

**NERA TELECOMMUNICATIONS LTD**

(Co. Reg. No. 197802690R)

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2015****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 2015 S\$'000	Qtr 1 2014 S\$'000	Increase/ (Decrease) %
<b>Turnover</b>		<b>42,105</b>	<b>40,656</b>	<b>3.6</b>
Cost of sales		(28,001)	(25,119)	11.5
<b>Gross profit</b>		<b>14,104</b>	<b>15,537</b>	<b>(9.2)</b>
Other operating income		291	370	(21.4)
Distribution and selling expenses		(6,804)	(6,985)	(2.6)
Administrative expenses		(2,985)	(2,854)	4.6
Other operating expenses		(261)	(72)	262.5
<b>Profit from operations</b>		<b>4,345</b>	<b>5,996</b>	<b>(27.5)</b>
Financial expenses		(91)	(79)	15.2
Financial income		16	41	(61.0)
<b>Profit before tax</b>		<b>4,270</b>	<b>5,958</b>	<b>(28.3)</b>
Tax		(1,224)	(1,359)	(9.9)
<b>Profit after tax</b>		<b>3,046</b>	<b>4,599</b>	<b>(33.8)</b>
<b>Other comprehensive income :</b>				
Foreign currency translation of financial statements of foreign operations		(286)	383	(174.7)
<b>Total comprehensive income for the period</b>		<b>2,760</b>	<b>4,982</b>	<b>(44.6)</b>

		Group		
		Qtr 1 2015 S\$'000	Qtr 1 2014 S\$'000	Increase/ (Decrease) %
Profit for the period is arrived at after crediting / (charging) the following :				
Amortisation of intangible assets	(1)	(16)	(32)	(50.0)
Bad debts recovered		4	-	N.M.
Depreciation of property, plant and equipment	(2)	(1,573)	(1,221)	28.8
Foreign exchange (loss) / gain		(243)	(41)	492.7
Interest expense	(3)	(32)	-	N.M.
Interest income	(4)	16	41	(61.0)
Net gain on disposal / write-off of property, plant and equipment		25	8	212.5
Net (allowance) / writeback of allowance for doubtful debts		(44)	200	N.M.
Net allowance for stock obsolescence		(104)	(77)	35.1
Net writeback of provision for warranty		201	338	(40.5)
<b>Other information</b>				
Gross profit as a percentage of turnover		33.5%	38.2%	(4.7%)
Profit for the period as a percentage of turnover		7.2%	11.3%	(4.1%)
Profit for the period attributable to equity shareholders of the Company as a percentage of issued capital and reserves at end of the period		4.8%	6.5%	(1.7%)

N.M. Not meaningful

**Notes :**

- (1) The decrease in amortisation expense resulted from one of the intangible asset being fully amortised in FY 2014.
- (2) The increase in depreciation expense resulted from additional point-of-sale terminals purchased for leasing.
- (3) Interest expenses were incurred due to bank borrowings taken up.
- (4) The decrease in interest income was mainly due to lower placement of fixed deposits.

**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	
	31/3/2015 S\$'000	31/12/2014 S\$'000	31/3/2015 S\$'000	31/12/2014 S\$'000
<b>Equity</b>				
Share capital	29,909	29,909	29,909	29,909
Revenue reserve	38,062	35,016	15,791	13,040
Translation reserve	(4,263)	(3,977)	-	-
	63,708	60,948	45,700	42,949
<b>Non current assets</b>				
Property, plant and equipment	16,426	16,449	6,692	5,673
Intangible assets	1,015	1,031	1,015	1,031
Investment in subsidiaries	-	-	4,822	4,822
Deferred tax assets	1,087	1,172	-	-
	18,528	18,652	12,529	11,526
<b>Current assets</b>				
Stocks	3,003	3,865	1,199	2,134
Contract work-in-progress	22,312	25,587	8,739	12,513
Trade receivables	67,694	69,882	20,786	19,963
Other receivables, deposits and prepayments	4,725	3,530	371	415
Due from subsidiaries (trade)	-	-	28,200	21,888
Due from subsidiaries (non-trade)	-	-	1,200	3,378
Fixed deposits	5,961	4,111	3,500	4,000
Cash and bank balances	18,984	20,773	11,093	9,879
Total current assets	122,679	127,748	75,088	74,170
<b>Current liabilities</b>				
Trade payables	44,214	53,008	20,812	23,043
Other payables and accruals	19,477	19,958	10,914	10,554
Due to subsidiaries (non-trade)	-	-	319	329
Provision for taxation	2,699	1,832	1,967	1,478
Provision for warranty	4,252	4,587	2,005	2,219
Total current liabilities	70,642	79,385	36,017	37,623
<b>Net current assets</b>	52,037	48,363	39,071	36,547
<b>Non current liabilities</b>				
Deferred tax liabilities	466	422	466	422
Borrowings	5,434	4,702	5,434	4,702
Defined benefit obligation	957	943	-	-
	6,857	6,067	5,900	5,124
<b>Net Assets</b>	63,708	60,948	45,700	42,949

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

**Amount repayable in one year or less, or on demand**

As at 31/3/2015		As at 31/12/2014	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

**Amount repayable after one year**

As at 31/3/2015		As at 31/12/2014	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
5,434	-	4,702	-

**Details of any collateral**

The borrowings are from a \$25 million loan facility from a bank, where the leasehold land and building at 109 Defu Lane 10 Singapore 539225 has been pledged as security.

- 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	
	2015	2014
	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
Profit before tax	4,270	5,958
Adjustments for :		
Amortisation of intangible assets	16	32
Depreciation of property, plant and equipment	1,573	1,221
Interest expense	32	-
Interest income	(16)	(41)
Net gain on disposal / write-off of property, plant and equipment	(25)	(8)
Net allowance for stock obsolescence	104	77
Net allowance / (writeback) of allowance for doubtful debts	44	(200)
Net writeback of provision for warranty	(201)	(338)
Pension cost	27	23
<b>Operating profit before working capital changes</b>	5,824	6,724
Decrease / (increase) in :		
Stocks	764	736
Contract work-in-progress	3,275	3,287
Trade receivables	2,148	(1,642)
Finance lease receivables	-	73
Other receivables, deposits and prepayments	(1,195)	(233)
Decrease in :		
Trade payables	(8,794)	(3,579)
Other payables and accruals	(472)	(1,914)
Provision for warranty	(139)	(84)
<b>Cash generated from operations</b>	1,411	3,368
Income taxes paid	(281)	(316)
Interest paid	(41)	-
<b>Net cash flows from operating activities</b>	1,089	3,052
<b>Cash flows from Investing activities</b>		
Proceeds from disposal of property, plant and equipment	33	13
Purchase of property, plant and equipment	(1,897)	(793)
Interest received	16	41
(Increase) / withdrawal of deposit pledged	(2)	1
<b>Net cash flows used in investing activities</b>	(1,850)	(738)
<b>Cash flows from financing activities</b>		
Proceeds from bank loans	732	-
<b>Net cash flows used in financing activities</b>	732	-
<b>Net (decrease) / increase in cash and cash equivalents</b>	(29)	2,314
Effect of exchange rate changes	88	161
Cash and cash equivalents at beginning of the period	24,855	39,241
<b>Cash and cash equivalents at end of the period</b>	24,914	41,716
<b>Cash and cash equivalents comprise :</b>		
Fixed deposits	5,961	22,078
Cash and bank balances	18,984	19,666
Deposit pledged	(31)	(28)
	24,914	41,716

- 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
<b>Group</b>				
<b>Balance as at 1.1.2015</b>	29,909	35,016	(3,977)	<b>60,948</b>
Total comprehensive income for the period	-	3,046	(286)	2,760
<b>Balance as at 31.3.2015</b>	<b>29,909</b>	<b>38,062</b>	<b>(4,263)</b>	<b>63,708</b>
<b>Balance as at 1.1.2014</b>	29,909	40,503	(4,239)	<b>66,173</b>
Total comprehensive income for the period	-	4,599	383	4,982
<b>Balance as at 31.3.2014</b>	<b>29,909</b>	<b>45,102</b>	<b>(3,856)</b>	<b>71,155</b>
<b>Company</b>				
<b>Balance as at 1.1.2015</b>	29,909	13,040	-	<b>42,949</b>
Total comprehensive income for the period	-	2,751	-	2,751
<b>Balance as at 31.3.2015</b>	<b>29,909</b>	<b>15,791</b>	<b>-</b>	<b>45,700</b>
<b>Balance as at 1.1.2014</b>	29,909	21,947	-	<b>51,856</b>
Total comprehensive income for the period	-	5,735	-	5,735
<b>Balance as at 31.3.2014</b>	<b>29,909</b>	<b>27,682</b>	<b>-</b>	<b>57,591</b>

- 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 2014. As at 31 March 2015, there was no share options granted (31 March 2014 : Nil). There was no treasury share in issue as at the end of the current financial period (31 March 2014 : 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 2014 : 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 2015, 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 2014 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 2015, 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 2015.

**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.**

	<b>Group Period ended 31 March</b>	
	<b>2015</b>	<b>2014</b>
Earnings per Ordinary Share for the year based on net profit attributable to shareholders:	(cents)	(cents)
(i) basic earnings per share	0.84	1.27
(iii) fully diluted earnings per share	0.84	1.27

Basic earnings per ordinary share for the financial period ended 31 March 2015 was calculated based on the weighted average number of shares in issue of 361,897,000 (2014 : 361,897,000) ordinary shares. Fully diluted earnings per ordinary share for the financial period ended 31 March 2015 was calculated based on the adjusted weighted average number of shares in issue of 361,897,000 ordinary shares {2014 : 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.**

	<b>Group</b>		<b>Company</b>	
	<b>31/3/2015 (cents)</b>	<b>31/12/2014 (cents)</b>	<b>31/3/2015 (cents)</b>	<b>31/12/2014 (cents)</b>
Net Asset Value per ordinary share based on issued share capital	17.60	16.84	12.63	11.87

Net asset value per ordinary share as at 31 March 2015 and 31 December 2014 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 2014, the Group's turnover for Q1 2015 increased 3.6% (\$1.4 million) Year-on-Year (Y-o-Y), from \$40.7 million to \$42.1 million, with higher turnover from the Infocomm business segment, partially offset by lower turnover from the Telecom business segment.

**Telecommunications (Telecom)**

Turnover for Q1 2015 decreased 41.6% (\$5.7 million) Y-o-Y from \$13.8 million in Q1 2014 to \$8.1 million, mainly due to lower sales in both Asia Pacific and Middle East / Africa markets.

**Infocomm**

Turnover for Q1 2015 increased 26.8% (\$7.2 million) Y-o-Y from \$26.8 million in Q1 2013 to \$34.0 million.

Network Infrastructure

Turnover for Network Infrastructure business area increased 16.6% (\$3.3 million) Y-o-Y from \$20.0 million in Q1 2014 to \$23.4 million in Q1 2015. This mainly resulted from higher sales of network equipment to the Enterprise market sector.

Payment Solutions

Turnover for Payment Solutions business area increased 57.1% (\$3.9 million) Y-o-Y from \$6.8 million in Q1 2014 to \$10.7 million in Q1 2015. This was due to higher sales revenue from point-of-sale terminals.

(b) **Gross Profit**

Compared to Q1 2014, gross profit for Q1 2015 decreased 9.2% Y-o-Y mainly due to higher proportion of equipment sales. Accordingly, the gross margin percentage ("GM%") declined from 38.2% to 33.5%, with lower GM% in the Infocomm business segment.

(c) **Other operating income**

The lower other operating income for Q1 2015 as compared to Q1 2014 was mainly due to lower suppliers' incentive rebates.

(d) **Operating Expenses**

Compared to Q1 2014, total operating expenses increased 1.4% (\$0.1 million) Y-o-Y from \$9.9 million to \$10.0 million in Q1 2015. However, total operating expenses as a percentage of turnover for Q1 2015 was lower at 23.9% compared to 24.4% for Q1 2014.

Distribution and selling expenses decreased 2.6% (\$0.2 million) Y-o-Y mainly due to lower payroll and related costs, partially offset by absence of writeback of provision for doubtful debts.

Administrative expenses increased by 4.6% (\$0.1 million) Y-o-Y mainly due to higher rental costs (from new office in Myanmar and expansion of office space in certain countries) and higher depreciation expenses. Higher other operating expenses was mainly due to higher exchange loss.

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

Compared to Q1 2014, PBT for Q1 2015 registered a decline of 28.3% Y-o-Y mainly due to the lower gross profit, lower other operating income, and higher exchange loss. PBT as a percentage of turnover ("PBT %") for Q1 2015 was lower at 10.1% compared to 14.7% in Q1 2014.

(f) **Cash flow**

The Group continued to generate positive cashflow from operating activities. The decrease in cash and cash equivalent for the quarter was mainly due to capital expenditure of \$1.9 million, partially offset by proceeds from drawdown of \$0.7 million from the loan facility. Capital expenditure was mainly incurred on point-of-sale terminals for leasing business.

**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 2015, the Group secured approximately \$57.6 millions in order intake, an increase of 1.3% compared with the \$56.8 million in Q1 2014 due to significant orders received from the Telecommunications business area offset by lower order intake from the Infocomm business area.

**Telecommunications (Telecom)**

Competition in the wireless infrastructure network market remains intense and consolidation in the industry is expected to continue.

In Q1 2015, the Group's Telecom business area secured approximately \$27.7 million in order in-take, a significant increase of 44.3% compared \$19.2 million in Q1 2014 as a result of higher order in-take from a customer in the Middle East region.

The Group believes that demand for mobile broadband products and solutions will rise due to consumer demand for data services and mobile operators will continue to expand their networks to meet their customers' needs and various regulatory compliances.

The Group will continue to provide comprehensive wireless products and solutions comprising point-to-point trunk and access radios, point-to-multi-point radios, radio access networks, mobile coverage, wifi 3G data offload and performance networks that will help mobile and non-mobile operators to lower their capex and opex.

**Infocomm**

The Infocomm business segment comprises two business areas, namely Network Infrastructure and Payment Solutions. The Group's Infocomm business segment secured 20.6% lower in order intake in Q1 2015 of approximately \$29.9 million compared to Q1 2014 of \$37.7 million.

**Network Infrastructure**

Competition in the network infrastructure business remains high and fragmented with many local resellers, distributors and system integrators partnering various global network equipment manufacturers to offer various networking products and services.

In Q1 2015, the Group's Network Infrastructure business area managed to secure approximately \$18.1 million in order in-take, a decrease of 34.0% compared to \$27.4 million in Q1 2014 as a result of delays in tender award.

The Group believes that growth in the network infrastructure products and services will continue as a result of rapid increase in internet traffic, web services, mobile data and security threats. Organisation IT spend will be driven by productivity improvements, lower cost and improve competitiveness as well as meeting more stringent regulatory compliances.

The Group will focus on providing IP, Optical and Broadcast network infrastructure products and solutions to three targeted key market verticals, namely Service Providers, Enterprises and Government, and Transport and Utilities.

#### Payment Solutions

Competition in the POS market remains high and fragmented with many local resellers selling different or even similar brands of point-of-sale terminals. In addition, there are also new market entrants offering alternative payment methods to try and disrupt the market.

In Q1 2015, the Group's Payment Solutions business area managed to secure approximately \$11.8 million in order in-take, an increase of 15.3% compared to \$10.3 million in Q1 2014 as a result of higher sales of point-of-sale terminals to a customer.

Growth in the payment business is driven by increase in spending and transactions using plastic cards for payments, various government cashless initiatives, outsourcing trends, industry standards and regulatory compliances.

The Group will focus on providing secured end-to-end electronic payment infrastructure solutions to financial institutions, payment service providers, retailers, telcos, healthcare and transport organisations.

## **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**

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  
4 May 2015