

NERA TELECOMMUNICATIONS LTD

(Co. Reg. No. 197802690R)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 Third Quarter			Group Period ended 30 September		
	2019 S\$'000	2018 S\$'000	Increase/ (Decrease) %	2019 S\$'000	2018 S\$'000	Increase/ (Decrease) %
Revenue	26,492	32,065	(17.4)	96,679	121,079	(20.2)
Cost of sales	(20,838)	(23,351)	(10.8)	(72,694)	(90,889)	(20.0)
Gross profit	5,654	8,714	(35.1)	23,985	30,190	(20.6)
Gross margin %	21.3%	27.2%	(5.9) pt	24.8%	24.9%	(0.1) pt
Distribution and selling expenses	(3,460)	(4,338)	(20.2)	(12,413)	(14,010)	(11.4)
Administrative expenses	(2,152)	(1,791)	20.2	(7,040)	(6,563)	7.3
Other income / (expenses) (Note (a))	976	(328)	nm	601	(1,217)	nm
Profit from operating activities	1,018	2,257	(54.9)	5,133	8,400	(38.9)
Financial income	73	78	(6.4)	267	239	11.7
Financial expenses	(102)	(67)	52.2	(340)	(180)	88.9
Profit before tax	989	2,268	(56.4)	5,060	8,459	(40.2)
% of revenue	3.7%	7.1%	(3.4) pt	5.2%	7.0%	(1.8) pt
Tax	57	(792)	nm	(1,326)	(2,133)	(37.8)
Profit after tax	1,046	1,476	(29.1)	3,734	6,326	(41.0)
% of revenue	3.9%	4.6%	(0.7) pt	3.9%	5.2%	(1.3) pt
Other comprehensive (expense) / income:						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation of financial statements of foreign operations	(416)	(422)	(1.4)	391	23	1,600.0
Items that may not be reclassified subsequently to profit or loss:						
Re-measurement of defined benefit obligation	2	1	100.0	(121)	(5)	2,320.0
	(414)	(421)	(1.7)	270	18	1,400.0
Total comprehensive income for the period	632	1,055	(40.1)	4,004	6,344	(36.9)

nm: not meaningful

		Group Third Quarter			Group Period ended 30 September		
		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:							
Over / (under) provision of tax in respect of prior years		28	(159)	nm	(268)	(91)	194.5
Amortisation of intangible asset		(35)	(16)	118.8	(67)	(48)	39.6
Bad debts recovered / (written-off)		29	-	nm	(52)	-	nm
Depreciation of property, plant and equipment	(1)	(218)	(132)	65.2	(585)	(422)	38.6
Depreciation of right-of-use assets	(1)	(423)	-	nm	(713)	-	nm
Net foreign exchange gain / (loss)	(2)	1,011	(339)	nm	579	(1,280)	nm
Interest expense	(3)	(102)	(67)	52.2	(340)	(180)	88.9
Interest income	(4)	73	78	(6.4)	267	239	11.7
Net (loss) / gain on disposal / write-off of property, plant and equipment		(13)	-	nm	9	1	800.0
Net write-back for stock obsolescence		6	-	nm	6	-	nm
Net write-back for doubtful debts	(5)	43	44	(2.3)	289	71	307.0
Net (provision) / write-back for warranty		(128)	28	nm	(143)	(94)	52.1

Notes to Income Statement

(a) Other income / (expenses)

	Group Third Quarter		Group Period ended 30 September	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Net gain / (loss) on foreign exchange	1,011	(339)	579	(1,280)
Amortisation of intangible assets	(35)	(16)	(67)	(48)
Net (loss) / gain on disposal / write-off of property, plant and equipment	(13)	-	9	1
Government grants	1	-	48	93
Others	12	27	32	17
Total other income / (expenses)	976	(328)	601	(1,217)

nm: not meaningful

Notes :

- (1) Increase in depreciation of property, plant and equipment in Q3 2019 and 9M 2019 was mainly due to capital expenditure on the renovation works of the Company's subsidiary in the Philippines following its relocation to a new premise in Q4 2018. The increase in depreciation of right-of-use assets was mainly due to the depreciation charge upon the recognition of right-of-use assets following the adoption of SFRS(I) 16 *Lease*.
- (2) Foreign exchange gain in Q3 2019 was mainly due to the strengthening of United States Dollar ("USD") against the Singapore Dollar ("SGD") and Euro ("EUR"), thus resulting in a net unrealised exchange gain upon revaluation of USD receivables. Foreign exchange gain in 9M 2019 was mainly due to strengthening of USD against SGD and EUR, resulting in an unrealised exchange gain upon revaluation of USD receivables to SGD and EUR, and the strengthening of the Philippines Peso ("PHP") and Indonesian Rupiah ("IDR") against USD which resulted in a net unrealised exchange gain upon revaluation of USD payables to PHP and IDR.
- (3) Increase in interest expense was mainly due to higher bank borrowings and interest expense being recognised on the lease liabilities following the adoption of SFRS(I) 16 *Leases*.
- (4) Decrease in interest income in Q3 2019 was mainly due to lower fixed deposit balance. For 9M 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 Q3 2019 and 9M 2019 was mainly attributed to doubtful debts recovered from customers in the Philippines.

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	
	30/09/2019 S\$'000	31/12/2018 S\$'000	30/09/2019 S\$'000	31/12/2018 S\$'000
Non-current assets				
Property, plant and equipment	1,832	2,147	407	403
Right-of-use assets	4,726	–	3,178	–
Intangible asset	816	774	725	774
Investment in subsidiaries	–	–	4,668	4,668
Long term trade and other receivables	130	1,727	19	1,687
Deferred tax assets	1,657	1,465	726	726
	9,161	6,113	9,723	8,258
Current assets				
Stocks	23,286	17,802	5,528	11,186
Contract assets	30,382	35,684	12,657	15,065
Trade receivables	59,845	59,974	20,877	17,832
Other receivables, deposits and prepayments	21,919	17,368	15,701	11,721
Amounts due from subsidiaries				
- trade	–	–	16,432	15,436
- non-trade	–	–	4,763	4,700
Fixed deposits	–	3,528	–	2,467
Cash and bank balances	12,720	18,028	1,931	6,531
	148,152	152,384	77,889	84,938
Current liabilities				
Trade payables	34,820	32,146	9,272	11,704
Other payables and accruals	13,447	12,009	5,226	5,257
Contract liabilities	25,475	37,691	16,830	24,287
Amounts due to subsidiaries				
- trade	–	–	81	1,692
- non-trade	–	–	–	581
Short term borrowings	12,500	5,500	12,500	5,500
Lease liabilities	631	–	174	–
Provision for taxation	973	2,178	548	1,251
Provision for warranty	1,731	1,996	886	1,058
	89,577	91,520	45,517	51,330
Net current assets	58,575	60,864	32,372	33,608
Non-current liabilities				
Defined benefit obligation	319	310	–	–
Lease liabilities	3,984	–	3,045	–
	4,303	310	3,045	–
Net assets	63,433	66,667	39,050	41,866
Equity attributable to the equity holders of the Company				
Share capital	29,909	29,909	29,909	29,909
Revenue reserve	36,767	40,271	9,141	11,957
Translation reserve	(3,541)	(3,932)	–	–
Other reserve	298	419	–	–
	63,433	66,667	39,050	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 30/09/2019		As at 31/12/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
–	12,500	–	5,500

Amount repayable after one year

As at 30/09/2019		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 Third Quarter		Group Period ended 30 September	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Cash flows from operating activities				
Profit before tax	989	2,268	5,060	8,459
<u>Adjustments for :</u>				
Amortisation of intangible assets	35	16	67	48
Bad debts (recovered) / written off	(29)	—	52	—
Depreciation of property, plant and equipment	218	132	585	422
Depreciation of right-of-use assets	423	—	713	—
Interest expense	102	67	340	180
Interest income	(73)	(78)	(267)	(239)
Net loss / (gain) on disposal / write-off of property, plant and equipment	13	—	(9)	(1)
Net write-back for stock obsolescence	(6)	—	(6)	—
Net write-back for doubtful debts	(43)	(44)	(289)	(71)
Net provision / (write-back) for warranty	128	(28)	143	94
Pension costs / (income)	2	1	(121)	(5)
Operating profit before working capital changes	1,759	2,334	6,268	8,887
(Increase) / Decrease in :				
Stocks	(2,721)	(236)	(5,209)	(271)
Contract assets	2,697	107	5,384	(6,970)
Trade receivables	2,490	12,626	1,825	13,305
Other receivables, deposits and prepayments	(1,496)	(140)	(4,996)	854
(Decrease) / Increase in :				
Trade payables	3,905	(8,755)	2,444	(1,432)
Other payables and accruals	(1,399)	(1,059)	1,509	2,254
Contract liabilities	(2,722)	—	(12,301)	—
Provision for warranty	(144)	(6)	(397)	(205)
Effect of exchange rate changes	43	(393)	339	204
Cash flows from / (used in) operations	2,412	4,478	(5,134)	16,626
Income taxes paid	(763)	(1,101)	(2,640)	(3,543)
Interest paid	21	(67)	(178)	(180)
Net cash flows from / (used in) operating activities	1,670	3,310	(7,952)	12,903
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	24	—	24	—
Purchase of property, plant and equipment	(58)	(121)	(343)	(302)
Interest received	66	(30)	208	102
Decrease of deposit pledged	—	—	—	34
Net cash flows from / (used in) investing activities	32	(151)	(111)	(166)
Cash flows from financing activities				
Dividends paid to ordinary shareholders	(1,810)	(3,619)	(7,238)	(9,047)
Dividend paid to preference shareholder by a subsidiary	—	—	—	(1,464)
Refund of unclaimed dividends	—	—	—	2
Proceeds from bank loans	10,700	207	22,600	11,546
Repayment of bank loans	(10,100)	(1,500)	(15,600)	(16,410)
Repayment of lease liabilities	(172)	—	(628)	—
Net cash flows used in financing activities	(1,382)	(4,912)	(866)	(15,373)
Net increase / (decrease) in cash and cash equivalents	320	(1,753)	(8,929)	(2,636)
Effect of exchange rate changes on cash and bank balances	35	7	96	(131)
Cash and cash equivalents at beginning of the period	12,275	19,549	21,463	20,570
Cash and cash equivalents at end of the period	12,630	17,803	12,630	17,803
Cash and cash equivalents comprise:				
Cash and bank balances	12,720	12,611	12,720	12,611
Fixed deposits	—	5,287	—	5,287
	12,720	17,898	12,720	17,898
Less: Deposits pledged	(90)	(95)	(90)	(95)
	12,630	17,803	12,630	17,803

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 Third Quarter and Nine Months ended 30 September	Share Capital S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Other Reserve S\$'000	Total S\$'000
Group					
Balance as at 1 July 2019	29,909	37,531	(3,125)	296	64,611
Total comprehensive income for the period	–	1,046	(416)	2	632
Dividend paid	–	(1,810)	–	–	(1,810)
Balance as at 30 September 2019	29,909	36,767	(3,541)	298	63,433
Balance as at 1 January 2019	29,909	40,271	(3,932)	419	66,667
Total comprehensive income for the period	–	3,734	391	(121)	4,004
Dividend paid	–	(7,238)	–	–	(7,238)
Balance as at 30 September 2019	29,909	36,767	(3,541)	298	63,433
Balance as at 1 July 2018	29,909	41,679	(3,722)	190	68,056
Total comprehensive income for the period	–	1,476	(422)	1	1,055
Dividend paid to ordinary shareholders	–	(3,619)	–	–	(3,619)
Balance as at 30 September 2018	29,909	39,536	(4,144)	191	65,492
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	–	6,326	23	(5)	6,344
Dividend paid	–	(9,047)	–	–	(9,047)
Dividend paid to preference shareholder by a subsidiary	–	(1,464)	–	–	(1,464)
Refund of unclaimed dividends	–	2	–	–	2
Balance as at 30 September 2018	29,909	39,536	(4,144)	191	65,492
Company					
Balance as at 1 July 2019	29,909	9,027	–	–	38,936
Total comprehensive income for the period	–	1,924	–	–	1,924
Dividend paid	–	(1,810)	–	–	(1,810)
Balance as at 30 September 2019	29,909	9,141	–	–	39,050
Balance as at 1 January 2019	29,909	11,957	–	–	41,866
Total comprehensive income for the period	–	4,422	–	–	4,422
Dividend paid	–	(7,238)	–	–	(7,238)
Balance as at 30 September 2019	29,909	9,141	–	–	39,050
Balance as at 1 July 2018	29,909	7,419	–	–	37,328
Total comprehensive income for the period	–	4,280	–	–	4,280
Dividend paid	–	(3,619)	–	–	(3,619)
Balance as at 30 September 2018	29,909	8,080	–	–	37,989
Balance as at 1 January 2018	29,909	9,720	–	–	39,629
Total comprehensive income for the period	–	7,405	–	–	7,405
Dividend paid	–	(9,047)	–	–	(9,047)
Refund of unclaimed dividends	–	2	–	–	2
Balance as at 30 September 2018	29,909	8,080	–	–	37,989

- 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 September 2019, there was no share options granted (30 September 2018: Nil). There was also no treasury share in issue as at the end of the current financial period (30 September 2018: Nil).

The Company does not have any subsidiary holdings as at 30 September 2019 (30 September 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.

- (1)(d)(v) A statement showing all sales, transfers, disposal, cancellation and / or use of subsidiary holdings 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 have 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 Third Quarter		Group Period ended 30 September	
	2019	2018	2019	2018
Earnings per Ordinary Share attributable to shareholders for the period:				
(i) Basic (cents)	0.29	0.41	1.03	1.75
(ii) Fully diluted (cents)	0.29	0.41	1.03	1.75
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	
	30/09/2019	31/12/2018	30/09/2019	31/12/2018
Net asset value per ordinary share based on issued share capital at the end of the financial period/year (in cents) :	17.53	18.42	10.79	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 Q3 2019 decreased by 17.4% (\$5.6 million) to \$26.5 million in Q3 2019 from \$32.1 million in Q3 2018. The decrease was due to lower order in-take from service provider markets.

Compared to 9M 2018, the Group's revenue for 9M 2019 decreased by 20.1% (\$24.4 million) from \$121.1 million to \$96.7 million. Both NI and WIN business segments reported lower revenue for both Q3 2019 and 9M 2019 on a YOY basis. The slowdown in the capex spending from the Group's key customer segment, service provider markets, is the main contributing factor.

Network Infrastructure ("NI")

On a YOY basis, revenue for Q3 2019 decreased by 12.9% (\$2.8 million) to \$18.9 million from \$21.7 million, mainly due to lower revenue recorded in Malaysia, the Philippines, Australia, and Myanmar, partially offset by higher revenue from Thailand, Indonesia and Singapore.

Compared to 9M 2018, revenue for 9M 2019 decreased by 16.1% (\$13.0 million) to \$67.8 million from \$80.8 million, mainly due to lower revenue booked by Malaysia, Singapore, Australia, the Philippines, and Myanmar, partially offset by higher revenue from Indonesia and Thailand.

Wireless Infrastructure Network ("WIN")

On a YOY basis, revenue for Q3 2019 decreased by 26.9% (\$2.8 million) to \$7.6 million from \$10.4 million, mainly due to lower revenue in Singapore, Indonesia and Malaysia.

Compared to 9M 2018, revenue for 9M 2019 decreased by 28.3% (\$11.4 million) to \$28.9 million from \$40.3 million. The decrease in revenue was mainly due to lower revenue in the Middle East and Africa markets, Malaysia and Indonesia, partially offset by higher revenue from Singapore.

(b) Gross Profit

On a YOY basis, gross profit for Q3 2019 decreased by 34.5% to \$5.7 million from \$8.7 million, in tandem with the lower revenue. The gross profit margin decreased to 21.3% from 27.2% primarily due to lower gross profit margin from service revenue.

Compared to 9M 2018, gross profit for 9M 2019 decreased by 20.5% (\$6.2 million) to \$24.0 million from \$30.2 million mainly due to lower revenue. The gross profit margin for 9M 2019 (24.8%) decreased marginally as compared to 9M 2018 (24.9%).

(c) Other Income / (Expenses)

On a YOY basis, other income / (expenses) for Q3 2019 and 9M 2019 increased by \$1.3 million and \$1.8 million respectively. The increase was mainly due to the strengthening of USD against SGD and EUR thus, resulting in an unrealised net exchange gain upon revaluation of USD receivables.

(d) Operating Expenses

On a YOY basis, total operating expenses for Q3 2019 decreased by 8.2% (\$0.5 million) to \$5.6 million from \$6.1 million. Total operating expenses for 9M 2019 decreased by 5.3% (\$1.1 million) to \$19.5 million from \$20.6 million. The decrease in operating expenses was mainly due to lower distribution and selling, partially offset by the increase in administrative expenses.

Distribution and selling expenses decreased by 20.2% (\$0.9 million) YOY for Q3 2019 and 11.4% (\$1.6 million) for 9M 2019 mainly due to lower payroll and staff related costs, and increase in net write back for doubtful debts and bad debts recovered.

Administrative expenses increased by 20.2% (\$0.4 million) YOY for Q3 2019 and by 7.3% (\$0.5 million) YOY for 9M 2019. The increase was mainly due to additional depreciation charges on right-of-use assets and higher other professional fees for the period under review.

(e) Profit Before Tax ("PBT")

The Group registered a profit before tax of \$1.0 million in Q3 2019, a decrease of 56.4% YOY.

In comparison to 9M 2018, the PBT for 9M 2019 decreased by 40.0% (\$3.4 million) from \$8.5 million to \$5.1 million. The decrease in PBT for both Q3 2019 and 9M 2019 was attributable to lower gross profit, and partially offset by lower operating expenses.

PBT as a percentage of revenue for Q3 2019 (3.7%) decreased as compared to Q3 2018 (7.1%). PBT as a percentage of revenue for 9M 2019 was lower at 5.2% compared to 7.0% in 9M 2018.

(f) Tax

On a YOY basis, tax expenses for Q3 2019 and 9M 2019 decreased by \$0.7 million and \$0.8 million respectively. The decrease was 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 \$3.0 million mainly due to the recognition of right-of-use assets following the adoption of SFRS(I) 16 *Leases*.

(h) Current Assets

The Group's current assets decreased by \$4.2 million mainly due to lower contract assets and cash and cash equivalents, partially offset by higher other receivables and stocks.

(i) Current Liabilities

The Group's current liabilities decreased by \$1.9 million mainly due to lower contract liabilities arising from advance payments from customers. This is partially offset by the increase in short term borrowings and trade payables.

(j) Non-Current Liabilities

The Group's non-current liabilities increased by \$4.0 million due to the recognition of lease liabilities following the adoption of SFRS(I) 16 *Leases*.

(k) Cash flow

For Q3 2019, the increase in cash and cash equivalents of \$0.3 million was mainly due to:

- net cash flow from operating activities of \$1.7 million as a result of positive change in working capital from improved collections from customers and higher trade payables;
- net proceeds from bank loans of \$0.6 million; and partially offset by
- payment of FY2019 interim dividend of \$1.8 million.

For 9M 2019, the decrease in cash and cash equivalents of \$8.9 million was mainly due to:

- negative cash flow from operating activities of \$8.0 million as a result of the decrease in contract liabilities, increase in stocks and other receivables, partially offset by the increase in trade payables;
- payment of FY2018 and FY2019 interim dividends totalling \$7.2 million; and partially offset by
- net proceeds from net bank loans of \$7.0 million.

As a result of the above, the Group's cash and cash equivalents stood at \$12.6 million as at 30 September 2019 compared to \$17.8 million as at 30 September 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 9M 2019, the Group secured approximately \$113.8 million in order in-take, a decrease of 20.5% (\$29.4 million) compared to \$143.2 million in 9M 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 \$85.6 million, or 75.2% of total 9M 2019 order in-take, a decrease of 18.9% (\$20.0 million) compared to \$105.6 million recorded in 9M 2018. This is mainly due to lower order in-take from the service provider markets. The Group’s WIN business segment contributed the remaining \$28.2 million in order in-take, a decrease of 25.0% (\$9.4 million) compared to \$37.6 million in 9M 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. In addition, the Europe, Middle East and African market continues to be a very challenging market for the WIN business segment. In view of the aforementioned, the Group intends to continue its efforts to diversify its customer base, broaden its revenue streams by pursuing adjacent growth verticals as well as increasing recurring income base through service and maintenance contracts. At the same time, the Group will strengthen its capabilities and maintain a strong focus on the ASEAN markets.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared or recommended for the financial period.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There is no IPT mandate obtained.

14. Negative assurance confirmation on interim financial results under Rule 705(5) of the SGX-ST.

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the third quarter and nine months financial statements for the period ended 30 September 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

8 November 2019