

# **NERA TELECOMMUNICATIONS LTD**

Company Registration No. 197802690R  
(Incorporated in the Republic of Singapore)

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## **RESPONSE TO SGX QUERIES IN RELATION TO THE UNAUDITED RESULTS FOR THE FULL FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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1. The Company disclosed that impairment loss on receivables arising from contracts with customers amount to S\$7.69m, and that significant increase in allowance for impairment of trade receivables are mainly due to Indonesia and Malaysia. Please provide more information on the reasons for the significant impairments on receivables and contract assets.

### **Company's Response**

The impairment loss on receivables arising from contracts with customers arose from projects that were put on hold or were cancelled by end users as a result of funding issues during the COVID-19 pandemic years.

There are two contracts entered with a customer in Indonesia in January and March 2020 with order values of S\$6.0m and S\$2.2m respectively. One of the key projects was put on hold after the Company delivered the equipment and invoiced the customer in March 2020. Only 4% partial payment was collected from this customer and the balance of the overdues hinged on the completion of the contract with the end user. The company has been informed by the customer that the project was being put on hold by the end user due to funding issues. Given the further deterioration in ageing of the receivables beyond 360 days and uncertainty over its collectability, the Company has impaired the balance receivables from this customer as at 31 December 2021. The impairment on receivables from this customer contributed to 77% of the total amount of S\$7.69m.

Two customers in Malaysia contributed to 8% of the total impairment loss on receivables. These contracts were awarded in 2017 and 2020 with order values of S\$3.5m and S\$0.3m respectively. Change in product specifications and customer funding issues were reasons for the long outstanding receivables where the ageing exceeded 360 days.

In addition, the remaining impairment of receivables were made for other long outstanding overdue receivables from customers in Malaysia, Thailand and EMEA

2. We note that contract liabilities increased from S\$21.66m to S\$30.86m as at 31 December 2021, even though revenue had fallen 22% during the financial year to S\$102.4m. Please provide more information on these contract liabilities and elaborate on the reasons for the increase of 42% in contract liabilities.

### **Company's Response**

The increase in contract liabilities is principally explained by the following two reasons.

- i. The higher order intake closed by the group of S\$137.7m as at 31 December 2021 (as compared to S\$120.0m in FY 2020) required more work to be

performed to deliver the solutions to customers. Upon deliveries, these contract liabilities will be recognised as revenue.

- ii. More annual maintenance contracts secured in 2H 2021, which are typically billed in advance and accounted for in contract liabilities. These are reduced over time and generate recurring revenue.
3. We refer to Note 22 regarding contingent liabilities. Please provide more information for a clearer understanding of why costs to complete the certain job orders entered by the Company's subsidiary have become unfavourable to the Group, and also quantify how material these contracts are to the Group. Please disclose whether these factors will similarly affect the other projects of the Group and if so, to provide more details to explain and quantify the sensitivity of the Group's operations to these factors.

### **Company's Response**

These job orders were received around June 2018 and required substantial time to complete involving a number of buildings being constructed. Our portion of the works is to deliver and install the equipment for the electrical and cabling works and commences when the buildings are at an advance stage of construction. Works were completed and invoiced for several buildings. Due to the COVID-19 pandemic and design changes to the buildings, there were project delays causing delays to our scope of works on the remaining buildings. The remaining outstanding works is projected to show a loss.

The contractual amount for these outstanding job orders totalled S\$5.5 million.

The above factors are specifically identified to this project and we do not expect to experience similar issues in other projects although cost overruns can and do occur in the ordinary course of business.

As highlighted in Note 22, the group has opted to negotiate for a commercial settlement to continue or terminate the contract and this is under discussion. Additional accrued costs of \$1.0 million based on cost projections has been recorded in Other Expenses but the final settlement is dependent on the negotiations in progress with the customer, hence the Contingent Liability note.

### **By Order of the Board**

Chan Wan Mei and Chan Lai Yin  
Joint Company Secretaries

05 March 2022