



global invacom
completing the picture

GLOBAL INVACOM GROUP LIMITED

(Incorporated in Singapore)

(Company Registration Number 200202428H)

8 Temasek Boulevard, #18-02A Suntec Tower Three, Singapore 038988

Tel: 64310788 Fax: 64310799 Website: www.globalinvacom.com

FINANCIAL STATEMENT ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Comprehensive Income for the three months ended 31 March 2019. These figures have not been audited.

	Group		
	Q1 FY2019 US\$'000	Q1 FY2018 US\$'000	Increase/ (Decrease) %
Revenue	38,293	28,925	32.4
Cost of sales	(30,534)	(22,837)	33.7
Gross profit	7,759	6,088	27.4
Other income	-	63	(100.0)
Distribution costs	(80)	(99)	(19.2)
Administrative expenses	(6,278)	(5,433)	15.6
Other operating expenses	(231)	-	N.M.
Finance income	28	3	833.3
Finance costs	(211)	(113)	86.7
Profit before income tax⁽¹⁾	987	509	93.9
Income tax expense	(246)	(183)	34.4
Profit after income tax attributable to equity holders of the Company	741	326	127.3

Other comprehensive income:

Items that may be reclassified subsequently to profit or loss

- Exchange differences on translation of foreign subsidiaries

53	124	(57.3)
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Other comprehensive income for the period, net of tax

53	124	(57.3)
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Total comprehensive income for the period attributable to equity holders of the Company

794	450	76.4
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N.M.: Not Meaningful

Note:

(i) Profit before income tax was determined after (charging)/crediting the following:

	Group		
	Q1	Q1	Increase/
	FY2019	FY2018	(Decrease)
	US\$'000	US\$'000	%
Interest income	28	3	833.3
Interest expense	(211)	(113)	86.7
(Loss)/Gain on foreign exchange	(223)	62	N.M.
Allowance for inventory obsolescence	(110)	(86)	27.9
Loss on disposal of property, plant and equipment	(8)	-	N.M.
Depreciation of property, plant and equipment	(784)	(699)	12.2
Amortisation of intangible assets	(230)	(175)	31.4
Research and development expense	(647)	(586)	10.4

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31 Mar 2019 US\$'000	31 Dec 2018 US\$'000	31 Mar 2019 US\$'000	31 Dec 2018 US\$'000
ASSETS				
Non-current Assets				
Property, plant and equipment	12,951	12,606	76	85
Right-of-use assets	2,846	-	228	-
Investments in subsidiaries	-	-	44,893	44,892
Goodwill	9,352	9,352	-	-
Intangible assets	3,446	3,656	-	-
Other financial assets	2,043	1,519	2,035	1,511
Deferred tax assets	109	109	-	-
Other receivables and prepayments	55	55	9,727	9,608
	30,802	27,297	56,959	56,096
Current Assets				
Due from subsidiaries	-	-	390	939
Inventories	33,327	31,625	-	-
Trade receivables	27,031	24,874	-	-
Other receivables and prepayments	1,836	1,900	3,492	3,433
Tax receivables	5	15	-	-
Cash and cash equivalents	7,751	8,381	175	526
	69,950	66,795	4,057	4,898
Total assets	100,752	94,092	61,016	60,994
EQUITY AND LIABILITIES				
Equity				
Share capital	60,423	60,423	74,240	74,240
Treasury shares	(1,656)	(1,656)	(1,656)	(1,656)
Reserves	(1,604)	(2,161)	(14,476)	(13,988)
Total equity	57,163	56,606	58,108	58,596
Non-current Liabilities				
Other payables	104	104	-	-
Lease liabilities	1,582	-	110	-
Deferred tax liabilities	406	406	-	-
	2,092	510	110	-
Current Liabilities				
Due to subsidiaries	-	-	2,151	2,109
Trade payables	18,900	19,381	-	-
Other payables	5,975	5,326	456	221
Borrowings	14,626	11,974	-	-
Lease liabilities	1,503	-	123	-
Provision for income tax	493	295	68	68
	41,497	36,976	2,798	2,398
Total liabilities	43,589	37,486	2,908	2,398
Total equity and liabilities	100,752	94,092	61,016	60,994

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31 Mar 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
14,626	-	11,974	-

Amount repayable after one year

As at 31 Mar 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
-	-	-	-

Details of any collateral

The revolving credit loans of US\$14,626,000 were secured over the assets of the subsidiaries and corporate guarantees provided by the Company and the subsidiaries.

1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group	
	Q1 FY2019 US\$'000	Q1 FY2018 US\$'000
Cash Flows from Operating Activities		
Profit before income tax	987	509
Adjustments for:		
Depreciation of property, plant and equipment	784	699
Amortisation of intangible assets	230	175
Loss on disposal of property, plant and equipment	8	-
Allowance for inventory obsolescence	110	86
Unrealised exchange loss/(gain)	214	(102)
Interest income	(28)	(3)
Interest expense	211	113
Share-based payments	2	8
Operating cash flow before working capital changes	2,518	1,485
Changes in working capital:		
Inventories	(1,812)	1,730
Trade receivables	(2,026)	923
Other receivables and prepayments	87	1,548
Trade and other payables	(232)	(1,355)
Cash (used in)/generated from operating activities	(1,465)	4,331
Interest paid	(60)	(55)
Income tax paid	(64)	(77)
Net cash (used in)/generated from operating activities	(1,589)	4,199
Cash Flows from Investing Activities		
Interest received	4	2
Purchase of property, plant and equipment	(1,137)	(290)
Proceeds from disposal of property, plant and equipment	1	-
Payment for financial asset, at fair value through profit or loss	(500)	-
Net cash used in investing activities	(1,632)	(288)
Cash Flows from Financing Activities		
Proceeds from borrowings	19,377	11,641
Repayment of borrowings	(16,725)	(10,225)
Net cash generated from financing activities	2,652	1,416
Net (decrease)/increase in cash and cash equivalents	(569)	5,327
Cash and cash equivalents at the beginning of the period	8,381	7,152
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	(61)	33
Cash and cash equivalents at the end of the period⁽¹⁾	7,751	12,512

Note:

- (i) For the purpose of presentation in the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	Q1 FY2019 US\$'000	Q1 FY2018 US\$'000
Cash and bank balances	7,721	12,481
Fixed deposits	30	31
Cash and cash equivalents per the consolidated statement of cash flows	7,751	12,512

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital US\$'000	Treasury shares US\$'000	Merger reserves US\$'000	Capital redemption reserves US\$'000	Share options reserve US\$'000	Capital reserve US\$'000	Foreign currency translation reserve US\$'000	Retained profits US\$'000	Total US\$'000
Balance as at 1 Jan 2019	60,423	(1,656)	(10,150)	6	723	(3,560)	(1,289)	12,109	56,606
Effect of adoption of SFRS(I) 16	-	-	-	-	-	-	-	(239)	(239)
Share-based payments	-	-	-	-	2	-	-	-	2
Profit for the period	-	-	-	-	-	-	-	741	741
Other comprehensive income:									
Exchange differences on translating foreign operations	-	-	-	-	-	-	53	-	53
Total other comprehensive income for the period	-	-	-	-	-	-	53	741	794
Balance as at 31 Mar 2019	60,423	(1,656)	(10,150)	6	725	(3,560)	(1,236)	12,611	57,163
Balance as at 1 Jan 2018	60,423	(1,656)	(10,150)	6	706	(3,695)	(872)	10,708	55,470
Share-based payments	-	-	-	-	8	-	-	-	8
Profit for the period	-	-	-	-	-	-	-	326	326
Other comprehensive income:									
Exchange differences on translating foreign operations	-	-	-	-	-	-	124	-	124
Total other comprehensive income for the period	-	-	-	-	-	-	124	326	450
Balance as at 31 Mar 2018	60,423	(1,656)	(10,150)	6	714	(3,695)	(748)	11,034	55,928
Company	Share capital US\$'000	Treasury shares US\$'000	Share options reserve US\$'000	Capital reserve US\$'000	Foreign currency translation reserve US\$'000	Accumulated losses US\$'000	Total US\$'000		
Balance as at 1 Jan 2019	74,240	(1,656)	723	(4,481)	(1,927)	(8,303)	58,596		
Effect of adoption of SFRS(I) 16	-	-	-	-	-	(5)	(5)		
Share-based payments	-	-	2	-	-	-	2		
Loss for the period	-	-	-	-	-	(485)	(485)		
Other comprehensive loss:									
Exchange differences on translating foreign operations	-	-	-	-	-	-	-		
Total other comprehensive loss for the period	-	-	-	-	-	(485)	(485)		
Balance as at 31 Mar 2019	74,240	(1,656)	725	(4,481)	(1,927)	(8,793)	58,108		
Balance as at 1 Jan 2018	74,240	(1,656)	706	(4,481)	(1,927)	(7,618)	59,264		
Share-based payments	-	-	7	-	-	-	7		
Loss for the period	-	-	-	-	-	(234)	(234)		
Other comprehensive loss:									
Exchange differences on translating foreign operations	-	-	-	-	-	-	-		
Total other comprehensive loss for the period	-	-	-	-	-	(234)	(234)		
Balance as at 31 Mar 2018	74,240	(1,656)	713	(4,481)	(1,927)	(7,852)	59,037		

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Q1 FY2019	No. of shares	US\$'000
Balance as at 1 Jan 2019 and 31 Mar 2019	271,662,227	72,584
Q1 FY2018	No. of shares	US\$'000
Balance as at 1 Jan 2018 and 31 Mar 2018	271,662,227	72,584

There were 10,740,072 treasury shares held by the Company as at 31 March 2019 and 31 March 2018 and there were no subsidiary holdings.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	31 Mar 2019	31 Dec 2018
Total number of issued shares excluding treasury shares	271,662,227	271,662,227

- 1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Q1 FY2019	No. of shares	US\$'000
Balance as at 1 Jan 2019 and 31 Mar 2019	10,740,072	1,656

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Q1 FY2019	No. of shares	US\$'000
Balance as at 1 Jan 2019 and 31 Mar 2019	-	-

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation consistent with those used in the most recent audited financial statements for the year ended 31 December 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted various new and revised SFRS(I)s and IFRSs that are relevant to its operations and effective for the period beginning 1 January 2019. Except as disclosed below, the adoption of the new and revised SFRS(I)s and IFRSs has no material financial impact on the Group's financial statements.

SFRS(I) 16 and IFRS 16, *Leases* sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces existing lease accounting guidance. SFRS(I) 16 and IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

The Group adopted SFRS(I) 16 and IFRS 16 on 1 January 2019 based on a permitted transition approach that does not restate comparative information, but recognised the cumulative effect of initially applying SFRS(I) 16 and IFRS 16 as an adjustment to the opening balance of retained earnings on 1 January 2019. The Group also adopted an expedient offered by SFRS(I) 16 and IFRS 16, exempting the Group from having to reassess whether pre-existing contracts contain a lease.

The Group and the Company have entered into several leasing arrangements with lessors for factory buildings and office premises. Prior to the adoption of SFRS(I) 16 and IFRS 16, the Group and the Company recognised these arrangement as operating leases and payments made under operating leases are recognised in the income statement on a straight-line basis over the period of the lease. Upon adoption of SFRS(I) 16 and IFRS 16, the Group and the Company recognised the right-of-use assets and lease liabilities. The nature of expenses related to those leases will change as SFRS(I) 16 and IFRS 16 replaces the straight-line operating lease expense with depreciation charge for right-of-use assets and interest expenses on lease liabilities. The Group does not restate the comparative information for the effect of adopting SFRS(I) 16 and IFRS 16 due to the exemption in SFRS(I) 16 and IFRS 16 but has instead recognised the effect in retained earnings and other reserves as at 1 January 2019.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings per ordinary share of the Group, after deducting any provision for preference dividends	Group	
	Q1 FY2019 US\$	Q1 FY2018 US\$
(a) Based on weighted average number of ordinary shares on issue; and	0.27 cent	0.12 cent
(b) On a fully diluted basis	0.27 cent*	0.12 cent*
Weighted average number of ordinary shares used in computation of basic earnings per share	271,662,227	271,662,227
Weighted average number of ordinary shares used in computation of diluted earnings per share	271,662,227	271,662,227

* Diluted earnings per share for Q1 FY2019 is the same as the basic earnings per share because the potential ordinary shares to be converted are anti-dilutive as the effect of the share conversion would be to increase the earnings per share.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	31 Mar 2019 US\$	31 Dec 2018 US\$	31 Mar 2019 US\$	31 Dec 2018 US\$
Net asset value per ordinary share based on issued share capital	21.04 cents	20.84 cents	21.39 cents	21.57 cents
Total number of issued shares	271,662,227	271,662,227	271,662,227	271,662,227

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of Financial Performance

Revenue

The Group's revenue was US\$38.3 million in Q1 FY2019, US\$9.4 million higher than US\$28.9 million in Q1 FY2018, attributed to the increase in orders from key customers in the UK and US.

Geographically, Group revenue for Q1 FY2019 from America, Europe and Rest of the World regions increased by US\$7.6 million (+38.6%), US\$1.3 million (+18.6%) and US\$1.2 million (+228.0%), respectively against Q1 FY2018 which was offset by a decline in revenue from Asia by US\$0.7 million (-49.7%).

Gross Profit

In line with the increase in revenue, gross profit increased by US\$1.7 million or 27.4% to US\$7.8 million in Q1 FY2019 from US\$6.1 million in Q1 FY2018. Gross profit margin ("GPM") dipped slightly to 20.3% in Q1 FY2019 from 21.0% in Q1 FY2018 as a result from the variation of the product mix but remains level with Q4 FY2018.

Administrative Expenses

Administrative expenses increased to US\$6.3 million in Q1 FY2019 from US\$5.4 million in Q1 FY2018, but are reduced as a percentage of revenue representing 16.4% and 18.8% respectively, with continued emphasis on R&D to strengthen its product offerings, increase in depreciation with the additions in machineries and the professional fees incurred for the reverse takeover. Q1 FY2019 also recognises a full quarter of costs from the Group's Data Over Satellite electronics sites which were not acquired until Q3 FY2018.

Other Operating Expenses

Other operating expenses arose mainly from foreign exchange losses.

Profit Before Tax & Net Profit

The Group recorded a profit before tax of US\$1.0 million in Q1 FY2019 compared to US\$0.5 million in Q1 FY2018, representing a margin of 2.6% compared to a margin of 1.8%, respectively.

Overall, the Group posted a net profit of US\$0.7 million in Q1 FY2019 compared to US\$0.3 million in Q1 FY2018, representing a net margin of 1.9% compared to 1.1%, respectively.

Review of Financial Position

Non-current assets increased by US\$3.5 million to US\$30.8 million as at 31 March 2019, primarily due to the adoption of SFRS(I) 16 on leases, addition of property, plant and equipment as well as the interest accrued on the convertible loans subscribed in Tactilis Sdn. Bhd.

Net current assets decreased by US\$1.3 million to US\$28.5 million as at 31 March 2019 compared to US\$29.8 million as at 31 December 2018. Inventories, trade and other receivables and trade and other payables increased by US\$1.7 million, US\$2.1 million and US\$0.2 million, respectively, in preparation of the next quarter orders and with the increased sales towards the end of the quarter. Borrowings also increased by US\$2.6 million to US\$14.6 million, offset by a decrease in cash and cash equivalents of US\$0.6 million to US\$7.8 million as at 31 March 2019 compared to US\$8.4 million as at 31 December 2018. Provision for income tax increased by US\$0.2 million, in line with the increase in profits. The adoption of SFRS(I) 16 on leases increased the current portion of lease liabilities by US\$1.5 million.

Similarly, the non-current portion of the lease liabilities increased to US\$1.6 million.

The Group's net asset value stood at US\$57.2 million as at 31 March 2019, compared to US\$56.6 million as at 31 December 2018.

Review of Cash Flows

Net cash used in operating activities in Q1 FY2019 was US\$1.6 million, comprising cash inflow from operating activities before working capital changes of US\$2.5 million, net working capital outflow of US\$4.0 million and payment of interest and income tax expense of US\$0.1 million.

Net cash used in investing activities was US\$1.6 million in Q1 FY2019, mainly attributable to the purchase of machinery and equipment and investment in convertible notes in Tactilis Sdn. Bhd.

Net cash generated from financing activities was US\$2.6 million in Q1 FY2019, arising mainly from the net proceeds of borrowings.

Overall, the Group recorded a net decrease in cash and cash equivalents of US\$0.6 million in Q1 FY2019, bringing cash and cash equivalents per the consolidated statement of cash flows to US\$7.8 million as at 31 March 2019.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No prospect statement was made.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group continues to see revenue growth resulting from its introduction of new and improved products to its key customers which they, in turn, have established as their standard products for all their suppliers. This has resulted in good volumes of product sales and a competitive advantage which the Group will strive to maintain.

As a result of the above successes, the Group continues to emphasise R&D to address customer preferences while striving to improve product performance, as well as cost savings from more efficient operations and smaller form factors requiring less raw materials. The Group continues to believe that the investment in R&D for electronics and antennas in both the Direct to Home and Data over Satellite ("DOS") markets will place it in a strong position compared to their competitors.

The Group continues to monitor the ongoing development of 5G throughout the world and the potential for satellite and satellite ground equipment in particular, to play its part in this evolving infrastructure. The Group is also reviewing the development of Medium Earth Orbit ("MEO") and Low Earth Orbit ("LEO") satellite constellations and the opportunities it provides.

The Group is also mindful of the further recent tariff increases imposed by the United States of America ("USA") on products manufactured in the People's Republic of China ("China") and it has been working internally on processes and externally with its affected end customers to limit the exposure to these increases.

The shortages of electronic components which significantly impacted the Group's gross margins in FY2018 began to decrease during the quarter and its logistics teams continue to find greater availability thus reducing the potential additional cost of spot buys in FY2019.

As part of its continuing processes, the Group monitors the cost, efficiency and effectiveness of its various manufacturing sites around the world being particularly conscious of increasing labour costs.

As announced on 21 April 2019, the proposed acquisition of Tactilis has been mutually terminated by the company and the vendor with immediate effect. All fees, costs and expenses incurred in relation to the proposed acquisition will be borne equally by both sides. The portion to be borne by the vendor, which had been advanced by the company, will be fully reimbursed on or before 16 July 2019.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

Due to the operating conditions faced by the Group, no dividend has been declared or recommended for the three months ended 31 March 2019.

13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions (“IPTs”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPTs mandate has been obtained, a statement to that effect.

The Company does not have a shareholders’ mandate for IPTs and there were no IPTs for the three months ended 31 March 2019.

14. Confirmation that the Company has procured undertaking from all its directors and executive officers pursuant to Rule 720(1).

The Company confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

CONFIRMATION BY THE BOARD OF DIRECTORS (THE “BOARD”) PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

We do hereby confirm, for and on behalf of the Board of Global Invacom Group Limited (the “Company”), that to the best of our knowledge, nothing has come to the attention of the Board of the Company which may render the financial results for the three months ended 31 March 2019 to be false or misleading in any material aspect.

On behalf of the Board

Anthony Brian Taylor
Director

Matthew Jonathan Garner
Director

BY ORDER OF THE BOARD
Anthony Brian Taylor
Executive Chairman

15 May 2019

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.