

NERA TELECOMMUNICATIONS LTD

(Co. Reg. No. 197802690R)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2014**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

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

	Note	Group		
		Qtr 1 2014 S\$'000	Qtr 1 2013 S\$'000	Increase/ (Decrease) %
Turnover		40,656	36,454	11.5
Cost of sales		(25,119)	(21,289)	18.0
Gross profit		15,537	15,165	2.5
Other operating income		370	1,058	(65.0)
Distribution and selling expenses		(6,985)	(6,393)	9.3
Administrative expenses		(2,854)	(2,615)	9.1
Other operating expenses		(72)	(17)	323.5
Profit from operations		5,996	7,198	(16.7)
Financial expenses		(79)	(20)	295.0
Financial income		41	31	32.3
Profit after financial items		5,958	7,209	(17.4)
Share of results of an associate		-	159	(100.0)
Profit before tax		5,958	7,368	(19.1)
Tax		(1,359)	(1,524)	(10.8)
Profit after tax		4,599	5,844	(21.3)
Other comprehensive income :				
Foreign currency translation of financial statements of foreign operations		383	145	164.1
Total comprehensive income for the period		4,982	5,989	(16.8)

		Group		
		Qtr 1 2014 S\$'000	Qtr 1 2013 S\$'000	Increase/ (Decrease) %
Profit for the period is arrived at after crediting / (charging) the following :				
Amortisation of intangible assets	(1)	(32)	(16)	100.0
Depreciation	(2)	(1,221)	(1,128)	8.2
Ex-gratia payment to ex-directors of the Company		-	(325)	(100.0)
Foreign exchange (loss) / gain		(41)	280	N.M.
Interest income	(3)	41	31	32.3
Net gain on disposal / write-off of property, plant and equipment		8	6	33.3
Writeback of allowance for doubtful debts		200	15	1,233.3
Allowance for stock obsolescence		(77)	(50)	54.0
Writeback of provision for warranty		338	134	152.2
Other information				
Gross profit as a percentage of turnover		38.2%	41.6%	(3.4%)
Profit for the period as a percentage of turnover		11.3%	16.0%	(4.7%)
Profit for the period attributable to equity shareholders of the Company as a percentage of issued capital and reserves at end of the period		6.5%	8.1%	(1.6%)

N.M. Not meaningful

Notes :

- (1) The higher amortisation expense resulted from amortisation of intangible asset arising from the acquisition of the remaining 70% equity interest in an associate in April 2013.
- (2) The increase in depreciation expense resulted from additional point-of-sale terminals purchased for leasing.
- (3) The increase in interest income was mainly due to the inclusion of interest income from a new subsidiary, after the Group acquired the remaining 70% equity interest in an associate in April 2013.

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.

Balance Sheet as at	Group		Company	
	31/3/2014 S\$'000	31/12/2013 S\$'000	31/3/2014 S\$'000	31/12/2013 S\$'000
Equity				
Share capital	29,909	29,909	29,909	29,909
Revenue reserve	45,102	40,503	27,682	21,947
Translation reserve	(3,856)	(4,239)	-	-
	71,155	66,173	57,591	51,856
Non current assets				
Property, plant and equipment	14,425	14,585	4,139	4,162
Intangible assets	1,106	1,138	1,080	1,096
Investment in subsidiaries	-	-	5,037	5,037
Deferred tax assets	1,563	1,531	11	36
	17,094	17,254	10,267	10,331
Current assets				
Stocks	1,704	2,521	743	1,642
Contract work-in-progress	20,691	23,978	12,152	12,351
Trade receivables	53,770	51,929	22,896	20,130
Finance lease receivable	75	148	-	-
Other receivables, deposits and prepayments	3,224	2,991	151	277
Due from subsidiaries (trade)	-	-	18,793	23,024
Due from subsidiaries (non-trade)	-	-	581	1,965
Fixed deposits	22,078	17,153	20,399	15,100
Cash and bank balances	19,666	22,117	7,211	7,880
Total current assets	121,208	120,837	82,926	82,369
Current liabilities				
Trade payables	40,431	44,010	20,434	24,454
Other payables and accruals	17,231	19,101	9,944	11,877
Due to subsidiaries (non-trade)	-	-	349	333
Provision for taxation	4,281	3,251	2,540	1,804
Provision for warranty	5,182	5,534	2,335	2,376
Total current liabilities	67,125	71,896	35,602	40,844
Net current assets	54,083	48,941	47,324	41,525
Non current liability				
Deferred tax liability	(22)	(22)	-	-
Net Assets	71,155	66,173	57,591	51,856

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

Amount repayable in one year or less, or on demand

As at 31/3/2014		As at 31/12/2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Amount repayable after one year

As at 31/3/2014		As at 31/12/2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Details of any collateral

Nil

- 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	
	Period ended 31 March	
	2014	2013
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before tax	5,958	7,368
Adjustments for :		
Amortisation of intangible assets	32	16
Depreciation of property, plant and equipment	1,221	1,128
Interest income	(41)	(31)
Net gain on disposal / write-off of property, plant and equipment	(8)	(6)
Allowance for stock obsolescence	77	50
Writeback of allowance for doubtful debts	(200)	(15)
Writeback of provision for warranty	(338)	(134)
Share of results of an associate	-	(159)
Operating profit before working capital changes	6,701	8,217
Decrease / (increase) in :		
Stocks	736	3,767
Contract work-in-progress	3,287	(789)
Trade receivables	(1,642)	1,232
Finance lease receivables	73	33
Other receivables, deposits and prepayments	(233)	(688)
Changes in associate balance	-	1,573
(Decrease) / increase in :		
Trade payables	(3,579)	(6,394)
Other payables and accruals	(1,870)	(524)
Provision for warranty	(84)	(175)
Cash generated from operations	3,389	6,252
Income taxes paid	(316)	(716)
Net cash flows from operating activities	3,073	5,536
Cash flows from Investing activities		
Proceeds from disposal of property, plant and equipment	13	11
Purchase of property, plant and equipment	(793)	(7,410)
Interest received	41	31
Withdrawal of deposit pledged	1	-
Net cash flows used in investing activities	(738)	(7,368)
Cash flows from financing activities		
Repayment of obligations under finance leases	-	(6)
Net cash flows used in financing activities	-	(6)
Net (decrease) / increase in cash and cash equivalents	2,335	(1,838)
Effect of exchange rate changes	140	(5)
Cash and cash equivalents at beginning of the period	39,241	43,710
Cash and cash equivalents at end of the period	41,716	41,867
Cash and cash equivalents comprise :		
Fixed deposits	22,078	26,427
Cash and bank balances	19,666	15,470
Deposit pledged	(28)	(30)
	41,716	41,867

- 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.

For Period ended 31 March	Share Capital S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Total S\$'000
Group				
Balance as at 1.1.2014	29,909	40,503	(4,239)	66,173
Total comprehensive income for the period	-	4,599	383	4,982
Balance as at 31.3.2014	29,909	45,102	(3,856)	71,155
Balance as at 1.1.2013	29,909	38,749	(2,790)	65,868
Total comprehensive income for the period	-	5,844	145	5,989
Balance as at 31.3.2013	29,909	44,593	(2,645)	71,857
Company				
Balance as at 1.1.2014	29,909	21,947	-	51,856
Total comprehensive income for the period	-	5,735	-	5,735
Balance as at 31.3.2014	29,909	27,682	-	57,591
Balance as at 1.1.2013	29,909	25,473	-	55,382
Total comprehensive income for the period	-	4,033	-	4,033
Balance as at 31.3.2013	29,909	29,506	-	59,415

- 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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

There has been no change in the Company's share capital since 31 December 2013. As at 31 March 2014, there was no share options granted (31 March 2013 : Nil). There was no treasury share in issue as at the end of the current financial period (31 March 2013 : nil).

- 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 financial year.

The total number of issued shares excluding treasury shares as at the end of the current financial period was 361,897,000 shares (31 December 2013 : 361,897,000).

- 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.

Not applicable

1(e) Negative assurance confirmation on interim financial results under Rule 705(4) of the SGX-ST.

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the first quarter financial statements for the period ended 31 March 2014, to be false or misleading in any material respect.

On behalf of the Board

Wong Su-Yen
Chairman

Ang Seong Kang, Samuel
President and Chief Executive Officer

2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice [e.g. 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 financial statements for the current reporting period as in the latest audited annual financial statements for the financial year ended 31 December 2013 except as described in Section 5 below.

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 the new and revised Singapore Financial Reporting Standard ("FRSs") that are mandatory for the financial year beginning on or after 1 January 2014, where applicable. The adoption of these standards did not result in substantial changes to the Group's accounting policies, and there is no material impact on the revenue reserve of the Group as at 1 January 2014.

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.

	Group	
	Period ended 31 March	
	2014	2013
Earnings per Ordinary Share for the year based on net profit attributable to shareholders:	(cents)	(cents)
(i) basic earnings per share	1.27	1.62
(iii) fully diluted earnings per share	1.27	1.62

Basic earnings per ordinary share for the financial period ended 31 March 2014 was calculated based on the weighted average number of shares in issue of 361,897,000 (2013 : 361,897,000) ordinary shares. Fully diluted earnings per ordinary share for the financial period ended 31 March 2014 was calculated based on the adjusted weighted average number of shares in issue of 361,897,000 ordinary shares {2013 : based on weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,897,000 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 financial period reported on and (b) immediately preceding financial year.

	Group		Company	
	31/3/2014	31/12/2013	31/3/2014	31/12/2013
	(cents)	(cents)	(cents)	(cents)
Net Asset Value per ordinary share based on issued share capital	19.66	18.29	15.91	14.33

Net asset value per ordinary share as at 31 March 2014 and 31 December 2013 was calculated based on the number of shares in issue of 361,897,000 ordinary shares.

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.**

(a) Turnover

Compared to Q1 2013, the Group's turnover for Q1 2014 increased 11.5% (\$4.2 million) Year-on-Year (Y-o-Y), from \$36.5 million to \$40.7 million, with higher turnover from both the Telecom and Infocomm business segments.

Telecommunications (Telecom)

Turnover for Q1 2014 increased 4.8% (\$0.6 million) Y-o-Y from \$13.2 million in Q1 2013 to \$13.8 million, mainly due to higher sales in Asia Pacific, partially offset by lower sales in Middle East and Africa. The higher sales in Asia Pacific was mainly due to the inclusion of revenue from the new subsidiary in Malaysia acquired in April 2013.

Infocomm

Turnover for Q1 2014 increased 15.4% (\$3.6 million) Y-o-Y from \$23.2 million in Q1 2013 to \$26.8 million.

Network Infrastructure

Turnover for Network Infrastructure business area increased 40.8% (\$5.8 million) Y-o-Y from \$14.2 million in Q1 2013 to \$20.0 million in Q1 2014. This mainly resulted from higher sales of network equipment to the Service Provider market sector.

Payment Solutions

Turnover for Payment Solutions business area declined 24.8% (\$2.2 million) Y-o-Y from \$9.0 million in Q1 2013 to \$6.8 million in Q1 2014. This was due to lower sales revenue from point-of-sale terminals.

(b) Gross Profit

Compared to Q1 2013, gross profit for Q1 2014 increased 2.5% Y-o-Y mainly due to higher revenue. There were writebacks of project costs upon closure of projects. However, the gross margin percentage ("GM%") declined from 41.6% to 38.2%, with lower GM% in the Infocomm business segment. This can be attributable to the sales mix in product, project and services.

(c) Other operating income

The lower other operating income for Q1 2014 as compared to Q1 2013 was mainly due to the significantly lower accounts receivable collection fee.

(d) Operating Expenses

Compared to Q1 2013, total operating expenses increased 10.0% (\$0.9 million) Y-o-Y from \$9.0 million to \$9.9 million in Q1 2014. However, total operating expenses as a percentage of turnover for Q1 2014 was lower at 24.4% compared to 24.7% for Q1 2013.

Distribution and selling expenses increased 9.3% (\$0.6 million) Y-o-Y mainly due to higher payroll and related costs and inclusion of operating costs from the new subsidiary in Malaysia acquired in April 2013, full quarter consolidation of expenses from a subsidiary in Nigeria that was incorporated in February 2013 and start-up cost in Myanmar.

Administrative expenses increased by 9.1% (\$0.2 million) Y-o-Y mainly due to the inclusion of operating costs from the new subsidiary in Malaysia acquired in April 2013.

(e) **Profit Before Tax ('PBT')**

Compared to Q1 2013, PBT for Q1 2014 registered a decline of 19.1% Y-o-Y mainly due to the lower other operating income and increase in operating expenses. This was partially offset by improvement in the gross profit. PBT as a percentage of turnover ("PBT %") for Q1 2014 was lower at 14.7% compared to 20.2% in Q1 2013.

(f) **Cash flow**

The Group continued to generate healthy positive cashflow from operating activities. Capital expenditure incurred in Q1 2014 was lower compared to Q1 2013.

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 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's business comprises two main business segments, namely Telecommunications and Infocommunications. In Q1 2014, the Group secured approximately \$56.8 millions in order intake, in line with the \$56.8 million in Q1 2013.

Telecommunications (Telecom)

In Q1 2014, the Group's Telecom business area secured approximately \$19.2 million in order in-take, an increase of 8.3% compared \$17.7 million in Q1 2013 as a result of higher order in-take from Asia Pacific customers.

The demand for mobile broadband services will continue to rise and mobile operators will require to continue to expand their networks to meet their customers' needs as well as regulatory service standards.

The Group believes it has comprehensive wireless products and solutions namely point-to-point trunk and access radios, point-to-multi-point radios, coverage solutions, wifi 3G data offload and performance networks that will help operators to lower their capex and opex. The Group also promotes various wireless solutions to the non-mobile customers such as defence, broadcasting and utilities markets.

Competition in the wireless infrastructure network market remains intense. In some markets, uncertainties in spectrum and licensing regulations are causing the mobile operators to be cautious in their capital investments.

Infocomm

The Infocomm business segment comprises two business areas namely Network Infrastructure and Payment Solutions. The Group's Infocomm business segment managed to secure approximately \$37.7 million of order in-take in Q1 2014 compared to \$39.1 million in Q1 2013.

Network Infrastructure

In Q1 2014, the Group's Network Infrastructure business area managed to secure approximately \$27.4 million in order in-take, an increase of 4.7% compared to \$26.2 million in Q1 2013. The improvement in order in-take are mainly from customers outside Singapore.

The Group will continue to focus on providing IP, Optical and Broadcast network infrastructure products and solutions to meet our various customers' business objectives and targetting at three key market verticals, namely Service Providers, Enterprises and Government, and Transport and Utilities.

The Group believes that as a result of rapid rise in internet traffic, web services, mobility and security threats, its customers will need to continue to secure, expand and upgrade their networks to enable them to provide more competitive and new services and also as to meet more stringent regulatory compliances.

Competition in the Network Infrastructure business area remains high and fragmented with many local resellers, distributors and system integrators partnering various network equipment manufacturers or vendors. Some global network equipment vendors are also engaging directly with customers.

Payment Solutions

In Q1 2014, the Group's Payment Solutions business area managed to secure approximately \$10.3 million in order in-take, a decrease of 20.5% compared to \$12.9 million in Q1 2013 as a result of delays in the tender award.

The Group believes that growth in the payment business is driven by increase in spending and transactions, increase in the use of plastic card payments, various government initiatives to go cashless, outsourcing trends as well as regulatory standards and compliances..

The Group will continue to focus on providing secured end-to-end electronic payment infrastructure, a variant of point-of-sale ("POS") terminals, services and outsourcing business models to banks, financial institutions, payment service providers, retailers, telcos, healthcare and transport organisations.

Competition in the POS market remains high and fragmented with many local resellers. There are also new market entrance offering alternative payment methods.

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/recommended, a statement to that effect

No dividend has been declared or recommended for the financial period.

13. If the Group has obtained a 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.

There is no IPT mandate obtained.

BY ORDER OF THE BOARD

Foo Soon Soo
Company Secretary
7 May 2014