ADDVALUE TECHNOLOGIES LTD
Company Registration No. 199603037H

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND FINANCIAL QUARTER AND THE FIRST HALF FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 ("2Q2019" AND "1H2019" 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

	2Q2019 US$'000	2Q2018 US$'000	% Change	**1H2019 US$'000**	1H2018 US$'000	% Change
Revenue	**356**	1,260	(71.7)	**1,487**	2,108	(29.5)
Cost of sales	**(261)**	(882)	(70.4)	**(1,004)**	(1,394)	(28.0)
Gross profit	**95**	378	(74.9)	**483**	714	(32.3)
Other operating income	**15**	61	(75.4)	**30**	117	(74.4)
Selling & Distribution expenses	**(163)**	(175)	(6.9)	**(382)**	(415)	(8.0)
Administrative expenses	**(543)**	(887)	(38.8)	**(1,178)**	(1,620)	(27.3)
Other operating expenses	**(267)**	(481)	(44.4)	**(573)**	(950)	(39.7)
Loss from operations	**(863)**	(1,104)	(21.8)	**(1,620)**	(2,154)	(24.8)
Finance expenses	**(65)**	(59)	10.2	**(159)**	(80)	98.8
Loss before tax	**(928)**	(1,163)	(20.2)	**(1,779)**	(2,234)	(20.4)
Taxation	**-**	-	-	**-**	(4)	N/m
Net loss for the period	**(928)**	(1,163)	(20.2)	**(1,779)**	(2,238)	(20.4)
Other comprehensive profit/(loss) - Exchange differences arising from translation of foreign operations	**7**	(3)	N/m	**(20)**	(1)	N/m
Total comprehensive income/(loss) for the period	**(921)**	(1,166)	(21.0)	**(1,799)**	(2,239)	(20.4)
Attributable to:						
Equity holders of the Company	**(921)**	(1,166)	(21.0)	**(1,799)**	(2,239)	(20.4)
Total comprehensive income/(loss) for the period	**(921)**	(1,166)	(21.0)	**(1,799)**	(2,239)	(20.4)

"2Q2018" denotes the second financial quarter ended 30 September 2017 in respect of the financial year ended 31 March 2018 ("FY2018").
"1H2018" denotes the first half financial period ended 30 September 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					
	2Q2019 US$'000	2Q2018 US$'000	% Change	**1H2019 US$'000**	1H2018 US$'000	% Change
Profit before tax has been arrived at after charging/(crediting):						
Depreciation and amortization	**173**	394	(56.1)	**343**	779	(56.0)
Inventory written off	**4**	-	N/m	**4**	-	N/m
Foreign exchange loss/(gain) (net)	**9**	(36)	N/m	**8**	(70)	N/m
Interest expense	**64**	59	8.5	**129**	80	61.2

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 30 Sept 2018 US$'000	As at 31 Mar 2018 US$'000	**As at 30 Sept 2018 US$'000**	As at 31 Mar 2018 US$'000
Non-current assets				
Plant and equipment	**441**	599	**-**	-
Subsidiaries	**-**	-	**12,406**	12,406
Intangible assets	**9,243**	8,555	**-**	-
Deferred tax assets	**-**	-	**-**	-
	9,684	9,154	**12,406**	12,406
Current assets				
Inventories	**3,182**	3,253	**-**	-
Contract Assets	**4**	-	**-**	-
Trade receivables	**759**	1,125	**-**	-
Other receivables, deposits and prepayments	**794**	500	**71**	10
Available-for-sales financial assets	**2**	2	**2**	2
Due from subsidiaries (non-trade)	**-**	-	**6,441**	6,374
Fixed deposit	**-**	40	**-**	-
Cash and bank balances	**131**	216	**7**	5
	4,872	5,136	**6,521**	6,391
Total assets	**14,556**	14,290	**18,927**	18,797
Current liabilities				
Trade payables	**1,620**	1,624	**-**	-
Other payables and accruals	**1,859**	1,301	**194**	76
Provisions	**117**	169	**56**	98
Borrowings	**3,239**	1,692	**1,283**	1,114
Advances received from customers	**270**	243	**-**	-
Due to subsidiaries (non-trade)	**-**	-	**754**	790
	7,105	5,029	**2,287**	2,078
Non-current liabilities				
Borrowings	**128**	139	-	-
Deferred tax liabilities	**1,646**	1,646	-	-
	1,774	1,785	**-**	-
Total liabilities	**8,879**	6,814	**2,287**	2,078
Net assets	**5,677**	7,476	**16,640**	16,719
Equity attributable to the Company's equity holders				
Share capital	**72,506**	72,506	**72,506**	72,506
Capital reserve	**1,567**	1,567	**820**	820
Statutory reserve	**8**	8		
Foreign currency translation reserve	**(2)**	18	**-**	-
Accumulated losses	**(68,402)**	(66,623)	**(56,686)**	(56,607)
Total equity	**5,677**	7,476	**16,640**	16,719

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

	The Group	
	As at 30 Sept 2018 US$'000	As at 31 Mar 2018 US$'000
Amount repayable in one year or less or on demand		
Secured	**-**	2[(1)]
Unsecured	**3,239[(2)]**	1,690[(2)]
	3,239	1,692
Amount repayable after one year		
Secured	**-**	-
Unsecured	**128**	139
	128	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 and an outstanding Exchangeable Bond (as defined herein after) issue by the Company's subsidiary on 3 July 2018. This Bond were subsequently repaid via a placement arrangement on 31 October 2018.

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	
	2Q2019	2Q2018
	US$'000	US$'000
OPERATING ACTIVITIES		
Profit/ (Loss) before tax	**(928)**	(1,163)
Adjustments for:		
Amortisation of intangible assets	**90**	307
Amortisation of deferred income	**-**	(9)
Depreciation of plant and equipment	**83**	87
Interest expense	**64**	59
Inventories written off	**4**	-
Unrealised foreign exchange (gain)/ loss	**(5)**	3
Provision utilisation	**(58)**	(80)
Operating profit/(loss) before changes in working capital	**(750)**	(796)
Changes in working capital		
Inventories	**(177)**	(346)
Trade and other receivables	**624**	(103)
Contract costs	**(4)**	-
Amount due from customers for contract work	**-**	(70)
Trade and other payables	**(174)**	160
Advances received from customers	**27**	51
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	***(454)***	*(1,104)*
INVESTING ACTIVITIES		
Purchase of plant and equipment	**-**	(69)
Additions in intangible assets	**(577)**	(582)
Proceeds from government grants	**256**	285
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	***(321)***	*(366)*
FINANCING ACTIVITIES		
Repayment of borrowings – net	**(672)**	(98)
Net proceeds from exchangeable bonds	**1,100**	-
Proceeds from borrowings	**329**	-
Interest paid	**(43)**	(59)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	***714***	*(157)*
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	**(61)**	(1,627)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	**192**	3,242
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	**131**	1,615

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
Comprehensive loss for the financial period	-	-	-	(20)	(1,779)	(1,799)
Balance as at 30 September 2018	72,506	1,567	8	(2)	(68,402)	5,677

	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 loss for the financial period	-	-	-	(1)	(2,238)	(2,239)
Balance as at 30 September 2017	72,506	747	8	(12)	(56,076)	17,173

	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
Comprehensive income for the financial period	-	-	(79)	(79)
Balance as at 30 September 2018	72,506	820	(56,686)	16,640

	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 income for the financial period	-	-	57	57
Balance as at 30 September 2017	72,506	-	(52,427)	20,079

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.

Share Capital of the Company	No of shares	US$'000
Balance as at 1 April 2018, 30 June 2018 and 30 September 2018	1,770,441,084	72,506

A. 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.

Save for the mentioned above, there was no movement in the share capital of the Company during 2Q2019.

B. 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.

C. 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.

D. Exchangeable Bonds

As at 30 September 2018, there is an outstanding 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. The subscriber of the Bond (the "Subscriber") and AVI have mutually agreed to an early full redemption, with the Subscriber agreeing to use the redemption proceeds in full to subscribe for a Proposed Placement Shares as announced on 31 October 2018 by the Company.

As at 30 September 2018 and 30 September 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 A above

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.

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 30 Sept 2018	As at 31 Mar 2018
Total number of issued ordinary shares (excluding treasury shares)	**1,770,441,084**	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 30 September 2018. Neither were there any sale, transfer, disposal, cancellation and/or use of treasury shares by the Company during 2Q2019.

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, except for the adoption of the relevant new Financial Reporting Standards (“FRS”) which became mandatory for the current financial year.

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 30 Sept 2018 US$'000	As at 30 Sept 2017 US$'000
Net loss attributable to shareholders	**(1,799)**	(2,239)
Finance costs saving on conversion of convertible loan notes	**262**	-
Net loss for purpose of calculating diluted loss per share	**(1,537)**	(2,239)
Earnings per share		
Basic (US cents)	**(0.09)**	(0.13)
Diluted (US cents)[1]	**(0.08)**	(0.13)

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	**1,770,441,084**	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	**1,815,441,084**	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 30 Sept 2018 US$'000	As at 31 Mar 2018 US$'000	**As at 30 Sept 2018 US$'000**	As at 31 Mar 2018 US$'000
Net asset value as at end of financial period/year	**5,677**	7,476	**16,640**	16,719
Net asset value per ordinary share as at the end of financial period/year (US cents)	**0.32[(1)]**	0.42[(1)]	**0.94[(1)]**	0.94[(1)]

Note:

(1) 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) <u>Review of financial performance of the Group for 2Q2017 (relative to 2Q2016)</u>

Turnover

Our Group registered a lower turnover of US$0.4 million in 2Q2019 compared to that of US$1.3 million in 2Q2018, chiefly as a result of the following harsh macro factors (without the loss of market share):

1. The maturing of the traditional L band mobile satellite communications markets, particularly in relation to the maritime industries, coupled with the slow recovery of the worldwide shipping industry have resulted in our traditional maritime L band terminals for Inmarsat and Thuraya to continue to suffer from the lack of new demands. This dampening effect is further exacerbated by the fierce competition faced from the airtime cost competitive broadband transmission services offered by the regional or global VSAT satellite operators, as well as the general lack of new impetus introduced by the L band mobile satellite communications operators to counter the VSAT competitions. Notwithstanding this, we have taken steps, in line with our business transformation plan (as reiterated in our previous announcements), to broaden the

capabilities of our L band terminals to tap into new growth areas, such as the fishery regulatory market where we have developed and launched our Vessel Monitoring System ("VMS") through our Addvalue iFleetONE terminal. This terminal is uniquely enhanced with the VMS and is the first and only broadband terminal certified for the National Marine Fisheries Service ("NFMS") Office of Law Enforcement ("OLE") in the USA, with this certification received very recently in September 2018;

2. The temporary halting of 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 (which had been used in more than 15,000 deployed terminals since 2012 without any glitches), uncovered from field return reports indicating that the reliability of about 5000 terminals from the most recent production batches may have been compromised. We are currently closely working with the supplier concerned to resolve the matter quickly, and expect to have a resolution of the issue in Q32019;

3. The long lead time involved in the acquisition of some electronic components for the production for our new Software Defined Radio communication devices ("SDR devices"). We expect to fulfil the delivery of such SDR devices in 2H2019; and

4. Our new BGAN M2M product, Sabre Ranger 5000 which was introduced in FY2018, is still undergoing several market trials as the product is involved in mission-critical operations such as power line monitoring and environmental surveillance. Sabre Ranger 5000 is developed to replace the Sabre Ranger M2M, a product which had been well proven for its reliability and durability in providing outdoor, remote and autonomous applications and had reached its end of life. Designed with higher data handling capabilities and many enhanced features for Industrial Internet of Things ("IIoT") applications, we expect demand for our Sabre Ranger 5000 to pick up in the coming quarters.

Profitability

Our Group registered a gross profit of US$0.1 million against a gross profit margin of 26.7% for 2Q2019 relative to a gross profit of US$0.4 million against a gross profit margin of 30.0% for 2Q2018. The decreased gross profit margin was attributable mainly to sales of lower yielding products.

Our selling and distribution expenses decreased by US$12,000 or 6.9% from US$175,000 in 2Q2018 to US$163,000 in 2Q2019 due to the continued curtailed expenses.

Our administrative expenses decreased by US$344,000 or 38.8% to US$543,000 in 2Q2019 from US$887,000 in 2Q2018, due mainly to curtailed manpower costs brought about by reduced headcount and salary adjustments coupled with a significant reduction in professional fees incurred for corporate exercises and investor relations.

Other operating expenses decreased by US$214,000 or 44.4% to US$267,000 in 2Q2019 from US$481,000 in 2Q2018 due mainly to the reduced amortisation of intangible assets brought about as a result of the impairment provision made in prior years.

Other operating income for 2Q2019 comprised mainly government grants received while that for 2Q2018 comprised mainly foreign exchange gain.

The increase in finance expenses in 2Q2019 compared to 2Q2018 was attributed mainly to interest expense in respect of short term loans secured in recent months.

As a result of the above, despite the much reduced turnover, the Group, through its concerted cost curtailment efforts, significantly narrowed its net loss to US$0.9 million in 2Q2019 from a net loss of US$1.2 million in 2Q2018.

(b) Review of financial position of the Group as at 30 September 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 decrease in inventories was attributed mainly to the delivery of SDR modules in 1Q2019.

The decrease in trade receivables was in line with the business activities of the Group.

The increase in other receivables, deposits and prepayments were mainly due to prepayments 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 Exchangeable Bonds issued and short term borrowings.

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 59.3% as at 30 September 2018;

2. the working capital position of the Group reversed from a positive USS$0.1 million as at 31 March 2018 to a negative US$2.2 million as at 30 September 2018;

3. the net cash flow of the Group used in operations decreased from US$1.1 million in 2Q2018 to US$0.5 million in 2Q2019; and

4. the net asset value of the Group decreased by US$1.8 million or 24.1% from US$7.5 million as at 31 March 2018 to US$5.7 million as at 30 September 2018, with the net asset value per ordinary share decreased from 0.42 US cents per Share as at 31 March 2018 to 0.32 US cents per Share as at 30 September 2018.

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

Not applicable.

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

Against the backdrop of the harsh macro factors mentioned in paragraph 8 above, the Group, in its attempt to gradually reduce its dependency on its traditional business model of supplying satellite terminals, has been actively pursuing the following four pillars of growth:

1. Design Services & Technology Licensing

a. We are now at various late stages of discussion for two high value design-cum-supply programs that will not only yield immediate design revenue in FY2019 but also pave the way for future supply revenues. Barring any unforeseen circumstances, we expect to ink at least one design contract with significant design income within the next two months.
b. Our in-house developed proprietary SDR module, which can be used as a core engine for a variety of proprietary communication systems, has generated global interests, including a government agency which has placed repeat orders with us for a customized design SDR module totaling about US$1.3 million to date, and we envisage to receive more orders from the said agency within the next 12 months. We expect to fulfill a significant number (if not all) of the outstanding orders within the current financial year. Based on the initial success, the SDR module is expected to be our star product for the next few years.
c. Together with design services, we are also actively exploring technology licensing to monetize our intellectual properties assets.

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.

A case in point is with regard to the configuration of Addvalue iFleetONE terminal bundled with our proprietary VMS ("Addvalue iFleetONE VMS"). Addvalue iFleetONE VMS is presently the most advanced fisheries management technology certified for use in USA today, and we have recently entered into a partnership with Network Innovations Inc to commence marketing the product and services in the USA to grow our recurring subscription and airtime revenue.

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 (of 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.

3. iSavi

Our personal portable L band terminal iSavi has not fully realized its market potential due to the slowness of Inmarsat to adjust the IsatHub airtime plan ("IsatHub") to be more in line with the expectation of markets for *ad hoc*, nomad or occasional usages such as disaster responses, business continuity and adventure travelling, just to name a few. Nevertheless, there is an increase in order in the current quarter due to some recent natural disasters around the world. With the impending plan from Inmarsat to mount a new initiative for its IsatHub expected by end December 2018, we expect to see a marked increase in the demand for our iSavi in the coming quarters. In addition, as iSavi has been the terminal of choice in the Philippines election campaign, we envisage new orders for the replenishment of the previously purchased terminals deployed for such a similar event.

4. Inter-satellite Data Relay System ("IDRS") Business

Since the commercial launch of the world first IDRS service in August 2017, we have 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 all the LEO satellites owners together with Inmarsat, we have now acquired the experience and understood the needs of the LEO satellites owners better, in particular, the new space segment. We have since fine-tuned our IDRS business model and are confident that we can now accelerate the growth of our IDRS business in 2019 and beyond.

With the scheduled launch of the LEO satellites (to be installed with our IDRS terminals) commencing in 2019, our Group can look forward to building its recurring airtime and subscription base incomes. We believe that once a critical mass for the demand of our IDRS terminals is reached, our IDRS business will become our star service that will provide a regular stream of significant recurring revenue to the Group.

Barring any unforeseen circumstance, the Group is confident that the first three growth pillars mentioned above are expected to yield fruitful results in 2H2019, with 3Q2019 alone to significantly outperform that of 1H2019 and 4Q2019 to significantly outperform that of 3Q2019.

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 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 2Q2019.

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 30 September 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 November 2018