

NERA TELECOMMUNICATIONS LTD

(Co. Reg. No. 197802690R)

UNAUDITED FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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 4th Quarter			Group Year ended 31 December		
		2016 S\$'000	2015 S\$'000	Increase/ (Decrease) %	2016 S\$'000	2015 S\$'000	Increase/ (Decrease) %
Continuing operations							
Turnover		49,584	39,377	25.9	164,877	134,779	22.3
Cost of sales		(37,019)	(26,109)	41.8	(122,639)	(89,542)	37.0
Gross profit		12,565	13,268	(5.3)	42,238	45,237	(6.6)
Other operating income	(1)	621	12	Nm	1,220	398	206.5
Distribution and selling expenses		(6,812)	(5,823)	17.0	(23,277)	(21,039)	10.6
Administrative expenses		(5,414)	(2,032)	166.4	(11,519)	(8,290)	38.9
Other operating expenses		(199)	(346)	(42.5)	(3,173)	(191)	Nm
Profit from continuing operations		761	5,079	(85.0)	5,489	16,115	(65.9)
Financial income		118	6	Nm	149	38	292.1
Financial expenses		45	(242)	(118.6)	(391)	(596)	(34.4)
Profit before taxation from continuing operations		924	4,843	(80.9)	5,247	15,557	(66.3)
Taxation		4	(850)	(100.5)	(1,363)	(2,815)	(51.6)
Profit from continuing operations, net of tax		928	3,993	(76.8)	3,884	12,742	(69.5)
Discontinued operation							
Profit from discontinued operation, net of tax		365	400	(8.9)	66,251	659	Nm
Net profit for the financial period		1,293	4,393	(70.6)	70,135	13,401	423.4
Other comprehensive income / (expense) : Items that may be reclassified subsequently to profit or loss :							
Foreign currency translation of financial statements of foreign operations	(2)	(626)	563	(211.1)	1,398	(2,041)	(168.5)
Remeasurement of defined benefit obligation	(3)	221	3	Nm	221	3	Nm
Total comprehensive income for the period / year		888	4,959	(82.1)	71,754	11,363	531.5

Nm: denotes not meaningful

'Continuing operations' refer to the Wireless Infrastructure Networks and Network Infrastructure operations.

'Discontinued operation' refers to the Payment Solutions operations.

Note :

- (1) The increase in other operating income was largely contributed by income generated from services rendered to Ingenico to facilitate a smooth transition after the divestiture of Payment Solutions business, and wages credit scheme payment received from government in Q4 2016.
- (2) The gain in foreign currency translation of financial statement of foreign operations was mainly due to the appreciation of Indonesian Rupiah and Thai Baht against Singapore Dollar by approximately 7% and 3% respectively. During the quarter, these two currencies appreciated against Singapore Dollar slightly, which was partially offset by the depreciation of Malaysian Ringgit against Singapore Dollar by approximately 2%.
- (3) Other comprehensive income from remeasurement of defined benefit obligation arose due to reduction of employee benefit liability in Q4 2016.

Discontinued operation

On 20 May 2016, the Group entered into a conditional share sale agreement with Ingenico Group S.A. ('Ingenico') to sell the Payment Solutions ('PS') business via the sale of shares in a subsidiary, Nera Payment Solutions Pte Ltd. The purchase consideration is \$88.0 million, subject to adjustments provided for in the agreement.

On 31 August 2016, the Group completed the divestiture of the PS business to Ingenico at a purchase consideration of \$88.4 million, subject to adjustments for the net cash, net debt, net working capital, intra group balances and capex adjustments of Nera Payment Solutions Pte Ltd and its subsidiaries as at the completion date. These adjustments were finalised in Q4 2016 and the Group recorded a gain on disposal of \$66.1 million.

In accordance with 'FRS 105 Non-current Assets Held for Sale and Discontinued Operations', the financial results of the PS business is presented separately on the Statement of Comprehensive Income as 'discontinued operation'. These results are consolidated as part of the Group's financial results up to 31 August 2016.

The financial results of the PS business are as follows :

	Group 4th Quarter			Group Year ended 31 December		
	2016 S\$'000	2015 S\$'000	Increase/ (Decrease) %	2016 S\$'000	2015 S\$'000	Increase/ (Decrease) %
Turnover	88	12,019	(99.3)	28,559	46,734	(38.9)
Cost of sales	365	(8,510)	(104.3)	(20,580)	(32,453)	(36.6)
Gross profit	453	3,509	(87.1)	7,979	14,281	(44.1)
Other operating income	2	68	(97.1)	438	198	121.2
Operating expenses	(156)	(3,200)	(95.1)	(7,562)	(13,086)	(42.2)
Net financial expenses	47	(37)	(227.0)	(204)	(111)	83.8
Profit from discontinued operation	345	340	1.3	651	1,282	(49.3)
Gain on disposal of subsidiaries	(43)	-	Nm	66,128	-	Nm
Profit before taxation from discontinued operation	303	340	(11)	66,779	1,282	Nm
Taxation expense	62	60	3.3	(528)	(623)	(15.2)
Profit from discontinued operation, net of tax	365	400	(8.9)	66,251	659	Nm

Nm: denotes not meaningful

		Group 4th Quarter				Group Year ended 31 December		
		2016	2015	Increase / (Decrease)		2016	2015	Increase / (Decrease)
		S\$'000	S\$'000	%		S\$'000	S\$'000	%
Profit for the period is arrived after crediting / (charging) the following :								
Adjustments for over / (under) provision of tax in respect of prior years		223	(50)	(546.0)		539	(9)	Nm
Amortisation of intangible asset		(16)	(16)	-		(64)	(64)	-
Bad debts (written off) / recovered		(23)	(14)	64.3		(5)	24	(120.8)
Depreciation of property, plant and equipment	(1)	(246)	(1,566)	(84.3)		(4,935)	(6,374)	(22.6)
Foreign exchange gain / (loss)	(2)	122	(354)	134.5		(2,104)	(505)	316.6
Interest expense	(3)	(111)	(163)	(31.9)		(583)	(374)	55.9
Interest income	(4)	114	3	Nm		157	40	292.5
Net gain on disposal / write-off of property, plant and equipment		116	(88)	(231.8)		267	(61)	(537.7)
Net (allowance) / writeback for doubtful debts		111	(365)	(130.4)		(579)	(334)	73.4
Net (allowance) / writeback for stock obsolescence		(38)	(300)	(87.3)		(937)	(422)	122.0
Net (provision) / writeback for warranty		(14)	802	(101.7)		(66)	1,419	(104.7)
<u>Other information</u>								
Gross profit as a percentage of turnover		26.2%	32.6%	(6.4)		26.0%	32.8%	(6.8)
(Loss) / Profit for the period as a percentage of turnover (excluding gain on disposal of subsidiaries)		2.7%	8.5%	(5.8)		2.1%	7.4%	(5.3)
Profit for the period attributable to equity shareholders of the Company as a percentage of issued capital and reserves at end of period		2.0%	7.8%	(5.8)		105.8%	23.9%	81.9

Nm: denotes not meaningful

Notes :

- (1) Decrease in depreciation of property, plant and equipment was mainly due to the divestiture of PS business.
- (2) Increase in foreign exchange loss for the full year was mainly due to devaluation of Nigerian Naira against US dollar by approximately 54%, thus resulting in an unrealised exchange loss upon revaluation of US dollar payables to Nigerian Naira. During the quarter, Nigerian Naira appreciated against US dollar by approximately 3%, thus resulting in an unrealised exchange gain.
- (3) Increase in interest expense was due to higher bank borrowings taken up during the year. This was partially offset by repayments made in Q4 2016.
- (4) Increase in interest income was mainly due to interest earned from placing the net proceeds from the divestiture of the PS business in 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.

Statement of Financial Position as at		Group		Company	
		31/12/2016 S\$'000	31/12/2015 S\$'000	31/12/2016 S\$'000	31/12/2015 S\$'000
Equity					
Share capital		29,909	29,909	29,909	29,909
Revenue reserve		40,765	32,132	10,967	5,246
Translation reserve		(4,620)	(6,018)	-	-
Other reserve		224	3	-	-
		66,278	56,026	40,876	35,155
Non current assets					
Property, plant and equipment	(1)	2,078	14,156	864	1,391
Intangible asset		902	967	902	967
Investment in subsidiaries		-	-	4,668	4,801
Investment in an associate		-	-	-	-
Trade receivables	(2)	990	-	990	-
Deferred tax assets		1,622	1,546	21	-
		5,592	16,669	7,445	7,159
Current assets					
Stocks	(1)	77	7,601	-	1
Contract work-in-progress		33,158	27,183	16,432	10,823
Trade receivables	(1)	65,864	72,578	25,839	12,500
Other receivables, deposits and prepayments	(3)	15,590	4,073	10,859	883
Due from subsidiaries (trade)		-	-	26,303	31,567
Due from subsidiaries (non-trade)		-	-	6,413	5,659
Fixed deposits		-	219	-	-
Cash and bank balances		22,885	20,801	5,298	6,322
		137,574	132,455	91,144	67,755
Current liabilities					
Trade payables	(1)	49,687	52,810	20,563	14,500
Other payables and accruals	(1)	14,927	17,793	25,733	7,310
Due to subsidiaries (non-trade)		-	-	312	96
Short term borrowings		2,812	3,509	2,500	2,500
Provision for taxation	(1)	139	1,963	808	1,779
Provision for warranty	(1)	2,176	2,481	1,024	656
		69,741	78,556	50,940	26,841
Net current assets		67,833	53,899	40,204	40,914
Non current liabilities					
Deferred tax liabilities	(1)	-	729	-	116
Borrowings	(4)	6,773	12,802	6,773	12,802
Defined benefit obligation	(1)	374	1,011	-	-
		7,147	14,542	6,773	12,918
Net Assets		66,278	56,026	40,876	35,155

Explanatory Notes to the Consolidated Statement of Financial Position

- (1) The decrease in the various balance sheet items was mainly due to the divestiture of the PS business.
- (2) Trade receivables in non-current assets relates to the principal amount of the interest bearing repayment scheme with customers, outstanding for more than a year.
- (3) Other receivables, deposits and prepayments included an amount of \$10 million maintained in an escrow account in relation to the divestiture of the PS business.
- (4) The decrease in borrowings was mainly due to repayments made in Q4 2016.

Disposal of subsidiaries

The value of assets and liabilities of the PS business recorded in the consolidated financial statements as at 31 August 2016, and the effects of the disposal were :

	<u>31/8/2016</u> <u>S\$'000</u>
Property, plant and equipment	13,243
Deferred tax assets	44
Stock	1,688
Contract work-in-progress	1,110
Trade receivables	16,657
Other receivables, deposits and prepayments	502
Cash and cash equivalent	2,261
Trade payables	(12,083)
Other payables and accruals	(6,248)
Provision for warranty	(97)
Provision for taxation	(223)
Deferred tax liabilities	(552)
Defined benefit obligation	(251)
Net assets disposed	<u>16,051</u>
Cash consideration	88,207
Less : Net assets disposed	(16,051)
Less : Transaction costs related to the disposal	(6,008)
Less : Reclassification of foreign exchange translation reserve	(20)
Gain on disposal of subsidiaries	<u>66,128</u>
Cash consideration	88,207
Less : Consideration maintained in an escrow account	(10,000)
Less : Transaction costs related to the disposal paid / payable	(6,008)
Less : Cash and cash equivalent of subsidiaries disposed	(2,261)
Net cash inflow on disposal of subsidiaries	<u>69,938</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

As at 31/12/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	2,812	-	3,509

Amount repayable after one year

As at 31/12/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
6,773	-	12,802	-

Details of any collateral

The secured borrowings are from a \$25.0 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 4th Quarter		Group Year ended 31 Dec	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Cash flows from operating activities				
Profit before taxation from continuing operations	924	4,843	5,247	15,557
Profit before taxation from discontinued operation	303	340	66,779	1,282
	1,227	5,183	72,026	16,839
<u>Adjustments for :</u>				
Amortisation of intangible asset	16	16	64	64
Depreciation of property, plant and equipment	246	1,566	4,935	6,374
Gain on disposal of subsidiaries	43	-	(66,128)	-
Interest expense	111	163	583	374
Interest income	(114)	(3)	(157)	(40)
Net (gain) / loss on disposal / write-off of property, plant and equipment	(116)	88	(267)	61
Net allowance for stock obsolescence	38	300	937	422
Net (writeback) / allowance for doubtful debts	(111)	365	579	334
Net provision / (writeback) for warranty	14	(802)	66	(1,419)
Pension costs	(337)	46	(286)	141
Operating profit before working capital changes	1,017	6,922	12,352	23,150
Decrease / (increase) in :				
Stocks	412	(2,911)	4,899	(4,134)
Contract work-in-progress	1,460	(2,884)	(6,026)	(1,596)
Trade receivables	(5,063)	(3,078)	(10,691)	(3,008)
Other receivables, deposits and prepayments	(2,242)	148	(2,840)	(543)
(Decrease) / increase in :				
Trade payables	11,607	7,464	8,958	(198)
Other payables and accruals	29	(1,883)	3,428	(2,218)
Provision for warranty	(147)	(163)	(274)	(626)
Effect of exchange rate changes	(699)	-	1,232	-
Cash flows from operations	6,374	3,615	11,038	10,827
Income taxes paid	(371)	(150)	(3,793)	(3,468)
Interest paid	(111)	(800)	(627)	(321)
Contribution to pension funds	(103)	(32)	(123)	(32)
Net cash flows from operating activities	5,789	2,633	6,495	7,006
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	110	22	272	126
Purchase of property, plant and equipment	(143)	(928)	(6,982)	(4,835)
Net cash inflow on disposal of subsidiaries	(43)	-	69,938	-
Interest received	114	3	157	40
Withdrawal / (increase) of deposit pledged	-	1	(105)	(1)
Net cash flows from investing activities	38	(902)	63,280	(4,670)

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 (cont'd)

	Group 4th Quarter		Group Year ended 31 Dec	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Cash flows from financing activities				
Dividends paid to shareholders	(54,284)	-	(61,522)	(16,285)
Proceeds from bank loans	12,025	1,865	19,929	13,041
Repayment of bank loans	(15,018)	(1,432)	(26,603)	(1,432)
Refund of unclaimed dividends	-	-	20	-
Net cash flows (used in) / from financing activities	(57,277)	433	(68,176)	(4,676)
Net decrease / (increase) in cash and cash equivalents	(51,450)	2,164	1,599	(2,340)
Effect of exchange rate changes	240	199	161	(1,525)
Cash and cash equivalents at beginning of the period	73,960	18,627	20,990	24,855
Cash and cash equivalents at end of the period	22,750	20,990	22,750	20,990
Cash and cash equivalents comprise :				
Fixed deposits	-	219	-	219
Cash and bank balances	22,885	20,801	22,885	20,801
Deposits pledged	(135)	(30)	(135)	(30)
	22,750	20,990	22,750	20,990

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 4th Quarter ended 31 December	Share Capital S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Other Reserve S\$'000	Total S\$'000
Group					
Balance as at 1.10.2016	29,909	93,756	(3,994)	3	119,674
Total comprehensive income for the period	-	1,293	(626)	221	888
Dividend paid	-	(54,284)	-	-	(54,284)
Balance as at 31.12.2016	29,909	40,765	(4,620)	224	66,278
Balance as at 01.10.2015	29,909	27,739	(6,581)	-	51,067
Total comprehensive income for the period	-	4,393	563	3	4,959
Dividend paid	-	-	-	-	-
Balance as at 31.12.2015	29,909	32,132	(6,018)	3	56,026
Company					
Balance as at 1.10.2016	29,909	66,904	-	-	96,813
Total comprehensive income for the period	-	(1,653)	-	-	(1,653)
Dividend paid	-	(54,284)	-	-	(54,284)
Balance as at 31.12.2016	29,909	10,967	-	-	40,876
Balance as at 01.10.2015	29,909	3,242	-	-	33,151
Total comprehensive income for the period	-	2,004	-	-	2,004
Dividend paid	-	-	-	-	-
Balance as at 31.12.2015	29,909	5,246	-	-	35,155

For year ended 31 December	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	-	70,135	1,398	221	71,754
Dividend paid	-	(61,522)	-	-	(61,522)
Refund of unclaimed dividend	-	20	-	-	20
Balance as at 31.12.2016	29,909	40,765	(4,620)	224	66,278
Balance as at 1.1.2015	29,909	35,016	(3,977)	-	60,948
Total comprehensive income for the period	-	13,401	(2,041)	3	11,363
Dividend paid	-	(16,285)	-	-	(16,285)
Balance as at 31.12.2015	29,909	32,132	(6,018)	3	56,026
Company					
Balance as at 1.1.2016	29,909	5,246	-	-	35,155
Total comprehensive income for the period	-	67,223	-	-	67,223
Dividend paid	-	(61,522)	-	-	(61,522)
Refund of unclaimed dividend	-	20	-	-	20
Balance as at 31.12.2016	29,909	10,967	-	-	40,876
Balance as at 1.1.2015	29,909	13,040	-	-	42,949
Total comprehensive income for the period	-	8,491	-	-	8,491
Dividend paid	-	(16,285)	-	-	(16,285)
Balance as at 31.12.2015	29,909	5,246	-	-	35,155

- 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 30 September 2016. As at 31 December 2016, there was no share options granted (31 December 2015 : Nil). There was also no treasury share in issue as at the end of the current financial year (31 December 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 year 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 Standards ("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 to 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 4th Quarter		Group Year ended 31 Dec	
	2016	2015	2016	2015
(Loss) / Earnings per Ordinary Share from continuing operations attributable to shareholders for the period :				
(i) Basic (cents)	0.26	1.21	1.07	3.70
(ii) Fully diluted (cents)	0.26	1.21	1.07	3.70
Weighted average number of shares for the period :				
(i) Basic ('000)	361,897	361,897	361,897	361,897
(ii) Fully diluted ('000)	361,897	361,897	361,897	361,897

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	
	31/12/2016 (cents)	31/12/2015 (cents)	31/12/2016 (cents)	31/12/2015 (cents)
Net asset value per ordinary share based on issued share capital at the end of the year	18.31	15.48	11.29	9.71

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.**

Continuing operations

(a) Turnover

On a year-on-year ('YOY') comparison, turnover in Q4 2016 increased by 25.9% (\$10.2 million) from \$39.4 million to \$49.6 million. Turnover for FY 2016 increased by 22.3% (\$30.1 million) from \$134.8 million to \$164.9 million as compared to FY 2015. The improvement resulted from higher turnover from both Telecom and Infocomm business segments.

Telecommunications (Telecom)

On a YOY comparison, turnover in Q4 2016 decreased slightly by 4% (\$0.8 million) from \$19.1 million to \$18.3 million. The decrease was mainly due to lower sales in Middle East and Africa markets partially offset by higher sales in Asia Pacific markets.

Compared to FY 2015, turnover for FY 2016 increased by 7.6% (\$4.4 million) from \$57.8 million to \$62.2 million. The increase in turnover resulted from higher sales in Asia Pacific markets and partially offset by lower sales in Middle East and Africa markets.

Infocommunications (Infocomm)

On a YOY comparison, turnover in Q4 2016 for Network Infrastructure business area improved by 54.0% (\$11.0 million) from \$20.3 million to \$31.3 million. For FY 2016, turnover increased by 33.3% (\$25.7 million) YOY from \$77.0 million to \$102.7 million. The increase in sales for the quarter and FY 2016 were from higher sales of network equipment to the Service Provider market.

(b) Gross Profit

On a YOY comparison, gross profit for Q4 2016 declined by 5.3% from \$13.3 million to \$12.6 million. Compared to FY 2015, gross profit for FY 2016 also declined by 6.6% from \$45.2 million to \$42.2 million.

The gross profit margin decline from 33.7% to 25.3% for the quarter was mainly due to higher equipment sales and lower writebacks from project closures.

For FY 2016, the decline in gross profit margin from 33.6% to 25.6% YOY was mainly due to:-

- (i) Increase in foreign exchange loss as a result of devaluation of Nigerian Naira against US dollar by approximately 54%, thus resulting in an unrealised exchange loss upon revaluation of US dollar payables to Nigerian Naira. The Group recorded an unrealised foreign exchange loss of \$2.4 million for FY 2016 or equivalent of 1.4% of group gross profit.
- (ii) There were higher equipment sales and lower writebacks from project closures for FY 2016.

(c) Operating Expenses

On a YOY comparison, total operating expenses for Q4 2016 increased by 51.2% from \$8.2 million to \$12.4 million. The increase in operating expenses was largely contributed by higher distribution and selling expenses and administrative expenses, partially offset by lower other operating expenses.

The increase in distribution and selling expenses by 17.0% (\$1.0 million) YOY for the quarter was mainly due to higher payroll related costs resulting from higher incentive provision with higher gross profit booked in Q4 2016, and partially offset by writebacks of provision for doubtful debts during Q4 2016.

On the other hand, the increase in administrative expenses by 166.4% (\$3.4 million) YOY for the quarter was mainly contributed by the booking of the former CEO's remuneration for the remaining service period

with the company, higher incentive provision in-line with higher gross profit, and the booking of dispute claims from former employees.

Lower other operating expenses was contributed by Nigerian Naira appreciating against US dollar by approximately 3% during Q4 2016, thus resulting in an unrealised exchange gain, as compared to a depreciation of Nigerian Naira against US dollar by approximately 1% during Q4 2015.

For FY 2016, total operating expenses increased by 28.4% from \$29.5 million to \$37.9 million as compared to the prior corresponding period. The increase in total operating expenses was contributed by the increase in distribution and selling expenses, administrative expenses and other operating expenses.

The increase in distribution and selling expenses YOY for FY 2016 by 10.6% (\$2.2 million) was mainly due to higher payroll related costs and provision made for doubtful debts in FY 2016 as compared to FY 2015.

Administrative expenses increased by 38.9% (\$3.2 million) YOY for FY 2016 and were mainly due to the booking of the former CEO's remuneration for the remaining service period with the company and the booking of dispute claims from former employees.

On the other hand, higher other operating expenses by \$3.0 million YOY for FY 2016 was mainly due to foreign exchange losses, out of which 40% was contributed by the devaluation of Nigerian Naira against US dollar.

(d) Profit Before Taxation

The Group registered a profit before tax of \$0.9 million for Q4 2016, a decline of 80.9% YOY for the quarter. The decline was mainly due to lower gross profit and higher operating expenses. For FY 2016, the group profit before tax decreased by 66.3% (\$10.3 million) from \$15.6 million to \$5.2 million. The decline was mainly due to lower gross profit, higher operating expenses and higher exchange loss as explained in (b) and (c) above.

(e) Cash flow

Net cashflow from operating activities for FY2016 was \$6.5 million, a 7.3% decrease as compared to FY2015. Positive cashflow of \$5.8 million was generated for the quarter.

There was an increase in net cashflows from investing activities due to cashflows of \$69.9 million received from the sale of the PS business. The bulk of the proceeds were used to repay bank loans and distributed as dividend to shareholders, thus resulting in a decrease of net cash flows from financing activities of \$68.2 million.

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

N.A.

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.

Continuing operations

In FY 2016, the Group secured approximately \$220.4 million in order in-take, an increase of 6.5% compared to \$207.0 million in FY 2015. The increase was mainly contributed by the Network Infrastructure business partially offset by the decline in Payment Solutions business due to the divestiture of the business.

Telecommunications (Telecom)

In FY 2016, the Group's Telecom business segment secured approximately \$75.0 million in order in-take, a decline of 2.1% compared to \$76.6 million in FY 2015 mainly due to keener competitions in the Middle East and African market. The decline in order in-take in the Middle East and African markets is partially offset by stronger order in-take in the Asia Pacific markets.

Mobile Operators will continue to invest in expanding their mobile network infrastructure to provide higher capacity, better coverages and capabilities to support their customers' demand for mobility and broadband services as well as to comply with regulatory standards.

Competition in the mobile industry will remain intense as operators are aggressively driving for lower capex and opex spending while they try to deliver their services to their customer base.

The Group will continue to provide a comprehensive wireless infrastructure network, comprising of point-to-point and point-to-multi-point radio transmission systems, mobile coverage solutions (in-building and outdoor coverage solutions), wifi 3G data offload and network performances and management to non-mobile markets such as the Defence, Broadcast and Utilities customers.

Infocommunications (Infocomm)

In FY 2016, the Group's Infocomm business segment managed to secure approximately \$35.2 million of order in-take compared to \$50.2 million in FY 2015, a decline of 30.0%. A large part of the decline is because the Payment Solutions business has been sold off in August 2016 and the subsequent order in-takes were not recognised for a like-for-like comparison.

Network Infrastructure

In FY 2016, the Group's Network Infrastructure business area managed to secure approximately \$110.1 million in order in-take, an increase of 37.2% compared to \$80.2 million in FY 2015.

The Group believes that its Service Provider, Enterprise, and Government, Transport and Utilities customers will continue to invest in upgrading their ICT network infrastructure because of the rapid growth of internet traffic, increases in security threats as well as to meet regulatory compliances.

Competition in the network equipment market remains intense and fragmented with both local resellers, distributors and system integrators, as well as global equipment vendors competing to increase their market share.

The Group will focus on providing various end-to-end network infrastructure solutions to differentiate our offerings with respect to the competitions in the market. The Group will also continue to invest in Security, Cloud and Data center products and solutions while we continue to drive our business in the domains of IP, Optical and Broadcast.

11. Dividend

(a) Current Financial Period Reported On

The Directors are pleased to recommend a final dividend as follow :

Name of Dividend	Special (one-tier)
Dividend Type	Cash
Dividend Amount per Share (in cents)	0.5 cents
Tax Rate	Tax exempt

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Dividend	Final (one-tier)
Dividend Type	Cash
Dividend Amount per Share (in cents)	1 cents
Tax Rate	Tax exempt

(c) Date payable

25 May 2017

(d) Books closure date

09 May 2017

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

Not applicable.

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.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Financial Year 2016	Telecom S\$'000	Infocomm S\$'000	Total S\$'000
Revenue	62,226	131,210	193,436
Cost of sales	(45,112)	(98,107)	(143,219)
Gross Profit	17,114	33,103	50,217
Other operating income	565	1,314	1,879
Distribution and selling expenses	(10,485)	(18,815)	(29,300)
Administrative expenses	(5,396)	(8,208)	(13,604)
Other operating expenses	(1,487)	(1,363)	(2,849)
Profits from operations	311	6,031	6,343
Financial income			157
Financial expenses			(603)
Profit before taxation			5,897
Taxation			(1,891)
Profit after taxation			4,006
Other Information			
Segment assets	38,023	98,561	136,584
Unallocated assets			6,582
Total assets			143,166
Segment liabilities	21,587	40,327	61,913
Tax liabilities			139
Unallocated liabilities			14,836
Total liabilities			76,888
Capital expenditure	73	6,909	6,982
Depreciation and amortisation	829	4,170	4,999
Other non-cash expenses	(158)	1,740	1,582

Financial Year 2015	Telecom S\$'000	Infocomm S\$'000	Total S\$'000
Revenue	57,792	123,721	181,513
Cost of sales	(33,037)	(88,958)	(121,995)
Gross Profit	24,755	34,763	59,518
Other operating income	152	444	596
Distribution and selling expenses	(11,430)	(18,740)	(30,170)
Administrative expenses	(4,000)	(7,799)	(11,799)
Other operating expenses	(67)	(570)	(637)
Profits from operations	9,410	8,098	17,508
Financial income			40
Financial expenses			(709)
Profit before taxation			16,839
Taxation			(3,438)
Profit after taxation			13,401
Other Information			
Segment assets	46,176	76,523	122,699
Unallocated assets			26,639
Total assets			149,338
Segment liabilities	28,280	29,151	57,431
Tax liabilities			1,963
Unallocated liabilities			33,918
Total liabilities			93,312
Capital expenditure	940	3,895	4,835
Depreciation and amortisation	788	5,650	6,438
Other non-cash expenses	(834)	171	(663)

Geographical Segment

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows :

	Revenues		Non-current assets	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Asean	158,806	151,497	3,830	14,909
Middle East	8,770	12,896	76	132
Africa	3,529	14,413	44	74
Other Asian countries	7,071	2,025	18	4
Others	15,260	682	2	4
Total	193,436	181,513	3,970	15,123

Non-current assets information presented above consist of intangible assets and property, plant and equipment.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Refer to item 8.

16. A breakdown of sales as follows :

	2016 S\$'000	2015 S\$'000	Increase / (Decrease)
(a) Sales reported for the first half year			
- Continuing operations	81,500	67,334	21.0%
- Discontinued operations	12,916	23,186	(44.3%)
(b) Profit after tax before deducting minority interest for first half year			
- Continuing operations	4,274	7,150	(40.2%)
- Discontinued operations	(306)	(148)	106.8%
(c) Sales reported for the second half year			
- Continuing operations	83,377	67,445	23.6%
- Discontinued operations	15,643	23,548	(33.6%)
(d) Profit after tax before deducting minority interest for second half year			
- Continuing operations	(390)	5,592	(107.0%)
- Discontinued operations	66,557	807	Nm

Nm : denotes not meaningful

- 17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Annual Dividend Value	Year ended 31 December	
	2016 S\$'000	2015 S\$'000
Ordinary	61,522	16,185

- 18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11) in the format below. If there is no such persons, the issuer must make an appropriate negative statement.**

Pursuant to Rule 704(11) of the Listing Manual, we confirm that there is no person occupying managerial positions in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

- 19. 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).

On behalf of the Board

Wong Su-Yen
Chairman

Tan Choon Hong
Director

BY ORDER OF THE BOARD

Foo Soon Soo
Company Secretary

21 February 2017