

Company Registration No. 197802690R

**Nera Telecommunications Ltd
and its Subsidiaries**

Condensed Interim Financial Statements (Unaudited)
For the six months ended 30 June 2023

Nera Telecommunications Ltd and its Subsidiaries

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Nera Telecommunications Ltd and its Subsidiaries

**Condensed Interim Statements of Financial Position
As at 30 June 2023**

	Note	Group		Company	
		30 June 2023 (unaudited) \$'000	31 Dec 2022 (audited) \$'000	30 June 2023 (unaudited) \$'000	31 Dec 2022 (audited) \$'000
Non-current assets					
Property, plant and equipment	5	5,903	5,197	1,953	1,003
Right-of-use assets		4,776	5,229	4,449	4,713
Intangible assets		634	734	590	683
Investments in subsidiaries		–	–	2,218	2,218
Long term trade and other receivables		324	312	–	–
Deferred tax assets		457	484	208	208
		12,094	11,956	9,418	8,825
Current assets					
Stocks	6	3,423	11,662	5,205	7,136
Contract assets		39,134	36,227	11,784	11,609
Trade receivables	8	43,932	48,884	7,599	7,990
Other receivables, deposits and prepayments		21,915	22,737	16,824	17,547
Amounts due from subsidiaries					
- trade		–	–	7,540	7,957
- non-trade		–	–	9,812	10,350
Fixed deposits		–	–	–	–
Cash and bank balances		16,461	18,200	4,590	6,337
		124,865	137,710	63,354	68,926
Assets held for sale		–	2,744	–	2,744
		124,865	140,454	63,354	71,670
Current liabilities					
Trade payables		31,126	39,112	4,866	7,537
Other payables and accruals		6,271	10,052	2,839	5,045
Contract liabilities		28,688	30,845	19,181	20,054
Amounts due to subsidiaries					
- trade		–	–	76	23
- non- trade		–	–	717	677
Short-term borrowings	10	14,972	21,000	14,972	21,000
Lease liabilities		1,316	539	1,123	169
Provision for taxation		980	572	139	106
Provision for warranty	9	550	479	367	304
		83,903	102,599	44,280	54,915
Liabilities directly associated with the assets held for sale		–	2,797	–	2,797
		83,903	105,396	44,280	57,712
Net current assets		40,962	35,058	19,074	13,958
Non-current liabilities					
Lease liabilities		4,960	5,399	4,802	5,211
Defined benefit obligation		536	550	–	–
		5,496	5,949	4,802	5,211
Net assets		47,560	41,065	23,690	17,572
Equity attributable to equity holders of the Company					
Share capital	11	29,909	29,909	29,909	29,909
Revenue reserve		18,788	11,717	(6,219)	(12,337)
Translation reserve		(1,610)	(1,044)	–	–
Other reserve		473	483	–	–
		47,560	41,065	23,690	17,572

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 2023**

	Note	6 months ended 30 Jun 2023 (unaudited) \$'000	6 months ended 30 Jun 2022 (unaudited) \$'000	Increase/ (Decrease) %
Revenue	7	80,371	61,367	31.0
Cost of sales		(63,050)	(47,387)	(33.1)
Gross profit		17,321	13,980	23.9
Distribution and selling expenses		(8,814)	(7,239)	(21.7)
Administrative expenses		(5,882)	(4,426)	(32.9)
Other income / (expenses)	12	6,017	(1,001)	nm
Profit from operating activities	13	8,642	1,314	nm
Finance income	15	124	40	nm
Finance expenses	16	(617)	(343)	(79.9)
Profit before tax		8,149	1,011	nm
Tax	17	(1,078)	(218)	nm
Profit after tax		7,071	793	nm
Other comprehensive (loss) / income:				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation of financial statements of foreign operations		(566)	370	nm
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligation		(10)	(18)	44.4
Other comprehensive (loss) / income for the year, net of tax		(576)	352	nm
Total comprehensive income for the period attributable to owners of the Company		6,495	1,145	nm
Earnings per share attributable to owners of the Company (cents per share)				
Basic	18 (a)	1.95	0.22	nm
Diluted	18 (a)	1.95	0.22	nm

Nera Telecommunications Ltd and its Subsidiaries

**Condensed Interim Statements of Changes in Equity
For the 6 months ended 30 June 2023**

	Attributable to equity holders of the Company				Total equity \$'000
	Share capital \$'000	Revenue reserve \$'000	Translation reserve \$'000	Other reserve \$'000	
Group					
At 1 January 2023	29,909	11,717	(1,044)	483	41,065
Profit for the period	–	7,071	–	–	7,071
Other comprehensive loss for the period	–	–	(566)	(10)	(576)
Total comprehensive income for the period	–	7,071	(566)	(10)	6,495
At 30 June 2023	29,909	18,788	(1,610)	473	47,560
At 1 January 2022	29,909	19,008	(2,866)	490	46,541
Profit for the period	–	793	–	–	793
Other comprehensive income for the period	–	–	370	(18)	352
Total comprehensive income for the period	–	793	370	(18)	1,145
At 30 June 2022	29,909	19,801	(2,496)	472	47,686

Nera Telecommunications Ltd and its Subsidiaries

**Condensed Interim Statements of Changes in Equity
For the 6 months ended 30 June 2023**

	Attributable to equity holders of the Company		
	Share capital \$'000	Revenue reserve \$'000	Total equity \$'000
Company			
At 1 January 2023	29,909	(12,337)	17,572
Profit for the period	–	6,118	6,118
Total comprehensive income for the period	–	6,118	6,118
At 30 June 2023	29,909	(6,219)	23,690
At 1 January 2022	29,909	7,816	37,725
Profit for the period	–	593	593
Total comprehensive income for the period	–	593	593
At 30 June 2022	29,909	8,409	38,318

Nera Telecommunications Ltd and its Subsidiaries

**Condensed Interim Consolidated Statement of Cash Flow
For the 6 months ended 30 June 2023**

	Note	6 months ended 30 Jun 2023 (unaudited) \$'000	2022 (unaudited) \$'000
Cash flows from operating activities			
Profit before tax		8,149	1,011
Adjustments for:			
Amortisation of intangible asset	12	121	119
Depreciation of property, plant and equipment	13	570	208
Depreciation of right-of-use assets	13	820	400
Interest expense	16	617	343
Interest income	15	(124)	(40)
Net fair value income on derivatives	13	(126)	(39)
Net gain on disposal of property, plant and equipment	13	(6,301)	(14)
Net allowance for contract assets	7	268	216
Net allowance for doubtful trade debts	13	650	369
Net provision for warranty	9	190	218
Stocks write-down		–	126
Gain on sale of customer contracts		–	(431)
Operating profit before working capital changes		4,834	2,486
Decrease/(increase) in:			
Stocks		8,333	755
Contract assets		(4,427)	1,514
Trade receivables		4,287	(1,463)
Other receivables, deposits and prepayments		1,177	(1,510)
Increase/(decrease) in:			
Trade payables		(7,323)	7,584
Other payables and accruals		(3,834)	(3,182)
Contract liabilities		(1,819)	(244)
Provision for warranty		(121)	(154)
Foreign exchange gain, net – forward currency contracts		(126)	(39)
Unrealised foreign exchange (gain) / loss, net		(101)	1,378
Cash generated from operations		880	7,125
Income tax paid		(473)	(716)
Interest paid		(363)	(251)
Net cash flows generated from operating activities		44	6,158
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		6,367	14
Purchase of property, plant and equipment		(1,320)	(68)
Purchase of intangible assets	5	(22)	–
Interest received		86	49
Net cash flows generated from / (used in) investing activities		5,111	(5)
Cash flows from financing activities			
Proceeds from bank loans		3,000	13,000
Increased in trade facilities		7,972	–
Repayment of bank loans		(17,000)	(22,000)
Repayment of lease liabilities		(711)	(535)
Net cash flows used in financing activities		(6,739)	(9,535)
Net decrease in cash and cash equivalents		(1,584)	(3,382)
Effect of exchange rates changes on cash and bank balances		(159)	(218)
Cash and cash equivalents at beginning of period		18,086	23,403
Cash and cash equivalents at end of period		16,343	19,803
Cash and cash equivalents comprise:			
Cash and bank balances		16,461	19,919
Deposits pledged		(118)	(116)
		16,343	19,803

Nera Telecommunications Ltd and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the 6 months ended 30 June 2023

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 19 Tai Seng Avenue #06-01, Singapore 534054.

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 2023 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 2022.

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 2023, 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.

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 2022.

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 2023, the Group acquired property, plant and equipment with an aggregate cost of \$1,320,000 (30 June 2022: \$68,000).

6. Stocks

	Group		Company	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
	\$'000	\$'000	\$'000	\$'000
Network equipment	3,423	11,662	5,205	7,136

At 30 June 2023, stocks recognised as an expense in the consolidated statement of comprehensive income under line item "Cost of sales" for the Group amounted to \$34,910,000 (30 June 2022: \$23,695,000) inclusive stocks net write-down of nil (30 June 2022: \$126,000).

Nera Telecommunications Ltd and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2023

7. Revenue

(a) *Disaggregation of revenue*

Segments	WIN		NI		Total revenue	
	6 months ended 30 Jun		6 months ended 30 Jun		6 months ended 30 Jun	
	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Primary geographical markets						
Singapore	612	589	32,241	23,407	32,853	23,996
Indonesia	1,204	1,408	20,597	10,392	21,801	11,800
Malaysia	805	977	11,932	7,800	12,737	8,777
Philippines	563	398	770	3,616	1,333	4,014
Thailand	590	518	484	71	1,074	589
EMEA countries	8,082	9,061	1,175	493	9,257	9,554
Others	1,305	2,262	11	375	1,316	2,637
	13,161	15,213	67,210	46,154	80,371	61,367
Major product or service lines						
Sale of equipment	6,448	8,891	30,549	18,000	36,997	26,891
Rendering of services	2,540	2,758	22,257	20,653	24,797	23,411
Turnkey project	4,173	3,564	14,404	7,501	18,577	11,065
	13,161	15,213	67,210	46,154	80,371	61,367
Timing of transfer of goods or services						
At a point in time	6,448	8,891	30,549	18,000	36,997	26,891
Over time	6,713	6,322	36,661	28,154	43,374	34,476
	13,161	15,213	67,210	46,154	80,371	61,367

7. Revenue (cont'd)

(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.

(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 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
	\$'000	\$'000	\$'000	\$'000
Trade receivables (Note 8)	43,932	48,884	7,599	7,990
Contract assets	39,134	36,227	11,784	11,609
Contract liabilities	28,688	30,845	19,181	20,054

During the six months ended 30 June 2023, the Group has recognised a net impairment losses on receivables arising from contracts with customers amounting to \$650,000 (30 June 2022: net impairment losses of \$369,000). The Group has recognised a net impairment loss on contract assets amounting to \$268,000 (30 June 2022: \$216,000).

Nera Telecommunications Ltd and its Subsidiaries

**Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2023**

8. Trade receivables

	Group		Company	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
	\$'000	\$'000	\$'000	\$'000
Trade receivables	54,173	59,380	7,623	8,367
Less: Allowance for impairment of trade receivables	(10,241)	(10,496)	(24)	(377)
Total trade receivables	43,932	48,884	7,599	7,990

At 30 June 2023, retention sums relating to contracts included in trade receivables of the Group and the Company are \$4,801,000 and nil (31 Dec 2022: \$5,162,000 and nil) 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.

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

	Group		Company	
	6 months ended 30 Jun		6 months ended 30 Jun	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
At 1 January	479	531	304	390
Provision for the year	210	226	185	204
Write-back of provision	(20)	(8)	–	–
Utilised during the year	(122)	(154)	(122)	(153)
Currency realignment	3	(4)	–	–
At 30 June	550	591	367	441

10. Borrowings

	The Group and the Company	
	30 Jun 2023	31 Dec 2022
	\$'000	\$'000
Amount repayable within one year or on demand		
Unsecured	7,000	21,000
Trade facilities	7,972	–
	14,972	21,000

Nera Telecommunications Ltd and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the 6 months ended 30 June 2023

11. Share capital

	Group and Company			
			Number of shares	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
	\$'000	\$'000	'000	'000
Issued and fully paid ordinary shares:	29,909	29,909	361,897	361,897

As at 30 Jun 2023, there was no share options granted (30 Jun 2022: nil). There was also no treasury share in issue as at the end of the current financial period (30 Jun 2022: nil).

The Company does not have any subsidiary holdings as at 30 June 2023 (30 June 2022: nil).

12. Other income / (expenses)

	Group 6 months ended 30 Jun	
	2023 \$'000	2022 \$'000
Amortisation of intangible asset	(121)	(119)
Realised foreign exchange loss, net	(523)	(88)
Unrealised foreign exchange gain / (loss), net	227	(1,339)
Government grants	27	55
Net gain on disposal of property, plant and equipment	6,301	14
Gain on sale of customer contracts *	–	431
Others	106	45
	6,017	(1,001)

* Proceeds from disposal of property, plant and equipment, receivables and novation of operator's agreements to a purchaser in Indonesia.

13. Profit from operating activities

The following items have been included in arriving at profit from operating activities:

	Group 6 months ended 30 Jun	
	2023 \$'000	2022 \$'000
Depreciation of property, plant and equipment	570	208
Depreciation of right-of-use assets	820	400
Write-back for doubtful trade receivables	(206)	(37)
Impairment loss on trade receivables	856	406
Foreign exchange gain, net – forward currency contracts	(126)	(39)
Realised foreign exchange loss, net	523	88
Unrealised foreign exchange (gain) / loss, net	(101)	1,378
Net gain on disposal of property, plant and equipment	(6,301)	(14)

Nera Telecommunications Ltd and its Subsidiaries**Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2023****14. Personnel expenses and employee benefits**

	Group 6 months ended 30 Jun	
	2023	2022
	\$'000	\$'000
Wages, salaries and bonuses	7,707	6,629
Pension contributions	962	801
Termination benefits	12	27
Other personnel benefits	1,313	1,295
	<hr/>	<hr/>
	9,994	8,752
	<hr/> <hr/>	<hr/> <hr/>

15. Finance income

	Group 6 months ended 30 Jun	
	2023	2022
	\$'000	\$'000
Interest income from:		
Bank deposits	111	35
Others	13	5
	<hr/>	<hr/>
	124	40
	<hr/> <hr/>	<hr/> <hr/>

16. Finance expenses

	Group 6 months ended 30 Jun	
	2023	2022
	\$'000	\$'000
Interest expense	488	251
Interest on lease liabilities	129	92
	<hr/>	<hr/>
	617	343
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2023**

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	
	2023	2022
	\$'000	\$'000
Consolidated income statement:		
Current income tax:		
Current income taxation	1,036	222
Under / (over) provision in respect of previous years	27	(4)
Deferred income tax:		
Prior year	15	–
Income tax expense recognised in profit and loss	1,078	218

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	
	2023	2022
	\$'000	\$'000
Net profit attributable to ordinary equity holders of the Company for basic and diluted earnings per share	7,071	793
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.

Nera Telecommunications Ltd and its Subsidiaries

**Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2023**

19. Net asset value

	Group		Company	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
	\$'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):	13.14	11.35	6.55	4.86

20. 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.

Nera Telecommunications Ltd and its Subsidiaries

**Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2023**

20. Segment information (cont'd)

6 months ended 30 Jun 2023	WIN \$'000	NI \$'000	Adjustments \$'000		Total \$'000
Revenue	13,161	67,210			80,371
Cost of sales	(10,232)	(52,818)			(63,050)
Gross profit	2,929	14,392			17,321
Distribution and selling expenses	(2,015)	(6,799)			(8,814)
Administrative expenses	(921)	(4,961)			(5,882)
Other income / (expenses)	(495)	6,512			6,017
(Loss)/Profit from operating activities	(502)	9,144			8,642
Finance income					124
Finance expenses					(617)
Profit before tax					8,149
Tax					(1,078)
Net profit for the year					7,071
Other information					
Segment assets	27,752	70,050	39,157	A	136,959
Segment liabilities	8,048	58,592	22,759	B	89,399
Capital expenditure	50	1,270			1,320
Depreciation and amortisation	131	1,380			1,511
Other non-cash (income)/expenses (*)	134	974			1,108
6 months ended 30 Jun 2022					
	WIN \$'000	NI \$'000	Adjustments \$'000		Total \$'000
Revenue	15,213	46,154			61,367
Cost of sales	(12,145)	(35,242)			(47,387)
Gross profit	3,068	10,912			13,980
Distribution and selling expenses	(2,638)	(4,601)			(7,239)
Administrative expenses	(1,187)	(3,239)			(4,426)
Other income / (expenses)	47	(1,048)			(1,001)
(Loss)/profit from operating activities	(710)	2,024			1,314
Finance income					40
Finance expenses					(343)
Profit before tax					1,011
Tax					(218)
Net profit for the year					793
Other information					
Segment assets	36,040	64,838	44,944	A	145,822
Segment liabilities	13,343	54,422	30,371	B	98,136
Capital expenditure	20	48			68
Depreciation and amortisation	193	534			727
Other non-cash (income)/expenses (*)	(18)	516			498

(*) Other non-cash (income)/expenses include net provision for warranty, net stocks written down, net allowance for doubtful trade debts, net allowance for contract assets, bad debts written off and gain on sale of customer contracts.

Nera Telecommunications Ltd and its Subsidiaries

**Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2023**

20. 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 2023	30 Jun 2022
	\$'000	\$'000
Deferred tax assets	457	937
Other receivables, deposits and prepayments	22,239	24,088
Cash and cash equivalents	16,461	19,919
	<u>39,157</u>	<u>44,944</u>

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

	30 Jun 2023	30 Jun 2022
	\$'000	\$'000
Defined benefit obligation	536	422
Other payables and accruals	6,271	6,773
Borrowings	14,972	23,000
Provision for taxation	980	176
	<u>22,759</u>	<u>30,371</u>

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		Non-current assets	
	6 months ended		6 months ended	
	30 Jun		30 Jun	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Singapore	32,853	23,996	6,991	1,081
Indonesia	21,801	11,800	477	554
Malaysia	12,737	8,777	79	290
Philippines	1,333	4,014	3,731	4,701
Thailand	1,074	589	299	199
EMEA countries	9,257	9,554	60	129
Others	1,316	2,637	–	–
	<u>80,371</u>	<u>61,367</u>	<u>11,637</u>	<u>6,954</u>

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

**Other Information Required by Listing Manual
For the 6 months ended 30 June 2023**

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 2023 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 2023 increased by 31.0% (\$19.0 million) to \$80.4 million from \$61.4 million in 1H 2022. The higher revenue was driven by accelerated project delivery in the Government, Transport and Utility ("GTU") and Service Provider ("SP") segments.

Network Infrastructure ("NI")

On a YOY basis, revenue for 1H 2023 increased by 45.5% (\$21.0 million) to \$67.2 million from \$46.2 million, mainly due to higher revenue contributions from Singapore, Indonesia and Malaysia, partially offset by the decrease in revenue from the Philippines.

Wireless Infrastructure Network ("WIN")

On a YOY basis, revenue for 1H 2023 decreased by 13.2% (\$2.0 million) to \$13.2 million from \$15.2 million, mainly due to lower revenue contribution from the EMEA markets.

b) Gross Profit

Gross profit in 1H 2023 increased by 23.9% (\$3.3 million) to \$17.3 million from \$14.0 million in 1H 2022, in line with the higher revenue recognised for the period. Gross profit margin for 1H 2023 stood at 21.6%, slightly lower against 1H 2022's 22.8%.

c) Other Income/(Expenses)

On a YOY basis, the Group's net Other Income in 1H 2023 increased by \$7.0 million to \$6.0 million from net Other Expenses of \$1.0 million in 1H 2022. The increase was mainly due to the net gain on the sale of property at \$6.2 million and the strengthening of Indonesia Rupiah and Philippines Peso currencies against the Group's reporting currency, the Singapore Dollar.

d) Operating Expenses

On a YOY basis, total operating expenses for 1H 2023 increased by 25.6% (\$3.0 million) to \$14.7 million mainly due to higher distribution and selling expenses and administrative expenses.

Distribution and selling expenses increased by 21.7% (\$1.6 million) for 1H 2023 mainly due to higher staff-related costs and increase in specific provision for doubtful debts from foreign subsidiaries by \$0.3 million.

d) Operating Expenses (cont'd)

On the other hand, administrative expenses increased by 33.0% (\$1.4 million) for 1H 2023 mainly due to the increase in office rent expenses, higher depreciation resulting from the relocation of the Singapore office premises. In addition, in 1H 2022 there was a reversal of excess provision on subsidiary sales and service tax \$0.5 million booked.

e) Finance income/(expense)

The increase in interest expense in 1H 2023 is largely due to higher borrowing rates as compared to 1H 2022. Higher interest income in 1H 2023 earned from higher placement of fixed deposits partially offset the impact.

f) Profit Before Tax

The Group registered profit before tax of \$8.1 million in 1H 2023, an increase of \$7.1 million as compared to the corresponding period last year. The increase in profit before tax in 1H 2023 was mainly contributed by higher revenue, higher gross profit, net gain on the sale of property and lower unrealised foreign exchange losses. Higher operating expenses and higher borrowing costs partially offset the impact.

g) Tax

Against the corresponding period last year, the increase of income tax expense in 1H 2023 was mainly due to higher taxable profit from foreign subsidiaries.

h) Profit After Tax

Overall, the Group reported a profit after tax of \$7.1 million in 1H 2023, an increase of \$6.3 million as compared to 1H 2022.

Interim Statements of Financial Position

i) Non-current assets

The Group's non-current assets increased by \$0.1 million mainly due to the increase in carrying amount of property, plant and equipment and partially offset by the decrease in carrying amount of right-of-use assets and intangible assets.

j) Current assets

The Group's current assets decreased by \$15.6 million mainly due to the decrease in trade receivables, stocks and assets held for sale, partially offset by the increase in contract assets.

k) Current liabilities

The Group's current liabilities decreased by \$21.5 million mainly due to the decrease in trade payables, other payables, short-term borrowings and contract liabilities.

l) Non-current liabilities

The Group's non-current liabilities decreased marginally mainly due to the payment on the lease liabilities.

m) Cash flow

The decrease in cash and cash equivalents of \$1.6 million was mainly due to:

- net repayment of bank loans totalling \$14.0 million and lease liabilities \$0.7 million partially offset by
- draw down of trade facilities of \$8.0 million

**Other Information Required by Listing Manual
For the 6 months ended 30 June 2023**

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

Not applicable.

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 2023, the Group secured approximately \$46.5 million in order intake, a decrease of 34.4% (\$24.4 million) as compared to \$70.9 million in 1H 2022.

The Group's NI business segment contributed approximately \$29.4 million or 63.2% of the total 1H 2023 order intake, a decrease of 46.5% (\$25.6 million) as compared to \$55.0 million recorded in 1H 2022. The Group's WIN business segment contributed the remaining \$17.1 million in order intake, an increase of 7.5% (\$1.2 million) as compared to \$15.9 million in 1H 2022.

The operating environment is projected to become increasingly challenging amid softening demand due to the slowdown in the macroeconomic environment, elevated interest rates and growing inflationary cost pressures. In response, the Group will accelerate its diversification strategy to reduce its reliance on the telco sector into sectors such as logistics, transportation, oil & gas, utilities and Financial Services.

In particular, the Group is focused on securing new NI and WIN opportunities in the healthcare sector and believes it can value add to these projects by offering other services such as cybersecurity.

Meanwhile, NeraTel intends to expand its pipeline for the LTE/5G Private Mobile Network to serve the mining and port segments. The Group is also establishing an ecosystem with various partners in the Internet of Things (IoT) space to offer its services to Southeast Asian customers, focusing on smart buildings and cities, water treatment plants and utilities.

NeraTel will develop new capabilities to offer new cloud consulting services such as assessment, migration, operation and optimisation. The Group will strengthen its cybersecurity business to serve Middle East and African customers; ASEAN also presents strong business opportunities amid new cybersecurity and data protection laws.

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.

Nera Telecommunications Ltd and its Subsidiaries

Other Information Required by Listing Manual For the 6 months ended 30 June 2023

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 2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lim Puay Koon
Chairman

Chong Hoi Ming
Chief Executive Officer and Executive Director

04 August 2023