

NERA TELECOMMUNICATIONS LTD

(Co. Reg. No. 197802690R)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2019
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 Second Quarter			Group Period ended 30 June		
	2019 S\$'000	2018 S\$'000	Increase/ (Decrease) %	2019 S\$'000	2018 S\$'000	Increase/ (Decrease) %
Revenue	33,342	47,411	(29.7)	70,187	89,014	(21.1)
Cost of sales	(23,031)	(35,818)	(35.7)	(51,856)	(67,538)	(23.2)
Gross profit	10,311	11,593	(11.1)	18,331	21,476	(14.6)
Gross margin %	30.9%	24.5%	6.4 pt	26.1%	24.1%	2.0 pt
Other operating income	15	(5)	nm	105	93	12.9
Distribution and selling expenses	(4,799)	(5,326)	(9.9)	(8,953)	(9,672)	(7.4)
Administrative expenses	(2,658)	(2,716)	(2.1)	(4,888)	(4,772)	2.4
Other operating expenses	(555)	327	nm	(480)	(982)	(51.1)
Profit from operating activities	2,314	3,873	(40.3)	4,115	6,143	(33.0)
Financial income	83	125	(33.6)	194	161	20.5
Financial expenses	(146)	(44)	231.8	(238)	(113)	110.6
Profit before tax	2,251	3,954	(43.1)	4,071	6,191	(34.2)
% of revenue	6.8%	8.3%	(1.5) pt	5.8%	7.0%	(1.2) pt
Tax	(958)	(841)	13.9	(1,383)	(1,341)	3.1
Profit after tax	1,293	3,113	(58.5)	2,688	4,850	(44.6)
% of revenue	3.9%	6.6%	(2.7) pt	3.8%	5.4%	(1.6) pt
Other comprehensive income / (expense):						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation of financial statements of foreign operations	693	(316)	nm	807	445	81.3
Items that may not be reclassified subsequently to profit or loss:						
Re-measurement of defined benefit obligation	1	2	(50.0)	(123)	(6)	1,950.0
	694	(314)	nm	684	439	55.8
Total comprehensive income for the period	1,987	2,799	(29.0)	3,372	5,289	(36.2)

nm: not meaningful

	Note	Group Second Quarter			Group Period ended 30 June		
		2019 S\$'000	2018 S\$'000	Increase / (Decrease) %	2019 S\$'000	2018 S\$'000	Increase / (Decrease) %
Profit for the period is arrived after crediting / (charging) the following:							
(Under) / Over provision of tax in respect of prior years		(372)	(6)	6,100.0	(296)	68	nm
Amortisation of intangible asset		(16)	(16)	–	(32)	(32)	–
Bad debts (written-off) / recovered		(3)	–	nm	81	–	nm
Depreciation of property, plant and equipment	(1)	(184)	(137)	34.3	(367)	(290)	26.6
Depreciation of right-of-use assets	(1)	(60)	–	nm	(290)	–	nm
Net foreign exchange (loss) / gain	(2)	(537)	352	nm	(432)	(941)	(54.1)
Interest expense	(3)	(146)	(44)	231.8	(238)	(113)	110.6
Interest income	(4)	83	125	(33.6)	194	161	20.5
Net gain on disposal / write-off of property, plant and equipment		16	1	1,500.0	22	1	2,100.0
Net write-back for doubtful debts	(5)	9	2	350.0	246	27	811.1
Net write-back / (provision) for warranty		85	31	174.2	(15)	(122)	(87.7)

Notes to Income Statement

(a) Other operating income

	Group Second Quarter		Group Period ended 30 June	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Government grants	-	27	47	93
Others	15	(32)	58	–
Total other operating income	15	(5)	105	93

(b) Other operating expenses

	Group Second Quarter		Group Period ended 30 June	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Amortisation of intangible assets	(16)	(16)	(32)	(32)
Net (loss) / gain on foreign exchange	(537)	352	(432)	(941)
Others	(2)	(9)	(16)	(9)
Total other operating expenses	(555)	327	(480)	(982)

nm: not meaningful

Notes :

- (1) Increase in depreciation of property, plant and equipment and right-of-use assets was mainly due to the additional depreciation charge incurred upon the recognition of right-of-use assets following the adoption of SFRS(I) 16 *Leases*, and capital expenditure incurred on the renovation works of the Company's subsidiary in Philippines following its relocation to a new premise in Q4 2018.
- (2) Foreign exchange loss in Q2 2019 was mainly due to devaluation of Pakistani Rupee ("PKR") and Nigerian Naira ("NGN") against the USD, thus resulting in an unrealised exchange loss upon revaluation of USD payables. Foreign exchange loss in 1H 2019 was mainly due to strengthening of USD against the Philippines Peso ("PHP"), PKR, NGN and Indonesian Rupiah ("IDR"), thus resulting in an unrealised exchange loss upon revaluation of USD payables to PHP, PKR, NGN and IDR.
- (3) Increase in interest expense was mainly due to interest expense being recognised on the lease liabilities following the adoption of SFRS(I) 16 *Leases*.
- (4) Decrease in interest income in Q2 2019 was mainly due to lower fixed deposit balance. For 1H 2019, the increase in interest income was mainly due to higher interest accretion from long term receivables, and cash and bank balances compared to the same period last year.
- (5) Net write-back for doubtful debts in Q2 2019 and 1H 2019 was mainly attributed to doubtful debts recovered from customers in Malaysia and Philippines; partially offset by the increase in provision for doubtful debts.

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	
	30/06/2019 S\$'000	31/12/2018 S\$'000	30/06/2019 S\$'000	31/12/2018 S\$'000
Non-current assets				
Property, plant and equipment	2,016	2,147	473	403
Right-of-use assets	4,868	–	3,238	–
Intangible asset	837	774	741	774
Investment in subsidiaries	–	–	4,668	4,668
Long term trade and other receivables	113	1,727	10	1,687
Deferred tax assets	1,651	1,465	726	726
	9,485	6,113	9,856	8,258
Current assets				
Stocks	20,800	17,802	4,465	11,186
Contract assets	32,731	35,684	15,700	15,065
Trade receivables	62,670	59,974	23,032	17,832
Other receivables, deposits and prepayments	20,896	17,368	14,869	11,721
Amounts due from subsidiaries				
- trade	–	–	16,240	15,436
- non-trade	–	–	2,262	4,700
Fixed deposits	–	3,528	–	2,467
Cash and bank balances	12,366	18,028	3,271	6,531
	149,463	152,384	79,839	84,938
Current liabilities				
Trade payables	30,913	32,146	8,478	11,704
Other payables and accruals	14,876	12,009	6,138	5,257
Contract liabilities	28,025	37,691	18,642	24,287
Amounts due to subsidiaries				
- trade	–	–	174	1,692
- non-trade	–	–	–	581
Short term borrowings	11,900	5,500	11,900	5,500
Lease liabilities	609	–	182	–
Provision for taxation	1,849	2,178	1,127	1,251
Provision for warranty	1,758	1,996	1,035	1,058
	89,930	91,520	47,676	51,330
Net current assets	59,533	60,864	32,163	33,608
Non-current liabilities				
Defined benefit obligation	314	310	–	–
Lease liabilities	4,093	–	3,083	–
	4,407	310	3,083	–
Net assets	64,611	66,667	38,936	41,866
Equity attributable to the equity holders of the Company				
Share capital	29,909	29,909	29,909	29,909
Revenue reserve	37,531	40,271	9,027	11,957
Translation reserve	(3,125)	(3,932)	–	–
Other reserve	296	419	–	–
	64,611	66,667	38,936	41,866

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

Amount repayable in one year or less, or on demand

As at 30/06/2019		As at 31/12/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
–	11,900	–	5,500

Amount repayable after one year

As at 30/06/2019		As at 31/12/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
–	–	–	–

Details of any collateral

Nil.

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 Second Quarter		Group Period ended 30 June	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Cash flows from operating activities				
Profit before tax	2,251	3,954	4,071	6,191
Adjustments for :				
Amortisation of intangible assets	16	16	32	32
Depreciation of property, plant and equipment	184	137	367	290
Depreciation of right-of-use assets	60	-	290	-
Interest expense	146	44	238	113
Interest income	(83)	(125)	(194)	(161)
Net gain on disposal / write-off of property, plant and equipment	(16)	(1)	(22)	(1)
Net write-back for doubtful debts	(9)	(2)	(246)	(27)
Net (write-back) / provision for warranty	(85)	(31)	15	122
Pension costs / (income)	1	2	(123)	(6)
Operating profit before working capital changes	2,465	3,994	4,428	6,553
(Increase) / Decrease in :				
Stocks	(1,804)	(43)	(2,488)	(35)
Contract assets	9,113	(5,423)	2,687	(7,077)
Trade receivables	(806)	(4,874)	(584)	679
Other receivables, deposits and prepayments	1,564	(488)	(3,500)	994
(Decrease) / Increase in :				
Trade payables	(4,415)	6,529	(1,461)	7,323
Other payables and accruals	908	1,732	2,908	3,313
Contract liabilities	(13,340)	-	(9,579)	-
Provision for warranty	(67)	(42)	(253)	(199)
Effect of exchange rate changes	233	(255)	295	597
Cash flows (used in) / from operations	(6,149)	1,130	(7,547)	12,148
Income taxes paid	(1,474)	(1,428)	(1,877)	(2,442)
Interest paid	(180)	(45)	(199)	(113)
Net cash flows (used in) / from operating activities	(7,803)	(343)	(9,623)	9,593
Cash flows from investing activities				
Purchase of property, plant and equipment	(138)	(140)	(285)	(181)
Interest received	81	111	142	132
Decrease / (Increase) of deposit pledged	-	38	-	34
Net cash flows (used in) / from investing activities	(57)	9	(143)	(15)
Cash flows from financing activities				
Dividends paid to ordinary shareholders	(5,428)	(5,428)	(5,428)	(5,428)
Dividend paid to preference shareholder by a subsidiary	-	(1,464)	-	(1,464)
Refund of unclaimed dividends	-	2	-	2
Proceeds from bank loans	6,400	3,451	11,900	11,339
Repayment of bank loans	-	(5,890)	(5,500)	(14,910)
Repayment of lease liabilities	(262)	-	(456)	-
Net cash flows from / (used in) financing activities	710	(9,329)	516	(10,461)
Net decrease in cash and cash equivalents	(7,150)	(9,663)	(9,250)	(883)
Effect of exchange rate changes on cash and bank balances	16	(72)	62	(138)
Cash and cash equivalents at beginning of the period	19,409	29,284	21,463	20,570
Cash and cash equivalents at end of the period	12,275	19,549	12,275	19,549
Cash and cash equivalents comprise:				
Cash and bank balances	12,366	13,841	12,366	13,841
Fixed deposits	-	5,803	-	5,803
	12,366	19,644	12,366	19,644
Less: Deposits pledged	(91)	(95)	(91)	(95)
	12,275	19,549	12,275	19,549

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 Second Quarter and Half Year ended 30 June	Share Capital S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Other Reserve S\$'000	Total S\$'000
Group					
Balance as at 1 April 2019	29,909	41,666	(3,818)	295	68,052
Total comprehensive income for the period	–	1,293	693	1	1,987
Dividend paid	–	(5,428)	–	–	(5,428)
Balance as at 30 June 2019	29,909	37,531	(3,125)	296	64,611
Balance as at 1 January 2019	29,909	40,271	(3,932)	419	66,667
Total comprehensive income for the period	–	2,688	807	(123)	3,372
Dividend paid	–	(5,428)	–	–	(5,428)
Balance as at 30 June 2019	29,909	37,531	(3,125)	296	64,611
Balance as at 1 April 2018	29,909	45,456	(3,406)	188	72,147
Total comprehensive income for the period	–	3,113	(316)	2	2,799
Dividend paid to ordinary shareholders	–	(5,428)	–	–	(5,428)
Dividend paid to preference shareholder by a subsidiary	–	(1,464)	–	–	(1,464)
Refund of unclaimed dividends	–	2	–	–	2
Balance as at 30 June 2018	29,909	41,679	(3,722)	190	68,056
Balance as at 1 January 2018 (FRS framework)	29,909	43,879	(4,167)	196	69,817
Effect of adoption of SFRS (I) 9	–	(160)	–	–	(160)
Balance as at 1 January 2018 (SFRS(I) framework)	29,909	43,719	(4,167)	196	69,657
Total comprehensive income for the period	–	4,850	445	(6)	5,289
Dividend paid	–	(5,428)	–	–	(5,428)
Dividend paid to preference shareholder by a subsidiary	–	(1,464)	–	–	(1,464)
Refund of unclaimed dividends	–	2	–	–	2
Balance as at 30 June 2018	29,909	41,679	(3,722)	190	68,056
Company					
Balance as at 1 April 2019	29,909	13,122	–	–	43,031
Total comprehensive income for the period	–	1,333	–	–	1,333
Dividend paid	–	(5,428)	–	–	(5,428)
Balance as at 30 June 2019	29,909	9,027	–	–	38,936
Balance as at 1 January 2019	29,909	11,957	–	–	41,866
Total comprehensive income for the period	–	2,498	–	–	2,498
Dividend paid	–	(5,428)	–	–	(5,428)
Balance as at 30 June 2019	29,909	9,027	–	–	38,936
Balance as at 1 April 2018	29,909	11,423	–	–	41,332
Total comprehensive income for the period	–	1,422	–	–	1,422
Dividend paid	–	(5,428)	–	–	(5,428)
Refund of unclaimed dividends	–	2	–	–	2
Balance as at 30 June 2018	29,909	7,419	–	–	37,328
Balance as at 1 January 2018	29,909	9,720	–	–	39,629
Total comprehensive income for the period	–	3,125	–	–	3,125
Dividend paid	–	(5,428)	–	–	(5,428)
Refund of unclaimed dividends	–	2	–	–	2
Balance as at 30 June 2018	29,909	7,419	–	–	37,328

- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed, 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 2018. As at 30 June 2019, there was no share options granted (30 June 2018: Nil). There was also no treasury share in issue as at the end of the current financial period (30 June 2018: Nil).

The Company does not have any subsidiary holdings as at 30 June 2019 (30 June 2018: 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 2018: 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 consistently 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 2018, except for those disclosed under paragraph 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 Singapore Financial Reporting Standards (International) ("SFRS(I)"), amendments and interpretations of SFRS(I)s that are effective for financial year beginning on 1 January 2019.

The adoption of the new SFRS(I)s, amendments and interpretations of SFRS(I)s did not have any significant impact on the financial statements of the Group except for the following:

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases (less than 12 months). SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use ("ROU") asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group adopted SFRS(I) 16 on 1 January 2019, using the modified retrospective approach, without restating prior years' information.

In compliance with SFRS(I) 16, the Group and the Company has applied the practical expedient to recognise the amount of ROU assets equal to the lease liabilities as at 1 January 2019. Subsequent to initial recognition, the Group and the Company depreciate the ROU assets over the shorter of the useful life of the ROU assets and the lease term, and recognise interest expenses on the lease liabilities.

The adoption of SFRS(I) 16 resulted in increase in total assets and total liabilities, Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") and gearing ratio.

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 Second Quarter		Group Period ended 30 June	
	2019	2018	2019	2018
Earnings per Ordinary Share attributable to shareholders for the period:				
(i) Basic (cents)	0.36	0.86	0.74	1.34
(ii) Fully diluted (cents)	0.36	0.86	0.74	1.34
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	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Net asset value per ordinary share based on issued share capital at the end of the financial period/year (in cents) :	17.85	18.42	10.76	11.57

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 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.**

Consolidated Statement of Comprehensive Income

(a) Revenue

On a year-on-year ("YOY") basis, the Group's revenue for Q2 2019 decreased by 29.7% (\$14.1 million) to \$33.3 million in Q2 2019 from \$47.4 million in Q2 2018. The decrease was due to lower order in-take from service provider markets.

Compared to 1H 2018, the Group's revenue for 1H 2019 decreased by 21.1% (\$18.8 million) from \$89.0 million to \$70.2 million. The Network Infrastructure and Wireless Infrastructure Network business segments reported lower revenue for both Q2 2019 and 1H 2019 on a YOY basis. The slowdown in the capex spending from the group's key customer segment, service provider was the main contributing factor.

Network Infrastructure ("NI")

On a YOY basis, revenue for Q2 2019 decreased by 23.4% (\$7.2 million) to \$23.6 million from \$30.8 million, mainly due to lower revenue recorded in Singapore, Australia and Malaysia, partially offset by higher revenue from Thailand and Indonesia.

Compared to 1H 2018, revenue for 1H 2019 decreased by 17.1% (\$10.1 million) to \$49.0 million from \$59.1 million, mainly due to lower revenue booked by Singapore, Australia, Malaysia and the Philippines.

Wireless Infrastructure Network ("WIN")

On a YOY basis, revenue for Q2 2019 decreased by 41.6% (\$6.9 million) to \$9.7 million from \$16.6 million, mainly due to lower revenue in the Middle East and Africa markets, Malaysia and Philippines.

Compared to 1H 2018, revenue for 1H 2019 decreased by 29.1% (\$8.7 million) to \$21.2 million from \$29.9 million. The decrease in revenue was mainly due to lower revenue in the Middle East and Africa markets, and Malaysia

(b) Gross Profit

On a YOY basis, gross profit for Q2 2019 decreased by 11.1% to \$10.3 million from \$11.6 million, in tandem with the lower revenue. The gross profit margin increased to 30.9% from 24.5% due to different product mix.

Compared to 1H 2018, gross profit for 1H 2019 decreased by 14.6% (\$3.2 million) to \$18.3 million from \$21.5 million mainly due to lower revenue. The gross profit margin for 1H 2019 increased to 26.1% from 24.1% in 1H 2018 due to higher margin from service revenue.

(c) Other Operating Income

On a YOY basis, other operating income for Q2 2019 and 1H2019 increased marginally by \$0.02 million and \$0.12 million respectively.

(d) Operating Expenses

On a YOY basis, total operating expenses for Q2 2019 increased by 3.9% (\$0.3 million) to \$8.0 million from \$7.7 million. The increase in operating expenses for Q2 2019 was mainly due to higher other operating expenses.

Total operating expenses for 1H 2019 decreased by 7.1% (\$1.1 million) to \$14.3 million from \$15.4 million. The decrease in operating expenses for 1H 2019 was mainly due to lower distribution and selling, lower general administrative expenses and lower other operating expenses.

Distribution and selling expenses decreased by 9.9% (\$0.5 million) YOY for Q2 2019 and 7.4% (\$0.7 million) for 1H 2019 mainly due to lower payroll and staff related costs.

Administrative expenses decreased by 2.1% (\$0.06 million) YOY for Q2 2019. In comparison to 1H 2018, there is an increase by 2.4% (\$0.1 million) for 1H 2019 mainly due to additional depreciation charges and higher other professional fees.

The increase in other operating expenses for Q2 2019 and 1H 2019 was mainly due to the strengthening of USD against the Pakistani Rupee, thus resulting in an unrealised exchange loss upon revaluation of USD payables.

(e) Profit Before Tax ("PBT")

The Group registered a profit before tax of \$2.3 million in Q2 2019, a decrease of 43.1% YOY.

In comparison to 1H 2018, the PBT for 1H 2019 decreased by 34.2% (\$2.1 million) from \$6.2 million to \$4.1 million. The decrease in PBT for both Q2 2019 and 1H 2019 was attributable to lower gross profit, and partially offset by lower operating expenses.

PBT as a percentage of revenue for Q2 2019 was lower at 6.8% compared to 8.3% in Q2 2018. Similarly, PBT as a percentage of revenue for 1H 2019 was lower at 5.8% compared to 7.0% in 1H 2018.

(f) Tax

On a YOY basis, tax expenses for Q2 2019 and 1H 2019 increased by \$0.1 million and \$0.04 million. The increases were due to differences in tax assessment and tax estimates made in prior years for foreign subsidiaries.

Statement of Financial Position

(g) Non-Current Assets

The Group's non-current assets increased by \$3.4 million mainly due to the recognition of right-of-use of assets following the adoption of SFRS(I) 16 *Leases*.

(h) Current Assets

The Group's current assets decreased by \$2.9 million mainly due to lower contract assets and cash and bank balances, partially offset by higher trade and other receivables.

(i) Current Liabilities

The Group's current liabilities decreased by \$1.6 million mainly due to lower trade payables and contract liabilities arising from advance payments from customers. These were partially offset by the increase in bank loans.

(j) Non-Current Liabilities

The Group's non-current liabilities increased by \$4.1 million due to the recognition of lease liabilities following the adoption of SFRS(I) 16 *Leases*.

(k) Cash flow

For Q2 2019, the decrease in cash and cash equivalents of \$7.2 million was mainly due to:

- negative cash flow from operating activities of \$7.8 million as a result of the decrease in trade payables and contract liabilities, and increase in contract assets;
- payment of FY2018 dividend of \$5.4 million; and partially offset by
- proceeds from bank loans of \$6.4 million.

For 1H 2019, the decrease in cash and cash equivalents of \$9.3 million was mainly due to:

- negative cash flow from operating activities of \$9.6 million as a result of the decrease in trade payables and contract liabilities, and increase in contract assets;
- payment of FY2018 dividend of \$5.4 million; and partially offset by
- proceeds from net bank loans of \$6.4 million.

As a result of the above, the Group's cash and cash equivalents stood at \$12.3 million as at 30 June 2019 compared to \$19.5 million as at 30 June 2018.

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

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

In 1H 2019, the Group secured approximately \$78.3 million in order in-take, a decrease of 20.0% (\$19.6 million) compared to \$97.9 million in 1H 2018, due mainly to lower orders from both the Network Infrastructure (“**NI**”) and Wireless Infrastructure Network (“**WIN**”) business segments.

The Group’s NI business segment contributed approximately \$57.1 million, or 72.9% of total 1H 2019 order in-take, a decrease of 17.6% (\$12.2 million) compared to \$69.3 million recorded in 1H 2018. This is mainly due to lower order in-take from the service provider markets. The Group’s WIN business segment contributed the remaining \$21.2 million in order in-take, a decrease of 25.9% (\$7.4 million) compared to \$28.6 million in 1H 2018 due mainly to the slowdown in the Europe, Middle East and African markets.

The relative slowdown in order in-take reflects the industry-wide challenges the Group is navigating, particularly relating to the service provider markets – a significant customer segment for the Group. Hence, the Group intends to continue in its efforts to diversify its customer base and broaden its revenue streams by pursuing adjacent growth verticals.

Backed by a strong team of certified engineers, NeraTel is pleased to have made headway in developing its capabilities to address its customers’ digitisation needs, particularly in the domain of cybersecurity – a profitable product segment that offers relatively healthier margins. In addition, to strengthen its recurring income streams, the Group will also continue to seek opportunities to increase service and maintenance contracts.

While a gestation period is required for new business verticals, it is necessary for the Group to continuously evaluate and evolve its business model alongside changing customer requirements to remain competitive and relevant.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

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

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

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

(c) Date payable

10 September 2019

(d) Books closure date

26 August 2019

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.

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 second quarter and half year financial statements for the period ended 30 June 2019, to be false or misleading in any material respect.

On behalf of the Board

Wong Su-Yen
Chairman

Beck Tong 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 the directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1).

BY ORDER OF THE BOARD

Chan Wan Mei and Gan Lee Teng
Joint Company Secretary

14 August 2019