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**Quarterly Update Pursuant to Listing Rule 1313(2) for the quarter ended 31 December 2018**

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

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

**1. Update on Financial Situation**

The group recorded a turnover of S\$69.8 million during current quarter Q4 2018 - a decrease of 14.7% over revenue of corresponding quarter Q4 2017. Distribution of Operator products and services in Indonesia declined by 20.5% during fourth quarter (Q4 2018) and 22.0% during current financial year (FY 2018) ended 31 December 2018 against corresponding quarter (Q4 2017) and preceding financial year (FY 2017) ended 31 December 2017 respectively. As anticipated, consequent to intense competition, all telecom operators in Indonesia have been resorting to competitive pricing to increase customers, as the voice business continues to shrink and a shift towards data driven strategy is being implemented. The Group continues to be diligent and is working with the operators to align with this strategy. Revenue from ICT distribution and managed services registered an increase of 20.1% during Q4 2018 and decline of 10.2% during FY 2018 over corresponding period/s in preceding year respectively. To retain and grow margins, the subsidiaries engaged in this business have also been focusing more on services led business. Weakening of IDR & INR against presentation currency SGD has also resulted in visibly higher reduction in revenue over corresponding period/s. The Group continues to focus on multi-brand, MNC mobile retail business through its own retail shops in Indonesia. This also aids in business of Distribution of Operator products and services. In beginning of current financial year, the Group had inducted more Battery Electric Vehicles (BEV) in its fleet for providing passenger land transport services in Singapore, using car hailing application. Consequently, the revenue of BEV has increased against corresponding period/s of preceding financial year. Correspondingly, there has been change in "Purchases and changes in inventories and direct services fee incurred".

Pursuant to an arrangement with one of the Telecom operators in Indonesia, Affinity group has extinguished certain inventories valuing approximately S\$6.0 million of the Operator and correspondingly, the Operator relinquished its right to certain receivables of approximately S\$3.9 million from Affinity group. In addition Affinity group also charged to the operator, a fee of approximately S\$2.2 million.

But for value of inventories extinguished consequent to above arrangement, there was decrease in operating overheads during Q4 2018/FY 2018 against Q4 2017/FY 2017.

The Group's operating earnings (before interest, depreciation, amortisation and taxation) have been S\$0.7 million during Q4 2018 against S\$1.1 million during corresponding Q4

2017 and operating earnings of S\$1.6 million during FY 2018 against S\$2.6 million during corresponding FY 2017, from continuing operations.

During Q3 2018, the Group completed disposal of certain entities under its Cavu group ((please also refer to announcement dated 2nd July 2018), engaged in ICT distribution and managed services and consequently recognised gain of S\$0.2 million (net of recycle of translation loss of S\$.06 million) on its disposal and also gain of S\$0.2 million on account of fair valuation of remaining shares in these disposed entities turned associates. During Q2 2018, the Group had disposed off a non operating subsidiary of the Company (please also refer to announcement dated 2nd July 2018), resulting in gain, primarily on account of recycle of translation gain of S\$3.7 million pertaining to the entity disposed off.

The Group earned profit before tax of S\$0.7 million during Q4 2018 & S\$4.8 million during FY 2018 against S\$0.8 million & S\$2.1 million during corresponding Q4 2017 and FY 2017 respectively, from continuing operations and gain/s on disposal including translation gain referred to above.

The Group 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 2018 was S\$19.2 million against S\$14.9 million as at 31 December 2017. Consequent to mandate for share buyback received at EGM on 1 August 2017, renewed on 30 April 2018, the company has been buying back its shares and till 31 December 2018, cumulatively 1,861,227 shares (Up to 31 December 2017 - 1,232,500 shares) have been bought for a consideration (excluding stamp duty and other costs) of S\$5.8 million (Up to 31 December 2017 - S\$3.8 million). The company has cancelled 696,022 treasury shares valuing S\$2.3 million during current year till 31 December 2018 and consequently held 1,165,205 treasury shares valuing S\$3.5 million as at 31 December 2018.

## **2. Update on Material Development and Future Direction**

The Group's continues to face challenges at the Indonesia operator business on the revenue side due to change in business mix from voice to data. But the company keeps its focus on operator driven plans at the cluster levels as required by the operators and their strategic plans in the business of distribution of operator products & services.

All operators continue correcting and creating product mix/categories and resorting to morphing the business into a Digital oriented business. The Group continues to keep a very close watch on expenses and is working with the operators to align with their strategy as always. The Gross margin remains under pressure in Indonesia business, as the Voice business continues to shrink and a shift towards data driven strategy is being implemented.

The ICT distribution & managed business is highly Public sector oriented business for the Cavu group. The company is now moving towards commercial and SME enterprise with new products to gain gross margin as margins continues to be under pressure. The Cavu group continues to move towards new services based offerings like Cloud, IOT and Server consolidation. The group continues to keep its focus on services driven business and key innovative offerings aligned to partner strategy to improve margins.

The group had aligned its battery electric fleet (BEV) with a particular ride hailing app company. The company has studied various fleet operating models and implemented various methods to test how best EV fleets will work in the local context. The recent merger/acquisition of two large Ride hailing app companies has created a disruption in the market and the EV fleet business of SEV also got affected. The transition still has its challenges and this has created hurdles for the company in achieving its pre set goals.

Without losing its sight on opportunities in other parts of ASEAN & Asia, the Group continues to focus on establishing its BEV business in Singapore and looking out for other opportunities.

The Group continues to cut down all loss making businesses, hold and grow profitable businesses, move from Information to Innovation and continue to come out of watch list.

By Order of the Board

Maneesh Tripathi  
Executive Director & Group CEO  
12 February 2019