The Group will reassess the accounting policies adopted by the Group in accordance with IFRS and SFRS, and based on the Group's preliminary assessment, there are no material textual differences between these accounting standards.

The Group has elected to apply the transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1. In view of this application, the Group expects a significant impact on adoption of SG-IAS 21 prospectively and deems the cumulative translation differences for all foreign operations to be zero at the date of transition to SG-IFRS. A reconciling item with explanation will be disclosed in the first SG-IFRS financial statements for the financial year ending 31 December 2018.

Other than the above, the Group does not expect significant changes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when all three elements of control are present: (a) power over the entity; (b) exposure or rights to variable returns from its involvement with the entity; and (c) ability to use its power to affect the amount of its returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are carried at cost less accumulated impairment losses in the statement of financial position of the Company. On disposal of investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments are recognised in the income statement.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of Consolidation (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the subsidiaries financial statements to ensure consistency of accounting policies with that of the Group.

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to income statement.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statements of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(c) 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 statements of financial position, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. Equity in an associate is 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 statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an 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 an additional impairment loss on the Group's net investment in its associate. The Group determines at each financial year end 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign Currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the results and financial position of each entity in the Group are expressed in Singapore Dollar ("S$"), which is the presentation currency for the consolidated financial statements. The functional currency of the Company is United States Dollar ("US$").

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the financial year end, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the financial year end are recognised in the income statement, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. These currency translation differences are recognised in the foreign currency translation reserve in the consolidated financial statements and transferred to the income statement as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Translation of Group entities' financial statements

The results and financial position of each of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– Assets and liabilities are translated at the closing exchange rate at the financial year end;

– Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of transactions); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign Currencies (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the Group are reclassified to the income statement.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the financial year end.

(f) 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(n) to the financial statements. 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.

Buildings

With effect from 1 January 2016, the Group has changed its policy in respect of measurement of buildings. Buildings are initially recorded at cost and are subsequently carried at revalued amounts. Management takes the view that this policy provides reliable and more relevant information about the value of the Group's buildings. The policy has been applied prospectively from 1 January 2016 because it was not practicable to estimate the effects of applying the policy either retrospectively or prospectively from any earlier date. Accordingly, the adoption of the new policy has no effect on prior periods.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period. Revaluation will be based on valuation by professional valuers on a triennial basis and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset. Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in the income statement. Decreases in carrying amounts that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases in carrying amounts are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, Plant and Equipment (Continued)

Work in Progress

Work in progress comprises of battery electric vehicles and other miscellaneous tools and parts that are not capable of being used during the current financial year. These assets are carried at cost, less any recognised impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

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.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Any amount in revaluation reserve is transferred to accumulated losses directly. No transfer is made from the revaluation reserve to accumulated losses except when an asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at its cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value, determined annually by independent professional valuers on the highest-and-best use basis. Gains and losses arising from changes in the fair value of investment properties are included in the income statement in the period in which they arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in the income statement. The cost of maintenance, repairs and minor improvements is recognised in the income statement when incurred.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on remeasurement is recognised in the income statement to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in the income statement.

When the property is sold, the related amount in the revaluation reserve is transferred to retained earnings.

(h) Intangible Assets

(a) Goodwill

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated amortisation and 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible Assets (Continued)

(a) Goodwill (Continued)

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(e) to the financial statements.

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 SGD 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible Assets (Continued)

(b) Other intangible assets (Continued)

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.

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. 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 acquired through business combinations are 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible Assets (Continued)

(b) Other intangible assets (Continued)

(iii) Research and development costs (Continued)

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.

(i) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial Assets (Continued)

Subsequent measurement (Continued)

(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 gains or losses 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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 impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of Financial Assets (Continued)

(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 that indicates 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.

The Group has fully disposed its investment securities as at 31 December 2017.

(k) Inventories

Inventories 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 inventories 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Cash and Cash Equivalents

Cash and cash equivalents comprise 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(i).

(m) Provisions

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 financial year end and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic 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.

(n) 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 consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(o) 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 plus 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 that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial Liabilities (Continued)

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.

(p) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Leases (Continued)

(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.

(d) Operating lease – as lessor

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the income statement on a straight-line basis over the lease term.

(q) 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 indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal 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 groups 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 are recognised in profit or 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Impairment of Non-financial Assets (Continued)

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.

(r) Revenue Recognition

Revenue of the Group comprises fees earned from telecommunication and internet service provider ("ISP") services rendered, sale of software licences, distribution of telecom operator products and services, distribution of telecommunication handsets, related products and 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 and business of battery electric vehicles and passenger land transport. These revenues are categorised into operating segments (Note 37) as detailed in Note 2(u) to the financial statements.

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:

(a) Distribution of operator products and services

- Revenue from sale and distribution of mobile prepaid cards and related products and services 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.

(b) Information and Communications Technologies ("ICT") distribution and managed services

- Revenue from the supply of computer hardware and peripheral equipment is recognised at the time when the 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue Recognition (Continued)

(b) Information and Communications Technologies ("ICT") distribution and managed services (Continued)

- Revenue from the rental of computer hardware and peripheral equipment is recognised proportionately on a time basis over the contract period.

- 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 statements of financial position 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.

(c) Mobile devices distribution and retail

- 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 or the possible return of goods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue Recognition (Continued)

(d) Battery electric vehicles

- Revenue from the supply of battery electric vehicles and related 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 there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

- Revenue and the related distribution costs from passenger land transport are recognised when services are rendered.

(e) Others

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

(s) 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 are accrued to the employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the financial year end.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee Benefits (Continued)

(c) Employee share incentive plan (Continued)

The cost of equity-settled share-based transactions is recognised in the 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 profit or 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.

No options were granted during the financial year ended 31 December 2017 or outstanding as at the date of this report.

(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. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to the income statement. Past service cost is recognised in the income statement in the period of plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee Benefits (Continued)

(d) Defined benefit plan (Continued)

Defined benefit costs are categorised as follows:

(a) Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

(b) Net interest expense or income; and

(c) Remeasurement.

The Group presents the first two components of defined benefit costs in the income statement in the line item 'personnel costs'. Curtailment gains and losses are accounted for as past service costs.

(t) Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Taxes (Continued)

Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at the financial year end and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the financial year end, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition when a business combination is initially accounted for but is subsequently realised, the acquirer shall recognise the resulting deferred tax income in profit or loss or a reduction to goodwill (as long as it does not exceed goodwill) if incurred during the measurement period.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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. For financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment taking into account the following factors:

1. the nature of the products;

2. the type or class of customer for their products and services; and

3. methods used to distribute their products to the customers or provide their services.

(a) Operating Segments

The main operating segments of the Group are:

a. Distribution of operator products and services, comprising:

(i) Distribution of mobile prepaid cards

b. ICT distribution and managed services, 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;

(iv) PC-Phone service that allows users to make calls from their PC to any phone in the world;

(v) Global calling cards (“GCC”) service that offers users the means to make low cost calls via internet protocol (“IP”) infrastructure;

(vi) International direct dialing (“IDD”), mobile voice over IP (“VoIP”) and VoIP telephony services to corporate users and consumers;

(vii) Enterprise service that allows corporate users to make calls via their existing corporate private automatic branch exchange (“PABX”) and internet access;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Segment Reporting (Continued)

(a) Operating Segments (Continued)

b. ICT distribution and managed services, comprising: (Continued)

(viii) Wholesale Termination services to carriers and service providers;

(ix) Technology Licensing that offers connectivity and interoperability solutions to telecommunication carriers and wholesale clearing houses;

(x) ISP service that offers an extensive portfolio of data services includes Broadband, Leaseline Access, Private Network, Network Security, Hosted Services and Information Technology ("IT") Solutions to corporate users and consumers;

(xi) Provide internet infrastructure, e-business applications consulting, project management and systems support services; and

c. Mobile devices distribution and retail, comprising:

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

d. Battery electric vehicles, comprising:

(i) Business of battery electric vehicles and passenger land transport.

(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.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) 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 statements of financial position 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.

(x) 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 the 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);

iii. both entities are joint ventures of the same third party;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Related Parties (Continued)

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

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); or

viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(y) Financial Guarantees

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.

(z) Treasury shares

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount comprising of the consideration paid and any directly attributable incremental cost is presented as two components within equity attributable to the Company's equity holders as treasury shares and other reserves respectively, until they are cancelled, sold or re-issued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of the earnings of the Company.

When treasury shares are subsequently sold or re-issued, the cost of treasury shares is reversed from the treasury shares and other reserves accounts respectively and the realised gain or loss on sale or re-issue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at each financial year end. 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 financial year end are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were 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.

(i) 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 2017 are approximately S$9,782,000 and S$178,000 (2016: S$4,798,000 and S$22,000) 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.

If depreciation on property, plant and equipment increases/decreases by 10% from management's estimate, the Group's profit before taxation will decrease/increase by approximately S$91,000 (2016: S$89,000).

(ii) Impairment of loans and receivables

The Group assesses at each financial year end whether there is any objective evidence that a financial asset 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 financial year end is disclosed in Note 11 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 S$321,000 (2016: S$296,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Key Sources of Estimation Uncertainty (Continued)

(iii) Impairment of investment in subsidiaries

The Company follows the guidance of FRS 36 in determining the recoverability of its investment in subsidiaries. The recoverable amount of investment in subsidiaries has been determined based on management's assessment of the fair value of the subsidiaries' assets and liabilities as at the financial year end. The measurement was categorised as a Level 2 fair value, as defined in Note 40 to the financial statements. The significant assumptions used refer to the fair value of the subsidiaries' investment properties and property, plant and equipment (Notes 17 and 16).

(iv) Fair value of financial instruments

Where the fair values of financial instruments recorded on the statements of financial position 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 40 to the financial statements.

(v) 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 2017 is S$1,198,000 (2016: S$1,067,000). Further details are given in Note 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical Judgements 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 a significant effect on the amounts recognised in the financial statements:

(i) 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, judgement 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.

(ii) Allowance for inventories obsolescence

Reviews are made periodically by management on inventories for inventory obsolescence and decline in net realisable value below cost. Allowances are recorded against the inventories for any such declines based on historical obsolescence and slow-moving experiences. Allowances for inventories are written back upon subsequent sale of the inventories.

During the financial year, the Group recognised an allowance of S$61,000 (2016: S$1,084,000) and wrote off inventories of S$13,000 (2016: S$1,261,000). The carrying amount of the Group's inventories as at 31 December 2017 was S$19,736,000 (2016: S$13,800,000).

(iii) 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 assets and deferred tax liabilities as at 31 December 2017 were S$698,000 (2016: S$787,000), S$195,000 (2016: S$686,000), S$151,000 (2016: S$170,000) and S$60,000 (2016: S$70,000) respectively.

(iv) Control over PT Technomas Internusa as a subsidiary

Note 19 to the financial statements describes that PT Technomas Internusa ("TIN") is a subsidiary of the Group although the Group does not own any equity interest in TIN. Based on the contractual arrangements between the Group and the shareholder of TIN, the Group has the power to direct the relevant activities of TIN. Therefore, the directors concluded that it has the practical ability to direct the relevant activities of TIN unilaterally and hence the Group has control over TIN.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4 TURNOVER

Turnover comprises the following:

	Group	
	2017 S$'000	2016 S$'000
Distribution of operator products and services	289,144	272,531
ICT distribution and managed services	47,954	41,369
Mobile devices distribution and retail	13,062	11,434
Battery electric vehicles/others	885	156
	351,045	325,490
Turnover from the sale of goods	344,367	318,794
Turnover from the rendering of services	6,678	6,696
	351,045	325,490

5 OTHER INCOME

	Group	
	2017 S$'000	2016 S$'000
Other income – operating:		
– Rental income	108	139
– Write-back of sundry payables	375	1,639
– Rebates	58	177
– Support service to a related party	–	207
– Others	105	239
	646	2,401
Other income – non-operating:		
– Gain on disposal of investment securities	62	–
– Fair value gains recycled to profit or loss on de-recognition	128	–
– Gain on disposal of property, plant and equipment	26	36
– Gain on revaluation of investment properties	94	–
– Write-back of related party payables (Note 35)	–	938
	310	974
Interest income:		
– Fixed deposits	574	601
– Bank balances	72	59
– Others	6	–
	652	660

Write-back of sundry and related party payables relate to certain accruals and liabilities that are no longer required.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6 PERSONNEL COSTS

	Group	
	2017 S$'000	2016 S$'000
Salaries and allowances	15,628	13,831
Central Provident Fund contributions	1,106	930
Defined benefit plan (Note 34)	286	235
Staff welfare	609	672
Insurance	166	184
Other personnel costs	276	506
	18,071	16,358

Other personnel costs include mainly medical fees, staff accommodation, recruitment cost, training cost and provision for unpaid leave balance.

7 PROFIT BEFORE TAXATION

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

	Group	
	2017 S$'000	2016 S$'000
Audit fees paid/payable to:		
– Auditors of the Company	381	361
– Other auditors	108	81
Non-audit fees paid/payable to:		
– Other auditors	6	6
Directors' fees:		
– Directors of the Company	158	158
Other professional fees	1,204	884
Equipment rental	232	214
Foreign exchange loss/(gain)	97	(75)
Telecommunication expenses	371	423
Travelling and entertainment	1,505	1,406
Impairment loss on trade debts (Note 11)	203	29
Impairment loss on non-trade debts (Note 12)	88	190
Impairment loss on loan receivable (Note 22)	–	1,838
Allowance for inventory obsolescence	61	1,085
Write-back of impairment loss on trade debts (Note 11)	–	(260)
Write-back of allowance for inventory obsolescence (Note 10)	(1,371)	(1,916)
Write off of inventories	13	1,261
Write off of trade debts	52	35
Write-back of impairment loss on non-trade debts (Note 12)	–	(14)
Gain on revaluation of investment properties	(94)	–
Interest expense on loans and borrowings	368	281

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8 TAXATION

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2017 and 2016 are:

	Group	
	2017 S$'000	2016 S$'000
Consolidated income statement:		
Current income tax		
– Current income taxation	1,115	1,021
– Under provision in respect of previous years	–	34
	1,115	1,055
Deferred income tax (Note 24)		
– Origination and reversal of temporary differences	25	109
Income tax expense	1,140	1,164

Foreign currency translation, net gain on available-for-sale financial assets and fair value gains recycled to profit or loss on de-recognition 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 profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017 S$'000	2016 S$'000
Profit before taxation	1,924	1,637
Tax at the domestic rates applicable to pre-tax profit or loss in the countries concerned*	258	924
Adjustments:		
Tax effect of expenses not deductible for tax purposes#	148	309
Deferred tax assets not recognised	836	390
Utilisation of deferred tax assets previously not recognised	(41)	(429)
Income not subject to taxation	(57)	(64)
Under provision in respect of previous years	–	34
Others	(4)	–
Income tax expense recognised in the income statement	1,140	1,164

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

The expenses not deductible for tax purposes mainly relate to allowance for inventory obsolescence and impairment loss on non-trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8 TAXATION (CONTINUED)

Relationship between tax expense and accounting profit (Continued)

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 subject 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	
	2017 S$'000	2016 S$'000
Unutilised tax losses	255,229	232,997

The unutilised tax losses do not expire except for unutilised tax losses relating to subsidiaries in Indonesia, Thailand, China and United States of America which have expiry periods of between 5 and 20 years. The breakdown of unutilised tax losses that will expire in the next 5 years is as follows:

	Group	
	2017 S$'000	2016 S$'000
Expiry dates		
31 December 2017	–	37,721
31 December 2018	15,070	21,974
31 December 2019	3,959	4,072
31 December 2020	12,311	6,601
31 December 2021	24,617	7,339
31 December 2022	8,311	–

9 EARNINGS PER SHARE

	Group	
	2017 Cents per share	2016 Cents per share
Basic and diluted earnings per share	5.79	3.37

9 EARNINGS PER SHARE (CONTINUED)

(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 year. The following table reflects the profit and share data used in the basic and diluted earnings per share computation for the following year:

	Group	
	2017 S$'000	2016 S$'000
Net profit attributable to ordinary shareholders for computing basic and diluted earnings per share	772	462

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10 INVENTORIES

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Inventories	19,736	13,800	–	–
Inventories recognised as an expense	316,925	295,241	–	–

The Group wrote back an allowance for inventories amounting to S$1,371,000 (2016: S$1,916,000) upon the sale of inventories that allowance thereof had been recognised previously.

The Group has subjected the inventories amounting to S$6,205,000 (2016: S$9,119,000) to collateral charge as security for bank facilities (Note 28).

11 TRADE RECEIVABLES

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Non-current				
Trade receivables	6	81	–	–
Current				
Trade receivables	14,331	12,250	1,016	1,079
Less: Allowance for impairment	(3,535)	(3,538)	(898)	(966)
	10,796	8,712	118	113
Total trade receivables	10,802	8,793	118	113
Add:				
Long-term loans and advances to subsidiaries (Note 23)	–	–	8,247	1,042
Other receivables and deposits (Note 12)	7,303	6,101	1,662	2,280
Cash and cash equivalents (Note 15)	19,346	20,377	5,149	6,108
Fixed deposits (Note 15(a))	2,940	11,503	–	9,872
Due from subsidiaries (Note 14)	–	–	58	2,026
Total loans and receivables	40,391	46,774	15,234	21,441

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.

Trade receivables that are neither past due nor impaired are creditworthy debtors with a good payment record with the Group and Company.

The Group's and the Company's financial assets neither past due nor impaired include trade receivables amounting to S$7,183,000 (2016: S$5,303,000) and S$1,000 (2016: S$2,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11 TRADE RECEIVABLES (CONTINUED)

Trade receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to S$2,903,000 (2016: S$3,309,000) and S$4,000 (2016: S$3,000) that are past due at the financial year end but not impaired. These trade receivables are unsecured and the analysis of their ageing at the financial year end is as follows:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Trade receivables past due for:				
Less than 30 days	1,950	1,530	1	1
31 to 60 days	300	439	1	1
61 to 90 days	174	267	1	1
More than 90 days	479	1,073	1	–
	2,903	3,309	4	3

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 6 months. These receivables are mainly arising by customers that have a good credit record with the Group.

Trade receivables that are impaired

Trade receivables that are individually determined to be impaired at the financial year end relate to debtors that are in significant financial difficulties and/or 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 financial year end and the movement of the allowance accounts used to record the impairment are as follows:

	Group			
	Collectively impaired		Individually impaired	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Trade receivables – nominal amounts	–	–	4,251	3,719
Less: Allowance for impairment	–	–	(3,535)	(3,538)
	–	–	716	181

Allowance for impairment loss is recognised based on management's best estimation of the amounts that may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11 TRADE RECEIVABLES (CONTINUED)

Trade receivables that are impaired (Continued)

Movement in the allowance account:

	Group			
	Collectively impaired		Individually impaired	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
At the beginning of the year	–	52	3,538	3,443
Charge for the year	–	2	203	27
Write-back	–	(89)	–	(171)
Exchange differences	–	35	(206)	239
At the end of the year	–	–	3,535	3,538

	Company	
	Individually impaired	
	2017 S$'000	2016 S$'000
Trade receivables – nominal amounts	1,011	1,074
Less: Allowance for impairment	(898)	(966)
	113	108
Movement in the allowance account:		
At the beginning of the year	966	964
Write-back	(12)	(20)
Exchange differences	(56)	22
At the end of the year	898	966

During the financial year, the Group and the Company wrote back an allowance of Nil (2016: S$260,000) and S$12,000 (2016: S$20,000) 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 S$112,000 (2016: S$259,000) as collateral to secure a subsidiary's bank loans (Note 28).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12 OTHER RECEIVABLES, DEPOSITS AND TAX RECOVERABLE

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Other receivables and deposits				
Current				
Other receivables				
– Third parties	6,871	5,626	931	1,734
– Related parties	842	907	842	907
	7,713	6,533	1,773	2,641
Less: Allowance for impairment	(1,665)	(1,635)	(807)	(811)
	6,048	4,898	966	1,830
Deposits	1,006	696	674	359
Interest receivable	136	336	22	91
	7,190	5,930	1,662	2,280
Non-current				
Other receivables	113	171	–	–
Total other receivables and deposits	7,303	6,101	1,662	2,280
Tax recoverable				
Current	195	686	–	–

Other receivables mainly relate to the deferred sales proceeds to be received for the disposal of subsidiaries, value-added tax receivables and accrued performance bonuses for the distribution of operator products and services.

The Group's and the Company's other receivables and deposits that are neither past due nor impaired amounted to S$4,302,000 (2016: S$3,166,000) and S$701,000 (2016: S$1,292,000) respectively.

The Group's and the Company's other receivables and deposits (excluding advances paid to suppliers of S$193,000 (2016: S$246,000)) that are past due but not impaired amounted to S$2,005,000 (2016: S$1,902,000) and S$961,000 (2016: S$988,000) respectively.

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of other receivables and deposits past due up to 6 months. These receivables are mainly arising by parties that have a good credit record with the Group.

Other receivables past due but not impaired

The analysis of the ageing of other receivables and deposits at the financial year end is as follows:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Other receivables and deposits past due for:				
Less than 30 days	70	49	–	–
31 to 60 days	3	3	–	–
61 to 90 days	1	70	–	–
More than 90 days	1,931	1,780	961	988
	2,005	1,902	961	988

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12 OTHER RECEIVABLES, DEPOSITS AND TAX RECOVERABLE (CONTINUED)

Other receivables that are impaired

Allowances for impairment losses are recognised against other receivables based on management's estimation of irrecoverable amounts.

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

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Other receivables – nominal amounts	2,468	2,422	807	811
Less: Allowance for impairment	(1,665)	(1,635)	(807)	(811)
	803	787	–	–

Movement in the allowance account:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
At the beginning of the year	1,635	1,446	811	809
Charge for the year	88	190	56	–
Exchange differences	(58)	13	(60)	16
Write-back	–	(14)	–	(14)
At the end of the year	1,665	1,635	807	811

13 PREPAYMENTS

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Current				
Other prepaid expenses	2,948	1,897	15	26
Prepaid selling expenses	502	1,104	–	–
	3,450	3,001	15	26
Non-current				
Other prepaid expenses	176	201	–	–
Total prepayments	3,626	3,202	15	26

Total prepaid expenses mainly relate to advance payments to vendors by subsidiaries and prepaid rental for offices and shops.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14 DUE FROM/(TO) SUBSIDIARIES

Amounts due from subsidiaries to the Company are stated after deducting allowance for impairment of S$20,591,000 (2016: S$22,460,000).

The net amounts due to subsidiaries are trade payables of S$3,968,000 (2016: S$3,968,000) and non-trade payables of S$2,745,000 (2016: S$963,000) in nature, repayable on demand, unsecured, interest-free and to be settled in cash.

Movement in the allowance account:

	Company	
	2017 S$'000	2016 S$'000
At the beginning of the year	22,460	22,144
Charge for the year	122	417
Write-back	(285)	(617)
Exchange differences	(1,706)	516
At the end of the year	20,591	22,460

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Fixed deposits	8,796	11,045	4,575	4,913
Cash and bank balances	10,550	9,332	574	1,195
	19,346	20,377	5,149	6,108
Less: Cash and bank deposits pledged	(5,778)	(2,907)	(3,233)	–
Add: Unpledged fixed deposits (Note 15(a))	622	9,872	–	9,872
Cash and cash equivalents per statement of cash flows	14,190	27,342	1,916	15,980

Fixed deposits with financial institutions mature in varying periods from the financial year end.

Fixed deposits earn interest at the effective interest rates ranging from 0.25% to 9.0% (2016: 0.20% to 8.8%) per annum. The maturity dates are between 1 January 2018 and 24 March 2018 (2016: between 9 January 2017 and 23 March 2017).

Cash at bank earns interest at floating rates based on daily bank deposits ranging from 0.05% to 6.5% (2016: 0.05% to 2.75%) per annum.

15 CASH AND CASH EQUIVALENTS (CONTINUED)

Fixed deposits of S$5,778,000 (2016: S$2,907,000) are pledged as security for trust receipts, bank guarantees, standby letters of credit and other bank services.

Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents are presented net of pledged fixed deposits.

15(a) FIXED DEPOSITS

Fixed deposits comprise the following:

	Group	Company

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16 PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and fittings S$'000	Computer equipment S$'000	Office equipment S$'000	Motor vehicles S$'000	Leasehold improvements S$'000	Buildings S$'000	Work in progress S$'000	Total S$'000
Group								
2017								
Cost								
At 1 January	1,795	18,646	844	523	804	2,645	1,339	26,596
Additions	12	177	88	1,345	36	–	4,814	6,472
Revaluation loss (Note 32(b))	–	–	–	–	–	(74)	–	(74)
Reclassified from Investment Properties (Note 17)	–	–	–	–	–	98	–	98
Disposals/write-offs	(1,572)	(56)	(28)	(60)	(364)	(497)	–	(2,577)
Translation differences	(52)	(914)	403	(32)	(19)	(159)	(14)	(787)
Adjustments	4	–	–	1,295	–	62	(1,361)	–
At 31 December	187	17,853	1,307	3,071	457	2,075	4,778	29,728
Accumulated depreciation								
At 1 January	1,729	18,162	715	223	573	362	–	21,764
Depreciation charge for the year	25	228	63	264	165	161	–	906
Revaluation loss (Note 32(b))	–	–	–	–	–	(42)	–	(42)
Disposals/write-offs	(1,572)	(49)	(25)	(37)	(364)	(110)	–	(2,157)
Translation differences	(54)	(899)	405	(53)	(29)	(28)	–	(658)
At 31 December	128	17,442	1,158	397	345	343	–	19,813
Accumulated impairment								
At 1 January	6	6	8	–	14	–	–	34
Impairment charge for the year	–	–	–	–	–	64	–	64
Translation differences	–	–	1	–	(1)	35	–	35
At 31 December	6	6	9	–	13	99	–	133
Net carrying amount								
At 31 December	53	405	140	2,674	99	1,633	4,778	9,782

The Group has engaged an independent external valuer to assess the valuation of buildings in Indonesia for the financial year ended 31 December 2017. Impairment charge for the year of S$64,000 is made on certain buildings where the fair values are lower than the costs of these buildings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fixtures and fittings S$'000	Computer equipment S$'000	Office equipment S$'000	Motor vehicles S$'000	Leasehold improvements S$'000	Buildings S$'000	Work in progress S$'000	Total S$'000
Group								
2016								
Cost								
At 1 January	1,696	18,414	779	804	669	5,056	–	27,418
Additions	20	59	59	180	180	–	1,338	1,836
Revaluation gain (Note 32(b))	–	–	–	–	–	2,158	–	2,158
Reclassified to Investment Properties (Note 17)	–	–	–	–	–	(2,434)	–	(2,434)
Disposals/write-offs	(1)	(47)	(13)	(463)	(69)	(1,085)	–	(1,678)
Translation differences	80	220	15	2	28	208	1	554
Revaluation adjustments	–	–	–	–	–	(1,258)	–	(1,258)
Adjustments	–	–	4	–	(4)	–	–	–
At 31 December	1,795	18,646	844	523	804	2,645	1,339	26,596
Accumulated depreciation								
At 1 January	1,634	17,727	670	409	464	1,258	–	22,162
Depreciation charge for the year	24	284	55	24	176	331	–	894
Disposals/write-offs	–	(42)	(4)	(213)	(69)	(19)	–	(347)
Translation differences	77	199	2	3	16	50	–	347
Revaluation adjustments	–	–	–	–	–	(1,258)	–	(1,258)
At 31 December	1,735	18,168	723	223	587	362	–	21,798
Net carrying amount								
At 31 December	60	478	121	300	217	2,283	1,339	4,798

Work in progress

Work in progress assets amounting to S$4,778,000 (2016: S$1,339,000) comprises of battery electric vehicles and other miscellaneous tools and parts that are not capable of being used during the current financial year.

Assets held under finance lease

The carrying amount of property, plant and equipment held under finance leases as at 31 December 2017 was S$49,000 (2016: S$286,000) and S$15,000 (2016: Nil) for the Group and the Company respectively. The leased assets have been pledged as security for the related finance liability.

Impairment of assets

During the current financial year, an impairment loss of S$64,000 (2016: Nil) representing the write-down on the fair value of property, plant and equipment was recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Buildings at fair value

The fair value of the Group's buildings as at 31 December 2017 has been arrived at on the basis of a valuation carried out by KJPP Toto Suharto & Rekan, an independent valuer with appropriate qualifications and experience in the valuation of properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices of similar properties.

Details of the Group's buildings and information about the fair value hierarchy (Note 40) are as follows:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Office buildings – Indonesia	–	1,633	–	1,633

Level 2 fair value of the Group's buildings have been derived using the market data approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is the selling price per square meter and the usage of the property.

Had the buildings been measured at cost less accumulated depreciation, the carrying amount would have been as follows:

	Group	
	2017 S$'000	2016 S$'000
Buildings		
– Cost	1,658	2,006
– Accumulated depreciation and impairment	(581)	(601)
– Net carrying amount	1,077	1,405

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computer equipment S$'000	Office equipment S$'000	Motor vehicles S$'000	Total S$'000
Company				
2017				
Cost				
At 1 January	5,057	196	–	5,253
Additions	13	33	154	200
Disposals	(1)	–	–	(1)
Translation differences	(385)	(16)	(1)	(402)
At 31 December	4,684	213	153	5,050
Accumulated depreciation				
At 1 January	5,036	195	–	5,231
Depreciation charge for the year	14	10	17	41
Disposals	(1)	–	–	(1)
Translation differences	(384)	(15)	–	(399)
At 31 December	4,665	190	17	4,872
Net carrying amount				
At 31 December	19	23	136	178
2016				
Cost				
At 1 January	4,928	191	367	5,486
Additions	14	1	–	15
Disposals	–	–	(357)	(357)
Translation differences	115	4	(10)	109
At 31 December	5,057	196	–	5,253
Accumulated depreciation				
At 1 January	4,880	190	160	5,230
Depreciation charge for the year	40	1	25	66
Disposals	–	–	(181)	(181)
Translation differences	116	4	(4)	116
At 31 December	5,036	195	–	5,231
Net carrying amount				
At 31 December	21	1	–	22

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

17 INVESTMENT PROPERTIES

	Group	
	2017 S$'000	2016 S$'000
At fair value		
Balance at beginning of year	2,434	–
Transferred (to)/from property, plant and equipment (Note 16)	(98)	2,434
Gain from fair value adjustment	94	–
Translation differences	(130)	–
Balance at end of year	2,300	2,434

The fair value of the Group's investment properties as at 31 December 2017 has been arrived at on the basis of a valuation carried out by KJPP Toto Suharto & Rekan, an independent valuer with appropriate qualifications and experience in the valuation of properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices of similar properties.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Commercial property – Indonesia	–	2,300	–	2,300

Level 2 fair value of the Group's investment properties have been derived using the market data approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is the selling price per square meter and the usage of the property.

Investment properties are held mainly for use by tenants under operating leases. The following amounts are recognised in the Group's income statement:

	Group	
	2017 S$'000	2016 S$'000
Rental income	108	139
Direct operating expenses arising from investment properties that generated rental income	111	114

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18 INTANGIBLE ASSETS

	Goodwill S$'000	Licensing, patents and trademarks S$'000	Customer contracts S$'000	Order backlog S$'000	Customer relationship S$'000	Marketing rights S$'000	Deferred development costs S$'000	Total S$'000
Group								
2017								
Cost								
At 1 January	134,179	26,537	53	631	53,420	1,131	3,882	219,833
Additions	–	24	–	–	–	–	–	24
Disposals	–	(5)	–	–	–	–	–	(5)
Translation differences	(4,327)	(205)	–	–	–	–	(295)	(4,827)
At 31 December	129,852	26,351	53	631	53,420	1,131	3,587	215,025
Accumulated amortisation and impairment								
At 1 January	134,179	26,534	53	631	53,420	1,131	3,882	219,830
Amortised during the year	–	7	–	–	–	–	–	7
Disposals	–	(5)	–	–	–	–	–	(5)
Translation differences	(4,327)	(206)	–	–	–	–	(295)	(4,828)
At 31 December	129,852	26,330	53	631	53,420	1,131	3,587	215,004
Net carrying amount								
At 31 December	–	21	–	–	–	–	–	21
2016								
Cost								
At 1 January	132,045	26,375	53	631	53,420	1,131	3,787	217,442
Additions	–	80	–	–	–	–	–	80
Translation differences	2,134	82	–	–	–	–	95	2,311
At 31 December	134,179	26,537	53	631	53,420	1,131	3,882	219,833
Accumulated amortisation and impairment								
At 1 January	132,045	26,333	53	631	53,420	1,131	3,787	217,400
Amortised during the year	–	119	–	–	–	–	–	119
Adjustments	–	4	–	–	–	–	(4)	–
Translation differences	2,134	78	–	–	–	–	99	2,311
At 31 December	134,179	26,534	53	631	53,420	1,131	3,882	219,830
Net carrying amount								
At 31 December	–	3	–	–	–	–	–	3

The Group has fully impaired the goodwill and intangible assets, except for S$21,000 (2016: S$3,000) relating to licensing.

The remaining amortisation period as at 31 December 2017 is 1 to 3 years for licensing, patents and trademarks.

NOTES TO THE FINANCIAL STATEMENTS

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18 INTANGIBLE ASSETS (CONTINUED)

	Licensing, patents and trademarks S$'000	Deferred development costs S$'000	Total S$'000
Company			
2017			
Cost			
At 1 January	2,520	3,702	6,222
Additions	19	–	19
Translation differences	(192)	(281)	(473)
At 31 December	2,347	3,421	5,768
Accumulated amortisation and impairment			
At 1 January	2,517	3,702	6,219
Amortised during the year	6	–	6
Translation differences	(192)	(281)	(473)
At 31 December	2,331	3,421	5,752
Net carrying amount			
At 31 December	16	–	16
2016			
Cost			
At 1 January	2,463	3,787	6,250
Translation differences	57	(85)	(28)
At 31 December	2,520	3,702	6,222
Accumulated amortisation and impairment			
At 1 January	2,424	3,787	6,211
Amortised during the year	35	–	35
Translation differences	58	(85)	(27)
At 31 December	2,517	3,702	6,219
Net carrying amount			
At 31 December	3	–	3

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

19 INVESTMENT IN SUBSIDIARIES

	Company 2017 S$'000	Company 2016 S$'000
Unquoted equity shares, at cost		
Beginning of the year	314,072	269,273
Capitalisation of long-term loans	–	44,799
End of the year	314,072	314,072
Less: Allowance for impairment	(285,706)	(289,005)
	28,366	25,067

Movement in the allowance account:

	Company 2017 S$'000	Company 2016 S$'000
At the beginning of the year	289,005	263,361
Charge for the year	–	1,358
Write-back	(3,299)	(10,895)
Capitalisation of long-term loans (Note 23)	–	35,322
Exchange differences	–	(141)
At the end of the year	285,706	289,005

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 2017 %	Percentage of equity interest held by the Group 2016 %
Held by the Company				
MediaRing.com, Inc[(b)]	To market and sell telecommunication services	USA	100	100
Singapore Electric Vehicles Pte Ltd (formerly known as S Dreams Pte Ltd)[(c)]	Passenger land transport, motor vehicles dealership and retail of spare parts and accessories for vehicles	Singapore	100	100
MediaRing (Europe) Limited[(e)]	Dormant	United Kingdom	100	100
Alpha One Limited[(g)]	To market and sell telecommunication services	Hong Kong	100	100
Cavu Corp Pte Ltd[(c)]	To supply, rent, maintain and service computer hardware and peripheral equipment	Singapore	100	100

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

19 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group 2017 %	2016 %
Held by the Company (Continued)				
Bharat IT Services Limited[(a)]	To supply, rent, maintain and service computer hardware	India	100	100
Spice-CSL Pte Ltd[(c)]	Procurement, OEM, manufacturing, distribution and sale of mobile handsets and accessories	Singapore	100	100
Spice International Sdn. Bhd.[(a)]	In the business of procurement, OEM, manufacturing, distribution and sale of mobile handsets and accessories, computer and electronic equipment and consultancy services	Malaysia	100	100
Newtel Corporation Company Limited[(h)]	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
Affinity Capital Pte. Ltd[(c)]	Investment holding and distributor of handphone	Singapore	100	100
PT. Selular Media Infotama[(a)]	Retail and distributor of telecommunication equipment and prepaid phone cards and top up vouchers	Indonesia	99.98	99.98
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 Service International Co. Ltd (China)[(f)]	Technical advice and services and supply chain management services	People's Republic of China	51	51
CSL Communication (Shenzhen) Co. Ltd (China)[(f)]	Trading of mobile handsets	People's Republic of China	51	51

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

19 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group 2017 %	2016 %
Held by subsidiaries				
Held by Alpha One Limited				
MediaRing.com (Shanghai) Limited[(d)]	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[(a)]	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[(i),(j)]	To supply, rent, maintain and service computer hardware and peripheral equipment	India	100	100
Held by Centia Pte Ltd				
Centia Technologies Sdn Bhd[(a)]	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[(a)]	To market computer software and render computer related services	Malaysia	100	100

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19 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group 2017 %	2016 %
Held by the subsidiaries (Continued)				
Held by Delteq Systems (M) Sdn Bhd				
Delteq (M) Sdn Bhd[(a)]	To market computer hardware and software and render computer related services	Malaysia	100	100
Held by Newtel Corporation Company Limited				
T.H.C. International Co., Ltd[(h)]	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 cards and top up vouchers	Indonesia	99.99	99.99
Held by PT. Selular Media Infotama				
PT. Metrotech Jaya Komunika Indonesia[(a)]	Distributor of telecommunication equipment	Indonesia	99.78	99.78
PT Technomas Internusa[(a),(k)]	Distributor of prepaid phone cards and top up vouchers	Indonesia	–	–
Held by PT. Metrotech Jaya Komunika				
PT. Metrotech Makmur Sejahtera[(a)]	Distributor of telecommunication equipment	Indonesia	49	49

(a) Audited by a member firm of Moore Stephens International Limited of which Moore Stephens LLP, Singapore is a member
(b) Not required to be audited by the laws of its country of incorporation
(c) Audited by Moore Stephens LLP, Singapore
(d) Audited by Shanghai Yunhao Certified Public Accountants Co. Ltd.
(e) Audited by Blick Rothenberg Chartered Accountants, United Kingdom
(f) Audited by Shenzhen Long De CPA
(g) Audited by F.L. Chim & Co. Hong Kong
(h) Audited by Penn & W Audit Co. Ltd.
(i) Audited by Rishi Jain & Co, CA, Bangalore
(j) The Group deferred the liquidation of Peremex Computer Systems Private Limited during the financial year
(k) Refer to Note 3(b)(iv) for the assessment of control over PT Technomas Internusa

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

19 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Impairment testing of investment in subsidiaries

No impairment loss was made for the financial year ended 31 December 2017 (2016: Impairment loss of S$1,358,000). During the current financial year, the Company has written back impairment losses of S$3,299,000 (2016: S$10,895,000) based on the recoverable amount of its subsidiaries. The recoverable amount of investment has been determined based on management's assessment of the fair value of the subsidiaries' assets and liabilities as at the financial year end. The measurement was categorised as a Level 2 fair value, as defined in Note 40 to the financial statements. The significant assumptions used refer to the fair value of the subsidiaries' investment properties and property, plant and equipment (Notes 17 and 16).

Non-controlling interests

There are no material non-controlling interests of non wholly-owned subsidiaries to be disclosed.

20 INVESTMENT IN ASSOCIATE

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Unquoted shares, at cost	63	68	63	68
Share of post-acquisition reserves	(63)	(68)	(63)	(68)
Carrying amount of investments	–	–	–	–

Name	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group 2017 %	2016 %
Held by the Company				
Vipafone (Proprietary) Limited[(a)]	To market and sell telecommunication services	South Africa	40.0	40.0

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

Unrecognised share of losses of associate

The Group has not recognised losses relating to Vipafone (Proprietary) Limited where its share of losses exceed the Group's interest in this associate as the Group has no obligation in respect of these losses. Based on the information available to the Group, the Group's cumulative unrecognised losses in Vipafone (Proprietary) Limited is not material.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21 INVESTMENT SECURITIES

	Group and Company	
	2017 S$'000	2016 S$'000
Non-current		
Available-for-sale financial assets		
– Quoted equity investment	–	231

The Group has fully disposed its investment securities during the financial year ended 31 December 2017 for a consideration of S$250,000. Accordingly, the Group recognised a fair value gain amounting to S$62,000 for the current financial year.

22 LOAN RECEIVABLE

	Group and Company	
	2017 S$'000	2016 S$'000
Third party	1,838	1,838
Less: Allowance for impairment	(1,838)	(1,838)
	–	–

An impairment loss of S$1,838,000 was recognised during the financial year ended 31 December 2016 after taking into consideration the probability of default or significant delay in repayment by the debtor.

Movement in the allowance account:

	Group and Company	
	2017 S$'000	2016 S$'000
At the beginning of the year	1,838	–
Charge for the year	–	1,838
At the end of the year	1,838	1,838

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23 LONG-TERM LOANS AND ADVANCES TO SUBSIDIARIES

	Company	
	2017 S$'000	2016 S$'000
Long-term loans and advances treated as part of net investment in subsidiaries	48,231	52,222
Long-term loans to subsidiaries	53,139	43,998
Less: Allowance for impairment	(93,123)	(95,178)
	8,247	1,042

Long-term loans and advances treated as part of the 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 between 4% and 5% (2016: 5%) per annum and have fixed repayment terms of between 2 and 7 years (2016: 7 years). The contractual undiscounted cash flows for long-term loans to subsidiaries amounted to S$8,812,000 (2016: S$1,318,000).

Movement in the allowance account:

	Company	
	2017 S$'000	2016 S$'000
At the beginning of the year	95,178	131,600
Charge for the year	988	511
Write-back for the year	–	(3,721)
Capitalised as investment cost (Note 19)	–	(35,322)
Exchange differences	(3,043)	2,110
At the end of the year	93,123	95,178

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

24 DEFERRED INCOME TAX

	Group		
	Provisions S$'000	Revaluation gain on property, plant and equipment S$'000	Total S$'000
Deferred tax assets/(liabilities)			
2017			
At 1 January	170	(70)	100
Charged to the income statement (Note 8)	(25)	–	(25)
Transferred to accumulated losses upon disposal of property, plant and equipment (Note 31)	–	9	9
Exchange differences	6	1	7
At 31 December	151	(60)	91
2016			
At 1 January	233	–	233
Charged to the income statement (Note 8)	(109)	–	(109)
Charged to other comprehensive income:			
– Revaluation on property, plant and equipment (Note 32(b))	–	(86)	(86)
Transferred to accumulated losses upon disposal of property, plant and equipment (Note 31)	–	16	16
Exchange differences	46	–	46
At 31 December	170	(70)	100

Deferred tax liabilities are to be settled after one year.

	2017 S$'000	2016 S$'000
Deferred tax assets:		
– to be recovered within one year	**87**	96
– to be recovered after one year	**64**	74
	151	170

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

25 TRADE CREDITORS

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Trade creditors	13,173	6,984	109	157
Add:				
Other creditors and accruals (excluding employee benefit obligation) (Note 26)	6,117	7,036	1,275	1,624
Lease obligations (Note 27)	33	18	20	–
Loans and bank borrowings (Note 28)	7,344	2,527	2,972	–
Due to subsidiaries (Note 14)	–	–	6,771	6,957
Total financial liabilities carried at amortised cost	26,667	16,565	11,147	8,738

Trade creditors are non-interest bearing and are normally settled on 30 to 120 days' terms.

26 OTHER CREDITORS AND ACCRUALS

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Amounts due to related parties	192	191	29	31
Other creditors	2,022	1,624	474	519
Employee benefit obligation (Note 34)	239	72	–	–
Accrued operating expenses	3,662	4,943	763	1,009
Deposits received	232	278	–	65
Accrued interest	9	–	9	–
	6,356	7,108	1,275	1,624

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

As at 31 December 2017, the Group's and the Company's total accrued operating expenses, including employee benefit obligation, consist of an amount of S$1,002,000 (2016: S$1,120,000) and Nil (2016: S$31,000) trade accruals as well as amounts of S$2,899,000 (2016: S$3,895,000) and S$763,000 (2016: S$978,000) sundry accruals respectively. These accruals are non-interest bearing and are to be settled within the next twelve months.

Sundry accruals mainly relate to accruals for payroll expenses, professional fees and administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27 LEASE OBLIGATIONS

The Group has finance leases for office 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 16). The average discount rate implicit to the leases is 4.28% (2016: 9%) per annum.

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

	2017		2016	
	S$'000 Minimum lease payments	S$'000 Present value of minimum lease payments	S$'000 Minimum lease payments	S$'000 Present value of minimum lease payments
Group				
Not later than one year	19	18	18	18
Later than one year but not later than five years	16	15	–	–
Later than five years	–	–	–	–
Total minimum lease payments	35	33	18	18
Less: Amounts representing finance charges	(2)	–	*	–
Present value of minimum lease payments	33	33	18	18
Company				
Not later than one year	6	5	–	–
Later than one year but not later than five years	16	15	–	–
Later than five years	–	–	–	–
Total minimum lease payments	22	20	–	–
Less: Amounts representing finance charges	(2)	–	–	–
Present value of minimum lease payments	20	20	–	–

* Less than S$1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28 LOANS AND BANK BORROWINGS

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Loans and bank borrowings	7,344	2,527	2,972	–

The loans of the Group bear interest at rates ranging from 5% and 11% (2016: 3% to 11%) per annum and are repayable within the next 12 months.

Loans amounting to S$4,372,000 (2016: S$2,527,000) are secured over a subsidiary's trade receivables (Note 11) and inventories (Note 10). Repayment of these loans is due on demand.

The reconciliation of movements of liabilities to cash flow arising from financing activities is presented below:

	1 January 2017 S$'000	Cash flows Proceeds S$'000	Cash flows Repayments S$'000	Plant and equipment S$'000	Exchange S$'000	31 December 2017 S$'000
Loans and bank borrowings	2,527	148,020	(142,889)	-	(314)	7,344
Lease obligations	18	–	(30)	45	–	33
	2,545	148,020	(142,919)	45	(314)	7,377

29 SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of shares '000	Share Capital S$'000	Number of shares '000	Share Capital S$'000
Fully paid ordinary shares				
At the beginning of the year	13,712	580,518	13,712	590,515
Capital reduction	–	–	–	(9,997)
At the end of the year	13,712	580,518	13,712	580,518

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.

On 30 June 2016, the Company completed the reduction of the issued and paid-up share capital by cash distribution to the shareholders in the sum of S$0.729 for each fully paid-up ordinary share in the capital of the Company.

Taking the effect of the shares buy-back by the Company during the financial year, the weighted average number of ordinary shares as at 31 December 2017 amounted to 13,329,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30 TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are held by the Company. The Company acquired 1,232,500 (2016: Nil) shares in the Company through purchases on the Singapore Exchange (SGX) during the financial year. The total amount paid to acquire the shares was S$3,779,000 (2016: Nil) and this was presented as a component within shareholders' equity. The directly attributable incremental cost amounted to S$134,000.

31 ACCUMULATED LOSSES

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
At the beginning of the year	(457,516)	(458,390)	(479,023)	(482,029)
Profit/(loss) for the year	772	462	(533)	3,006
Unclaimed dividend distribution	11	–	–	–
Transferred from revaluation reserve (Note 32(b))	222	396	–	–
Transferred from deferred tax liability (Note 24)	9	16	–	–
Remeasurement of defined benefit plans	119	–	–	–
At the end of the year	(456,383)	(457,516)	(479,556)	(479,023)

32 OTHER RESERVES

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Reserve on acquisition of non-controlling interest	3,389	3,389	–	–
Revaluation reserve	1,422	1,676	–	–
Fair value adjustment reserve	–	128	–	128
Employee share-based payment reserve	253	253	253	253
Share issue costs	(9,038)	(9,038)	(9,038)	(9,038)
Purchase of treasury shares	(134)	–	(134)	–
Total other reserves	(4,108)	(3,592)	(8,919)	(8,657)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

32 OTHER RESERVES (CONTINUED)

(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 the fair value of the consideration on the acquisition of a non-controlling interest.

	Group	
	2017 S$'000	2016 S$'000
At the beginning and end of the year	3,389	3,389

(b) Revaluation Reserve

The revaluation reserve arises on the revaluation of property, plant and equipment.

	Group	
	2017 S$'000	2016 S$'000
At the beginning of the year	1,676	–
(Impairment)/increase arising on revaluation of property, plant and equipment (Note 16)	(32)	2,158
Deferred tax liability arising on revaluation (Note 24)	–	(86)
Transferred to accumulated losses upon disposal of property, plant and equipment (Note 31)	(222)	(396)
At the end of the year	1,422	1,676

(c) 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	
	2017 S$'000	2016 S$'000
At the beginning of the year	128	35
Net change in the reserve	(128)	93
At the end of the year	–	128
Net change in the reserve arises from:		
– fair value gain on quoted equity investment	–	93
– fair value gains recycled to profit or loss on de-recognition	(128)	–
	(128)	93

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

32 OTHER RESERVES (CONTINUED)

(d) 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.

The share options and performance shares granted had lapsed. According to FRS 102, the Group is not allowed to subsequently reverse the amount recognised for services received from an employee if the vested equity instruments are later forfeited or, in the case of share options, the options are not exercised.

	Group and Company	
	2017	2016
	S$'000	S$'000
At the beginning and end of the year	253	253

(e) Share Issue Cost

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

	Group and Company	
	2017	2016
	S$'000	S$'000
At the beginning and end of the year	(9,038)	(9,038)

(f) Purchase of treasury shares

The reserve for the Company's treasury shares comprises the directly attributable transaction costs in acquiring the treasury shares as disclosed in Note 30 to the financial statements. The total directly attributable transaction costs paid to acquire the shares was S$134,000 (2016: nil).

33 TRANSLATION RESERVE

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
At the beginning of the year	(67,833)	(68,864)	(54,786)	(54,489)
Exchange differences arising on translating the net assets of foreign operations	(2,656)	1,031	(816)	(297)
At the end of the year	(70,489)	(67,833)	(55,602)	(54,786)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34 EMPLOYEE BENEFITS

(a) Employee share incentive plan

The Company has employee share incentive plans for 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

This scheme had lapsed in the year 2009 and had since been discontinued. The last outstanding option under this scheme lapsed in April 2016. There are no outstanding options under this scheme.

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

This scheme had lapsed in year 2009 and had since been discontinued. There are no outstanding options under this scheme.

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

The S i2i RSP and S i2i PSP had lapsed in April 2016 and had since been discontinued. There are no outstanding restricted share awards or performance share awards pending under these schemes.

(iv) S i2i Employee Stock Option Plan 2014 ("ESOP 2014")

The ESOP 2014 was approved by the shareholders in their meeting held on 15 April 2014 with an objective to gradually phase out the S i2i 1999 Employee' Share Option Scheme and the 1999 S i2i Employees' Share Option Scheme II as no new options can be granted under these Schemes. Pursuant to ESOP 2014, the Remuneration Committee ("RC") has the authority to grant options to present and future employees of the Group as well as to other persons who are eligible under ESOP 2014 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.

ESOP 2014 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.

On 27 March 2015, a total of 274,200,000 stock options were granted to the Directors under the ESOP 2014. The options granted at an exercise price of S$0.0024 were to be vested after 2 years from the date of the grant. The options can be exercised up to 10 years from the date of the grant.

As at the end of the financial year, all options granted had lapsed.

NOTES TO THE FINANCIAL STATEMENTS

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34 EMPLOYEE BENEFITS (CONTINUED)

(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 statement of financial position are as follows:

	Group	
	2017 S$'000	**2016 S$'000**
Current portion (Note 26)	239	72
Non-current portion	959	995
	1,198	1,067

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

	Group	
	2017 S$'000	**2016 S$'000**
Current service costs	191	124
Interest costs	86	73
Gains on curtailments and settlements	9	(8)
Employee benefit expense for leave encashment	–	46
Net employee benefits expense (Note 6)	286	235

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

	Group	
	2017 S$'000	**2016 S$'000**
Benefit obligation at the beginning of the year	1,067	848
Retirement benefit expenses recognised in the income statement	286	235
Benefits paid	(57)	(18)
Translation differences	(98)	2
Benefit obligation at the end of the year	1,198	1,067

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34 EMPLOYEE BENEFITS (CONTINUED)

(b) Post-Employment Defined Benefit Plans (Continued)

The principal assumptions used by independent actuaries in determining the post-employment obligations for certain subsidiaries' plans are as follows:

Annual discount rate	:	7 – 8.5%
Annual salary increment rate	:	5 – 5.5%
Annual employee turnover rate	:	0 – 2%
Mortality rate reference	:	IALM[1] 2006-2008 Ultimate and 100% TMI3[2]
Disability rate	:	0 – 5% TMI3[2]
Retirement age	:	55 – 58 years

1 Indian Assured Lives Mortality

2 Tabel Mortalita Indonesia 3

35 RELATED PARTY TRANSACTIONS

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.

(a) Sale and Purchase of Goods and Services and Others

	Group	
	2017 S$'000	2016 S$'000
Management income from an entity owned by a significant shareholder	–	21
Sale of goods to entities owned by a significant shareholder	75	21
Rental of office space from a company owned by a significant shareholder	(1,221)	(1,387)
Purchases of plant and equipment from a company related to a director	214	–
Payment on behalf of a company related to a director	39	5
Rental income from a company related to a significant shareholder	–	2
Write-back of amount due to a related party	–	938

During the previous financial year, the Group rendered support services for procurement of mobility products of S$21,000 to a company owned by a significant shareholder.

The Group sold goods amounting to S$75,000 to entities owned by a significant shareholder.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and Purchase of Goods and Services and Others (Continued)

The Group entered into a contract with Smart Innovation Global Pte. Ltd., a firm owned by a significant shareholder, for the rental of an office space for an amount of S$1,221,000 (2016: S$1,387,000).

During the current financial year, the Group bought plant and equipment of S$214,000 from a company related to a director and also made a payment of S$39,000 on behalf of a company related to a director.

During the previous financial year, one of the subsidiaries of the Company earned rental income of approximately S$2,000 from a company which is owned by a significant shareholder.

During the previous financial year, the Group wrote-back an amount due to a related party, which is owned by a significant shareholder, of S$938,000.

(b) Compensation of Key Management Personnel

	Group	
	2017 S$'000	2016 S$'000
Short-term employee benefits	1,309	1,244
Central Provident Funds contributions	43	55
Total compensation paid to key management personnel	1,352	1,299

	Group	
	2017 S$'000	2016 S$'000
Comprise amounts paid to:		
Independent directors of the Company – Directors' fees	158	158
Executive Director and other key management personnel	1,194	1,141
	1,352	1,299

36 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 year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(a) Contingent Liabilities (Continued)

Corporate guarantees

	Group	
	2017 S$'000	2016 S$'000
Corporate guarantees provided to enable subsidiaries to obtain credit facilities and banking facilities:		
– Total facilities	13,659	16,645
– Total outstanding	2,338	1,873

(b) Operating Lease Commitments – As Lessee

The Group leases certain properties under lease agreements that are non-cancellable. 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	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Within 1 year	1,114	852	646	649
Within 2 to 5 years	426	314	–	14
	1,540	1,166	646	663

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2017 amounted to S$2,288,000 (2016: S$1,889,000) and S$818,000 (2016: S$277,000) for the Group and Company respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(c) Operating Lease Commitments – As Lessor

The Group has entered into various non-cancellable lease commitments in respect of lease equipment and properties for a period of 1 to 5 years.

Future minimum lease receivables under non-cancellable operating leases at the end of the financial year are as follows:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Within 1 year	749	525	–	–
Within 2 to 5 years	152	172	–	–
	901	697	–	–

(d) Capital Commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements is as follows:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Commitments in respect of property, plant and equipment	125	413	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37 SEGMENT INFORMATION

(a) Operating Segments

	Distribution of operator products and services S$'000	ICT distribution and managed services S$'000	Mobile devices distribution and retail S$'000	Battery Electric Vehicles S$'000	Group S$'000
2017					
Turnover – external sales	289,144	47,954	13,062	885	351,045
Purchases and changes in inventories and direct service fees incurred	(275,375)	(33,346)	(11,505)	(46)	(320,272)
Commissions and other selling expenses	(33)	(229)	(26)	–	(288)
Other income – operating	256	347	23	20	646
Personnel costs	(7,225)	(9,069)	(933)	(844)	(18,071)
Infrastructure costs	(1,143)	(1,148)	(516)	(26)	(2,833)
Marketing expenses	(1,293)	(9)	(13)	(121)	(1,436)
Foreign exchange (loss)/gain	(112)	45	(44)	14	(97)
Other expenses – operating	(2,183)	(3,187)	(674)	(182)	(6,226)
Interest income from cash deposits	168	457	22	5	652
Finance costs	(280)	(85)	(3)	–	(368)
Depreciation of property, plant and equipment	(280)	(303)	(99)	(224)	(906)
Amortisation of intangible assets	(5)	(2)	–	–	(7)
Gain on disposal of property, plant and equipment	23	–	3	–	26
Gain on revaluation of investment properties	85	–	9	–	94
Impairment loss on property, plant and equipment	(58)	–	(6)	–	(64)
Gain on disposal of investment securities	48	–	9	5	62
Fair value gains recycled to profit or loss on de-recognition	38	90	–	–	128
Others	(91)	(44)	(26)	–	(161)
Profit/(loss) before taxation	1,684	1,471	(717)	(514)	1,924
Taxation	(319)	(785)	(36)	–	(1,140)
Profit/(loss) after taxation	1,365	686	(753)	(514)	784
Segment assets	33,341	29,051	6,135	7,675	76,202
Segment liabilities	11,872	14,327	1,116	3,230	30,545
Capital expenditure	173	156	11	6,156	6,496

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37 SEGMENT INFORMATION (CONTINUED)

(a) Operating Segments (Continued)

	Distribution of operator products and services S$'000	ICT distribution and managed services S$'000	Mobile devices distribution and retail S$'000	Battery Electric Vehicles S$'000	Group S$'000
2016					
Turnover – external sales	272,531	41,369	11,434	156	325,490
Purchases and changes in inventories and direct service fees incurred	(259,412)	(29,638)	(10,121)	(50)	(299,221)
Commissions and other selling expenses	(18)	(214)	(4)	(26)	(262)
Other income – operating	296	1,749	355	1	2,401
Personnel costs	(6,583)	(8,547)	(1,006)	(222)	(16,358)
Infrastructure costs	(1,030)	(1,061)	(530)	(1)	(2,622)
Marketing expenses	(751)	(6)	(12)	(140)	(909)
Foreign exchange gain/(loss)	103	(4)	(16)	(8)	75
Other expenses – operating	(2,932)	(2,410)	(222)	(55)	(5,619)
Interest income from cash deposits	214	418	27	1	660
Finance costs	(165)	(112)	(4)	–	(281)
Depreciation of property, plant and equipment	(420)	(282)	(145)	(47)	(894)
Amortisation of intangible assets	–	(119)	–	–	(119)
Others	(729)	162	(165)	28	(704)
Profit/(loss) before taxation	1,104	1,305	(409)	(363)	1,637
Taxation	(181)	(961)	(22)	–	(1,164)
Profit/(loss) after taxation	923	344	(431)	(363)	473
Segment assets	30,059	30,571	9,489	1,979	72,098
Segment liabilities	5,543	13,120	1,911	51	20,625
Capital expenditure	231	131	45	1,509	1,916

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37 SEGMENT INFORMATION (CONTINUED)

(a) Operating Segments (Continued)

The following items are (added to)/deducted from segment other expenses to arrive at "other expenses" presented in the consolidated income statement:

	Group	
	2017 S$'000	2016 S$'000
Other expenses in segment information	(6,226)	(5,619)
Foreign exchange (loss)/gain	(97)	75
Others	(225)	(1,678)
Total other expenses in consolidated income statement	(6,548)	(7,222)
Other expenses per consolidated income statement		
Other expenses – non-operating	(225)	(1,678)
Other expenses – operating	(6,323)	(5,544)
Total other expenses in consolidated income statement	(6,548)	(7,222)

(b) Geographical Information

	Turnover		Non-current Assets*		Capital Expenditure	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Southeast Asia[(a)]	332,602	311,892	12,187	7,368	6,436	1,788
South Asia[(b)]	18,443	13,569	83	53	60	125
Others[(c)]	–	29	9	15	–	3
	351,045	325,490	12,279	7,436	6,496	1,916

(a) Southeast Asia includes Singapore, Indonesia, Malaysia and Thailand. Indonesia is the largest contributor at 86% (2016: 87%) for turnover. Singapore is the largest contributor at 63% (2016: Indonesia at 74%) for non-current assets.

(b) South Asia includes India.

(c) Others include People's Republic of China, Hong Kong, the Americas and United Kingdom.

* Non-current assets exclude financial assets and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38 DIRECTORS' REMUNERATION

	Number of directors in remuneration bands		
	Executive Directors	Non-Executive Directors	Total
31 December 2017			
S$250,000 to S$599,999	1	–	1
Below S$250,000*	–	6	6
	1	6	7
31 December 2016			
S$250,000 to S$599,999	1	–	–
Below S$250,000	–	7	8
	1	7	8

* Includes three Directors who resigned during the current financial year, of which two did not receive remuneration

39 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 purposes. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should there be 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.

The carrying amount of trade and other receivables, loan receivable, fixed deposits and cash and bank balances represents 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 financial year end, the Group's and the Company's maximum exposure to credit risk is represented by:

i. The carrying amount of each class of financial assets recognised in the statements of financial position; and

ii. Corporate guarantees provided to enable subsidiaries to obtain credit facilities and banking facilities:

	Company	
	2017 S$'000	2016 S$'000
– Total facilities	5,000	8,000
– Total outstanding	2,187	1,341

The Group has no significant concentration of credit risk. Information regarding trade and other receivables and loan receivable that are either past due or impaired are disclosed in Notes 11, 12 and 22.

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 fixed deposits 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 fixed deposits and secured committed funding facilities from financial institutions. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

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 financial year end based on the contractual undiscounted repayment obligations.

	Within 1 year S$'000	1 to 5 years S$'000	After 5 years S$'000	Total S$'000
Group				
2017				
Financial assets:				
Trade and other receivables	17,986	119	–	18,105
Cash and cash equivalents	19,346	–	–	19,346
Fixed deposits	2,387^	756*	–	3,143
Total undiscounted financial assets	39,719	875	–	40,594
Financial liabilities:				
Trade and other creditors and accruals	19,098	–	–	19,098
Due to related parties	192	–	–	192
Lease obligations	19	16	–	35
Loans and bank borrowings	7,344	–	–	7,344
Total undiscounted financial liabilities	26,653	16	–	26,669
Total net undiscounted financial assets	13,066	859	–	13,925

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity Risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	Within 1 year S$'000	1 to 5 years S$'000	After 5 years S$'000	Total S$'000
2016				
Financial assets:				
Investment securities	–	231	–	231
Trade and other receivables	14,642	252	–	14,894
Cash and cash equivalents	20,377	–	–	20,377
Fixed deposits	11,335^	404*	–	11,739
Total undiscounted financial assets	46,354	887	–	47,241
Financial liabilities:				
Trade and other creditors and accruals	13,829	–	–	13,829
Due to related parties	191	–	–	191
Lease obligations	18	–	–	18
Loans and bank borrowings	2,527	–	–	2,527
Total undiscounted financial liabilities	16,565	–	–	16,565
Total net undiscounted financial assets	29,789	887	–	30,676

^ Includes interest receivable from fixed deposits of S$152,000 (2016: S$187,000)

* Includes interest receivable from fixed deposits of S$51,000 (2016: S$49,000)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity Risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	Within 1 year S$'000	1 to 5 years S$'000	After 5 years S$'000	Total S$'000
Company				
2017				
Financial assets:				
Trade and other receivables	1,780	–	–	1,780
Due from subsidiaries	58	8,812^	–	8,870
Cash and cash equivalents	5,150*	–	–	5,150
Total undiscounted financial assets	6,988	8,812	–	15,800
Financial liabilities:				
Trade and other creditors and accruals	1,355	–	–	1,355
Amounts due to related parties	29	–	–	29
Due to subsidiaries	6,771	–	–	6,771
Lease obligations	6	16	–	22
Loans and bank borrowings	2,972	–	–	2,972
Total undiscounted financial liabilities	11,133	16	–	11,149
Total net undiscounted financial (liabilities)/assets	(4,145)	8,796	–	4,651
2016				
Financial assets:				
Investment securities	–	231	–	231
Trade and other receivables	2,393	–	–	2,393
Due from subsidiaries	2,026	1,318^	–	3,344
Cash and cash equivalents	6,108	–	–	6,108
Fixed deposits	9,946*	–	–	9,946
Total undiscounted financial assets	20,473	1,549	–	22,022
Financial liabilities:				
Trade and other creditors and accruals	1,750	–	–	1,750
Amounts due to related parties	31	–	–	31
Due to subsidiaries	6,957	–	–	6,957
Total undiscounted financial liabilities	8,738	–	–	8,738
Total net undiscounted financial assets	11,735	1,549	–	13,284

* Includes interest receivable from fixed deposits of S$1,000 (2016: S$74,000)

^ Includes interest receivable from subsidiaries of S$565,000 (2016: S$276,000)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity Risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

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 is allocated to the earliest period in which the guarantee could be called.

	Within 1 year S$'000	1 to 5 years S$'000	After 5 years S$'000	Total S$'000
Company				
2017				
Corporate guarantees	2,187	–	–	2,187
2016				
Corporate guarantees	1,341	–	–	1,341

(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 loans and bank borrowings, lease obligations, fixed deposits and cash and bank balances.

To manage interest rate risk, surplus funds are placed with reputable banks as fixed deposits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest Rate Risk (Continued)

The following table sets 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 S$'000	1 to 5 years S$'000	After 5 years S$'000	Total S$'000
Group				
2017				
Floating rate				
Cash and cash equivalents	19,346	–	–	19,346
Fixed deposits	2,235	705	–	2,940
Loan and bank borrowings	(7,344)	–	–	(7,344)
Fixed rate				
Lease obligations	(18)	(15)	–	(33)
2016				
Floating rate				
Cash and cash equivalents	20,377	–	–	20,377
Fixed deposits	11,148	355	–	11,503
Loan and bank borrowings	(2,527)	–	–	(2,527)
Fixed rate				
Lease obligations	(18)	–	–	(18)

	Within 1 year S$'000	1 to 5 years S$'000	After 5 years S$'000	Total S$'000
Company				
2017				
Fixed rate				
Due from subsidiaries	–	8,247	–	8,247
Lease obligations	(5)	(15)	–	(20)
Floating rate				
Cash and cash equivalents	5,149	–	–	5,149
Loan and bank borrowings	(2,972)	–	–	(2,972)
2016				
Fixed rate				
Due from subsidiaries	–	1,042	–	1,042
Floating rate				
Cash and cash equivalents	6,108	–	–	6,108
Fixed deposits	9,872	–	–	9,872

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest Rate Risk (Continued)

Sensitivity analysis for interest rate risk

At the financial year end, if the SGD's and the foreign currencies' interest rates had been 100 (31 December 2016: 100) basis points lower/higher with all other variables held constant, there is no significant impact to the Group's profit net of tax.

(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 the Group's entities, primarily United States Dollar ("USD"), Singapore Dollar ("SGD"), Indian Rupee ("INR"), Indonesian Rupiah ("IDR") and Malaysian Ringgit ("MYR"). The foreign currencies in which these transactions are denominated are mainly USD, SGD, and MYR.

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 100% (2016: 99%) of the Group's sales are denominated in the functional currency of the operating unit making the sale, while almost 98% (2016: 98%) 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 financial year end have similar exposures.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including United States – United States Dollar ("USD"), Hong Kong – Hong Kong Dollar ("HKD"), People's Republic of China – Chinese Renminbi ("RMB"), India – Indian Rupee ("INR"), Indonesia – Indonesian Rupiah ("IDR"), Malaysia – Malaysian Ringgit ("MYR") and Thailand – Thai Baht ("THB").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign Exchange Risk (Continued)

The Group's foreign currency exposure based on the information provided to key management at the end of the financial year end are as follows:

	USD S$'000	SGD S$'000	INR S$'000	THB S$'000	MYR S$'000	IDR S$'000	Others S$'000	Total S$'000
Group								
2017								
Trade receivables	1,283	4,483	4,752	–	284	–	–	10,802
Other receivables and deposits	877	1,079	718	794	48	3,369	418	7,303
Cash and cash equivalents	5,300	4,997	2,540	326	527	5,642	14	19,346
Fixed deposits	–	–	2,940	–	–	–	–	2,940
Trade creditors	(1,416)	(5,720)	(1,136)	(15)	(243)	(4,636)	(7)	(13,173)
Other creditors and accruals	(455)	(3,117)	(349)	(133)	(232)	(1,800)	(31)	(6,117)
Lease obligations	–	(21)	–	–	–	(12)	–	(33)
Loans and bank borrowings	–	(2,972)	–	–	–	(4,372)	–	(7,344)
Net financial assets/ (liabilities)	5,589	(1,271)	9,465	972	384	(1,809)	394	13,724
Net assets denominated in functional currencies	(5,537)	(1,702)	(9,447)	(972)	25	1,809	(394)	(16,218)
Net currency exposure	52	(2,973)	18	–	409	–	–	(2,494)
2016								
Trade receivables	1,049	3,462	4,240	–	42	–	–	8,793
Other receivables and deposits	124	2,429	503	753	56	1,590	646	6,101
Cash and cash equivalents	6,537	4,800	2,518	353	678	5,468	23	20,377
Fixed deposits	9,872	–	1,631	–	–	–	–	11,503
Trade creditors	(1,444)	(3,441)	(797)	(15)	(353)	(927)	(7)	(6,984)
Other creditors and accruals	(257)	(3,657)	(945)	(97)	(257)	(1,757)	(66)	(7,036)
Lease obligations	–	(18)	–	–	–	–	–	(18)
Loans and bank borrowings	–	–	–	–	–	(2,527)	–	(2,527)
Net financial assets	15,881	3,575	7,150	994	166	1,847	596	30,209
Net assets denominated in functional currencies	(15,181)	(2,469)	(7,143)	(994)	(10)	(1,847)	(399)	(28,043)
Net currency exposure	700	1,106	7	–	156	–	197	2,166

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign Exchange Risk (Continued)

	USD S$'000	SGD S$'000	INR S$'000	THB S$'000	MYR S$'000	IDR S$'000	Others S$'000	Total S$'000
Company								
2017								
Trade receivables	112	6	–	–	–	–	–	118
Other receivables and deposits	877	785	–	–	–	–	–	1,662
Due (to)/from subsidiaries	(56)	4,471	–	981	12	–	(3,874)	1,534
Cash and cash equivalents	4,719	430	–	–	–	–	–	5,149
Trade creditors	(109)	–	–	–	–	–	–	(109)
Other creditors and accruals	(54)	(1,215)	(6)	–	–	–	–	(1,275)
Lease obligations	–	(20)	–	–	–	–	–	(20)
Loans and bank borrowings	–	(2,972)	–	–	–	–	–	(2,972)
Net financial assets/ (liabilities)	5,489	1,485	(6)	981	12	–	(3,874)	4,087
Net assets denominated in functional currencies	(5,489)	–	–	–	–	–	–	(5,489)
Net currency exposure	–	1,485	(6)	981	12	–	(3,874)	(1,402)
2016								
Trade receivables	107	6	–	–	–	–	–	113
Other receivables and deposits	124	2,156	–	–	–	–	–	2,280
Due from/(to) subsidiaries	305	(1,333)	–	1,041	16	–	(3,918)	(3,889)
Cash and cash equivalents	5,457	651	–	–	–	–	–	6,108
Fixed deposits	9,872	–	–	–	–	–	–	9,872
Trade creditors	(154)	(3)	–	–	–	–	–	(157)
Other creditors and accruals	(239)	(1,350)	(8)	–	–	–	(27)	(1,624)
Net financial assets/ (liabilities)	15,472	127	(8)	1,041	16	–	(3,945)	12,703
Net assets denominated in functional currencies	(15,472)	–	–	–	–	–	–	(15,472)
Net currency exposure	–	127	(8)	1,041	16	–	(3,945)	(2,769)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign Exchange Risk (Continued)

Sensitivity analysis for foreign currency risk

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 Increase/(decrease) in profit before tax	
	2017 S$'000	2016 S$'000
USD/SGD		
– strengthened 8% (2016: 5%)	(234)	90
– weakened 8% (2016: 5%)	234	(90)
MYR/SGD		
– strengthened 5% (2016: 5%)	20	8
– weakened 5% (2016: 5%)	(20)	(8)

(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). In the financial year ended 31 December 2016, the Group was exposed to equity price risk arising from its investment in quoted equity instrument. This instrument is quoted on the SGX-ST in Singapore and classified as available-for-sale financial assets. Investment in quoted equity instrument has been disposed of during the financial year. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40 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

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Group				
2017				
Available-for-sale (Note 21)				
– Equity investment (quoted)#	–	–	–	–
2016				
Available-for-sale (Note 21)				
– Equity investment (quoted)	231	–	–	231

Disposed during the current financial year

Quoted equity investment (Note 21): Fair value was determined directly by reference to its published market bid price at the financial year ended 31 December 2016.

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 has been no transfer of financial instruments between Level 1 and Level 2 during the financial years ended 31 December 2017 and 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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, fixed deposits, trade and other receivables, loan receivable, trade and other creditors, amounts due from/(to) subsidiaries, current loans and bank borrowings and current lease obligations.

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

The carrying amounts of non-current trade and other receivables, lease obligations and fixed deposits approximate the fair values.

Determination of fair value

The fair values of trade and other receivables, lease obligations and fixed deposits are estimated by discounting expected future cash flows at current market incremental lending/deposit rates for similar types of lending, leasing and deposit arrangements at the financial year end and are included in level 2 of the fair value hierarchy.

41 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 is not subject to any externally imposed capital requirements.

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 financial years ended 31 December 2017 and 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

41 CAPITAL MANAGEMENT (CONTINUED)

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	
	2017 S$'000	2016 S$'000
Total gross debt		
– Loans and bank borrowings	7,344	2,527
– Lease obligations	33	18
	7,377	2,545
Shareholders' equity		
– Share capital	580,518	580,518
– Treasury shares	(3,779)	–
– Accumulated losses	(456,383)	(457,516)
– Other reserves	(4,108)	(3,592)
– Translation reserve	(70,489)	(67,833)
	45,759	51,577
Gross debt equity ratio	16.12%	4.90%
Cash and bank balances and fixed deposits	22,286	31,880
Less: Total gross debt	(7,377)	(2,545)
Net cash position	14,909	29,335

42. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Treasury shares

Pursuant to the Share Buyback Mandate approved in the Extraordinary General Meeting held on 1 August 2017 and subsequent to the financial year ended 31 December 2017, the Company further acquired 119,895 shares in the Company through purchases on the Singapore Exchange (SGX) until 4 April 2018. The total amount paid to acquire the shares was S$336,000 and the directly attributable incremental cost amounted to S$2,000.

Extension of watch list

SGX-ST has on 18 January 2018 approved the Extension Application of the Company and extended the Extended Cure Period to exit from the SGX administered watch list for an additional 12 months, ending 3 March 2019. The same has been announced by the Company on 24 January 2018.

Change in board of directors

Dr. Bhupendra Kumar Modi, Non-executive director and Chairman of the Company resigned on 4 April 2018 to be effective from the end of business hours on 6 April 2018. Consequently, he would also cease to be member of the Audit Committee, Nominating Committee and Remuneration Committee. The Company announced the same on 4 April 2018.

Ms. Chada Anitha Reddy, appointed as a non-independent non-executive director on the Board of the Company on 4 April 2018 to be effective from 7 April 2018. Consequent to her appointment as a director of the Company, she has also been appointed as a member of the Audit Committee, Nominating Committee and Remuneration Committee. The Company announced the same on 4 April 2018.

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2018

Class of equity securities	:	Ordinary shares
Number of equity securities (including Treasury Shares)	:	13,712,452
Number of equity securities (excluding Treasury Shares)	:	12,360,557
Number/Percentage of Treasury Shares	:	1,351,895 (9.86%)
Number/Percentage of subsidiary holdings held	:	Nil
Voting rights	:	One vote per share. The Company cannot exercise any voting right in respect of treasury shares.

Shareholdings of Substantial Shareholders as at 23 March 2018

		No. of Shares			
Name	**Note**	**Direct Interest**	**Deemed Interest**	**Total Interest**	**%**[1]
Dr. Bhupendra Kumar Modi ("BKM")	2	–	4,561,251	4,561,251	36.90
Dilip Modi ("DLM")	3	–	3,638,921	3,638,921	29.44
Divya Tongya ("DYT")	4	–	3,638,921	3,638,921	29.44
S Global Innovation Centre Pte Ltd	2a,3,4,5a	3,638,921	–	3,638,921	29.44
Smart Co Holding Pte Ltd	2b,2c,5	410,660	4,107,591	4,518,251	36.55
Paramount Assets Investments Pte. Ltd	6,7,8	1,775,550	–	1,775,550	14.36
Lee Foundation, States Of Malaya	6	–	1,775,550	1,775,550	14.36
Lee Foundation	7	–	1,775,550	1,775,550	14.36
Lee Pineapple Company (Pte) Ltd	8	–	1,775,550	1,775,550	14.36

Notes:

(1) The above percentages are calculated based on the Company's share capital comprising of 12,360,557 issued and paid-up Shares as at 23 March 2018, excluding treasury shares.

(2) BKM is deemed to be interested in 4,561,251 Shares comprising the following:

(a) 3,638,921 Shares held directly by S Global Innovation Centre Pte Ltd as S Global Innovation Centre Pte Ltd is controlled by BKM, DLM and DYT. By virtue of Section 7 of the Companies Act, Smart Global Corporate Holding Private Ltd (formerly, "Spice Global Investments Pvt Ltd", Global Tech Innovations Ltd (formed by the amalgamation of Orion Telecoms Ltd, Dai (Mauritius) Company Ltd, Falcon Securities Ltd, Guiding Star Ltd and Christchurch Investments Ltd), S Global Holdings Ltd, Prospective Infrastructure Pvt Ltd (now merged with Smart Global Corporate Holding Private Ltd) and Spice Connect Private Ltd (formerly "Smart Ventures Private Ltd") are deemed to be interested in the 3,638,921 Shares held through S Global Innovation Centre Pte Ltd;

(b) 410,660 Shares held directly by Smart Co Holding Pte Ltd (formerly "S Global Holdings Pte Ltd") as Smart Co Holding Pte Ltd is wholly-owned by BKM;

(c) 468,670 Shares held directly by Spice Bulls Pte Ltd as Spice Bulls Pte Ltd is wholly-owned by Smart Co Holding Pte Ltd, which is in turn wholly-owned by BKM; and

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2018

(d) 43,000 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 3,638,921 Shares through S Global Innovation Centre Pte. Ltd. as S Global Innovation Centre Pte. Ltd. is controlled by BKM, DLM and DYT.

(4) DYT is deemed to be interested in 3,638,921 Shares through S Global Innovation Centre Pte. Ltd. as S Global Innovation Centre Pte. Ltd. is controlled by BKM, DLM and DYT.

(5) Smart Co Holding Pte Ltd is deemed to be interested in 4,107,591 Shares comprising the following:

(a) 3,638,921 Shares indirectly held through S Global Innovation Centre Pte. Ltd.; and

(b) 468,670 Shares held directly by Spice Bulls Pte Ltd as Spice Bulls Pte Ltd is wholly-owned by Smart Co Holding 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 1,775,550 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 1,775,550 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 1,775,550 Shares held directly by Paramount Assets Investments Pte Ltd, a wholly-owned subsidiary of Lee Pineapple Company (Pte) Ltd.

PUBLIC FLOAT

As at 23 March 2018, 48.73% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	9,021	65.23	228,179	1.85
100 – 1,000	4,081	29.51	1,262,490	10.21
1,001 – 10,000	661	4.78	1,691,197	13.68
10,001 – 1,000,000	64	0.46	3,764,220	30.45
1,000,001 AND ABOVE	2	0.02	5,414,471	43.81
TOTAL	13,829	100.00	12,360,557	100.00

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2018

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	S GLOBAL INNOVATION CENTRE PTE LTD	3,638,921	29.44
2	PARAMOUNT ASSETS INVESTMENTS PTE LTD	1,775,550	14.36
3	PHILLIP SECURITIES PTE LTD	609,009	4.93
4	BLUE OCEAN CAPITAL PARTNERS PTE LTD	424,700	3.44
5	ABN AMRO CLEARING BANK N.V.	275,750	2.23
6	SMART CO HOLDING PTE LTD	260,286	2.11
7	UOB KAY HIAN PRIVATE LIMITED	242,152	1.96
8	CITIBANK NOMINEES SINGAPORE PTE LTD	199,387	1.61
9	DBS NOMINEES (PRIVATE) LIMITED	182,092	1.47
10	TAI TAK SECURITIES PTE LTD	97,500	0.79
11	OCBC SECURITIES PRIVATE LIMITED	89,387	0.72
12	CHONG YEAN FONG	85,500	0.69
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	85,187	0.69
14	TAN CHIP SIN	73,365	0.59
15	LIM & TAN SECURITIES PTE LTD	69,890	0.57
16	KOH CHIN HWA	55,400	0.45
17	GOH KIM SENG	45,825	0.37
18	CHANDRA DAS NARESHKUMAR	45,000	0.36
19	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	43,506	0.35
20	RAFFLES NOMINEES (PTE) LIMITED	42,809	0.35
	TOTAL	8,341,216	67.48

GROUP OFFICES

S i2i Limited
152, Ubi Avenue 4,
Level 4, Smart Innovation Centre
Singapore 408826
Tel: +65 6514 9458
Fax: +65 6441 3013
Email: sales-sg@s-i2i.com

Singapore Electric Vehicles Pte Ltd (fka S Dreams Pte Ltd)
152, Ubi Avenue 4,
Level 4, Smart Innovation Centre
Singapore 408826
Tel : 6303 6836
Email : ops@sev.com.sg

Cavu Corp Pte Ltd
152, Ubi Avenue 4,
Level 4, Smart Innovation Centre
Singapore 408826
Tel: +65 63036868
Fax: +65 63036869
Email: sales@cavucorp.com.sg

Peremex Pte Ltd
152, Ubi Avenue 4,
Level 4, Smart Innovation Centre
Singapore 408826
Tel: +65 63036808
Fax: +65 63036869
Email: sales@peremex.com

Centia Pte Ltd
152, Ubi Avenue 4,
Level 4, Smart Innovation Centre
Singapore 408826
Tel: +65 63036800
Fax: +65 63036869
Email: sales@centiatech.com

Delteq Pte Ltd
152, Ubi Avenue 4,
Level 4, Smart Innovation Centre
Singapore 408826
Tel: +65 63038898
Fax: +65 64728180
Email: info@delteq.com.sg

Delteq Systems Pte Ltd
152, Ubi Avenue 4,
Level 4, Smart Innovation Centre
Singapore 408826
Tel: +65 63038898
Fax: +65 6472 8180
Email: info@delteq.com.sg

Spice-CSL Pte. Ltd.
152, Ubi Avenue 4,
Level 4, Smart Innovation Centre
Singapore 408826
Tel: +65 6514 9458
Fax: +65 6441 3013

Peremex Sdn Bhd
Suite 16.6, 16th Floor,
Wisma UOA II
No. 21, Jalan Pinang
50450 Kuala Lumpur
Tel: +603-2710 6869
Fax: +603-2710 6849
Email: sales@peremex.com

Centia Technologies Sdn Bhd
Suite 16.6, 16th Floor,
Wisma UOA II
No. 21, Jalan Pinang
50450 Kuala Lumpur
Tel: +603-2710 6869
Fax: +603-2710 6849
Email: sales@centiatech.com

Delteq Systems (M) Sdn Bhd
Suite 16.6, 16th Floor,
Wisma UOA II
No. 21, Jalan Pinang
50450 Kuala Lumpur
Tel: +603-2710 6869
Fax: +603-2710 6849
Email: techsupport@delteq.com.my

Delteq (M) Sdn Bhd
Suite 16.6, 16th Floor,
Wisma UOA II
No. 21, Jalan Pinang
50450 Kuala Lumpur
Tel: +603-2710 6869
Fax: +603-2710 6849
Email: techsupport@delteq.com.my

Spice International Sdn Bhd
Wisma Paradise
No. 63, Jalan Ampang
50450 Kuala Lumpur, Malaysia
Tel: +603 2070 8055
Fax: +603 2070 8066

CSL Mobile Care (M) Sdn Bhd
Wisma Paradise
No. 63, Jalan Ampang
50450 Kuala Lumpur, Malaysia
Tel: +603 2070 8055
Fax: +603 2070 8066

CSL Multimedia Sdn Bhd
Wisma Paradise
No. 63, Jalan Ampang
50450 Kuala Lumpur, Malaysia
Tel: +603 2070 8055
Fax: +603 2070 8066

Affinity Capital Pte Limited
Mailing Address:
Blue Dot Center Block E-F,
Jl. Gelong Baru Utara No. 5-8,
Tomang Jakarta Barat 11440,
Indonesia
Tel: +62 21 5602 111
Fax: +62 21 56940 111

PT Selular Global Net
Blue Dot Center Blok E-F,
Jl. Gelong Baru Utara No. 5-8,
Tomang Jakarta Barat 11440,
Indonesia
Telp: +62 21 5602 111
Faks: +62 21 56940 111
Email: sales@selulargroup.com

GROUP OFFICES

PT Selular Media Infotama
Blue Dot Center Blok E-F,
Jl. Gelong Baru Utara No. 5-8,
Tomang Jakarta Barat 11440,
Indonesia
Telp: +62 21 5602 111
Faks: +62 21 56940 111
Email: sales@selulargroup.com

PT Metrotech Jaya Komunika Indonesia
Blue Dot Center Blok E-F,
Jl. Gelong Baru Utara No. 5-8,
Tomang Jakarta Barat 11440,
Indonesia
Telp: +62 21 5602 111
Faks: +62 21 56940 111
Email: sales@selulargroup.com

PT Metrotech Makmur Sejahtera
Blue Dot Center Blok E-F,
Jl. Gelong Baru Utara No. 5-8,
Tomang Jakarta Barat 11440,
Indonesia
Telp: +62 21 5602 111
Faks: +62 21 56940 111
Email: sales@selulargroup.com

Bharat IT Services Limited
C-10, Sector-65, Noida, U.P.
India 201301
Tel: +91 120 4141579
Fax: +91 120 4141550
Email: ho@spicelimited.com

Bigstar Development Limited
Akara Bldg., 24 De Castro Street,
Wickhams Cay 1, Road Town,
Tortola, British Virgin Islands

Maxworld Asia Limited
Akara Bldg., 24 De Castro Street,
Wickhams Cay 1, Road Town,
Tortola, British Virgin Islands

Newtel Corporation Co., Ltd
972 Business Building Thailand,
Soi Saengjam - Rimklongsamsen,
Rama 9 Rd., Bangkapi, Huaykwang,
Bangkok 10320 Thailand
Email: troy@cavucorp.com.sg
Tel: +66 02 641 4461

T.H.C. International Co., Ltd
972 Business Building Thailand,
Soi Saengjam – Rimklongsamsen,
Rama 9 Rd., Bangkapi, Huaykwang,
Bangkok 10320 Thailand
Email: troy@cavucorp.com.sg
Tel: +66 02 641 4461

Alpha One Limited
Mailing Address:
152, Ubi Avenue 4,
Level 4, Smart Innovation Centre
Singapore 408826
Tel: +65 6514 9458
Fax: +65 6441 3013

MediaRing (Europe) Limited
Mailing Address:
152, Ubi Avenue 4,
Level 4, Smart Innovation Centre
Singapore 408826
Tel: +65 6514 9458
Fax: +65 6441 3013

MediaRing.com Inc
Mailing Address:
152, Ubi Avenue 4,
Level 4, Smart Innovation Centre
Singapore 408826
Tel: +65 6514 9458
Fax: +65 6441 3013

MediaRing.com (Shanghai) Limited
Rm. B, 18th Floor,
No. 1365 Dongfang Road,
Pudong New Area, Shanghai, China
Tel: +86 21 3868 5901
Fax: +86 21 3869 5902
Email: 147505461@qq.com

CSL Communication (Shenzhen) Co Ltd
赛思尔通信 (深圳) 有限公司
20A-1, XINBAOHUI BUILDING,
NANHAI ROAD,
NAN SHAN DISTRICT,
SHENZHEN CHINA
Post code: 518054
Tel no: +86 755 8369 2526
Fax no: +86 755 8369 2526
Email: 147505461@qq.com

Mobile Service International Co., Ltd
深圳市赛维信通讯技术服务有限公司
20A-1, XINBAOHUI BUILDING,
NANHAI ROAD,
NAN SHAN DISTRICT,
SHENZHEN CHINA
Post code: 518054
Tel no: +86 755 8369 2526
Fax no: +86 755 8369 2526
Email: 147505461@qq.com

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of S i2i Limited (the "Company") will be held at 152 Ubi Avenue 4, Ground Floor, Auditorium, Smart Innovation Centre, Singapore 408826 on Monday, 30 April 2018 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. (a) To re-elect Mr. Tushar s/o Pritamlal Doshi who is retiring pursuant to Article 104 of the Constitution of the Company, and who being eligible, offers himself for re-election as a Director.
[See Explanatory Note (i)] **(Resolution 2)**

   Mr. Tushar s/o Pritamlal Doshi will, upon re-election as Director of the Company, remain as Chairman of the Nominating and Remuneration Committees and a member of the Audit Committee and will be considered independent.

   (b) To re-elect Ms. Chada Anitha Reddy, who is retiring pursuant to Article 108 of the Constitution of the Company, and who being eligible, offers herself for re-election as a Director.
[See Explanatory Note (i)] **(Resolution 3)**

   Ms. Chada Anitha Reddy will, upon re-election as Director of the Company, remain as members of the Audit, Nominating and Remuneration Committees and will be considered non-independent.

3. To approve the payment of Directors' fees of S$158,000.00 for the year ended 31 December 2017. (FY2016: S$158,277.30) **(Resolution 4)**

4. To re-appoint Moore Stephens LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;

   (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

   (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 6)**

7. **Authority to issue shares under the 2014 Employee Stock Option Plan**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to grant options under the prevailing 2014 Employee Stock Option Plan (the "2014 ESOP") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the terms and conditions under the 2014 ESOP, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of ordinary shares available under the 2014 ESOP, the S i2i Restricted Share Plan and the S i2i Performance Share Plan, the 1999 S i2i Employees Share Option Scheme and the 1999 S i2i Employees Share Option Scheme II, collectively shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

8. **Renewal of Share Buyback Mandate**

That:

(a) for the purposes of the Companies Act (Cap. 50) of Singapore (the "Companies Act"), the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares ("Share Buybacks") in the capital of the Company ("Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

a. an on-market Share Buyback ("Market Share Buyback") transacted through the SGX-ST's trading system; and/or

b. an off-market Share Buyback ("Off-Market Share Buyback"), otherwise than on a securities exchange, effected in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all conditions prescribed by the Listing Manual and the Companies Act,

and otherwise in accordance with the applicable provisions of the Companies Act and the Listing Manual, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on:

a. the date on which the next annual general meeting of the Company ("AGM") is held or required by law to be held;

b. the date on which the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extend mandated; or

c. the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in general meeting, whichever is the earliest.

(c) In this Resolution:

"Prescribed Limit" means 10% of the total number of Shares as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares and subsidiary holdings that may be held by the Company and Shares held by subsidiaries of the Company in accordance with the Companies Act ("Subsidiary Holdings") from time to time);

"Relevant Period" means the period commencing from the date on which the last Extraordinary General Meeting was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution;

NOTICE OF ANNUAL GENERAL MEETING

"Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) to be paid for a Share, which shall not exceed:

a. In the case of a Market Share Buyback, 5% above the average of the closing market prices of the Shares over the last 5 Market Days on the SGX-ST on which transactions in the Shares were recorded, immediately preceding the day of the Market Share Buy-Back by the Company, and deemed to be adjusted for any corporate action that occurs after such 5-day period; and

b. In the case of an Off-Market Share Buyback pursuant to an equal access scheme, 20% above the average of the closing market prices of the Share over the last 5 Market Days on the SGX-ST on which transactions in the Shares were recorded, immediately preceding the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Share Buyback, and deemed to be adjusted for any corporate action that occurs after such 5-day period; and

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be prepared) as they and/or he may consider necessary or expedient to give effect to the transactions contemplated by this Resolution.

[See Explanatory Note (iv)] **(Resolution 8)**

By Order of the Board

Kim Yi Hwa
Company Secretary
Singapore, 13 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Ordinary Resolutions 2 and 3 are for the re-election of Directors of the Company who are retiring at the Annual General Meeting. For more information on the Directors, please refer to the "Board of Directors" and pages 10 and 11 in the Annual Report 2017. There are no material relationships (including immediate family relationships) between Mr. Tushar s/o Pritamlal Doshi and Ms. Chada Anitha Reddy and the other Directors of the Company.

(ii) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the grant of options under the 2014 ESOP, provided always that the aggregate number of shares available under the 1999 Si2i Employees Share Option Scheme, 1999 Si2i Employees' Share Option Scheme II, the 2014 ESOP (for the entire duration of the 2014 ESOP), the Si2i Restricted Share Plan and the Si2i Performance Share Plan collectively shall not exceed fifteen per centum (15%) of the total number of issued shares, excluding treasury shares and subsidiary holdings, in the capital of the Company from time to time.

(iv) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company effective until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to purchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per cent. (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in Circular to Shareholders. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2017 are set out in greater detail in Paragraph 2 of the Circular to Shareholder dated 13 April 2018.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting") in his/her stead.

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a Member of the Company.

3. The instrument appointing a proxy must be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

S I2I LIMITED

(Company Registration No. 199304568R)
(Incorporated in the Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary")
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ____________________

of ____________________

being a member/members of S i2i Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 152, Ubi Avenue 4, Ground Floor, Auditorium, Smart Innovation Centre, Singapore 408826 on Monday, 30 April 2018 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1.	Directors' Statement and Audited Financial Statements for the year ended 31 December 2017		
2.	Re-election of Mr. Tushar s/o Pritamlal Doshi as a Director		
3.	Re-election of Ms. Chada Anitha Reddy as a Director		
4.	Approval of Directors' fees amounting to S$158,000 for the year ended 31 December 2017		
5.	Re-appointment of Moore Stephens LLP as Auditors		
6.	Authority to issue shares		
7.	Authority to issue shares under the 2014 Employee Stock Option Plan		
8.	Renewal of Share Buyback Mandate		

Dated this __________ day of ________________ 2018

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, the shareholder may wish to specify in the appointments the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2018.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.