Company Registration No. 197802690R

Nera Telecommunications Ltd
and its Subsidiaries

Condensed Interim Financial Statements (Unaudited)
For the six months ended 30 June 2021

Nera Telecommunications Ltd and its Subsidiaries

Index

Nera Telecommunications Ltd and its Subsidiaries

Condensed Interim Statements of Financial Position
As at 30 June 2021

		Group		Company	
	Note	30 Jun 2021 (unaudited) $'000	31 Dec 2020 (audited) $'000	30 Jun 2021 (unaudited) $'000	31 Dec 2020 (audited) $'000
Non-current assets					
Property, plant and equipment	5	6,028	6,235	296	370
Right-of-use assets		3,832	4,165	2,825	2,912
Intangible assets		804	835	675	720
Investments in subsidiaries		–	–	5,971	5,971
Long term trade and other receivables		586	648	–	–
Deferred tax assets		805	806	239	239
		12,055	12,689	10,006	10,212
Current assets					
Stocks	6	5,271	6,074	4,012	3,844
Contract assets		30,699	34,410	10,769	12,971
Trade receivables	8	51,117	64,409	12,939	13,489
Other receivables, deposits and prepayments		23,222	21,650	18,158	16,544
Amounts due from subsidiaries					
- trade		–	–	19,159	19,736
- non-trade		–	–	18,396	17,567
Fixed deposits		647	659	–	–
Cash and bank balances		20,696	22,458	7,296	10,393
		131,652	149,660	90,729	94,544
Current liabilities					
Trade payables		17,551	32,112	5,480	8,916
Other payables and accruals		3,913	7,108	1,529	3,791
Contract liabilities		26,501	21,661	20,368	16,805
Amounts due to subsidiaries (trade)		–	–	72	39
Short-term borrowings	10	28,000	28,500	28,000	28,500
Lease liabilities		716	714	104	124
Provision for taxation		790	1,024	112	225
Provision for warranty	9	528	859	280	563
		77,999	91,978	55,945	58,963
Net current assets		53,653	57,682	34,784	35,581
Non-current liabilities					
Lease liabilities		3,317	3,578	2,843	2,890
Defined benefit obligation		526	537	–	–
		3,843	4,115	2,843	2,890
Net assets		61,865	66,256	41,947	42,903
Equity attributable to equity holders of the Company					
Share capital	11	29,909	29,909	29,909	29,909
Revenue reserve		34,953	38,930	12,038	12,994
Translation reserve		(3,367)	(2,953)	–	–
Other reserve		370	370	–	–
		61,865	66,256	41,947	42,903

Nera Telecommunications Ltd and its Subsidiaries

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the 6 months ended 30 June 2021

	Note	6 months ended 30 Jun 2021 (unaudited) $'000	6 months ended 30 Jun 2020 (unaudited) $'000	Increase/ (Decrease) %
Revenue	7	43,308	66,436	(34.8)
Cost of sales		(34,106)	(52,215)	(34.7)
Gross profit		9,202	14,221	(35.3)
Distribution and selling expenses		(6,776)	(7,202)	(5.9)
Administrative expenses		(4,504)	(4,872)	(7.6)
Other income	12	306	1,985	(84.6)
(Loss)/Profit from operating activities	13	(1,772)	4,132	nm
Finance income	15	81	98	(17.3)
Finance expenses	16	(311)	(370)	(15.9)
(Loss)/Profit before tax		(2,002)	3,860	nm
Tax	17	(166)	(425)	(60.9)
(Loss)/Profit after tax		(2,168)	3,435	nm
Other comprehensive (loss)/income:				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation of financial statements of foreign operations		(414)	88	nm
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligation		–	36	nm
Other comprehensive (loss)/income for the year, net of tax		(414)	124	nm
Total comprehensive (loss)/income for the period attributable to owners of the Company		(2,582)	3,559	nm
Earnings per share attributable to owners of the Company (cents per share)				
Basic	18 (a)	(0.60)	0.95	nm
Diluted	18 (a)	(0.60)	0.95	nm

Nera Telecommunications Ltd and its Subsidiaries

Condensed Interim Statements of Changes in Equity
For the 6 months ended 30 June 2021

	Attributable to equity holders of the Company				
	Share capital $'000	**Revenue reserve** $'000	**Translation reserve** $'000	**Other reserve** $'000	**Total equity** $'000
Group					
At 1 January 2021	29,909	38,930	(2,953)	370	66,256
Loss for the period	–	(2,168)	–	–	(2,168)
Other comprehensive loss for the period	–	–	(414)	–	(414)
Total comprehensive loss for the period	–	(2,168)	(414)	–	(2,582)
Contributions by and distributions to owners					
Dividends (Note 19)	–	(1,809)	–	–	(1,809)
Total contributions by and distributions to owners	–	(1,809)	–	–	(1,809)
At 30 June 2021	29,909	34,953	(3,367)	370	61,865
At 1 January 2020	29,909	36,978	(3,528)	405	63,764
Profit for the period	–	3,435	–	–	3,435
Other comprehensive income for the period	–	–	88	36	124
Total comprehensive income for the period	–	3,435	88	36	3,559
Contributions by and distributions to owners					
Dividends (Note 19)	–	–	–	–	–
Total contributions by and distributions to owners	–	–	–	–	–
At 30 June 2020	29,909	40,413	(3,440)	441	67,323

Condensed Interim Statements of Changes in Equity
For the 6 months ended 30 June 2021

	Attributable to equity holders of the Company		
	Share capital $'000	**Revenue reserve** $'000	**Total equity** $'000
Company			
At 1 January 2021	29,909	12,994	42,903
Profit for the period	–	853	853
Total comprehensive income for the period	–	853	853
Contributions by and distributions to owners			
Dividends (Note 19)	–	(1,809)	(1,809)
Total contributions by and distributions to owners	–	(1,809)	(1,809)
At 30 June 2021	29,909	12,038	41,947
At 1 January 2020	29,909	8,033	37,942
Profit for the period	–	6,220	6,220
Total comprehensive income for the period	–	6,220	6,220
Contributions by and distributions to owners			
Dividends (Note 19)	–	–	–
Total contributions by and distributions to owners	–	–	–
At 30 June 2020	29,909	14,253	44,162

Nera Telecommunications Ltd and its Subsidiaries

Condensed Interim Consolidated Statement of Cash Flow
For the 6 months ended 30 June 2021

	Note	6 months ended 30 Jun 2021 (unaudited) $'000	6 months ended 30 Jun 2020 (unaudited) $'000
Cash flows from operating activities			
(Loss)/Profit before tax		(2,002)	3,860
Adjustments for:			
Amortisation of intangible asset		72	43
Bad debts written off		–	–
Depreciation of property, plant and equipment	13	284	345
Depreciation of right-of-use assets	13	404	491
Interest expense	16	311	370
Interest income	15	(81)	(98)
Net fair value (gain) / loss on derivatives	13	(137)	44
Net gain on disposal of property, plant and equipment	13	–	(6)
Net allowance for contract assets		561	–
Net allowance for doubtful trade debts	13	7	47
Net provision for warranty	9	258	384
Operating (loss)/profit before working capital changes		(323)	5,480
Decrease/(increase) in:			
Stocks		779	615
Contract assets		3,114	189
Trade receivables		12,823	1,038
Other receivables, deposits and prepayments		(1,354)	(2,276)
Increase/(decrease) in:			
Trade payables		(14,068)	(3,111)
Other payables and accruals		(3,018)	(644)
Contract liabilities		4,879	(1,360)
Provision for warranty		(585)	(335)
Effect of exchange rates changes		(197)	(828)
Cash generated from/(used in) operations		2,050	(1,232)
Income tax paid		(635)	(54)
Interest paid		(189)	(208)
Net cash flows generated from/(used in) operating activities		1,226	(1,494)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		–	6
Purchase of property, plant and equipment	5	(60)	(2,887)
Purchase of intangible assets		(44)	–
Interest received		80	75
Net cash flows used in investing activities		(24)	(2,806)
Cash flows from financing activities			
Dividends paid to shareholders of the Company	19	(1,809)	–
Proceeds from bank loans		16,000	27,000
Repayment of bank loans		(16,500)	(9,500)
Repayment of lease liabilities		(461)	(562)
Net cash flows (used in)/generated from financing activities		(2,770)	16,938
Net (decrease)/increase in cash and cash equivalents		(1,568)	12,638
Effect of exchange rates changes on cash and bank balances		(206)	(29)
Cash and cash equivalents at beginning of year		23,020	12,914
Cash and cash equivalents at end of period		21,246	25,523
Cash and cash equivalents comprise:			
Cash and bank balances		20,696	24,965
Fixed deposits		647	651
Deposits pledged		(97)	(93)
		21,246	25,523

1. Corporate information

The Company is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The ultimate holding company is PGA Partners Ltd, acting solely in its capacity as general partner of Canopus Asia Systems, L.P.. The immediate holding company is Asia Systems Ltd, a wholly-owned subsidiary of Canopus Asia Systems, L.P.. Asia Systems Ltd, PGA Partners Ltd and Canopus Asia Systems, L.P. are domiciled in Cayman Islands.

The registered office and principal place of business of the Company is 109 Defu Lane 10, Singapore 539225.

The principal activities of the Company are to engage in the sale, distribution, design, engineering, servicing, installation and maintenance of telecommunication systems and products in transmission networks and satellite communications and information technology networks.

There have been no significant changes in the nature of these activities during the current reporting period.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The condensed interim financial statements are presented in Singapore dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 *Adoption of new and amended standards and interpretations*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial period, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2021, where applicable. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.3 *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) ***Sale and installation of network equipment***

The Group supplies and installs network equipment. The sale of equipment and rendering of installation service are either sold separately or in a bundled contract. For bundled contract, the Group accounts for the sale of equipment and installation service separately. The transaction price is allocated to the sale of equipment and installation service based on their relative stand-alone selling prices. See Note 2.3(b) for the revenue recognition relating to the installation services. For sale of equipment, revenue is recognised upon delivery of equipment and criteria for acceptance being satisfied.

(b) ***Rendering of services***

(i) ***Professional services***

The Group is in the business of providing design and engineering, installation and service of satellite infrastructure network and info-communications network infrastructure. Revenue from providing services is recognised over time, based on cost incurred to date relative to the total estimated cost to satisfy the performance obligation.

(ii) ***Maintenance services***

The Group provides maintenance services for network system and solutions. Maintenance revenue is recognised over time on a straight line basis over the specified contract period. Maintenance revenue received in advance is recognised as contract liabilities and recognised as income over the life of the maintenance contracts.

(c) ***Turnkey project***

The Group is in the business of providing full suite of turnkey network and wireless solutions. The Group recognises revenue from contracts by reference to the stage of completion of the respective contract activity (i.e., performance obligations) of its projects at the end of each reporting period. The stage of completion is measured by reference to the cost incurred to date relative to the total estimated cost to satisfy the performance obligation.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified project milestones. A contract asset is recognised when the Group has performed under the contract but has yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

2. Summary of significant accounting policies (cont'd)

2.3 *Revenue (cont'd)*

(c) *Turnkey project (cont'd)*

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognised the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

(d) *Rental income*

Rental income arising from operating leases on equipment is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

For the revenue streams stated above, in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money for contracts with customers that includes a significant financing component. In adjusting for the significant financing component, the Group uses a discount rate that would be reflected in a separate financing transaction between the Group and its customers.

3. Significant accounting judgments and estimates

The preparation of the Group's condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

4. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

5. Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with an aggregate cost of $60,000 (30 June 2020: $1,545,000).

6. Stocks

	Group		Company	
	30 Jun 2021	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**
	$'000	$'000	$'000	$'000
Network equipment	5,271	6,074	4,012	3,844

At 30 June 2021, stocks recognised as an expense in the consolidated statement of comprehensive income under line item "Cost of sales" for the Group amounted to $9,982,000 (30 June 2020: $31,409,000). There is no stocks write-down recognised (30 June 2020: Nil).

7. Revenue

(a) ***Disaggregation of revenue***

Segments	**WIN** 6 months ended 30 Jun		**NI** 6 months ended 30 Jun		**Total revenue** 6 months ended 30 Jun	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	$'000	$'000	$'000	$'000	$'000	$'000
Primary geographical markets						
Singapore	489	2,424	22,205	28,056	22,694	30,480
Indonesia	2,777	924	2,093	7,847	4,870	8,771
Malaysia	1,063	981	6,692	8,319	7,755	9,300
Morocco	1,943	2,740	0	–	1,943	2,740
Pakistan	1,049	3,162	309	875	1,358	4,037
Philippines	120	1,074	1,771	2,391	1,891	3,465
Thailand	642	309	162	1,105	804	1,414
Australia	–	–	51	831	51	831
Other EMEA countries	667	3,255	–	–	667	3,255
Others (including China)	1,174	2,033	101	110	1,275	2,143
	9,924	16,902	33,384	49,534	43,308	66,436
Major product or service lines						
Sale of equipment	3,508	3,670	7,154	14,673	10,662	18,343
Rendering of services	2,390	2,551	15,480	20,332	17,870	22,883
Turnkey project	4,026	10,681	10,750	14,529	14,776	25,210
	9,924	16,902	33,384	49,534	43,308	66,436

7. Revenue (cont'd)

(a) *Disaggregation of revenue (cont'd)*

Segments	WIN 6 months ended 30 Jun		NI 6 months ended 30 Jun		Total revenue 6 months ended 30 Jun	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	$'000	$'000	$'000	$'000	$'000	$'000
Timing of transfer of goods or services						
At a point in time	3,508	3,670	7,154	14,673	10,662	18,343
Over time	6,416	13,232	26,230	34,861	32,646	48,093
	9,924	16,902	33,384	49,534	43,308	66,436

(b) Judgment and methods used in estimating revenue

(i) Determining transaction price and amounts allocated to sale of equipment with installation services, sale of equipment with maintenance services and turnkey project with maintenance services

For the bundled contracts, the Group allocates the transaction price to sale of equipment with installation services, sale of equipment with maintenance services and turnkey project with maintenance services based on their relative stand-alone selling prices. The standalone selling prices are determined based on estimated cost plus margin.

(ii) Recognition of revenue from professional services and turnkey project over time

For rendering of professional services and turnkey projects where the Group satisfies its performance obligations over time, management has determined that cost-based input method provides a faithful depiction of the Group's performance in transferring control to the customers, as it reflects the Group's efforts incurred to date relating to the total inputs expected to be incurred. The measurement of progress is based on the costs incurred to date as a proportion of the costs to be incurred to the satisfaction of the performance obligation.

The estimated total costs are based on contractual amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends for the amount incurred in its other similar services and projects.

(iii) Estimating variable consideration for turnkey projects

In estimating the variable consideration for liquidated damages, the Group uses the most likely amount method to predict the liquidated damages. Management relies on historical experiences with similar turnkey projects, customers and geographical areas. Management has exercised significant judgment in estimating the amount of consideration to which it expects to be entitled and of which the amount are included in the contract revenue to the extent that it is probable that there will be no significant reversal when the uncertainties are resolved.

7. Revenue (cont'd)

(c) Contract assets and contract liabilities

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group		Company	
	30 Jun 2021	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**
	$'000	$'000	$'000	$'000
Trade receivables (Note 8)	51,117	64,409	12,939	13,489
Contract assets	30,699	34,410	10,769	12,971
Contract liabilities	26,501	21,661	20,368	16,805

During the six months ended 30 June 2021, the Group has recognised a net impairment losses on receivables arising from contracts with customers amounting to $7,000 (30 June 2020: net impairment losses of $47,000). The Group has also recognised a net impairment losses on contract assets amounting to $561,000 during the financial period (30 June 2020: Nil).

8. Trade receivables

	Group		Company	
	30 Jun 2021	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**
	$'000	$'000	$'000	$'000
Trade receivables	53,185	66,470	13,299	13,849
Less: Allowance for impairment of trade receivables	(2,068)	(2,061)	(360)	(360)
Total trade receivables	51,117	64,409	12,939	13,489

At 30 June 2021, retention sums relating to contracts included in trade receivables of the Group and the Company are $6,370,000 and $43,000 (31 Dec 2020: $6,310,000 and $58,000) respectively.

9. Provision for warranty

A provision is recognised for expected warranty claims on goods and services sold in the past 12 months (average warranty period) based on past experience of the level of repairs and returns. The provision is classified as current liability as it is difficult to predict the timing of warranty utilisation due to the following reasons:

(a) there is unpredictability in the network system in which it is possible for a failed IT equipment to cause the whole network to not be operational;

(b) the Group continues to work on projects and install equipment for customers in environments that are considerably more challenging;

(c) the Group continues to use equipment from new vendors whose equipment may not be fully tested in different environments; and

(d) there is a mismatch of the duration of the warranty coverage.

9. Provision for warranty (cont'd)

Movements in provision for warranty during the period are as follows:

	Group 6 months ended 30 Jun		Company 6 months ended 30 Jun	
	2021	**2020**	**2021**	**2020**
	$'000	$'000	$'000	$'000
At 1 January	859	1,222	563	867
Provision for the year	327	544	261	398
Write-back of provision	(69)	(160)	–	(132)
Utilised during the year	(585)	(334)	(544)	(330)
Currency realignment	(4)	6	–	–
At 30 June	528	1,278	280	803

10. Borrowings

	The Group and the Company	
	30 Jun 2021	**31 Dec 2020**
	$'000	$'000
Amount repayable within one year or on demand		
Secured	–	–
Unsecured	28,000	28,500
Amount repayable after one year		
Secured	–	–
Unsecured	–	–

11. Share capital

	Group and Company			
			Number of shares	
	30 Jun 2021	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**
	$'000	$'000	'000	'000
Issued and fully paid ordinary shares:	29,909	29,909	361,897	361,897

As at 30 June 2021, there was no share options granted (30 June 2020: Nil). There was also no treasury share in issue as at the end of the current financial period (30 June 2020: Nil).

The Company does not have any subsidiary holdings as at 30 June 2021 (30 June 2020: Nil).

12. Other income

	Group 6 months ended 30 Jun 2021 $'000	Group 6 months ended 30 Jun 2020 $'000
Amortisation of intangible asset	(72)	(43)
Foreign exchange gain, net	195	448
Government grants	173	1,440
Net gain on disposal of property, plant and equipment	–	6
Others	10	134
	306	1,985

13. Loss/(Profit) from operating activities

The following items have been included in arriving at loss/(profit) from operating activities:

	Group 6 months ended 30 Jun 2021 $'000	Group 6 months ended 30 Jun 2020 $'000
Depreciation of property, plant and equipment	284	345
Depreciation of right-of-use assets	404	491
Write-back for doubtful trade receivables	(88)	(138)
Impairment loss on trade receivables	95	185
Foreign exchange (gain)/loss, net – forward currency contracts	(137)	44
Foreign exchange gain, net – others	(58)	(492)
Net gain on disposal of property, plant and equipment	–	(6)

14. Personnel expenses and employee benefits

	Group 6 months ended 30 Jun 2021 $'000	Group 6 months ended 30 Jun 2020 $'000
Wages, salaries and bonuses	6,351	6,764
Pension contributions	857	848
Other personnel benefits	864	767
	8,072	8,379

15. Finance income

	Group 6 months ended 30 Jun	
	2021	2020
	$'000	$'000
Interest income from:		
Bank deposits	29	41
Long term trade receivables	52	57
	81	98

16. Finance expenses

	Group 6 months ended 30 Jun	
	2021	2020
	$'000	$'000
Interest expense	199	271
Interest on lease liabilities	112	99
	311	370

17. Tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group 6 months ended 30 Jun	
	2021	2020
	$'000	$'000
Consolidated income statement:		
Current income tax:		
Current income taxation	166	286
Over provision in respect of previous years	–	(28)
Deferred income tax:		
Current year	–	–
Prior year	–	167
Income tax expense recognised in profit and loss	166	425

18. Earnings per share

(a) *Continuing operations*

Basic earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive options).

The following tables reflect the income and share data used in the computation of basic and diluted earnings per share for the period ended 30 June:

	Group 6 months ended 30 Jun	
	2021	**2020**
	$'000	$'000
Net profit attributable to ordinary equity holders of the Company for basic and diluted earnings per share	(2,168)	3,435
Weighted average number of ordinary shares for basic and diluted earnings per share computation	361,897	361,897

There have been no transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the completion of these financial statements.

(b) *Earnings per share computation*

The basic and diluted earnings per share are calculated by dividing the profit for the period, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for both basic and diluted earnings per share computation. The profit and share data are presented in Note 18(a) above.

19. Dividends

	Group and Company 6 months ended 30 Jun	
	2021	**2020**
	$'000	$'000
Declared and paid during the financial period		
Dividends on ordinary shares:		
- An interim exempt (one-tier) dividend paid in respect of the current financial period of Nil (2020: Nil) per share	–	–
- A final exempt (one-tier) dividend paid in respect of the previous financial year of 0.5 cent (2019: 0.5 cent) per share	1,809	–
	1,809	–

20. Net asset value

	Group		Company	
	30 Jun 2021	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**
	$'000	$'000	$'000	$'000
Net asset value per ordinary share based on issued share capital at the end of the financial period/year (in cents):	17.09	18.31	11.59	11.86

21. Segment information

For management purposes, the Group is organised on a worldwide basis into operating businesses (divisions) as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The Group is organised into two main operating businesses, namely:

Wireless Infrastructure Networks ("WIN")	–	Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of transmission products and systems and wireless solutions.
Network Infrastructure ("NI")	–	Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of info-communications network infrastructure, network security solutions, IP networks, optical networks and broadcast infrastructure.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment turnover, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

21. Segment information (cont'd)

6 months ended 30 Jun 2021	**WIN** $'000	**NI** $'000	**Adjustments** $'000		**Total** $'000
Revenue	9,924	33,384			43,308
Cost of sales	(8,655)	(25,451)			(34,106)
Gross profit	1,269	7,933			9,202
Distribution and selling expenses	(2,274)	(4,502)			(6,776)
Administrative expenses	(943)	(3,561)			(4,504)
Other income	55	251			306
(Loss)/Profit from operating activities	(1,893)	121			(1,772)
Finance income					81
Finance expenses					(311)
Loss before tax					(2,002)
Tax					(166)
Net loss for the year					(2,168)
Other information					
Segment assets	39,678	58,073	45,956	A	143,707
Segment liabilities	12,061	36,552	33,229	B	81,842
Capital expenditure	22	38			60
Depreciation and amortisation	233	527			760
Other non-cash expenses (*)	590	236			826

6 months ended 30 Jun 2020	**WIN** $'000	**NI** $'000	**Adjustments** $'000		**Total** $'000
Revenue	16,902	49,534			66,436
Cost of sales	(12,813)	(39,402)			(52,215)
Gross profit	4,089	10,132			14,221
Distribution and selling expenses	(2,497)	(4,705)			(7,202)
Administrative expenses	(1,400)	(3,472)			(4,872)
Other income	452	1,533			1,985
Profit from operating activities	644	3,488			4,132
Finance income					98
Finance expenses					(370)
Profit before tax					3,860
Tax					(425)
Net profit for the year					3,435
Other information					
Segment assets	51,882	71,945	49,874	A	173,701
Segment liabilities	19,312	44,603	42,463	B	106,378
Capital expenditure	89	1,456			1,545
Depreciation and amortisation	364	515			879
Other non-cash expenses (*)	33	398			431

(*) Other non-cash expenses include net provision/(write-back) for warranty, net allowance for doubtful trade debts and net allowance for contract assets.

21. Segment information (cont'd)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	30 Jun 2021 $'000	**30 Jun 2020** $'000
Deferred tax assets	805	1,338
Other receivables, deposits and prepayments	23,808	22,920
Cash and cash equivalents	20,696	24,965
Fixed deposits	647	651
	45,956	49,874

B The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	30 Jun 2021 $'000	**30 Jun 2020** $'000
Defined benefit obligation	526	460
Other payables and accruals	3,913	7,206
Borrowings	28,000	34,000
Provision for taxation	790	797
	33,229	42,463

Geographical segments

Revenue and non-current assets (excluding deferred tax assets) information based on the geographical location of customers and assets respectively are as follows:

	Revenue 6 months ended 30 Jun		**Non-current assets 6 months ended 30 Jun**	
	2021 $'000	**2020** $'000	**2021** $'000	**2020** $'000
Singapore	22,694	30,480	3,796	4,199
Indonesia	4,870	8,771	1,033	956
Malaysia	7,755	9,300	73	115
Morocco	1,943	2,740	27	52
Pakistan	1,358	4,037	203	294
Philippines	1,891	3,465	5,737	5,221
Thailand	804	1,414	285	390
Australia	51	831	3	21
Other EMEA countries	667	3,255	84	10
Others (including China)	1,275	2,143	9	30
	43,308	66,436	11,250	11,288

Non-current assets information presented above consist of intangible assets, property, plant and equipment, right-of-use assets, long term trade and other receivables.

22. Contingent liabilities

During the financial period, it was noted that certain job orders entered by a subsidiary company was unfavorable to the Group. Whilst the fulfilment of these job orders is ongoing, based on preliminary internal estimation, these job orders' price was below the costs to complete. The Group is engaging an independent professional surveyor to review the costs to complete. Negotiations for commercial settlement and/or early termination of these job orders are ongoing with the customer. As it is premature at this juncture to determine the outcome of the above, no provision has been set aside at this juncture pending the resolution.

1. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The Condensed Consolidated Statement of Financial Position of Nera Telecommunications Ltd and its subsidiaries as at 30 June 2021 and the related Condensed Consolidated Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. 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 revenue, 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.

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

a) Revenue

On a year-on-year ("YOY") basis, the Group's revenue for 1H 2021 decreased by 34.8% ($23.1 million) to $43.3 million from $66.4 million in 1H 2020. The decrease was primarily due to slowdown of project progression across the majority of the Group's geographical markets as a result of the ongoing COVID-19 pandemic.

Network Infrastructure ("NI")

On a YOY basis, revenue for 1H 2021 decreased by 32.6% ($16.1 million) to $33.4 million from $49.5 million, mainly due to lower revenue contribution from Singapore, Indonesia, Malaysia and Thailand.

Wireless Infrastructure Network ("WIN")

On a YOY basis, revenue for 1H 2021 decreased by 41.3% ($7.0 million) to $9.9 million from $16.9 million, mainly due to lower revenue contribution from Singapore, the EMEA markets and Pakistan, partially offset by the increase in revenue from Indonesia, Dubai, Philippines and Thailand.

b) Gross Profit

Gross profit in 1H 2021 decreased by 35.3% ($5.0 million) to $9.2 million from $14.2 million in 1H 2020, in line with the lower revenue recognised for the period. The gross profit margin for 1H 2021 (21.2%) decreased 0.2 percentage points as compared to 1H 2020 (21.4%).

c) Other Income/(Expenses)

Against the corresponding period last year, other income for 1H 2021 decreased by 84.6% ($1.7 million) to $0.3 million. The decrease was mainly attributable to decrease in government grants and lower foreign exchange gain.

d) Operating Expenses

On a YOY basis, total operating expenses for 1H 2021 decreased by 6.6% ($0.8 million) to $11.3 million due to lower distribution and selling expenses as well as administrative expenses.

Distribution and selling expenses decreased by 6.0% ($0.4 million) for 1H 2021 mainly due to lower payroll and staff-related costs coupled with lower travelling expenses.

Administrative expenses decreased by 7.6% ($0.4 million) for 1H 2021 mainly due to lower professional fees, travelling expenses and depreciation expenses.

d) Operating Expenses (cont'd)

Increase in amortisation of intangible assets was mainly due to purchase of new software in 2H 2020 hence resulting in higher amortisation in 1H 2021.

Net allowance for doubtful debts in 1H 2021 was mainly attributable to doubtful debts provided for customers in Philippines, whereas net allowance for doubtful debts in 1H 2020 was mainly attributable to doubtful debts provided for customers in Indonesia. The provision for contract assets in 1H 2021 arose from project billings in Philippines.

The net foreign exchange gain in 1H 2021 was mainly attributable to unrealised exchange gain upon revaluation of receivables denominated in USD due to strengthening of United States Dollar ("USD") against Singapore Dollar ("SGD").

e) Finance income/(expense)

Decrease in interest expense was mainly due to repayment of bank borrowings during the period. Decrease in interest income was mainly due to lower placement in the fixed deposit account.

f) (Loss)/Profit Before Tax

The Group registered a loss before tax of $2.0 million for 1H 2021, a decrease of $5.9 million as compared to the corresponding period last year, mainly attributable to lower gross profit and lower other income, partially mitigated by lower operating expenses. Loss before tax as a percentage of revenue for 1H 2021 was 10.4 percentage points lower as compared to the corresponding period last year.

g) Tax

Against the corresponding period last year, income tax expense decreased in 1H 2021 by 60.9% ($0.3 million) as a result of lower taxable profits.

h) (Loss)/Profit After Tax

Overall, the Group reported a loss after tax of $2.2 million in 1H 2021, a decrease of $5.6 million as compared to 1H 2020 when a profit after tax of $3.4 million was recorded.

Interim Statements of Financial Position

i) Non-current assets

The Group's non-current assets decreased by $0.6 million mainly due to decrease in carrying amount of property, plant and equipment and right-of-use assets.

j) Current assets

The Group's current assets decreased by $18.0 million mainly due to decrease in trade receivables, contract assets, cash and bank balances and stocks, partially offset by the increase in other receivables.

k) Current liabilities

The Group's current liabilities decreased by $14.0 million mainly due to a decrease in trade and other payables and lower short-term borrowings. This is partially offset by the increase in contract liabilities.

l) Non-current liabilities

The Group's non-current liabilities decreased by $0.3 million due to payments on the lease liabilities.

m) Cash flow

For 1H 2021, the decrease in cash and cash equivalents of $1.6 million was mainly due to:
- payment of dividends of $1.8 million
- net repayment of bank loans of $0.5 million; and partially offset by
- net cash inflow from operating activities of $1.2 million as a result of positive change in working capital

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

In the Company's profit guidance announcement dated 06 August 2021, the Company stated that the Group is expected to report a net loss for the half year ended 30 June 2021 ("1H2021").
The Group reported a net loss of $2.2 million in 1H2021.

4. 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 1H 2021, the Group secured approximately $66.5 million in order intake, a decrease of 16.3% ($12.9 million) compared to $79.4 million in 1H 2020.

The Group's NI business segment contributed approximately $41.6 million, or 62.5% of the total 1H 2021 order intake, a decrease of 26.0% ($14.6 million) compared to $56.2 million recorded in 1H 2020. The Group's WIN business segment contributed the remaining $24.9 million in order intake, an increase of 7.2% ($1.7 million) compared to $23.2 million in 1H 2020.

The lower order intake reflects the challenges the Group is navigating as most of the countries where the Group has operations were affected by COVID-19 related movement control restrictions. Capex spending were also reduced as most customers took on a more cautious approach as well as to preserve cash. Similarly, the Group was also more selective on the projects to book in as we adopted a more conservative approach amid the uncertain economic environment.

The global semiconductor shortage, which resulted from a confluence of factors including the COVID-19 pandemic and US-China Trade War, has also impacted the Group's ability to fulfil order intake. The Group's supply chain has been affected as semiconductor deliveries from vendors have been delayed.

The COVID-19 pandemic, and the spread of the more contagious variants, will likely continue to create uncertainties for the Group's business outlook.

5. 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.

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

No interim dividend has been proposed or recommended as the management plans to conserve cash for the Group's working capital.

7. 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.

8. 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).

Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 June 2021 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Wong Su-Yen Chairman	Beck Tong Hong Director

13 Aug 2021