SEVAK
WE INNOVATE TO SERVE

Quarterly Update Pursuant to Listing Rule 1313(2) for the quarter ended 30 September 2018

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$68.4 million during current quarter Q3 2018 - a decrease of 23.5% over revenue of corresponding quarter Q3 2017. Distribution of Operator products and services in Indonesia declined by 23.2% during third quarter (Q3 2018) and 22.4% during first nine months (9M 2018) of the current financial year (FY 2018) ended 30 September 2018 against corresponding quarter (Q3 2017) and first nine months (9M 2017) of the preceding financial year (FY 2017) ended 30 September 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 has also declined by 32.4% during Q3 2018 and 19.4% during 9M 2018 over corresponding quarter Q3 2017 and 9M 2017 respectively. To retain and grow margins, the subsidiaries engaged in this business have 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 retail shops in Indonesia. This also aids in business of Distribution of Operator products and services. In beginning of the 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".

There was decrease in operating overheads during Q3 2018/9M 2018 against Q3 2017/9M 2017. The Group's operating earnings (before interest, depreciation, amortisation and taxation) have been S$0.3 million during Q3 2018 against S$0.7 million during corresponding Q3 2017 and operating earnings of S$0.9 million during 9M 2018 against S$1.5 million during corresponding 9M 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$0.4 million during Q3 2018 & S$4.1 million during 9M 2018 against S$0.5 million & S$1.3 million during corresponding Q3 2017 and 9M 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 30 September 2018 was S$13.3 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 30 September 2018, cumulatively 1,536,129 shares (Up to 31 December 2017 - 1,232,500 shares) have been bought for a consideration (excluding stamp duty and other costs) of S$4.6 million (Up to 31 December 2017 - S$3.8 million). The company has cancelled 370,924 treasury shares valuing S$1.1 million during current year till 30 September 2018 and consequently held 1,165,205 treasury shares valuing S$3.5 million as at 30 September 2018.

2. Update on Material Development and Future Direction

The Group continues 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. Group's continual efforts in meeting the objectives set in by one of the operators in Indonesia has yielded in renewal for one year of its clusters during the quarter. All operators continue creating new product mix/categories and resorting to competitive pricing. This is being done to counter the challenge in the voice related business and focus more on data which is the focus going forward by the operators. 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 continues to be under margin pressure. The Cavu group is in the midst of a shift 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 Cavu group continues to work towards large bids and Public sector and also is focusing more on annuity business.

The group had aligned its battery electric fleet (BEV) with a particular ride hailing app company. 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 period of the announced merger also affected the rides/incentive plans and the business. The transition had 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.

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The Group continues to work on a time bound plan to cut down all loss making businesses, hold and grow profitable businesses, move from Information to Innovation and come out of watch list.

By Order of the Board

Maneesh Tripathi
Executive Director & Group CEO
9 November 2018