

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

**UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

1(a) An income statement and statement of comprehensive income or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	Group 3rd Quarter			Group Period ended 30 September		
		2016 S\$'000	2015 S\$'000	Increase/ (Decrease) %	2016 S\$'000	2015 S\$'000	Increase/ (Decrease) %
<b><u>Continuing operations</u></b>							
Turnover		33,793	28,068	20.4	115,293	95,402	20.8
Cost of sales		(27,435)	(19,082)	43.8	(85,620)	(63,433)	35.0
<b>Gross profit</b>		<b>6,358</b>	<b>8,986</b>	<b>(29.2)</b>	<b>29,673</b>	<b>31,969</b>	<b>(7.2)</b>
Other operating income		362	474	(23.6)	599	386	55.2
Distribution and selling expenses		(6,078)	(5,327)	14.1	(16,465)	(15,216)	8.2
Administrative expenses		(1,729)	(1,883)	(8.2)	(6,105)	(6,258)	(2.4)
Other operating expenses		(664)	(29)	2,189.7	(2,974)	155	N.M.
<b>(Loss) / Profit from continuing operations</b>		<b>(1,751)</b>	<b>2,221</b>	<b>N.M.</b>	<b>4,728</b>	<b>11,036</b>	<b>(57.2)</b>
Financial expenses		8	(185)	N.M.	(436)	(354)	23.2
Financial income		23	18	27.8	31	32	(3.1)
<b>(Loss) / Profit before taxation from continuing operations</b>		<b>(1,720)</b>	<b>2,054</b>	<b>N.M.</b>	<b>4,323</b>	<b>10,714</b>	<b>(59.7)</b>
Taxation expense		402	(455)	N.M.	(1,367)	(1,965)	(30.4)
<b>(Loss) / Profit from continuing operations, net of tax</b>		<b>(1,318)</b>	<b>1,599</b>	<b>N.M.</b>	<b>2,956</b>	<b>8,749</b>	<b>(66.2)</b>
<b><u>Discontinued operation</u></b>							
Profit from discontinued operation, net of tax		66,192	407	16,163	65,886	259	25,339
<b>Net profit for the financial period</b>		<b>64,874</b>	<b>2,006</b>	<b>3,134.0</b>	<b>68,842</b>	<b>9,008</b>	<b>664.2</b>
<b>Other comprehensive income / (expense) :</b>							
Items that may be reclassified subsequently to profit or loss :							
Foreign currency translation of financial statements of foreign operations							
		718	(1,624)	N.M.	2,024	(2,604)	N.M.
<b>Total comprehensive income for the period</b>		<b>65,592</b>	<b>382</b>	<b>17,071</b>	<b>70,866</b>	<b>6,404</b>	<b>1,006.6</b>

N.M. Not meaningful

'Continuing operations' refers to the Wireless Infrastructure Networks and Network Infrastructure while Payment Solutions is classified as 'Discontinued operation' as a result of the sale of the business.

## Discontinued operation

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

On 31 August 2016, the Group completed the sale of the PS business to Ingenico at a purchase consideration of \$88.4 million, subject to adjustments for the net cash, net debt, net working capital, intra group balances and capex adjustments of Nera Payment Solutions Pte Ltd and its subsidiaries as at the completion date in accordance to the Share Sale Agreement. These adjustments were computed in Q3 2016 and the Group recorded a gain on disposal of \$66.2 million. However, the adjustments are subject to the agreement of Ingenico and the computation on the final gain on disposal of the PS business may be subject to further changes.

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

The results of the PS business are as follows :

	Group 3rd Quarter			Group Period ended 30 September		
	2016	2015	Increase/ (Decrease)	2016	2015	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b>Turnover</b>	<b>15,555</b>	<b>11,529</b>	<b>34.9</b>	<b>28,471</b>	<b>34,715</b>	<b>(18.0)</b>
Cost of sales	(12,817)	(7,756)	65.3	(20,945)	(23,943)	(12.5)
<b>Gross profit</b>	<b>2,738</b>	<b>3,773</b>	<b>(27.4)</b>	<b>7,526</b>	<b>10,772</b>	<b>(30.1)</b>
Other operating income	219	-	N.M.	436	130	235.4
Operating expenses	(2,350)	(3,227)	(27.2)	(7,406)	(9,886)	(25.1)
Net financial expenses	(250)	(21)	1,090.5	(251)	(74)	239.2
<b>Profit from discontinued operation</b>	<b>357</b>	<b>525</b>	<b>(32.0)</b>	<b>305</b>	<b>942</b>	<b>(67.6)</b>
Gain on disposal of subsidiaries	66,171	-	N.M.	66,171	-	N.M.
<b>Profit before taxation from discontinued operation</b>	<b>66,528</b>	<b>525</b>	<b>12,572</b>	<b>66,476</b>	<b>942</b>	<b>6,957</b>
Taxation expense	(336)	(118)	184.7	(590)	(683)	(13.6)
<b>Profit from discontinued operation, net of tax</b>	<b>66,192</b>	<b>407</b>	<b>16,163</b>	<b>65,886</b>	<b>259</b>	<b>25,339</b>

N.M. Not meaningful

	Group 3rd Quarter			Group Period ended 30 Sep			
	2016	2015	Increase / (Decrease)	2016	2015	Increase / (Decrease)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
(Loss) / Profit for the period is arrived at after crediting / (charging) the following :							
Adjustments for over / (under) provision of tax in respect of prior years	316	26	1,115.4	316	41	670.7	
Amortisation of intangible asset	(16)	(16)	0.0	(48)	(48)	0.0	
Bad debts (written off) / recovered	(12)	3	N.M.	18	38	(52.6)	
Depreciation of property, plant and equipment	(1)	(1,473)	(1,700)	(13.4)	(4,689)	(4,808)	(2.5)
Foreign exchange (loss) / gain	(2)	(57)	298	N.M.	(2,226)	(151)	1,374.2
Interest expense	(3)	(147)	(106)	38.7	(472)	(211)	123.7
Interest income		21	9	133.3	43	37	16.2
Net gain on disposal / write-off of property, plant and equipment		137	(28)	N.M.	151	27	459.3
Net (allowance) / writeback for doubtful debts		(337)	(36)	836.1	(690)	31	N.M.
Net (allowance) / writeback for stock obsolescence		(43)	(76)	(43.4)	(899)	(122)	636.9
Net (provision) / writeback for warranty		15	216	(93.1)	(52)	617	N.M.
<b>Other information</b>							
Gross profit as a percentage of turnover	18.4%	32.2%	(13.8)	25.9%	32.8%	(6.9)	
(Loss) / Profit for the period as a percentage of turnover (excluding gain on disposal of subsidiaries)	(2.6%)	5.1%	(7.7)	1.9%	6.9%	(5.0)	
Profit for the period attributable to equity shareholders of the Company as a percentage of issued capital and reserves at end of period	54.2%	3.9%	50.3	57.5%	17.6%	39.9	

N.M. Not meaningful

**Notes :**

- (1) The decrease in depreciation expenses is mainly due to sale of PS business.
- (2) For YTD Sep 2016, the exchange loss was mainly due to :
  - the continued devaluation of Nigerian Naira against the US dollar. During Q3 2016, Nigerian Naira depreciated by a further 13% compared to the end of Q2 2016, resulting in a total depreciation of 59% from the start of devaluation on 20 June 2016. As a result of revaluation of US dollar payables to Nigerian Naira, the Group recorded an unrealised exchange loss of of \$0.3 million for the quarter and \$1.5 million for nine months of 2016.
  - weakening of the Philippine Peso against US dollar in the third quarter
  - weakening of the US dollar against the Singapore dollar
- (3) The increase in interest expenses was due to higher bank borrowings taken up.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statement of Financial Position as at	Group		Company	
	30/9/2016 S\$'000	31/12/2015 S\$'000	30/9/2016 S\$'000	31/12/2015 S\$'000
<b>Equity</b>				
Share capital	29,909	29,909	29,909	29,909
Revenue reserve	93,756	32,132	66,904	5,246
Translation reserve	(3,994)	(6,018)	-	-
Other reserve	3	3	-	-
	119,674	56,026	96,813	35,155
<b>Non current assets</b>				
Property, plant and equipment	(1) 3,196	14,156	1,964	1,391
Intangible asset	919	967	919	967
Investment in subsidiaries	-	-	4,868	4,801
Deferred tax assets	1,439	1,546	-	-
	5,554	16,669	7,751	7,159
<b>Current assets</b>				
Stocks	(1) 527	7,601	305	1
Contract work-in-progress	33,559	27,183	12,876	10,823
Trade receivables	(1) 60,859	72,578	15,290	12,500
Other receivables, deposits and prepayments	(2) 14,169	4,073	10,317	883
Due from subsidiaries (trade)	-	-	15,879	31,567
Due from subsidiaries (non-trade)	-	-	6,493	5,659
Fixed deposits	(3) 57,000	219	57,000	-
Cash and bank balances	(1) 17,095	20,801	4,888	6,322
Total current assets	183,209	132,455	123,048	67,755
<b>Current liabilities</b>				
Trade payables	(1) 38,078	52,810	12,623	14,500
Other payables and accruals	(1) 14,900	17,793	6,530	7,310
Due to subsidiaries (non-trade)	-	-	-	96
Short term borrowings	2,500	3,509	2,500	2,500
Provision for taxation	(1) 316	1,963	1,030	1,779
Provision for warranty	(1) 2,309	2,481	1,084	656
Total current liabilities	58,103	78,556	23,767	26,841
<b>Net current assets</b>	125,106	53,899	99,281	40,914
<b>Non current liabilities</b>				
Deferred tax liabilities	(1) 77	729	101	116
Borrowings	10,118	12,802	10,118	12,802
Defined benefit obligation	(1) 791	1,011	-	-
	10,986	14,542	10,219	12,918
<b>Net Assets</b>	119,674	56,026	96,813	35,155

### **Notes on Statement of Financial Position**

- (1) The decrease in the various balance sheet items is mainly due to the disposal of the PS business to Ingenico.
- (2) Other receivables, deposits and prepayments included an amount of \$10 million maintained in an escrow account in relation to the disposal of the PS business.
- (3) The increase in fixed deposits is due to the net proceeds from the disposal of the PS business.

### **Disposal of subsidiaries**

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

	<u>31/8/2016</u> <u>S\$'000</u>
Property, plant and equipment	13,243
Deferred tax assets	44
Stock	1,688
Contract work-in-progress	1,110
Trade receivables	16,657
Other receivables, deposits and prepayments	502
Cash and cash equivalent	2,261
Trade payables	(12,083)
Other payables and accruals	(6,248)
Provision for warranty	(97)
Provision for taxation	(223)
Deferred tax liabilities	(552)
Defined benefit obligation	(251)
Net assets disposed	<u>16,051</u>
Cash consideration	88,289
Less : Net assets disposed	(16,051)
Less : Transaction costs related to the disposal	(6,047)
Less : Reclassification of foreign exchange translation reserve	(20)
Gain on disposal of subsidiaries	<u>66,171</u>
Cash consideration	88,289
Less : Consideration maintained in an escrow account	(10,000)
Less : Transaction costs related to the disposal paid / payable	(6,047)
Less : Cash and cash equivalent of subsidiaries disposed	(2,261)
Net cash inflow on disposal of subsidiaries	<u>69,981</u>

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

**Amount repayable in one year or less, or on demand**

As at 30/9/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	2,500	-	3,509

**Amount repayable after one year**

As at 30/9/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
10,118	-	12,802	-

**Details of any collateral**

The secured borrowings are from a \$25 million loan facility from a bank, where the leasehold land and building at 109 Defu Lane 10 Singapore 539225 has been pledged as security.

1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group 3rd Quarter		Group Period ended 30 Sept	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<b>Cash flows from operating activities</b>				
(Loss) / Profit before taxation from continuing operations	(1,720)	2,054	4,323	10,714
Profit before taxation from discontinued operation	66,528	525	66,476	942
	64,808	2,579	70,799	11,656
<u>Adjustments for :</u>				
Amortisation of intangible asset	16	16	48	48
Depreciation of property, plant and equipment	1,473	1,700	4,689	4,808
Gain on disposal of subsidiaries	(66,171)	-	(66,171)	-
Interest expense	147	106	472	211
Interest income	(21)	(9)	(43)	(37)
Net (gain) / loss on disposal / write-off of property, plant and equipment	(137)	28	(151)	(27)
Net allowance / (writeback) for stock obsolescence	43	36	899	(31)
Net allowance for doubtful debts	337	76	690	122
Net (writeback) / provision for warranty	(15)	(216)	52	(617)
Pension costs	16	26	51	95
<b>Operating profit before working capital changes</b>	496	4,342	11,335	16,228
Decrease / (increase) in :				
Stocks	3,144	(1,687)	4,487	(1,251)
Contract work-in-progress	(5,682)	(5,067)	(7,486)	1,288
Trade receivables	(8,145)	4,284	(5,628)	34
Other receivables, deposits and prepayments	(801)	(43)	(598)	(691)
(Decrease) / increase in :				
Trade payables	6,833	5,846	(2,649)	(7,662)
Other payables and accruals	593	638	3,399	(315)
Provision for warranty	(19)	(131)	(127)	(565)
Effect of exchange rate changes	202	(766)	1,931	(1,283)
<b>Cash flows (used in) / from operations</b>	(3,379)	7,416	4,664	5,783
Income taxes paid	(1,497)	(1,351)	(3,422)	(2,668)
Interest paid	(227)	(86)	(516)	(171)
Contribution to pension funds	-	(20)	(20)	(20)
<b>Net cash flows (used in) / from operating activities</b>	(5,103)	5,959	706	2,924
<b>Cash flows from investing activities</b>				
Proceeds from disposal of property, plant and equipment	144	24	162	104
Purchase of property, plant and equipment	(4,615)	(1,474)	(6,839)	(3,907)
Net cash inflow on disposal of subsidiaries	69,981	-	69,981	-
Interest received	21	9	43	37
Withdrawal / (increase) of deposit pledged	21	(4)	115	(94)
<b>Net cash flows from / (used in) investing activities</b>	65,552	(1,445)	63,462	(3,860)

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	Group 3rd Quarter		Group Period ended 30 Sept	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<b>Cash flows from financing activities</b>				
Dividends paid to shareholders	(3,619)	(9,047)	(7,238)	(16,285)
Proceeds from bank loans	-	5,231	7,904	11,176
Repayment of bank loans	(9,888)	-	(11,585)	-
Refund of unclaimed dividends	-	-	20	-
<b>Net cash flows from / (used in) financing activities</b>	<b>(13,507)</b>	<b>(3,816)</b>	<b>(10,899)</b>	<b>(5,109)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>46,942</b>	<b>607</b>	<b>53,269</b>	<b>(6,045)</b>
Effect of exchange rate changes	249	(359)	(79)	(276)
Cash and cash equivalents at beginning of the period	26,769	18,150	20,770	24,719
<b>Cash and cash equivalents at end of the period</b>	<b>73,960</b>	<b>18,398</b>	<b>73,960</b>	<b>18,398</b>
<b>Cash and cash equivalents comprise :</b>				
Fixed deposits	57,000	229	57,000	229
Cash and bank balances	17,095	18,428	17,095	18,428
Deposits pledged	(135)	(259)	(135)	(259)
	<u>73,960</u>	<u>18,398</u>	<u>73,960</u>	<u>18,398</u>

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 3rd Quarter ended 30 September	Share Capital S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Other Reserve S\$'000	Total S\$'000
<b>Group</b>					
<b>Balance as at 1.7.2016</b>	29,909	32,501	(4,712)	3	<b>57,701</b>
Total comprehensive income for the period	-	64,874	718	-	65,592
Dividend paid	-	(3,619)	-	-	(3,619)
<b>Balance as at 30.9.2016</b>	<b>29,909</b>	<b>93,756</b>	<b>(3,994)</b>	<b>3</b>	<b>119,674</b>
<b>Balance as at 1.7.2015</b>					
<b>Balance as at 1.7.2015</b>	29,909	34,780	(4,957)	-	<b>59,732</b>
Total comprehensive income for the period	-	2,006	(1,624)	-	382
Dividend paid	-	(9,047)	-	-	(9,047)
<b>Balance as at 30.9.2015</b>	<b>29,909</b>	<b>27,739</b>	<b>(6,581)</b>	<b>-</b>	<b>51,067</b>
<b>Company</b>					
<b>Balance as at 1.7.2016</b>	29,909	6,001	-	-	<b>35,910</b>
Total comprehensive income for the period	-	64,522	-	-	64,522
Dividend paid	-	(3,619)	-	-	(3,619)
<b>Balance as at 30.9.2016</b>	<b>29,909</b>	<b>66,904</b>	<b>-</b>	<b>-</b>	<b>96,813</b>
<b>Balance as at 1.7.2015</b>					
<b>Balance as at 1.7.2015</b>	29,909	10,907	-	-	<b>40,816</b>
Total comprehensive income for the period	-	1,382	-	-	1,382
Dividend paid	-	(9,047)	-	-	(9,047)
<b>Balance as at 30.9.2015</b>	<b>29,909</b>	<b>3,242</b>	<b>-</b>	<b>-</b>	<b>33,151</b>

For Period ended 30 September	Share Capital S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Other Reserve S\$'000	Total S\$'000
<b>Group</b>					
<b>Balance as at 1.1.2016</b>	29,909	32,132	(6,018)	3	<b>56,026</b>
Total comprehensive income for the period	-	68,842	2,024	-	70,866
Dividend paid	-	(7,238)	-	-	(7,238)
Refund of unclaimed dividend	-	20	-	-	20
<b>Balance as at 30.9.2016</b>	<b>29,909</b>	<b>93,756</b>	<b>(3,994)</b>	<b>3</b>	<b>119,674</b>
<b>Balance as at 1.1.2015</b>					
<b>Balance as at 1.1.2015</b>	29,909	35,016	(3,977)	-	<b>60,948</b>
Total comprehensive income for the period	-	9,008	(2,604)	-	6,404
Dividend paid	-	(16,285)	-	-	(16,285)
<b>Balance as at 30.9.2015</b>	<b>29,909</b>	<b>27,739</b>	<b>(6,581)</b>	<b>-</b>	<b>51,067</b>
<b>Company</b>					
<b>Balance as at 1.1.2016</b>	29,909	5,246	-	-	<b>35,155</b>
Total comprehensive income for the period	-	68,876	-	-	68,876
Dividend paid	-	(7,238)	-	-	(7,238)
Refund of unclaimed dividend	-	20	-	-	20
<b>Balance as at 30.9.2016</b>	<b>29,909</b>	<b>66,904</b>	<b>-</b>	<b>-</b>	<b>96,813</b>
<b>Balance as at 1.1.2015</b>					
<b>Balance as at 1.1.2015</b>	29,909	13,040	-	-	<b>42,949</b>
Total comprehensive income for the period	-	6,487	-	-	6,487
Dividend paid	-	(16,285)	-	-	(16,285)
<b>Balance as at 30.9.2015</b>	<b>29,909</b>	<b>3,242</b>	<b>-</b>	<b>-</b>	<b>33,151</b>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

There has been no change in the Company's share capital since 30 June 2016. As at 30 September 2016, there was no share options granted (30 September 2015 : nil). There was also no treasury share in issue as at the end of the current financial period (30 September 2015 : nil).

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year.**

The total number of issued shares excluding treasury shares as at the end of the current financial period was 361,897,000 shares (31 December 2015 : 361,897,000).

- (1)(d)(iv) A statement showing all sales, transfers, disposal, cancellation and / or use of treasury shares as at the end of the current financial period reported on.**

Not applicable

- 2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice [e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard].**

The figures have not been audited or reviewed by the auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as in the latest audited annual financial statements for the financial year ended 31 December 2015 except as described in Section 5 below.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted the new and revised Singapore Financial Reporting Standards ("FRSs") that are mandatory for the financial year beginning on or after 1 January 2016, where applicable. The adoption of these standards did not result in substantial changes to the Group's accounting policies, and there is no material impact to the Group as at 1 January 2016.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group 3rd Quarter		Group Period ended 30 Sept	
	2016 (cents)	2015 (cents)	2016 (cents)	2015 (cents)
(Loss) / Earnings per Ordinary Share from continuing operations attributable to shareholders for the period :				
(i) basic	(0.36)	0.44	0.82	2.42
(ii) fully diluted	(0.36)	0.44	0.82	2.42

Basic earnings per ordinary share for the financial period ended 30 September 2016 was calculated based on the weighted average number of shares in issue of 361,897,000 (2015 : 361,897,000) ordinary shares. Fully diluted earnings per ordinary share for the financial period ended 30 September 2016 was calculated based on the weighted average number of shares in issue of 361,897,000 ordinary shares (2015 : based on weighted average number of shares in issue of 361,897,000 ordinary shares).

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.**

	Group		Company	
	30/9/2016 (cents)	31/12/2015 (cents)	30/9/2016 (cents)	31/12/2015 (cents)
Net Asset Value per ordinary share based on issued share capital	33.07	15.48	26.75	9.71

Net asset value per ordinary share as at 30 September 2016 and 31 December 2015 was calculated based on the number of ordinary shares in issue of 361,897,000.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

#### **Continuing operations**

##### **(a) Turnover**

On a year-on-year ('YOY') comparison, turnover in Q3 2016 increased 20.4% (\$5.7 million) from \$28.1 million to \$33.8 million. Turnover for nine months of 2016 increased 20.8% (\$19.9 million) from \$95.4 million to \$115.3 million as compared to nine months of 2015. The improvement resulted from higher turnover from both Telecom and Infocomm business segments.

##### **Telecommunications (Telecom)**

On a YOY comparison, turnover in Q3 2016 increased slightly by 1.7% (\$0.2 million) from \$13.1 million to \$13.3 million. The increase was mainly due to higher sales in the Asia Pacific market, partially offset by lower sales Middle East and Africa market.

Compared to nine months of 2015, turnover for nine months of 2016 increased 13.4% (\$5.2 million) from \$38.7 million to \$43.9 million. The increase in turnover resulted from higher sales in both the Asia Pacific and the Middle East and Africa markets.

##### **Infocomm**

On a YOY comparison, turnover in Q3 2016 for Network Infrastructure business area improved 36.6% (\$5.5 million) from \$15.0 million to \$20.5 million. For nine months of 2016, turnover increased 25.9% (\$14.7 million) YOY from \$56.7 million to \$71.4 million. The increase in sales for the quarter and nine months of 2016 were from higher sales of network equipment to the Service Provider market.

##### **(b) Gross Profit**

On a YOY comparison, gross profit for Q3 2016 declined 29.2% from \$9.0 million to \$6.4 million. Compared to nine months of 2015, gross profit for nine months of 2016 also declined by 7.2% from \$32.0 million to \$29.7 million.

The gross profit margin % ("GP%") declined from 32.0% to 18.8% for the quarter, and from 33.5% to 25.7% for nine months of 2016. The significant decline in gross profit and GP% was mainly caused by :

- (i) the continued devaluation of Nigerian Naira against the US dollar. During Q3 2016, Nigerian Naira depreciated by a further 13% compared to the end of Q2 2016, resulting in a total depreciation of 59% from the start of devaluation on 20 June 2016. This resulted in a loss of \$1.2 million for a project in Nigeria as the equipment costs denominated in US dollar were higher in Nigerian Naira as a result of the devaluation, as compared to a profit of \$0.3 million if the Nigerian Naira had not depreciated in value. Excluding this loss resulting from the Nigeria Naira devaluation, the gross profit would have been \$7.8 million (23.2%) for the quarter and \$31.2 million (27.0%) for nine months of 2016.
- (ii) There were higher equipment sales and lower writeback from project closures for nine months of 2016

**(c) Operating Expenses**

On a YOY comparison, total operating expenses for Q3 2016 increased 17.0% from \$7.2 million to \$8.5 million. For nine months of 2016, total operating expenses increased 19.5% from \$21.4 million to \$25.5 million compared to the corresponding period.

Distribution and selling expenses increased 14.1% (\$0.7 million) YOY for the quarter and 8.2% (\$1.2 million) for nine months of 2016. The increase was mainly due to higher payroll related costs and provision made for doubtful debts.

Administrative expenses declined by 8.2% (\$0.1 million) YOY for the quarter and 2.4% (\$0.1 million) YOY for nine months of 2016 mainly due to lower payroll and related costs.

The increase in other operating expenses for Q3 2016 and nine months of 2016 was mainly due to higher exchange loss from :

- the continued devaluation of Nigerian Naira against the US dollar. During Q3 2016, Nigerian Naira depreciated by a further 13% compared to the end of Q2 2016, resulting in a total depreciation of 59% from the start of devaluation on 20 June 2016. As a result of revaluation of US dollar payables to Nigerian Naira, the Group recorded an unrealised exchange loss of \$0.3 million for the quarter and \$1.5 million for nine months of 2016.
- weakening of the Philippine Peso against US dollar in the third quarter
- weakening of the US dollar against the Singapore dollar

**(d) Loss / Profit Before Taxation**

The Group registered a loss before tax of \$1.7 million for Q3 2016 and a decline of 59.7% YOY for nine months of 2016. The decline was mainly due to lower gross profit and higher exchange loss as explained in (b) and (c) above.

If the effect of the devaluation of Nigerian Naira was excluded from the gross profit (\$1.5 million for the quarter and year-to-date) and the foreign exchange loss (\$0.3 million for the quarter and \$1.5 million for year-to-date), the Group would have been profitable for the quarter and registered a profit before taxation of \$7.3 million for nine months of 2016.

**(e) Cash flow**

For Q3 2016, the net cashflow from operating activities was negative \$5.1 million due to the high working capital requirement. For first nine months of 2016, the Group generated positive cashflow from operating activities of \$0.7 million.

There was a significant increase in net cashflows from investing activities due to the receipt of the net proceeds from the sale of the PS business. Part of the proceeds were used to repay bank loans.

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

N.A.

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

**Continuing operations**

In the first nine months of 2016, the Group secured approximately \$136.6 million in order in-take, an increase of 8.9% compared to the corresponding period in 2015 of \$125.4 million.

**Telecommunications (Telecom)**

In the first nine months of 2016, the Group's Telecom business segment secured approximately \$51.9 million in order in-take, a decline of 19.1% compared to \$64.2 million in the corresponding period in 2015.

Competition in the wireless infrastructure network market remains intense as operators continue to demand for lower capex and opex costs.

The Group believes that Mobile Operators will continue to invest in their mobile network infrastructure in terms of increasing capacity, expanding their coverage and adding new capabilities to meet consumer demand for mobility and broadband services.

The Group will continue to provide a comprehensive wireless infrastructure network, 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 meet the demands of our customers.

**Infocommunications (Infocomm)**

In the first nine months of 2016, the Group's Network Infrastructure business area secured approximately \$84.6 million in order in-take, a significant increase of 38.2% compared to \$61.2 million in the corresponding period in 2015.

Competition in the network infrastructure business remains high in all business verticals, namely Service Providers, Enterprises and Government, Transport and Utilities.

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

In order to differentiate ourselves better from the competition, the Group will focus on offering a more comprehensive range of Network infrastructure solutions to our customers. The Group will continue to invest in Security and Cloud and Data center products and solutions while we continue to drive our business in the domains of IP, Optical and Broadcast.

**11. Dividend**

**(a) Current Financial Period Reported On**

The Directors are pleased to recommend an interim dividend as follow :

Name of Dividend	Special (one-tier)
Dividend Type	Cash
Dividend Amount per Share (in cents)	15 cents
Tax Rate	Tax exempt

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Not applicable

**(c) Date payable**

30 November 2016

**(d) Books closure date**

17 November 2016

**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 third quarter financial statements for the period ended 30 September 2016, to be false or misleading in any material respect.

On behalf of the Board

Wong Su-Yen  
Chairman

Tan Lye Huat  
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

8 November 2016