Quarterly Update Pursuant to Listing Rule 1313(2) for the quarter ended 31 March 2019

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$62.8 million during current quarter Q1 2019 - a decrease of 17.6% over revenue of corresponding quarter Q1 2018. Distribution of Operator products and services in Indonesia declined by 17.3% during first quarter (Q1 2019) of current financial year (FY 2019) ended 31 March 2019 against corresponding quarter (Q1 2018) of preceding financial year (FY 2018) ended 31 March 2018 respectively. 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. There has also been disruption due to operator's pursuing technology based other distribution channels. The Group continues to be diligent and is working with the operators to align with this strategy. The Group also continues to sell multi-brand, MNC mobile devices through its own retail shops in Indonesia, as this aids in business of Distribution of Operator products and services. Revenue from ICT distribution and managed services registered a decrease of 18.7% during Q1 2019 over corresponding quarter Q1 2018. 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. Visible drop in revenue in business of BEVs is primarily on account of shift from employment model to rental model in main, since 4th quarter of FY 2018. Correspondingly, there has been change in "Purchases and changes in inventories and direct services fee incurred".

During the quarter, the personnel costs have gone down, however, there has been increase in marketing expenses as per operator's requirements in the business of Distribution of Operator Products and Services in Indonesia and increase in insurance and maintenance costs of Battery Electric Vehicles owing to higher utilization. The Group incurred operating loss (before interest, depreciation, amortization and taxation) of S$1.0 million during Q1 2019 against operating earnings (before interest, depreciation, amortization and taxation) of S$0.7 million during corresponding Q1 2018.

During Q1 2019, the Group disposed of one of its subsidiaries (please also refer to announcement dated 26 March 2019) engaged in Voice business, a business since marginalized by Group over last few years and consequently recognized gain of S$2.0 million, primarily on account of recycle of translation gain of S$2.0 million pertaining to the entity disposed of.

The Group earned profit before tax of S$0.7 million during Q1 2019 against S$0.4 million during corresponding Q1 2018, from continuing operations 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 March 2019 was S$15.7 million against S$19.2 million as at 31 December 2018, primarily on account of decrease in Trade creditors, Loans & borrowings and increase in Prepayments.

2. Update on Material Development and Future Direction

The Telco industry in Indonesia is going through a tough phase and is hard pressed for margins. This is primarily due to a steep decline in voice based revenue and data based revenue not ramping up plus another disruption due to operator's pursuing technology based other distribution channels. This has resulted in the decline of revenue in Indonesia. The Company is closely watching this industry and its development. 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.

The ICT distribution & managed services business is highly Public sector oriented business for the Cavu group. The Company has enhanced its focus 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.

In case of its battery electric vehicles fleet (BEV), the Group's alignment with a particular ride hailing app continues. 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 Company has also commenced a pilot of battery electric vehicle fleet management software for its fleet of 50 BEVs to improve efficiency and productivity, as a test bed.

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
14 May 2019