

NERA TELECOMMUNICATIONS LTD

(Co. Reg. No. 197802690R)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2016**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 2016 S\$'000	Qtr 1 2015 S\$'000	Increase/ (Decrease) %
Turnover		37,491	42,105	(11.0)
Cost of sales		(24,712)	(28,001)	(11.7)
Gross profit		12,779	14,104	(9.4)
Other operating income		242	291	(16.8)
Distribution and selling expenses		(6,829)	(6,804)	0.4
Administrative expenses		(2,610)	(2,985)	(12.6)
Other operating expenses		(348)	(261)	33.3
Profit from operations		3,234	4,345	(25.6)
Financial expenses		(224)	(91)	146.2
Financial income		5	16	(68.8)
Profit before tax		3,015	4,270	(29.4)
Taxation		(985)	(1,224)	(19.5)
Profit after tax		2,030	3,046	(33.4)
Other comprehensive income :				
Foreign currency translation of financial statements of foreign operations		566	(286)	N.M.
Total comprehensive income for the period		2,596	2,760	(5.9)

N.M – Not meaningful

		Group		
		Qtr 1 2016 S\$'000	Qtr 1 2015 S\$'000	Increase/ (Decrease) %
Profit for the period is arrived at after crediting / (charging) the following :				
Amortisation of intangible assets		(16)	(16)	0.0
Bad debts recovered		3	4	(25.0)
Depreciation of property, plant and equipment		(1,572)	(1,573)	(0.1)
Foreign exchange loss		(332)	(243)	36.6
Interest expense	(1)	(146)	(32)	356.3
Interest income	(2)	5	16	(68.8)
Net gain on disposal / write-off of property, plant and equipment		14	25	(44.0)
Net allowance for doubtful debts		(368)	(44)	736.4
Net allowance for stock obsolescence		(131)	(104)	26.0
Net writeback of provision for warranty		365	201	81.6
Other information				
Gross profit as a percentage of turnover		34.1%	33.5%	0.6%
Profit for the period as a percentage of turnover		5.4%	7.2%	(1.8%)
Profit for the period attributable to equity shareholders of the Company as a percentage of issued capital and reserves at end of the period		3.4%	4.8%	(1.4%)

Notes :

- (1) The increase in interest expenses was due to higher bank borrowings taken up.
- (2) 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	
	31/3/2016 S\$'000	31/12/2015 S\$'000	31/3/2016 S\$'000	31/12/2015 S\$'000
Equity				
Share capital	29,909	29,909	29,909	29,909
Revenue reserve	34,182	32,132	6,313	5,246
Translation reserve	(5,452)	(6,018)	-	-
Other reserve	3	3	-	-
	58,642	56,026	36,222	35,155
Non current assets				
Property, plant and equipment	14,430	14,156	1,241	1,391
Intangible asset	951	967	951	967
Investment in subsidiaries	-	-	4,801	4,801
Deferred tax assets	1,528	1,546	-	-
	16,909	16,669	6,993	7,159
Current assets				
Stocks	5,803	7,601	109	1
Contract work-in-progress	27,970	27,183	7,646	10,823
Trade receivables	76,133	72,578	14,336	12,500
Other receivables, deposits and prepayments	4,050	4,073	468	883
Due from subsidiaries (trade)	-	-	30,352	31,567
Due from subsidiaries (non-trade)	-	-	7,414	5,659
Fixed deposits	-	219	-	-
Cash and bank balances	17,663	20,801	5,492	6,322
Total current assets	131,619	132,455	65,817	67,755
Current liabilities				
Trade payables	40,148	52,810	11,357	14,500
Other payables and accruals	27,321	17,793	7,167	7,310
Due to subsidiaries (non-trade)	-	-	-	96
Short term borrowings	3,344	3,509	2,500	2,500
Provision for taxation	2,413	1,963	2,028	1,779
Provision for warranty	2,096	2,481	627	656
Total current liabilities	75,322	78,556	23,679	26,841
Net current assets	56,297	53,899	42,138	40,914
Non current liabilities				
Deferred tax liabilities	770	729	107	116
Borrowings	12,802	12,802	12,802	12,802
Defined benefit obligation	992	1,011	-	-
	14,564	14,542	12,909	12,918
Net Assets	58,642	56,026	36,222	35,155

Notes :

- (1) The increase in trade receivables was mainly due to high level of invoicing towards the end of Q1 2016.
- (2) The increase in other payables and accruals was mainly due to higher advances received from customers. The advances were used to pay trade payables, resulting in the decrease. Trade payables are paid based on agreed payment terms

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

Amount repayable in one year or less, or on demand

As at 31/3/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	3,344	-	3,509

Amount repayable after one year

As at 31/3/2016		As at 31/12/2014	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
12,802	-	12,802	-

Details of any collateral

The borrowings repayable after one year 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	
2016	2015
S\$'000	S\$'000
Cash flows from operating activities	
Profit before tax	3,015
Adjustments for :	4,270
Amortisation of intangible assets	16
Depreciation of property, plant and equipment	1,572
Interest expense	146
Interest income	(5)
Net gain on disposal / write-off of property, plant and equipment	(14)
Net allowance for stock obsolescence	131
Net allowance for doubtful debts	368
Net writeback of provision for warranty	(365)
Pension cost	17
Operating profit before working capital changes	4,881
Decrease / (increase) in :	5,824
Stocks	1,667
Contract work-in-progress	(787)
Trade receivables	(3,923)
Other receivables, deposits and prepayments	23
Decrease in :	
Trade payables	(12,662)
Other payables and accruals	9,521
Provision for warranty	(20)
Effect of exchange rates changes	836
Cash (used in) / generated from operations	(464)
Income taxes paid	(479)
Interest paid	(155)
Contribution to pension funds	(20)
Net cash flows (used in) / from operating activities	(1,118)
Cash flows from Investing activities	
Proceeds from disposal of property, plant and equipment	18
Purchase of property, plant and equipment	(1,901)
Interest received	5
Withdrawal of deposit pledged	92
Net cash flows used in investing activities	(1,786)
Cash flows from financing activities	
Proceeds from bank loans	844
Repayment of bank loans	(1,009)
Refund of unclaimed dividends	20
Net cash flows (used in) / from financing activities	(145)
Net decrease in cash and cash equivalents	(3,049)
Effect of exchange rate changes	(216)
Cash and cash equivalents at beginning of the period	20,770
Cash and cash equivalents at end of the period	17,505
Cash and cash equivalents comprise :	
Fixed deposits	-
Cash and bank balances	17,663
Deposit pledged	(158)
	24,785

- 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	Other Reserve S\$'000	Total S\$'000
Group					
Balance as at 1.1.2016	29,909	32,132	(6,018)	3	56,026
Total comprehensive income for the period	-	2,030	566	-	2,596
Refund of unclaimed dividends	-	20	-	-	20
Balance as at 31.3.2016	29,909	34,182	(5,452)	3	58,642
Balance as at 1.1.2015	29,909	35,016	(3,977)	-	60,948
Total comprehensive income for the period	-	3,046	(286)	-	2,760
Balance as at 31.3.2015	29,909	38,062	(4,263)	-	63,708
Company					
Balance as at 1.1.2016	29,909	5,246	-	-	35,155
Total comprehensive income for the period	-	1,047	-	-	1,047
Refund of unclaimed dividends	-	20	-	-	20
Balance as at 31.3.2016	29,909	6,313	-	-	36,222
Balance as at 1.1.2015	29,909	13,040	-	-	42,949
Total comprehensive income for the period	-	2,751	-	-	2,751
Balance as at 31.3.2015	29,909	15,791	-	-	45,700

- 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 2015. As at 31 March 2016, there was no share options granted (31 March 2015 : Nil). There was no treasury share in issue as at the end of the current financial period (31 March 2015 : 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 2015 : 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

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 2015 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 2016, 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 2016.

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	
	2016	2015
Earnings per Ordinary Share for the year based on net profit attributable to shareholders:	(cents)	(cents)
(i) basic earnings per share	0.56	0.84
(iii) fully diluted earnings per share	0.56	0.84

Basic earnings per ordinary share for the financial period ended 31 March 2016 was calculated based on the weighted average number of shares in issue of 361,897,000 (2015 : 361,897,000) ordinary shares. Fully diluted earnings per ordinary share for the financial period ended 31 March 2016 was calculated based on the adjusted weighted average number of shares in issue of 361,897,000 ordinary shares {2015 : 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	
	31/3/2016 (cents)	31/12/2015 (cents)	31/3/2016 (cents)	31/12/2015 (cents)
Net Asset Value per ordinary share based on issued share capital	16.20	15.48	10.01	9.71

Net asset value per ordinary share as at 31 March 2016 and 31 December 2015 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 2015, the Group's turnover for Q1 2016 declined 11.0% (\$4.6 million) year-on-year (Y-o-Y), from \$42.1 million to \$37.5 million, with lower turnover from the Infocomm business segment, partially offset by higher turnover from the Telecom business segment.

Telecommunications (Telecom)

Turnover for Q1 2016 increased 45.7% (\$3.7 million) Y-o-Y from \$8.1 million in Q1 2015 to \$11.8 million, mainly due to higher sales in both Asia Pacific and Middle East / Africa markets.

Infocomm

The Infocomm business segment comprises two business areas, namely Network Infrastructure and Payment Solutions.

Turnover for Q1 2016 declined 24.4% (\$8.3 million) Y-o-Y from \$34.0 million in Q1 2015 to \$25.7 million.

Network Infrastructure

Turnover for Network Infrastructure business area declined 19.5% (\$4.6 million) Y-o-Y from \$23.4 million in Q1 2015 to \$18.8 million. This mainly resulted from lower sales of network equipment to the Service Provider market sector. There was a delay in a significant order from a customer and also a pull back in project implementation due to slow payment by a customer.

Payment Solutions

Turnover for Payment Solutions business area declined 35.1% (\$3.8 million) Y-o-Y from \$10.7 million in Q1 2015 to \$6.9 million. This was due to lower sales revenue from point-of-sale terminals in Thailand.

(b) Gross Profit

Compared to Q1 2015, gross profit for Q1 2016 declined 9.4% Y-o-Y mainly due to the lower revenue. However, the gross margin percentage ("GM%") improved from 33.5% to 34.1%, mainly due to lower proportion of equipment sales.

(c) **Other operating income**

The lower other operating income for Q1 2016 as compared to Q1 2015 was mainly due to lower suppliers' incentive rebates, partially offset by higher government grant.

(d) **Operating Expenses**

Compared to Q1 2015, total operating expenses declined 2.6% (\$0.3 million) Y-o-Y from \$10.1 million to \$9.8 million in Q1 2016. However, total operating expenses as a percentage of turnover for Q1 2016 was higher at 26.1% compared to 23.9% for Q1 2015.

Distribution and selling expenses increased slightly by 0.4% Y-o-Y mainly due higher provision made for doubtful debts partially offset by lower payroll and related costs.

Administrative expenses declined 12.6% (\$0.4 million) Y-o-Y mainly due to lower payroll and related costs. Higher other operating expenses for Q1 2016 was mainly due to higher exchange loss from the weakening of United States Dollar.

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

Compared to Q1 2015, PBT for Q1 2016 registered a decline of 29.4% Y-o-Y mainly due to the lower gross profit from lower revenue, higher exchange loss and interest expense. PBT as a percentage of turnover ("PBT %") for Q1 2016 was lower at 8.0% compared to 10.1% in Q1 2015.

(f) **Cash flow**

In Q1 2016, the Group generated negative cashflow of \$1.1 million from operating activities mainly due to higher working capital requirement. In addition, there were capital expenditures of \$1.9 million, resulting in the decrease of \$3.0 million in cash and cash equivalent for the quarter.

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.

In Q1 2016, the Group secured a total of approximately \$70.2 million in order intake, an increase of 21.9% compared with \$57.6 million in Q1 2015 as a result of significant orders received from the Infocomm business segment.

Telecommunications (Telecom)

In Q1 2016, the Group's Telecom business segment secured approximately \$24.8 million in order intake, a decline of 10.5% compared to \$27.7 million in Q1 2015 as a result of lower orders from customers in Middle East partially offset by higher orders received from customers in Asia Pacific.

The Group believes that Mobile Operators will continue to invest in their mobile network infrastructure in terms of increasing capacity, expanding their coverage and adding new capabilities to meet consumer demand for high speed broadband data and video services as well as regulatory requirements and compliances.

Competition in the wireless infrastructure network market remains intense among global equipment vendors.

The Group will focus on providing a comprehensive and competitive wireless solutions such as point-to-point and point-to-multi-point radio solutions, radio access networks, mobile coverage, wifi 3G data offload and performance networks that will help Operators to lower their capex and opex.

Infocomm

The Group's Infocomm business segment recorded a significant increase in order intake of 51.8% from Q1 2015 of \$29.9 million to \$45.4 million in Q1 2016 due mainly to a very strong order intake from the Network Infrastructure business area.

Network Infrastructure

In Q1 2016, the Group's Network Infrastructure business area managed to secure approximately \$34.8 million in order in-take, a significant increase of 92.4% compared to \$18.1 million in Q1 2015. This resulted from higher orders of network equipment and broadcast systems received from Service Providers in Indonesia, Singapore and Australia.

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

The Group believes demand for network infrastructure products, solutions and services will continue as a result of rapid increase in internet traffic and services, data, video content and security threats.

The Group will focus on providing IP, Optical, Broadcast, Cloud, Data Centers and Security network infrastructure products and solutions to three main targeted verticals, namely Service Providers, Enterprises and Government, Transport and Utilities.

Payment Solutions

In Q1 2016, the Group's Payment Solutions business area managed to secure approximately \$10.6 million in order in-take, a decrease of 10.4% compared to \$11.8 million in Q1 2015 as a result of lower orders of point-of-sale ('POS') terminals from customers in the Philippines.

Growth in the payment solutions business is driven by demand for POS terminals to support the increase in spending and transactions, the use of plastic cards for payments, government cashless initiatives, banks' outsourcing trends, security, industry standards and regulatory compliances.

Competition in the POS market remains high and fragmented. The Group will continue to focus on providing secured end-to-end electronic payment infrastructure, comprising of front end POS terminals to back end hosting and value added services to banks and financial institutions, retailers 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.

14. 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 2016, 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

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 has procured the revised undertakings from all directors and from executive officers in the format set out in Appendix 7.7 under Rule 720(1).

BY ORDER OF THE BOARD

Foo Soon Soo
Company Secretary
4 May 2016