Quarterly Update Pursuant to Listing Rule 1313(2) for the quarter ended 30 June 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$66.6 million during current quarter Q2 2018 - a decrease of 25.8% over revenue of corresponding quarter Q2 2017. Distribution of Operator products and services in Indonesia declined by 27.8% during second quarter (Q2 2018) and 22.0% during first six months (1H 2018) of the current financial year (FY 2018) ended 30 June 2018 against corresponding quarter (Q2 2017) and first six months (1H 2017) of the preceding financial year (FY 2017) ended 30 June 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. Weakening of IDR against presentation currency SGD has also resulted in visibly higher reduction in revenue over corresponding period/s. Revenue from ICT distribution and managed services has also declined by 20.6% during Q2 2018 and 12.0% during 1H 2018 over corresponding quarter Q2 2017 and 1H 2017 respectively. To retain and grow margins, the subsidiaries engaged in this business have been focusing more on services led business. The Group continues to focus on multi-brand, MNC mobile retail business through our 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".

There was marginal decrease in operating overheads during Q2 2018/1H 2018 against Q2 2017/1H 2017.

The Group incurred operating loss (before interest, depreciation, amortisation and taxation) of S$0.03 million during Q2 2018 against earnings of S$0.3 million during corresponding Q2 2017 and operating earnings of S$0.6 million during 1H 2018 against S$0.9 million during corresponding 1H 2017, from continuing operations.

During Q2 2018, the Group 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$3.3 million during Q2 2018 & S$3.6 million during 1H 2018 (including translation gain referred to above) against S$0.3 million & S$0.8 million during corresponding Q2 2017 and 1H 2017 respectively, from continuing operations and 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 June 2018 was S$13.5 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 June 2018, 1,366,245 shares have been bought for a consideration (excluding stamp duty and other costs) of S$4.2 million (Up to 31 December 2017 - S$3.8 million).

2. Update on Material Development and Future Direction

The Group's 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 continues. The Group is also trying to maximize sales in the clusters and adhering to all marketing and sales plans which the operators are initiating. Consequent to intense competition, all operators are creating various 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 its engagement with operators in Indonesia for getting market share and is keeping a very close watch on expenses. The Group continues to be diligent and is working with the operators to align with this strategy. The Gross margin remains under pressure worldwide and in Indonesia business, as the Voice business continues to shrink and a shift towards data driven strategy is being implemented.

The ICT distribution & managed services is a highly competitive business primarily due to the economic scenario and continuous changes & innovations happening in this space. The ICT Industry has moved forward as planned to innovative and disruptive offerings & technology and the Cavu group is in the midst of a shift towards futuristic 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 has divested part shareholding and management control in its Cavu group's Malaysia entities and one of the subsidiaries in Singapore, as announced to bring in fresh ideas and also move away from loss making businesses and focus on key markets only.

The group had aligned its battery electric fleet (BEV) with a particular ride hailing app company. Following the merger of that company with another ride hailing company app, the group was required to transition its fleet to the new app. The transition had its challenges and this has created hurdles for the company in achieving its pre set goals.

The group is trying to work with the new partner but is having challenges in this new setup.

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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.

As already announced, the name of S i2i Limited has been changed to SEVAK Limited, to reinforce a 'Services oriented' culture in the group.

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
14 August 2018