NERA TELECOMMUNICATIONS LTD
(Co. Reg. No. 197802690R)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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.

	Group First Quarter		
	2017 S$'000	**2016 S$'000**	**Increase/ (Decrease) %**
Continuing operations			
Turnover	**44,109**	**30,571**	**44.3**
Cost of sales	(32,784)	(20,522)	59.8
Gross profit	**11,325**	**10,049**	**12.7**
Gross margin %	**25.7%**	**32.9%**	**(7.2) pt**
Other operating income	379	224	69.2
Distribution and selling expenses	(5,128)	(4,900)	4.7
Administrative expenses	(2,147)	(2,051)	4.7
Other operating expenses	(841)	(433)	94.2
Profit from operating activities	**3,588**	**2,889**	**24.2**
Financial income	46	3	1,433.3
Financial expenses	(70)	(146)	(52.1)
Profit before taxation from continuing operations	**3,564**	**2,746**	**29.8**
% of revenue	**8.1%**	**9.0%**	**(0.9) pt**
Tax	(705)	(848)	(16.9)
Profit from continuing operations, net of tax	**2,859**	**1,898**	**50.6**
% of revenue	**6.5%**	**6.2%**	**0.3 pt**
Discontinued operation			
Profit from discontinued operation, net of tax	**–**	**132**	**nm**
Profit for the financial period attributable to shareholders	**2,859**	**2,030**	**40.8**
Other comprehensive (expense) / income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation of financial statements of foreign operations	(299)	566	nm
Re-measurement of defined benefit obligation	(80)	–	nm
	(379)	566	nm
Total comprehensive income for the period	**2,480**	**2,596**	**(4.5)**

nm: not meaningful

'Continuing operations' refer to the Wireless Infrastructure Networks and Network Infrastructure operations. 'Discontinued operation' refers to the Payment Solutions operation.

	Note	Group First Quarter		
		2017 S$'000	2016 S$'000	Increase / (Decrease) %
Profit from continuing operations for the period is arrived after crediting / (charging) the following:				
Amortisation of intangible asset		(16)	(16)	–
Bad debts recovered		–	3	nm
Depreciation of property, plant and equipment	(1)	(197)	(271)	(27.3)
Foreign exchange loss	(2)	(749)	(417)	79.6
Interest expense	(3)	(70)	(146)	(52.1)
Interest income	(4)	46	3	nm
Net writeback / (allowance) for doubtful debts		2	(321)	nm
Net writeback for stock obsolescence		–	1	nm
Net (provision) / writeback for warranty		(243)	205	nm

nm: not meaningful

Notes :

(1) Decrease in depreciation of property, plant and equipment was mainly due to the disposal of property, plant and equipment in FY2016.

(2) Increase in foreign exchange loss was mainly due to the depreciation of the USD against the SGD by approximately 3.4%, thus resulting in an unrealised exchange loss upon revaluation of USD receivables to SGD.

(3) Decrease in interest expenses was due to lower bank borrowings during the quarter as compared to Q1 2016.

(4) Increase in interest income was mainly due to higher interest income from escrow account in relation to the divestiture of the Payment Solutions business and interest accretion from long term receivables.

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	
	31/03/2017 S$'000	31/12/2016 S$'000	31/03/2017 S$'000	31/12/2016 S$'000
Non-current assets				
Property, plant and equipment	1,890	2,077	763	863
Intangible asset	887	903	887	903
Investment in subsidiaries	–	–	4,668	4,668
Long term trade receivables	934	990	934	990
Deferred tax assets	1,592	1,622	21	21
	5,303	**5,592**	**7,273**	**7,445**
Current assets				
Stocks	107	77	–	–
Contract work-in-progress	28,576	33,158	12,652	16,432
Trade receivables	75,788	65,864	18,795	13,241
Other receivables, deposits and prepayments	15,048	15,606	10,373	10,859
Amounts due from subsidiaries				
- trade	–	–	15,238	20,438
- non-trade	–	–	6,896	6,413
Fixed deposits	130	134	–	–
Cash and bank balances	19,059	22,751	9,090	5,298
	138,708	**137,590**	**73,044**	**72,681**
Current liabilities				
Trade payables	46,420	49,685	16,690	20,308
Other payables and accruals	15,587	14,943	8,811	7,817
Amounts due to subsidiaries (trade)	–	–	74	110
Short term borrowings	2,973	2,812	2,500	2,500
Provision for taxation	786	139	1,263	808
Provision for warranty	2,338	2,176	1,198	1,024
	68,104	**69,755**	**30,536**	**32,567**
Net current assets	**70,604**	**67,835**	**42,508**	**40,114**
Non-current liabilities				
Borrowings	6,773	6,773	6,773	6,773
Defined benefit obligation	374	374	–	–
	7,147	**7,147**	**6,773**	**6,773**
Net assets	**68,760**	**66,280**	**43,008**	**40,786**
Equity attributable to the equity holders of the Company				
Share capital	29,909	29,909	29,909	29,909
Revenue reserve	43,626	40,767	13,099	10,877
Translation reserve	(4,919)	(4,620)	–	–
Other reserve	144	224	–	–
	68,760	**66,280**	**43,008**	**40,786**

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

Amount repayable in one year or less, or on demand

As at 31/03/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
–	2,973	–	2,812

Amount repayable after one year

As at 31/03/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
6,773	–	6,773	–

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 First Quarter	
	2017 S$'000	2016 S$'000
Cash flows from operating activities		
Profit before taxation from continuing operations	3,564	2,746
Profit before taxation from discontinued operation	–	269
	3,564	3,015
Adjustments for :		
Amortisation of intangible assets	16	16
Depreciation of property, plant and equipment	197	1,572
Interest expense	70	146
Interest income	(46)	(5)
Net (gain) / loss on disposal / write-off of property, plant and equipment	–	(14)
Net allowance for stock obsolescence	–	131
FNet (writeback) / allowance for doubtful debts	(2)	368
Net provision / (writeback of provision) for warranty	243	(365)
Pension (income) / costs	(80)	17
Operating profit before working capital changes	3,962	4,881
(Increase) / Decrease in :		
Stocks	(30)	1,667
Contract work-in-progress	4,582	(787)
Trade receivables	(9,848)	(3,923)
Other receivables, deposits and prepayments	579	23
(Decrease) / increase in :		
Trade payables	(3,265)	(12,662)
Other payables and accruals	644	9,521
Provision for warranty	(81)	(20)
Effect of exchange rate changes	129	836
Cash flows from operations	(3,328)	(464)
Income taxes paid	(83)	(479)
Interest paid	(70)	(155)
Contribution to pension funds	–	(20)
Net cash flows used in operating activities	**(3,481)**	**(1,118)**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	–	18
Purchase of property, plant and equipment	(43)	(1,901)
Interest received	7	5
Decrease of deposit pledged	4	92
Net cash flows used in investing activities	**(32)**	**(1,786)**
Cash flows from financing activities		
Proceeds from bank loans	473	844
Repayment of bank loans	(312)	(1,009)
Refund of unclaimed dividends	–	20
Net cash flows from / (used in) financing activities	**161**	**(145)**
Net decrease in cash and cash equivalents	(3,352)	(3,049)
Effect of exchange rate changes on cash and bank balances	(340)	(216)
Cash and cash equivalents at beginning of the year	22,751	20,770
Cash and cash equivalents at end of the period	**19,059**	**17,505**
Cash and cash equivalents comprise :		
Cash and bank balances	19,189	17,663
Deposits pledged	(130)	(158)
	19,059	**17,505**

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 First Quarter 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 1.1.2017	29,909	40,767	(4,620)	224	66,280
Total comprehensive income for the period	–	2,859	(299)	(80)	2,480
Balance as at 31.03.2017	**29,909**	**43,626**	**(4,919)**	**144**	**68,760**
Balance as at 01.1.2016	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 31.03.2016	**29,909**	**34,182**	**(5,452)**	**3**	**58,642**
Company					
Balance as at 1.1.2017	29,909	10,877	–	–	40,786
Total comprehensive income for the period	–	2,222	–	–	2,222
Balance as at 31.03.2017	**29,909**	**13,099**	–	–	**43,008**
Balance as at 01.1.2016	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 31.03.2016	**29,909**	**6,313**	**–**	**–**	**36,222**

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 2016. As at 31 March 2017, there was no share options granted (31 March 2016 : Nil). There was also no treasury share in issue as at the end of the current financial period (31 March 2016 : 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 2016 : 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 nor reviewed by the Company's auditor.

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 2016 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 2017, 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 2017.

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 First Quarter	
	2017	**2016**
Earnings per Ordinary Share from continuing operations attributable to shareholders for the period :		
(i) Basic (cents)	0.79	0.52
(ii) Fully diluted (cents)	0.79	0.52
Weighted average number of shares for the period :		
(i) Basic ('000)	361,897	361,897
(ii) Fully diluted ('000)	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	
	31/03/2017	**31/12/2016**	**31/03/2017**	**31/12/2016**
Net asset value per ordinary share based on issued share capital at the end of the financial period/year (in cents) :	19.00	18.31	11.88	11.27

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.

Consolidated Statement of Comprehensive Income

Continuing operations

(a) Turnover

On a year-on-year ("**YOY**") basis, the Group's turnover for Q1 2017 increased by 44.3% ($13.5 million), to $44.1 million in Q1 2017 from $30.6 million in Q1 2016, lifted by higher turnover from both the Network Infrastructure and Wireless Infrastructure Network business segments.

Network Infrastructure

On a YOY basis, turnover for Q1 2017 increased by 62.1% ($11.7 million) to $30.5 million from $18.8 million, mainly due to higher sales of network equipment to the Service Provider market.

Wireless Infrastructure Network

On a YOY basis, turnover for Q1 2017 increased by 15.8% ($1.8 million) to $13.6 million from $11.8 million, mainly due to higher sales in the Middle East and Africa markets, partially offset by lower sales in Asia Pacific markets.

(b) Gross Profit

On a YOY basis, gross profit for Q1 2017 increased by 12.7% to $11.3 million from $10.0 million mainly due to higher turnover. However, gross profit margin declined to 25.7% from 32.9% due to changes in sales mix of products, projects and services.

(c) Other operating income

On a YOY basis, other operating income for Q1 2017 increased by 69.2% ($0.2 million) to $0.4 million from $0.2 million largely due to income generated from services rendered to Ingenico to facilitate a smooth transition after the divestiture of the Payment Solutions business, partially offset by lower wages credit scheme payment received from the Government in Q1 2017.

(d) Operating Expenses

On a YOY basis, total operating expenses increased by 9.9% ($0.7 million) to $8.1 million from $7.4 million.

Distribution and selling expenses increased by 4.7% ($0.2 million) mainly due to higher payroll-related costs that was partially offset by lower allowance for doubtful debts.

Administrative expenses increased by 4.7% ($0.1 million) mainly due to higher payroll-related costs.

Other operating expenses increased by 94.2% ($0.4 million) mainly due to higher foreign exchange loss from the weakening of the USD against the SGD by approximately 3.4%, thus resulting in an unrealised exchange loss upon revaluation of USD receivables to SGD.

(e) Profit before taxation from continuing operations ("PBT")

The Group registered a profit before tax of $3.6 million for Q1 2017, an increase of 29.8% YOY, mainly due to higher gross profit in tandem with the higher revenue, partially offset by higher operating expenses. PBT as a percentage of turnover of 8.1% for Q1 2017 was however lower compared to 9.0% in Q1 2016.

(f) Tax

On a YOY basis, tax expenses decreased by 16.9% ($0.1 million) in Q1 2017. Tax expense was higher in Q1 2016 mainly due to higher profit contribution from overseas subsidiaries with higher statutory tax rates.

Statement of Financial Position

(g) Current assets

The Group's current assets increased by $1.1 million mainly due to higher trade receivables from higher level of invoicing towards the end of Q1 2017. These were partially offset by lower contract work-in-progress.

(h) Current liabilities

The Group's current liablities decreased by $1.7 million mainly due to lower trade payables. Trade payables were paid based on agreed payment terms.

(k) Cash flow

For Q1 2017, the decrease in cash and cash equivalents of $3.4 million was mainly due to negative cash flow from operating activities of $3.5 million as a result of negative change in working capital from higher trade receivables and lower payables.

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.

Continuing operations

In Q1 2017, the Group secured approximately $58.7 million in order in-take, a slight decline of 1.4% compared to $59.6 million in Q1 2016 due mainly to lower orders from the Wireless Infrastructure Network business segment.

Mobile Internet Traffic will continue to grow due to digitisation – mobile data consumption is expected to increase seven-fold by 2021, driven by an expansion of networks, amongst other factors. Mobile carriers, already strained under massive demand for mobile data, will continue to upgrade mobile networks and offer more digital services to their customer base to support this growth.

Network Infrastructure

In Q1 2017, the Group's Network Infrastructure business segment secured approximately $41.1 million in order in-take, an 18.0% increase compared to $34.8 million in Q1 2016 amidst rising competition in the challenging operating environment.

In addition to the digitisation wave elaborated above that will lead to customers investing and upgrading their network to support the rapid growth of data consumption, the Group is also sharpening its niche to provide turnkey solutions with a view to strengthen its offerings in the network security and data centre/cloud business verticals, where it has observed an increase in demand.

The Group has seen initial success from these identified areas of growth – subsequent to the period under review, the Group secured $7.15 million worth of network security-related solutions for a leading telecom operator in the Philippines and $19.9 million worth of IP network solutions contracts from Singapore's leading Service Providers. With these affirmations from tier-one customers, the Group intends to expand its reach in these business verticals to other sectors.

Wireless Infrastructure Network

In Q1 2017, the Group's Wireless Infrastructure Network business segment secured order in-take of approximately $17.6 million, a decline of 28.8% compared to $24.8 million in Q1 2016 due mainly to a challenging operating environment and market competition.

In view of expectations for mobile carriers to continue investing and upgrading their networks, the Group believes this will be a key demand and growth driver for its Wireless Infrastructure Network business.

The Group will continue to provide a comprehensive suite of end-to-end wireless solutions – comprising point-to-point radios, point-to-multi-point radios, mobile coverage solutions (in-building and outdoor coverage solutions), wifi 3G data offload and network performances and management solutions – to capitalise on this digitisation wave and meet the demands of our customers.

Going forward, the Group will leverage on its strengths – synergistic businesses to offer turnkey solutions to customers; sizeable geographical reach to reap economies of scale; deep expertise from owning one of the largest pool of certified engineers in this part of the world; strong management team with deep experience and business networks; strong balance sheet for financial flexibility – to grow its solutions and services revenue and aggressively drive sales to enhance shareholder value.

Concurrently, the Group maintains a long-term view to ensure sustainable growth, and will continuously capitalise on growth opportunities through vertical extention of its value chain.

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.

14. Negative assurance confirmation on interim financial results under Rule 705(5) 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 2017, to be false or misleading in any material respect.

On behalf of the Board

Wong Su-Yen
Chairman

Tan Choon Hong
Director

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 2017