

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THIRD FINANCIAL QUARTER AND THE NINE-MONTH FINANCIAL PERIOD ENDED 31 DECEMBER 2018 (“3Q2019” AND “9M2019” RESPECTIVELY) IN RESPECT OF THE FINANCIAL YEAR ENDING 31 MARCH 2019 (“FY2019”)

PART1 INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

	3Q2019	3Q2018	%	9M2019	9M2018	%
	US\$'000	US\$'000	Change	US\$'000	US\$'000	Change
Revenue	986	599	64.6	2,473	2,707	(8.6)
Cost of sales	(420)	(464)	(9.5)	(1,424)	(1,858)	(23.4)
Gross profit	566	135	319.3	1,049	849	23.6
Other operating income	68	32	112.5	98	149	(34.2)
Selling & Distribution expenses	(151)	(215)	(29.8)	(533)	(630)	(15.4)
Administrative expenses	(571)	(584)	(2.2)	(1,749)	(2,204)	(20.6)
Other operating expenses	(292)	(574)	(49.1)	(865)	(1,524)	(43.2)
Loss from operations	(380)	(1,206)	(68.5)	(2,000)	(3,360)	(40.5)
Finance expenses	(203)	(18)	N/m	(362)	(98)	269.4
Loss before tax	(583)	(1,224)	(52.4)	(2,362)	(3,458)	(31.7)
Taxation	4	13	(69.2)	4	9	(55.6)
Net loss for the period	(579)	(1,211)	(52.2)	(2,358)	(3,449)	(31.6)
Other comprehensive income/ (loss)- Exchange differences arising from translation of foreign operations	(1)	15	N/m	(20)	14	N/m
Total comprehensive income/(loss) for the period	(580)	(1,196)	(51.5)	(2,378)	(3,435)	(30.8)
Attributable to:						
Equity holders of the Company	(580)	(1,196)	(51.5)	(2,378)	(3,435)	(30.8)
Total comprehensive income/ (loss) for the period	(580)	(1,196)	(51.5)	(2,378)	(3,435)	(30.8)

“3Q2018” denotes the third financial quarter ended 31 December 2017 in respect of the financial year ended 31 March 2018 (“FY2018”).

“9M2018” denotes the first nine-month financial period ended 31 December 2017 in respect of FY2018.

“% Change” denotes increase/(decrease) in the relevant profit or loss item as compared with the comparative figure.

“N/m” denotes not meaningful

1.(a)(ii) The accompanying notes to the statements of comprehensive income form an integral part of the statements of comprehensive income

	The Group					
	3Q2019 US\$'000	3Q2018 US\$'000	%	9M2019 US\$'000	9M2018 US\$'000	%
			Change			Change
Profit before tax has been arrived at after charging/(crediting):						
Depreciation and amortization	160	395	(59.5)	503	1,174	(57.2)
Inventory written off	20	5	N/m	24	5	380.0
Foreign exchange loss/(gain) (net)	28	119	(76.4)	36	49	(26.6)
Interest expense	116	18	N/m	245	98	150.0

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

	The Group		The Company	
	As at 31 Dec 2018 US\$'000	As at 31 Mar 2018 US\$'000	As at 31 Dec 2018 US\$'000	As at 31 Mar 2018 US\$'000
Non-current assets				
Plant and equipment	392	599	-	-
Subsidiaries	-	-	12,406	12,406
Intangible assets	9,450	8,555	-	-
	9,842	9,154	12,406	12,406
Current assets				
Inventories	3,385	3,253	-	-
Contract Assets	5	-	-	-
Trade receivables	976	1,125	-	-
Other receivables, deposits and prepayments	719	500	12	10
Available-for-sales financial assets	2	2	2	2
Due from subsidiaries (non-trade)	-	-	8,014	6,374
Fixed deposit	-	40	-	-
Cash and bank balances	120	216	3	5
	5,207	5,136	8,031	6,391
Total assets	15,049	14,290	20,437	18,797
Current liabilities				
Trade payables	1,430	1,624	-	-
Other payables and accruals	1,777	1,301	182	76
Provisions	150	169	86	98
Borrowings	2,600	1,692	1,081	1,114
Advances received from customers	346	243	-	-
Due to subsidiaries (non-trade)	-	-	731	790
	6,303	5,029	2,080	2,078
Non-current liabilities				
Borrowings	101	139	-	-
Deferred tax liabilities	1,646	1,646	-	-
	1,747	1,785	-	-
Total liabilities	8,050	6,814	2,080	2,078
Net assets	6,999	7,476	18,357	16,719
Equity attributable to the Company's equity holders				
Share capital	74,407	72,506	74,407	72,506
Capital reserve	1,567	1,567	820	820
Statutory reserve	8	8	-	-
Foreign currency translation reserve	(2)	18	-	-
Accumulated losses	(68,981)	(66,623)	(56,870)	(56,607)
Total equity	6,999	7,476	18,357	16,719

1.(b)(ii) Aggregate amount of borrowings and debts securities for the Group.

	The Group	
	As at	As at
	31 Dec 2018	31 Mar 2018
	US\$'000	US\$'000
Amount repayable in one year or less or on demand		
Secured	-	2 ⁽¹⁾
Unsecured	2,600⁽²⁾	1,690⁽²⁾
	2,600	1,692
Amount repayable after one year		
Secured	-	-
Unsecured	101	139
	101	139

Details of any collateral

Notes:

(1) Attributed to hire purchase loans which were fully settled.

(2) Inclusive of the outstanding Convertible Loan Notes (as defined herein after) issued by the Company on 31 May 2017.

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

	The Group	
	3Q2019 US\$'000	3Q2018 US\$'000
OPERATING ACTIVITIES		
Loss before tax	(583)	(1,224)
Adjustments for:		
Amortisation of intangible assets	77	306
Amortisation of deferred income	-	(40)
Depreciation of plant and equipment	83	89
Interest expense	116	18
Inventories written off	20	-
Unrealised foreign exchange (gain) / loss	114	27
Provision / (Provisions utilisation)	34	15
Operating profit/(loss) before changes in working capital	(139)	(809)
<i>Changes in working capital</i>		
Inventories	(228)	(593)
Trade and other receivables	(144)	441
Contract Costs	5	-
Amount due from customers for contract work	-	(70)
Trade and other payables	(270)	742
Advances received from customers	75	(46)
CASH (USED IN)/ GENERATED FROM OPERATIONS	(701)	(335)
Income tax paid	4	(4)
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES	(697)	(339)
INVESTING ACTIVITIES		
Purchase of plant and equipment	(38)	(12)
Additions in intangible assets	(539)	(930)
Proceeds from government grants	255	-
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(322)	(942)
FINANCING ACTIVITIES		
Repayment of borrowings – net	(821)	(153)
Net proceeds from share placement	759	-
Proceeds from borrowings	1,164	149
Interest paid	(94)	(18)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	1,008	(22)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(11)	(1,303)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	131	1,615
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	120	312

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

	The Group					
	Share capital	Capital reserve	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 April 2018	72,506	1,567	8	18	(66,623)	7,476
Issuance of new shares pursuant to the Placement Shares (as defined hereinafter) - net of share issue expenses	1,901	-	-	-	-	1,901
Comprehensive loss for the financial period	-	-	-	(20)	(2,358)	(2,378)
Balance as at 31 December 2018	74,407	1,567	8	(2)	(68,981)	6,999

	The Group					
	Share capital	Capital reserve	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 April 2017	66,753	747	8	(11)	(53,838)	13,659
Issuance of new shares pursuant to the Placement Shares and Conversion Shares (as defined hereinafter) - net of share issue expenses	5,753	-	-	-	-	5,753
Comprehensive income/(loss) for the financial period	-	-	-	14	(3,449)	(3,435)
Balance as at 31 December 2017	72,506	747	8	3	(57,287)	15,977

The Company				
	Share capital	Capital reserve	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 April 2018	72,506	820	(56,607)	16,719
Issuance of new shares pursuant to the Placement Shares (as defined hereinafter) – net of share issue expenses	1,901	-	-	1,901
Comprehensive loss for the financial period	-	-	(263)	(263)
Balance as at 31 December 2018	74,407	820	(56,870)	18,357

The Company				
	Share capital	Capital reserve	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 April 2017	66,753	-	(52,484)	14,269
Issuance of new shares pursuant to the Placement Shares and Conversion Shares (as defined hereinafter) – net of share issue expenses	5,753	-	-	5,753
Comprehensive loss for the financial period	-	-	(54)	(54)
Balance as at 31 December 2017	72,506	-	(52,538)	19,968

1.(d)(ii) Details of any changes in 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 previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediate preceding financial year.

A. Share Capital of the Company	No of shares	US\$'000
Balance as at 1 Apr 2018 , 30 June 2018 and 30 Sept 2018	1,770,441,084	72,506
Issue of new shares pursuant to the Placement Shares (as defined below) (net of share issue expenses)	100,000,000	1,901
Balance as at 31 December 2018	1,870,441,084	74,407

A. Share Placement Exercise

On 27 November 2018, pursuant to a share placement exercise (the “Share Placement”), the Company allotted and issued 100,000,000 new ordinary shares of the Company (the “Placement Shares”) in the capital of the Company at a placement price of S\$0.025 per Placement Share for approximately S\$2.5 million.

Use of the proceeds from the issuance of Share Placement

As at the date of this announcement, the entire net proceeds of about US1.8 million (S\$2.5 million) raised from the Share Placement exercise have been fully utilized in accordance with the intended use of proceeds as follows:

Used of Share Placement proceeds	US\$ million	Percentage utilized over allocated (%)
Redemption of Exchangeable Bonds	1.1	100.0
For working capital requirements:		
Capability development program for space	0.6	85.6
Payment of administrative expenses, including payroll and other services	0.1	14.4
Total amount utilized	1.8	100.0

B. Convertible Loan Notes

Pursuant to the issuance of convertible loan notes (the “Convertible Loan Notes”) on 31 May 2017 in the aggregate principal amount of approximately S\$7.1 million convertible into 128,500,000 new ordinary shares in the capital of the Company (the “Conversion Shares”) at a conversion price of S\$0.055 per Conversion Share, the Company allotted and issued 83,500,000 Conversion Shares on 2 June 2017. As at the date of this report, there is an outstanding Convertible Loan Note of S\$2.475 million which remained unconverted.

C. Share Options

The Addvalue Technologies Employees’ Share Option Scheme approved and adopted by the Company on 24 October 2001 (the “ESOS Scheme”) in providing an opportunity for eligible participants of the Group who have contributed to the growth and prosperity of the Group to participate in the equity of the Company had expired on 21 June 2014, with all outstanding options granted under the ESOS Scheme, if not exercised by then, lapsed.

D. Performance Share Plan

On 28 July 2017, against the approval of the Shareholders at an Extraordinary General Meeting, the Company adopted the “Addvalue Technologies Performance Share Plan” that will enable employees of the Group (including the Executive Directors) as well as the Non-Executive Directors of the Company to participate in the equity of the Company pursuant to the grant of contingent awards of fully paid Shares of the Company under the said Plan.

E. Exchangeable Bonds

As at 31 December 2018, the redeemable and exchangeable Bond of S\$1,500,000 issued by a subsidiary of the Company, Addvalue Innovation Pte Ltd (“AVI”), on 3 July 2018, to an investor had been fully redeemed by AVI via the said investor subscribing to a certain number of the Proposed Placement Shares for a consideration equivalent to S\$1,500,000.

Use of the proceeds from the issuance of Exchangeable Bonds

As at the date of this announcement, the entire net proceeds of about US1.1 million (S\$1.5 million) raised from the Exchangeable Bonds issued by AVI, have been fully utilized for its intended use towards the capability development program of the Group for space.

As at 31 December 2018 and 31 December 2017, the Company has neither treasury shares nor outstanding dilutive securities (including share options) which are capable of being converted into the shares of the Company, other than the unconverted loan notes mentioned in B above.

1.(d)(iii) 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.

	As at 31 Dec 2018	As at 31 Mar 2018
Total number of issued ordinary shares (excluding treasury shares)	1,870,441,084	1,770,441,084

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

The Company has had no treasury shares as at 31 December 2018. Neither were there any sale, transfer, disposal, cancellation and/or use of treasury shares by the Company during 3Q2019.

2. Whether the figures have been audited, or reviewed in accordance with which standard (eg. The Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard.

The figures have not been audited or reviewed by the auditors.

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

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as those of the audited financial statements for the financial year ended 31 March 2018.

The adoption of new and revised Financial Reporting Standards ("FRS") and the interpretations of FRS ("INT FRS") that are mandatory for the financial year beginning on or after 1 April 2018 is not expected to have any significant impact to the Group.

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.

Not applicable.

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

	The Group	
	As at 31 Dec 2018 US\$'000	As at 31 Dec 2017 US\$'000
Net loss attributable to shareholders	(2,358)	(3,449)
Finance costs saving on conversion of convertible loan notes	260	-
Net loss for purpose of calculating diluted loss per share	(2,098)	(3,449)
Earnings per share		
Basic (US cents)	(0.13)	(0.20)
Diluted (US cents) ⁽¹⁾	(0.11)	(0.20)
Number of ordinary shares in issue (excluding treasury shares)		
Weighted average number of ordinary shares for the purpose of computing the basic earnings per share	1,783,168,357	1,717,194,090
Effect of potentially dilutive ordinary shares arising from convertible loan notes ⁽¹⁾	45,000,000	-
Weighted average number of ordinary shares for the purpose of computing the diluted earnings per share	1,828,168,357	1,717,194,090

Note:

(1) Diluted loss per share are calculated by dividing loss for the financial period attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

	The Group		The Company	
	As at 31 Dec 2018 US\$'000	As at 31 Mar 2018 US\$'000	As at 31 Dec 2018 US\$'000	As at 31 Mar 2018 US\$'000
Net asset value as at end of financial period/year	<u>6,999</u>	<u>7,476</u>	<u>18,357</u>	<u>16,719</u>
Net asset value per ordinary share as at the end of financial period/year (US cents)	<u>0.37⁽¹⁾</u>	<u>0.42⁽²⁾</u>	<u>0.98⁽¹⁾</u>	<u>0.94⁽²⁾</u>

Note:

(1) Based on 1,870,441,084 issued shares.

(2) Based on 1,770,441,084 issued shares

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs and earning of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.

Overview

The Company (and together with its subsidiaries, the "Group" or "Addvalue") is a world recognised "one-stop shop" communications technology products developer, which provides state-of-the-art satellite-based communication and other innovative digital broadband products and solutions for a variety of connectivity between humans, between machines, and between human and machines. The Group has established itself as a key partner to many major players in the satellite communication industry, counting amongst its customer base internationally renowned leaders such as Inmarsat, Thuraya, Singtel, Marlink, Satlink, Intellian, Applied Satellite Technology Ltd and Satcom Global.

Addvalue is presently a leading global developer and supplier of mobile satellite terminals supporting coverage provided by premier mobile satellite communication operators such as Inmarsat and Thuraya. These terminals are ideal choices for communications in areas around the world where terrestrial networks are non-existent or ineffective. This is particularly so for maritime communications, which rely almost entirely on satellite communications, and Addvalue's products are well suited to address these needs.

Addvalue also offers customised design services, tailored to the unique needs of each of its existing and potential customers, with its total satellite communication solutions derived from its proven technologies, established capabilities as well as strong and tested working relationships with the world leading premier mobile satellite operators.

(a) Review of financial performance of the Group for 3Q2019 (relative to 3Q2018)

Turnover

Our Group attained a higher turnover of US\$1.0 million in 3Q2019 relative to that of US\$0.6 million in 3Q2018, principally as a result of the following:

1. Improved sales of our L band terminals, namely SF2500, iSavi and FB250;
2. Partial fulfilment of the order book for our new Software Defined Radio communication devices ("SDR devices") in 3Q2019; and
3. Completion of an IDRS feasibility study for a valued partner.

Profitability

Our Group registered a gross profit of US\$0.6 million against a gross profit margin of 57.4% for 3Q2019 relative to a gross profit of US\$0.1 million against a gross profit margin of 22.5% for 3Q2018. The increased gross profit margin was attributable mainly to the sales and provision of higher yielding products and services..

Our selling and distribution expenses decreased by US\$64,000 or 29.8% from US\$215,000 in 3Q2018 to US\$151,000 in 3Q2019 due to the continued curtailment of expenses through stringent cost tightening measures.

Our administrative expenses decreased by US\$13,000 or 2.2% to US\$571,000 in 3Q2019 from US\$584,000 in 3Q2018, due mainly to curtailed manpower costs brought about by reduced headcount and salary adjustments, despite the increase in professional fees incurred for corporate exercises carried out.

Other operating expenses decreased by US\$282,000 or 49.1% to US\$292,000 in 3Q2019 from US\$574,000 in 3Q2018, due mainly to the reduced amortisation of intangible assets brought about as a result of the impairment made in prior years.

Other operating income for 3Q2019 and 3Q2018 comprised mainly government grants received.

The increase in finance expenses in 3Q2019 compared to 3Q2018 was attributed mainly to interest expense and facilities fees in respect of short term loans secured in recent months.

As a result of the above, the Group, through its concerted cost curtailment efforts, significantly halved its net loss to US\$0.6 million in 3Q2019 from a net loss of US\$1.2 million in 3Q2018.

(b) Review of financial position of the Group as at 31 December 2018 (relative to that as at 31 March 2018)

The decrease in plant and equipment was attributed mainly to depreciation.

The increase in our intangible assets was attributed mainly to the development expenditures as we continue to develop our proprietary technologies and products, including our space resilient technologies and new spin-off products.

The increase in inventories was attributed mainly to materials purchased for the SDR production in 2H2019.

The decrease in trade receivables was primarily due to payments received.

The increase in other receivables, deposits and prepayments were mainly due to prepayments made.

The decrease in trade payables were due to payments made.

The increase in other payables and accruals were attributed mainly to an advance from a director.

The net increase in borrowings was attributed largely to short term borrowings.

The increase in Share Capital was due to the allotment and issue of 100,000,000 new ordinary shares pursuant to the Share Placement carried out in November 2018.

Consequence to the above:

1. the gearing of the Group (defined as the ratio of all interest-bearing loans of the Group to the shareholders' fund of the Group) increased from 24.5% as at 31 March 2018 to 38.6% as at 31 December 2018;
2. the working capital position of the Group reversed from a positive US\$0.1 million as at 31 March 2018 to a negative US\$1.1 million as at 31 December 2018;
3. the net cash flow of the Group used in operations increased from US\$0.3 million in 3Q2018 to US\$0.7 million in 3Q2019; and
4. the net asset value of the Group decreased by US\$0.5 million or 6.4% from US\$7.5 million as at 31 March 2018 to US\$7.0 million as at 31 December 2018, with the net asset value per ordinary share decreased from 0.42 US cents per Share as at 31 March 2018 to 0.37 US cents per Share as at 31 December 2018.

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

In our results announcement for 2Q2019 (released on 14 November 2018), it was mentioned therein that, barring any unforeseen circumstance, the Group is confident that its growth pillars are expected to yield fruitful results in 2H2019, with 3Q2019 alone to significantly outperform that of 1H2019. The aforesaid was attested by the following:

1. The Group achieved a gross profit of US\$566,000 for 3Q2019, which significantly outperformed that of US\$483,000 attained for 1H2019 by 17.2%
2. The Group recorded a net loss of US\$579,000 for 3Q2019, which was significantly better than the net loss of US\$851,000 registered in 1Q2019 and the net loss of US\$928,000 registered in 2Q2019.

10. A commentary at the date of the announcement of the 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

We are encouraged by the improved performance achieved by the Group in 3Q2019, and expect progress to continue to be made under the following three main pillars of growth:

1. Design Services & Technology Licensing

- a. The Group had just secured a significant milestone design contract with a major US-based aviation company to jointly develop a new generation of Swift Broadband (“SBB”) terminals to support the growing demands for real-time flight data from the worldwide aviation market. The said contract is expected to contribute significantly towards the design revenue of the Group over the next two years. Further, upon the commercialization of the SBB terminals, the Group is expected to derive further production support revenue from the sales of such products. Further details concerning the SBB terminals is expected to be made through a press release with the said customer jointly in due course.
- b. The production of our in-house developed proprietary SDR module, which can be used as a core engine for a variety of proprietary communication systems, has reached a consistent state of high quality and efficiency after several production runs. With confidence of the production system built up to take on larger orders with shorter turnaround time, the SDR sales in 4Q2019 will be significantly more than the SDR sales achieved in 3Q2019 and we expect more orders at greater quantities of the SDR module to flow in over the next 12 months.

2. Maritime Solutions and Satcom Internet of Things (“IoT”)

Our efforts to grow the subscription revenue for our supply of equipment bundled with solutions are gaining momentum (“Integrated Managed Services”).

A case in point is with regard to the configuration of Addvalue iFleetONE terminal bundled with our proprietary VMS (“Addvalue iFleetONE VMS”), which is presently the most advanced fisheries management technology certified for use in USA. With a view to grow our recurring subscription and airtime revenues, we had recently entered into a partnership with Network Innovations Inc to market the product and services in the USA.

In Asia, we have also entered into a collaboration agreement with Shenzhen Marinesat Network Technology Co., Ltd (“Marinesat”) to develop a L/VSAT dual mode satellite communications solution to meet the increasing demand of the commercial vessels. In addition to hardware sales, the said solution targets the existing customer base of Marinesat (comprising more than 1,100 commercial vessels) to grow our subscription revenue for vessel tracking and IoT solutions.

Riding on the successful proof-of-concept of our IoT solutions, we are conducting further IoT trials for water resource management and weather monitoring in the South East Asia region, which, when proven viable, will lead to wide commercial deployment of our IoT solutions in the region.

With regard to temporary halting of the sales of our narrowband L band terminal, SF2500 (a prime product for our China’s small vessel/fishing market), due to a reliability-related issue, concerning a certain key and single-sourced component as mentioned in our financial results announcement for 1H2019 made on 14 November 2018, we are pleased to update that the relevant technical issue had been resolved and we have recently resumed the sales of the product and expect the sales momentum to pick up speed in the coming months.

3. Inter-satellite Data Relay System (“IDRS”) Business

Since the commercial launch of the world first IDRS service in August 2017, we had secured a number of commitments, options and/or MOUs for the supply of our IDRS terminals and, pending the successful deployment of satellites, the subscription of our IDRS airtime services. In the pipe line, we are also in active negotiations with several more such customers.

After one year of marketing the IDRS services and talking to the many LEO satellites owners as well as Inmarsat, with more experience acquired, we are now better placed to understand the needs of the LEO satellites owners, in particular, the new space segment. We have since fine-tuned our IDRS business model, and are quietly confident to accelerate the growth of our IDRS business in 2019 and beyond.

With regard to the three IDRS contracts secured in 2018, we are pleased to report that we had successfully completed the feasibility study for one of them. Barring any unforeseen circumstances, we expect to deliver the first IDRS terminal (an engineering model) by 4Q2019 and the second IDRS terminal (a flight model) by 1Q2020 to the relevant customer. The first commercial IDRS terminal is scheduled to be launched into space in mid- 2019.

Barring any unforeseen circumstance, the Group is cautiously optimistic about its performance for the foreseeable future and expects its main growth pillars mentioned above, particularly with regard to the sales of SDR modules, to continue to yield fruitful results for the next 12 months, with 4Q2019 to significantly outperform that of 3Q2019; 2H2019 to drastically outperform that of 1H2019; and FY2019 to radically outperform that of FY2018.

Some of the statements in this release constitute "forward-looking statements" that do not directly or exclusively relate to historical facts. These forward-looking statements reflect our current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important

factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks and factors such as general economic and business conditions, including the uncertainties of the pace of recovery of the United States of America economy, continued concerns of the scale of the possible adverse fallouts and their implications on the global scene triggered by the current euro zone debt crisis, inflationary pressures and undue currency movements which will affect the growth in Asia, especially East Asia; change in technology; timing or delay in signing, commencement, implementation and performance of programs, or the delivery of products or services under them or the implementation of the improved airtime package by the satellite operators; structural change in the satellite industry; relationships with customers; competition; and the ability to attract personnel. Because actual results could differ materially from our intentions, plans, expectations, assumptions and beliefs about the future and any negative impacts arising from these issues will affect the performance of the Group's businesses, undue reliance must not be placed on these statements.

11. If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No.

(b) (i) Amount per share: Nil cents

(ii) Previous corresponding period: Nil cents

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

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

No dividend has been declared or recommended for 3Q2019.

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

No general mandate for IPT from the shareholders of the Company has had been sought.

14. Negative assurance confirmation on interim financial results pursuant to Rule 705(5) of the Listing Manual.

To the best of our knowledge and belief, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements of the Group and the Company for the three months ended 31 December 2018 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

For and on behalf of the Board of Directors

Dr Colin Chan Kum Lok
Chairman & CEO

Tan Khai Pang
Director

14 February 2019