



December 21, 2015

S i2i Limited
Smart Innovation Centre
152 Ubi Avenue 4 #04-00
Singapore 408826

To The Members of the Board:

Phronimos Capital, LLC commends the management and Board of Directors (the “Board”) of S i2i Limited (“S i2i” or the “Company”) (SGX: BAI) for their recent actions that have led to the divestiture of certain non-core assets and the winding down of loss-making business units. Nevertheless, we note that S i2i’s shares currently trade at a massive 80% discount to our estimate of intrinsic value. For instance, S i2i’s three month volume weighted average price (“VWAP”) of \$0.77 per share compared with the quarter ended September 30th 2015 Net Asset Value of approximately \$4 per share (of which approximately \$3 per share is in net cash). For the sake of conservatism, the above estimates do not include \$3.5 million in proceeds expected from the recently announced sale of certain non-core businesses.

The extremely limited trading volume of S i2i shares and persistently large discount of the market price to intrinsic value (which we estimate to be approximately \$4 per share), precludes shareholders of the Company from realizing anything remotely close to fair value by means of an open market transaction. Consequently, we believe the logical next step to protect and unlock shareholder value entails the use of cash for the purposes of an exit offer. **A voluntary cash exit offer at \$3.5 per share (which we note is below our \$4 per share intrinsic value estimate) to the non-controlling shareholders of S i2i (who collectively own ~69% of the shares outstanding) would require the return of approximately \$33 million--an amount that is significantly less than the projected \$44 million net cash balance at S i2i.**

We believe there will be broad shareholder support for a voluntary cash exit offer of \$3.5 per share—which represents a 355% premium to the 3 month VWAP of \$0.77 per share. The voluntary nature of the proposed exit offer will allow shareholders an immediate exit at close to fair value, whilst those more optimistic about the company’s prospects are free to retain their ownership of shares and not accept the offer.

We trust that the Board led by Chairman Dr. B. K. Modi and Lead Independent Director Thomas Zilliacus will act to protect the interests of approximately 15,000 shareholders and refrain from any additional equity or rights issues that might dilute shareholders prior to a voluntary cash offer. Furthermore, we urge the Board and management to continue its focus on cash generation and preservation--avoiding acquisitions, investments or working capital increases prior to a submission of a voluntary cash offer proposal.

Sincerely,

Sam John, CFA
Managing Member of Phronimos Capital, LLC



About Phronimos Capital, LLC:

Phronimos Capital, LLC is an investment advisory firm that seeks to earn above average, long-term returns through fundamental and/or quantitative research focused on identifying deep-value investments across the globe.

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SOURCE: Phronimos Capital, LLC